



MONTHLY REPORT ON FISCAL-MACRO POSITION

June 2021

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Executive Summary

The June 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 33.99 percent and an increase in tax revenue by 21.54 percent resulted in total revenue to grow by 23.59 percent in FY21¹. At the same time, total government spending gone up moderately by 13.15 percent where the growth of development expenditure was less than expected (4.21 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) increased by 13.60 percent at the end of FY21 which resulted from 9.47 percent growth in the Net Foreign Asset (NFA) and 28.53 percent growth in the Net Domestic Asset (NDA). At the same time, reserve money grew by 22.35 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 FY21 compared to the export of the same period of the previous year. For the same period, import payment has increased by 19.73 percent. Similarly, remittance inflow increased by 35.51 percent and foreign exchange reserve has stood at US\$ 46.39 billion, which is equivalent to import payments of 8.51 months, at the end of FY21.

Real Sector

Compared to FY20, in FY21 the quantum Index of the large and medium scale manufacturing industry increased by 30.28 percent. During this period, Leather & related products experienced 161.14 percent growth followed by wearing apparels with 134.18 percent, textile with 79.94 percent, non-metallic mineral Products with 40.57 percent and Pharmaceuticals with 30.02 percent growth. Wearing Apparel and Textile industry has started to bounce back strongly to the growth trend with the recovering global demand severely affected by the COVID 19 pandemic. The CPI inflation (12-month moving average) marginally risen to 5.56 percent, of which, food and non-food inflation are 5.73 percent and 5.29 percent respectively at the end of FY21.

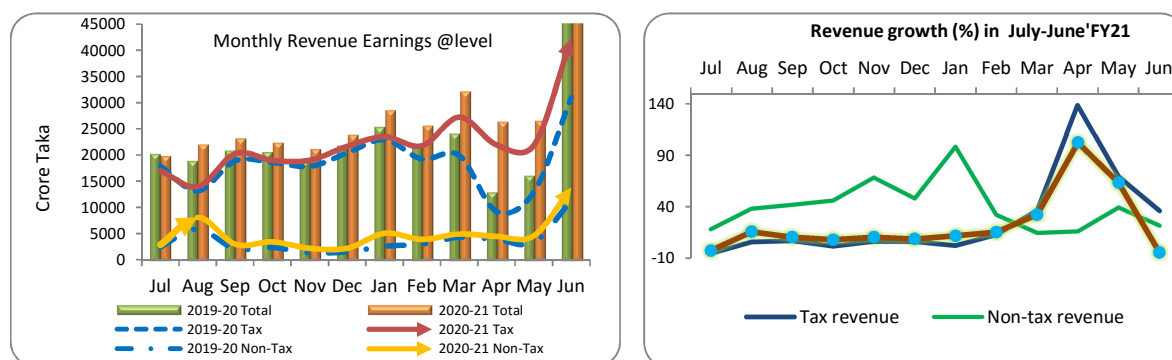
¹ FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

1. FISCAL SECTOR

1.1 Revenue Earnings

Compared to the last fiscal year, government tax revenue has increased by 21.54 percent in FY21 due to enhanced mobilization of corporate and withholding tax with 22.07 percent growth in NBR tax and 2.07 percent growth in non-NBR tax. Cumulative growth of revenue in July-June of FY21 period is 23.59 percent where non-tax revenue growth is 34 percent.

Chart 1.1: Trend of Government's Revenue earnings



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

Note: Figures indicating monthly revenue earnings may differ slightly to get the same total revenue.

Table 1.1: Revenue Earnings (crore taka)

Period	Tax Revenue			Non-Tax Revenue	Total Revenue
	NBR	Non-NBR	Total		
2020-21 (July-June)	263,724.23	6,067.09	269,791.32	58,858.51	328,649.83
2019-20 (July-June))	216,037.43	5,944.11	221,981.55	43,928.32	265,909.87
Growth (%)	22.07	2.07	21.54	33.99	23.59
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 increased moderately by 10.28 percent to 282,995.70 crore in FY21 compared to that of FY20. Though ADP implementation in FY21 has decreased by 2.66 percent compared to that of FY20, overall development expenditure has increased by 4.21 percent. Total government expenditure increased by 8.61 percent. According to the Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning, the execution rate of ADP is 82.21 percent in FY21.

