

Monetary Policy for Fiscal Year 2014/15



Nepal Rastra Bank
Central Office
Baluwatar, Kathmandu

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Delivered by Governor Dr. Yuba Raj Khatiwada
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ACRONYMS

BFI	=	Banks and Financial Institutions
BOP	=	Balance of Payments
CBS	=	Central Bureau of Statistics
CEO	=	Chief Executive Officer
CPI	=	Consumer Price Index
CRR	=	Cash Reserve Ratio
GDP	=	Gross Domestic Product
GoN	=	Government of Nepal
IMF	=	International Monetary Fund
INR	=	Indian Rupee
LC	=	Letter of Credit
LMFF	=	Liquidity Monitoring and Forecasting Framework
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange
NRB	=	Nepal Rastra Bank
OMO	=	Open Market Operation
RBB	=	Rastriya Banijya Bank
RTGS	=	Real Time Gross Settlement
SLF	=	Standing Liquidity Facility
SLR	=	Statutory Liquidity Ratio
USD	=	US Dollar
y-o-y	=	year on year

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Monetary Policy for 2014/15

Background

1. As envisaged by the Nepal Rastra Bank Act, 2002, Nepal Rastra Bank (NRB) has been formulating and implementing monetary policy for attaining the objectives of price stability as well as external and financial sector stability. The monetary policy for 2014/15 is also directed to contain inflation originating from aggregate demand side and maintain external balance as well as financial sector stability. In addition, the monetary policy has also focused on increasing credit flows to the productive sectors for sustainable economic and financial sector development, and on expanding financial services and financial inclusion.
2. In 2013/14, the overall macroeconomic situation of Nepal remained satisfactory. Particularly, improved performance of agriculture and services sectors led to a higher economic growth in 2013/14 compared to the last five years. Despite the timely announcement of government budget, the private sector investment remained sluggish as a result of slow growth of capital expenditure than expected, existing energy crisis and other structural bottlenecks. Although the monetary aggregates grew as expected, inflation remained slightly higher than the targeted level due mainly to rise in price of petroleum products and other supply-side factors. Widening of trade deficit continued as a consequence of higher growth of imports relative to exports. However, significant amount of remittance inflows and foreign assistance contributed to maintain a surplus in current account as well as in balance of payments (BOP).
3. In 2013/14, owing to significant increase in remittance inflows, the deposit mobilization of the banks and financial institutions (BFIs) expanded rapidly relative to credit flows resulting in a situation of higher liquidity in the banking sector. In the context of higher liquidity situation, share transactions and prices took an upward trend together with real estate transactions, especially after the second Constituent Assembly election. The exchange rate of Nepalese currency with the US dollar and other convertible currencies, which had depreciated during the first few months of 2013/14, remained stable in the later period.
4. It is expected that investment environment will improve after the second Constituent Assembly election with increasing activities in the economy. The

timely announcement of government budget for 2014/15 will have positive impact on infrastructure development and expansion of private sector economic activities. As a result, the expansion of service sector including industrial sector being slightly higher, the overall economic growth is expected to remain satisfactory even in case of sluggish growth of agriculture sector compared to the previous year. If the current trend of remittance growth continues, there is likely to be excess liquidity situation in the banking system leading to monetary expansion, which may result in higher imports, upward pressure on inflation and asset price bubble. Taking these facts into account, there is a need of tightening the stance of monetary policy.

5. This monetary policy has been formulated on the basis of the analysis of current macroeconomic situation, review of the previous year's monetary policy (Appendixes 1 & 2), internal and external economic outlook, current challenges of monetary policy and priorities of government budget for 2014/15. While formulating this monetary policy, suggestions received from Nepal Bankers' Association, Development Bankers' Association, Nepal Finance Company Association, Micro Finance Bankers' Association, Federation of Nepal Chamber of Commerce and Industries and other stakeholders have also been incorporated as far as possible.

World Economic Outlook

6. Developed economies including the United States, Euro Area and Japan are expected to improve in 2014/2015 with the end of the prevalence of unfavorable effect of the financial crisis for a long time. However, risk of recession still prevails in Euro Area due to low inflation. World trade volume and economic activities of emerging and developing economies have been expanding along with the improvement in the economy of the advanced countries. Although improvement in the external demand of the advanced countries has created positive impact on the emerging and developing countries, the 'tapering off' policy adopted by Federal Reserve Bank by reducing the quantity of the asset purchases may raise the interest rate in the international financial market, which may cause the outflow of capital from the emerging economies resulting in depreciation of their currencies.
7. According to the World Economic Outlook published by the International Monetary Fund (IMF) in April 2014, world's economic growth is projected to be 3.6 percent in 2014 and 3.9 percent in 2015. The US economy and Euro Area are estimated to grow by 2.8 percent and 1.2 percent respectively. Similarly, emerging

and developing economies is projected to grow by 4.9 percent. Economic growth rate of the neighboring countries, India and China remained at 4.4 percent and 7.7 percent in 2013 and is expected to grow by 5.4 percent and 7.5 percent respectively in 2014.

8. Although the developed economies are gradually recovering from the impact of economic recession, there will be less pressure on inflation due to weak aggregate domestic demand in such economies. Especially, it is expected to have contractionary impact on global inflation as a result of the less than expected inflation in Euro Area. According to the IMF, inflation of the advanced economies was recorded at 1.4 percent in 2013 and is expected to remain at 1.5 percent in 2014. Similarly, inflation in emerging and developing economies was 5.8 percent in 2013 and is expected to remain at 5.5 percent in 2014. According to the IMF, inflation in China was 2.6 percent in 2013 and is forecasted to be 3.0 percent 2014. On the other hand, inflation in India remained at 9.5 percent in 2013 and is forecasted to be at 8.0 percent in 2014. Reserve Bank of India has the target of bringing down inflation to 8 percent by January 2015 and 6.0 percent within one year thereafter. However, because of still higher food prices, hike in railway fare, less than expected monsoon rain due to impact of El Nino in India and the possibility of increase in prices of petroleum products because of widespread internal conflict in Iraq, it is challenging to contain inflation at a forecasted level. There is a risk of inflation pass-through of rise in prices in India via imports to Nepalese consumers.

