



MONTHLY REPORT ON FISCAL-MACRO POSITION

January 2021

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Executive Summary

The January 2120 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 52.61 percent and an increase in tax revenue by 5.21 percent have resulted in total revenue to grow by 11.05 percent in July-January of FY¹21. At the same time, total government spending fall by 8.53 percent as the development expenditure fall by 29.84 percent on the back of slow implementation of the development projects due to the COVID19 pandemic. As a result, Overall budget balance including grants improved by 1.21 percent of GDP during the period.

Monetary Sector

Broad Money (M2) grew by 13.48 percent at the end of January 21 resulted from 30.91 percent growth in the Net Foreign Asset (NFA) and 8.81 percent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 20.88 percent that resulted in decline in the money multiplier by 0.32.

External Sector

Exports and imports fell by 1.09 percent and 0.23 percent respectively while remittance inflow increased by 34.95 percent in July-January of FY21 compared to that the previous year. Strong remittance inflow along with subdued imports has contributed to building a current account balance of US\$ 2.24 billion surplus. At the same time, inflows in the financial account has turned the overall balance US\$ 6.41 billion surplus and surged in the foreign exchange reserve to US\$ 42.86 billion, which is equivalent to import payments of 9.74 months, at the end of January 21.

Real Sector

The quantum Index of the large and medium scale manufacturing industry has increased by 6.82 percent in December 20 over December 19. During this period, Leather & related products experienced 32.62 percent growth followed by food products with 24.58 percent growth, Pharmaceuticals with 14.18 percent growth while Wearing Apparel and Textile industry contracted. The CPI inflation (12-month moving average) edged down to 5.64 percent, of which, food and non-food inflation are 5.78 percent and 5.43 percent respectively at the end of January 21 as both food and non-food inflation moderated in January 21.

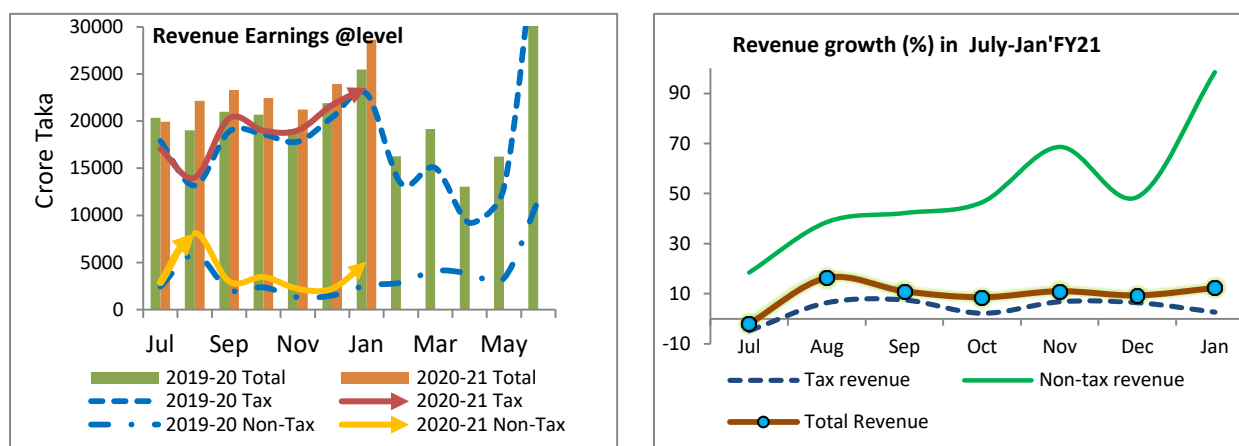
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