Table 1.2: Government Expenditure (Crore taka)

	2020-21 (July-June)	2019-20 (July-June)	Growth (%) (July-June)	2019-20	2018-19	Yearly Growth (%)
a1. Operating Recurrent Expenditure	263,066.98	236,134.51	11.41	236,123.69	222,265.45	6.23
Pay and Allowances	58,868.14	56,903.75	3.45	56,903.75	54,923.13	3.61
Use of Goods and Services	30,457.06	28,987.62	5.07	28,987.62	30,238.32	-4.14
Interest Payment	70,586.57	58,315.78	21.04	58,312.71	50,007.43	16.61
Domestic	66,299.21	53,997.90	22.78	53,994.83	46,471.58	16.19
Foreign	4,287.36	4,317.87	-0.71	4,317.87	3,535.85	22.12
Subsidies and Transfer	103,155.20	91,927.36	12.21	91,919.61	87,096.57	5.54
a2. Operating Capital Expenditure	19,928.72	20,488.83	-2.73	18,755.98	20,608.11	-8.99
a) Total Operating Expenditure (a1+a2)	282,995.70	256,623.34	10.28	254,879.66	242,873.56	4.94
b) Outlay for Food Accounts	6,024.28	2,278.07	164.45	2,278.07	5,236.05	-56.49
c) Loans and Advances (Net)	579.44	1,204.95	-51.91	1,204.95	-982.70	-222.62
d) Development Expenditure	168,666.78	161,845.51	4.21	161,796.58	152,829.37	5.87
Of which ADP	155,428.96	159,671.43	-2.66	155,380.03	149,230.56	4.12
Total Expenditure (a+b+c+d)	458,266.21	421,951.87	8.61	420,159.47	399,956.55	5.05
Total Expenditure (% of GDP)	13.15	13.31	-0.16	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 (1015-16) "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 23.59 percent) against less than expected government has resulted overall budget balance (including grants) to improve by 1.21 percentage point of GDP in FY21 compared to the previous year.

Table 1.3: Budget Balance (Crore taka)

Year	Overall Balance	Overall Balance as % of GDP
2020-21 (July-June)	-126631.86	-3.63
2019-20 (July-June))	-153481.42	-4.84
2019-2020 ²	-153481.42	-4.84
2018-19	-147,688.48	-5.00

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division; 2. Revised

1.4 Deficit Financing

The Government has financed its budget deficit predominantly (40.20 percent) from the non-bank sources in FY21. However, the composition of external financing has increased from 27.48 to 36.59 percent in FY21 compared to the previous year.

² FY21 stands for fiscal year 2020-21 that starts from 1 July 2020 and ends on 30 June 2021

Table 1.4: Deficit financing (Crore taka, Excluding Grants)

