



# MONTHLY REPORT ON FISCAL-MACRO POSITION

**October 2020**

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## Executive Summary

*The October 2020 issue of the report on Fiscal-Macro position contains relevant data and analysis on the movement of major macroeconomic variables in the current month compared to the same period of the previous year. An overview of the report is given below:*

### **Fiscal Sector**

*An increase in non-tax revenue by 36.80 percent and an increase in tax revenue by 2.65 percent have resulted in total revenue to grow by 8.01 percent in July-October of FY<sup>1</sup>21. At the same time, total government spending fall by 12.87 percent as the development expenditure fall by 34.57 percent on the back of slow implementation of the development projects due to the COVID19 pandemic. Overall budget balance including grants remains a surplus of 196.87 crore BDT at the end of October of FY21.*

### **Monetary Sector**

*Broad Money (M2) grew by 14.10 percent at the end of October of FY21 resulted from 24.67 percent growth in the Net Foreign Asset (NFA) and 11.22 percent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 15.19 percent that resulted in decline in the money multiplier by 0.05.*

### **External Sector**

*Export increased by 0.97 percent while import payments fell by 12.96 percent in July-October of FY21 compared to that of July-October of FY20. At the same time, remittance inflow increased by 43.25 percent. Strong remittance inflow and subdued imports have contributed to building a foreign exchange reserve that stood at US\$ 40.82 billion, which is equivalent to import payments of 9.22 months, at the end of October of FY21.*

### **Real Sector**

*The quantum Index of the large and medium scale manufacturing industry has increased by 2.99 percent in October 20 over October 19. Leather & related products experienced 42.94 percent growth followed by Pharmaceuticals with 10.75 percent growth and non-metallic mineral products with 7.90 percent growth while Wearing apparel declined by 5.40 percent in October 20 compared to that of October 19. The CPI inflation (12-month moving average) edged up to 5.77 percent, of which, food and non-food inflation are 5.87 percent and 5.62 percent respectively at the end of October of FY21.*

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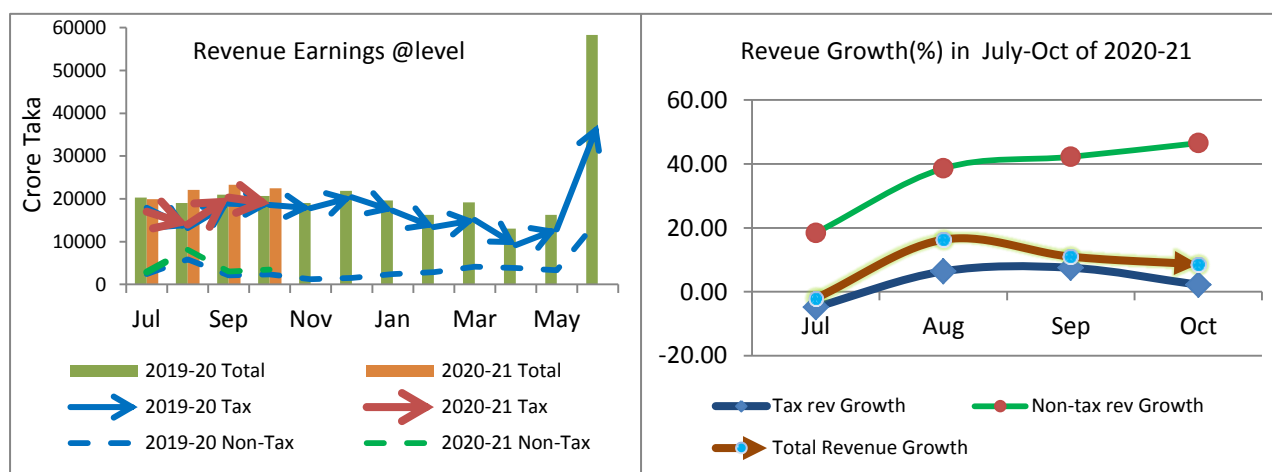
<sup>1</sup> FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

## 1. FISCAL SECTOR

### 1.1 Revenue Earnings

Revenue grew by 8.61 percent in October 20 compared to that of October 19 where tax revenue growth is 2.20 percent and non-tax revenue growth is 46.51 percent. Cumulative growth of revenue In July-October of FY21 is 8.01 percent where tax revenue grew by 2.65 percent and non-tax revenue grew by 36.80 percent.

