Monetary Policy
for
Fiscal Year 2009/10

Nepal Rastra Bank
Central Office
Baluwatar, Kathmandu
Nepal

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Delivered by Governor Mr. Deependra Bahadur Kshetry
on July 24, 2009

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ACRONYMS

BCP	=	BASEL Core Principles
BOP	=	Balance of Payments
CAR	=	Capital Adequacy Ratio
CBS	=	Central Bureau of Statistics
CRR	=	Cash Reserve Ratio
FISIM	=	Financial Intermediation Services Indirectly Measured
GDP	=	Gross Domestic Product
GON	=	Government of Nepal
GVA	=	Gross Valued Added
IC	=	Indian Currency
INGOs	=	International Non-government Organizations
L/C	=	Letter of Credit
LMFF	=	Liquidity Monitoring and Forecasting Framework
M_2	=	Broad Money
NBBL	=	Nepal Bangladesh Bank Limited
NBL	=	Nepal Bank Limited
NC	=	Nepali Currency
NEA	=	Nepal Electricity Authority
NEPSE	=	Nepal Stock Exchange
NFA	=	Net Foreign Assets
NGOs	=	Non-government Organizations
NOC	=	Nepal Oil Corporation
NPL	=	Non-Performing Loan
NRB	=	Nepal Rastra Bank
OMOC	=	Open Market Operations Committee
OMOs	=	Open Market Operations
PAF	=	Poverty Alleviation Fund
RBB	=	Rastriya Banijya Bank
RSRF	=	Rural Self Reliance Fund
SLF	=	Standing Liquidity Facility
SSSS	=	Scripless Securities Settlement System
TT	=	Telegraph Transfer
WTO	=	World Trade Organization

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Monetary Policy for 2009/10

Background

1. As per the provision of NRB Act, 2002, on formulating and announcing monetary policy annually, Nepal Rastra Bank (NRB) announced the monetary policy for 2008/09 on September 29, 2008 and its mid-term review on March 22, 2009.

2. Review of economic and financial situation of the previous fiscal year, status of the monetary policy implementation in the previous year and analysis of the basis of policy to be adopted for the current fiscal year have been taken into consideration while preparing the monetary policy for 2009/10.

3. Most of the countries across the world have faced the contagion impacts of global financial crisis. The growth rate of world output is expected to be negative in 2009 for the first time after the Second World War. Governments and central banks of economically problematic countries made efforts to minimize the effects of crisis through the adoption of conventional as well as non-conventional measures. Central banks in major developed countries have adopted monetary easing through reducing interest rate at their minimum point. The second summit of the head of the governments of G-20 countries held in London in April 2009 committed to adopt the domestic policy measures in coordination with the policies exercised in the global level as baseline policy response so as to resolve the current economic crisis collaboratively.

4. The updated version of World Economic Outlook issued by the International Monetary Fund on July 8, 2009 has mentioned that the severity of recession has ended. World economy is gradually beginning to come out of a severity of recession. But the improvement is uneven among the countries and the recovery is reported to be sluggish.

5. The available latest macroeconomic indicators of Nepal show that the financial crisis has affected tourism and foreign employment. Though, there is a slight decrease in the number of people going abroad for foreign employment, the situation of remittance inflows remains significantly elevated. There still exists enough challenges in maintaining peace and security situation due to complexity involved in proper management of the political transition, uncertainty, lockout, strike etc. Investment environment and business confidence have been deteriorating. All these unfavorable situations have pushed the Nepalese economy far away from achieving high economic development, creating employment and making peace and prosperous new Nepal.

6. The inflation rate in 2008/09 soared up to a record high in 17 years. The pressure on food prices continued to rise despite a sharp decline of international commodity prices. The decline in production of winter crops on account of long dry winter, poor distribution and supply channel, transport syndication, crisis, increase in salary and wage rate and carteling created pressure in the overall price level in

Nepal. All these factors have posed challenges to the bank to achieve primary objective of maintaining price stability.

7. The monetary policy plays a crucial role in promoting financial sector development and its stability. In the past, financial sector stability was not given a due attention across the countries in the world, which contributed to the emergence of the present financial crisis. There has been much discussion relating to the increasing risks in financial sector in Nepal owing to the increasing numbers of bank and financial institutions. The recent situation of liquidating one of development banks entails that identifying a problematic financial institution in time and the improvement of its financial health is essential in order to prevent the likely incidence of systemic risks. Most of the countries in the world have endeavored to limit the deepening of global financial crisis and maintain the financial sector stability by introducing deposit guarantee scheme, extending the time and ceiling of guaranted deposits. In the light of a situation to close a bank for the first time in banking history of Nepal, sensitiveness of the financial sector and risk arised from increasing number of financial institution, the need for making a provision to protect deposit emerges.

8. Currently, Nepalese external sector is in a comfortable position. Though the trade deficit has widened, an elevated inflows of remittances contributed to post a record high balance of payment surplus in 2008/09. Excessive reliance on remittance alone poses risks in the external sector. Therefore, it is essential to develop the foreign employment sector along with the promotion of the sustainable sources of foreign exchange earning like tourism and exports.

Review of Economic and Financial Situations of 2008/09

International Economic and Financial Outlook

9. The world economy witnessed dramatic changes after the announcement of monetary policy of 2008/09. After the global financial crisis, the global economic outlook has remained persistently disappointing. The situational Indicators like production, employment, retail sales, aggregate demand, world trade are not satisfactory. According to World Economic Outlook update of the IMF issued in July 2009, the world production, which had increased by 3.1 percent in 2008, is estimated to decrease by 1.4 percent in 2009. According to the Fund, the output growth of developed countries will decline more sharply. According to the funds forecast output growth of United States, Euro area and Japan will decline by 2.6 percent, 4.8 percent and 6.0 percent respectively whereas the economic growth of emerging countries namely China and India will be limited to 7.5 percent and 5.4 percent respectively. The world output is forecasted to increase by 2.5 percent in 2010. In the first quarter of 2009, United States, Euro zone and Japan witnessed output decline of 5.5 percent, 4.9 percent and 14.2 percent respectively. International Labor Organization (ILO) indicates that the unemployment rate in the world will reach to 7.4 percent in 2009. The Unemployment rate reached to 9.5% percent in the United States in June 2009 whereas, Euro zone, United Kingdom and Japan also faced a significant increase in the unemployment rate.

10. Trade, which established as an engine of economic growth, is adversely affected by the global economic crisis. The growth of world trade which increased by more than the growth of world production in the last two decades, will however, decline by 12.2 percent in 2009 according to the IMF projection. World trade had increased by 2.9 percent in 2008. Sharp decline in world aggregate demand, contraction in trade credit and protectionism trend of countries are the factors that cause the volume of world trade to decline at a higher rate. After the financial crisis, some countries in the world are trying to protect local industries to keep employment intact. However, World Trade Organization (WTO) has warned the countries that these measures of protectionism will further deteriorate employment opportunities. Protectionism in trade adopts retaliation policy and world trade may not be supportive to overcome the current crisis.

11. The IMF has made a projection on consumer price to go up by 0.1 percent in 2009. In emerging and developing countries, it is, however, estimated to increase by 5.3 percent.

12. Central banks of the developed countries have reduced the policy rate historically low in order to inject the liquidity. This measure has reduced the short-term interest rate, though it could not expand the credit flow rapidly. Because of lower price of goods and services in the world, central banks are taking the advantage of adopting policy of monetary easing. The recent economic and financial downturns caused by the global financial crisis had also been analyzed in the mid term review of monetary policy for 2008/09.

Domestic Output

13. The GDP growth rate is estimated to remain normal in 2008/09. The economic growth rate in 2008/09 was estimated at 7.0 percent. Such level of estimation was based on the expectation of satisfactory growth performance of agriculture due to favorable monsoon and expansion of industry and services due to favorable investment climate and improved business confidence as the 'bandhas' and strikes were believed to be reduced after the election of the Constitution Assembly. However, the poor performance of winter crops due to unfavorable winter monsoon, the growth rate of overall agricultural production is expected to remain normal. Similarly, the expected growth rate couldn't be attained due to disputes between labor and industrialists during early months of 2008/09, road blockage in eastern region by koshi flood, continuing 'bandha' and strikes, load shedding, reduction in capital expenditure of government and world economic crisis.

14. According to preliminary estimates of Central Bureau of Statistics (CBS), Government of Nepal, GDP growth rate is estimated to be at 3.8 percent in basic price and 4.7 percent in producers' price in 2008/09. The CBS revised the estimate of GDP growth for 2007/08 at 5.3 percent in both basic price and producers' price.

15. On the sectoral basis, agriculture production is estimated to grow by 2.1 percent compared to that of the previous year. Due to long dry winter, production of wheat and pulses, the major winter crops is estimated to decline by 14.5 percent and 5.3 percent respectively. Due to these reasons, the production of cereals and other crops

is estimated to reduce by 0.7 percent and the growth of agricultural production would be normal in 2008/09.

16. Under non-agriculture sector, the industrial sector production is estimated to grow marginally by 1.8 percent in 2008/09. Under industry, production of the manufacturing industry and the electricity sub-sectors is estimated to decline by 0.5 percent and 1.1 percent respectively. In the previous year, the production of manufacturing and electricity increased by 0.2 percent and 3.7 percent respectively. Though 70 MW Middle Marsyagdi had commenced its production from January 2009, the electricity supply got reduced due to fall in water level of Kulekhani reservoir, closure of Bhotekosi power house for three months and the damage in Kataiya-Duhabi supply line by Kosi flood.

17. According to the preliminary estimates of manufacturing production index based on the data of first nine month of 2008/09, the production of manufacturing industries decreased by 1.1 percent in comparison to previous year. The fall in production of manufacturing industry is due to a fall in the production of vegetable ghee, milk, cloth, woolen carpet, readymade garments, medicine, cement, iron rod and plate and electric wire under this group. During this period, the production of vegetable ghee declined by 11.4 percent, readymade garments by 12.3 percent, medicine by 6.0 percent, woolen carpet by 12.5 percent, thread by 5.3 percent, cement by 9.8 percent, iron rod and plate by 8.0 percent.

18. The service sector is estimated to expand by 5.9 percent in 2008/09. Under the service sector, the value added of transport, storage and communication and education is estimated to grow significantly by 7.9 percent and 9.9 percent respectively.

19. Analyzing the GDP from demand side, the growth rate of private and government consumption expenditure (2000/01 price) increased whereas the growth of gross fixed capital formation fell marginally in 2008/09 compared to that of the previous year. In 2008/09, total consumption and investment grew by 6.0 percent and 5.9 percent respectively. Similarly, in 2008/09 total consumption and gross fixed capital formation as percentage of GDP are expected to stand at 92.0 percent and 21.2 percent respectively. Meanwhile, the ratio of private investment to GDP remained at 17.0 percent. Gross disposable income is estimated to rise by 21.2 percent in 2008/09 as compared to a growth of 13.9 percent in 2007/08. Such a remarkable growth in gross disposable income specially attributed to the encouraging rise in net transfer receipts.

20. During the first six months (January-June) of 2009, the number of tourist arrival by air declined by 6.0 percent. During the same period, the number of Indian tourists had decreased by 7.0 percent. During this period, the tourist arrival in each individual month except for April and June declined as compared to corresponding month of the previous year. Global economic crisis as well as frequent closure, strikes, weak security situation within the county contributed to slowdown the tourist arrival.

21. In 2008/09, the number of people approved for the foreign employment declined by 12.8 percent compared to the previous year. Among destination countries for

foreign employment, the number of workers going to United Arab Emirates (30.1 percent), Malaysia (30.6 percent) and Qatar (10.8 percent) declined whereas the workers going to Saudi Arabia (15.0 percent) increased. The worldwide contraction in employment on account of global financial crisis contributed to drop down the number of Nepalese people going abroad for foreign employment.

22. Some Nepalese workers working abroad returned back from foreign employment in early stage as an effect of global recession. According to Foreign Employment Promotion Board, 186 Nepalese workers returned back from foreign employment during the period of mid-February to mid-July 2009, as a result of global recession. As compensation, Foreign Employment Promotion Board provided a sum of Rs.1.543 million to the returnees.

Price Situation

23. Annual point-to-point consumer price inflation stood at 12.9 percent in mid-April 2009 compared to 9.2 percent in the last year. Of the total, the price index of food and beverages increased by 16.5 percent; and that of non-food and services rose by 8.8 percent. In the corresponding month of the previous year the price indices of food and beverages, and non-food and services had increased by 13.0 percent and 5.3 percent respectively. In 2008/09, annual consumer price inflation is expected to stand at 13.0 percent. Inflation rate was projected at 7.5 percent in the monetary policy of 2008/09.

24. Nepal has been facing high rate of inflation since the last quarter of 2007/08. The inflation rate has declined in most of the countries after the global economic recession. Price indices remained subdued around the world due to massive fall in prices of goods such as food, petroleum product, iron, copper, palm oil in international market. In India, the growth rate of wholesale price index, which is used as a measure of inflation, remained negative in June 2009. Earlier, the effects of inflation in India used to transmit into Nepal. However, current situation is contrary to this because fall in prices in India has not influenced prices in Nepal. The impact of Indian wholesale price movement has not been observed due to the differences in the commodities included in wholesale price index basket of India and consumers' price index basket of Nepal. In India also inflation based on consumers' price index stood at 10.2 percent in May 2009. The continuing high prices of food items have put pressure on inflation in Nepal. The price situation could not also improve due to some other reasons such as frequent closure, strike, energy crisis, salary and wage rate hike, and price cartelling. In addition, the ban in food export by India and the resulting problems in supply of food also fuelled to the rising prices.

25. The year-on-year (y-o-y) national wholesale price index rose by 15.5 percent in mid-May 2009 compared to an increase of 10.1 percent in the previous year. Wholesale price of agricultural goods, imported goods and domestically produced goods rose by 23.4 percent, 8.4 percent and 7.7 percent, respectively. In the corresponding period of previous year, the prices of the respective groups had increased by 10.3 percent, 8.9 percent and 11.7 percent respectively.

26. The y-o-y national salary and wage rate index increased by 21.1 percent in mid-May 2009 compared to a rise of 7.0 percent in the previous year. Under this, the salary index went up by 19.8 and wage rate index rose by 22.5 percent. The rise in salaries of government employees, security personal, teachers and employees of corporations as well as wage rate of workers from mid September 2008 put pressure on this index. Under wage rate, the wage rate indices of agricultural labour, industrial labour and construction labour increased by 27.8 percent, 15.0 percent and 21.3 percent, respectively.

Government Fiscal Position

27. The total expenditure of the Government of Nepal (GON) increased by 32.4 percent to Rs.213.6 billion in 2008/09. In the previous year, the total expenditure of the GON had GONe up by 20.8 percent. Of the total expenditure, the recurrent expenditure rose by 33.5 percent while the capital expenditure increased by 37.0 percent in 2008/09. In the previous year, such expenditures had increased by 18.6 percent and 34.7 percent respectively. Upward revision of the salary of the government employees as well as an increase in non-budgetary expenditure led to such an acceleration in the recurrent expenditure in the review period. The trend of increasing capital expenditure in the later months of the year, payment in public procurement, significant budget release to the local bodies as well as significant amount spent on small farmers' debt waiver program contributed to such a growth in the capital expenditure in 2008/09.

28. The revenue mobilization of GON increased by 32.1 percent to Rs.142.2 billion in 2008/09. The growth rate of revenue was 22.7 percent in 2007/08. Reform in revenue administration, control in revenue leakage, committed implementation of Voluntary Disclosure of Income Scheme (VDIS), increase in imports, house and land registration tax, significant growth of income tax and non-tax revenue contributed to such an impressive growth of revenue mobilization in the review year. In addition to the revenue mobilization, foreign grants received by the GON increased by 70.1 percent and foreign loan increased by 15.9 percent in 2008/09.

29. In 2008/09, the budget deficit of the GON stood at Rs.36.8 billion. Such deficit was Rs.33.4 billion in the previous year. As per the revised estimates, GON will meet its budget deficit by mobilizing external debt of Rs.10.41 billion and internal debt for the remaining portion in the year 2008/09.

30. The government mobilized domestic borrowings of Rs.18.4 billion as against the government's revised estimate of Rs. 25.0 billion in 2008/09. After deducting the principal repayment of Rs.8.78 billion from gross domestic borrowings, net domestic borrowings (excluding the overdraft/surplus) stood at Rs. 9.63 billion. The actual domestic debt mobilization was lower than the budget estimate mainly due to significant cash surplus of the GON with Nepal Rastra Bank for a long time. Of the total domestic debt mobilized in 2008/09, a sum of Rs.9.0 billion was mobilized through Treasury Bills, Rs. 7.8 billion through Development Bonds and Rs. 1.7 billion through Citizen Saving Bonds. The net domestic borrowings to GDP ratio stood at 1.0 percent in 2008/09.

External Sector

31. Despite the adverse situation that spread worldwide by the world financial crisis since September 2008, the external sector of Nepal remained satisfactory. In the first ten months of 2008/09, the balance of payments (BOP) posted a surplus of Rs. 43.1 billion. The BOP registered a surplus of Rs. 19.9 billion in the same period of the previous year. Taking into account the imports of the last two months, the BOP is estimated to register a surplus of Rs. 35.4 billion in 2008/09. In the Monetary Policy of 2008/09, the BOP was projected to record a surplus of Rs. 12 billion. Owing to the significant rise in private sector's remittances, increase in exports as well as upsurge in foreign cash grants received by the government, the BOP surplus expanded considerably. In the review period, the current account also registered a surplus of Rs. 37.0 billion. In the corresponding period of the previous year, the current account had recorded a surplus of Rs. 7.1 billion.

32. In the first ten months of 2008/09, workers remittance inflows rose significantly by 55.5 percent to Rs. 169.2 billion. In the corresponding period of the previous year, such remittances amounting to Rs. 108.8 billion had been received. On the basis of US dollar, remittances rose by 29.7 percent to US$ 2.2 billion. In the corresponding period of the previous year, remittances equivalent to US$ 1.7 billion had been received.

33. In the context of contracting employment opportunities on account of the global economic crisis, the significant rise in private sector's remittances in Nepal is a positive aspect. Because of the contraction in employment opportunities on the one hand and the decline in prices of oil, the major source of income of Gulf countries, there was skepticism surrounding in the foreign employment sector as the Gulf region remained the major destination of Nepalese workers. Though the number of workers going abroad for employment declined in 2008/09 in comparison to the previous year, remittances have been increasing as the total number (stock) staying abroad and working has been going up.

34. In 2008/09, remittance inflow as share of GDP is estimated to be 20 percent. Inflows of remittances have been instrumental in strengthening the BOP position for external stability. While remittances have a significant role in the reduction of poverty, there has also been an expansion in consumption leading to an increase in social welfare. Remittances have directly or indirectly contributed in the activities of other sectors. This has raised the resource mobilization of banks and financial institutions and there has been a decline in supply of domestic human resource leading to a rise in real wage rate. But there is a possibility that dependence on the growing remittances could lead to remittance trap. It is argue that policymakers of countries receiving increased remittances are not motivated towards focusing on infrastructure development of the country, generating private sector's investment climate and bringing about timely improvements in economic policy and programs. Besides this, too much dependence on remittances could bring about fluctuations in external sector stability in the future. In this context, there is a need to look at the alternative sources of foreign exchange earnings. There is an increasing trend in the number of workers going abroad being cheated and feeling unsecured. There is

a need to raise the productivity of the workers to make them competitive in the international labor market.

35. On merchandise trade front, in the first ten months of 2008/09, total exports rose by 19.8 percent. Out of this, exports to India rose by 10.5 percent while exports to other countries soared by 38.8 percent. Total exports had declined by 2.4 percent in the corresponding period of the previous year. While exports to India declined by 7.4 percent, exports to other countries had rose by 9.8 percent. There was an increase in the exports of readymade garments, textiles, G.I. pipe, catechue and tooth paste to India and an increase in the exports of pulses, pashmina, woolen carpets, readymade garments and handicraft to other countries.

36. In the first ten months of 2008/09, total imports went up by 25.4 percent. In the corresponding period of the previous year, total imports had risen by 16.8 percent. Out of total imports, imports from India and other countries rose by 11.5 percent and 50.4 percent respectively. In the corresponding period of the previous year, imports from India and other countries had increased by 25.7 percent and 3.7 percent respectively. Total import increased due to the expansion in the imports of other machinery and parts, vehicles and spare parts, cold-rolled sheet in coil and cement, among others, from India and gold, electrical goods, MS billet, crude soyabean oil and other machinery & parts, among others, from other countries.

37. The share of India and other countries in Nepal's total trade stood at 58.1 percent and 41.9 percent respectively in the first ten months of 2008/09. These figures were 64.8 percent and 35.2 percent respectively in the corresponding period of the previous year. Nepal's total exports in the review period cover only 24.8 percent of total import. The share of total export and total import in total foreign trade remained at 20.0 percent and 80.0 percent respectively in the review period. A substantial growth in import contributed to the expansion of trade deficit. Trade deficit cannot be reduced without substantial increase in exports.

38. The total import from India against the US dollar payment witnessed a decline in the first ten months of 2008/09. Such import declined to Rs. 25.4 billion in the review period from Rs. 26.7 billion in the corresponding period of the previous year. The depreciation of Indian currency *vis-à-vis* US dollar was responsible for the deceleration of import from India against the US dollar payment.

39. In mid-May 2009, the gross foreign exchange reserves surged by 33.3 percent to Rs. 283.4 billion, compared to that of mid-July 2008. Such reserves had witnessed a growth of 19.3 percent in the corresponding period of the previous year. A high surplus in current account attributed to a substantial growth in foreign exchange reserve in the review period. The gross foreign exchange reserve in US dollar terms, however, grew by 15.4 percent to USD 3.6 billion as at mid-May 2009 compared to the level as at mid-July, 2008. Such reserves had registered a growth of 15.5 percent in the corresponding period of last year. On the basis of imports of the first ten months of 2008/09, the current level of foreign exchange reserves is adequate for financing merchandise imports of 12.4 months and merchandise and service imports of 10.1 months.