Domestic Economic Situation

9. As a result of increase in agricultural production due to favorable monsoon and improvement in non-agriculture sector on account of improving labor relation and security situation, Gross Domestic Product (GDP) has increased at a higher rate in 2013/14 compared to the previous years. According to the preliminary estimates of Central Bureau of Statistics (CBS), the real GDP grew by 5.2 percent at basic price and 5.5 percent at producers' price in the review year. Such growth rates were 3.5 percent and 3.9 percent respectively in the previous year. In the review year, the growth rates of agriculture and non-agriculture sector are estimated to be 4.7 percent and 5.3 percent, respectively. Such growth rates were 1.1 percent and 4.6 percent respectively in the previous year. In the review year, under the non-agriculture sector, industry and service sub-sectors are estimated to grow by 2.7 percent and 6.1 percent respectively. In the previous year, the growth rates of

industry and service sub-sectors were 2.5 percent and 5.2 percent respectively.

10. During the eleven months of 2013/14, the annual average inflation based on the consumer price index (CPI) stood at 9.1 percent compared to 9.9 percent in the previous year. The y-o-y inflation as measured by the CPI increased by 9.5 percent in mid-June 2014 as compared to 8.2 percent in the corresponding month of the previous year. The indices of food and beverage group and non-food and services group increased by 12.2 percent and 7.0 percent respectively during the review period. Such indices had increased by 7.7 percent and 8.6 percent respectively in the corresponding period of the previous year. Pressure on inflation emerged as a result of a number of factors such as upsurge in price of food items, vegetables and fruits, fish, meat and egg, and dairy products, weak supply situation, energy crisis, depreciation of Nepalese currency against convertible foreign currencies, increase in price of petroleum products and Indian inflation. Moreover, the low growth rate of production but higher annual average growth rate of per capita disposable income by 14.9 percent over the last three years has also exerted pressure on domestic inflation.
11. On the cash flow basis, the total government expenditure increased by 9.6 percent amounting to Rs. 370.78 billion as of 11 June 2014. It had increased by 5.8 percent in the previous year. Out of the total expenditure, recurrent expenditure stood at Rs. 280.33 billion, capital expenditure at Rs. 46.37 billion and financial expenditure at Rs. 43.95 billion. Resource mobilization of the government has increased by 19.5 percent to Rs. 393.68 billion in the review period compared to an increase of 10.8 percent in the previous year. Out of total resources, revenue collection has increased by 14.0 percent to Rs. 337.52 billion. As a result of low government expenditure relative to resource mobilization, the government maintained the cash balance of Rs. 49.93 billion at the NRB as of 11 June 2014.
12. The overall BOP recorded a surplus of Rs. 109.56 billion during the eleven months of 2013/14 compared to a surplus of Rs. 52.69 billion during the same period of the previous year. Although there was a huge trade deficit, the current account recorded a surplus of Rs. 77.84 billion in the review period as a result of significant surplus in service and transfer accounts. Under the current account, the net service income witnessed a surplus of Rs. 19.73 billion and remittance inflows rose by 26.4 percent to Rs. 490.95 billion. In US dollar terms, remittance inflows increased by 12.2 percent to US\$ 4.99 billion.

13. In the review period, total exports increased by 16.9 percent and total imports increased by 27.0 percent. Exports to India increased by 17.5 percent and that to other countries increased by 15.7 percent. On the other hand, imports from India and other countries increased by 28.6 percent and 23.8 percent respectively. Because of higher growth rate and broader base of imports relative to exports, trade deficit reached Rs. 563.97 billion during the eleven months of 2013/14. As such, the export-import ratio declined to 12.7 percent in the review period from 13.7 percent in the corresponding period of the previous year.
14. The gross foreign exchange reserves increased by 21.4 percent to Rs. 647.64 billion in mid-June 2014 from Rs. 533.30 billion in mid-July 2013. In the US dollar terms, foreign exchange reserves increased by 21.0 percent to USD 6.79 billion in mid-June 2014 from USD 5.61 billion in mid-July 2013. Based on the trend of imports during the eleven months of 2013/14, the current level of foreign exchange reserve is sufficient to cover 11.2 months of merchandise imports and about 9.8 months of merchandise and service imports.
15. Nepalese currency which had been weak compared to the US dollar and other convertible currencies in early months of 2013/14 due to its peg with Indian rupee remained fairly stable during the later months of the fiscal year. Nepalese currency vis-à-vis US dollar depreciated by 0.9 percent in mid-July 2014 from the level of mid-July 2013. It had depreciated by 6.7 percent in the corresponding period of the previous year. The exchange rate of one US dollar stood at Rs. 95.90 in mid-July 2014 compared to Rs. 95.00 in mid-July 2013.

Financial Market

16. Despite some decrease in the number of BFIs due to increasing merger activities, financial access has been increasing mainly due to the expansion in branches of such institutions. As of mid-July 2014, the total number of BFIs stood at 204 including 30 commercial banks (“A” Class), 84 development banks (“B” Class), 53 finance companies (“C” Class) and 37 microfinance institutions (“D” Class). The number of such BFIs was 207 as of mid-July 2013 comprising 31 “A” Class, 86 “B” Class, 59 “C” Class and 31 “D” Class institutions. Likewise, as of mid-July 2013, there were 3,126 branches which include 1486 branches of "A" Class, 764 of "B" Class, 242 of "C" Class and 634 of "D" Class. Such branches of BFIs increased to 3,430 in mid-July 2014, which includes 1547 branches of “A” Class, 818 of “B” Class, 239 of “C” Class and 826 of “D” Class. As a result, in mid-July 2014, 7,724 people, on average, obtained banking services from each branch of BFIs compared to 8,475 a year ago. As of mid-June 2014, the numbers of deposit

accounts and borrowers in "A", "B" and "C" Class financial institutions stood at about 12.51 million and 919 thousand respectively.

