



MONTHLY REPORT ON FISCAL-MACRO POSITION

May 2021

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Executive Summary

The May 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 40.29 percent and an increase in tax revenue by 18.30 percent have resulted in total revenue to grow by 21.47 percent in July-May of FY21¹. At the same time, total government spending has risen moderately by 6.40 percent as the development expenditure has fallen by 1.88 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 as a percent of GDP during the period.

Monetary Sector

Broad Money (M2) has increased by 12.92 percent at the end of May 21 resulted from 31.94 percent growth in the Net Foreign Asset (NFA) and 7.81 percent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 21.32 percent that resulted in a fall in the money multiplier by 0.35.

External Sector

Export has registered a moderate growth of 3.60 percent in May 21 compared to the export of the same period of the previous year. For the same period, import payment has increased by 17.31 percent. Similarly, remittance inflow increased by 39.48 percent and foreign exchange reserve has stood at US\$ 45 billion, which is equivalent to import payments of 8.87 months, at the end of May 21.

Real Sector

The quantum Index of the large and medium scale manufacturing industry has increased by 51.41 percent in May 2021 over May 2020. During this period, Leather & related products has experienced 164.33 percent growth followed by wearing apparels with 106.37 percent, textile with 54.76 percent, food Products with 21.55 percent and non-metallic mineral with 16.88 percent growth. Wearing Apparel and Textile industry has started to bounce back strongly to the growth trend with the recovering global demand harshly affected by the COVID 19 pandemic. The CPI inflation (12-month moving average) marginally risen to 5.59 percent, of which, food and non-food inflation are 5.82 percent and 5.23 percent respectively at the end of May 21.

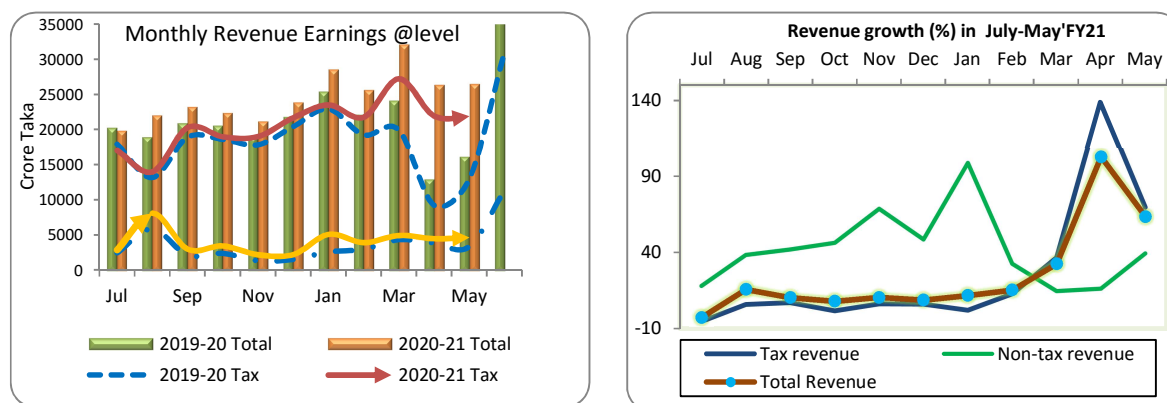
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