40. In comparison to mid-July 2008, the Nepalese currency *vis-à-vis* US dollar depreciated by 12.2 percent in mid-May 2009 and the exchange rate of one US dollar stood at Rs. 78.35 in mid-May 2009. The pegged exchange rate system of Nepalese currency with Indian currency was responsible for the depreciation of Nepalese currency against US dollar. Even in the situation when there are no fluctuations in Nepalese economy and foreign exchange reserves, the inflows of foreign capital in India lead to an appreciation of Indian currency along with Nepalese currency. This reveals an inconsistent behavior between foreign exchange rate and the condition of the domestic economy. Nepal Rastra Bank has been constantly monitoring this situation.

41. The depreciation of Nepalese currency has positively affected the third country export. The third country export occupies 38.0 percent share in total export. The depreciation has however affected the import trade adversely. Therefore, the net advantage from currency depreciation depends on the input content of the imported goods on exportable goods. While the depreciation of the Nepalese currency has a positive impact on exports, as the economy is import-based, this has exerted pressure on domestic price level through the channel of tradable goods.

42. The trade weighted real effective exchange rate is a key indicator of measuring the export competitiveness. The real effective exchange rate needs to be kept neutral for maintaining the external sector stability. Nepal Rastra Bank has been calculating the real effective exchange rate using a simple method and monitoring its development regularly. The trade weighted real effective exchange rate of Nepalese currency appreciated significantly as at mid-May 2009 compared that of mid-July 2008. The responsible factor for this is the high inflation in Nepal relative to inflation in India and developed economies. The appreciation of real effective exchange rate without improvement in productivity indicates the loss in export competitiveness. For keeping real effective exchange rate constant, it is essential to focus on price stability.

Financial Market

43. In 2008/09, NEPSE index seeded to be much more volatile. The NEPSE index declined by 6.9 percent to 749.11 in Mid-July, 2009. This index was 806.26 in the mid-July 2008. In August 31, 2008, the NEPSE index reached at the highest of 1175 point, whereas, in January 22, 2009, the index plummeted to a record low of 609 points. The significant fall in the NEPSE index is mainly attributed to a lack of investment friendly environment due to a poor peace and security situation, disappointment in the investors due to long political transition, increase in the supply of shares through initial public offerings (IPOs). However, in mid-July, 2009, the market capitalization surged by 19.9 percent to Rs. 512.4 billion, compared to the corresponding period of the previous year. Market capitalization to GDP ratio stood at 40 percent. The share of market capitalization of banks and financial institutions, production and processing units, hotel, trading, hydropower and other groups stood at 73.3 percent, 1.8 percent, 1.1 percent, 0.3 percent, 4.0 percent and 19.4 percent respectively.

44. The NRB by adopting the new policy on margin lending in 2008/09, made a provision under which loan can be extended upto 50 percent of average price of share in the last 180 days or, latest market price, whichever is lower. In the year 2008/09, additional provision of calling further collateral within 21 days was introduced when the value of share pledged as collateral falls below the loan amount. Such provision protected bankers and financial institutions against risk through controlling undesired credit of margin nature.

45. The issuance of government development bonds has been started through auction since 2005/06. In 2008/09, development bonds amounting to Rs. 7.8 billion was sold through auction. In January 2009, development bond worth of Rs. 2 billion with 8 percent coupon rate and maturity period of 6 years was sold at the weighted average price of Rs 102.4031 (yield to maturity being 7.46 percent). Of the total development bond worth of Rs 5.8 billion issued at 9 percent coupon rate in July 2009, a 5-year bond worth of Rs 3 billion was sold at weighted average price of Rs 103.3496 (yield to maturity being 8.09 percent of year) and bond worth of Rs 2.8 billion was sold at Rs 106.4937 (7.71 percent). Thus, the whole development bonds were is sold at premium.

46. In the first ten months of 2008/09, deposit mobilization of commercial banks increased by Rs. 81.92 billion to Rs. 503.45 billion. The deposit mobilization increased by Rs. 63.51 billion in the corresponding period of the previous year.

47. In the first ten months of 2008/09, loans and advances of commercial banks increased by Rs. 74.33 billion to Rs. 381.60 billion. The growth rate of loan disbursed in the sectors such as production, manufacturing, mining and quarrying, machinery and electrical equipment, transport, communication and public services, wholesale and retail trade and services sector decreased whereas the growth rate to transport equipments, production and fittings and consumer loans has increased.

48. The deposit mobilization of 'B' class development banks increased by 56.7 percent compared to that of mid-July 2008 to Rs. 40.88 billion in mid-April 2009. Loan disbursement during the same period increased by 51.1 percent to Rs.35.40 billion. Likewise, in mid- July 2008, the deposit mobilization and loan disbursement of finance companies ('C' class financial institutions) stood at Rs. 55.70 billion and the Rs. 60.41 billion respectively.

49. The ratio of non-performing loan (NPL) of commercial banks has been declining gradually. According to the provisional balance sheets of commercial banks, the ratio of non-performing loan declined to 4.9 percent in mid-April 2009 from 6.3 percent in mid-July 2008 and 10.3 percent in mid July 2007. Excluding the three fully or partially owned government banks, the NPL ratio of 22 commercial banks stood at 2.4 percent. The ratios of NPL of Nepal Bank Ltd. and Rastrya Banizya Bank Ltd. were respectively 8.6 percent and 18.0 percent in mid-April 2009 and 12.4 percent and 21.7 percent in mid-July 2008.

50. In 2008/09, the number banks and financial institutions licensed by the NRB also increased. As of mid-July 2009 the total number of "A" to "D" class banks and financial institutions reached 181 comprising 26 commercial banks, 63 development banks, 77 finance companies and 15 micro finance development

banks. In mid-July 2008, this number was 173 comprising 25 commercial banks, 58 development banks, 78 finance companies, and 12 micro finance development banks. Similarly, in mid- April 2009 the total branches of commercial banks reached to 681. The same was 555 in mid-July 2008. Region-wise, there are 127, 337, 135, 51 and 31commercial bank branches in eastern, central, western, mid-western and far western regions respectively.

Monetary and Liquidity Management in 2008/09

51. The growth rate of broad money was projected at 18.5 percent in the monetary policy of 2008/09. The desired growth of broad money was projected on the basis of the targeted economic growth of 7.0 percent by budget speech of the Government of Nepal and average annual inflation rate of 7.5 percent for that year. However, according to the preliminary estimate of the Central Bureau of Statistics (CBS), the economy will grow only by 4.7 percent (at factor cost) in 2008/09, while the revise NRB's estimate of average annual inflation rate is 13.0 percent.

52. In the first ten months of 2008/09, the broad money grew by 17.4 percent. It had grown by 19.3 percent in the corresponding period of the previous year. Despite a significant growth of net foreign assets, the broad money expanded by a lower rate in the review period compared to that of the previous year on account of a lower growth of net domestic assets caused by a sharp decline in net claims on government and an increase in non-monetary liability. However, like previous year, the narrow money posted a growth of 15.7 percent in the review period.

53. Based on the expansion of the broad money in the first ten months of 2008/09, the broad money is revised to grow by 21.0 percent in 2008/09. In 2007/08, the broad money had expanded by 25.2 percent. Similarly, the narrow money is revised to grow by 19.0 percent. The narrow money had grown by 21.6 percent in the previous year.

54. In the first ten months of 2008/09, the net foreign assets (after adjusting foreign exchange valuation gain/loss) increased by Rs. 43.6 billion. The elevated inflows of remittances contributed to a significant rise in net foreign assets in the review period. The growth of net foreign assets was targeted at Rs. 12.0 billion in 2008/09. On the basis of latest statistics and information, the net foreign assets is estimated to increase by Rs 35.4 billion. It had increased by Rs. 29.7 billion in the previous year.

55. The domestic credit expanded by 13.9 percent in the first ten months of 2008/09. Such credit had grown by 16.6 percent in the same period of the previous year. The domestic credit expanded at a lower rate than that of the previous year mainly on account of a higher cash surplus of the GON with the NRB. The credit to the private sector expanded by 22.4 percent in the first ten months of 2008/09 compared to a growth of 19.5 percent in the same period of the previous year. The private sector credit increased at a higher rate in the review period on account of an addition of the credit disbursement of a financial institution recently upgraded from 'c' class financial institution to commercial bank. Similarly, the proportion of the

credit to the government in total domestic credit stood at 14.3 percent while that of private sector credit stood at 83.6 percent in the review period of 2008/09.

56. The total domestic credit and credit to private sector are estimated to grow by 20.7 percent and 24.2 percent respectively in 2008/09. The total domestic credit and credit to private sector were projected to grow by 23.3 percent and 25.0 percent respectively in 2008/09. Even though the private sector credit grows as projected, the lower growth of total domestic credit against the projected one is mainly due to a fall in the bank credit to the Government of Nepal.

57. The reserve money expanded by 25.9 percent in the first ten month of 2008/09 compared to 15.3 percent growth in the same period of the previous year. The significant increase in net foreign assets was the major source of rise in reserve money in the review period, which is partially absorbed by currency in circulation in the demand side. Notwithstanding a significant growth of reserve money, an increase of cash reserve requirement (CRR) by 50 basis points in the monetary policy of 2008/09 contributed to slowdown the growth of broad money through decelerating the growth of multiplier in the review period compared to that of the previous year. The broad money multiplier dropped down to 3.196 in mid-May 2009 from 3.426 in mid-July 2008. The effect of the NRB decision to increase the CRR in the face of the liquidity overhang in the later quarter of 2007/08 on account of elevated inflows of remittances and rising pressure on prices is reflected through the slowdown in monetary expansions.

58. In 2008/09, the banking sector experienced considerably comfortable liquidity position in general. India as well as most of the countries had faced a situation of liquidity shortfall after the global financial crisis. In the event of a liquidity shortfall, most of the central banks in addition to the conventional measures of monetary easing by means of reducing the policy rates to the minimum to the extent possible followed the quantitative measures of expanding the credit. The central banks including the US Federal Reserve pursued the measures of purchasing government securities to inject the liquidity. However, elevated inflows of remittances contributed to achieve a high growth of net foreign assets and thereby, ease the liquidity position in Nepal.

59. Among the autonomous sources of liquidity such as the foreign exchange interventions injected the liquidity while government expenditure and currency in circulation contracted the liquidity. Except the months September/October, January/February, February/March and May/June 2009, liquidity position in 2008/09 remained comfortable. These months experienced a stress of liquidity on account of a slowdown in government expenditure, increase in currency in circulation and an issue of initial public offering (IPO) of shares of some commercial banks. The NRB mopped up liquidity through outright sale and reverse repo auctions in the case of excess liquidity and injected liquidity through repo auctions in a situation of shortfall in liquidity.

60. In addition to the monetary measures of the NRB, a high cash surplus of the GON with the NRB for a long period of time and an increase in currency in circulation

helped manage excess liquidity in the review period. The currency in circulation increased by Rs 23.2 billion (23.2 percent) in the first ten months of 2008/09.

61. Under the liquidity management, a total of Rs 20.72 billion was mopped up in 2008/09. Of which, Rs. 7.76 billion from sale auction and Rs. 13.26 billion from reverse repo auction. Similarly, a total of Rs.11.0 billion was injected through repo auction in 2008/09. Thus, a net liquidity of Rs. 9.7 billion was mopped up in 2008/09. A net liquidity of Rs. 12.42 billion had been mopped up in the previous year.

62. In 2008/09, a net liquidity of Rs.142.5 billion was injected through the net purchase of 1.8 billion US dollar from the foreign exchange market. The NRB had injected net liquidity of Rs 102.41 billion by net purchase of 1.57 billion US dollar in the previous year. The high growth in external transfer income contributed to accelerate the foreign exchange intervention in the review period.

63. In 2008/09, Indian currency amounting to INR 73.4 billion has been purchased by selling USD 1.5 billion. A total of INR 70.6 billion was purchased through the sale of USD 1.7 billion in the previous year. Buying high volume of Indian currency through selling relatively low volume of US dollar was mainly due to devaluation of INR against the USD.

64. The use of the standing liquidity facility (SLF) by commercial banks stood Rs 107.78 billion in 2008/09 compared to Rs.103.83 billion in 2007/08. The range of counter parties on the conduct of monetary policy has been extended to development banks and finance companies in addition to the commercial banks since 2008/09. Although development banks and finance companies as counterparties of the monetary policies are accorded to use the facilities of the SLF as well as to participation in the secondary market operations, they have not yet used the SLF facility either due to the lack of government securities in their holdings or having enough liquidity with them. Similarly, the inter bank transactions among the commercial banks stood at Rs. 293.4 billion in 2008/09 compared to Rs 258.3 billion in the previous year. The use of SLF and inter bank transactions by commercial banks increased in the review period due to a shortfall in short-term liquidity on account of an issue of IPO of some financial and non-financial institutions in the review period.

65. The short-term interest rates increased in 2008/09. The weighted average interest rate of 91-day treasury bills stood at 5.83 percent in 2008/09 compared to 4.21 percent in the previous year. Similarly, the inter bank rate stood at 5.07 percent in 2008/09 compared to 4.20 percent in the previous year. Besides short-term rates, interests rates on deposits and credits have also GONe up in 2008/09. The highest interest rate on one-year fixed deposits increased by 3 percentage point to 9.0 percent in July 2009 compared to that of July 2008. Likewise, compared to the rate of July 2008, the minimum interest rate on industrial credit increased by 1 percentage point to 8.0 percent July 2009.

66. Commercial banks' balance held abroad increased significantly in the review period. Such balance of commercial banks increased by 39.3 percent in the review period compared to an increase of 15.0 percent in the previous year. Despite a cut

in interest rates in the international money market, an appreciation of the US dollar contributed to increase the balance of commercial banks abroad. This, to some extent, helped sterilize the liquidity overhang in the domestic economy in 2008/09

Monetary Policy and Financial Sector Program of 2009/10

67. Monetary policy in Nepal has multiple objectives. The prime objective is to facilitate economic growth through price and external sector stability. The other objective is to maintain financial sector stability through developing sound and healthy financial sector. Financial crisis further deterioted due to low priority given to the financial sector stability by the central banks adopting price stability as a single objective of monetary policy. Aftermath of the crisis, most of the central banks have agreed to accord a high priority to the financial sector stability besides the other objectives of the monetary policy.

68. In the banking history of Nepal, one of the development banks has been declared problematic and accordingly, a case has been filed in the Appellate court for liquidation. The financial health of the bank deteriorated when its management arbitrarily disobeyed the prudential norms issued by the NRB, overlooked the corporate culture and could not come up with any efforts to improve its deteriorated financial health. The NRB has decided to abrogate the license of that development bank in order to prevent further losses to depositors and small investors and avert the likely occurrence of systemic risk. Likewise, the NRB took over the management of the commercial banks by dissolving the existing board of directors keeping in view that the prolonged conflict among members of board to be gradually reflected in the affairs and the financial position of the bank. The management of the bank has been handed over to the newly formed board of directors elected through the annual general meeting immediately.

69. The NRB has been conscious to the growing challenge of regulatory and supervisory functions as well as financial reforms of the banks and financial institutions. The NRB will try to ensure good governance and corporate culture in the financial sector. The problematic financial institutions will be identified timely and accordingly, corrective measures will be initiated for improvement. Likewise, the concerned stakeholders who appear to be irresponsible to towards deposits and investments of general public and inclined to harm the sensitive industry like banking to fulfill their personal interests will be brought under actions.

70. The monetary policy of 2009/10 has been formulated primarily on the basis of economic and monetary situation developed in 2008/09, financial situation and the policy of gradually opening up of external sector. The monetary policy of 2008/09 has also considered recent global downturn and its likely impacts in the domestic economy. The fixed exchange rate of Nepalese currency (NC) vis-à-vis Indian currency (IC) has been kept as a nominal anchor of the monetary policy as in the previous years.

71. The nominal anchor of the fixed exchange rate of NC vis-à-vis IC entails regular monitoring of real effective exchange rate (REER) and to avert an occurrence of over or under valuation of the REER. The exchange rate of NC vis-à-vis the US

dollar depreciated by 12.2 percent as in mid-July 2009 from that of mid-July 2008. However, a higher rate of inflation in the domestic economy compared to that of the inflation in the global economy emerged after a global financial crisis caused a negligible real appreciation in trade weighted real exchange rate even in the face of nominal depreciation of NC. In this context, price stability stands to be a major priority of the monetary policy.

72. Except the prices of goods and services, monetary policy operation by the central bank also influences the asset prices. Changes in policy rates bring volatility in asset prices. The asset price which is not supported by economic and financial fundamentals i.e. purely of bubble components may cause strains in the financial system and its stability. Therefore, it is expected that the central bank should be confident to take the timely decision for the correction of such inconsistency. The central bank should follow a proactive approach with cautious and tight monetary policy stance in order to stave the volatility in asset prices.

73. Most of the countries publish export-import price index (XMPI). The major advantage of this index is to measure the terms of trade (TOT) and trace the position of country's competitiveness in the international trade. The rise in the TOT indicates a benefit enjoyed by a country from the international trade whereas a fall in the TOT indicates a loss to the country from international trade. In 2008/09, the NRB computed a study regarding the procedure for preparing the index. The unit price-based XMPI will be brought into publication since 2009/10.

74. The current measure of inflation in Nepal is the consumer price index, which is based on the selection of goods and services and weightage of expenditure from the third household budget survey of 1995/96. The household budget survey is generally conducted in every 10 years capturing the changes in the pattern of consumption and direction of expenditure, which are essential to be adjusted in the CPI. The NRB has concluded the fourth household budget survey in order to adjust the changing pattern of consumption in a measure of consumer price inflation. The NRB within 2009/10 will begin to measure the consumer price inflation on the base of 2005/06.

75. The NRB has been preparing a "Nepal Macroeconomic Modeling" since 2009/10. The implementation of the modeling is expected to help forecast the macroeconomic variables such as gross domestic product, inflation, among others more accurately and thus is expected to help enhance the efficacy of monetary policy.

76. The ever-growing use of IC due to open border and increasing interdependency between Nepal and India will limit the effectiveness of monetary policy. In this backdrop, the NRB, in 2009/010, will carry out a study on the volume of IC circulation within the domestic economy. Likewise, the measures will be taken to bring the transaction of IC in the banking channel.

Stance of Monetary Policy

77. The ex ante stance of monetary policy of 2008/09 was made tight in the face of a rising trend of prices. The monetary policy of 2008/09 was made tight considering

rising pressures on prices of goods and services, liquidity overhang of the previous year, rising asset prices and likely adverse impacts of volatility in asset prices-the prices of real estate and shares-in economic activities and banking sector stability in the long run. The present high rate of inflation mainly emerged from supply side has also raised questions about the effectiveness of monetary policy to control prices. The stance of monetary policy of 2009/10 should be chosen considering the present situation of rising prices on account of supply disturbances.

78. Monetary policy can control the prices of goods and services including that of assets such as real estate and share prices and mitigate the adverse impacts on economic activities arising by fluctuation in aggregate demand. Thus, monetary policy is to be designed in such a way that monetary expansion does not become a source of inflation and assets price rise.

79. The current inflationary pressure is a matter of concern to the NRB. The consumer price inflation in Nepal seems to be trended with price developments in India on account of fixed exchange rate of NC vis-à-vis IC, open border and increasing trade dependency with India. The domestic demand and supply determines the prices of non-tradable and therefore, the role of monetary policy should be preemptive so as not to be a fuelling factor for the price rise of non-tradable. Further, petroleum prices plummeted abruptly aftermath of the global financial crisis has begun to rise. This also underpins a persistence of a tight and cautious monetary policy stance as before.

80. An elevated inflow of remittances contributed to a substantial increase of net foreign assets in 2008/09. The inflow of remittance in 2008/09 is estimated to be around Rs 200 billion. The net foreign assets during the first ten months of 2008/09 posted an increase of Rs 43.1 billion. This evidences an injection of enough liquidity in the economy. And thus, the liquidity overhang of 2008/09 is sufficient to support the achievement of economic growth rate estimated for 2009/10. In a situation of liquidity overhang as of now, a pursuit of easy monetary policy is not plausible. Ever growing inflows of remittances has contributed to surge up of overall internal demand. In the face of increasing trend of spending of remittances on consumptions, pressure on domestic prices has emerged and may also pose threats to external sector stability through increasing imports for consumption. This also warrants an adoption of a tight and cautious monetary policy stance for 2009/10 as well.

81. The size of the budget of government of Nepal (GON) has increased by 21.2 percent of the revised estimates of the previous year amounting to Rs 285.9 billion. The budget statement of 2009/10 has a plan to raise the internal borrowing of Rs 30.9 billion. The budget has also allocated Rs 7.7 billion for internal loan payment. Thus, internal borrowing and net internal borrowing (excluding overdraft) in 2009/10 stand at 2.8 percent and 2.1 percent of GDP respectively. In 2008/9, the net internal borrowing (excluding overdraft) stood 1.0 percent of GDP. In an event of increasing government expenditure, monetary policy should be cautious to maintain overall economic stability. This implies that the stance of monetary policy needs to be tight.

Economic and Monetary Targets

82. In spite of the first priority accorded to the price stability of monetary policy in Nepal, the inflation escalated to the double-digit in 2008/09. Supply factors and base effect are primarily responsible for such a high price rise in Nepal. The initiation of the adjustment of prices in tandem with the movement in international prices will help, to some extent, to avert abrupt fluctuation in prices. Considering these facts, inflation rate for 2009/10 has been projected to remain at 7.0 percent. Favorable monsoon, construction of food storage houses, improvement in supply and distribution channel, budgetary programs introduced to the improvement of agriculture sector, the commitment of the government to supply basic necessity goods round the year without obstruction coupled by effective implementation of the monetary policy will help to contain the inflation rate within the projected level.