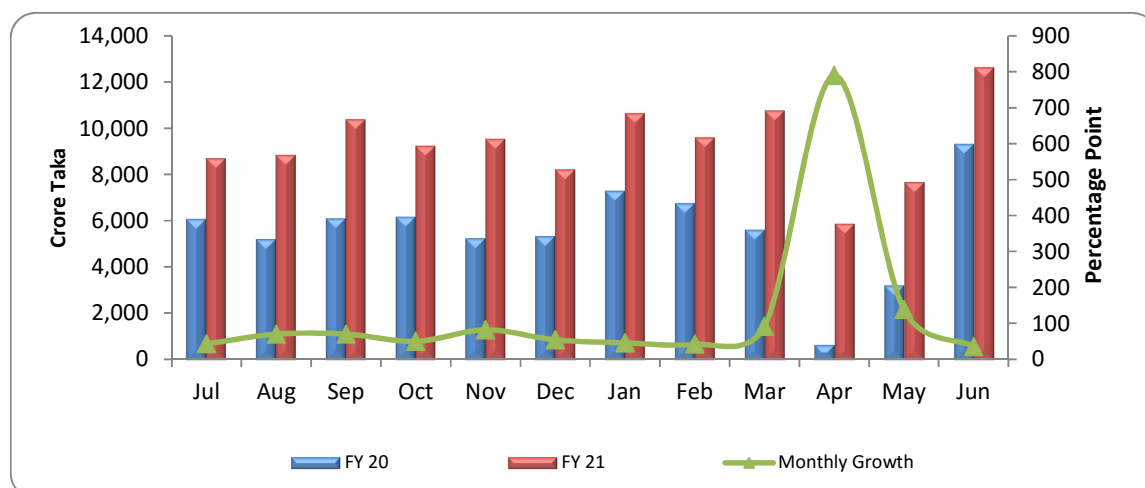
Period	External (Net)	Domestic			Total Financing	Financing as % of GDP
		Bank	Non-Bank	Total		
2020-21 (July-June)	44,832.37	28,431.86	49,247.14	77,678.99	122,511.36	3.52
2019-20 (July-June))	41,610.11	79,268.37	30,531.67	109,800.04	151,410.15	4.78
2019-20	45,137.87	81,717.96	24,919.30	106,637.26	151,775.13	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
Financing Composition						
2020-21 (July-June)	36.59%	23.21%	40.20%	63.41%	100.00%	
2019-20 (July-June))	27.48%	52.35%	20.16%	72.52%	100.00%	
2019-20	29.74%	53.84%	16.42%	70.26%	100.00%	
2018-19	21.91%	20.65%	57.44%	78.09%	100.00%	
Target in 2020-21	38.62%	42.54%	18.83%	61.38%	100.00%	

Source: Integrated Budgeting & Accounting System (iBAS++), Finance Division (Self Calculation for financing composition)

1.4.1 National Savings Certificates (NSCs)

NSCs sales increased 67.13 percent in FY21 compared to that of FY20. The bullish trend in NSC sales throughout the fiscal year has triplicated the net sale of NSCs in FY21 compared to the previous year. Outstanding stock of NSCs stands at 344,093.89 crore taka at the end of 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-June)	112,188.24	70228.7	41,959.54	344,093.89
2019-20 (July-June))	67127.75	52699.4	14,428.35	302134.35
Growth (%) *	67.13	33.26	190.81	13.89
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

Broad money (M2) growth has increased by 13.60 percent at the end of FY21 from FY20. Of the sources of broad money, Net Domestic Asset (NDA) increased by 9.47 percent and Net foreign asset increased by 28.53 percent. Strong public sector credit growth on the back of government borrowing from the banking system has contributed 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 (%)
	Jun-21	Jun-20	June-21 over June-20
A. Net Foreign Assets (NFA)	3,821.79	2,973.36	28.53
B. Net Domestic Asset (NDA)	11,783.39	10,763.99	9.47
a. Domestic Credit	14,390.93	13,076.34	10.05
Public Sector	2,502.37	2,103.66	18.95
Govt. (Net)	2,202.20	1,811.51	21.57
Other Public	300.17	292.15	2.74
Private sector	11,888.56	10,972.68	8.35
b. Net Other assets	-2,607.54	-2,312.35	12.77
C. Broad Money (A+B)	15,605.18	13,737.35	13.60

Source: Monthly Economic Trends, Bangladesh Bank

2.2 Reserve Money Development

Reserve money increased by 22.35 percent at the end of FY21 from June 2020. Higher growth of reserve money has resulted slight decline of money multiplier by 0.35.