Government revenue continues to rebound strongly in May 21 with 63.7 percent growth from the level in May 20 where tax revenue has grown by 69.64 percent and non-tax revenue has grown by 39.63 percent. Cumulative growth of revenue in July-May of FY21 period is 21.47 percent where tax revenue growth is 18.30 percent and non-tax revenue growth is 40.29 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-May)	224,352.28	5,332.84	229,685.12	45,872.92	275,558.04
2019-20 (July-May))	188,804.17	5,354.64	194,158.80	32,697.87	226,856.68
Growth (%)	18.83	(0.41)	18.30	40.29	21.47
2019-20 (Actual)	216,037.43	5,944.11	221,981.55	43,927.49	265,909.03
2018-19 (Actual)	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 increased moderately by 9.94 percent to 221,530.42 crore in July-May of FY21 compared to that of FY20. However, about 2 percent decline in development expenditure has resulted in total government expenditure rise moderately by 6.40 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 63.67 percent in July-May of FY21.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July-May)	2019-20 (July-May)	Growth (%) (July-May)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	210,403.29	190,478.68	10.46	236,123.69	222,265.45	6.23
Pay and Allowances	52,461.92	50,806.56	3.26	56,903.75	54,923.13	3.61
Use of Goods and Services	20,361.45	18,980.05	7.28	28,987.62	30,238.32	-4.14
Interest Payment	56,091.81	47,112.32	19.06	58,312.71	50,007.43	16.61
Domestic	52,033.72	42,954.46	21.14	53,994.83	46,471.58	16.19
Foreign	4,058.10	4,157.87	-2.40	4,317.87	3,535.85	22.12
Subsidies and Transfer	81,488.11	73,579.75	10.75	91,919.61	87,096.57	5.54
a2. Operating Capital Expenditure	11,127.13	11,020.65	0.97	18,755.98	20,608.11	-8.99
a) Total Operating Expenditure (a1+a2)	221,530.42	201,499.33	9.94	254,879.66	242,873.56	4.94
b) Outlay for Food Accounts	6,778.48	7,160.10	-5.33	2,278.07	5,236.05	-56.49
c) Loans and Advances (Net)	-2,988.66	-3,846.49	-22.30	1,204.95	-982.70	-222.62
d) Development Expenditure	87,760.17	89,439.62	-1.88	161,796.58	152,829.37	5.87
<i>Of which ADP</i>	85,362.79	82,435.60	3.55	155,380.03	149,230.56	4.12
Total Expenditure (a+b+c+d)	313,080.41	294,252.56	6.40	420,159.47	399,956.55	5.05
Total Expenditure (% of GDP)	9.80	10.12	-0.32	13.25	13.55	-0.30
Memo item: Nominal GDP	3,484,033.10	3,170,469.40	9.89	3,170,469.4	2,951,429	7.42

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division, * Latest BBS Publications with new base (2015-16) "Gross Domestic Product (GDP) of Bangladesh 2020-2021(p)" and "Gross Domestic Product (GDP) of Bangladesh 2019-2020 (Final)"

1.3 Budget Deficit

Enhanced revenue performance (increased by 21.47 percent) against moderate rise in government expenditure (an increase by 0.92 percent) has resulted overall budget balance (including grants) to improve as a percentage of GDP in July-May period 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-May)	-37469.58	-1.08
2019-20 (July-May)	-66597.62	-2.10
2019-20	-151,730.42	-4.79
2018-19	-147,688.48	-5.00

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

1.4 Deficit Financing

The government arranged its financing requirement from the banking system and the external sources in the July-May period of the FY21 to repay the non-bank borrowing undertaken in the past as the budget deficit narrowed down in July-May of FY21 compared to that of the previous year.

Table 1.4: Deficit financing (Crore taka)