17. Short-term interest rates remained at low level because of excess liquidity situation in BFIs from the beginning of 2013/14. In mid-July 2014, the weighted average 91-day treasury bills rate declined to 0.02 percent from 1.19 percent in mid-July 2013. Similarly, the weighted average inter-bank rate among commercial banks remained at 0.16 percent in mid-July 2014 compared to 0.86 percent last year. The weighted average inter-bank rate among other financial institutions declined to 2.40 percent in mid-July 2014 from 5.03 percent in mid-July 2013. The weighted average interest rate of reverse repo remained at 0.02 percent in mid-July 2014.
18. The concept of base rate has been implemented since 2012/13 with the objectives of reducing the spread rate and improving the effectiveness of monetary policy by making lending rate more transparent and competitive. The base rate has been gradually declining. The average base rate of commercial banks stood at 8.23 percent in mid-June 2014, ranging from 5.22 percent to 11.33 percent. The average base rate was 9.83 percent in mid-July 2013. The weighted average deposit rate and lending rate of commercial banks remained at 4.22 and 10.81 percent respectively in mid-June 2014, resulting in an interest rate spread of 6.59 percent. Such spread rate was 6.84 percent in mid-July 2013.
19. The number of listed companies in Nepal Stock Exchange Ltd. increased to 239 in mid-June 2014 from 227 in mid-July 2013. Out of total listed companies, 206 are banks and financial institutions (including insurance companies), 18 manufacturing and processing industries, 4 hotels, 5 hydro-electric companies and 2 other group. Enthusiasm of investors after the election of the second Constituent Assembly, the comfortable situation of liquidity in the market and declining interest rates contributed to the increase in NEPSE index by 99.9 percent to 1036.1 points in mid-July 2014 from 518.3 points a year ago.
20. The stock market capitalization increased by 88.4 percent on y-o-y basis to Rs. 922.83 billion in mid-June 2014. The market capitalization in mid-June 2014 has remained at 47.9 percent of GDP of 2013/14. Such a ratio was 28.9 percent in mid-June 2013. Of the total, the market capitalization of the BFIs (including insurance companies) accounted for 75.8 percent, manufacturing and processing sectors 2.2 percent, hotels 2.7 percent, business entities 0.1 percent, hydropower 8.6 percent and other sectors 10.6 percent in mid-June 2014. Similarly, total paid

up capital of the listed companies increased by 15.4 percent to Rs.145.35 billion in mid-June 2014 compared to Rs.125.97 billion in mid-June 2013.

21. As per the data from the Department of Cooperatives, the number of saving and credit cooperatives reached 12,983 by mid-June 2014. These institutions have mobilized deposits of Rs.122.33 billion and disbursed credit of Rs.119.36 billion. NRB has been providing technical assistance to the Department of Cooperatives to make monitoring of the transactions of saving and credit cooperatives effective and to maintain good governance in such cooperatives. Of the large saving and credit cooperatives operating in Kathmandu Valley and other major cities, intensive monitoring of 418 saving and credit cooperatives was completed by mid-June 2014. Out of these cooperatives, 223 were from inside the valley and 195 from outside the valley.
22. As per the provision of insuring deposits up to Rs. 200,000 of small and medium size depositors for enhancing the public confidence towards BFIs, total deposits of Rs. 252.76 billion, owned by 9.78 million depositors, have been guaranteed as of mid-June 2014 through 177 BFIs.
23. Credit to deposit ratio (including capital fund) of commercial banks stood at 73.5 percent in mid-May 2014. Such a ratio was 68.0 percent in mid-July 2013. Likewise, credit to deposit ratio (including capital fund) of development banks stood at 71.8 percent in mid-May 2014 compared to 71.1 percent in mid-July 2013. Similarly, credit to deposit ratio (including capital fund) of finance companies remained at 77.9 percent in mid-May 2014 compared to 81.5 percent in mid-July 2013.
24. The non-performing loan (NPL) ratio of commercial banks reached 3.04 percent in mid-April 2014. Such a ratio was 2.56 percent in mid-July 2013. Similarly, the NPL of development banks reached 5.65 percent in mid-April 2014 compared to 4.55 percent in mid-July 2013. Likewise, NPL of finance companies remained at 16.0 percent in mid-April 2014, the same figure as in mid-July 2013.
25. Among the government-owned commercial banks, the NPL ratio of Agriculture Development Bank (ADB/N) and Nepal Bank Limited (NBL) have increased while that of Rastriya Banijya Bank (RBB) has slightly improved. In mid-April 2014, the NPL of NBL, RBB and ADB/N have reached 5.14 percent, 4.77 percent and 6.43 percent respectively. Such ratios were 4.53 percent, 5.31 percent and 5.72 percent respectively in mid-July 2013.

26. As per the merger policy, which was implemented to strengthen the financial stability, 23 BFIs have received final approval to merge with each other to become 9 BFIs in 2013/14. In the same period, the Letter of Intent (LOI) has been given to 4 BFIs to merge with each other. After the issuance of "Bank and Financial Institutions Merger By-law, 2011", 64 BFIs have merged with each other, leading to the creation of 25 BFIs. The directive on housing and real estate loan which was issued in the past has shown its positive impact on maintaining financial stability. The directive has also helped to increase output by increasing credit flow to the productive sector.
27. In order to strengthen the financial system by timely updating "NRB Act, 2002" and "Banking Offence and Punishment Act, 2007", their drafts have been sent to the Government of Nepal (GoN). Further, the draft of the "Bank and Financial Institution Act, 2002" has been prepared for its amendment and is in the process of submission to the government.

Monetary Situation

28. In 2013/14, monetary expansion remained high as compared to the previous year due to significant surplus in the balance of payments. Broad money supply (M2) increased by 13.5 percent in the eleven months of 2013/14. It had increased by 10.7 percent in the same period of the previous year. The growth rate of broad money supply is estimated to meet the target as it grew by 19.4 percent in mid-June 2014 on y-o-y basis.
29. In the eleven months of 2013/14, total domestic credit increased by 7.1 percent compared to a growth of 10.9 percent in the same period of the previous year. Likewise, credit to the private sector increased by 16.5 percent in the review period. Such credit had increased by 19.4 percent in the same period of the previous year.
30. Compared to a growth of 9.8 percent in the eleven months of 2012/13, deposit mobilization of BFIs increased by 12.5 percent (Rs. 148.23 billion) in the review period reaching Rs. 1336.32 billion in mid-June 2014. In the review period, deposit mobilization of commercial banks increased by 12.0 percent, development banks by 20.3 percent and finance companies by 4.8 percent. By the end of 2013/14, deposit mobilization is estimated to grow by 19.1 percent due to elevated level of remittances and rise of government expenditure in the last month of the fiscal year.