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

Items	Outstanding Stock at the end of period		Changes in Outstanding Stock
	Jun-21	Jun-20	June-21 over June-20
Reserve money	3,481	2,845	22.35%
Money multiplier	4.48	4.83	-0.35

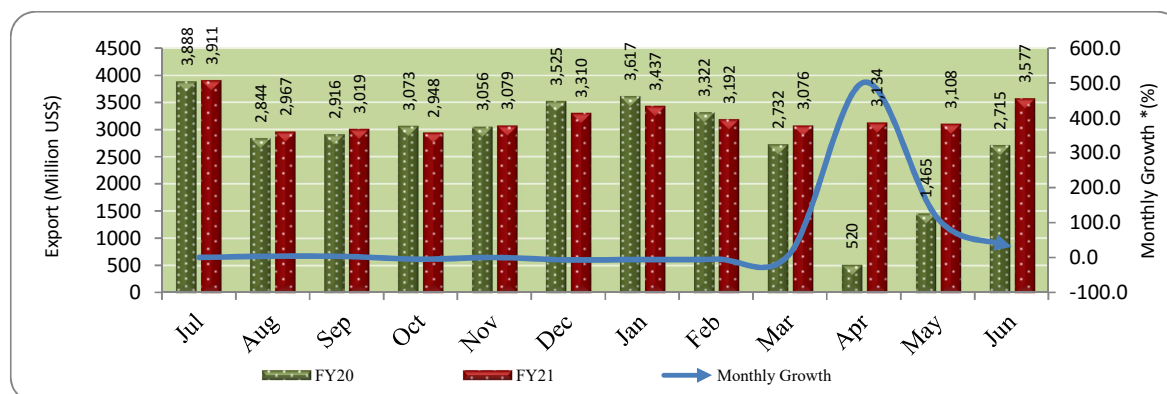
Source: Major Economic Indicators, Bangladesh Bank

3. EXTERNAL SECTOR

3.1 Exports

Merchandise export increased by 3.60 percent in FY21 compared to the export of FY20. This growth is less than expected as the export plunged in the later part of the fiscal year due to COVID19 pandemic.

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\$)

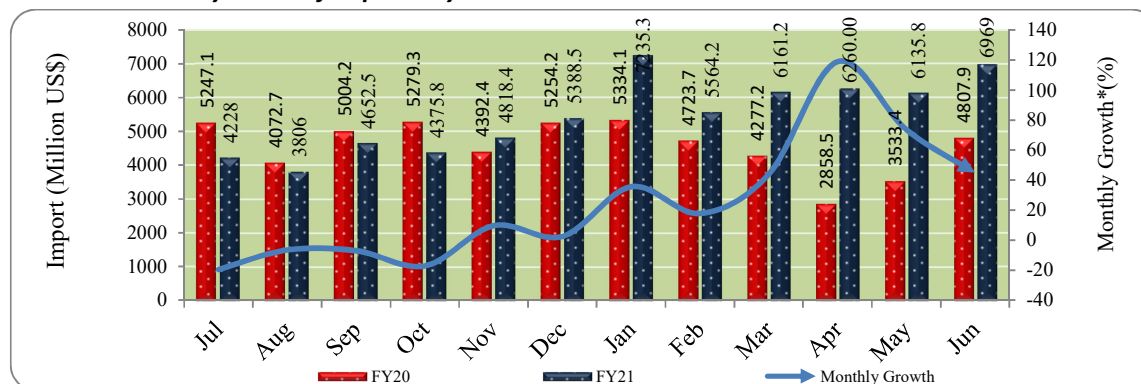
	2020-21	2019-20	2019-20	2018-19
	(July-June)	(July-June)		
Export	38,758.31	33,674.12	33,674.12	40,535.04
Growth*(%)	3.60	-17.99	-16.93	10.55

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

3.2 Imports (C & F)

As a part of the global supply chain, export trend has been also reflected in the trend of imports of Bangladesh as it rises by 19.73 percent in FY21. Most of the part of the fiscal year, import increases over the level of the previous year as the import of industrial raw materials and capital machinery gone up. At the same time, Letter of Credit (LC) opening raised by 26.20 percent and LCs settlement falls by 12.07 percent lower than that of the previous year.