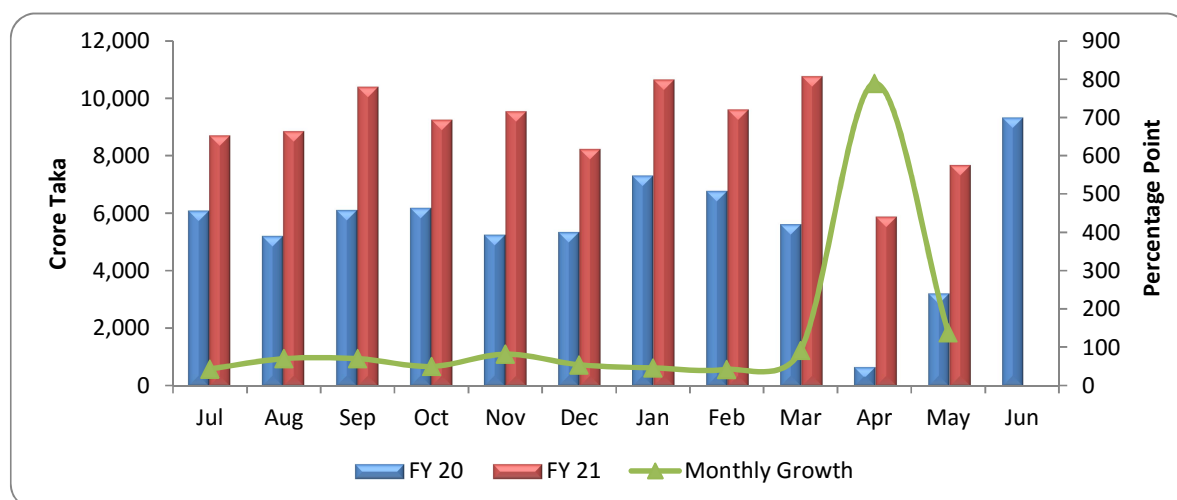
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21 (July-May)	13,192.50	22,024.93	-1,315.43	20,709.50	33,902.00	0.97
2019-20 (July-May))	4,764.74	69,003.70	-9,094.48	59,909.21	64,673.95	2.04
2019-20	45,137.87	81,717.96	24,919.30	106,637.26	151,775.13	4.79
2018-19	31,271.82	29,479.41	81,996.14	111,475.55	142,747.37	4.84
Target in 2020-21	72,399.00	79,748.00	35,302.00	115,050.00	187,449.00	5.38

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

1.4.1 National Savings Certificates (NSCs)

NSCs sale has increased 72.23 percent in May 21 compared to that of May 20. The bullish trend in NSC sales throughout the fiscal year has augmented the net sale of NSCs by more than three times in the July-May of FY21 compared to the same period in the previous year. Outstanding stock of NSCs stands at 339520.33 crore taka at the end of May 21.

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-May)	99,557.78	62171.79	37,385.99	339520.33
2019-20 (July-May))	57804.95	46793.85	11,011.10	298717.1
Growth* (%)	72.23	32.86	239.53	13.66
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 7.81 percent in May 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 31.94 percent in May 21 compared to that of the previous period. As a result, Broad money (M2) has grown by 12.92 percent to 15.26 trillion taka at the end of May 21 from that of May 20.

Table 2.1: Monetary and Credit Development

Items	Outstanding stock (Billion BDT) at the end of period			Changes in Outstanding stock (%)	
	May-21	May-20	Jun-20	May-21 over May-20	May-21 over June-20
A. Net Foreign Assets (NFA)	3,779.20	2,864.37	2,973.36	31.94	27.10
B. Net Domestic Asset (NDA)	11,483.54	10,652.02	10,763.99	7.81	6.68
a. Domestic Credit	14,000.67	12,819.25	13,076.34	9.22	7.07
Public Sector	2,282.58	1,923.68	2,103.66	18.66	8.51
Govt. (Net)	1,974.78	1,625.18	1,811.51	21.51	9.01
Other Public	307.80	298.50	292.15	3.12	5.36
Private sector	11,718.09	10,895.57	10,972.68	7.55	6.79
b. Net Other assets	-2,517.13	-2,167.23	-2,312.35	16.15	8.86
C. Broad Money (A+B)	15,262.75	13,516.31	13,737.35	12.92	11.10

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money has increased by 21.32 percent to 3.28 trillion at the end of May 21 from that of May 20. Higher growth of reserve money compared to that of broad money has resulted in a fall of the money multiplier by 0.35. Consequently, Reserve money growth increased in the May 21 (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	
	May-21	May-20	Jun-20	May-21 over May-20	May-21 over June-20
Reserve money	3,279	2,702	2,845	21.32%	15.24%
Money multiplier	4.66	5.00	4.83	-0.35	-0.17