31. BFIs' loans and advances to the productive sector including agriculture, production, construction and energy have been increasing. In the eleven months of 2013/14, credit to the agriculture sector increased by 24.4 percent, industrial production sector by 15.8 percent, construction sector by 21.6 percent and retail and wholesale sector by 19.7 percent. Similarly, credit to the transportation, communication and public services increased by 6.5 percent. Of the total credit from BFIs, the credit to the agricultural sector (as per new definition of agriculture credit) and the energy sector formed 6.16 percent and 2.13 percent respectively. Likewise, lending against the collateral of share is in an increasing trend. Such credit flows from BFIs has increased from Rs. 12.93 billion in mid-July 2013 to Rs. 16.81 billion in mid-June 2014.

Liquidity Management

32. Since the beginning of 2013/14, excess liquidity situation has been seen in the banking system due to higher deposit mobilizations by BFIs compared to low credit flow, resulting from the higher level of remittance inflows and net services income. Considering the likely pressure on inflation from monetary expansion as reflected by low short-term interest rates, excess liquidity of BFIs was mopped up through open market operations (OMOs) in the review year. Nepal Rastra Bank, Open Market Operation Bylaws, 2014 has been brought into implementation in order to implement OMO purposefully.
33. The NRB has been using OMOs as a principal instrument for keeping monetary aggregates and interest rates at a desirable level. In 2013/14, total liquidity of Rs. 611.0 billion was mopped up. Of this, Rs. 602.5 billion was mopped up through reverse repo of 7 to 14 days and Rs 8.5 billion was mopped up through outright sale auctions. Last year, total liquidity of Rs. 8.5 billion was mopped up.
34. BFIs have not utilized Standing Liquidity Facility (SLF) in the review period. Because excess liquidity prevailed in the banking system since the start of the fiscal year, BFIs have been managing short-term liquidity through interbank transactions. In 2013/14, commercial banks carried out interbank transactions of Rs. 200.76 billion while the other financial institutions carried out interbank transactions of Rs. 171.06 billion.
35. This bank has given continuity to the task of sale and purchase of foreign exchange as necessary, to maintain exchange rate stability and to manage the banking sector liquidity. In this context, the bank injected net liquidity of Rs. 343.46 billion through the purchase of USD 3.52 billion from commercial banks

in 2013/14. It had injected Rs. 285.03 billion through the purchase of USD 3.22 billion in the previous year. Likewise, Indian currency equivalent to Rs. 307.98 billion was purchased through the sale of USD 3.14 billion in the review year. Last year, Indian currency equivalent to Rs. 274.44 billion was purchased through the sale of USD 3.12 billion.

36. In order to prevent any problem in lending because of decline in loanable fund of BFIs and to contribute towards economic growth through expansion of credit to the productive sector at a low cost, the NRB has made the provision of providing concessional refinance facility, the use of which has been increasing in recent times. In 2013/14, general refinance of Rs. 4.53 billion and export refinance of Rs. 2.93 billion against the collateral of good loans were provided to BFIs compared to Rs. 2.74 billion and Rs. 0.71 billion respectively in the previous year.

Monetary Policy and Financial Sector Programs for 2014/15

37. Maintaining price stability by managing excess liquidity, expanding credit to the productive sectors, maintaining financial sector stability and promoting access to finance are the major challenges for 2014/15 to be addressed by the monetary policy. This monetary policy has designed appropriate policies and programs pertaining to monetary and financial sector in line with addressing these challenges.

Stance of Monetary Policy

38. Considering the situation of long standing excess liquidity in the banking system and its likely adverse impact on inflation, external sector and financial stability, the stance of monetary policy has been made slightly tight. However, the provisions have been made to supply adequate credit from the banking system to achieve targeted economic growth for 2014/15.
39. There is a challenge for maintaining low level of inflation due to rise in aggregate demand supported by remittance inflows and expanding economic activities, higher inflation in India, increase in petroleum prices resulting from ongoing problems in Gulf countries and yet to improve domestic supply-side bottlenecks. In the context of increasing disposable income by remittance inflows and the situation of not increasing supply accordingly, demand side needs to be managed in the short-run. Therefore, monetary policy will focus on containing monetary aggregates at a desired level to reduce additional inflationary pressure arising from the demand side.

40. The short-term interest rates are at low level due to existing excess liquidity in the banking system. This situation may ultimately lead to asset price bubble by channeling resources towards share and real estate markets. Taking into account the risk of financial stability, the stance of monetary policy has been slightly tightened.
41. Considering the sluggish growth of Nepalese economy, monetary policy has also focused on extending credit to the productive sector by encouraging BFIs and strengthening both demand as well as utilization of loans by promoting financial literacy programs.
42. This monetary policy is also geared towards maintaining overall financial stability by strengthening BFIs, which serve as a medium of transmission of monetary policy. In addition, promoting access to finance is also an integral part of the monetary policy.

Economic and Monetary Targets

43. The monetary policy for 2014/15 has set the target of containing annual average CPI inflation at 8 percent and maintaining foreign exchange reserves sufficient to cover the import of goods and services for at least 8 months. In addition, the monetary policy has also made an arrangement for providing adequate credit to support the economic growth of 6 percent as mentioned in the budget for 2014/15.
44. In line with the stance of monetary policy for containing demand-side inflation and supporting targeted economic growth; the growth rate of broad money, which is an intermediate target of monetary policy, is projected to be 16 percent for 2014/15.
45. Considering the aggregate demand situation based on the projected economic growth and inflation for 2014/15, the growth rate of private sector credit is projected to be 18 percent.

Instruments of Monetary Policy Operation

46. Instruments of monetary policy operation have been selected so as to achieve the economic and monetary targets in line with the stance adopted by the monetary policy. In order to make operation of the monetary policy effective, policies related to bank and financial sector, microfinance and foreign exchange have also been included in this monetary policy.

