



MONTHLY REPORT ON FISCAL-MACRO POSITION

February 2021

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Executive Summary

The February 2021 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 49.85 percent and an increase in tax revenue by 6.25 percent have resulted in total revenue to grow by 11.68 percent in July-February of FY¹21. At the same time, total government spending has fallen by 9.80 percent as the development expenditure has fallen by 26.76 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 1.49 percent of GDP during the period.

Monetary Sector

Broad Money (M2) has increased by 13.35 percent at the end of February 2021 resulted from 30.36 percent growth in the Net Foreign Asset (NFA) and 8.76 percent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 19.72 percent that resulted in decline in the money multiplier by 0.28.

External Sector

Export has fallen by 1.45 percent while import payment has increased by 1.94 percent in July-February of FY21 compared to that of July-February of FY20. At the same time, remittance inflow increased by 33.51 percent. Strong remittance inflow along with subdued imports has contributed to building a current account balance of US\$ 1.56 billion surplus. At the same time, inflows in the financial account has turned the overall balance US\$ 6.88 billion surplus and surged in the foreign exchange reserve to US\$ 44.02 billion, which is equivalent to import payments of 9.35 months, at the end of February 21.

Real Sector

The quantum Index of the large and medium scale manufacturing industry has increased by 8.46 percent in January 2021 over January 2020. During this period, Leather & related products experienced 56.38 percent growth followed by Pharmaceuticals with 14.07 percent growth, Non-metallic mineral Products with 13.15 percent growth while Wearing Apparel and Textile industry still struggling with the slack global demand due to the COVID19 pandemic. The CPI inflation (12-month moving average) marginally edged down to 5.63 percent, of which, food and non-food inflation are 5.81 percent and 5.34 percent respectively at the end of February 21.

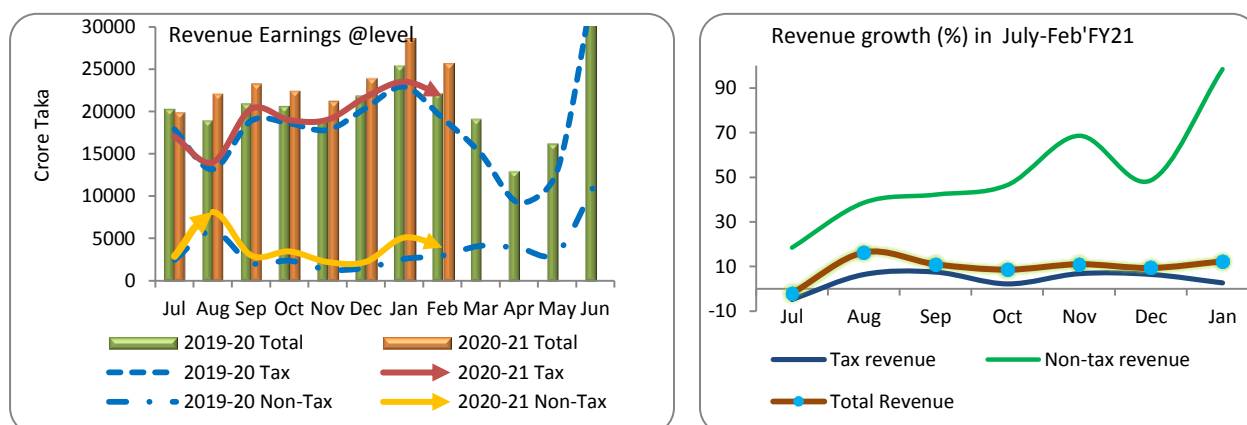
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

Government revenue has rebounded in February'21 with 15.9 percent growth from the level in February'20 where tax revenue grew by 13.3 percent and non-tax revenue grew by 32.8 percent. Cumulative growth of revenue in July-February of FY21 period is 11.68 percent where tax revenue growth is 6.2 percent and non-tax revenue growth is 49.8 percent.