Total revenue grew by 12.3 percent in January'21 compared to that of January'20 where tax revenue grew by 2.7 percent and non-tax revenue grew by 98.5 percent. Cumulative growth of revenue is 11.05 percent in July-January of FY21 where tax revenue growth is 5.21 percent and non-tax revenue growth is 52.61 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-January)	132,910.79	3,603.39	136,514.18	27,852.17	164,366.35
2019-20 (July-January)	125,540.95	4,215.31	129,756.25	18,250.21	148,006.46
Growth (%)	5.87	-14.52	5.21	52.61	11.05
2019-20	215,926.99	5,944.11	221,871.10	43,927.49	265,798.59
2018-19	218,046.47	3,242.32	221,288.79	17,369.07	238,657.87
Growth (%)	-0.97	83.33	0.26	152.91	11.37

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

1.2 Government Expenditure

Total operating expenditure slightly increased (2.57 percent) in July-January of FY21 compared to that of FY20. At the same time, declining in development expenditure by 29.84 percent has resulted in total government expenditure falling by 8.53 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 49.60 percent in July-January of FY21.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July-January)	2019-20 (July-January)	Growth (%) (July-January)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	126,697.96	122,212.82	3.67	234,470.74	222,670.16	5.30
Pay and Allowances	32,830.55	31,393.92	4.58	56,236.52	54,920.36	2.40
Use of Goods and Services	11,721.87	11,845.83	-1.05	28,463.13	30,512.00	-6.71
Interest Payment	35,694.33	32,496.25	9.84	57,682.71	50,066.14	15.21
Domestic	32,912.00	29,835.29	10.31	53,364.84	46,530.29	14.69
Foreign	2,782.34	2,660.95	4.56	4,317.87	3,535.85	22.12
Subsidies and Transfer	46,451.20	46,476.82	-0.06	92,088.39	87,171.66	5.64
a2. Operating Capital Expenditure	5,640.08	6,805.36	-17.12	18,223.13	21,132.24	-13.77
a) Total Operating Expenditure (a1+a2)	132,338.04	129,018.17	2.57	252,693.87	243,802.40	3.65
b) Outlay for Food Accounts	2,997.32	4,686.61	-36.04	2,325.57	4,233.20	-45.06
c) Loans and Advances (Net)	-1,740.39	-1,284.29	35.51	1,205.81	-2,518.51	-147.88
d) Development Expenditure	41,043.17	58,497.55	-29.84	161,609.58	157,744.26	2.45
Of which ADP	39,132.65	55,417.66	-29.39	155,193.03	153,976.30	0.79
Total Expenditure (a+b+c+d)	174,638.14	190,918.04	-8.53	417,834.83	403,261.35	3.61
Total Expenditure (% of GDP)	9.50	11.70	-2.20	14.94	15.86	-0.92
Memo item: Nominal GDP	3,149,890.97	2,796,378.20	12.64	2,796,378.20	2,542,482.60	9.99

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division, *-Projected GDP @1st CC meeting in January 2021

1.3 Budget Deficit

Strong revenue performance (increased by 11.05 percent) against weaker government expenditure (fall by 8.53 percent) has resulted overall budget balance (including grants) to improve by 1.21 percentage point of GDP in July-January of FY21 compared to the same period of the previous year.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2020-21 (July-January)	-10,244.98	-0.33
2019-20 (July-January)	-42,910.04	-1.53
2019-20	-152,507.07	-5.45
2018-19	-147,688.48	-5.81

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

1.4 Deficit Financing

The government overwhelmingly financed its financing requirement from the external sources in the first seven month of the fiscal year as foreign financing came in as budgetary/BOP support after COVID-19 pandemic hit the economy on March 2020. However, the government has financed Tk. 18,806 crore from the banking system, most of which has been used to reimburse the loan taken from the non-banking source.