83. The external sector stability is the second primary objective of the monetary policy. The balance of payment surplus will be taken as an indicator of external sector stability. The balance of payment surplus is projected to remain at Rs 18.0 billion based on the target of foreign exchange reserve required to cover the goods and service imports of at least six months.

84. The economic growth for 2009/10 will remain moderate. The monetary management will be done so as to ensure the liquidity required to achieve the economic growth target of 5.5 percent mentioned in the budget statement of 2009/10.

85. The broad money (M_2) is projected to grow by 17.0 percent in 2009/10. The growth rate of broad money has been projected given the economic growth of 5.5 percent, inflation rate of 7.0 percent and BOP surplus of Rs 18.0 billion.

86. The domestic credit is projected to grow by 20.7 percent in 2009/10. The GON in its budget statement of 2009/10 has mentioned to mobilize internal loan of Rs 30.9 billion in 2009/10 relative to the internal loan mobilization of Rs 18.4 billion in 2008/09. Likewise, the credit to the private sector from commercial banks is projected to grow by 20.7 percent in 2009/10.

Conduct of Monetary Policy and it's Instruments

87. The exposure of development banks and finance companies in terms of their deposits mobilization and credit flow has been gradually increasing. The development banks and finance companies taken together have a share of 15 percent in total deposit mobilization of the deposit taking institutions. Based on the ever-growing exposure of the development banks and finance companies in total financial claims as mentioned above, the monetary policy of 2008/09 extended the range of counterparties of the monetary policy by including these financial institutions in addition to commercial banks. After being included as counterparties of the monetary policy, development banks and finance companies are allowed to participate in the secondary market operations and use of SLF against government securities effective from 2008/09.

88. Till date, the excess liquidity of commercial banks after CRR requirement has been taken as the operating target of monetary policy. Considering the structure and

changes in the financial sector, the excess liquidity of financial institutions (from class 'A' to class 'C') above the CRR requirement will be taken as operating target of monetary policy from 2009/10. The liquidity monitoring and forecasting framework is used to monitor as well as forecast the liquidity position of the commercial banks alone. As development banks and finance companies are also brought under the range of counterparties besides commercial banks, the framework is to be revised and adjusted to incorporate development banks and finance companies in the framework. Therefore, to the extent possible, an arrangement will be made to monitor and forecast the liquidity position of development banks and finance companies besides commercial banks through the LMFF. Likewise, the existing practice of measuring liquidity on the basis of deposits, credits, and cash balances of banks and financial institutions will be continued in 2009/10 as well. It is believed that these measures will support to increase the effective implementation of monetary policy.

89. For easing the conduct of monetary policy, the NRB has been regularly preparing and publishing monetary statistics and monetary aggregates through monthly monetary survey by aggregating and consolidating the monthly balance sheet of the NRB and commercial banks. At present, the size of development banks and finance companies licensed by the NRB in terms of deposit mobilization has significantly grown. In this context, monetary statistics compilation framework needs to be improved in order to include the financial claims of 'B' class development banks and 'C' class finance companies in the monetary aggregates published by the NRB so as to make the monetary aggregates more realistic and representative. Therefore, the NRB will prepare and publish a “broad monetary survey” within 2009/10 based on the balance sheet of development banks and finance companies besides the balance sheet of the NRB and commercial banks. For this purpose, the mechanism of collecting statistics regularly from banks and financial institutions will be strengthened.

90. The bank rate has been used as an ex ante indicator of the monetary policy and an instrument of the lender of last resort facility for banks and financial institutions when their liquidity demand is not met through open market operation and SLF. This rate has been kept unchanged at 6.5 percent for 2009/10.

91. In order to encourage exporters and make export sector more competitive, the export refinance rate in domestic currency has been kept unchanged at 2.0 percent. The commercial banks are not allowed to charge more than 5.0 percent interest rate to the concerned borrowers on such facility. Similarly, Export credit refinance rate in foreign currency by adding additional surcharge of 25 basis points at the prevailing 6-month LIBOR rate has been kept unchanged.

92. The refinance facility to sick industries, which was initiated from 2001/02 to provide loan to financially sick industries under national priority list, has been continued in 2009/10. For 2009/10, a total of Rs. 2.0 billion has been earmarked for this facility and the rate has been kept unchanged at 1.5 percent. The existing provision of not charging more than 4.5 percent interest rate by banks for such loan facility has been continued.

93. The existing practice of providing refinance facility to commercial banks, development banks, and finance companies against their loan to small and cottage enterprises in recognitions of their contribution to income and employment generation has been continued and the rate has been kept unchanged at 2.5 percent. Similarly, the provision of not charging more than 5.5 percent interest on such facility by banks and financial institutions has been kept continued.

94. The NRB has been conducting open market operations since 2004/05 as a tool for short and medium term liquidity management on the basis of liquidity monitoring and forecasting framework (LMFF) report prepared based on weekly balance sheets of the NRB. The OMO has been an effective market-based instrument of the monetary policy. The bank will continue the repo and reverse repo auction for short term liquidity management and outright sale/purchase auction for mid term liquidity management in 2009/10 as well.

95. Of the instruments of open market operations, the existing practice of conducting repo and reverse repo auctions at multiple interest rates and outright sale/purchase auctions at multiple price will be continued. The maximum maturity period of 28 days for repo and reverse repo auctions has been kept unchanged.

96. The cash reserve requirement (CRR) to be maintained by commercial banks against domestic deposit liability has been kept unchanged at 5.5 percent.

97. Liquidity management is an important base for financial sector stability. For enhancing the financial soundness of the banks and financial institutions, the banks and financial institutions are required to maintain the statutory liquidity ratio (SLR) from 2009/10. In this respect, the banks and financial institutions of 'A', 'B', and 'C' class are required to invest in government securities at least 6.0 percent, 2.0 percent, and 1.0 percent of their total domestic deposit liability respectively by mid-January 2010. These institutions need to increase such ratios up to 8.0 percent, 3.0 percent, and 2.0 percent respectively by mid-July 2010. The bank will issue the circular on its working procedures by mid-August 2009.

98. The standing liquidity facility availed to banks against the collateral of government securities for the purpose of addressing the payment risks has been kept continued in 2009/10 as well. The maximum maturity period of such facility is kept unchanged at 5 days.

99. The existing 90.0 percent limit of the SLF being availed to the counterparties against the collateral of government treasury bills or development bonds has been kept unchanged. Similarly, the existing penal rate of 3.0 percent on the use of SLF and interest rate calculation procedure have been kept unchanged.

Bank and Financial Institution Regulation and Financial Sector Reforms

100. The minimum paid-up capital requirement for licensed banks and financial institutions under the existing policy has been kept unchanged. Now onwards, the base for increasing capital of licensed banks and financial institutions will be their capital fund only. The bank will adopt the policy of strengthening banking system by means of gradually increasing their capital fund.

101. The financial sector reform program has been implemented since 2002/03. After the reform program, improvements have been seen in the operational functions and financial health of Nepal Bank Limited (NBL) and Rastriya Banijya Bank Ltd. (RBBL)-partially and fully owned by the GON. However, improvement on loan recovery and non-performing loan has not remained as expected. Reengineering of the NRB and the capacity building of the overall financial sector are other components of financial sector reform program. Other areas of capacity building of the financial sector include strengthening the Debt Recovery Tribunal (DRT) and Credit Information bureau and establishment of the national level bankers' training center among others. Under financial sector reform program, the bank will continue the ongoing programs like reforms on regulatory and supervisory functions of banks and financial institutions as well as making the DRT more effective in 2009/10 for the stability of financial sector.

102. As mentioned in the budget statement of the GON for 2009/10, the reform process of NBL and RBBL will be continued and the programs of upgrading the capital of these two banks to a stipulated level will be effectively implemented.

103. The firm/company utilizing the credit under the consortium financing are required to do their banking transactions with the lead bank and participatory banks only. Such provision is equally applicable to loose consortium financing also. However, such provision will not prevent the entry of any new member after taking the approval from the consortium group once formed for consortium financing.

104. To increase the access of banking facilities in the rural areas, banks and financial institutions will be encouraged to operate the branchless banking services by using smart card through the Point of Transaction (POT) with the help of commercial representatives.

105. In order to extend the mobilization of financial resources, a concept related to financial assets restructuring and securitization will be prepared and, accordingly the draft of such Act will be submitted to the GON in 2009/10.

106. Besides the willful defaulters of having loan amount of more than Rs 50 million, the actions have been taken even to the willful defaulters of having loan amount of Rs 10 million or above from 2008/09 in order to ensure the financial discipline and reduce the non-performing loan for financial sector stability. Such actions against willful defaulters will be effectively intensified in the days to come.

107. Necessary assistance will be provided to the Government of Nepal (GON) to establish a separate office to carry out the works related to secured transactions.

108. Initiation will be taken to coordinate among all stakeholders in order to establish the separate commercial bench for the companies established under the Company Act 2006.

109. The credit taken for the purpose of relieving the dalit, minorities, suppressed as defined by the GON including women and promoting the foreign employment will be counted as equivalent to the credit under sick industries refinancing facility. A refinance facility of Rs 500 million has been earmarked for such purpose for 2009/10 as well.

110. The loan provided by licensed banks and financial institutions to the workers going abroad for foreign employment under "Youth Self-employment and Training Program" will be counted as deprived sector credit as in the previous years.

111. Considering the entry of foreign banks branches for wholesale banking in Nepal after 2010 in the backdrop of Nepal's membership in WTO, a preliminary report have been prepared in relation to permitting foreign banks for wholesale branch banking in Nepal. Necessary directives and policies will be formulated and implemented in order to develop the required infrastructure for the implementation of such reports.

112. Necessary provisions have been made to allow the commercial banks willing to open the bank branches outside Nepal.

113. The requirement of maintaining additional twenty percent loan loss provisioning has been relieved for the loans provided directly or indirectly to the deprived sectors on group/personal/ institutional guarantee. Such provision has been continued this year also for promoting deprived sector loans.

114. With a view to increase the outreach of deprived classes to the micro finance, the existing 3.0 percent deprived sector credit requirement of total outstanding loans for commercial banks has been kept unchanged in 2009/10 as well. The deprived sector credit requirement for development banks has been increased to 2.0 percent and finance companies to 1.5 percent for 2009/10. Monitoring of the compliance of this provision will be begun from the second quarter of 2009/10.

115. Credit up to Rs 150,000 per family provided by the banks and financial institutions against an acceptable collateral for the purpose of sheep farming for wool production and setting up of carpet knitting loom by individual/group, who are eligible to get deprived sector loan, on single or partnership basis will be counted in deprived sector credit. Similarly, credit up to Rs 150000 provided by the commercial banks to marginalized people and small farmers against an acceptable collateral to purchase fertilizer and seeds, cold storage establishment, animal farming, small irrigation canal, installation of shallow tube well will be counted as deprived sector credit.

116. Following a necessary co-ordination with Security Exchange Board of Nepal, banks and financial institutions will be encouraged to carry out mutual fund transactions.

117. In order to develop a risk management system and to achieve private sector oriented economic growth by means of institutional credit flows, private sector will be encouraged to open a credit rating agency. Likewise, additional programs will be introduced to make the credit information system more modern and highly equipped.

118. Necessary directives relating to the electronic banking transactions for the smooth operation of banks and financial institutions will be issued within this year.

119. In order to help achieve the objectives of "Asset (Money) Laundering Prevention Act", 2007, the NRB will make a provision whereby banks and financial

institutions will be required to settle the deposits and withdrawal transactions of Rs 5 million or above through cheque only. As committed by the budget statement of 2009/10 to discourage money laundering and making investigation process more effective, the NRB will prepare a necessary institutional arrangement equipped by specialized manpower for this purpose as well as systematized the financial system.

120. Draft of "Asset (Money) Laundering Prevention Bylaw" has already been submitted to the GON. Similarly, a draft of directives regarding the data and information to be sent by the reporting institutions to Financial Information Unit (FIU) established in the NRB has been prepared and is in the process of implementation. Along with determining the threshold limit and a necessary margin to reporting institutions, a provision will be made effective by 2009/10 whereby the informer institutions are required to report all the transactions beyond the stipulated limit to the FIU. The implementation of "Asset (Money) Laundering Prevention Act", 2008 will be more effective once the reports on suspicious transactions and threshold transactions are reported.

121. A draft act relating to combating financing against illegal and terrorist activities will be submitted to the Government of Nepal.

122. As per the provision made in the budget statement of 2009/10, necessary policy and institutional arrangements will be made to protect the interest of small individual depositors by means of compulsory guarantee of saving and fixed deposits of up to two hundred thousands.

123. If "A", "B" and "C" class bank and financial institutions are willing to provide credit to the deprived sector through establishing a subsidiary company and fulfill the required procedures to establish such a company, they will be permitted to open a separate micro-finance institution under their ownership. Considering the existing maximum limit of 25 percent equity investment of total paid-up capital that a household, firm, company or corporate can own in financial institutions of "D" category involved in micro credit transactions, the NRB will relax this limit for establishing a subsidiary company from licensed banks and financial institutions in their request.

124. The existing single obligor limit of 50 percent of core capital including the funded-facility to the extent of 25 percent of core capital will remain unchanged for this year so as to mitigate concentration risk on credit and extend credit to different sectors of the economy. As accorded by Basel Core Principles (BCP), the existing limit has been slashed to 25.0 percent of core capital including that of non-fund based effective from July 17, 2010.

125. In 2008/09, two finance companies were merged. A policy of encouraging merger of commercial banks, development banks and finance companies among themselves will be adopted as merger leads to increased capital base of financial institutions and thereby the financial sector sounness.

126. Apart from the public deposit taking bank and financial institutions, the contractual financial institutions like insurance company, Employee Provident Fund and Citizen Investment Trust have collected the financial resources significantly. These

institutions have Rs. 48 billion deposits in commercial bank as of mid-May 2009. As financial resources mobilization of such institutions are long-term in nature; the potentiality of internal resource mobilization towards the development of infrastructure such as construction of physical structure and hydropower project is increasing. However, lack of appropriate investment climate in such area, these institutions are obliged to keep their financial resources in the form of deposits with commercial banks, development banks and finance companies. With a view to improve the resource mobilization of these institutions other than in form of deposits, the GON will be requested to arrange necessary policy measures to utilize the fund.

127. For the development of infrastructure of national importance, strategy to manage high concentration risk will be adopted and necessary policy measures will be made to avert the shortfall of resources in infrastructure-related projects.

128. As per the provision of Nepal Rastra Bank Act, 2002, the NRB will continue the divestment of shares held in various financial institutions.

129. In the context of a policy adopted in the monetary policy of 2008/09 to establish a separate clearinghouse with major share owned by the NRB and other banks and financial institutions, Nepal Clearinghouse Ltd. has already been established. After completing all legal, administrative, and technical procedures, such clearinghouse will be brought into operation very soon.

130. Currently, the NRB is using KBOSYS System for daily payments and reconciliation of transactions. For modernizing the information system, the software will be developed compatible to software of ABBS System capable of satisfying the central bank's requirement.

131. Non-governmental organizations licensed by the NRB for limited banking transactions are, at present, required to confine their intermediary services within the district where they are registered. Now onwards, upon to the fulfillment of the requirements stipulated by the NRB, they will be allowed to expand financial intermediary services in other districts in addition to the district they were registered.

Bank and Financial Institution Supervision

132. The bank has taken the policy of gradually implementing internationally accepted supervisory guidelines of baking sectors in the Nepalese perspectives. In this process, capital adequacy standard as per Basel II has been implemented. The capital adequacy framework that was initiated from 2007/08 in parallel run basis has been fully implemented for class 'A' licensed financial institutions from 2008/09.

133. In the context of implementation of the BCP, the existing structure of on-site supervision report will be reviewed and amended so as to improve its quality. This process will transform the overall on-site supervision report to be more factual and data based and thus, the report is expected to be more effective.

134. In order to maintain the public confidence towards financial system, the NRB has been improving and developing its supervisory and regulatory capacity. For this, the Prompt Corrective Actions bylaw, 2008 has been put into implementation from 2008/09. It is believed that the implementation of the bylaw will help to recognize as well as address the problems emerged in banks and financial institutions in time. Hence, the implementation as well as monitoring of the PCA will be made more effective.

135. The NRB completed the self-evaluation of Basel Core principles (BCP) in 2006/07. The BCP plan formulated with targets of improving weaknesses highlighted during self-evaluation process has already been put into action. The NRB will review the timetable and procedures described in the BCP plan so as to accomplish the tasks of the plan in a phase-wise manner.

136. In the context of the possibility of the establishment of foreign bank branches and offices in Nepal beginning 2010, the memorandum of understanding will be prepared for home-host supervisory relation within this year. Likewise, emphasis will be given on the tasks relating to cross-border banking and corporate culture.

137. The provision of obtaining prior approval from the NRB for the "A", "B" and "C" catagory licensed banks and financial institutions before publishing their annual financial statements to the public will be continued as it makes their financial statements accurate and publish in time. Similarly, the existing structure of the long-form audit report will be reviewed to make external auditing process more accountable.

138. The implementation of Early Warning Signal (EWS) to banks and financial institutions will be further strengthened so as to enhance the efficiency of off-site supervision. In the process, "Stress Testing" of commercial banks will be carried out.

139. Viewing the inadequacy of compliance-based supervision in the event of growing competition, evolving new instruments and products in the financial sector, a risk-based supervision will be implemented in a planned way in addition to compliance-based supervision. Risk management guidelines will be prepared to identity and reduce the potential sources of risks in the banking sector.

140. In order to increase the outreach of the institutional credit to deprived classes, the NRB will continue the inspection and supervisory functions to ensure whether banks and financial institutions have fulfilled the requirements of disbursing the stipulated amount of credit to the deprived sector. Accordingly, the bank will impose penalty to the banks and financial institutions failing to fulfill this requirement.

141. The daily liquidity monitoring function will be made effective so as to measure the liquidity position of the banking sector for timely identifying inherent risks and support the conduct of open market operations.

142. Integrated information of the big borrowers and the banking facilities used by them will be prepared. This will help monitor whether the directive relating to single obligor limit has been followed or not.

Micro Finance Management

143. The number of banks and financial institutions has expanded significantly mainly due to the liberal licensing policy adopted by the NRB. The main objective of this policy is to expand banking services in the rural areas and increase financial outreach to the deprived groups. Nepal Rastra Bank will carry forward the consolidation of financial sector and financial inclusion to provide banking service to the poor with a greater priority.

144. The Government of Nepal has already issued the "National Micro Finance Policy 2008". In order to implement this policy effectively and to regulate, supervise and inspect the financial intermediaries such as micro finance development banks and other co-operatives and NGOs, establishment of a Second Tier Institution (STI) is essential. In addition, a draft of micro finance act comprising of the procedures to mobilize the micro finance development fund will be submitted to the GON within the first six-month of 2009/10.

145. Micro finance guarantee is an important aspect of micro finance program. In case of failure of micro project, the issue of loan security is more essential. Therefore, private sector are encouraged to establish micro finance security institutions if they are interested.

146. Among the policies addressed on financial-inclusion issue and the extension of micro-credit, the provision of providing reference facility to rural development banks will be continued. Such refinancing rate will remain unchanged at 3.5 percent for 2009/10 as well.

147. In the context of lack of data on the activity, legal, policy and procedural aspects of micro finance, an effort will be introduced to organize and make public all the relevant information and statistics relating to micro finance.

Foreign Exchange Management

148. In view of the operation of regional offices of multinational companies in India to trade with Nepal and other countries in the region, a provision has been made to allow importers to import goods manufactured in third countries, shippment via India or third countries, against the payment of convertible currencies through L/C in favor of such regional offices in India. The importers are expected to further benefit from this provision.

149. The existing provision of obtaining approval from Nepal Rastra Bank to issue bank guarantee (Bid Bond, Performance Bond) for the release of foreign currency (including Indian currency) to conduct various businesses including export of goods and services from Nepal to entities located abroad other than borrowing loan from abroad will be replaced by a new arrangement under which "A" class banks can issue such bank guarantees.

150. The existing provision of requiring Foreign Exchange Encashment Receipt (FEER) from foreign visitors at the time of their departure from Nepal to exchange unspent Nepalese rupees, which were earlier exchanged from banks and financial institutions as well as money changers approved by Nepal Rastra Bank, to foreign

currencies through the bank counters at Tribhuvan International Airport has been simplified. Now onwards, no FEER will be required for exchange up to USD 100 or equivalent foreign currencies.

151. In addition to an existing provision of importing through only Documents Against Payment (DAP) under documentary collection, now onwards as per the provision of Uniform Rules for Collection (URC), ICC Publication No. 522 of International Chamber of Commerce, an arrangement will be made to import through Documents Against Acceptance (DA), on the condition that such transactions take place through "A" class banks and "B" class national level financial institution. This provision is expected to facilitate the businessmen in import transactions.

152. A provision will be made whereby import can be made at FOB prices through draft, TT and documentary collection in the same procedure that is followed under L/C transactions.

153. The number of goods that can be imported from India via payment of convertible currencies has reached 135. The existing policy of increasing such list of goods will be continued.

154. In order to facilitate the export of Nepalese goods and services through internet, a provision will be made to accept payment through internet from international debit and credit card. It is believed that with this provision the exporters will be benefited and the volume of export will also increase.

155. The existing provision of foreign exchange facility of up to US$ 4,000 to individual, organizations/institutions and banks & financial institutions directly available from the banks of category "A" and national level financial institutions of category "B" for various purposes on the basis of required documents has been increased to US$ 6,000. It is believed that such a provision will be more convenient to the service users.

Conclusion

156. The monetary policy so presented aim at creating an environment conducive for the attainment of high and sustainable economic development through the maintaining stability in price, external sector and financial system. The bank firmly believes that the expected economic development targets will be attained through the implementation of this policy.

157. Lastly, I would like to thank the Government of Nepal, financial community, civil society and donor agencies for their cooperation in implementing the monetary policy for 2008/09. I believe that such cooperation will continue for the implementation of monetary policy of 2009/10, too.