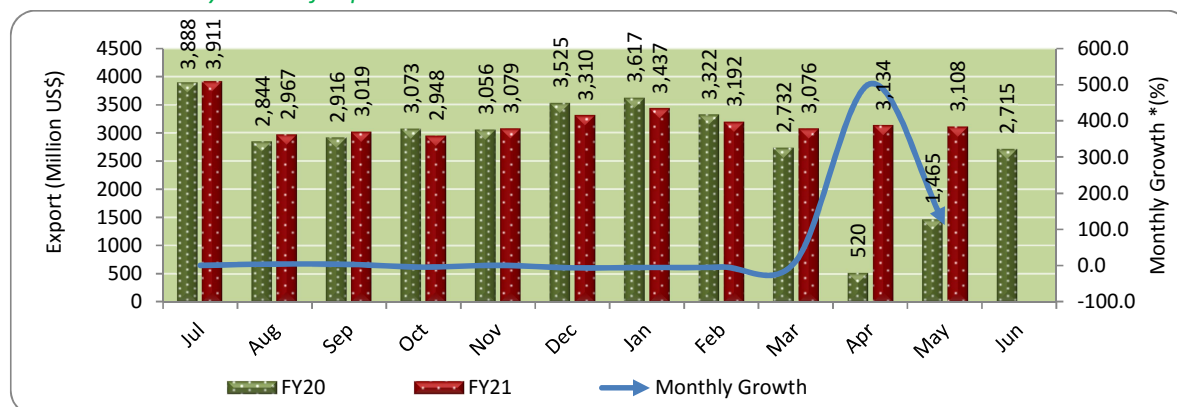
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export has continued to rebound strongly with 112.11 percent growth in May 21 compared to that of May 20 on the back of improving global demand harshly affected by the COVID19 pandemic. With this rise, cumulative export in May 21 (USD 35,180.82 million) has become larger than that of the previous year (USD 30,959.17 million).

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\$)

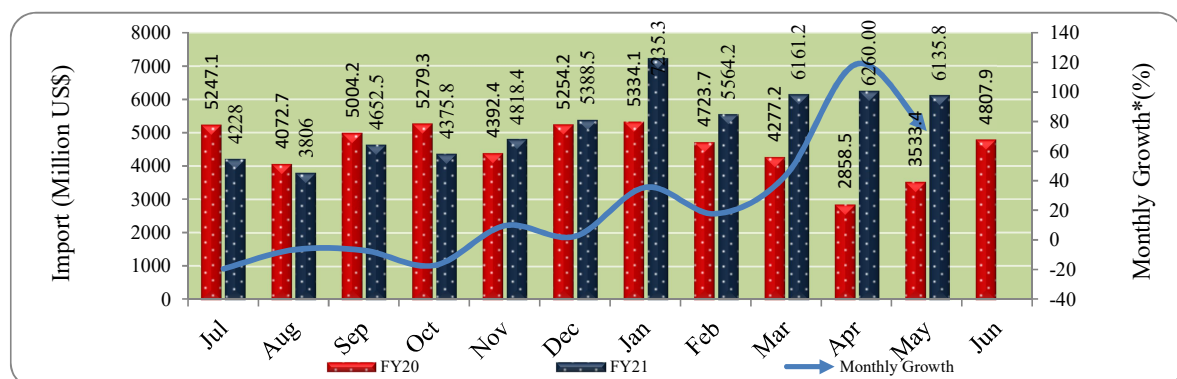
	2020-21	2019-20	2019-20	2018-19
	(July-May)	(July-May)		
Export	35,180.82	30,959.17	33,674.12	40,535.04
Growth*(%)	3.60	-17.99	-16.93	10.55

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

3.2 Imports (C & F)

Import has increased 73.7 percent to 6.14 billion US\$ in May 21 compared to that of May 20 in continuation of the rebounded import in the previous months. With this growth, cumulative import payments increased by 17.31 percent to US\$ 58.63 billion in July-May of FY21 compared to that of the previous year. At the same time, Letter of Credit (LC) opening and LC settlement have increased by 21.79 percent and 8.23 percent respectively.