Table 1.4: Deficit financing (Crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		

2020-21(July-January)	6,321.23	18,806.28	-18,378.07	428.21	6,749.44	0.21
2019-20(July-January)	-1,307.09	49,557.92	-9,969.30	39,588.62	38,281.53	1.37
2019-20	45,137.87	81,717.96	24,919.30	106,637.26	151,775.13	5.43
2018-19	31,271.82	29,479.41	81,996.14	111,475.55	142,747.37	5.24
Target in 2020-21	76,004.00	84,979.99	25,003.00	109,982.99	185,986.99	5.90

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

1.4.1 National Savings Certificates (NSCs)

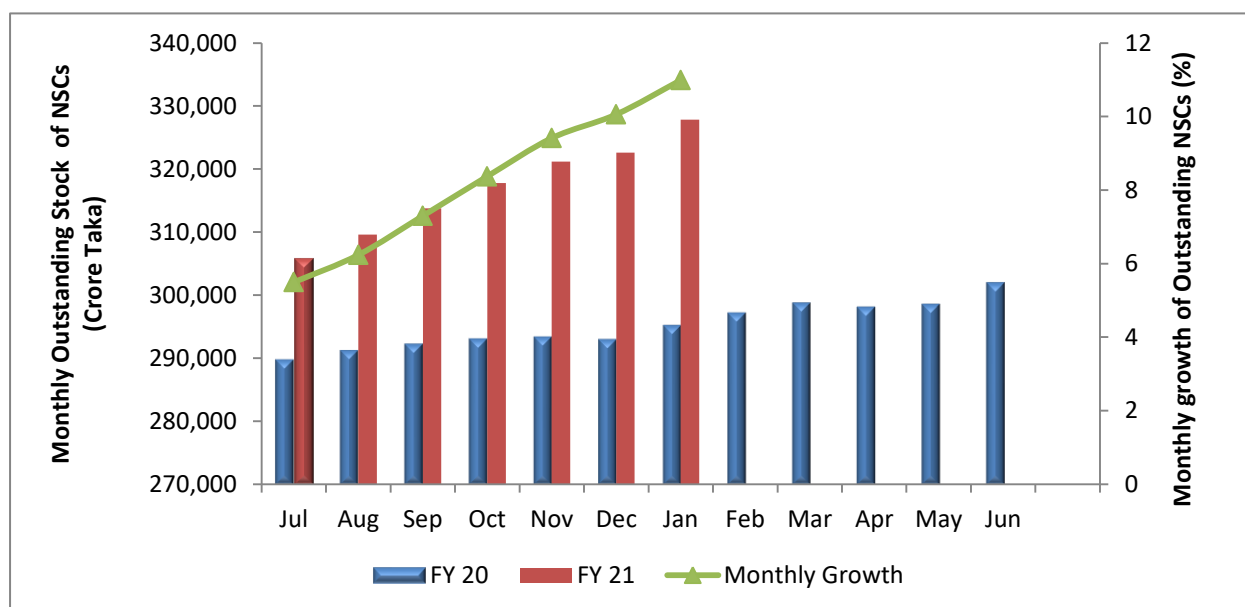
The trend of NSC sales that has slowed down in the last fiscal year has reversed as the net sale of NSCs increased by 235.0 percent in July-January of FY21. As a result, outstanding NSC has increased by 11.0 percent at the end of January 21 compared to that of the previous year.

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-January)	65,621.05	39,918.87	25,702.18	327,836.53
2019-20 (July-January)	41,519.56	33,846.21	7,673.35	295,379.36
Growth* (%)	58.05	17.94	234.95	10.99
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) increased by 13.48 percent to 14.72 trillion taka at the end of January 21 from that of January 20. Of the sources of broad money, Net Domestic Asset (NDA) increased by 8.81 percent and Net foreign asset (NFA) increased by 30.91 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed to moderate growth in the net domestic asset.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)	
	Jan-21	Jan-20	Jun-20	Jan-21 over Jan-20	Jan-21 over Jun-20
A. Net Foreign Assets (NFA)	3,591.58	2,743.50	3,014.70	30.91	19.14
B. Net Domestic Asset (NDA)	11,133.13	10,232.00	10,722.65	8.81	3.83
a. Domestic Credit	13,624.24	12,454.72	13,026.35	9.39	4.59
Public Sector	2,224.01	1,929.98	2,053.64	15.23	8.30
Govt. (Net)	1,913.61	1,632.55	1,761.49	17.22	8.64
Other Public	310.40	297.43	292.15	4.36	6.25
Private sector	11,400.23	10,524.74	10,972.71	8.32	3.90
b. Net Other assets	-2,491.11	-2,222.72	-2,303.70	12.07	8.14
C. Broad Money (A+B)	14,724.71	12,975.50	13,737.35	13.48	7.19