47. In order to tighten the monetary policy slightly by managing the excess liquidity situation generated from the significant remittance inflows, policies and programs such as increasing the cash reserve ratio (CRR) for banks, allowing banks to invest certain part of their foreign exchange reserves abroad, making OMOs more active, and issuing of additional financial instruments for OMOs have been adopted for this fiscal year.
48. From 2014/15 onwards, the CRR to be maintained by BFIs has been fixed at 6 percent for "A" class, 5 percent for "B" class and 4 percent for "C" class financial institutions.
49. The bank rate which is used in the provision of lender of last resort facility and discount of securities has been kept unchanged at 8 percent.
50. The refinance rate for agriculture, hydropower, livestock and fishery and other specified productive sectors will be reduced from 5 percent to 4 percent. Existing other refinance rates have been kept unchanged.
51. Necessary arrangement will be made to ensure the availability of credit at 6 percent interest rate from commercial banks for livestock, herbs, horticulture, dairy, fishery, mushroom farming, agriculture storage, animal slaughterhouse and meat related businesses, as mentioned in the budget statement of 2014/15. In case of resources needed for such credit flows, refinance will be made available from NRB.
52. To make OMO, a principal instrument of monetary policy, purposeful and in order to conduct it transparently, "Nepal Rastra Bank Open Market Operations By-laws" has been brought into implementation. New provisions of the by-laws such as (1) regular (2) fine tuning (3) structural OMOs will be gradually implemented as necessary.
53. Regular OMOs will be used for seven days for managing general type of shortage/excess of liquidity seen in the financial market. Liquidity will be managed by using repo when there is shortage of liquidity and reverse repo when there is excess of liquidity in the financial market.
54. Fine tuning operation will be conducted in any day of the week if monetary liquidity fluctuates substantially causing significant ups and downs in short-term interest rates and the financial markets seem to be unstable. For such a fine tuning operation, which can be conducted for a maximum of three months, repo/reverse

- repos as well as auction based interest-paying deposit collection (deposit auction) instruments will be used.
55. Structural OMOs will be conducted, as necessary, for managing long-term liquidity and signaling monetary policy stance. For structural OMOs, outright sale/purchase auctions and repo/reverse repo auctions of maximum of 6 months, as per necessity, will be used. In addition, NRB bond will be issued if need arises.
 56. Auction-based repo, reverse repo, outright sale, outright purchase, deposit collection and NRB bonds will be used as instruments for regular, fine tuning and structural OMOs. The upper limit (cap) for individual auction of these instruments is fixed at 2 percent of overall domestic deposit liabilities of BFIs at a time.
 57. OMOs like outright sale, outright purchase, repo and reverse repo auction will be based on treasury bills and development bond of the GoN, NRB bond and other securities specified by this bank.
 58. OMOs will be conducted focusing on the overall liquidity situation of the banking sector indicated by the report of Liquidity Monitoring and Forecasting Framework (LMFF) prepared on the basis of this bank's balance sheet and other financial indicators.
 59. The existing provision of statutory liquidity ratio (SLR) to be maintained by BFIs has been kept unchanged. Likewise, the provision of providing standing liquidity facility (SLF) to BFIs for managing short-term liquidity at the bank rate has been continued.
 60. In order to make primary and secondary market transactions of the government securities more manageable, "Primary and Secondary Market Management By-laws, 2061" will be revised and submitted to the GoN for the approval. Also, online bidding system will be implemented for the auction of treasury bills and development bonds.
 61. Considering the possibility of negative effect of unexpected volatility of share market on financial stability, additional provisions will be made on lending against the collateral of shares.
 62. In the context of high liquidity situation prevailing in the banking sector at present, with a view to facilitating liquidity management, provisions will be made to allow BFIs carrying out foreign exchange transactions to invest a certain portion of their foreign exchange reserve in foreign financial instruments.

63. A provision will be made whereby commercial banks can invest up to 40 percent of their foreign exchange reserve balance without affecting requirement of daily liquidity adversely, on call deposit, certificate of deposit or similar type of other safe instruments of up to 2 years maturity.

Financial Sector Reform, Regulation and Supervision

64. Financial sector related policies and programs will be directed to maintain financial stability and enhance the financial access and inclusion. Financial Sector Development Strategy (FSDS) is in the process of formulation for the overall development and stability of the financial sector. After its formulation, FSDS will be implemented in 2014/15.
65. Since the payment and settlement system is an infrastructure for financial stability, policy provisions related to electronic banking have been made to facilitate the adoption of Real Time Gross Settlement (RTGS) system. Necessary provision will be made for the implementation of RTGS after introducing the Payment System Development Strategy in 2014/15. In addition, Payment and Settlement Act will be formulated and implemented.
66. To promote the use of information technology in the banking sector, IT Gateway will be set up by developing necessary IT Platform. Additional provision will be made to mitigate operational risks associated with the use of information technology system.
67. RBB, which is in the process of structural reform, will be developed as an efficient bank of the government sector after maintaining the specified capital adequacy ratio in 2014/15.
68. NBL, which is in the process of structural reform, will be removed from the management control of NRB ensuring that its capital adequacy ratio is maintained at a prescribed level in 2014/15.
69. Provision will be made to reopen the branches which were closed during the conflict by the end of this fiscal year.
70. Along with the programs put forward by the NRB for enhancing financial access and inclusion, rural branches of BFIs will be encouraged to undertake tasks of promoting financial literacy and awareness.