Chart 3.2: Monthly Trend of Import Payments



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

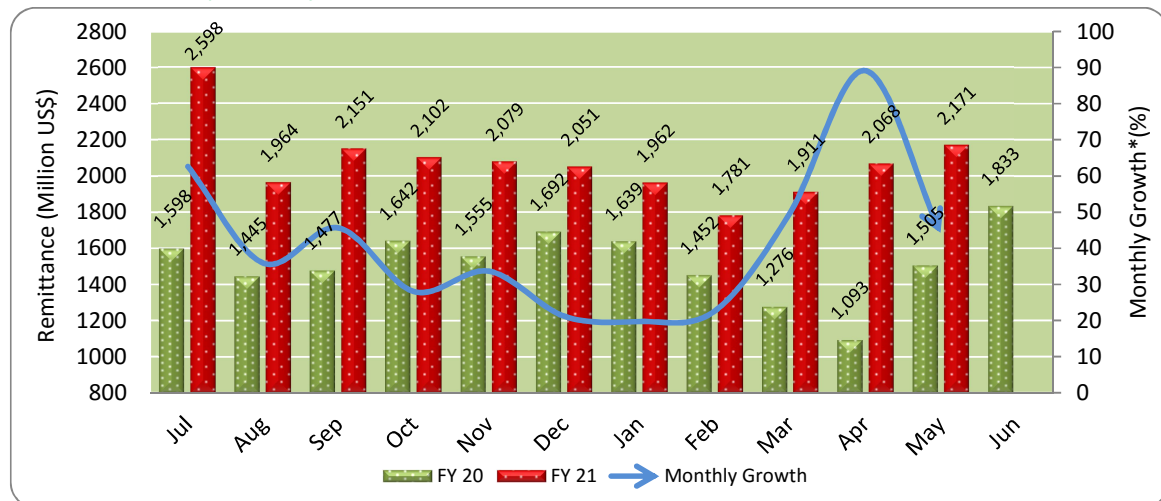
Table 3.2: Import Scenario (Million US\$)

Item	2020-21 (July-May)	2019-20 (July-May)	2019-20	2018-19
Import payments	58,625.70	49,976.80	54,784.70	59,914.70
Growth* (%)	17.31	-17.11	-8.56	1.78
LCs Opened	59,345.31	48,725.81	53,119.86	58,703.38
Growth* (%)	21.79	-	-9.51	-16.81
LCs Settled	50,860.94	46,993.35	51,091.47	57,328.19
Growth* (%)	8.23	-	-10.88	6.03

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

3.3 Remittances

Remittance inflow has continued its rising trend in FY21 as the remittance has grown by 44.29 percent in May 2021 compared to the same month of the previous year. As a result, cumulative remittance inflow has grown by 39.48 percent in July-May of FY21 compared to that of the previous year. The government is continuing to provide 2.0 percent fiscal incentives for each dollar of 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-May)	2019-20 (July-May)	2019-20	2018-19
Remittances	22,836.88	16,372.48	18,205.11	16,419.63
As % of Export	64.91	52.88	54.06	40.51
As % of GDP	6.06	4.78	4.87	4.67
Growth (%)	39.48	8.78	10.87	9.62

Source: Bangladesh Bank;

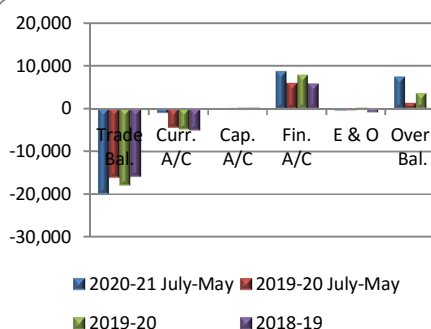
3.4 Balance of Payments (BOP)

Trade deficit has further widened in July-May of FY21 compared to the same period of the previous fiscal year as the import has surged remarkably amidst moderately recovering exports in recent months. However, increasing remittance inflow has helped to keep the current account deficit to a low level of 972 million US\$ compared to the 4.43 Billion US\$ of deficit for the same period of 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 to 7.49 Billion US\$ surplus at the end of May 21 compared to 1.38 Billion US\$ surplus in the previous year.