Chart 1.1: Monthly trend of Revenue earnings



Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division

Table 1.1: Revenue Earnings (crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2020-21 (July-October)	68,456.18	1,885.25	70,341.42	17,475.53	87,816.96
2019-20 (July-October)	66,202.25	2,326.01	68,528.26	12,774.48	81,302.74
Growth (%)	3.40	-18.95	2.65	36.80	8.01
2019-20	214,836.41	5,943.57	220,779.98	42,282.45	263,062.42
2018-19	218,624.87	7,342.64	225,967.51	25,924.43	251,891.94
Growth (%)	-1.73	-19.05	-4.93	63.10	4.43

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division

### 1.2 Government Expenditure

The government's operating expenditure fell by 2.52 percent in July-October of FY21 compared to that of July-October of FY20 as the operating capital expenditure declined by 69.48 percent. At the same time, declining in development expenditure by 34.57 percent has resulted in total government expenditure falling by 12.87 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 38.91 percent in July-October of FY21.

**Table 1.2: Government Expenditure (Crore taka)**

	2020-21 (July-October)	2019-20 (July-October)	Growth (%) (July-October)	2019-20	2018-19	Yearly Growth (%)
<b>a1. Operating Recurrent Expenditure</b>	66,938.38	65,621.07	2.01	232,932.03	217,785.97	6.95
Pay and Allowances	18,542.94	18,730.93	-1.00	55,483.05	53,400.24	3.90
Use of Goods and Services	4,488.10	5,918.27	-24.17	28,434.80	28,562.22	-0.45
Interest Payment	18,661.52	17,903.05	4.24	57,395.45	49,460.72	16.04
Domestic	17,275.62	16,394.58	5.37	53,077.58	46,050.52	15.26
Foreign	1,385.90	1,508.47	-8.13	4,317.87	3,446.21	25.29
Subsidies and Transfer	25,245.83	23,068.83	9.44	91,618.53	86,362.78	6.09
<b>a2. Operating Capital Expenditure</b>	1,352.64	4,432.10	-69.48	18,387.30	20,302.41	-9.43
<b>a) Total Operating Expenditure (a1+a2)</b>	68,291.03	70,053.17	-2.52	251,319.33	238,088.38	5.56
<b>b) Outlay for Food Accounts</b>	2,725.03	3,950.40	-31.02	2,325.57	4,233.43	-45.07
<b>c) Net lending</b>	-1,405.97	-966.85	45.42	1,207.01	-1,707.78	-170.68
<b>d) Development Expenditure</b>	18,010.04	27,527.13	-34.57	160,652.41	151,055.35	6.35
<i>Of which ADP</i>	17,744.29	27,323.79	-35.06	154,238.27	147,400.38	4.64
<b>Total Expenditure (a+b+c+d)</b>	87,620.13	100,563.85	-12.87	415,504.32	391,669.38	6.09
<b>Total Expenditure (% of GDP)</b>	8.29	10.79	-2.50	14.86	15.40	-0.55
<b>Memo item: GDP</b>	3,171,824.04*	2,796,378.20	13.43	27,96,378.20	25,42,482.60	9.99

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division, \*-Projected Nominal GDP @budget preparation

### 1.3 Budget Deficit

Overall budget balance (including grants) remains surplus by 196.87 crore taka as the government expenditure fall 12.87 percent while total revenue increases by 8.01 percent in July-October of FY21. This balance was BDT 19,261.12 crore deficits during July-October of FY20.

**Table 1.3: Budget Balance (Crore taka)**

Year	Overall Balance	Overall Balance as % of GDP
2020-21 (July-October)	196.87	0.01
2019-20 (July-October)	-19,261.12	-0.69
2019-20	-150,528.49	-5.38
2018-19	-138,359.49	-5.44

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division

### 1.4 Deficit Financing

Despite the surplus balance in July-October of FY21, the government had to borrow 14,008.04 Crore taka from the banking system and 2,218.41 crore taka from the external sources to make repayments of the non-bank borrowing done in the past.