Chart 1.1: Trend of Government's 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-February)	154,212.02	4,086.02	158,298.04	31,778.35	190,076.39
2019-20 (July-February)	144,275.25	4,711.35	148,986.60	21,206.97	170,193.57
Growth (%)	6.89	-13.27	6.25	49.85	11.68
2019-20	216,037.43	5,944.11	221,981.55	43,927.49	265,909.03
2018-19	218,046.47	3,242.32	221,288.79	17,369.07	238,657.87
Growth (%)	-0.92	83.33	0.31	152.91	11.42

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

1.2 Government Expenditure

Total operating expenditure has decrease marginally by 0.91 percent to 146,742.2 crore in July-February of FY21 compared to that of FY20. At the same time, declining in development expenditure by 26.8 percent has resulted in total government expenditure falling by 9.8 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 50.75 percent in July-February of FY21.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July-February)	2019-20 (July-February)	Growth (%) (July-February)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	140,308.18	139,243.31	0.76	236,123.69	222,265.45	6.23
Pay and Allowances	36,979.50	35,635.47	3.77	56,903.75	54,923.13	3.61
Use of Goods and Services	13,396.52	13,915.07	-3.73	28,987.62	30,238.32	-4.14
Interest Payment	38,653.23	36,098.50	7.08	58,312.71	50,007.43	16.61
Domestic	35,615.70	33,237.85	7.15	53,994.83	46,471.58	16.19
Foreign	3,037.52	2,860.64	6.18	4,317.87	3,535.85	22.12
Subsidies and Transfer	51,278.94	53,594.27	-4.32	91,919.61	87,096.57	5.54
a2. Operating Capital Expenditure	6,434.03	8,844.34	-27.25	18,755.98	20,608.11	-8.99
a) Total Operating Expenditure (a1+a2)	146,742.21	148,087.65	-0.91	254,879.66	242,873.56	4.94
b) Outlay for Food Accounts	3,359.49	5,726.82	-41.34	2,278.07	5,236.05	-56.49
c) Loans and Advances (Net)	-1,919.15	-1,825.95	5.10	1,204.95	-982.70	-222.62
d) Development Expenditure	47,939.80	65,453.12	-26.76	161,796.58	152,829.37	5.87
Of which ADP	45,802.69	61,954.24	-26.07	155,380.03	149,230.56	4.12
Total Expenditure (a+b+c+d)	196,122.35	217,441.64	-9.80	420,159.47	399,956.55	5.05
Total Expenditure (% of GDP)	9.34	11.66	-2.32	15.03	15.73	-0.71
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

Stronger revenue performance (increased by 11.68 percent) against weaker government expenditure (fall by 9.8 percent) has resulted overall budget balance (including grants) to improve by 1.49 percentage point of GDP in July-February 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-February)	-6,013.18	-0.19
2019-20 (July-February)	-47,111.88	-1.68
2019-20	-151,730.42	-5.43
2018-19	-147,688.48	-5.81

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

1.4 Deficit Financing

The government financed its financing requirement from the banking system and the external sources in the first eight months of the fiscal year to repay the non-bank borrowing undertaken in the past as the budget deficit narrowed down in July-February 2021 compared to that of the previous year.

Table 1.4: Deficit financing (Crore taka)

Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21(July-February)	6,497.38	18,077.71	-22,060.14	-3,982.43	2,514.95	0.08