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

	2020-21 (July-May)	2019-20 (July-May)	2019-20	2018-19
Trade Balance	-19,848	-16,069	-17,861	-15,835
Current Account	-972	-4,434	-4,849	-5,102
Capital Account	127	211	256	239
Financial Account	8,786	6,012	7,952	5,907
Error & Omission	-443	-392	296	-865
Overall Balance	7,498	1,397	3,655	179

Source: Bangladesh Bank;



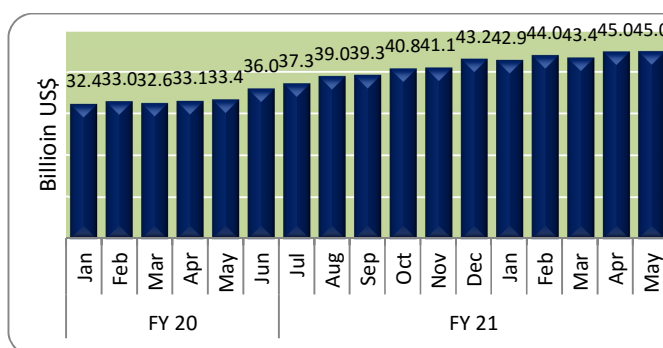
3.5 External Reserve

The gross foreign exchange reserve stood at 44.96 billion US\$ at the end of May 21, which is enough to cover import payments of 8.87 months based on the average import liability of the previous 12 months. Overall 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 (May)	2019-20 (May)	2019-20 (June)
Million US\$	44,960.48	33,409.89	36,037.03
Months of import payment	8.87	6.66	7.87

Source: Bangladesh Bank



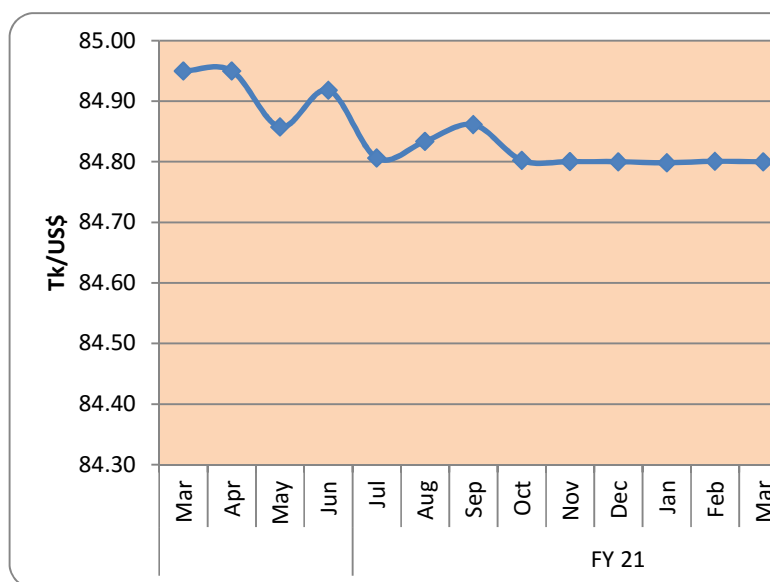
3.6 Exchange Rate Movements

Domestic currency has depreciated slightly in May 21 as it had been 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\$)

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
February	84.80	84.80
March	84.80	84.80
April	84.80	84.80
May	84.80	84.80

Source: Bangladesh Bank;