**Table 1.4: Deficit financing (Crore taka)**

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21(July-October)	2,218.41	14,008.04	-16,391.59	-2,383.55	-165.13	-0.01
2019-20(July-October)	-125.15	33,510.41	-14,126.08	19,384.33	19,259.17	0.69
2019-20	45,116.39	81,717.96	23,389.62	105,107.58	150,223.97	5.37
2018-19	31,289.03	29,479.41	72,480.95	101,960.36	133,249.38	5.24
Target in 2020-21	76,004.00	84,979.99	25,003.00	109,982.99	185,986.99	5.86

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division

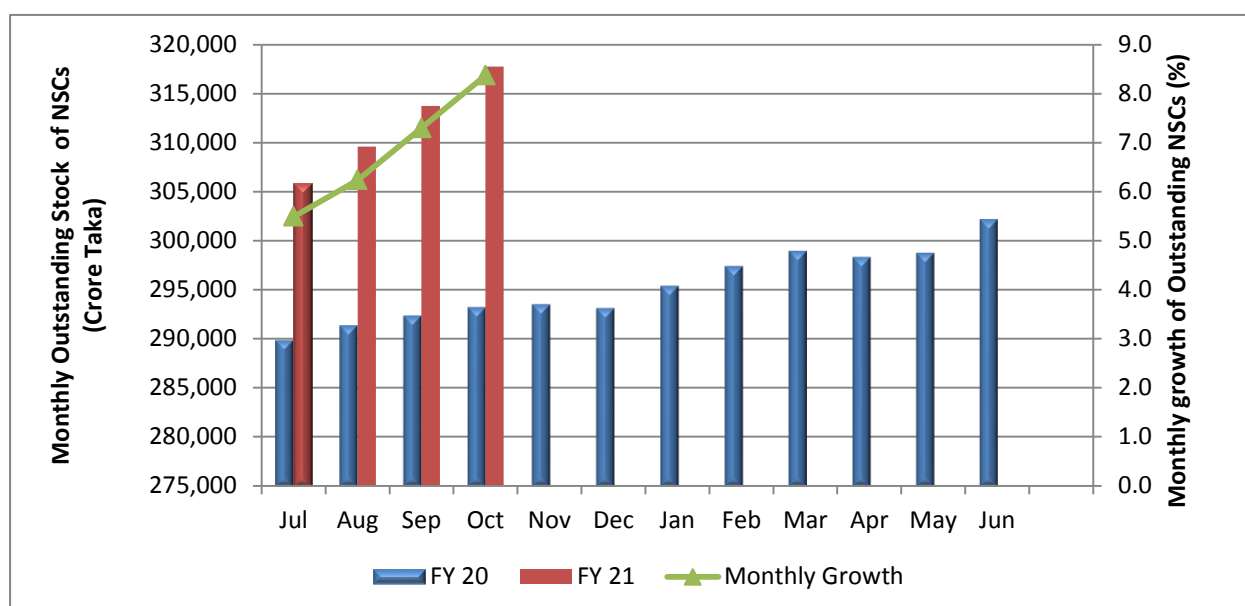
#### 1.4.1 National Savings Certificates (NSCs)

The trend of NSC sales that has slowed down in the last fiscal year appears to be reversed as the net sales of NSCs increased by 183.32 percent in July-October of FY21. As a result, outstanding NSC has increased by 8.37 percent at the end of October 20 compared to that of October 19.

**Table 1.5 Net Sale and Repayment of NSCs (Crore taka)**

Period	Sale	Repayment (Principal)	Net Sale	Outstanding at the end of period
2020-21 (July-October)	37,195.39	21,553.04	15,642.36	317,776.71
2019-20 (July-October)	23,607.43	18,086.41	5,521.02	293,227.02
Growth* (%)	57.56	19.17	183.32	8.37
2019-20	67,127.75	52,699.40	14,428.35	302,134.35
2018-19	90,342.39	40,402.91	49,939.48	287,706.00
Growth (%)	-25.70	30.43	-71.11	5.01

Source: Bangladesh Bank; \*-Growth calculated over the same month of the previous year.

**Chart 1.2: Monthly trend of the outstanding stock of NSCs**

Source: Major Economic Indicators, Bangladesh Bank, Monthly growth calculated over the same period of the previous year

## 2. MONETARY SECTOR

### 2.1 Monetary and Credit Development

Broad money (M2) grew by 14.10 percent at the end of October 20 from that of October 19. Of the sources of broad money, Net Domestic Asset (NDA) increased by 11.22 percent and Net foreign asset (NFA) increased by 24.67 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed to higher growth in the net domestic asset despite moderate credit growth in the private sector.