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 20.88 percent to Tk. 3.01 trillion at the end of January 21 from that of January 20. Higher growth of reserve money compared to that of broad money has resulted in decline of the money multiplier by 0.32. However, reserve money growth moderated in January 21 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	
	Jan-21	Jan-20	Jun-20	Jan-21 over Jan-20	Jan-21 over Jun-20
Reserve money	3,012	2,492	2,845	20.88%	5.88%
Money multiplier	4.89	5.21	4.83	-0.32	0.06

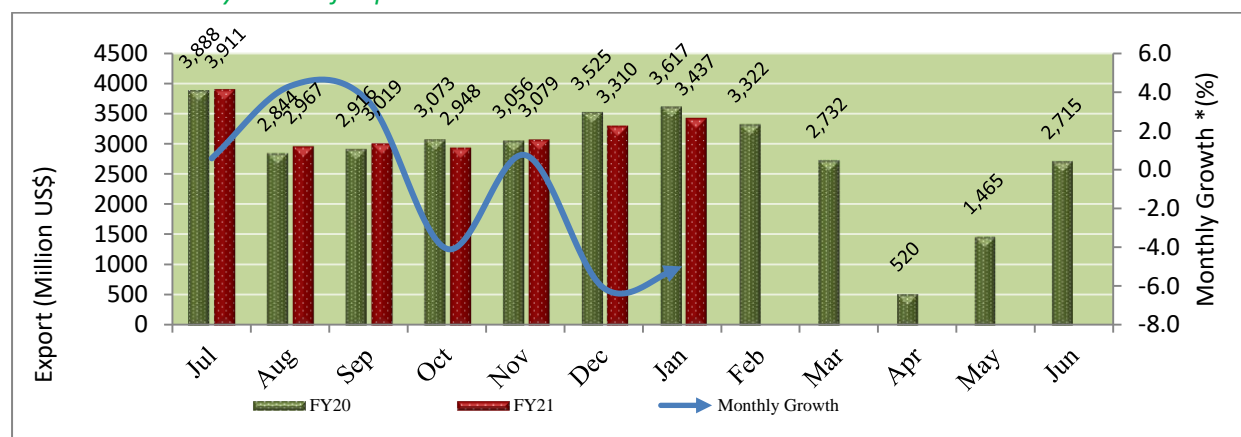
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export fell by 4.99 percent in January 21 compared to that of January 20 after a moderate turnaround in the first quarter (July-September). With this decline, cumulative export dropped by 1.09 percent to 22.67 billion US\$ in July-January 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\$)