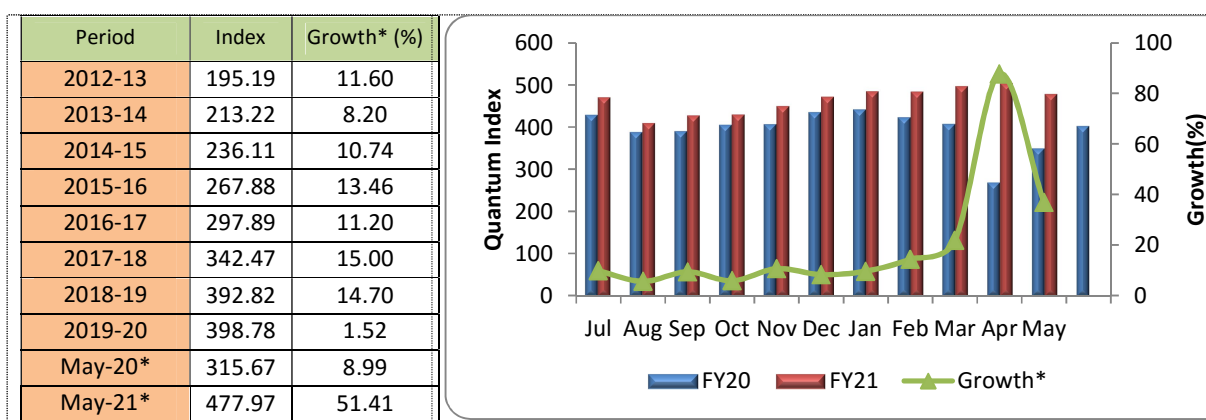


4. REAL SECTOR

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, grew by 51.41 percent in May 21 compared to the level of May 20. On a monthly basis, it has declined by 5.17 percent May 21 compared to May 21.

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

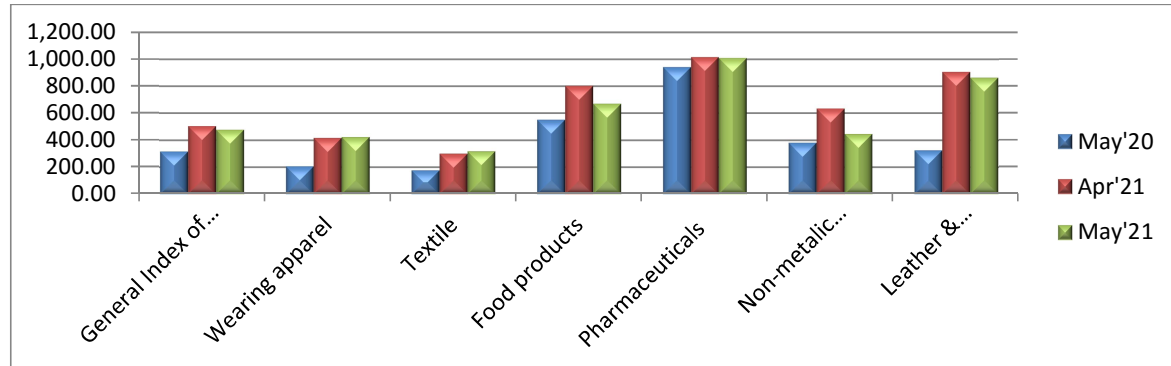
Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

Major Industry Group	Weight	Index			Change of Index	
		May'20	Apr'21	May'21	May'21 over May'20(%)	May'21 over Apr'21(%)
General Index	100	315.67	504.07	477.97	51.41	-5.18
Of which Wearing apparel	34.84	205.7	417.82	424.51	106.37	1.60
Textile	14.07	176.95	301.77	318.39	79.93	5.51
Food products	10.84	551.3	803.06	670.12	21.55	-16.55
Pharmaceuticals	8.23	941.86	1014.26	1008.36	7.06	-0.58
Non-metallic mineral Products	7.12	381.42	634.36	445.79	16.88	-29.73
Leather & related products	4.40	326.09	904.68	861.96	164.33	-4.72

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

Industrial production by major industry group shows that Leather and related product has experienced 164.33 percent growth followed by wearing apparels with 181.11 percent growth, Textiles with 79.93 percent growth in May 2021 compared to that of May 2020. On the other hand, Wearing apparel and Textile industry, two major industries that accounts for nearly 49 percent of the total manufacturing output, has rebounded to the trend of growth with the recovery of external demand which has been adversely affected by the COVID-19 pandemic. Overall, the output of the most industries increased in May 2021 compared to that of May 2020.