Appendix I
Annual Progress Matrix of Policy Measures as Outlined in Monetary Policy of 2008/09

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
1	51	Inflation rate to be kept at 7.5 percent for 2008/09	Monitoring and analyzing the policy measures	Research Department	The consumer price inflation is estimated to grow by 13.0 percent in 2008/09 on account of rising food prices and supply disturbances.
2	52	The BOP surplus targeted at Rs 12.0 billion for 2008/09.	Monitoring and analyzing the policy measures	Research Department	The BoP surplus is estimated to remain at Rs 35.8 billion.
3	53	Manage liquidity to facilitate a targeted economic growth of 7.0 percent as stated in budget statement of 2008/09.	Monitoring and analyzing the policy measures	Research Department	The liquidity has been managed and regularly monitored based on the liquidity monitoring and forecasting framework.
4	54	Broad money projected to grow by 18.5 percent in 2008/09.	Monitoring and analyzing the policy measures	Research Department	The broad money is estimated to grow by 21.0 percent in 2008/09.
5	55	The total credit to private sector projected to increase by 25.0 percent in 2008/09.	Monitoring and analyzing the policy measures	Research Department	The private sector credit is estimated to increase by 24.2 percent.
6	56	The range of the counterparties for the conduct of monetary policy has been broadened to include development banks and finance companies from 2008/09. The two special facilities provided to commercial banks only have been extended to development banks and finance companies. First, the NRB will conduct its secondary market operations with commercial banks, development banks and finance companies as the counterparties. Second, the short-term standing liquidity facility (SLF) against the collateral of GON treasury bills and development bonds will be provided only to commercial banks, development banks and finance companies.	Implement and monitor the policy provision and report as required	Research Department/Public Debt Management Department	Development banks and finance companies are allowed to participate in secondary market operations and borrow under standing liquidity facility as counterparties of the monetary policy. However, development banks and finance companies have not used such facilities yet.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
7	57	Excess reserve of the commercial banks has been continued as an operating target of monetary policy. The use of liquidity monitoring and forecasting framework (LMFF) will be continued to forecast the excess liquidity position of the commercial banks. In addition, the existing provision of monitoring liquidity positions of the commercial banks based on their deposits, loans and cash balance will be continued in this year, too.	As a monetary measure, open market operation to be conducted based on the liquidity position indicated by the liquidity monitoring and forecasting framework (LMFF).	Research Department/Public Debt Management Department	Conducted accordingly.
8	58	The monetary management will be conducted through outright purchase auction, repo auction, outright sale auction and reverse repo auction as the main instruments of monetary policy as and when necessary.	As a monetary measure, open market operation to be conducted based on the liquidity position indicated by the Liquidity Monitoring and Forecasting Framework (LMFF).	Research Department/Public Debt Management Department	Till date excess liquidity with the banking system has been mopped up through outright sales auction amounting to Rs. 7.46 billion and through reverse repo auction amounting to Rs. 13.26 billion, whereas liquidity of Rs. 11billion has been injected through repo auction in 2008/09.
9	59	Of the instruments of OMOs, existing provision of outright sale and purchase auctions on multiple pricing auction system and, repo and reverse repo auction on multiple-interest auction system will be continued. The open market operations will be conducted at any working day as and when required.	Implement the policy measures and report the subsequent developments.	Research Department/Public Debt Management Department	The provision has been continued.
10	61	The cash reserve ratio (CRR) on domestic deposits has been increased from 5 percent to 5.5 percent	Monitor the policy provisions and issue circular to implement it.	Bank and Financial Institutions Regulation Department/ Bank Supervision Department	A circular was issued on 3 October 2008 to implement this provision.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
11	62	The existing bank rate of 6.25 has been increased to 6.5 percent.	Analyze and implement the policy provisions	Bank and Financial Institutions Regulation Department	A circular was issued on 3 October 2008 to implement this provision.
12	63	The refinance rate on exports in Nepalese currency has been reduced to 2 percent from the existing rate of 2.5 percent. The commercial banks using such facility are not allowed to charge interest rate of more than 5 percent while extending such loans to respective borrowers. The refinance rate for the exports in foreign currency will be fixed by adding 0.25 percentage point on the existing LIBOR rate.	Monitor and implement the policy measures	Bank and Financial Institutions Regulation Department/Banking Office	A circular was issued on 3 October 2008 to implement this provision.
13	64	Refinance facility to sick industries of Rs. 2 billion, as per the existing conditions, has been continued for 2008/09 as well. The refinance rate under this facility has been continued at 1.5 percent.	Policy measures to be implemented	Bank and Financial Institutions Regulation Department/Banking Office	A circular was issued on 3 October 2008 to implement this provision. A total of Rs 7 million has been used under sick industry refinancing facility in 2008/09.
14	65	The SLF facility, initiated with a view to addressing the risks likely to emerge on internal payments system rather than for achieving monetary policy objectives, will be provided at the initiatives of commercial banks. The maturity period for the SLF has been kept unchanged at 5 days.	Policy measures to be implemented	Public Debt Management Department/Banking Office	The facility has been kept continued. Commercial banks have used Rs 107.8 billion under this facility in 2008/09.
15	66	The existing penal rate for SLF has been increased from 2 to 3 percent in order to prevent the likely adverse effects of excessive utilization of such facility on the economy and to encourage the inter-bank money market transactions.	Circulars to be issued for necessary implementation along with monitoring of policy measures	Public Debt Management Department	The provision has been implemented accordingly.
16	67	Considering the inadequacy of GON treasury bills and development bonds with the newly established commercial banks, the cap on SLF has been eased from 75 percent to 90 percent.	Bring into implementation with an issue of circular.	Public Debt Management Department	The provision has been implemented accordingly.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
17	70	In order to address this inherent challenge to some extent, the single obligor limit of 25 percent was revised upward to 50 percent in 2007/08 in an attempt to ease commercial banks and financial institutions' investment in hydro projects, which will be continued in 2008/09 as well.	Policy measures to be implemented	Bank and Financial Institutions Regulation Department/ Bank Supervision Department	The limit has been kept continued. The circular related to micro hydro project has been issued and come into effect.
18	71	The GON has allocated a sum of Rs 250 million to establish infrastructure development bank and the NRB will make separate provisions on regulatory norms such as capital requirement and provision against non-performing loan with a view to exchange private sector participation on the establishment of such banks.	Necessary actions to be taken for implementation of policy measures	Bank and Financial Institutions Regulation Department	The policy to encourage the establishment of infrastructure development bank has been continued. The regulatory measures will be initiated once the process of establishment takes place.
19	73	The refinance rate to rural development banks has been kept unchanged at 3.5 percent for 2008/09 as well.	Policy measures to be implemented	Bank and Financial Institutions Regulation Department/ Micro-Finance Department	The provision has been continued.
20	74	The refinance facility to commercial banks and development banks against the securities of credit provided to small and cottage industries has been continued at the existing rate of 2.5 percent. Commercial banks and development banks are not allowed to charge interest rate of more than 5.5 percent to the concerned borrower under such facility.	Policy measures to be monitored and implemented	Bank and Financial Institutions Regulation Department	The provision has been continued.
21	75	With a view to address the issue of financial inclusiveness and expand the micro credit, the deprived sector credit requirement has been continued at 3 percent for commercial banks. From 2008/09 development banks and finance companies are, now, required to extend 1.5 percent and 1 percent respectively of the total credit to the deprived sector.	Issue circulars and monitoring them for the implementation of policy measures	Bank and Financial Institutions Regulation Department/ Financial Institutions Supervision Department	A circular was issued on 3 October 2008 to implement this provision. Under the deprived sector lending requirement commercial banks disbursed Rs 12.2 billion as in mid-April 2009, accordingly development banks and finance companies extended Rs. 229.3 million and Rs 42.3 million respectively as in mid-Jan 2009.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
22	76	Necessary arrangement will be made to relax the provision of maximum limit on investing 25 percent of paid up capital of a "D"-class financial institution carrying micro-finance activities if commercial banks come up with a proposal to establish a subsidiary company under their ownership and provide credit to the deprive sector through such subsidiary company.	Necessary steps to be taken for implementation of policy measures	Bank and Financial Institutions Regulation Department/ Financial Institutions Supervision Department	The concept paper in this regard has already been prepared and is in the process of submitting to the Board of Directors.
23	77	National Micro-finance Policy-2008 has already been issued by the GON and for the implementation of this policy a draft act on microfinance would be prepared and submitted to the GON in 2008/09.	Necessary actions to be taken in this regard.	Micro-finance Department	The draft act has been submitted to the Board of Directors.
24	78	"National Micro-finance Policy-2008" has envisaged to form a separate Second Tier Institution for inspection and supervision of micro-finance development banks, financial co-operatives and non-government organizations carrying limited banking transactions. The NRB will be effortful to provide necessary assistance to establish such institution and the proposed Second Tier Institution will be regulated and supervised by the NRB	Necessary actions to be taken in this regard.	Bank and Financial Institutions Regulation Department/ Micro-finance Department	Under discussion
25	79	The budget statement for 2008/09 has proposed to establish a national level micro-finance fund through the integration of existing wholesale micro-finance institutions. The NRB will provide necessary support to establish such a proposed fund	Necessary actions to be forwarded in this regard	Micro-finance Department	The provision has been included in the draft of "Micro-finance Act" and a letter has been forwarded to the Government of Nepal to receive Rs 100 million as per the promise of the budget.
26	80	In order to promote organic coffee production, the wholesale credit will be made available through the RSRF to the financial institutions working in rural areas for promoting and expanding its production.	Forward the actions to implement the policy measures	Micro-finance Department	To conduct a study in this regard, questionnaire has been prepared and pre-test has been carried out in some areas.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
27	81	The refinance facility up to Rs 500 million to commercial banks and development banks against the collateral of loan provided by them to *dalit,* women, indigenous, downtrodden, *Madhesi,* minorities and people of backward region for foreign employment has been continued in 2008/09 as well. The refinance rate for such facility will be at 1.5 percent and the commercial banks and development banks are not allowed to charge the interest rate of more than 4.5 percent for such loan to the concerned borrower.	Forward the actions to implement the policy measures	Bank and Financial Institutions Regulation Department/ Micro-finance Department	It has been continued
28	86	Since the Government of Nepal holds partial ownership in NBL and full ownership in RBB and there is no immediate possibility to bring negative net worth of these banks at a stipulated level of capital adequacy ratio through the injection of capital, the placement of external management team in these two banks will be continued in 2008/09 as well.	Policy measures to be monitored and implemented.	Bank and Financial Institutions Regulation Department	It has been continued
29	87	The second components of financial sector reform program viz. the reengineering of the NRB will focus on human resource management and its improvement, strengthening of the regulatory and supervisory functions, improvement in public relations and information technology in 2008/09, too.	Necessary actions to be taken in this regard.	Bank and Financial Institutions Regulation Department	It has been continued
30	88	The ratio of non-performing loan of banks and financial institutions will be further decline in the current year due to more stringent action taken against the willful defaulters compared to the previous year together with action against the borrower with specified principal outstanding of even less than Rs. 50 million and the establishment of additional benches in the Debt Recovery Tribunal (DRT) as asserted in the Budget Speech of 2008/09.	Necessary actions to be taken in this regard	Bank and Financial Institutions Regulation Department/Bank Supervision Department	The circular has been issued on 17 February 2009 to take necessary actions on blacklisted defaulters with loan amount of Rs 10.0 million or above following the decision of the GON taken on 11 February 2009.
31	89	The NRB will encourage the private sector to establish the credit rating agency.	Necessary actions to be taken to implement the policy measures.	Bank and Financial Institutions Regulation Department	The provision has been continued.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
32	90	To implement the "Asset (Money) Laundering Prevention Act-2008", "Asset (Money) Laundering Prevention Laws" will be drafted and submitted to the GON	Necessary actions to be taken in this regard.	Legal Division/Bank and Financial Institution Regulation Department	The draft relating to it has been submitted to the GON
33	91	As an international consensus and effort to combat money laundering and terrorist financing, "Egmont Group" has been formed consisting of the FIUs of various countries in which one hundred and six countries have already joined. In this context, a process will be initiated to join Nepal's FIU in the group. Consequently, steps will be initiated to proceed and receive assistance and information through developing the memorandum of agreement between the countries. Considering "Mutual Cooperation Laws" formulated and being implemented by various countries in the world, the NRB will draft the "Mutual Cooperation Laws" and submit to the GON	Necessary actions to be taken in this regard.	Legal Division/Bank and Financial Institution Regulation Department	The preparation of draft act relating to this is in progress.
34	92	With a view to mitigate risks arising from increasing trends of borrowing rather than mobilizing deposits by banks and financial institutions, NRB emphasize on deposits mobilization as a source for financial resource mobilization and ensure the improvement in liquidity management. In this context, the provision will be made that the financial resource mobilization from borrowings will be more than one-third of the deposits. However, financial institutions of "D" category are exempted to abide by such provision	Monitor the policy measures and issue circulars to bring the measures into implementation.	Bank and Financial Institution Regulation Department/Bank Supervision Department/Financial Institution Supervision Department	Implemented as per the circular dated December 21, 2008. Accordingly, a regular monitoring of the same is being carried out.
35	93	The owner of promoter share, while purchasing share under promoter/promoter group of banks and financial institutions for increasing the capital of institutions for whatever purpose, are required to submit the source of income of investing amount in the prescribed format. Concerned banks and financial institutions are required to maintain up-to-date records and submit the copies to the NRB as well	Monitor the policy measures and issue circulars to bring the measures into implementation.	Bank and Financial Institution Regulation Department/Bank Supervision Department/Financial Institution Supervision Department	A circular was issued on 3 October 2008 to implement this provision.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
36	94	As per the policy decision of the GON to accept debit/credit card for revenue collection and payment under certain principle, it will be brought into implementation in the current year after consultations with commercial banks	Necessary steps to be taken in this regard.	Bank and Financial Institutions Regulation Department/Banking Office	Under discussion.
37	95	In case of under-subscription of right shares issued by banks and financial institutions for the purpose of maintaining minimum paid up capital, the board of directors has arbitrary power to sell such shares. Such shares of the banks and financial institutions with capital adequacy ratio already maintained at a stipulated level as directed by the NRB will be automatically forfeited in case they are not subscribed. However, such forfeited share can be adjusted to the extent of the amount so forfeited for the purpose of fulfilling the NRB's provision requiring banks and financial institutions to proportionally increase the paid-up capital every year.	Monitor the policy measures and issue circulars to bring the measures into implementation.	Bank and Financial Institution Regulation Department	A circular was issued on 1 December 2008 to implement this provision.
38	96	For development banks, finance companies and micro finance development banks; the existing provision for maintaining capital adequacy ratio has been kept unchanged until implementing BASEL II for these financial institutions.	Monitor the policy measures	Financial Institution Supervision Department	The provision has been continued.
39	97	The bank has already prepared the Implementation Plan of BASEL Core Principle including the self-evaluation function along with its plan to correct the weaknesses indicated by self-evaluation function within stipulated time frame. In the process of implementation of this plan, emphasis will be given to home-host relation, cross boarder banking and corporate governance from this year onwards.	Necessary actions to be taken in this regard.	Bank Supervision Department	
40	98	Prompt corrective action (PCA) will be strictly implemented from 2008/09. In order to timely correct the weaknesses found in banks and financial institutions on time and to take prompt actions by classifying them in compatible with the level of weaknesses, Prompt Corrective Action bylaw will be prepared and implemented from October 17, 2008	Analyze the policy measures and take necessary actions.	Bank Supervision Department/Financial Institution Supervision Department	The bylaws relating to prompt corrective action has been implemented since 17 October 2008 and has been monitored regularly.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
41	99	The process of evaluating banks as per the indicators given by CAMELS rating conducted on the basis of compulsory annual on-site supervision at the corporate level has been continued.	Analyze and implement the policy measures	Bank Supervision Department/Financial Institution Supervision Department	The provision has been continued
42	100	The banks and financial institutions with poor financial health based on financial indicators will be kept under close surveillance and a provision of special onsite supervision will be made for them as per the requirement	Monitor and implement the policy measures	Bank Supervision Department/Financial Institution Supervision Department	The provision been continued
43	101	The implementation of Early Warning Signal (EWS) to banks and financial institutions based on the CAELS Rating prepared from the analysis of off-site supervision will be continued.	Monitor and implement the policy measures	Bank Supervision Department/Financial Institution Supervision Department	The provision been continued
44	102	The auditing of the big branches of large banks by external auditors will begin from 2008/09 and the necessary standards relating to this provision will be fixed by the NRB.	Monitor and implement the policy measures	Bank Supervision Department/Financial Institution Supervision Department	The draft on necessary regulatory measures has been prepared.
45	103	The timely revision and refinement in the Long Form Audit Report will be made and this will be also used as one of the supervisory instruments.	Monitor and implement the policy measures	Bank Supervision Department/Financial Institutions Supervision Department	The long form audit repot has been revised.
46	104	Since 2008/09, the risk based supervision method will be implemented in a planned way for each banks and financial institutions. Likewise, to mitigate the likely risks in time, provision will be made requiring banks and financial institutions to formulate "Risks Management Manual" and implement it.	Necessary actions to be taken to implement policy measures	Bank and Financial Institution Regulation Department /Bank Supervision Department/Financial Institutions Supervision Department	The formulation of procedure/guideline relating to risk based monitoring is in progress.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
47	105	As mentioned in the budget statement of 2008/09, provision will be made to supervise the financial position of the contractual savings organizations such as Employees Provident Fund (PF) and Citizen Investment Trust (CIT) by the NRB until a separate regulatory institution comes into existence for their supervision. The NRB will issue prudential norms of international standard for the regulation of these institutions and the inspection and supervision of these financial institutions on the basis of these norms will commence from mid-November, 2008.	Necessary actions to be taken to implement policy measures	Bank and Financial Institution Regulation Department /Bank Supervision Department/Financial Institution Supervision Department	The draft is being prepared after a preliminary consultation.
48	107	Private sector banks will also be allowed to keep a currency chest facility in order to make easy supply of currency throughout the country and reduce the fund transfer cost of the NRB and commercial banks	Necessary actions to be taken in this regard	Currency Management Department	To ease the system of note supply and reduce the fund transfer cost, the private sector banks have been allowed to deposit and withdrawal of fund from note chest effective from 29 May 2008.
49	108	An action has already been put forward in order to establish a separate entity with the majority share to be owned by the NRB and banks and financial institutions for carrying out a clearing-house facility. The institution will be operationalized within 2008/09 after meeting necessary administrative and legal requirements.	Monitor and put the provisions into effective implementation.	Banking Office	Nepal Clearing House has been established and this bank has invested Rs 449,995 on 17 May 2008 as share capital of Nepal Clearing House.
50	109	From 2008/09, computer receipts of development banks will be issued to those banks and financial institutions eligible for opening account with the NRB. Such receipt will be recognized in inter-bank transaction in buying/selling,, accepting and pledging as collateral and using as a medium of payments.	Necessary actions to be forwarded for the implementation of policy measures	Public Debt Management Department	The provision has been in operation in case of Treasury Bills. However for development bonds, the use of computer receipt has been postponed due to the requirement of issuing coupon interest payment slip for making interest payment semi-annually.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
51	110	The existing provision of requiring the NRB's prior approval for repatriation while making payments of the air tickets sold in foreign currency to the concerned airlines by the international airlines and travel and tour agencies operating in Nepal has been changed and from now onwards, arrangements will be made to provide such repatriation facility from banks of category "A" on the basis of the necessary documents.	Monitor and implement the policy measures.	Foreign Exchange Management Department	It has already been implemented as per the circular issued on 10 June 2008.
52	111	As per the agreement made to receive payments in foreign currency under global tender, supply order of foreign agency or international organization and bilateral or multilateral cooperation, the provisions will be made to provide FOB exchange facility from this bank to import necessary construction materials, machines and instruments from India.	Monitor and implement the policy measures.	Foreign Exchange Management Department	Exchange facilities as per the requirement have been made available.
53	112	The existing limit of a maximum of US$ 30,000 at a time for making advance payments while importing goods from the countries other than India through Draft/TT has been increased to US$ 50,000.	Monitor and implement the policy measures.	Foreign Exchange Management Department	It has already been implemented as per the circular issued on 27 August 2008.
54	113	With the fact that there has been a significant increase in remittance inflows in recent years partly due to the efforts made by the remittance companies licensed by the NRB; and in the context of frequent request made by such companies to participate in the foreign exchange intervention market conducted by the NRB, provisions will be made to allow licensed remittance companies including the national-level financial institutions of category "B" to participate in foreign exchange intervention market.	Monitor and implement the policy measures.	Foreign Exchange Management Department	The necessary provision has been taken and concerned parties have been informed.
55	114	The existing provision of the time-frame for remittance companies to keep the convertible currencies received from remittance in their own account up to 7 days has been extended to 15 days.	Monitor and implement the policy measures.	Foreign Exchange Management Department	It has already been implemented as per the circular issued on 18 December 2008.