**Table 2.1: Monetary and Credit Development**

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)	
	Oct-20	Oct-19	Jun-20	Oct-20 over Oct-19	Oct-20 over Jun-20
<b>A. Net Foreign Assets (NFA)</b>	3,369.27	2,702.46	2,973.36	24.67	13.32
<b>B. Net Domestic Asset (NDA)</b>	11,028.01	9,915.66	10,763.99	11.22	2.45
a. Domestic Credit	13,359.85	11,994.63	13,076.34	11.38	2.17
Public Sector	2,216.63	1,735.05	2,103.66	27.76	5.37
Govt. (Net)	1,916.07	1,476.57	1,811.51	29.77	5.77
Other Public	300.56	258.48	292.15	16.28	2.88
Private sector	11,143.22	10,259.58	10,972.68	8.61	1.55
b. Net Other assets	-2,331.84	-2,078.98	-2,312.35	12.16	0.84
<b>C. Broad Money (A+B)</b>	14,397.28	12,618.11	13,737.35	14.10	4.80

Source: Monthly Economic Trends, Bangladesh Bank

### 2.2 Reserve Money Development

Reserve money increased by 15.19 percent at the end of October 20 from that of October 19. Higher growth of reserve money compared to that of broad money has resulted in decline of the money multiplier by 0.05. Reserve money increased by 1.65 percent in October 20 compared to that of June 20.

**Table 2.2: Reserve money and money multiplier (Billion BDT)**

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Oct-20	Oct-19	Jun-20	Oct-20 over Oct-19	Oct-20 over Jun-20
<b>Reserve money</b>	2,892	2,510	2,845	15.19%	1.65%
<b>Money multiplier</b>	4.98	5.03	4.83	-0.05	0.15

Source: Monthly Economic Trends, Bangladesh Bank;

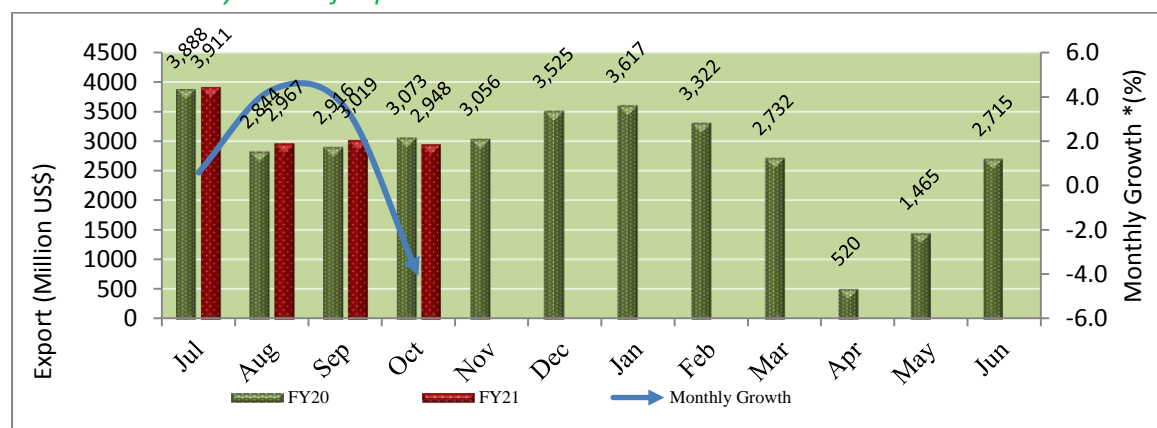


## 3. EXTERNAL SECTOR

### 3.1 Exports

Merchandise export declined by 4.08 percent in October 2020 compared to that of October 2019 after experiencing moderate growth in the last three months. With this growth, cumulative export increased by 0.97 percent to 12.84 billion USD in July-October of FY21 compared to that of the previous year.

Chart 3.1: Monthly Trend of Exports



Source: Export Promotion Bureau, \*Growth over the same period of the previous year

Table 3.1: Export Performance (Million US\$)