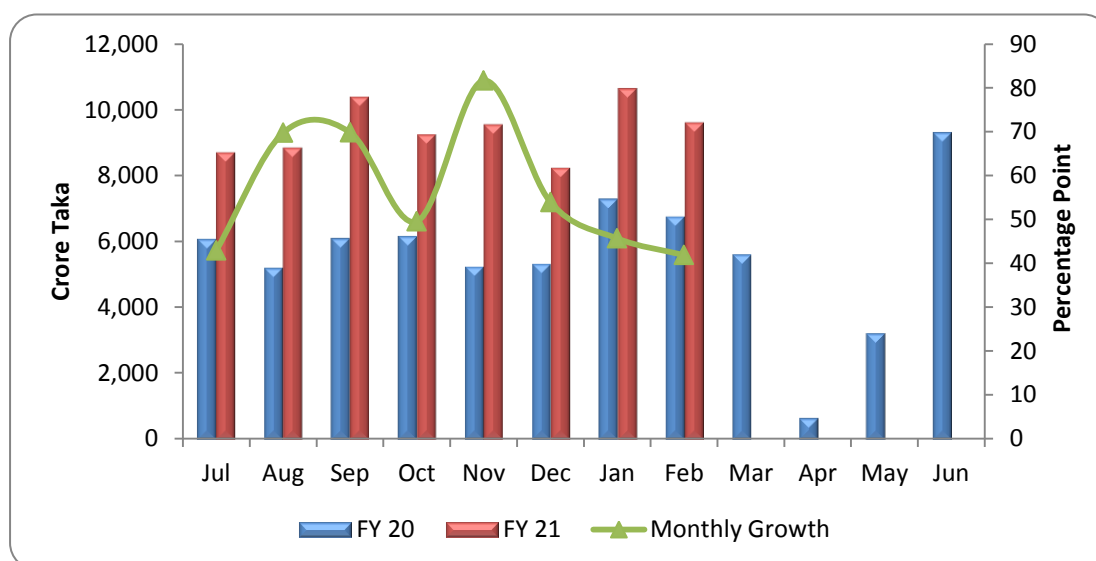
2019-20(July-February)	-1,307.09	49,557.92	-9,969.30	39,588.62	38,281.53	1.37
2019-20	45,137.87	81,717.96	24,919.30	106,637.26	151,775.13	5.43
2018-19	31,271.82	29,479.41	81,996.14	111,475.55	142,747.37	5.61
Target in 2020-21	76,004.00	84,979.99	25,003.00	109,982.99	185,986.99	5.90

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

1.4.1 National Savings Certificates (NSCs)

NSCs sale has increased 41.8 percent in February'FY21 compared to that of February'FY20. The bullish trend in NSC sales throughout the fiscal year has more than doubled the net sale of NSCs in the July-February' FY21 compared to the same period in the previous year. Outstanding stock of NSCs stands at 331,445 crore taka at the end of February'FY21.

Chart 1.2: Monthly trend of the NSCs Sale



Source: Major Economic Indicators, Bangladesh Bank, Growth calculated over the same period 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-February)	75,227.61	45,916.23	29,311.38	331,445.73
2019-20 (July-February)	48,292.14	38,626.26	9,665.88	297,371.88
Growth* (%)	55.78	18.87	203.25	11.46
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.

2. MONETARY SECTOR

2.1 Monetary and Credit Development

Weaker demand in the private sector and slower than expected level of budget execution as well as government financing from the NSCs have slowed down both private sector and public sector credit in the recent months. Consequently, net domestic asset grew only 8.8 percent in February'21 compared to that of the previous year. However, strong remittances inflow as well as government's external financing has resulted in Net Foreign Asset (NFA) to grow by 30.4 percent in February'21 compared to that of the previous period. As a result, Broad money (M2) grew by 13.35 percent to 14.81 trillion taka at the end of February 21 from that of February 20.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)md	
	Feb-21	Feb-20	Jun-20	Feb-21 over Feb-20	Feb-21 over Jun-20
A. Net Foreign Assets (NFA)	3,617.31	2,774.87	2973.362	30.36	21.66
B. Net Domestic Asset (NDA)	11,192.02	10,290.10	10763.989	8.76	3.98
a. Domestic Credit	13,645.04	12,511.75	13076.338	9.06	4.35
Public Sector	2,109.94	1,922.75	2103.659	9.74	0.30
Govt. (Net)	1,795.12	1,622.42	1811.508	10.64	-0.90
Other Public	314.82	300.34	292.151	4.82	7.76
Private sector	11,535.11	10,588.99	10972.679	8.93	5.13
b. Net Other assets	-2,453.02	-2,221.64	-2312.349	10.41	6.08
C. Broad Money (A+B)	14,809.33	13,064.97	13737.351	13.35	7.80

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money has increased by 19.72 percent to 3.0 trillion at the end of February 21 from that of February 20. Higher growth of reserve money compared to that of broad money has resulted in decline of the money multiplier by 0.28. However, Reserve money growth essentially slowed down in the recent months (Table 2.2).