S.N	Point	Objectives/Programmes	Work Description	Responsible Dept.	Implementation Status
56	115	The existing limit of foreign exchange facility of up to US$ 2,500 to individual, organization and, banks and financial institutions directly receivable from the banks of category "A" and national-level financial institutions of category "B" for various purposes on the basis of necessary documents has been increased to US$ 4,000.	Monitor and implement the policy measures.	Foreign Exchange Management Department	It has already been implemented as per the circular issued on 18 December 2008.
57	116	The existing provision of granting the NRB's approval for releasing the amount of 10 percent guarantee while making advance payments in foreign currency through the L/C and other modes has been released. From now onwards, provisions will be made to release such amount from the banks of category "A" and the national-level financial institutions of category "B" on the basis of the documents showing the completion of the transactions.	Monitor and implement the policy measures.	Foreign Exchange Management Department	It has already been implemented as per the circular issued on 18 December 2008.
58	117	Currently, the number of goods permissible to import from India by paying the US dollar is 124. The existing policy of increasing the number of such goods has been continued.	Monitor and implement the policy measures.	Foreign Exchange Management Department	Necessary addition to the list has been undertaking as per the demand.
59	118	The existing provision is such that this bank has been providing foreign exchange facility to the hydro-electricity companies/projects selling electricity in foreign currency as per the power purchase agreement (PPA) with Nepal Electricity Authority. The necessary arrangement will be made hereby such foreign exchange facility will be provided by the banks of category "A" on the basis of PPA and the recommendation of Nepal Electricity Authority.	Monitor and implement the policy measures.	Foreign Exchange Management Department	It has already been implemented as per the circular issued on 18 December 2008.
60	119	The provision has been made hereby to provide foreign exchange facilities to the foreign embassies located in Nepal for the repatriation of their visa fees by the banks of category "A" and national-level financial institutions of category "B".	Monitor and implement the policy measures.	Foreign Exchange Management Department	It has already been implemented as per the circular issued on 18 December 2008.

Appendix 2
Projection of Monetary Survey

(Rs. in million)

Monetary Aggregates	2005 Jul	2006 Jul	2006 Jul#	2007 Jul	2008 Jul	2009 Jul (e)	2010 Jul (proj)	Changes During the Fiscal Year: 2007/08 Amount	2007/08 Percent	2008/09 Amount	2008/09 Percent	2009/10 Amount	2009/10 Percent
1. Foreign Assets, Net	**107,742.0**	**139,439.0**	**139,439.2**	**131,909.5**	**171,455.5**	**206,827.7**	**225,269.9**	**29,674.6** [1/]	**22.5**	**35,372.2** [2/]	**20.6**	**18,442.2**	**8.9**
1.1. Foreign Assets	130,916.8	166,101.6	166,101.7	165,713.5	213,254.1	269,150.8	294,242.9	47,540.6	28.7	55,896.7	26.2	25,092.1	9.3
1.2. Foreign Currency Deposits	21,557.2	25,088.2	25,088.1	28,247.2	34,229.1	53,700.0	60,662.0	5,981.8	21.2	19,470.9	56.9	6,962.0	13.0
1.3. Other Foreign Liabilities	1,617.6	1,574.4	1,574.4	5,556.8	7,569.6	8,623.1	8,311.0	2,012.8	36.2	1,053.5	13.9	-312.1	-3.6
2. Net Domestic Assets	**192,697.9**	**207,982.7**	**207,384.8**	**263,608.7**	**323,921.6**	**392,547.4**	**476,067.4**	**70,184.3** [1/]	**26.6**	**68,625.8** [2/]	**21.2**	**83,520.0**	**21.3**
2.1. Domestic Credit	**280,240.4**	**302,070.0**	**322,683.8**	**360,558.1**	**437,269.8**	**527,902.5**	**629,649.9**	**76,711.7**	**21.3**	**90,632.7**	**20.7**	**101,747.4**	**19.3**
Domestic Credit*	***280,240.4***	***313,116.6***	***322,683.8***	***376,581.9***	***453,293.6***	***527,902.5***	***629,649.9***	***76,711.7***	***20.4***	***74,608.9***	***16.5***	***101,747.4***	***19.3***
a. Net Claims on Govt.	63,894.5	70,568.0	70,970.6	78,343.6	87,079.6	94,534.6	107,756.9	8,736.0	11.2	7,455.0	8.6	13,222.3	14.0
i. Claims on Govt.	63,894.5	70,568.0	70,970.6	81,466.1	91,026.0	95,925.8	107,756.9	9,559.9	11.7	4,899.8	5.4	11,831.1	12.3
ii. Govt. Deposits	-	0.0	0.0	3,122.5	3,946.4	1,391.2	0.0	823.9	26.4	-2,555.2	-64.7	-1,391.2	-100.0
b. Claims on Govt. Enterprises	19,329.0	17,180.7	8,142.8	8,737.1	10,356.0	11,403.5	12,728.6	1,618.9	18.5	1,047.5	10.1	1,325.1	11.6
i. Financial	12,762.8	12,719.8	3,581.9	3,622.2	4,709.5	6,092.1	7,020.1	1,087.3	30.0	1,382.6	29.4	928.0	15.2
ii. Non-financial	6,566.2	4,460.9	4,560.9	5,114.9	5,646.5	5,311.4	5,708.5	531.6	10.4	-335.1	-5.9	397.1	7.5
c. Claims on Private Sector	197,016.9	214,321.3	243,570.4	273,477.4	339,834.2	421,964.4	509,164.4	66,356.8	24.3	82,130.2	24.2	87,200.0	20.7
*Claims on Private Sector**	*197,016.9*	*225,367.9*	*243,570.4*	*289,501.2*	*355,858.0*	*421,964.4*	*509,164.4*	*66,356.8*	*22.9*	*66,106.4*	*18.6*	*87,200.0*	*20.7*
2.2. Net Non-monetary Liabilities	87,542.5	94,087.3	115,298.9	96,949.4	113,348.2	135,355.1	153,582.5	6,527.4 [1/]	6.7	22,006.9 [2/]	19.4	18,227.4	13.5
*Net Non-monetary Liabilities**	*87,542.5*	*105,133.9*	*115,298.9*	*112,973.4*	*128,091.5*	*135,355.1*	*153,582.5*	*5,246.7* [1/]	*4.6*	*7,263.6* [2/]	*5.7*	*18,227.4*	*13.5*
3. Broad Money (M_2)	**300,439.9**	**347,421.7**	**346,824.0**	**395,518.2**	**495,377.1**	**599,375.1**	**701,337.3**	**99,858.9**	**25.2**	**103,998.0**	**21.0**	**101,962.2**	**17.0**
3.1. Money Supply (M_1)	**100,205.7**	**114,388.7**	**113,060.7**	**126,887.9**	**154,343.9**	**183,662.8**	**209,360.6**	**27,455.9**	**21.6**	**29,318.9**	**19.0**	**25,697.8**	**14.0**
a. Currency	68,784.1	77,926.3	77,780.4	83,553.3	100,175.2	126,512.7	145,850.2	16,622.0	19.9	26,337.5	26.3	19,337.5	15.3
b. Demand Deposits	31,421.6	36,462.3	35,280.3	43,334.4	54,168.7	57,150.0	63,511.0	10,834.4	25.0	2,981.3	5.5	6,361.0	11.1
3.2. Time Deposits	200,234.2	233,033.0	233,763.3	268,630.2	341,033.2	415,712.3	491,976.7	72,403.0	27.0	74,679.1	21.9	76,264.4	18.3
4. Broad Money Liquidity (M_3)	**321,997.1**	**372,509.9**	**371,912.1**	**423,765.4**	**529,606.1**	**653,075.1**	**761,999.3**	**105,840.7**	**25.0**	**123,469.0**	**23.3**	**108,924.2**	**16.7**

1/ Adjusting the exchange valuation gain of Rs. 9871.4 million.
2/ Adjusting the exchange valuation gain of Rs 3806.5 million.
Consolidated balance sheet of ADB/N included.

** Adjusting credit write off (Rs. 3629.2 million principal and Rs. 7417.4 million interest) by NBL as in mid-July 2006. Further, as in mid-Oct 2006, NBL wrote off a total of Rs. 2869.3 million (Rs. 821.7 million principal and Rs. 2047.6 million accrued interest) and as in mid-Dec 2006, RBB wrote off Rs. 13154.5 million bad loans (Rs. 4055.2 million principal and Rs. 9099.3 million accrued interest). Accordingly, interest suspense account and loan loss povisioning account of these banks declined.*

e = Estimate.
p = Projection.

Appendix 3

List of Goods Allowed to Import from India Against the Payment of Convertible Foreign Currencies

S.N.	Harmonic Code Number	Goods
1	As per section 13.01.02	Extracts
2	As per section 21.06.90.40	Soft Drink Concentrate
3	As per section 27.10.19.11	Furnace Oil
4	As per section 27.13.20	Bitumen
5	As per section 28	All industrial chemicals mentioned in this section (except chemicals used for the production of medicine for human being)
6	As per section 28.03	Carbon Black
7	As per section 29.01.10	L.L.P. (Light Liquid Paraffin)
8	As per section 29.02.20	Benzene / Toluene
9	As per section 29.05.11	Methanol
10	As per section 29.05.16.00	2-Ethyl Hexanol
11	As per section 29.05.31	Ethylene Glycol
12	As per section 29.05.44.00	Sorbitol
13	As per section 29.15.00	Methylene Salicylate
14	As per section 29.15.21.00	Acetic Acid
15	As per section 29.15.32	Vinyl Acetate Monomer
16	As per section 29.16.12	Buty Acraylate Monomer / 2 Etyl Hexyls Acrylate
17	As per section 29.17.34	Dibutyl Phthalate
18	As per section 29.17.35	Phthalic Anhydride
19	As per section 29.17.36	Terephthalic Acid
20	As per section 29.22	Oxygen Function Amino-Compounds
21	As per section 29.24	Carboxamide-Function Compounds
22	As per section 29.33	Heterocyclic compound
23	As per section 29.34	Nucleic Acids
24	As per section 29.41	Antibiotics
25	As per section 32.15	Printing Ink
26	As per section 33.02.90	Flavour (raw material used in toothpaste Odoriferous Substances and Perfume
27	As per section 34.02.90.10	LABSA (raw material used in detergent)
28	As per section 38.17.10	Mixed Alkyl Benzenes
29	As per section 38.23.11.00	Stearic Acid
30	As per section 38.23.19	Palm Steearin DFA / Palm Karnel DFA
31	As per section 10 and 20 of 39.01	Polyethylene
32	As per section 39.02.10	Polypropylene
33	As per section 39.03.19.00	Polysterence
34	As per section 39.05.30	Polyvinyl Alcohol
35	As per section 39.07.60.00	Plastic Pet Chips / Pet Resin
36	As per section 39.11.90	PVC Resin

S.N.	Harmonic Code Number	Goods
37	As per section 39.20	Polethelyne
38	As per section 39.20.20	Polypropylene Films/Noodle Strapper
39	As per section 39.20.59	Printed Laminated Web
40	As per section 39.20.59.00	Seasoning Wrapper
41	As per section 40.01	Natural Rubber
42	As per section 40.02	Synthetic Rubber
43	As per section 48.01.00.00	News Print Paper
44	As per section 48.02.00	Papers
45	As per section 48.06.00	Papers
46	As per section 48.10	Paper
47	As per section 50.04	Silk Yarn
48	As per section 50.05	Silk Yarn
49	As per section 51.06	arn of Carded Wool
50	As per section 51.07	Yarn of Combed Wool
51	As per section 51.08	Yarn of Fine Animal Hair
52	As per section 52.01	Cotton
53	As per section 52.05.11 to 52.05.14 and 52.06.11 to 52.06.14	Cotton Yarn
54	As per section 54.02.42	Partially Oriented Polyester Yarn (except partially oriented polyester yarn as per section 54.02.42.00 and Synthetic Filament Yarn as per section 54.02.49)
55	As per section 54.02.49	Synthetic Filament Yarn
56	As per section 54.03, 55.9 and 55.10	Artificial Yarn (except hosiery)
57	As per section 55.01, 55.02 ,55.03, 55.04, 55.06 and 55.07	Artificial Fiber (human made)
58	As per section 55.03.20	Polyester Fiber
59	As per section 55.04.10	Viscose Rayon (Fiber)
60	As per section 59.02	Tyre Cord Fabric
61	As per section 70.10.90.00	Carboys, Bottles, Plasks, Jar, Pots.
62	As per section 72.03.10.00	Sponge Iron
63	As per section 72.04.49	M. S. Scrap
64	As per section 72.06	Iron Ingots
65	As per section 72.07	Mild Steel Billet
66	As per section 27.00, 36.00, 37.00, 38.00, 39.00, 51.00 and 52.00 of section 72.08, section 72.08.51 and 72.08.52	Hot Roll Sheet in Coil and not in Coil
67	As per section 15.00, 16.00, 17.00 and 18.00 of section 72.09	Cold Roll Sheet in Coil
68	As per section 72.10.12	Tin Plate
69	As per section 72.11.14.00	Hot Rolled Sheet in Coil
70	As per section 72.11.19.00	Hot Rolled Sheet in Coil
71	As per section 72.13.91.10	M.S. Wire Rod in Coil

S.N.	Harmonic Code Number	Goods
72	As per section 72.17.20, 72.17.30 and 72.17.90 of section 72	Bead Wire (copper coated)
73	As per section 72.18.99	Steel Byume
74	As per section 72.19	Steel Plate
75	As per section 72.26.11	Silicon Steel
76	As per section 74.04	Aluminum Copper/Brass Scraps Re-Melted Ingots (as per the notice of Ministry of Environment and Science and Technology)
77	As per section 74.07.10.00	Copper Rods
78	As per section 74.08.11.00	Copper Wire
79	As per section 76.01	Aluminum Ingot Billet
80	As per section 76.02.00	Aluminum Waste and (as per the notice of Ministry of Environment and Science and Technology, as mentioned on August 14, 2007)
81	As per section 76.04 and 76.05	Aluminum Rod in Coil
82	As per section 76.12.10.00	Tubes
83	As per section 79.01.11.00	Zinc
84	As per section 79.01.20	Zinc Alloy
85	As per section 83.09.10.00	Metal Crown Corks
86	As per section 84	All Machinery Equipment (except parts)
87	As per section 85.01 and 85.02	Electric Motor, Generating Set
88	As per section 85.04.90	Amorphous Matalcores
89	As per section 85.07.90.00	PP Battery Container & Battery Separator
90	As per section 85.29.90	TV PictureTube
91	As per section 85.40.11	Spare Parts for TV Receiver
92	Others, section not specified	Fabrics imported as raw materials by industries exporting readymade garment (under the provision of spending foreign exchange up to 50 percent of their export earnings)
	List of goods added, effective from April 17, 2007	
93	As per section 17.02.30	Dextrose Anhydrous I.P.
94	As per section 25.23.10.00	Clinker
95	As per section 27.10.19.16	M.T.O. (Mineral Turpentine Oil)
96	As per section 27.10.19.90	Petrosole
97	As per section 29.16	Unsaturated Acyclin Monocarboxylic Acid
98	As per section 29.35	Sulphonamides: Sulphamethoxazole, Sulphafurazole, Sulphadiazine, Sulphadimidine, Sulphacetamide
99	As per section 29.35.11	Sulphamethoxazole
100	As per section 29.35.12	Sulphafurazole
101	As per section 29.35.13	Sulphadiazine
102	As per section 29.35.14	Sulphadimidine

S.N.	Harmonic Code Number	Goods
103	As per section 29.35.15	Sulphacetamide Sulphamethoxy, Pyridarine, Sulphamethiazole, Sulphamoxole, Sulphamide
104	As per section 29.35.21	Sulphamethoxy, Pyridarine
105	As per section 29.35.22	Sulphamethiazole
106	As per section 29.35.23	Sulphamoxole
107	As per section 29.35.24	Sulphamide
108	As per section 29.42	Other Organic Compounds
109	As per section 32.12.90.00	Ziline, Light Solvent Neptha
110	As per section 33.02.10	Essence Flavor
111	As per section 96.02.00.00	Geltain Capsules
112	As per section 39.05.42.00	Penta Aerithritole
113	As per section 39.20	Film of Polyester, Polythelyne, BOPP, PVC, OPP, CPP
114	As per section 39.21.19	Printed Wrapper
115	As per section 39.23.90	Plastic Lolypop Stick
116	As per section 48.23.90 (76.07.20)	Chewing Gum Wrapper
117	As per section 70.10.20	Stoppers, Lids and Other Closures
118	As per section 72.01.10.00	Pig Iron
119	As per section 72.11.23	CRCA Strips (76.20 MM)
120	As per section 76.07	Aluminum Foils
121	As per section 79.01.12.00	Zinc
122	As per section 85.04.22.00	3000 KVA Transformer
	List of goods added, effective from November 13, 2007	
123	As per section 78.01.10.00	Pure/Refined Lead
124	As per section 78.01.91.00	Antimony Lead Alloy
	List of goods added, effective from April 3, 2009	
125	As per section 29.05.13.00	N. Butanol
126	As per section 29.05.14.00	ISO Butanol
127	As per section 72.16.22.00	Angle
128	As per section 72.16.40.00	Angle
129	As per section 72.16.50.00	Angle
130	As per section 72.06.91.00	Aluminium Circle
131	As per section 29.12.60.00	Parafarmaldehyde
132	As per section 29.33.61.00	Melamin
133	As per section 38.24.90.00	Alkyl Ester (Bio-Fuel)
134	As per section 15.20.00.00	Glycerol (Glycerin)
135		LP Gas (consumable energy)

List of Statistical Tables

Table 1

Real Gross Domestic Product

(At 2000/01 Prices)

Sectors	Rs. in million									Percent Change					
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08R	2008/09P	03/04	04/05	05/06	06/07	07/08R	08/09P
Agriculture	**155,625**	**160,422**	**165,761**	**173,734**	**179,811**	**183,015**	**184,795**	**193,497**	**197,695**	**4.8**	**3.5**	**1.8**	**1.0**	**4.7**	**2.2**
Agriculture and Forestry	153,781	158,417	163,676	171,394	177,304	180260	181958	190458	194519	4.7	3.4	1.7	0.9	4.7	2.1
Fishery	1,844	2,005	2,085	2,340	2,507	2755	2838	3039	3176	12.2	7.1	9.9	3.0	7.1	4.5
Non-Agriculture	**269,829**	**266,980**	**276,365**	**291,093**	**298,822**	**316,525**	**330,285**	**348,944**	**365,749**	**5.3**	**2.7**	**5.9**	**4.3**	**5.6**	**4.8**
Industry	**73,561**	**74,197**	**76,492**	**77,588**	**79,925**	**83,499**	**86,792**	**88,398**	**89,968**	**1.4**	**3.0**	**4.5**	**3.9**	**1.9**	**1.8**
Mining and Quarrying	1,817	1,977	2,040	2,031	2,169	2348	2383	2451	2512	-0.4	6.8	8.3	1.5	2.8	2.5
Manufacturing	38,409	36,364	36,380	37,163	38,136	38898	39891	39963	39764	2.2	2.6	2.0	2.6	0.2	-0.5
Electricity, Gas and Water	7,750	8,631	10,274	10,693	11,117	11562	13065	13552	13408	4.1	4.0	4.0	13.0	3.7	-1.1
Construction	25,585	27,225	27,798	27,701	28,503	30690	31453	32432	34285	-0.3	2.9	7.7	2.5	3.1	5.7
Services	**196,268**	**192,783**	**199,873**	**213,505**	**218,897**	**233,026**	**243,493**	**260,546**	**275,780**	**6.8**	**2.5**	**6.5**	**4.5**	**7.0**	**5.8**
Wholesale and Retail Trade	69,928	61,837	63,233	70,066	65,694	68099	64744	69299	72559	10.8	-6.2	3.7	-4.9	7.0	4.7
Hotels and Restaurant	8,459	6,917	7,056	7,955	7,525	8001	8278	8980	9440	12.7	-5.4	6.3	3.5	8.5	5.1
Transport, Storage and Communications	31,425	34,055	35,825	38,509	39,272	42001	43922	47020	50711	7.5	2.0	6.9	4.6	7.1	7.8
Financial Intermediation	11,455	11,892	12,090	12,838	15,957	19843	22103	25155	25973	6.2	24.3	24.4	11.4	13.8	3.3
Real Estate, Renting and Business	35,267	33,543	32,212	31,538	34,700	36900	41240	43064	45002	-2.1	10.0	6.3	11.8	4.4	4.5
Public Administration and Defence	5,288	7,237	8,070	8,019	8,551	9139	9262	9296	9605	-0.6	6.6	6.9	1.3	0.4	3.3
Education	17,372	21,030	23,913	25,138	27,606	28640	30426	31439	34561	5.1	9.8	3.7	6.2	3.3	9.9
Health and Social Work	4,178	4,487	5,171	5,487	6,109	6470	6904	7841	8354	6.1	11.3	5.9	6.7	13.6	6.5
Other Community, Social and Personal S	12,896	11,785	12,303	13,955	13,483	13933	16614	18452	19576	13.4	-3.4	3.3	19.2	11.1	6.1
Total GVA including FISIM	**425,454**	**427,402**	**442,126**	**464,827**	**478,633**	**499,540**	**515,080**	**542,441**	**563,443**	**5.1**	**3.0**	**4.4**	**3.1**	**5.3**	**3.9**
Financial intermediation indirectly measur	12,026	13,309	12,428	16,173	17,180	19105	21476	22867	24125	30.1	6.2	11.2	12.4	6.5	5.5
GDP at basic prices	**413,428**	**414,093**	**429,698**	**448,654**	**461,453**	**480,435**	**493,604**	**519,574**	**539,319**	**4.4**	**2.9**	**4.1**	**2.7**	**5.3**	**3.8**
Taxes less subsidies on products	28,090	27,957	29,789	32,350	34,574	34051	38078	40550	46915	8.6	6.9	-1.5	11.8	6.5	15.7
GDP at producers price	**441,518**	**442,050**	**459,487**	**481,004**	**496,027**	**514,485**	**531,682**	**560,124**	**586,234**	**4.7**	**3.1**	**3.7**	**3.3**	**5.3**	**4.7**

R= Revised estimate.

P= Preliminary estimate.

Source: Central Bureau of Statistics.