Chart 4.1: Quantum Index of large and medium scale manufacturing industry by Major Industry group



4.2 CPI Inflation

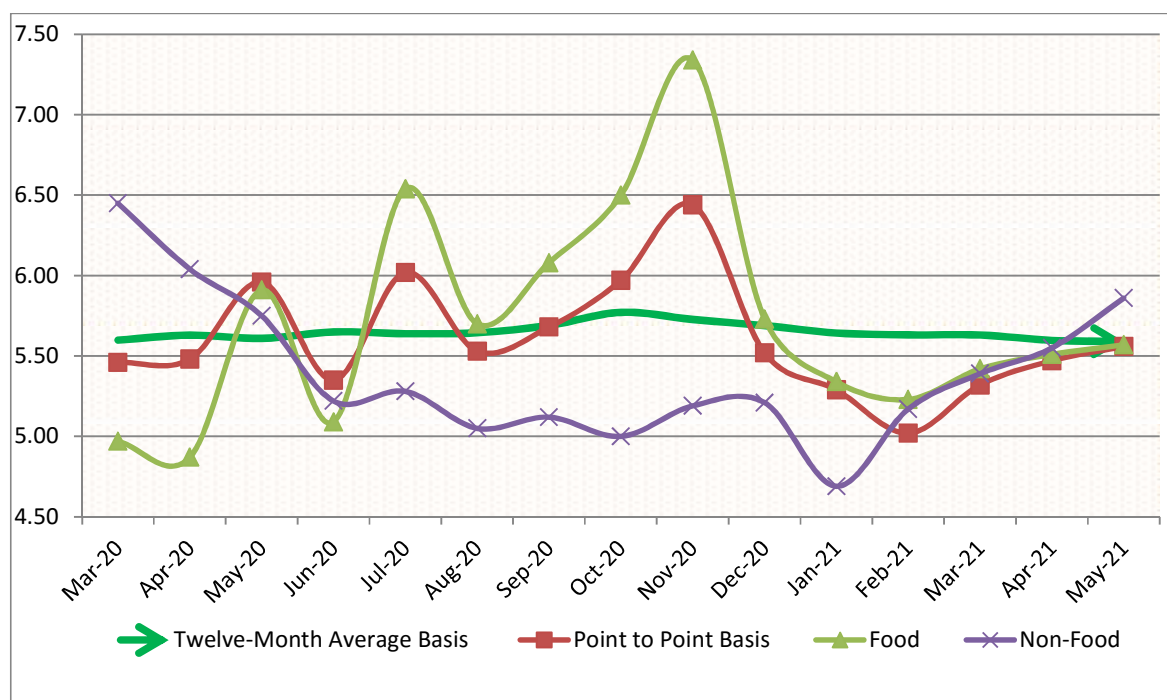
Moderation of Non-food inflation in the recent months has edged down the overall CPI inflation marginally to 5.59 percent (Twelve-month average basis) in May 21 where food inflation is 5.82 and non-food inflation is 5.23. However, CPI inflation until May 21 remains higher than the government's set target 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
March	5.63	5.70	5.26	5.47	5.51	5.39
April	5.60	5.84	5.22	5.56	5.57	5.55
May	5.59	5.82	5.23	5.26	4.87	5.86

Source: Bangladesh Bank

Chart 4.2: Trend in CPI Inflation (Base 2005-06=100)



4.3 GDP Growth Outlook

The latest publication of the Bangladesh Bureau of Statistics (BBS) (with the new base 2015-16) shows that GDP has grown by 3.45 percent in FY20 (final), which is 1.79 percent lower than that of the provisional estimate. With this growth, per capita GNI rose to US\$2326 at the end of FY20. BBS's provisional estimate also shows that GDP grew at a rate of 5.43 percent in FY21 whereas the Government's target was 8.2 percent set at the start of the fiscal year based on the pace of the economic recovery and available high frequency data.