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

Items	Outstanding Stock at the end of period			Changes in Outstanding Stock	
	Feb-21	Feb-20	Jun-20	Feb-21 over Jan-20	Feb-21 over Jun-20
Reserve money	3,005	2,510	2,845	19.72%	5.63%
Money multiplier	4.93	5.21	4.83	-0.28	0.10

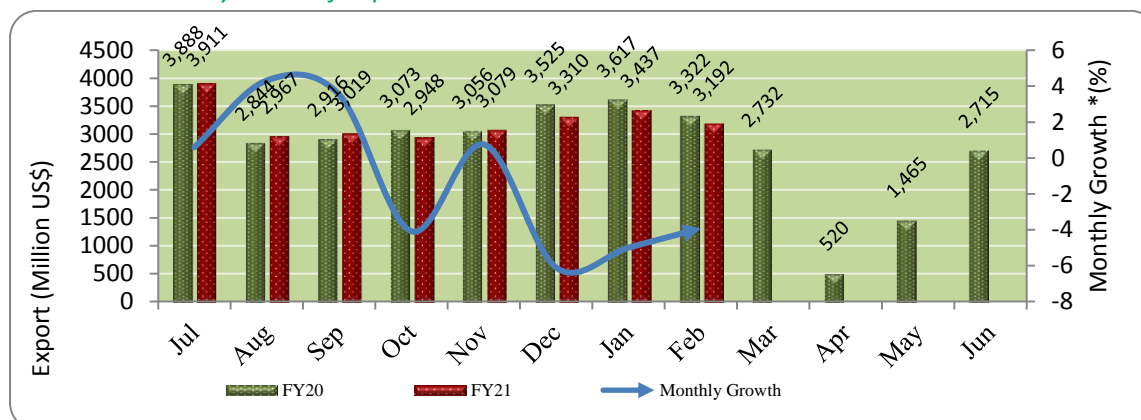
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export has decreased by 3.92 percent in February 2021 compared to that of February 2020 on the back of weaker global demand due to the COVID19 pandemic. With this decline, cumulative export has dropped by 1.45 percent to 25.86 billion US\$ in July-February 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\$)

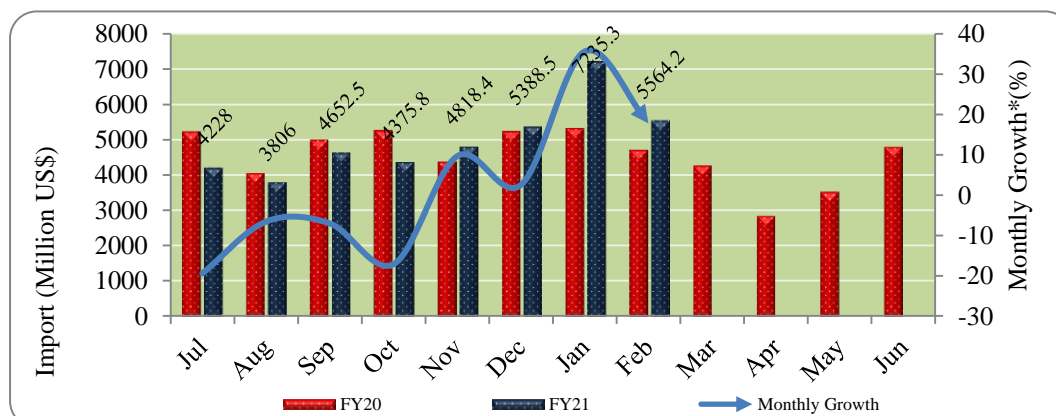
	2020-21 (July-February)	2019-20 (July-February)	2019-20	2018-19
Exports	25,862.32	26,241.86	33,674.12	40,535.04
Growth*(%)	-1.45	-4.79	-16.93	10.55