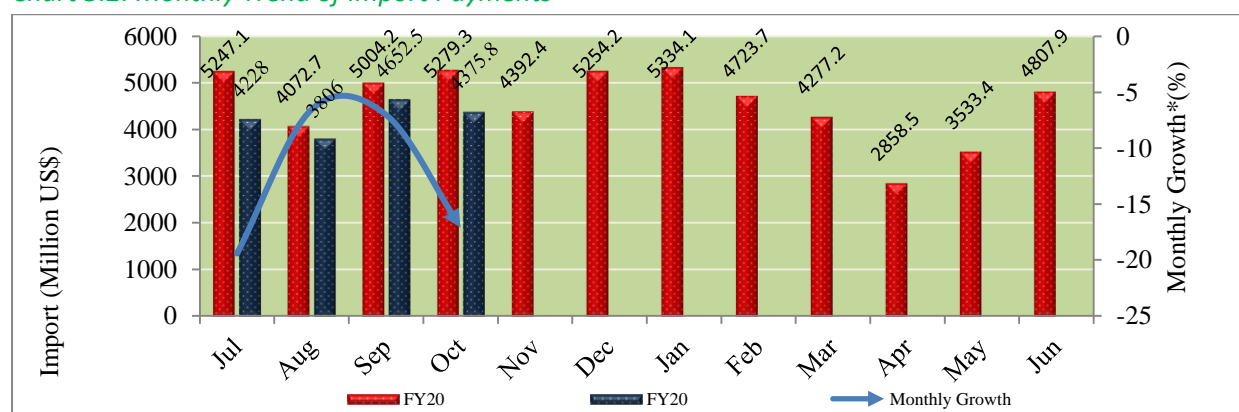
	2020-21 (July-October)	2019-20 (July-October)	2019-20	2018-19
Exports	12,844.64	12,721.25	33,674.12	40,535.04
Growth* (%)	0.97	-6.82	-16.93	10.55

Source: Export Promotion Bureau, \*Growth over the same period of the previous year

### 3.2 Imports (C & F)

Import payment fell by 17.11 percent to 4.38 billion USD in October 2020 compared to that of October 19 as import of industrial raw materials and capital machinery slowed down. As a result, cumulative import payments dropped by 12.96 percent to 17.06 billion USD in July-October of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening fell by 6.39 percent and LCs settlement fell by 16.09 percent.

Chart 3.2: Monthly Trend of Import Payments



Source: Bangladesh Bank, \*Growth over the same period of the previous year

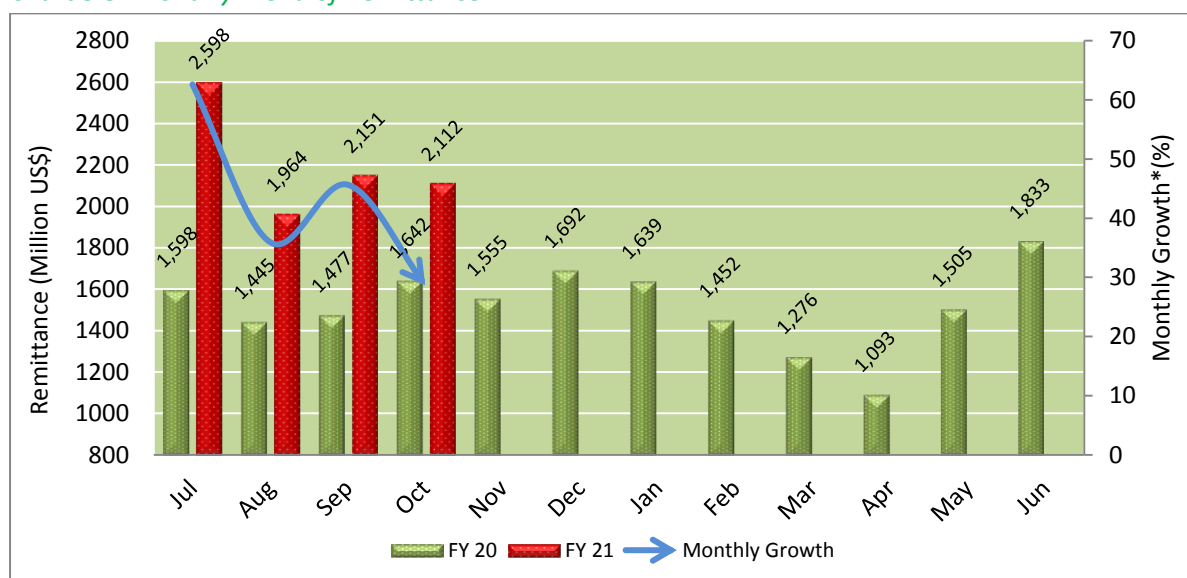
**Table 3.2: Import Scenario (Million US\$)**

Item	2020-21 (July-October)	2019-20 (July-October)	2019-20	2018-19
Import payments	17,062.30	19,603.30	54,784.70	59,914.70
Growth* (%)	-12.96	-3.17	-8.56	1.78
LCs Opened	18,019.68	19,250.76	53,119.86	58,703.38
Growth* (%)	-6.39	-	-9.51	-16.81
LCs Settled	15,471.66	18,438.16	51,091.47	57,328.19
Growth* (%)	-16.09	-	-10.88	6.03

Source: Bangladesh Bank. \*Growth over the same period of the previous year

### 3.3 Remittances

Remittance inflow increased by 28.68 percent in October 20 compared to that of October 19. Cumulative remittance inflow grew by 43.25 percent in July-October of FY21 compared to that of the previous year. The government has been providing 2.0 percent fiscal incentives for each dollar remittance inflow into the economy. Further, reforms in the financial sector, such as Improvement in the mobile financial service, agent banking, and financial inclusions have resulted in jump in remittance in the formal channel.