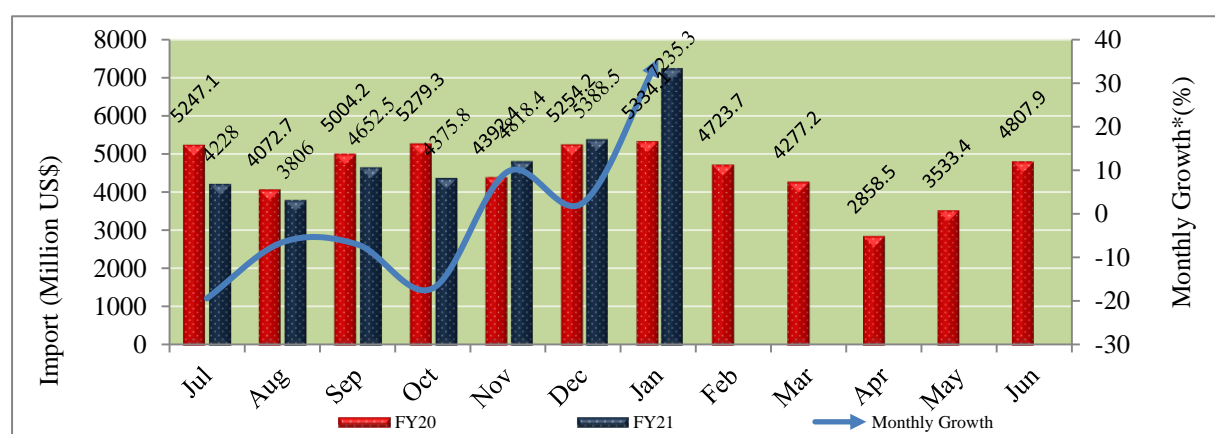
	2020-21 (July-January)	2019-20 (July-January)	2019-20	2018-19
Exports	22,670.24	22,919.50	33,674.12	40,535.04
Growth*(%)	-1.09	-5.21	-16.93	10.55

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

3.2 Imports (C & F)

Import rebounded in January 21 with 35.64 percent growth to US\$ 7.24 billion compared to that of the previous year after a sluggish trend in the first six month (July-December) of the fiscal year. Even with this growth, cumulative import payments marginally dropped by 0.23 percent to US\$ 34.50 billion in July-January of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening marginally increased by 1.32 percent and LCs settlement fell by 8.54 percent.

Chart 3.2: Monthly Trend of Import Payments



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

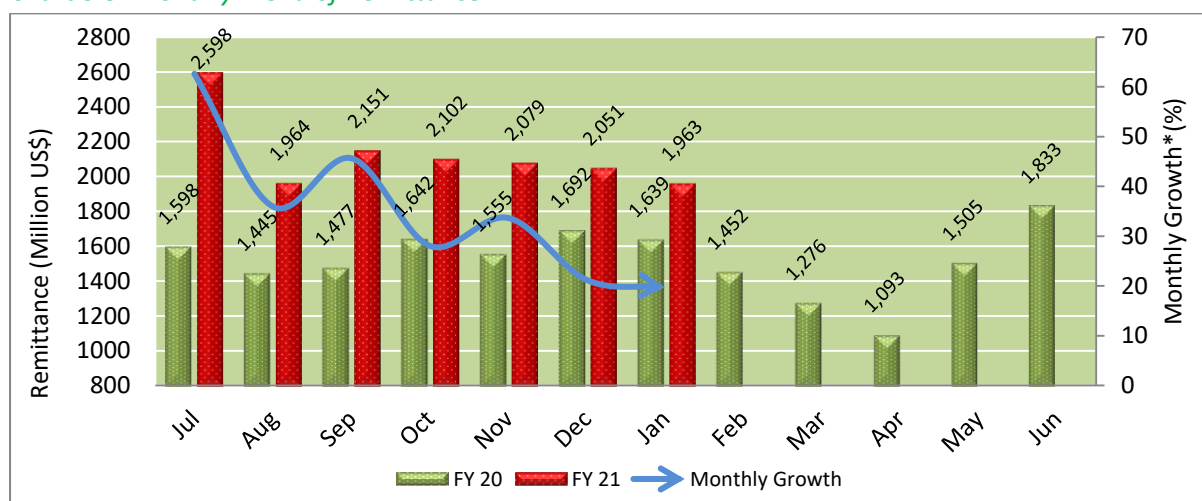
Table 3.2: Import Scenario (Million US\$)

Item	2020-21 (July-January)	2019-20 (July-January)	2019-20	2018-19
Import payments	34,504.50	34,584.00	54,784.70	59,914.70
Growth* (%)	-0.23	-4.44	-8.56	1.78
LCs Opened	35,092.02	34,635.45	53,119.86	58,703.38
Growth* (%)	1.32	-	-9.51	-16.81
LCs Settled	29,825.38	32,609.80	51,091.47	57,328.19
Growth* (%)	-8.54	-	-10.88	6.03