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

3.2 Imports (C & F)

Import has increased 17.79 percent to 5.56 billion US\$ in February 2021 compared to that of February 2020 in continuation of the rebounded import in the previous month. With this growth, cumulative import payments marginally increased by 1.94 percent to US\$ 40.07 billion in July-February of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening has marginally increased by 0.74 percent while LCs settlement has fallen by 7.40 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\$)

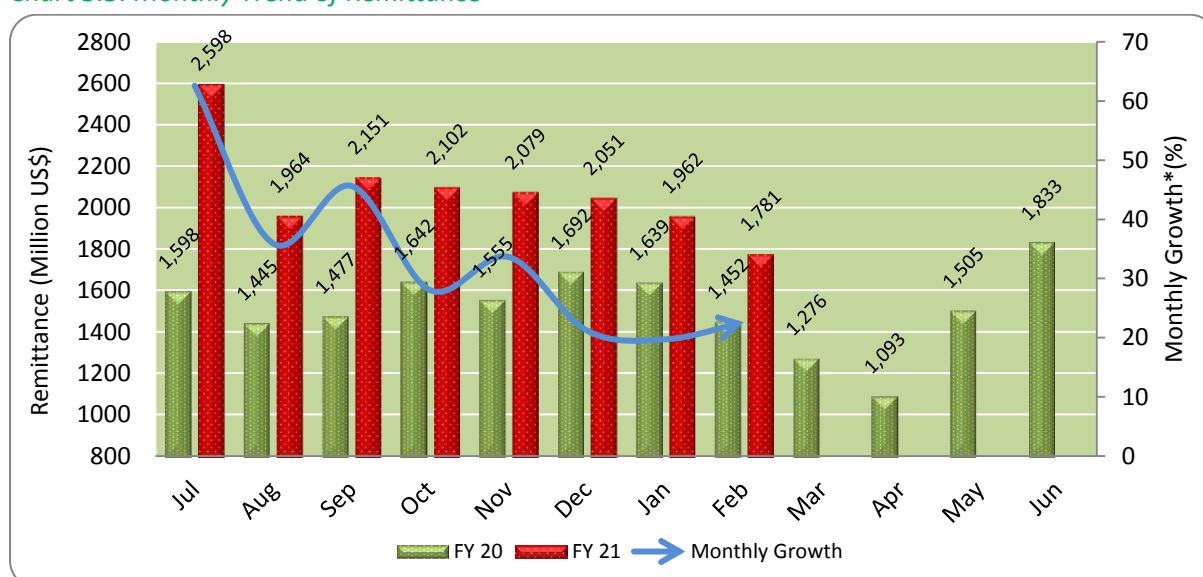
Item	2020-21 (July-February)	2019-20 (July-February)	2019-20	2018-19
Import payments	40,068.70	39,307.70	54,784.70	59,914.70
Growth* (%)	1.94	-3.88	-8.56	1.78
LCs Opened	39,836.96	39,545.72	53,119.86	58,703.38
Growth* (%)	0.74	-	-9.51	-16.81
LCs Settled	34,564.32	37,324.67	51,091.47	57,328.19
Growth* (%)	-7.40	-	-10.88	6.03

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

3.3 Remittances

Remittance inflow has continued its bullish trend in FY21 as the remittance has grown by 22.61 percent in February 2021 compared to the same month of the previous year. As a result, cumulative remittance inflow has grown by 33.51 percent in July-February 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 remittances in the formal channel.