**Chart 3.3: Monthly Trend of Remittance**

Source: Bangladesh Bank;

**Table 3.3: Remittance Performance (Million US\$)**

	2020-21 (July-October)	2019-20 (July-October)	2019-20	2018-19
Remittances	8,825.64	6,161.02	18,205.11	16,419.63
As % of Export	68.71	48.43	54.06	40.51
As % of GDP	7.08	5.60	5.52	5.43
Growth (%)	43.25	20.62	10.87	9.62

Source: Bangladesh Bank;

### 3.4 Balance of Payments (BOP)

The marginal increase in exports and a fall in import payments have contributed to improving the trade balance in July-October of FY21. At the same time, higher remittance inflow has turned the current account balance from a 1.52 Billion US\$ deficit to a 4.05 Billion US\$ surplus. Consequently, the overall balance has also turned a 4.1 Billion US\$ surplus in October 20 from a 0.23 Billion US\$ deficit in October 19.

**Table 3.4: Balance of Payments (Million US\$)**

	2020-21 (July- October)	2019-20 (July- October)	2019-20	2018-19
Trade Balance	-3,236	-5,729	-17,861	-15,835
Current Account	4,054	-1,521	-4,849	-5,102
Capital Account	50	29	256	239
Financial Account	225	1,343	7,952	5,907
Error & Omission	-188	-80	296	-865
Overall Balance	4,141	-229	3,655	179

Source: Bangladesh Bank;

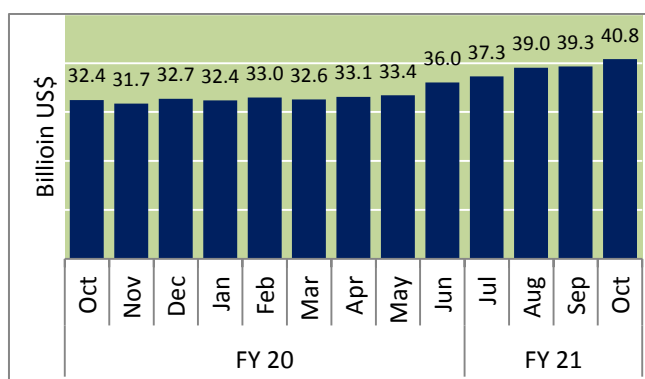
### 3.5 External Reserve

The gross foreign exchange reserve stood at 40.82 billion at the end of October 20, which is enough to cover import payments of 9.22 months based on the average import liability of the previous 12 months. Foreign exchange reserve has surged at the end of October 20 on the back of higher remittance inflow and lower import payments.

**Table 3.5: Foreign Exchange Reserve (end of the month)**

Reserve	2020-21 (October)	2019-20 (October)	2019-20 (June)
Million US\$	40816.31	32438.00	36,037.03
Months of import payment	9.00	6.90	7.87

Source: Bangladesh Bank;

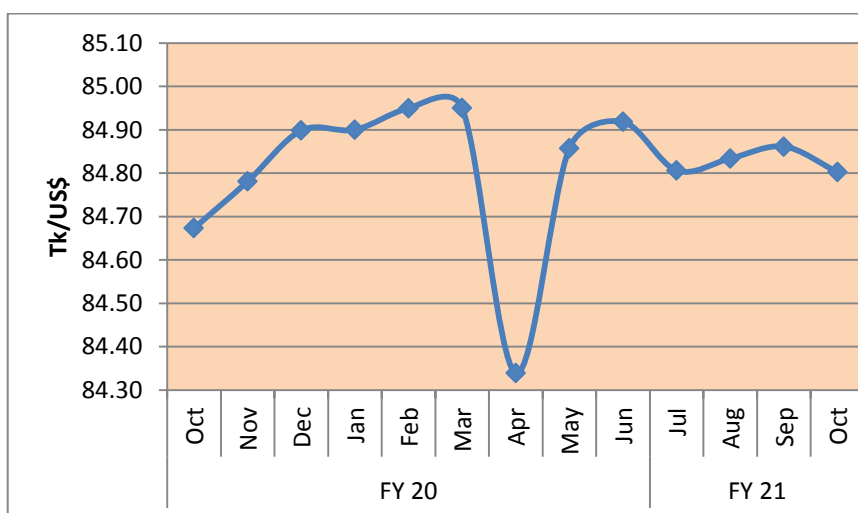


### 3.6 Exchange Rate Movements

The exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency (BDT) moved within a narrow band (84.3-85.0 BDT/US\$) in the last one year. Taka depreciated by 0.15 percent against the US dollar in October 20 from that of October 19.