71. By fulfilling the criteria specified by this bank, existing procedures for opening new branches, and merging and relocating branches by BFIs will be simplified.
72. Existing provision of categorizing the promoters of BFIs into different groups will be ended by bringing all promoters into one single group.
73. A provision requiring commercial banks to lend 20.0 percent of total credit to the productive sector by mid-July 2015 has been kept unchanged. Under this, the provision requiring to lend at least 12.0 percent to the agriculture and energy sector has been also kept unchanged. In addition, a provision will be made for the implementation of the action plan submitted by the development banks and finance companies to this bank, to lend 15 percent and 10 percent of total credit respectively to the productive sector by mid-July 2016.
74. In the context of implementing the advanced approach of BASEL-II, a provision of requiring the commercial banks to obtain credit rating from a rating agency while approving/advancing loans and facilities exceeding certain limit will be gradually implemented.
75. Since the preparation of capital fund framework has been completed for the gradual implementation of provisions of BASEL-III in commercial banks, such provisions will be gradually implemented. Existing provision of paid up capital has been left unchanged.
76. In addition to issuing directives to implement liquidity monitoring system based on BASEL III for commercial banks, Prompt Corrective Action (PCA) will also be implemented on the basis of liquidity.
77. Among the tasks identified by the report of Financial Sector Assessment Program, recently conducted with the assistance of the IMF and the World Bank (WB), a number of tasks such as reforming the financial sector laws and regulation, ensuring adequate resources for the management of the financial sector in the event of the financial crisis, developing a crisis management system and implementing international best practices adopted on the banking system will be gradually implemented.
78. Based on the Self- Assessment of Basel Core Principles, the work plan by incorporating appropriate principles will be prepared and gradually implemented.
79. The draft of Negotiable Bill Instruments, 1977 will be submitted to the GoN for appropriate amendment through the parliament.

80. To formulate a policy to protect the rights of consumers of financial services, a draft related to protection of financial services customers and financial literacy will be prepared and based on the stakeholders' suggestions, arrangements will be made for the protection of financial service customers.
81. To consolidate the financial system, along with the merger process among the BFIs, acquisition activities will also be encouraged as per the provision of Acquisition Bylaws, 2070.
82. Risk Based Supervision will be fully implemented in all commercial banks by 2015/16. Likewise, the task of establishing Supervisory Information Management System will be forwarded to make off-site supervision based on Risk Based Supervision Approach. Necessary provision will be made for the consolidated supervision of BFIs.
83. To strengthen the Risk Management System in banks, directives on the risk management system will be issued. A system of evaluation and analysis will be made to examine whether the banks are making adequate provision for risk management and control or not during inspections.
84. Monitoring mechanism will be developed to discourage the multiple banking transactions undertaken for credit purposes. Likewise, a provision will be developed to ensure that credit flows from BFIs for working capital are based on specific criteria.
85. Corporate governance has been found weak among the BFIs in which a single person remained in the post of chairman, director, chief executive officer (CEO), and managing director for a long time. Since the right of the depositors is not guaranteed in those institutions, a provision will be introduced by the BFIs so that the same person cannot be elected, nominated or appointed in the post of chairman, managing director, CEO continuously for more than two terms. This need to be informed to this bank in 2014/15.
86. For maintaining good governance by making demarcation between bankers and entrepreneurs/borrowers, a provision will be made so that directors and CEOs of BFIs cannot take bank loans for company/firm where they have majority share.
87. With the aim of maintaining check and balance between higher management and directors of BFIs and ensuring that the higher management staff give full-time service to the institutions, an provision will be made to bar the person having

- share ownership higher than a certain percent of paid up capital to be in executive position of such institutions.
88. International Financial Reporting Standard (IFRS) will be fully implemented in the financial sector institutions by 2017.
 89. While providing credit to institutional borrowers, a provision will be made so that credit approval and flow will be made only on the basis of real financial situation of borrowers.
 90. An arrangement will be made to monitor spread rate and base rate of development banks, finance companies, and microfinance institutions on a monthly basis in addition to commercial banks. Such spread rate and base rate will be monitored on a regular basis. The spread rate will be taken as a basis for measuring professionalism and efficiency of the institution.
 91. The time limit of mid-July 2014 was given for “A”, “B” and “C” class institutions to meet minimum paid up capital. For those BFIs not fulfilling the requirement of paid up capital within the given time period, restrictions will be placed on branch expansion and distribution of cash dividend, and cap will be imposed on deposit collection and loan flows.
 92. Moratorium on accepting application for opening new commercial banks, development banks and finance companies is continued for 2014/15 as well.
 93. Though Financial Action Task Force (FATF) has removed Nepal from its list of public concern including the regular monitoring because of the significant progress in the areas of basic strategic reforms related to preventing money laundering, additional works need to be done for preventing financial investment in money laundering and terrorists activities. In this context, goAML Software will be brought in operation in order to enhance the capacity of Financial Information Unit (FIU) under this bank, and bylaws related to the unit as mentioned in the Money Laundering Prevention Act will be designed and implemented.

Cottage and Small Scale Businesses

94. BFIs will be encouraged to increase their credit flow to Cottage and Small Enterprises for the development of this sector. To make the credit guarantee and insurance process more flexible and effective for the credit flows to the sector, necessary provisions will be made to provide additional discount on guarantee

limit, guarantee fees and the loan loss provisioning for such loans. Likewise, SME desks in commercial banks will be made proactive for the effective flow of services to this sector.

95. To provide incentive to Cottage and Small Enterprises, a provision will be made to provide the existing enterprises with credit up to Rs. 1,000,000 based on their annual turnover and new enterprises with credit of Rs. 5,00,000 for starting a business.
96. In the context of provision of establishing Start Up Fund in the budget statement for 2014/15 in order to encourage small and medium enterprises, investors and industrialist with innovative ideas but lacking investable resources by providing a seed money, a provision will be made to extend credit through BFIs for those who have started businesses by using the Start Up Fund.
97. A provision will be made to provide loans up to Rs. 5, 00,000 against eligible collateral to all whether associated with group or not. However, a provision will be made so that such loans will not exceed one third of total outstanding credit of such microfinance institutions.

Microfinance and Access to Finance

98. Priority will be given to provide wholesale credit from Rural Self Reliance Fund by mobilizing cooperatives operating in the areas where financial access is poor due to low presence of BFIs. Wholesale credit from Rural Self Reliance Fund will also be provided to microfinance institutions, if required.
99. A directive has been issued to non-government organizations, authorized by this bank for financial intermediation to convert into "D" class microfinance institution by mid-July 2015 by completing the specified process. In order to encourage this process, limit on promoter share ownership in such organization has been increased from 25 percent to 51 percent.
100. A provision will be made to increase paid up capital necessary for establishing microfinance institutions outside the specified districts with low financial access from 2014/15.
101. The limit of loans provided at zero interest rate for a certain period to "D" class microfinance institutions that open new branch in the districts specified as having low financial access will be increased from Rs. 2.0 million to Rs. 3.0 million. In addition, provision of not requiring to take approval by "D" class microfinance

institutions from the NRB to expand branches in these districts has been continued.