Chart 3.3: Monthly Trend of Remittance



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

Table 3.3: Remittance Performance (Million US\$)

	2020-21 (July-February)	2019-20 (July-February)	2019-20	2018-19
Remittances	16,687.25	12,498.66	18,205.11	16,419.63
As % of Export	64.52	47.63	54.06	40.51
As % of GDP	6.74	5.68	5.52	5.43
Growth (%)	33.51	20.06	10.87	9.62

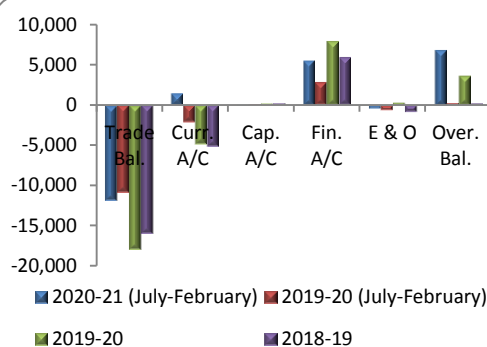
Source: Bangladesh Bank;

3.4 Balance of Payments (BOP)

Trade deficit widened slightly in July-February of FY21 compared to the same period of the previous fiscal year as the import has surged amidst subdued exports in the last two months. However, strong remittance inflow has turned the current account balance to a 1.56 Billion US\$ surplus from a 2.11 Billion US\$ deficit in the previous year. At the same time, inflows in the financial account, especially as medium and long term loans by the government, has resulted the overall balance a 6.88 Billion US\$ surplus at the end of February 21 compared to a small 0.21 Billion US\$ surplus in the previous year.

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

	2020-21 (July-February)	2019-20 (July-February)	2019-20	2018-19
Trade Balance	-11,795	-10,773	-17,861	-15,835
Current Account	1,557	-2,108	-4,849	-5,102
Capital Account	89	157	256	239
Financial Account	5,618	2,822	7,952	5,907
Error & Omission	-382	-657	296	-865
Overall Balance	6,882	214	3,655	179



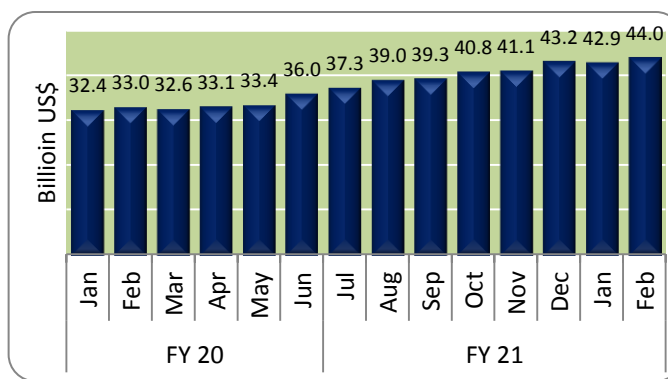
Source: Bangladesh Bank;

3.5 External Reserve

The gross foreign exchange reserve stood at 44.02 billion at the end of February 21, which is enough to cover import payments of 9.35 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 (February)	2019-20 (February)	2019-20 (June)
Million US\$	44.02	32,987.35	36,037.03
Months of import payment	9.35	6.55	7.87