**Table 3.6: Exchange Rate Movement (Taka/US\$)**

Period	Average	End period
2014-15	77.67	77.81
2015-16	78.40	78.40
2016-17	79.12	80.60
2017-18	83.70	83.70
2018-19	84.02	84.50
2019-20	84.78	84.90
<b>2020-21</b>		
July	84.81	84.80
August	84.83	84.83
September	84.86	84.84
October	84.80	84.80



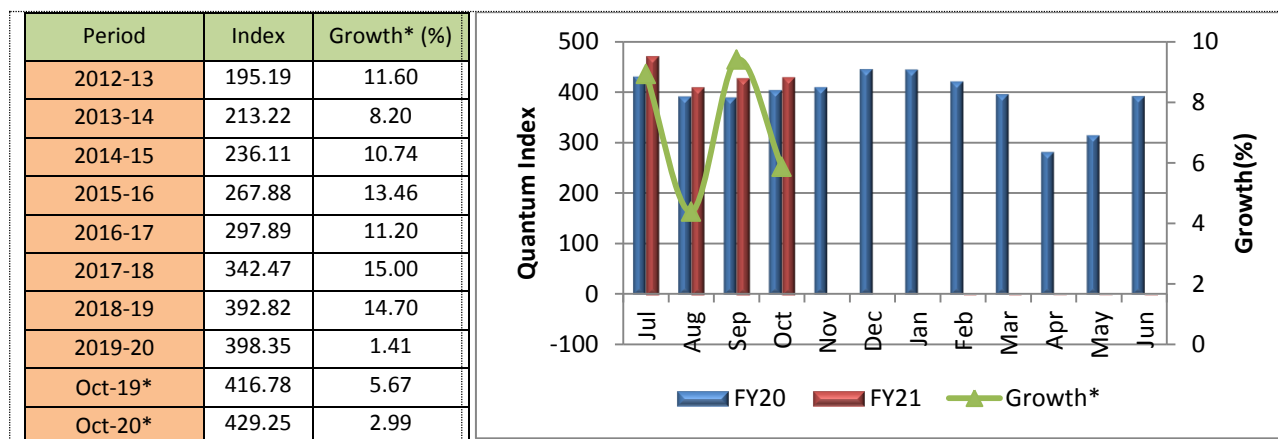
Source: Bangladesh Bank

## 4. REAL SECTOR

### 4.1 Quantum Index of Industrial Production

The Quantum Index of the large and medium scale manufacturing industry, which accounts for 87.54 percent of the industrial production, has increased by 2.99 percent in October 20 compared to the level of October 19. On the other hand, Industrial production index growth increased by 5.67 percent in October 20 compared to the previous month.

**Table 4.1: Quantum Index of large and medium scale manufacturing industry (Base: 2005-06=100)**



Source: BBS, P-Provisional, \*Growth over the same period of the previous fiscal year

**Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group**

Major Industry Group	Weight	Index			Change of Index	
		Oct'19	Sep'20	Oct' 20	Oct' 20 over Oct'19 (%)	Oct' 20 over Sep'20 (%)
General Index	100	416.78	427.32	429.25	2.99	0.45
Of which Wearing apparel	34.84	397.79	390.36	376.3	-5.40	-3.60
Textile	14.07	249.46	256.73	258.76	3.73	0.79
Food products	10.84	618.67	569.84	607.57	-1.79	6.62
Pharmaceuticals	8.23	892.5	961.82	988.46	10.75	2.77
Non-metallic mineral Products	7.12	487.06	490.94	525.53	7.90	7.05
Leather & related products	4.40	353.78	544.34	505.71	42.94	-7.10

Source: BBS, P-Provisional, \*Growth over the same period of the previous fiscal year

Industrial production by major industry group shows that Leather & related products experienced 42.94 percent growth followed by Pharmaceuticals with 10.75 percent growth, mineral products with 7.90 percent growth while Wearing apparel declined by 5.40 percent in October 20 compared to that of October 19. Overall, the output of the most industries increased in October 20 compared to that of October 19.