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

3.3 Remittances

Remittance inflow continued its bullish trend in FY21; however, the growth trend seems moderating in the recent months compared to the beginning of the fiscal year. Cumulative remittance inflow grew by 34.95 percent in July-January 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 services, agent banking, and financial inclusions have resulted surge 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-January)	2019-20 (July-January)	2019-20	2018-19
Remittances	14,907.35	11,046.46	18,205.11	16,419.63
As % of Export	65.76	48.20	54.06	40.51
As % of GDP	8.03	6.69	5.52	5.43
Growth (%)	34.95	21.49	10.87	9.62

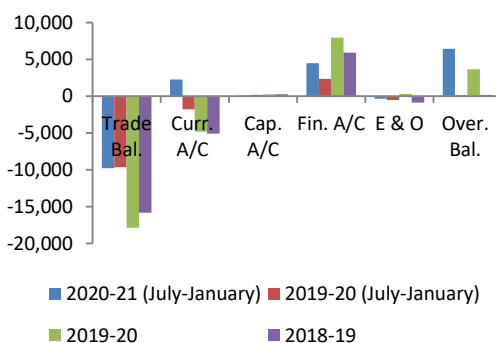
Source: Bangladesh Bank;

3.4 Balance of Payments (BOP)

Fall in import payments has contributed to improve the trade balance in July-January of FY21 compared to the same period of the previous fiscal year. At the same time, high remittance inflow has turned the current account balance to a 2.24 Billion US\$ surplus from a 1.81 Billion US\$ deficit in the previous year. At the same time, inflows in the financial account, especially as medium and long term loans, has resulted the overall balance a 6.41 Billion US\$ surplus at the end of January 21 compared to a small 0.13 Billion US\$ surplus in the previous year.

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

	2020-21 (July- January)	2019-20 (July- January)	2019-20	2018-19
Trade Balance	-9,787	-9,642	-17,861	-15,835
Current Account	2,235	-1,809	-4,849	-5,102
Capital Account	89	147	256	239
Financial Account	4,456	2,343	7,952	5,907
Error & Omission	-371	-549	296	-865
Overall Balance	6,409	132	3,655	179



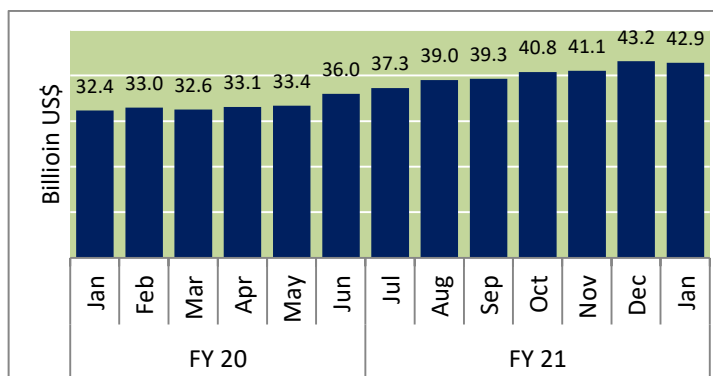
Source: Bangladesh Bank;

3.5 External Reserve

The gross foreign exchange reserve stood at 42.86 billion at the end of January 21, which is enough to cover import payments of 9.74 months based on the average import liability of the previous 12 months. Foreign exchange reserve has surged in this fiscal year on the back of higher remittance inflow and lower import payments.