Table 2

Nominal Gross Domestic Product

(At Current Market Prices)

	Rs. in million									Percent change					
Sectors	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08[R]**	**2008/09[P]**	**03/04**	**04/05**	**05/06**	**06/07**	**07/08[R]**	**08/09[P]**
Agriculture	**155,625**	**166,090**	**172,802**	**186,125**	**199,368**	**211,704**	**226,822**	**254,669**	**298,876**	**7.7**	**7.1**	**6.2**	**7.1**	**12.3**	**17.4**
Agriculture and Forestry	153,781	163,925	170,634	183,621	196,686	208591	223535	250841	294581	7.6	7.1	6.1	7.2	12.2	17.4
Fishery	1,844	2,165	2,168	2,504	2,682	3113	3287	3829	4295	15.5	7.1	16.1	5.6	16.5	12.2
Non-Agriculture	**269,829**	**277,962**	**300,743**	**331,868**	**367,211**	**418,626**	**470,893**	**526,592**	**611,646**	**10.3**	**10.6**	**14.0**	**12.5**	**11.8**	**16.2**
Industry	**73,561**	**77,861**	**83,538**	**89,408**	**97,059**	**105,098**	**115,529**	**126,484**	**140,507**	**7.0**	**8.6**	**8.3**	**9.9**	**9.5**	**11.1**
Mining and Quarrying	1,817	2,149	2,310	2,507	2,748	3134	3417	3857	4409	8.5	9.6	14.0	9.0	12.9	14.3
Manufacturing	38,409	37,736	38,826	41,673	44,885	47840	52172	55900	61820	7.3	7.7	6.6	9.1	7.1	10.6
Electricity, Gas and Water	7,750	9,138	11,447	11,974	12,782	13172	14841	15683	15865	4.6	6.7	3.1	12.7	5.7	1.2
Construction	25,585	28,838	30,955	33,254	36,644	40952	45099	51044	58412	7.4	10.2	11.8	10.1	13.2	14.4
Services	**196,268**	**200,101**	**217,205**	**242,460**	**270,152**	**313,528**	**355,364**	**400,108**	**471,140**	**11.6**	**11.4**	**16.1**	**13.3**	**12.6**	**17.8**
Wholesale and Retail Trade	69,928	64,778	68,695	79,219	79,839	90214	93683	108930	124880	15.3	0.8	13.0	3.8	16.3	14.6
Hotels and Restaurant	8,459	7,143	7,540	8,942	8,895	9398	10043	11670	13825	18.6	-0.5	5.7	6.9	16.2	18.5
Transport, Storage and Comm	31,425	34,959	39,362	46,283	51,336	61250	69140	74869	95218	17.6	10.9	19.3	12.9	8.3	27.2
Financial Intermediation	11,455	12,202	12,861	13,728	17,342	21979	28467	37972	43571	6.7	26.3	26.7	29.5	33.4	14.7
Real Estate, Renting and Bus	35,267	36,525	38,251	39,991	49,242	60042	70791	68500	75878	4.5	23.1	21.9	17.9	-3.2	10.8
Public Administration and D	5,288	7,237	8,070	8,019	9,548	10967	12227	14316	17803	-0.6	19.1	14.9	11.5	17.1	24.4
Education	17,372	20,823	24,582	26,313	31,671	34996	40517	46867	54854	7.0	20.4	10.5	15.8	15.7	17.0
Health and Social Work	4,178	4,626	5,408	5,825	7,017	7842	8760	10099	11999	7.7	20.5	11.8	11.7	15.3	18.8
Other Community, Social and	12,896	11,808	12,436	14,140	15,262	16840	21736	26885	33112	13.7	7.9	10.3	29.1	23.7	23.2
Total GVA including FISIM	**425,454**	**444,052**	**473,545**	**517,993**	**566,579**	**630,330**	**697,715**	**781,261**	**910,523**	**9.4**	**9.4**	**11.3**	**10.7**	**12.0**	**16.5**
Financial intermediation indire	12,026	13,655	13,221	17,294	18,094	19212	21505	24505	27568	30.8	4.6	6.2	11.9	14.0	12.5
GDP at basic prices	**413,428**	**430,397**	**460,324**	**500,699**	**548,485**	**611,118**	**676,210**	**756,756**	**882,955**	**8.8**	**9.5**	**11.4**	**10.7**	**11.9**	**16.7**
Taxes less subsidies on product	28,090	29,046	31,906	36,050	40,927	42966	51968	61646	77057	13.0	13.5	5.0	21.0	18.6	25.0
GDP at producers price	**441,518**	**459,443**	**492,230**	**536,749**	**589,412**	**654,084**	**728,178**	**818,401**	**960,011**	**9.0**	**9.8**	**11.0**	**11.3**	**12.4**	**17.3**

R= Revised estimate.

P= Preliminary estimate.

Source: Central Bureau of Statistics.

Table 3

Gross National Disposable Income (GNDI)

(At Current Market Prices)

Sectors	Rs. in million							Percent change					
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08[R]	2008/09[P]	03/04	04/05	05/06	06/07	07/08[R]	08/09[P]
Consumption	**450,090**	**473,685**	**521,301**	**595,327**	**656,276**	**726,685**	**883,251**	**5.2**	**10.1**	**14.2**	**10.2**	**10.7**	**21.5**
Government consumption	42,652	46,397	52,453	56,794	66,847	81,482	107,019	8.8	13.1	8.3	17.7	21.9	31.3
Private consumption	400,468	419,290	459,530	527,814	576,914	631,231	760,634	4.7	9.6	14.9	9.3	9.4	20.5
Non-profit institutions	6,970	7,998	9,319	10,719	12,515	13,972	15,599	14.7	16.5	15.0	16.8	11.6	11.6
Gross Capital Formation	**105,383**	**131,671**	**155,907**	**175,633**	**204,830**	**260,170**	**285,186**	**24.9**	**18.4**	**12.7**	**16.6**	**27.0**	**9.6**
Gross fixed capital formation	98,073	109,181	117,539	135,532	148,421	172,746	203,985	11.3	7.7	15.3	9.5	16.4	18.1
Public	*14,719*	*14,955*	*17,213*	*17,509*	*20,843*	*25,521*	*39,829*	*1.6*	*15.1*	*1.7*	*19.0*	*22.4*	*56.1*
Private consumption	*83,354*	*94,226*	*100,326*	*118,023*	*127,578*	*147,225*	*164,156*	*13.0*	*6.5*	*17.6*	*8.1*	*15.4*	*11.5*
Change in stock	7,310	22,489	38,368	40,100	56,409	87,424	81,201	207.6	70.6	4.5	40.7	55.0	-7.1
Total Domestic Demand	**555,473**	**605,356**	**677,208**	**770,960**	**861,106**	**986,855**	**1,168,437**	**9.0**	**11.9**	**13.8**	**11.7**	**14.6**	**18.4**
Export of goods and services	77,280	89,544	85,958	87,952	94,979	98,836	150,764	15.9	-4.0	2.3	8.0	4.1	52.5
Imports of goods and services	140,522	158,151	173,754	204,828	227,907	267,290	359,190	12.5	9.9	17.9	11.3	17.3	34.4
Net export of goods and services	(63,243)	(68,607)	(87,796)	(116,876)	(132,928)	(168,454)	(208,426)	*8.5*	*28.0*	*33.1*	*13.7*	*26.7*	*23.7*
Gross Domestic Product	**492,231**	**536,749**	**589,412**	**654,084**	**728,178**	**818,401**	**960,011**	**9.0**	**9.8**	**11.0**	**11.3**	**12.4**	**17.3**
Net Factor Income	(676)	(1,684)	1,637	4,956	7,432	7,947	22,842	149.2	-197.2	202.8	50.0	6.9	187.4
Gross National Income	**491,555**	**535,065**	**591,048**	**659,040**	**735,610**	**826,348**	**982,853**	8.9	10.5	11.5	11.6	12.3	18.9
Net Transfer	75,533	84,889	97,704	126,146	128,992	158,381	210,550	12.4	15.1	29.1	2.3	22.8	32.9
Gross National Disposable Income (GNDI)	**567,088**	**619,954**	**688,752**	**785,185**	**864,602**	**984,730**	**1,193,403**	**9.3**	**11.1**	**14.0**	**10.1**	**13.9**	**21.2**

R= Revised estimate.

P= Preliminary estimate.

Source: Central Bureau of Statistics.

Table 4

National Urban Consumer Price Index

(Base Year 1995/1996 = 100)

	2003/04		2004/05		2005/06		2006/07		2007/08		2008/09 P	
Mid-Month	**Index**	**% Change**	**Index**	**% Change**	**Index**	**% Change**	**Index**	**% Change**	**Index**	**% Change**	**Index**	**% Change**
August	155.4	5.4	159.1	2.4	170.7	7.3	183.1	7.3	194.7	6.3	220.2	13.1
September	156.1	5.2	160.2	2.6	173.3	8.2	184.8	6.6	197.8	7	224.5	13.5
October	157.1	5.6	161.2	2.6	173.8	7.8	186.9	7.5	198.7	6.3	226.8	14.1
November	156.6	5.8	160.8	2.7	174.5	8.5	186.9	7.1	198.7	6.3	227.5	14.5
December	154.2	4.9	159.0	3.1	173.0	8.8	185.6	7.3	196.1	5.7	223.7	14.1
January	152.5	5.0	159.5	4.6	170.6	7.0	183.6	7.6	194.2	5.8	222.1	14.4
February	152.7	4.7	161.4	5.7	170.8	5.8	184.5	8.0	196.3	6.4	223.1	13.7
March	153.1	4.4	161.9	5.7	174.3	7.7	185.1	6.2	198.4	7.2	224.4	13.1
April	154.1	1.7	163.1	5.8	176.0	7.9	185.9	5.6	202.4	8.9	226.5	11.9
May	154.1	1.3	164.0	6.4	179.0	9.1	187.3	4.6	204.6	9.2	230.9	12.9
June	155.0	1.8	164.6	6.2	179.6	9.1	187.6	4.5	208.3	11.0	232.3*	11.5*
July	156.4	2.0	166.8	6.6	180.6	8.3	189.8	5.1	212.7	12.1	234.4*	10.2*
Annual Average	**154.8**	**4.0**	**161.8**	**4.5**	**174.7**	**8.0**	**185.9**	**6.4**	**200.2**	**7.7**	**226.4***	**13***

P = Provisional

* = Estimate

Table 5

Monetary Survey

(First Ten Months)

(Rs. in million)

Monetary Aggregates	2007 July	2008 May	2008 July	2009 May[E]	Changes during the first ten months 2007/08 Amount	2007/08 Percent	2008/09 Amount	2008/09 Percent
1. Foreign Assets, Net	**131,909.5**	**157,866.6**	**171,455.5**	**223,509.9**	**19,884.5** [1/]	**15.1**	**43,060.5** [2/]	**25.1**
1.1. Foreign Assets	165,713.5	197,649.7	213,254.1	284,083.5	31,936.2	19.3	70,829.3	33.2
1.2. Foreign Currency Deposits	28,247.2	32,131.3	34,229.1	52,277.5	3,884.0	13.8	18,048.4	52.7
1.3. Other Foreign Liabilities	5,556.8	7,651.8	7,569.6	8,296.1	2,095.0	37.7	726.6	9.6
2. Net Domestic Assets	**263,608.7**	**314,129.7**	**323,921.6**	**358,114.0**	**56,593.6** [1/]	**21.5**	**43,186.2** [2/]	**13.3**
2.1. Domestic Credit	360,558.1	420,304.7	437,269.8	497,931.4	59,746.6	16.6	60,661.6	13.9
*Domestic Credit**	360,558.1	420,304.7	437,269.8	497,931.4	59,746.6	16.6	60,661.6	13.9
a. Net Claims on Govt.	78,343.6	75,267.3	87,079.6	71,211.2	-3,076.3	-3.9	-15,868.5	-18.2
i. Claims on Govt.	81,466.1	88,257.9	91,026.0	92,767.6	6,791.7	8.3	1,741.6	1.9
ii. Govt. Deposits	3,122.5	12,990.6	3,946.4	21,556.5	9,868.1	316.0	17,610.1	446.2
b. Claims on Non-financial Govt. Ent.	5,114.9	4,763.6	5,646.5	5,152.0	-351.2	-6.9	-494.4	-8.8
c. Claims on Financial Institutions	3,622.2	13,589.8	4,709.5	5,476.6	9,967.6	275.2	767.1	16.3
i. Government	1,713.0	2,036.2	1,670.5	1,500.1	323.3	18.9	-170.3	-10.2
ii. Non-government	1,909.2	11,553.6	3,039.1	3,976.5	9,644.4	505.1	937.4	30.8
d. Claims on Private Sector	273,477.4	326,684.0	339,834.2	416,091.6	53,206.6	19.5	76,257.4	22.4
*Claims on Private Sector**	*273,477.4*	*326,684.0*	*339,834.2*	*416,091.6*	*53,206.6*	*19.5*	*76,257.4*	*22.4*
2.2. Net Non-monetary Liabilities	96,949.4	106,175.0	113,348.2	139,817.5	3,153.0 [1/]	3.3	17,475.4 [2/]	15.4
*Net Non-monetary Liabilities**	*96,949.4*	*106,175.0*	*113,348.2*	*139,817.5*	*3,153.0 1/*	3.3	17,475.4 [2/]	15.4
3. Broad Money (M_2)	**395,518.2**	**471,996.3**	**495,377.1**	**581,623.8**	**76,478.1**	**19.3**	**86,246.7**	**17.4**
3.1. Money Supply (M_1)	126,887.7	146,825.7	154,344.0	178,605.8	19,938.0	15.7	24,261.8	15.7
a. Currency	83,553.3	98,443.4	100,175.2	123,392.6	14,890.1	17.8	23,217.4	23.2
b. Demand Deposits	43,334.4	48,382.3	54,168.7	55,213.2	5,047.9	11.6	1,044.4	1.9
3.2. Time Deposits	268,630.5	325,170.6	341,033.2	403,018.0	56,540.1	21.0	61,984.9	18.2
4. Broad Money Liquidity (M_3)	**423,765.4**	**504,127.5**	**529,606.2**	**633,901.3**	**80,362.1**	**19.0**	**104,295.1**	**19.7**

1/ Adjusting the exchange valuation gain of Rs. 6072.65 million.
2/ Adjusting the exchange valuation gain of Rs 8993.86 million.
* Adjusting credit write off of Rs. 2869.3 million (Rs. 821.7 million principal and Rs. 2047.6 million interest) by NBL and Rs. 13154.5 million (Rs. 4055.2 million principal and Rs. 9099.3 million interest) by RBB in mid-October 2006.
E = Estimates.

Table 6

Outright Sale Auction*

(Rs. in million)

Mid-Month	2005/06		2006/07		2007/08		2008/09	
	Amount	Wtd. Int. Rate (%)	Amount	Wtd. Int. Rate (%)	Amount	Wtd. Int. Rate (%)	Amount	Wtd. Int. Rate (%)
August	1,440.0	3.47	1,000.0	2.51	-	-	3,500.0	4.94
September	-	-	1,250.0	3.06	-	-	-	-
October	2,000.0	3.85	1,020.0	3.38	-	-	-	-
November	300.0	3.02	-	-	500.0	3.44	2,000.0	5.20
December	830.0	1.90	2,620.0	1.59	740.0	4.33	1,960.0	4.95
January	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-
March	470.0	3.74	2,000.0	2.94	2,460.0	4.87	-	-
April	930.0	4.01	1,010.0	2.54	770.0	4.05	-	-
May	-	-	1,300.0	3.37	2,000.0	5.38	-	-
June	3,390.0	3.50	6,050.0	2.80	3,430.0	5.98	-	-
July	4,150.0	3.68	2,150.0	4.51	4,950.0	5.65	-	-
Total	**13,510.0**		**18,400.0**		**14,850.0**		**7,460.0**	

Wtd. Int. Rate = Weighted interest rate.

* The system of outright sale auction of treasury bills as a monetary instrument introduced since 2004/05. The outright sale auction takes place at the initiative of NRB.

Table 7

Outright Purchase Auction*

(Rs. in million)

Mid-Month	2005/06		2006/07		2007/08		2008/09	
	Amount	Wtd. Int. Rate (%)	Amount	Wtd. Int. Rate (%)	Amount	Wtd. Int. Rate (%)	Amount	Wtd. Int. Rate (%)
August	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-
October	530.0	4.99	-	-	-	-	-	-
November	300.0	3.52	-	-	-	-	-	-
December	-	-	-	-	-	-	-	-
January	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-
Total	**830.0**		**-**	**-**	**-**	**-**	**-**	**-**

Wtd. Int. Rate = Weighted interest rate.

* The system of outright purchase auction of treasury bills as a monetary instrument introduced since 2004/05. The outright purchase auction takes place at the initiative of NRB.

Table 8

Repo Auction*

(Rs. in million)

Mid-Month	2004/05	2005/06	2006/07	2007/08	2008/09
August	-	-	-	-	-
September	-	-	-	-	-
October	-	-	-	-	-
November	1,050.0	-	-	-	-
December	1,610.0	-	-	-	-
January	-	-	-	2,000.0	-
February	2,800.0	450.0	-	5,000.0	4,000.0
March	300.0	-	-	2,000.0	5,000.0
April	-	-	-	-	-
May	600.0	-	2,000.0	-	-
June	-	-	-	-	2,000.0
July	320.0	-	-	-	-
Total	**6,680.0**	**450.0**	**2,000.0**	**9,000.0**	**11,000.0**

* The system of repo auction of treasury bills as a monetary instrument introduced since 2004/05. Repo auction takes place at the initiative of NRB.

Table 9

Reverse Repo Auction*

(Rs. in million)

Mid-Month	2004/05	2005/06	2006/07	2007/08	2008/09
August	-	-	2,590.0	-	2,000.0
September	-	-	1,500.0	1,000.0	3,520.0
October	1,500.0	-	1,500.0	4,570.0	-
November	-	500.0	6,150.0	-	-
December	-	1,500.0	750.0	-	3,500.0
January	2,570.0	2,000.0	1,070.0	-	4,240.0
February	-	1,000.0	-	-	-
March	-	-	500.0	-	-
April	1,200.0	1,500.0	-	1,000.0	-
May	-	-	-	-	-
June	-	-	-	-	-
July	-	-	280.0	-	
Total	**5,270.0**	**6,500.0**	**14,340.0**	**6,570.0**	**13,260.0**

* The system of reverse repo auction of treasury bills as a monetary instrument introduced since 2004/05. Reverse repo auction takes place at the initiative of NRB.

Table 10 (A)

Foreign Exchange Intervention*

(Rs. in million)

Mid-Month	2005/06			2006/07			2007/08			2008/09		
	Purchase	Sale	Net Injection	Purchase	Sale	Net Injection	Purchase	Sale	Net Injection	Purchase	Sale	Net Injection
August	1,699.84	522.74	1,177.11	6,548.66	-	6,548.66	2,250.71	-	2,250.71	5,574.13	183.84	5,390.29
September	2,160.84	-	2,160.84	4,746.41	-	4,746.41	4,792.01	400.38	4,391.63	7,770.00	974.74	6,795.26
October	3,783.86	-	3,783.86	5,593.18	-	5,593.18	7,387.13	-	7,387.13	18,467.03	-	18,467.03
November	6,195.49	-	6,195.49	5,134.50	-	5,134.50	6,602.39	-	6,602.39	11,548.76	-	11,548.76
December	4,826.32	-	4,826.32	6,876.10	-	6,876.10	9,124.41	-	9,124.41	17,492.02	-	17,492.02
January	4,487.17	131.74	4,355.43	5,420.58	-	5,420.58	5,915.13	-	5,915.13	13,494.68	-	13,494.70
February	2,934.97	-	2,934.97	3,363.40	511.49	2,851.92	7,033.14	548.94	6,484.18	12,134.07	-	12,134.07
March	5,263.02	-	5,263.02	7,260.27	-	7,260.27	12,834.02	-	12,834.02	11,919.78	-	11,919.78
April	3,922.80	-	3,922.80	3,531.87	-	3,531.87	10,993.26	-	10,993.26	10,794.48	-	10,794.48
May	5,023.75	-	5,023.75	4,500.14	-	4,500.14	10,622.39	-	10,622.39	13,464.80		13,464.80
June	9,752.21	-	9,752.21	5,395.53	-	5,395.53	12,503.12	-	12,503.12	9,098.48	377.70	8,720.78
July	5,827.24	-	5,827.24	6,596.01	-	6,596.01	13,516.69	215.42	13,301.27	12,276.86		12,276.86
Total	**55,877.51**	**654.48**	**55,223.03**	**64,966.65**	**511.49**	**64,455.16**	**103,574.40**	**1,164.74**	**102,409.66**	**144,035.09**	**1,536.28**	**142,498.81**

* The purchase and sale of foreign exchange takes place at the request (initiative) of commercial banks.

Table 10(B)

Foreign Exchange Intervention*

(US$ in million)

Mid-Month	2005/06			2006/07			2007/08			2008/09		
	Purchase	Sale	Net Injection	Purchase	Sale	Net Injection	Purchase	Sale	Net Injection	Purchase	Sale	Net Injection
August	24.10	7.40	16.70	87.50	-	87.50	34.55	-	34.55	81.75	2.70	79.05
September	30.50	-	30.50	63.85	-	63.85	72.90	6.00	66.90	109.60	13.75	95.85
October	53.00	-	53.00	76.25	-	76.25	115.90	-	115.90	245.20	-	245.20
November	84.35	-	84.35	71.05	-	71.05	104.10	-	104.10	149.53	-	149.53
December	65.00	-	65.00	95.85	-	95.85	143.40	-	143.40	219.45	-	219.45
January	62.30	1.80	60.50	75.95	-	75.95	93.30	-	93.30	174.50	-	174.50
February	41.20	-	41.20	47.55	7.20	40.35	111.05	8.60	102.45	155.15	-	155.15
March	73.60	-	73.60	102.50	-	102.50	199.60	-	199.60	147.65	-	147.65
April	54.70	-	54.70	50.90	-	50.90	170.25	-	170.25	132.60	-	132.60
May	69.25	-	69.25	67.50	-	67.50	164.30	-	164.30	168.90		168.90
June	133.00	-	133.00	82.75	-	82.75	183.45	-	183.45	119.52	5.00	114.52
July	78.80	-	78.80	101.30	-	101.30	196.35	3.10	193.25	159.06		159.06
Total	**769.80**	**9.20**	**760.60**	**922.95**	**7.20**	**915.75**	**1,589.15**	**17.70**	**1,571.45**	**1,862.91**	**21.45**	**1,841.46**

* The purchase and sale of foreign exchange takes place at the request (initiative) of commercial banks.