Chart 3.2: Monthly Trend of Import Payments



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

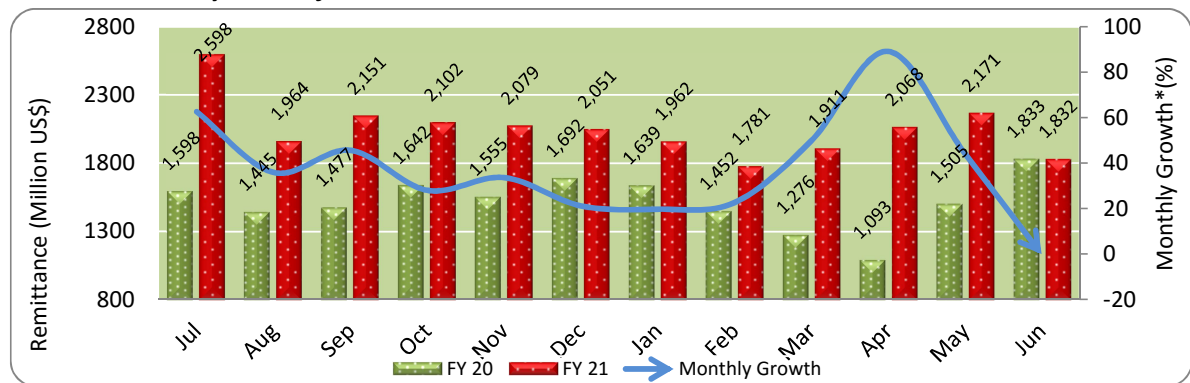
Table 3.2: Import Scenario (Million US\$)

Item	2020-21 (July-June)	2019-20 (July-June)	2019-20	2018-19
Import payments	65,594.70	54,784.70	54,784.70	59,914.70
Growth* (%)	19.73	-17.11	-8.56	1.78
LCs Opened	67,037.42	53,119.86	53,119.86	58,703.38
Growth* (%)	26.20	-	-9.51	-16.81
LCs Settled	57,256.40	51,091.47	51,091.47	57,328.19
Growth* (%)	12.07	-	-10.88	6.03

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

3.3 Remittances

Remittance inflow has been bullish over the fiscal year on the back of 2.0 percent fiscal incentives by the government. Overall, remittances inflow increased by 35.51 percent in FY21 compared to the previous year.

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-June)	2019-20 (July-June)	2019-20	2018-19
Remittances	24,668.89	18,205.11	18,205.11	16,419.63
As % of Export	63.65	54.06	54.06	40.51
As % of GDP	6.55	5.31	4.87	4.67
Growth (%)	35.51	8.78	10.87	9.62

Source: Bangladesh Bank;

3.4 Balance of Payments (BOP)

The country's trade balance deteriorated in FY21 as the import grows more than export earnings. However, current account balance has improved on the back of strong remittance inflow. At the same time, a higher inflow in the financial account has contributed higher overall balance.

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

	2020-21 (July-June)	2019-20 (July-June)	2019-20	2018-19
Trade Balance	-22,799	-17,858	-17,858	-15,835
Current Account	-3,808	-4,724	-4,724	-5,102
Capital Account	221	256	256	239
Financial Account	13,080	7,809	7,809	5,907
Error & Omission	-219	-172	-172	-865
Overall Balance	9,274	3,169	3,169	179

Source: Bangladesh Bank;

3.5 External Reserve

The gross foreign exchange reserve stood at 46.39 billion at the end of FY21, which is enough to cover import payments of 9.39 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 (June)	2019-20 (June)	2019-20 (June)
Million US\$	46,391.44	33,409.89	36,037.03
Months of import payment	8.87	6.66	7.87