Table 3.5: Foreign Exchange Reserve (End of the month)

Reserve	2020-21 (January)	2019-20 (January)	2019-20 (June)
Million US\$	42863	32689.18	36,037.03
Months of import payment	9.74	6.70	7.87



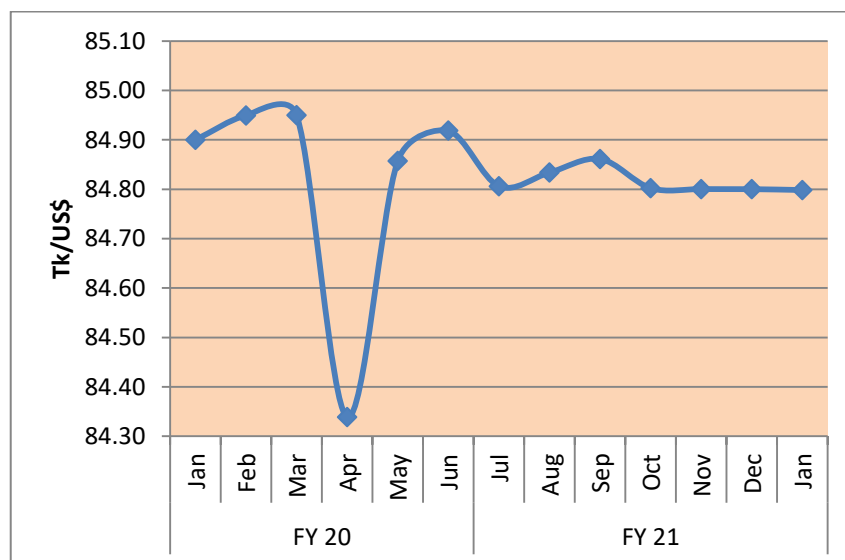
Source: Bangladesh Bank

3.6 Exchange Rate Movements

The exchange rate has remained broadly stable due mainly to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency (BDT) moved within a narrow band (84.75-85.00 BDT/US\$) in the last one year except slight appreciation (84.45 BDT/US\$) in April.

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

Period	Average	End period
2016-17	79.12	80.60
2017-18	83.70	83.70
2018-19	84.02	84.50
2019-20	84.78	84.90
2020-21		
July	84.81	84.80
August	84.83	84.83
September	84.86	84.84
October	84.80	84.80
November	84.80	84.80
December	84.80	84.80
January	84.80	84.80



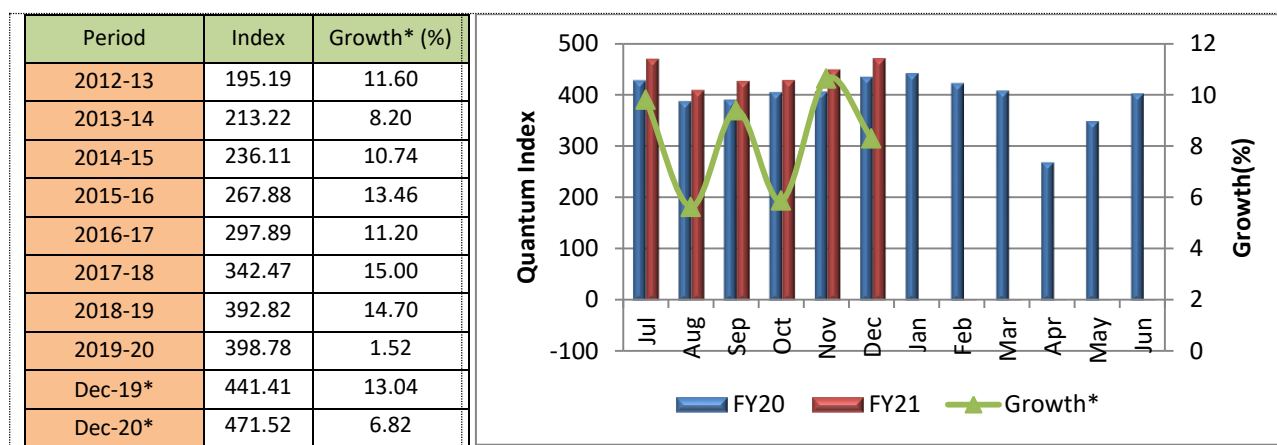
Source: Bangladesh Bank

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 6.82 percent in December 20 compared to the level of December 19. Monthly basis, it grew by 4.85 percent in December 20 compared to the previous month (November 20).