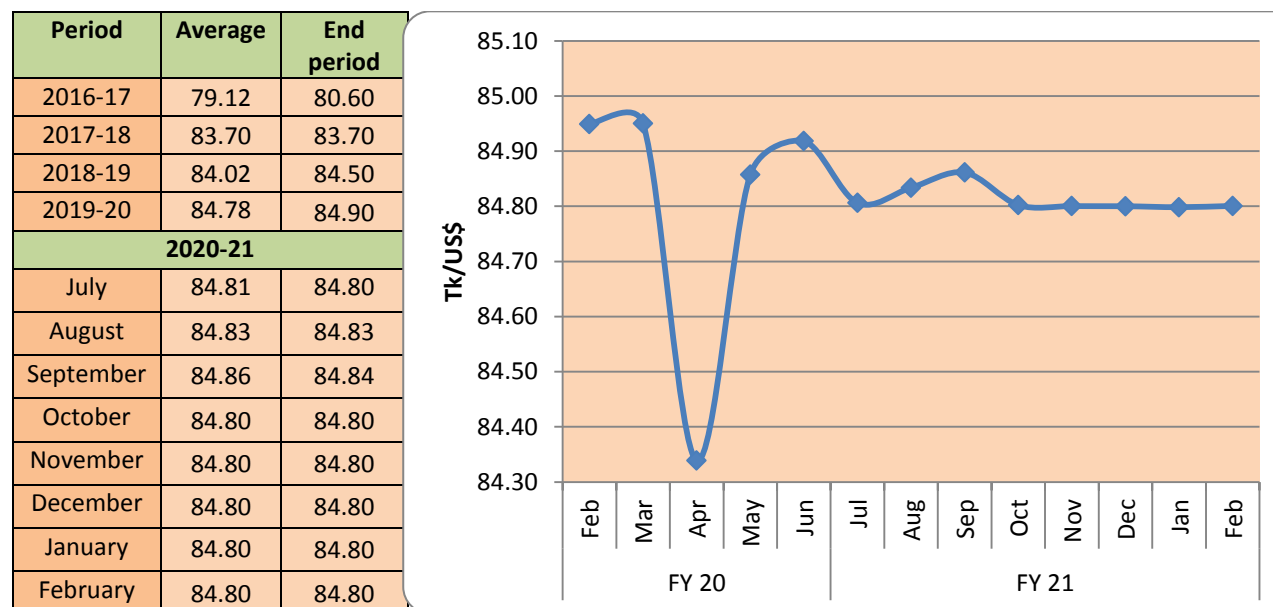


Source: Bangladesh Bank

3.6 Exchange Rate Movements

Domestic currency marginally appreciated in February 21 from its level in the same month of the previous year. However, exchange rate has remained broadly stable due mainly to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency (BDT) has moved within a narrow band (84.30-85.00 BDT/US\$) in the last one year.

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



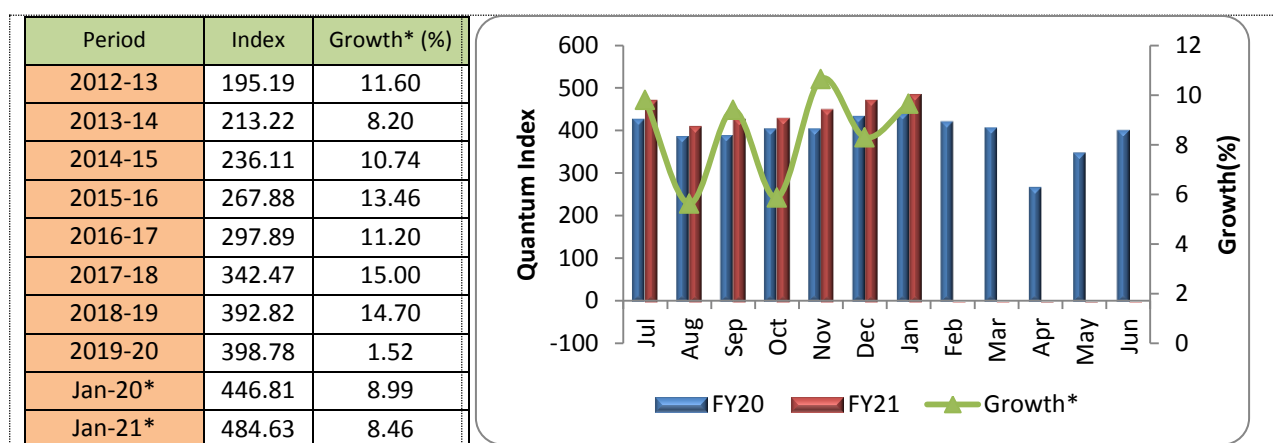
Source: Bangladesh Bank;

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, grew by 8.46 percent in January 2021 compared to the level of January 2020. Monthly basis, it grew by 2.78 percent January 2021 compared to the December 2020.