Source: Bangladesh Bank

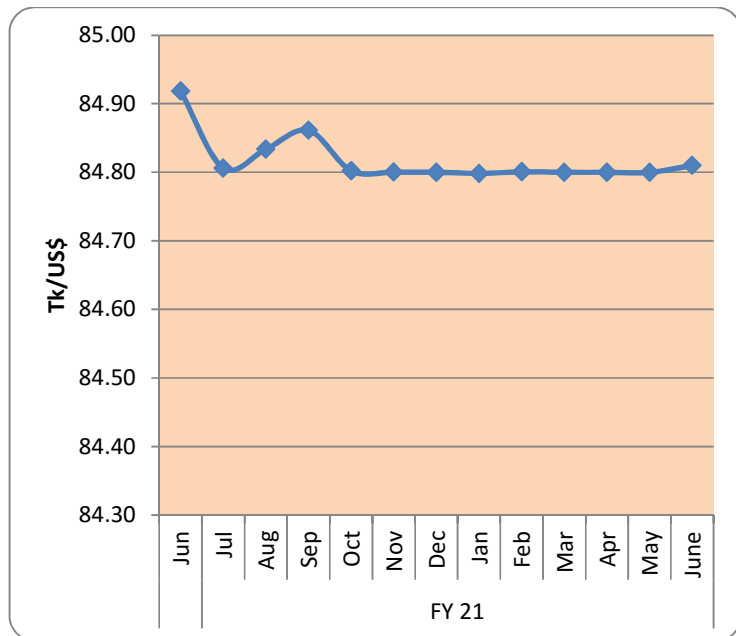
3.6 Exchange Rate Movements

Exchange rate remained broadly stable due to Bangladesh Bank's timely intervention in the foreign exchange market. Domestic currency, Taka appreciated by 0.37 percent against US dollar in June 2021 from June 2020.

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
June	84.81	84.80

Source: Bangladesh Bank;

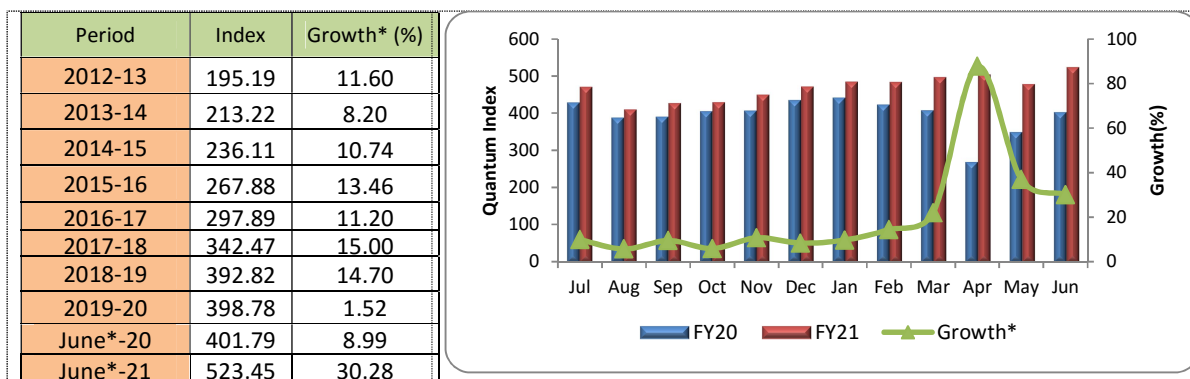


4. REAL SECTOR

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 30.28 percent in FY21 compared to the level of FY20.