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	
		Dec'19	Nov'20	Dec'20	Dec'20 over Dec'19(%)	Dec'20 over Nov'20(%)
General Index	100	441.41	449.70	471.52	6.82	4.85
Of which Wearing apparel	34.84	460.89	395.04	427.72	-7.20	8.27
Textile	14.07	288.00	250.58	273.52	-5.03	9.15
Food products	10.84	564.60	680.64	703.38	24.58	3.34
Pharmaceuticals	8.23	884.77	1,007.30	1,010.21	14.18	0.29
Non-metallic mineral Products	7.12	530.08	534.48	573.37	8.17	7.28
Leather & related products	4.40	412.54	502.41	547.13	32.62	8.90

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 32.62 percent growth followed by food products with 24.58 percent growth, Pharmaceuticals with 14.18 percent growth in December 20 compared to that of December 19. On the other hand, Wearing apparel and Textile industry, two major industries that accounts for nearly 49 percent of the total manufacturing output, are still struggling with the slower external demand caused by the COVID19 pandemic. Overall, the output of the most industries increased in December 20 compared to that of December 19.

4.2 CPI Inflation

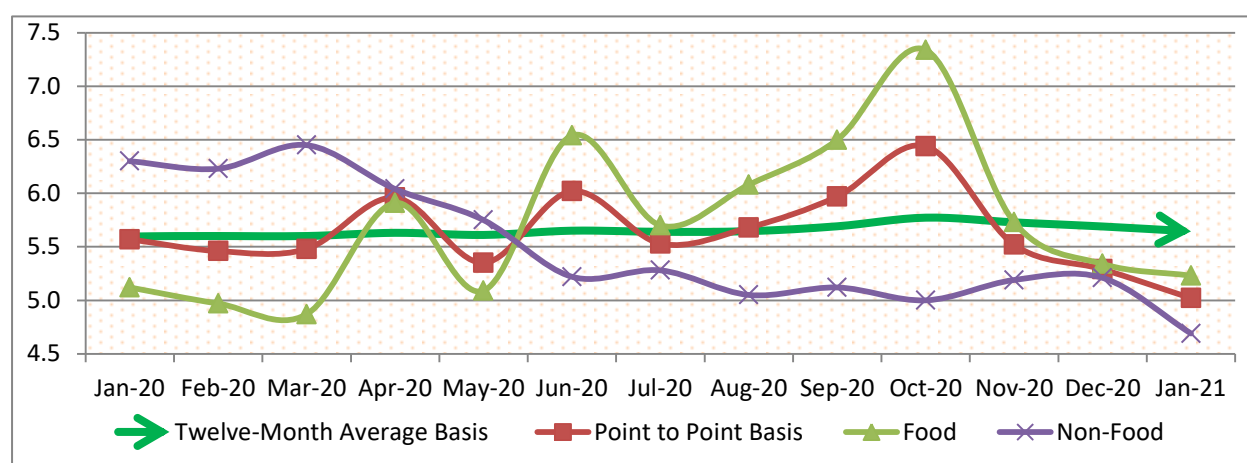
Food inflation that jumped to 7.34 percent in October 20 gradually came down to 5.23 percent in January 21 that has resulted overall inflation to moderate in January 2021. As a result, CPI inflation (Twelve-month average basis) has edged down to 5.64 in January 21 where food inflation is 5.78 and non-food inflation is 5.43. That said, CPI inflation until January 21 is higher than the government's set target of 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
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
November	5.73	5.81	5.60	5.52	5.73	5.19
December	5.69	5.77	5.56	5.29	5.34	5.21
January	5.64	5.78	5.43	5.02	5.23	4.69

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\$2064 at the end of FY20. The government earlier (in June 20) projected that GDP growth would be 8.2 percent for FY21. However, based on available high frequency data and the pace of the economic recovery, the government has revised the GDP growth target to 7.40 percent for FY21 in January 21.