102. For those group members who have used deprived sector lending from BFIs for last two years and are categorized as good borrowers, the limit for loan provided against group guarantee will be increased from Rs. 1,50,000 to Rs. 2,00,000 and the limit of micro-enterprise credit provided against collateral will be increased from Rs. 4,00,000 to Rs. 5,00,000.
103. Project loan up to Rs. 7,00,000 provided by BFIs to micro-enterprises promoted by women will be included in the deprived sector lending and provision will be made to provide guarantee for such credit.
104. Loan utilization capacity of deprived sector including microfinance institutions has not expanded as expected. In addition, since microfinance institutions do not have shortage of resource to invest in this sector at present, existing deprived sector lending ratio required for BFIs has been kept unchanged.
105. Strategy for Financial Literacy will be formulated and implemented for expansion of financial access to the general public and for the effective use of financial instruments. For this, programs such as NRB with students, other public awareness oriented programs, interactions, and information and communication media will be utilized effectively.
106. An arrangement will be made to gradually link the microfinance institutions with the Credit Information Center. This will facilitate the exchange of credit information among microfinance institutions and help reduce the problem of loan duplication.
107. Nepal Rural Development Bank Limited has been established after merging five regional rural development banks. Necessary arrangement will be made to strengthen the institutional capacity of the bank by operating it professionally.
108. Coordination will be made to assist the concerned regulatory body in bringing saving and credit co-operatives into strong supervisory net for maintaining financial stability.

Foreign Exchange Management

109. In order to make the provisions of capital account convertibility timely in the context of increasing integration of Nepalese economy with the global financial

market, draft proposals for amending the Foreign Exchange Regulation Act and Act Restricting Investment Abroad will be prepared and submitted to the GoN.

110. Gold import and distribution system will be changed to reflect the changing context of market situation. The existing provision of imports of raw materials for gold-silver business will be amended to facilitate the smooth supply of such raw materials. A provision will be made to allow purchase of even small quantity of gold and to sell gold by commercial banks even outside Kathmandu Valley.
111. Additional items will be added, as necessary, to the list of goods that can be imported from India by paying convertible foreign currency.
112. A provision will be made to allow licensed BFIs to provide exchange facility of up to US \$ 10,000 annually to Nepalese citizens, if they meet the specified conditions, for health checkup in foreign hospitals and purchase of medicine from abroad.
113. As trade points are expanding along with the increasing trade with China, a provision will be made to allow the imports of goods through Letter of Credit (LC) from Rasuwaghadhi customs point.
114. Foreign exchange facility, based on invoice, up to certain amount, will be provided to Nepalese travel/tour companies who sell, by themselves or through foreign agency, tour packages services to Nepalese citizens.
115. A provision will be made for allowing exchange facility of up to 1 million Indian currency from commercial banks for paying rent money while hiring machinery and equipment from India.
116. The existing limit of one-time foreign exchange conversion facility of USD 1,000 or equivalent convertible currency by Nepalese citizens providing valid identity will be increased to USD 3,000.
117. For Nepalese organizations and firms purchasing software from India paying in US dollar, a provision will be made to allow import of such software worth up to certain amount by opening LC.
118. Remittance inflow process from India will be simplified and made easy by addressing existing difficulties at diplomatic and central bank level.
119. In the context of increasing online payments for different services in Nepal from abroad, appropriate policy will be implemented to make such a payment

systematic. In addition to this, the provision of online purchase of foreign goods and services up to USD 2,000 per annum will be made in addition to relaxing the provision of issuing the debit and credit cards.

120. A provision will be made to allow the Nepalese airlines, on recommendation of respective regulatory agency, to make an advance payment of up to USD 100,000 through commercial banks.
121. A provision will be made to allow telecommunication related Nepali service provider companies, on recommendation of the respective regulatory agency, to make rental payment of up to USD 100,000 through commercial banks for hiring or using satellite services by making agreement with foreign companies.
122. If INGOs working in Nepal are receiving foreign currency to carry out programs in Nepal as well as in other countries, a provision will be made to allow these INGOs to send the money to other countries through commercial banks after deducting the amount received for Nepal on the basis of proof of foreign exchange received.
123. A provision will be made to allow Nepalese citizens having convertible currency account to pay up to USD 10,000 per annum for the purchase of goods and services from their foreign currency account.
124. On foreign currency management front, in the context of beginning of investment in interbank government securities market of China since 2013/14 in order to diversify investment for safety and optimum return, investment diversification work will be moved further by studying the possibility of extending scope and areas for investing foreign exchange in SAARC region.
125. In order to manage the payment system through commercial banks for exports/imports with China, a provision will be made to allow banking transactions through commercial banks situated in different parts of China.
126. A provision will be made to enable the commercial banks to earn appropriate returns on their foreign exchange reserve held abroad by allowing them to invest, without creating adverse impact on daily liquidity, on call deposit, certificate of deposit and other similar secured instruments of Nepal's major trading countries.
127. The one-time maximum limit of USD 30,000 for the payment of imports of goods from third countries except India through draft and TT has been increased to USD 35,000.

Lastly,

128. Despite the satisfactory macroeconomic situation of country, some inherent risks still exist in the economy. The external sector situation has strengthened solely due to high remittance inflows and the economic growth has improved due to favorable monsoon. Though the inflation rate has been contained within a single digit, pressure still remains on prices. The trade deficit has been widening. Despite the excess liquidity in the banking sector, the availability of bank credit in the private sector has been concentrated on the limited sector and groups of customers. The monetary policy for 2014/15, formulated in this background, is directed towards restraining pressure on prices and external sector stability from demand side and supporting economic growth by promoting credit to the productive sector on supply side. The NRB is confident that the implementation of proposed monetary policy will be helpful to channelize liquidity available in the financial sector to the productive sector, achieve price stability, maintain financial sector stability, facilitate foreign exchange transaction and expand access to financial services for achieving inclusive economic growth. For this, NRB believes that the support of concerned stakeholders will be equally important.
129. The NRB would like to thank all stakeholders including GoN and its various agencies, BFIs, professional associations of industry and trade sector, academicians and media for their cooperation in formulating this monetary policy. The NRB expects continued cooperation from all stakeholders for implementing the policies and programs included in this monetary policy.