Table 11

Standing Liquidity Facility (SLF)*

(Rs. in million)

Mid-Month	2005/06	2006/07	2007/08	2008/09
August	400.00	-	-	18150.00
September	550.00	370.00	4,080.00	3720.00
October	220.00	1,575.00	9,665.00	11155.00
November	-	2,101.50	13,135.00	2500.00
December	-	1,074.70	9,310.00	-
January	753.50	3,070.00	10,780.00	6010.00
February	200.00	-	25,532.00	12260.00
March	160.00	300.00	-	29437.50
April	950.00	8,630.00	3,850.00	2150.00
May	4,800.00	13,821.00	21,250.00	11220.00
June	-	350.00	4,500.00	11180.00
July	1,850.00	15,687.00	1,730.00	-
Total	**9,883.50**	**46,979.20**	**103,832.00**	**107,782.50**

* Introduced as a safety valve for domestic payments system since 2004/05. This fully collateralised lending facility takes place at the initiative of commercial banks.

Table 12

Interbank Transaction (Amount)

(Rs. in million)

Mid-Month	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
August	4,870.0	4,309.0	20,554.2	13,397.0	35,455.0	22,432.0
September	13,805.0	13,165.0	24,670.5	18,830.0	31,353.0	21,897.0
October	12,575.0	12,145.0	12,021.0	15,855.0	35,062.0	23,934.0
November	14,759.0	9,056.0	10,369.0	14,880.0	21,472.0	36,880.0
December	7,900.0	11,018.0	15,533.0	14,180.0	20,418.0	21,661.0
January	13,460.0	11,030.0	11,255.5	17,395.0	24,379.0	19,955.0
February	8,080.0	12,710.0	14,541.0	8,962.0	12,236.0	27,293.0
March	2,800.0	9,500.0	20,075.0	7,713.0	10,443.0	18,938.6
April	5,860.0	18,162.0	15,654.0	7,295.0	12,583.9	27,518.0
May	9,070.0	13,050.0	7,970.0	20,300.0	21,570.0	27,686.0
June	5,650.0	18,334.3	10,245.0	17,397.0	17,413.0	23,702.0
July	14,359.0	20,358.5	12,862.0	13,980.0	15,934.2	21,522.0
Total	**113,188.0**	**152,837.8**	**175,750.2**	**170,184.0**	**258,319.1**	**293,418.6**

Table 13

Net Domestic Borrowing of the Government of Nepal

Rs in million

		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
A	***Gross Borrowings***	**7052.8**	**9026.4**	**11849.9**	**17892.3**	**20496.4**	**18417.1**
	Treasury Bills	3700.0	5471.2	10834.2	12051.6	12500	9000
	Development Bonds	2000.0	3000.0	750.0	5500.0	6070	7750
	National Saving Certificates	900.0	216.9	0.0	0.0	0	0
	Citizen Saving Bonds	247.8	250.0	250.0	340.2	1926.4	1667.1
	Special Bonds	205.0	88.3	15.7	0.5	0	0
B	***Payments***	**5414.9**	**6135.5**	**7360.0**	**9614.3**	**8561.4**	**8782.5**
	Treasury Bills	2431.0	1264.5	1870.0	1647.5	1912.3	7518.0
	Development Bonds	510.0	550.0	2790.0	4282.1	3511.9	6.9
	National Saving Certificates	1500.0	2670.0	2700.0	2359.8	400.0	900.0
	Citizen Saving Bonds	0.0	0.0	0.0	628.1	303.0	247.8
	Special Bonds	973.9	1651.0	0.0	696.8	2434.1	109.8
C	**Net Domestic Borrowings (NDB) (A-B)**	**1637.8**	**2891.0**	**4489.9**	**8278.0**	**11935.0**	**9634.6**
	Treasury Bills	1269.0	4206.7	8964.2	10404.1	10587.7	1482.0
	Development Bonds	1490.0	2450.0	-2040.0	1217.9	2558.1	7743.1
	National Saving Certificates	-600.0	-2453.1	-2700.0	-2359.8	-400.0	-900.0
	Citizen Saving Bonds	247.8	250.0	250.0	-287.9	1623.4	1419.3
	Special Bonds	-768.9	-1562.7	15.7	-696.3	-2434.1	-109.8
D	**Overdraft**	**-753.0**	**2623.0**	**1071.0**	**-3122.5**	**-823.9**	**699.0**
E	**NDB net off Overdraft borrowings (C+D)**	**884.8**	**5514.0**	**5560.9**	**5155.5**	**11111.1**	**10333.6**
F	**GDP (at producers price)**	**536749**	**589412**	**654084**	**728178**	**818401**	**960011**
G	**NDB/GDP in %**	**0.31**	**0.49**	**0.69**	**1.14**	**1.46**	**1.00**
H	**NDB net off Overdraft /GDP in %**	**0.16**	**0.94**	**0.85**	**0.71**	**1.36**	**1.08**

Table 14

Structure of Interest Rates

(Percent per Annum)

Year **Mid-month**	**2007** **Jan**	**2007** **Apr**	**2007** **Jul**	**2007** **Oct**	**2008** **Jan**	**2008** **Apr**	**2008** **Jul**	**2008** **Oct**	**2009** **Jan**	**2009** **Apr**	**2009** **July**
A. Policy Rates											
CRR	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5	5.5
Bank Rate	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.5	6.5	6.5	6.5
Refinance Rates Against Loans to:											
Sick Industries	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Rural Development Banks (RDBs)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Export Credit in Domestic Currency	3.5	3.5	3.5	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0
Export Credit in Foreign Currency	3.25	3.25	3.25	3.25	3.25	3.25	3.25	LIBOR+.25	LIBOR+.25	LIBOR+.25	LIBOR+0.25
SLF Penal Rate#	1.5	1.5	1.5	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0
B. Government Securities											
T-bills* (28 days)	2.37	1.50	2.13	2.97	4.35	3.17	5.16	–	4.16	5.90	4.94
T-bills* (91 days)	2.67	1.85	2.77	2.35	3.86	4.07	5.13	6.08	4.32	5.98	6.80
T-bills* (182 days)	3.25	2.67	3.51	2.66	4.33	4.39	5.16	5.64	5.17	5.77	5.91
T-bills* (364 days)	3.14	3.09	4.00	3.04	4.67	4.82	6.47	5.57	5.20	5.96	6.55
Development Bonds	3.0-6.75	3.0-6.75	3.0-6.75	3.0-6.75	5.0-6.75	5.0-6.75	5.0-8.0	5.0-8.0	5.0-8.0	5.0-8.0	5.0-8.0
National/Citizen SCs	6.0-8.5	6.0-8.5	6.0-8.5	6.0-8.0	6.0-7.0	6.0-7.0	6.0-7.75	6.0-7.75	6.0-8.0	6.0-8.0	6.0-8.0
C. Interbank Rate	3.03	1.69	3.03	3.35	4.93	2.69	3.61	5.16	3.37	5.06	3.66
D. Commercial Banks											
1. Deposit Rates											
Savings Deposits	2.0-5.0	2.0-5.0	2.0-5.0	2.0-5.0	2.0-5.0	2.0-6.50	2.0-6.50	2.0-6.75	2.0-7	2.0-7	2.0-7.5
Time Deposits											
1 Month	1.5-3.5	1.5-3.5	1.5-3.5	1.5-3.5	1.5-3.5	1.5-3.75	1.5-3.75	1.5-5.25	1.5-5.25	1.5-5.25	1.5-5.25
3 Months	1.50-4.0	1.50-4.0	1.50-4.0	1.50-4.0	1.50-4.0	1.50-6.75	1.50-6.75	1.50-5.5	1.50-5.5	1.50-5.75	1.50-6.0
6 Months	1.75-4.5	1.75-4.5	1.75-4.5	1.75-4.5	1.75-4.5	1.75-6.75	1.75-6.75	1.75-5.75	1.75-5.75	1.75-6.25	1.75-7.0
1 Year	2.25-5.0	2.25-5.0	2.25-5.0	2.25-5.0	2.25-5.0	2.5-5.75	2.5-6.0	2.5-7.25	2.5-7.25	2.5-7.50	2.5-9.0
2 Years and Above	2.5-5.5	2.5-5.5	2.5-5.5	2.5-5.5	2.5-5.5	2.75-6.75	2.75-6.75	2.75-7.75	2.75-7.75	2.75-8.0	2.75-9.5
2 Lending Rates											
Industry	8.0-13.5	8.0-13.5	8.0-13.5	8.0-13.5	7.0-13.5	7.0-13.0	7.0-13.0	7.0-13.0	7.0-13.0	8.0-13.50	8.0-13.50
Agriculture	9.5-13	9.5-13	9.5-13	9.5-13	9.5-13	9.5-12	9.5-12	9.5-12.0	9.5-12.0	9.5-13.0	9.5-12.0
Export Bills	5.0-11.5	5.0-11.5	5.0-11.5	4.0-11.5	4.0-11.5	5.0-11.5	5.0-11.5	5.0-11.5	5.0-11.5	6.5.0-11.5	6.50-11.0
Commercial Loans	8.0-14.0	8.0-14.0	8.0-14.0	8.0-14.0	8.0-14.0	8.0-13.5	8.0-13.5	8.0-13.5	8.0-13.5	8.0-14.0	8.0-14.0
Overdrafts	6.0-14.5	6.0-14.5	6.0-14.5	6.0-14.5	6.0-14.5	6.50-13.5	6.50-13.5	6.50-13.5	6.50-13.5	6.50-13.5	6.5-13.5
CPI Inflation (annual average)			**6.4**				**7.7**				13.0

* Weighted average discount rate.

SLF= Standing liquidity facility.

\# The SLF rate is determined at the penal rate added to the weighted average discount rate of 91-day Treasury Bills of the preceding week or repo rate of last 30 days,

Table 15

Weighted Average Treasury Bills Rate (91-day)

(Percent)

FY	Mid-Month												Annual Average
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
1991/92	8.43	8.78	8.84	8.70	8.82	8.93	9.33	9.56	9.60	9.64	9.59	9.64	**9.24**
1992/93	10.17	10.45	12.17	11.68	12.03	12.36	12.57	12.43	11.30	9.56	11.28	11.92	**11.34**
1993/94	8.49	5.94	7.24	8.74	6.05	3.93	7.57	7.56	6.38	4.93	5.31	6.01	**6.50**
1994/95	6.36	6.26	6.54	7.02	6.91	6.99	7.38	7.97	8.12	7.94	7.89	8.33	**7.35**
1995/96	8.34	8.61	8.78	9.14	9.69	11.83	12.68	12.21	10.93	12.70	12.88	12.66	**10.93**
1996/97	12.18	11.75	11.43	11.63	11.51	11.47	11.62	10.99	9.77	8.51	6.03	5.62	**10.22**
1997/98	4.87	3.36	3.81	3.36	2.63	2.71	3.90	4.00	4.17	3.44	3.24	2.87	**3.52**
1998/99	1.61	0.90	0.85	2.88	3.24	3.29	1.61	1.21	2.16	3.09	3.35	3.32	**2.33**
1999/00	3.40	2.90	3.41	4.09	3.99	4.44	5.16	5.60	5.46	5.73	5.46	5.36	**4.66**
2000/01	5.43	5.22	4.87	5.24	5.30	5.26	5.17	4.55	3.87	4.67	4.94	4.95	**4.96**
2001/02	4.78	3.78	4.66	4.96	4.95	4.85	5.19	5.39	5.05	4.86	4.52	3.78	**4.71**
2002/03	3.42	3.49	3.60	4.03	3.75	4.10	4.01	3.91	4.06	2.91	1.67	2.98	**3.48**
2003/04	4.03	3.66	3.70	3.68	3.85	3.95	3.94	3.81	1.70	0.70	0.82	1.47	**2.93**
2004/05	0.62	0.63	1.34	1.97	2.40	2.08	2.38	2.94	3.11	3.70	3.82	3.94	**2.46**
2005/06	2.26	3.38	3.10	2.69	2.20	2.46	2.20	2.65	2.89	3.63	3.31	3.25	**2.84**
2006/07	2.99	2.78	2.54	2.11	1.98	2.67	2.60	2.36	1.85	2.43	2.17	2.77	**2.44**
2007/08	4.25	2.14	2.35	3.03	3.59	3.86	5.79	5.54	4.07	5.32	5.41	5.13	**4.21**
2008/09	5.17	3.73	6.08	5.55	4.72	4.32	6.64	6.83	5.98	6.72	6.00	6.80	**5.83**

Table 16

Weighted Average Treasury Bills Rate (364-day)

(Percent)

FY	Mid-Month												Annual
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Average
1996/97	-	-	-	-	-	11.96	-	-	10.53	-	8.98	-	**10.34**
1997/98	-	-	-	-	-	6.30	-	-	7.25	-	6.99	-	**6.86**
1998/99	-	-	-	-	-	-	-	-	4.91	5.42	5.31	-	**5.13**
1999/00	-	-	-	-	5.67	5.57	6.08	7.28	6.14	-	-	-	**6.16**
2000/01	-	-	-	-	5.73	5.44	5.46	5.11	4.92	5.27	5.52	5.62	**5.26**
2001/02	-	-	-	-	5.51	5.15	5.66	5.56	5.14	5.04	4.99	4.43	**5.20**
2002/03	-	-	-	-	4.08	4.46	4.22	4.94	5.13	4.63	3.31	4.93	**4.71**
2003/04	5.31	5.18	5.30	5.15	5.12	4.95	4.70	4.04	3.02	2.65	2.57	3.81	**4.15**
2004/05	-	-	3.53	-	3.06	2.49	2.78	3.54	3.98	4.84	4.87	4.79	**4.32**
2005/06	-	-	3.87	3.93	3.09	3.42	3.50	3.80	4.31	4.20	3.74	4.04	**3.95**
2006/07	-	-	3.78	3.33	3.04	3.14	3.21	3.01	3.09	3.55	3.19	4.00	**3.50**
2007/08	-	3.04	3.04	3.28	3.40	4.67	6.45	5.95	4.82	5.30	5.66	6.47	**5.49**
2008/09	-	3.56	5.57	5.65	4.96	5.20	6.84	6.19	5.96	6.53	6.59	6.55	**6.06**

Table 17

Weighted Average
Interbank Transaction Rate

(Percent)

Mid-Month\Year	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
August	2.98	4.15	1.02	2.47	2.07	4.10	5.15
September	2.50	2.67	0.39	3.87	1.83	2.18	2.33
October	3.31	3.60	0.83	3.18	2.11	3.35	5.16
November	4.05	4.21	2.24	2.36	1.20	3.73	5.34
December	3.62	4.63	3.54	0.96	1.34	4.73	2.38
January	3.83	4.68	3.49	1.22	3.03	4.93	3.37
February	3.61	4.82	3.95	2.48	2.01	7.55	8.32
March	3.67	3.67	4.33	2.84	1.39	5.07	6.38
April	3.58	0.83	4.50	1.97	1.69	2.69	5.06
May	4.06	1.01	4.28	3.52	3.35	6.48	7.07
June	3.59	0.99	4.11	1.77	2.72	4.65	5.02
July	4.50	0.71	4.71	2.13	3.03	3.61	3.66
Annual Average	**3.62**	**3.03**	**3.39**	**2.47**	**2.26**	**4.20**	**5.07**

Table 18

Government Budgetary Operation

(Based on annual data)

Rs million

Heads	2006/07	2007/08	2008/09R	2009/10P	Change During the Fiscal Year					
					2007/08		2008/09		2009/10	
					Amount	Percent	Amount	Percent	Amount	Percent
Total Expenditure	**133604.5**	**161349.8**	**213578.3**	**285929.8**	**27745.3**	**20.8**	**52228.5**	**32.4**	**72351.5**	**33.9**
Recurrent	77122.3	91446.8	122079.5	160632.3	14324.5	18.6	30632.7	33.5	38552.8	31.6
Capital	39729.9	53516.1	73309.5	106284.7	13786.2	34.7	19793.4	37.0	32975.2	45.0
Principal repayment	16752.3	16386.9	18189.3	19012.8	-365.4	-2.2	1802.4	11.0	823.5	4.5
Revenue	**87712.0**	**107622.3**	**142211.2**	**176503.7**	**19910.3**	**22.7**	**34588.9**	**32.1**	**34292.5**	**24.1**
Tax Revenue	71126.7	85155.4	116996.6	150245.6	14028.7	19.7	31841.2	37.4	33249.0	28.4
Non-tax Revenue	15559.2	19783.8	21375.3	22200.1	4224.6	27.2	1591.5	8.0	824.8	3.9
Principal refunded	1026.1	2683.1	3839.3	4058.0	1657.0	161.5	1156.2	43.1	218.7	5.7
Surplus/deficit (before foreign grannts)	**-45892.5**	**-53727.5**	**-71367.1**	**-109426.1**	**-7835.0**	**17.1**	**-17639.6**	**32.8**	**-38059.0**	**53.3**
Foreign Loan	15800.8	20320.6	34570.4	56955.8	4519.8	28.6	14249.8	70.1	22385.4	64.8
Bilateral	8399.0	9575.6	14395.7	24753.8	1176.6	14.0	4820.1	50.3	10358.1	72.0
Multilateral	7401.8	10745.0	20174.7	32202.0	3343.2	45.2	9429.7	87.8	12027.3	59.6
Surplus/deficit (before foreign grannts)	**-30091.7**	**-33406.9**	**-36796.7**	**-52470.3**	**-3315.2**	**11.0**	**-3389.8**	**10.1**	**-15673.6**	**42.6**
Sources of deficit financing										
Foreign Loan	**10053.4**	**8979.8**	**10405.3**	**21560.6**	**-1073.6**	**-10.7**	**1425.5**	**15.9**	**11155.3**	**107.2**
Bilateral	1048.9	632.1	740.0	10309.2	-416.8	-39.7	107.9	17.1	9569.2	1293.1
Multilateral	9004.5	8347.7	9665.3	11251.4	-656.8	-7.3	1317.6	15.8	1586.1	16.4
Internal Loan	**17892.3**	**20497.0**	**25000.0**	**30909.7**	**2604.7**	**14.6**	**4503.0**	**22.0**	**5909.7**	**23.6**
Change in cash balance, surplus (+), deficit (-)	**-2146.0**	**-3930.1**	**-1391.4**	**0.0**	**-1784.1**	**83.1**	**2538.7**	**-64.6**	**1391.4**	**-100.0**

R= Revised

E= Estimated

Table 19

Outstanding Domestic Debt of Government of Nepal

(Rs. in million)