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

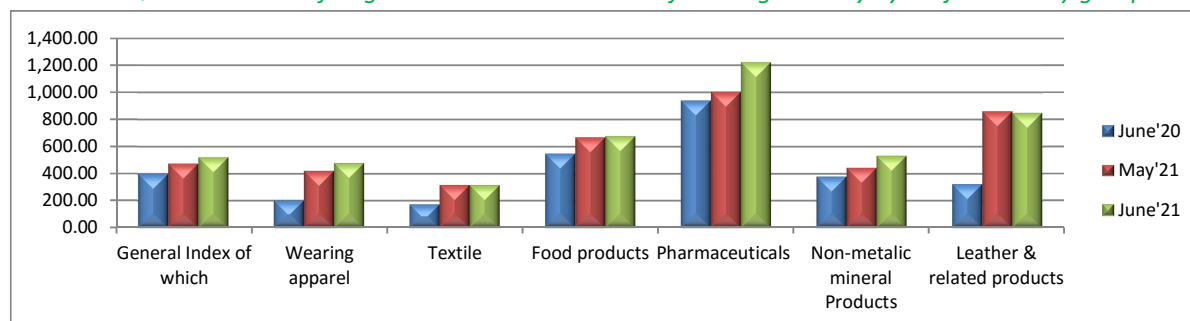
Table 4.2: Quantum Index of large and medium scale manufacturing industry by Major Industry group

Major Industry Group	Weight	Index			Change of Index	
		June'20	May'21	June'21	June'21 over June'20(%)	June'21 over May'21(%)
General Index	100	401.79	477.97	523.45	30.28	9.52
Of which Wearing apparel	34.84	205.7	424.51	481.71	134.18	13.47
Textile	14.07	176.95	318.39	318.41	79.94	0.01
Food products	10.84	551.3	670.12	679.6	23.27	1.41
Pharmaceuticals	8.23	941.86	1008.36	1224.62	30.02	21.45
Non-metallic mineral Products	7.12	381.42	445.79	536.17	40.57	20.27
Leather & related products	4.40	326.09	861.96	851.56	161.14	-1.21

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 161.14 percent growth followed by Wearing apparel with 134.18 percent growth, Textile with 79.94 percent growth in FY21 compared to that of FY20. 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 FY21 compared to that of FY20.

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



4.2 CPI Inflation

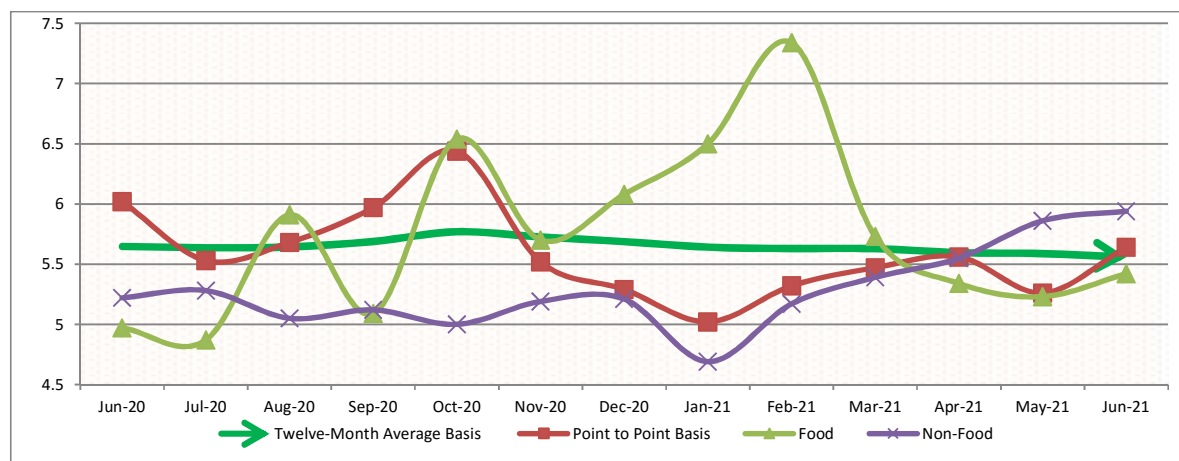
Moderation of Non-food inflation (from 5.85 to 5.29) edged down the overall CPI inflation marginally to 5.56 percent (Twelve-month average basis) in FY21, although food inflation rose to 5.73 in FY21 from 5.52 in FY20. However, CPI inflation remained higher throughout the year than the government's set 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
June	5.56	5.73	5.29	5.64	5.45	5.94

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 for 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.