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	
		Jan'20	Dec'20	Jan'21	Jan'21 over Jan'20(%)	Jan'21 over Dec'20(%)
General Index	100	446.81	471.52	484.63	8.46	2.78
Of which Wearing apparel	34.84	475.90	427.72	461.39	-3.05	7.87
Textile	14.07	273.44	273.52	280.49	2.58	2.55
Food products	10.84	591.17	703.38	646.45	9.35	-8.09
Pharmaceuticals	8.23	889.25	1,010.21	1,014.34	14.07	0.41
Non-metallic mineral Products	7.12	538.10	573.37	608.85	13.15	6.19
Leather & related products	4.40	383.07	547.13	599.06	56.38	9.49

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 has experienced 56.38 percent growth followed by Pharmaceuticals with 14.07 percent growth, Non-metallic mineral Products with 13.15 percent growth in January 2021 compared to that of January 2020. 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 January 2021 compared to that of January 2020.

4.2 CPI Inflation

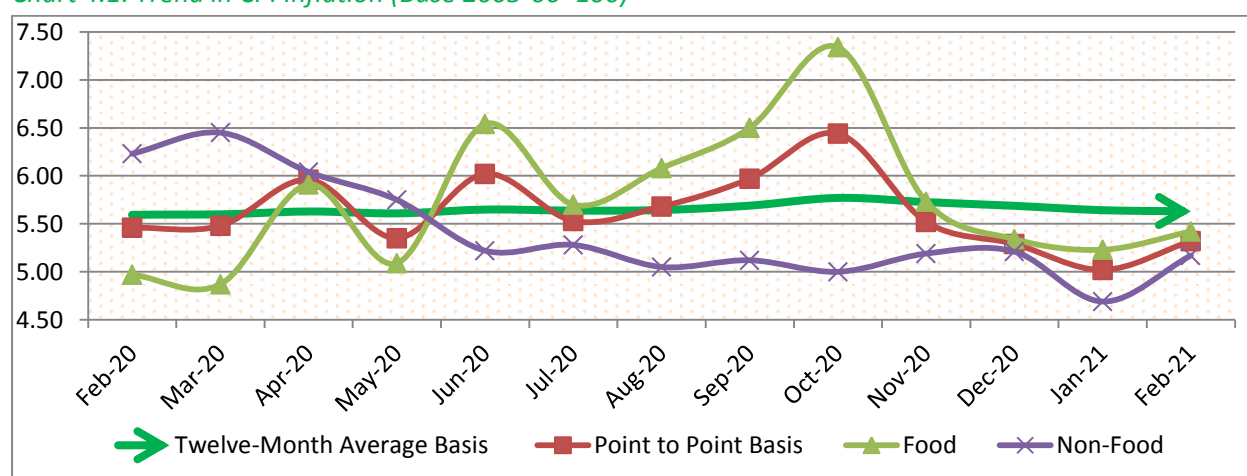
Moderation of Food inflation in the recent months has edged down the overall CPI inflation marginally to 5.63 percent (Twelve-month average basis) in February 2021 where food inflation is 5.81 and non-food inflation is 5.34. However, CPI inflation until February 2021 remains slightly higher than the government's set target of 5.40 percent for 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
February	5.63	5.81	5.34	5.32	5.42	5.17

Source: Bangladesh Bank

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



4.3 GDP Growth Outlook

Bangladesh Bureau of Statistics (BBS)' data shows that GDP has grown by 5.24 percent in FY20, which is 2.96 percent lower than that of the government's target. 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 has downsized its GDP growth target to 7.40 percent for FY21 from the target of 8.2 percent set at the start of the fiscal year based on the pace of the economic recovery and available high frequency data.