		2005	2006	2007	2008	2008/09												Change
No.	Name of Bonds/Ownership	Mid-Jul	Mid-Jul	Mid-Jul	Mid-Jul	Mid-Aug	Mid-Sep	Mid-Oct	Mid-Nov	Mid-Dec	Mid-Jan	Mid-Feb	Mid-Mar	Mid-Apr	Mid-May	Mid-Jun	Mid-Jul[P]	Jul. 09 - Jul. 08
1	**Treasury Bills**	**51383.1**	**62970.3**	**74445.3**	**85033.0**	**85033.0**	**84333.0**	**82189.0**	**82189.0**	**82189.0**	**86609.0**	**86609.0**	**86609.0**	**86609.0**	**86015.1**	**86015.1**	**86515.1**	**1482.1**
	a. Banking Sector	50425.4	60855.1	72380.3	82545.4	82690.4	81922.4	79646.8	79769.5	79769.5	83749.5	83749.2	83692.3	83577.3	83056.4	82782.9	82923.4	378.0
	i. Nepal Rastra Bank	*10923.8*	*9209.3*	13768.8	17579.0	17849.0	21219.0	20685.0	20685.0	18575.0	18245.0	21875.0	21855.0	21812.5	22818.8	22768.6	*22548.6*	4969.6
	ii. Commercial Banks	*39501.6*	*51645.8*	58611.5	64966.3	64841.3	60703.3	58961.8	59084.5	61194.5	65504.5	61874.2	61837.3	61764.8	60237.7	60014.3	*60374.8*	-4591.5
	b. Non-Banking Sector	957.7	2115.2	2065.0	2487.7	2342.7	2410.7	2542.2	2419.5	2419.5	2859.5	2859.8	2916.7	3031.7	2958.7	3232.2	3591.7	1104.0
2	**Development Bonds**	**19999.2**	**17959.2**	**19177.1**	**21735.4**	**21735.4**	**21735.4**	**21735.4**	**21735.4**	**21735.4**	**23735.4**	**23728.5**	**23728.5**	**23728.5**	**23728.5**	**23728.5**	**29478.5**	**7743.1**
	a. Banking Sector	9623.2	7789.6	7798.9	7313.2	7314.6	7315.6	7315.6	7315.6	7318.4	8265.1	8259.4	8260.8	8261.3	8261.6	8261.6	11038.9	3725.7
	i. Nepal Rastra Bank	*1518.7*	*1518.6*	1518.6	296.5	297.9	298.9	298.9	298.9	301.7	303.4	297.7	299.1	299.6	299.9	299.9	*302.2*	5.7
	ii. Commercial Banks	*8104.5*	*6271.0*	6280.3	7016.7	7016.7	7016.7	7016.7	7016.7	7016.7	7961.7	7961.7	7961.7	7961.7	7961.7	7961.7	*10736.7*	3720.0
	b. Non-Banking Sector **	10376.0	10169.6	11378.2	14422.3	14420.9	14419.9	14419.9	14419.9	14417.1	15470.4	15469.1	15467.7	15467.2	15466.9	15466.9	18439.6	4017.4
3	**National/Citizen Savings Certificates**	**6576.8**	**3876.8**	**1516.9**	**1116.9**	**1116.9**	**1116.9**	**1116.9**	**1116.9**	**1116.9**	**1116.9**	**1116.9**	**1116.9**	**716.9**	**716.9**	**716.9**	**216.9**	**-900.0**
	a. Banking Sector	231.4	254.4	279.5	447.2	451.4	456.3	460.7	466.3	475.0	511.4	524.5	534.1	393.7	397.2	397.2	76.9	-370.3
	i. Nepal Rastra Bank	*231.4*	*254.4*	279.5	447.2	451.4	456.3	460.7	466.3	475.0	511.4	524.5	534.1	393.7	397.2	397.2	*76.9*	-370.3
	ii. Commercial Banks	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0
	b. Non-Banking Sector +	6345.4	3622.4	1237.4	669.8	665.5	660.7	656.3	650.6	641.9	605.5	592.4	582.8	323.2	319.7	319.7	140.0	-529.8
4	**Citizen Savings Certificates**	**1428.9**	**1678.9**	**1391.0**	**3014.4**	**3014.4**	**2941.4**	**2941.4**	**2941.4**	**2766.6**	**3466.6**	**3466.6**	**3466.6**	**3466.6**	**3466.6**	**3466.6**	**4433.6**	**1419.2**
	a. Banking Sector	49.6	55.3	62.7	562.7	586.3	577.1	597.4	610.1	586.6	657.1	774.5	837.7	882.9	894.6	894.6	1155.1	592.4
	i. Nepal Rastra Bank	*49.6*	*55.3*	62.7	562.7	586.3	577.1	597.4	610.1	586.6	657.1	774.5	837.7	882.9	894.6	894.6	*1155.1*	592.4
	b. Non-Banking Sector	1379.3	1623.6	1328.3	2451.6	2428.0	2364.3	2344.0	2331.2	2180.0	2809.5	2692.0	2628.9	2583.7	2572.0	2572.0	3278.5	826.9
5	**Special Bonds**	**3454.0**	**3469.8**	**2773.5**	**339.4**	**339.4**	**339.4**	**339.4**	**339.4**	**339.4**	**287.8**	**261.9**	**261.9**	**261.9**	**229.6**	**229.6**	**229.6**	**-109.8**
	a. Banking Sector	944.6	944.6	944.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	0.0
	i. Nepal Rastra Bank ++	-	-	944.6	157.6	-	-	-	-	-	-	-	-	-	-	-		
	ii. Commercial Banks	*944.6*	*944.6*	1828.9	181.8	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	157.6	*157.60*	0.0
	b.Non-Banking Sector	2509.4	2525.2	355.4	181.8	181.8	181.8	181.8	181.8	181.8	130.2	104.3	104.3	104.3	72.0	72.0	*72.0*	-109.8
	(Of which duty drawback)	1035.9	1051.8	355.4	181.8	181.8	181.8	181.8	181.8	181.8	130.2	104.3	104.3	104.3	72.0	72.0	72.0	-109.8
6	**Short Term Loan & Advances**	**2623.0**	**1071.0**	**-3122.5**	**-3946.4**	**-6801.7**	**-7945.1**	**-1938.0**	**-6305.1**	**-8054.9**	**-22594.1**	**-23998.8**	**-26521.6**	**-27995.8**	**-21556.5**	**-17439.1**	-3247.0	699.4
	Nepal Rastra Bank	2623.0	1071.0	-3122.5	-3946.4	-6801.7	-7945.1	-1938.0	-6305.1	-8054.9	-22594.1	-23998.8	-26521.6	-27995.8	-21556.5	-17439.1	-3247.0	699.4
7	**Grand Total**	**85465.1**	**91025.9**	**96181.4**	**107292.7**	**104437.4**	**102521.0**	**106384.1**	**102017.0**	**100092.4**	**92621.6**	**91184.1**	**88661.3**	**86787.1**	**92600.2**	**96717.6**	**117626.7**	**10334.0**
	a. Banking Sector	63897.3	70970.1	78343.6	87079.6	**84398.5**	**82483.8**	**86240.1**	**82014.0**	**80252.2**	**70746.6**	**69466.5**	**66960.9**	**65277.0**	**71210.8**	**75054.7**	**92104.9**	5025.3
	i. Nepal Rastra Bank	*15346.5*	*12108.6*	*12507.2*	*14939.0*	12382.9	14606.1	20104.0	15755.2	11883.4	-2877.3	-527.0	-2995.8	-4607.1	2853.8	6921.1	20835.8	**5896.8**
	ii. Commercial Banks	*48550.7*	*58861.4*	*65836.4*	*72140.6*	*72015.6*	*67877.6*	*66136.1*	*66258.8*	*68368.8*	*73623.8*	*69993.5*	*69956.6*	*69884.1*	*68357.0*	*68133.6*	71269.1	-871.5
	b. Non-Banking Sector	21567.8	20055.8	17837.8	20213.1	**20038.9**	**20037.2**	**20144.0**	**20003.0**	**19840.2**	**21875.1**	**21717.6**	**21700.4**	**21510.1**	**21389.4**	**21662.9**	**25521.8**	5308.7

** Includes Rs. 28.67 million of various funds of NRB

\+ Includes Rs. 11.6 million of various funds of NRB

++ IMF Promissory Note is not included

P Provisional

Source : Nepal Rastra Bank.

Table 20

Direction of Foreign Trade*

(First Ten Months)

(Rs. in million)

	2003/04 Annual	2004/05 Annual	2005/06 Annual	2006/07	2007/08	2008/09[P]	Percent Change 2007/08	2008/09P
Total Exports	**53910.7**	**58705.7**	**60234.1**	**48459.5**	**47300.3**	**56648.5**	**-2.4**	**19.8**
To India	30777.1	38916.9	40714.7	34336.5	31791.7	35120.0	-7.4	10.5
To Other Countries	23133.6	19788.8	19519.4	14123.0	15508.6	21528.5	9.8	38.8
Total Imports	**136277.1**	**149473.6**	**173780.3**	**156039.5**	**182271.3**	**228640.7**	**16.8**	**25.4**
From India	78739.5	88675.5	107143.1	93137.1	117046.0	130539.3	25.7	11.5
From Other Countries	57537.6	60798.1	66637.2	62902.4	65225.3	98101.4	3.7	50.4
Total Trade Balance	**-82366.4**	**-90767.9**	**-113546.2**	**-107580.0**	**-134971.0**	**-171992.2**	**25.5**	**27.4**
With India	-47962.4	-49758.6	-66428.4	-58800.6	-85254.3	-95419.3	45.0	11.9
With Other Countries	-34404.0	-41009.3	-47117.8	-48779.4	-49716.7	-76572.9	1.9	54.0
Total Foreign Trade	**190187.8**	**208179.3**	**234014.4**	**204499.0**	**229571.6**	**285289.2**	**12.3**	**24.3**
With India	109516.6	127592.4	147857.8	127473.6	148837.7	165659.3	16.8	11.3
With Other Countries	80671.2	80586.9	86156.6	77025.4	80733.9	119629.9	4.8	48.2

1. Export / Import Ratio	**39.6**	**39.3**	**34.7**	**31.1**	**26.0**	**24.8**
India	39.1	43.9	38.0	36.9	27.2	26.9
Other Countries	40.2	32.5	29.3	22.5	23.8	21.9
2. Share in Total Export						
India	57.1	66.3	67.6	70.9	67.2	62.0
Other Countries	42.9	33.7	32.4	29.1	32.8	38.0
3. Share in Total Import						
India	57.8	59.3	61.7	59.7	64.2	57.1
Other Countries	42.2	40.7	38.3	40.3	35.8	42.9
4. Share in Trade Balance						
India	58.2	54.8	58.5	54.7	63.2	55.5
Other Countries	41.8	45.2	41.5	45.3	36.8	44.5
5. Share in Total Trade						
India	57.6	61.3	63.2	62.3	64.8	58.1
Other Countries	42.4	38.7	36.8	37.7	35.2	41.9
6. Share of Export and Import in Total Trade						
Export	28.3	28.2	25.7	23.7	20.6	19.9
Import	71.7	71.8	74.3	76.3	79.4	80.1

* = On customs data basis.
R = Revised
E = Estimates

Table 21
Balance of Payments Situation

(Rs in million)

Particulars	2005/06	2006/07		2007/08		2008/09^{P}	Percent Change During 10 months	
	Annual	10 months	Annual	10 months	Annual	10 months	2007/08	2008/09
A. Current Account	**14224.5**	**1570.9**	**-902.2**	**7127.2**	**23679.6**	**37036.8**	**353.7**	**419.7**
Goods: Exports f.o.b.	61482.4	50307.3	61488.4	49634.9	61971.1	59011.6	-1.3	18.9
Oil	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other	61482.4	50307.3	61488.4	49634.9	61971.1	59011.6	-1.3	18.9
Goods: Imports f.o.b.	-171540.8	-152357.9	-190437.1	-179226.5	-217962.8	-224167.9	17.6	25.1
Oil	-33657.2	-27402.4	-33567.6	-33335.7	-40815.7	-34095.1	21.7	2.3
Other	-137883.6	-124955.5	-156869.5	-145890.8	-177147.1	-190072.8	16.8	30.3
Balance on Goods	**-110058.4**	**-102050.6**	**-128948.7**	**-129591.6**	**-155991.7**	**-165156.3**	**27.0**	**27.4**
Services: Net	**-6818.3**	**-6179.1**	**-8377.3**	**-9262.4**	**-11092.0**	**-8033.9**	**49.9**	**-13.3**
Services: credit	26469.7	27042.7	32078.9	33974.6	42236.1	44981.3	25.6	32.4
Travel	9555.8	8301.4	10125.3	15314.3	18653.1	23134.3	84.5	51.1
Government n.i.e.	7441.5	10821.7	12336.4	10719.2	13301.8	11560.0	-0.9	7.8
Other	9472.4	7919.6	9617.2	7941.1	10281.2	10287.0	0.3	29.5
Services: debit	-33288.0	-33221.8	-40456.2	-43237.0	-53328.1	-53015.2	30.1	22.6
Transportation	-12592.3	-11989.0	-14557.4	-18069.8	-22675.9	-19216.5	50.7	6.3
Travel	-11960.8	-13091.3	-15785.0	-17088.6	-20862.0	-25864.5	30.5	51.4
O/W Education	-3445.6	-5311.4	-6336.6	-6259.7	-7373.0	-9974.8	17.9	59.3
Government services:debit	-698.2	-162.8	-189.4	-523.3	-635.7	-783.8	221.4	49.8
Other	-8734.9	-8141.5	-10113.8	-8078.6	-9790.2	-7934.2	-0.8	-1.8
Balance on Goods and Services	**-116876.7**	**-108229.7**	**-137326.0**	**-138854.0**	**-167083.7**	**-173190.2**	**28.3**	**24.7**
Income: Net	**4955.5**	**5238.0**	**7431.8**	**6476.7**	**7946.8**	**9846.1**	**23.6**	**52.0**
Income: credit	11432.3	11282.0	14500.8	11024.6	13447.7	14074.2	-2.3	27.7
Income: debit	-6476.8	-6044.0	-7069.0	-4547.9	-5500.9	-4228.1	-24.8	-7.0
Balance on Goods, Services and Income	-111921.2	-102991.7	-129894.2	-132377.3	-159136.9	-163344.1	**28.5**	**23.4**
Transfers: Net	126145.7	104562.6	128992.0	139504.5	182816.5	200380.9	**33.4**	**43.6**
Current transfers: credit	130861.7	108246.8	133196.8	141683.6	185462.9	205597.3	30.9	45.1
Grants	18851.1	16103.8	18218.2	15358.1	20993.2	19722.6	-4.6	28.4
Workers' remittances	97688.5	80278.9	100144.8	108772.3	142682.7	169175.1	35.5	55.5
Pensions	12007.6	10374.7	12937.0	15116.0	18789.9	14116.0	45.7	-6.6
Other (Indian Excise Refund)	2314.5	1489.4	1896.8	2437.2	2997.1	2583.6	63.6	6.0
Current transfers: debit	-4716.0	-3684.2	-4204.8	-2179.1	-2646.4	-5216.4	-40.9	139.4
B Capital Account (Capital Transfer)	**3107.0**	**3642.5**	**4449.9**	**7276.0**	**7912.5**	**5687.7**	**99.8**	**-21.8**
Total, Groups A plus B	**17331.5**	**5213.4**	**3547.7**	**14403.2**	**31592.1**	**42724.5**	**176.3**	**196.6**
C Financial Account (Excluding Group E)	**-1324.5**	**-3069.8**	**-2362.1**	**10265.7**	**11032.6**	**24361.0**	**-434.4**	**137.3**
Direct investment in Nepal	-469.7	195.1	362.3	334.9	293.9	1514.0	71.7	352.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Other investment: assets	-14008.8	-9866.0	-10690.0	-8002.3	-11396.1	-8989.5	-18.9	12.3
Trade credits	-1629.5	-5130.6	-5127.6	-744.0	853.2	-2119.7		
Other	-12379.3	-4735.4	-5562.4	-7258.3	-12249.3	-6869.8	53.3	-5.4
Other investment: liabilities	13154.0	6601.1	7965.6	17933.1	22134.8	31836.5	171.7	77.5
Trade credits	9232.5	2196.0	1727.8	10584.1	12483.6	15720.6	382.0	48.5
Loans	526.9	478.8	1455.6	2891.6	3391.5	-2294.9	503.9	-179.4
General Government	703.7	1042.5	2150.7	2919.1	3455.9	-2243.5	180.0	-176.9
Drawings	7691.0	7055.7	9689.7	8904.7	11325.5	6052.4	26.2	-32.0
Repayments	-6987.3	-6013.2	-7539.0	-5985.6	-7869.6	-8295.9	-0.5	38.6
Other sectors	-176.0	-563.7	-695.1	-27.5	-64.4	-51.4	-95.1	86.9
Currency and deposits	3394.6	3926.3	4782.2	4457.4	6259.7	18410.8	13.5	313.0
Nepal Rastra Bank	-116.5	2.9	2.4	-6.1	-5.6	-3.4	-310.3	-44.3
Deposit money banks	3511.1	3923.4	4779.8	4463.5	6265.3	18414.2	13.8	312.6
Other liabalities	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Total, Group A through C	**16007.0**	**2143.6**	**1185.6**	**24668.9**	**42624.7**	**67085.5**	**1050.8**	**171.9**
D. Miscellaneous Items, Net	**12985.4**	**8756.2**	**9500.9**	**-327.4**	**-6690.3**	**-5614.2**	**-103.7**	**1614.8**
Total, Group A through D	**28992.4**	**10899.8**	**10686.5**	**24341.5**	**35934.4**	**61471.3**	**123.3**	**152.5**
E. Reserves and Related Items	**-28992.4**	**-10899.8**	**-10686.5**	**-24341.5**	**-35934.4**	**-61471.3**	123.3	152.5
Reserve assets	**-28992.3**	-12456.6	-13410.2	-25409.2	-37002.0	-61471.3	104.0	141.9
Nepal Rastra Bank	-21297.1	-10703.2	-10963.2	-20025.7	-29636.8	-44871.9	87.1	124.1
Deposit money banks	-7695.2	-1753.4	-2447.0	-5383.5	-7365.2	-16599.4	207.0	208.3
Use of Fund Credit and Loans	-0.1	1556.8	2723.7	1067.7	1067.6	0.0	-31.4	-100.0
Changes in reserve, net (- increase)	**-25597.8**	**-6973.5**	**-5904.3**	**-19884.1**	**-29674.7**	**-43060.5**	**185.1**	**116.6**

P: Provisional

Table 22

Gross Foreign Exchange Holding of the Banking Sector

(Rs in million)

Particulars	Mid-Jul. 2005	Mid-Jul. 2006	Mid-Jul 2007	Mid-May 2008	Mid-Jul 2008	Mid-May 2009	Percent Change Mid-Jul To Mid-May 2007/08	2008/09
Nepal Rastra Bank	**104423.7**	**132061.3**	**129626.4**	**156069.1**	**169683.6**	**223782.5**	20.4	31.9
Convertible	100823.6	124240.9	123755.3	146225.7	142848.8	197897.7	18.2	38.5
Inconvertible	3600.1	7820.4	5871.1	9843.4	26834.8	25884.8	67.7	-3.5
Commercial Bank	**25472.7**	**33065.4**	**35499.6**	**40959.9**	**42939.9**	**59650.4**	15.4	38.9
Convertible	23154.9	31790.7	31681.0	38692.7	38827.1	56173.6	22.1	44.7
Inconvertible	2317.8	1274.7	3818.6	2267.2	4112.8	3476.8	-40.6	-15.5
Total Reserve	**129896.4**	**165126.7**	**165126.0**	**197029.0**	**212623.5**	**283432.9**	19.3	33.3
Convertible	123978.5	156031.6	155436.3	184918.4	181675.9	254071.3	19.0	39.8
Share in total (in percent)	95.4	94.5	94.1	93.9	85.4	89.6		
Inconvertible	5917.9	9095.1	9689.7	12110.6	30947.6	29361.6	25.0	-5.1
Share in total (in percent)	4.6	5.5	5.9	6.1	14.6	10.4		
Import Capacity (Equivalent Months)								
Merchandise	10.4	11.4	10.2	10.6	11.5	12.4		
Merchandise and Services	8.8	9.6	8.4	8.6	9.3	10.1		
1.Gross Foreign Exchange Reserve	129896.4	165126.7	165126.0	197029.0	212623.5	283432.9	19.3	33.3
2.Gold, SDR, IMF Gold Tranche	1020.5	1068.7	587.5	620.6	630.6	650.6	5.6	3.2
3.Gross Foreign Assets(1+2)	130916.9	166195.4	165713.5	197649.6	213254.1	284083.5	19.3	33.2
4.Foreign Liabilities	23174.8	26662.5	33804.0	39783.0	41798.7	60573.6	17.7	44.9
5.Net Foreign Assets(3-4)	107742.1	139532.9	131909.5	157866.6	171455.4	223509.9	19.7	30.4
6.Change in NFA (before adj. ex. val.)*	1062.5	-31790.8	7529.7	-25957.1	-39545.9	-52054.5	-	-
7.Exchange Valuation (- loss)	-6804.8	6092.3	-13434.0	6072.7	9871.4	8993.9	-	-
8.Change in NFA (- increase) (6+7)**	**-5742.3**	**-25698.5**	**-5904.2**	**-19884.5**	**-29674.5**	**-43060.6**	-	-
Period end buying rate (Rs/US$):	**70.35**	**74.10**	**64.85**	**67.00**	**68.50**	**79.15**	-	-

* = Change in NFA is derived by taking mid-July as the base and minus (-) sign indicates an increase.

** = After adjusting exchange valuation gain/loss.

E = Estimated.

Table 23

Import from India
Against US Dollar Payment

(Rs. in million)

Mid-Month	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
August	728.7	726.1	980.1	957.5	2133.8	3417.4
September	980.1	1117.4	977.6	1208.0	1655.2	2820.1
October	1114.2	1316.8	907.9	865.7	2411.6	1543.5
November	1019.2	1186.5	1103.2	1188.3	2065.7	1571.4
December	1354.5	1205.8	1583.7	1661.4	2859.9	2301.6
January	996.9	1394.9	1156.2	1644.0	3805.5	2016.8
February	1503.6	1154.4	603.8	717.0	2962.1	2007.5
March	1717.9	1107.8	603.0	1428.5	1963.1	2480.1
April	2060.5	1567.2	1398.6	2052.9	3442.1	3768.2
May	1309.9	1830.8	916.4	2714.8	3420.2	3495.0
June	1455.4	1825.2	1181.5	1711.2	2205.7	
July	1016.0	1900.2	1394.0	1571.8	3091.4	
Total	**15256.9**	**16333.1**	**12805.9**	**17720.9**	**32016.4**	**25421.6**

Table 24

Indian Currency Purchase

(In million)

	2003/04		2004/05		2005/06		2006/07		2007/08		2008/09	
Mid-Month	**IC Purchase**	**US$ Sale**	**IC Purchase**	**US$ Sale**	**IC Purchase**	**US$ Sale**	**IC Purchase**	**US$ Sale**	**IC Purchase**	**US$ Sale**	**IC Purchase**	**US$ Sale**
August	461.85	10.00	1,847.36	40.00	2,611.31	60.00	2334.575	50	3641.625	90	5969.58	140
September	-	-	-	-	2,191.90	50.00	2786.475	60	3675.425	90	2644.05	60
October	453.35	10.00	-	-	2,652.09	50.00	3205.3	70	5542.725	140	3257.1	70
November	906.18	20.00	-	-	1,810.73	40.00	3602.15	80	3932.35	100	10657.1	220
December	228.08	5.00	1,340.73	30.00	2,290.13	50.00	2689.325	60	5531.6	140	6950.8	140
January	228.16	5.00	437.30	10.00	1,348.15	40.00	3112.005	70	3943.45	100	4381.8	90
February	2,265.55	50.00	2,183.23	50.00	2,213.55	50.00	1326.735	30	5125.83	130	6352.28	130
March	2,263.11	50.00	2,624.23	60.00	3,106.10	70.00	3093.775	70	4799.95	120	7561.65	150
April	904.81	20.00	436.25	10.00	3,124.50	70.00	3457.575	80	5624.83	140	5621.88	110
May	1,325.62	30.00	3,052.16	70.00	452.95	10.00	4950.64	120.00	6474.78	160	6495.8	130
June	-	-	2,177.63	50.00	2,742.23	60.00	5293.265	130	7678.38	180	5298.2	110
July	452.58	10.00	1,306.88	30.00	2,304.98	50.00	4475.85	110	14631.58	340	8,210.38	170.00
Total	**9,489.28**	**210.00**	**15,405.75**	**350.00**	**26,848.61**	**600.00**	**40,327.67**	**930.00**	**70,602.53**	**1730.00**	**73,400.62**	**1,520.00**