## 4.2 CPI Inflation

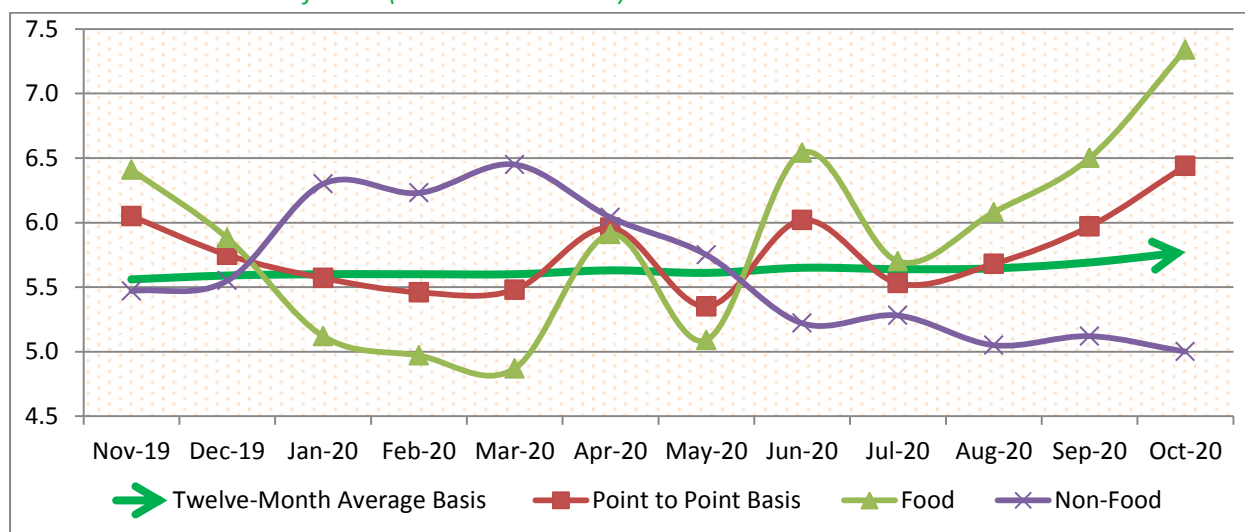
The CPI inflation (Twelve-month average basis) has edged up to 5.77 where food inflation is 5.87 and non-food inflation is 5.62 in October 20 as the Point to Point food inflation increased significantly despite a slight decrease in non-food inflation in October 20. CPI inflation has been targeted at 5.40 percent in FY21.

**Table 4.3: CPI Inflation (National) (Base 2005-06)**

Fiscal Year	Twelve-Month Average Basis			Point to Point Basis		
	General	Food	Non-Food	General	Food	Non-Food
2014-15	6.41	6.68	5.99	6.25	8.00	5.45
2015-16	5.92	4.90	7.47	5.53	6.32	6.15
2016-17	5.44	6.02	4.57	5.94	7.51	3.67
2017-18	5.78	7.13	3.74	5.54	5.98	4.87
2018-19	5.48	5.51	5.42	5.52	5.40	5.71
2019-20	5.65	5.52	5.85	5.65	5.56	5.85
2020-21						
July	5.64	5.54	5.79	5.53	5.70	5.28
August	5.65	5.61	5.72	5.68	6.08	5.05
September	5.69	5.71	5.66	5.97	6.50	5.12
October	5.77	5.87	5.62	6.44	7.34	5.00

Source: Bangladesh Bank

**Chart 4.1: Trend in CPI Inflation (Base 2005-06=100)**



## 4.3 GDP Growth Outlook

Bangladesh Bureau of Statistics (BBS)' provisional data show that GDP has grown by 5.24 percent, which is 2.96 percent lower than that of the government's target in FY20. Private consumption (2.47) and private investment (1.59) are the two largest contributors to this estimated growth. On the supply side, growth was mainly driven by services (5.32) and the industrial sector (6.48). With this growth, per capita GNI rose to US\$2,064 at the end of FY20. The government has projected GDP to grow at 8.2 percent to 31,71,824 lac crore taka at the time of budget preparation and with this growth per capita income would rise to 2,326US\$ in FY21. However, the projected growth largely depends upon how quickly the economy makes a turnaround from the COVID19 pandemic.