Appendix I
Progress Matrix of Policy Targets Outlined in Monetary Policy of 2013/14

S.N.	Point No.	Objectives/Programs	Implementation Status
1	42	Containing annual average inflation rate for 2013/14 at 8.0 percent.	Annual average inflation rate is estimated to remain at around 9.0 percent.
2	42	Maintaining foreign exchange reserve to cover at least 8 months of goods and services import.	Foreign exchange reserve is estimated to cover 10 months of goods and services import.
3	42	Support the economic growth of 5.5 percent by making arrangement of providing adequate credit. Credit to the private sector will increase by 18.0 percent.	Credit to the private sector is estimated to increase by 17.5 percent.
4	43	Maintaining growth of broad money supply at around 16 percent.	Broad money supply growth is estimated to be 19.0 percent as a result of higher foreign exchange reserve than expected.
5	44	Domestic credit will increase by 17.1 percent.	Domestic credit is estimated to increase by 14.4 percent because of low use of banking sector's credit by the government.

Appendix II
Progress Matrix of Policies and Programs Pertaining to Financial Sector, Microfinance and Foreign Exchange Outlined in Monetary Policy of 2013/14

S.N.	Point No.	Programs	Implementation Status
1	47	Reducing CRR to be maintained by BFIs to 5 percent for “A” class, 4.5 percent for “B” class and 4.0 percent for “C” class financial institutions.	CRR of 10.22 percent by “A” Class commercial banks, 5.26 percent by “B” Class development banks and 4.44 percent by “C” Class financial institutions was maintained by the second week of May, 2014.
2	48	Maintaining SLR by commercial banks at 12 percent, for development banks and finance companies authorized for operating current and call account deposits, SLR will be 9 percent and 8 percent respectively.	SLR of 27.3 percent by “A” Class commercial banks and 24.0 percent and 17.9 percent by “B” Class development banks and “C” class financial institutions respectively was maintained as of mid-May 2014.
3	49	Reducing maximum period for repo and reverse repo auction under OMOs to 21 days from existing 28 days.	Implemented by issuing circular in July 2013.
4	50	Making OMO more effective for short-term liquidity management.	The cumulative figure of net liquidity of Rs. 602.50 billion was mopped up through 7 days and 14 days reverse repo in 2013/14.
5	50	Introducing online bidding system for auction of treasury bills and development bond.	Software of online bidding system has been prepared. It is in the final stage of implementation.
6	50	Formulating and implementing OMO bylaws.	The OMO bylaw has been implemented since June, 2014 after approval from NRB Board.
7	50	Developing necessary infrastructure to introduce primary dealer system.	Drafting of Primary and Secondary Market of Government Securities Management Bylaws, 2004 has been prepared.
8	51	Issuing long-term bonds with the approval of GoN.	Five-year development bond of Rs. 9 billion, five-year National Saving Bond of Rs.906.5 million and five-year Foreign Employment Bond of Rs.76.4 million were issued in 2013/14.
9	52	Implementing gradually the concept of base rate in other financial institutions also.	Implemented by issuing circular in August 2013. Commercial banks have started to publish the base rate. Other financial institutions are also in the process to publish their base rates.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
10	54	Reducing general refinance rate to 5.0 percent from existing 6.0 percent for agriculture, hydropower, livestock and fishery and other specified productive sectors. For such a refinance facility, BFIs can charge up to 9.0 percent interest from clients.	Implemented by issuing circular in July 2013. Four commercial banks used Rs.4.53 billion under this provision by the end of mid-July 2014.
11	55	Reducing special refinance rate to 1.0 percent from existing rate of 1.5 percent. While utilizing this facility, BFIs can charge up to 4.5 percent interest from clients.	Implemented by issuing circular in July 2013. Seven commercial banks used Rs. 2.93 billion (Export Refinance) under this provision by the end of mid-July 2014.
12	56	Making provision of increasing the deprived sector lending ratio to 4.5 percent, 4.0 percent and 3.5 percent respectively for commercial banks, development banks and finance companies.	Circular issued in July 2013. As per the circular, commercial banks, development banks and finance companies maintained the ratio at 5.0 percent, 4.9 percent and 3.2 percent respectively in mid-April 2014.
13	57	Making a provision to implement action plans submitted by commercial banks to the NRB for lending 20.0 percent of total credit to the productive sector by mid-July, 2015. Under this, commercial banks will have to maintain at least 12.0 percent credit flow to the agriculture and energy sector.	Circular issued in October 2013. Redefined the agriculture sector to widen the coverage in October 2013. As of mid-June 2014, 6.16 percent and 2.13 percent of total credit have been extended to agriculture and hydropower respectively.
14	57	Making a provision to submit action plan by development banks and finance companies by mid-January, 2014 for lending certain percent of total credit to the productive sector over next three years.	Under this provision development banks and finance companies are required to extend credit up to 15 percent and 10 percent of the total credit respectively to the productive sector within next three years.
15	58	Expanding corporate relation and developing information system to provide financial service and credit by "A", "B" and "C" class BFIs for small and medium enterprises, and businesses promoted by women, which have utilized and graduated beyond the limit of microfinance.	Discussion has been going on to develop corporate relation and information system. Commercial banks have gradually been oriented towards small businesses.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
16	59	Formulating Financial Sector Development Strategy in coordination with the GoN and the involvement of other stakeholders.	Preliminary report on Financial Sector Development Strategy has been prepared by all the working groups representing all regulatory bodies.
17	60	Giving priority to establish microfinance institutions in districts having very low financial access.	Under this provision one application has been received till mid-July, 2014 for establishing a microfinance institution with head office in Achham district.
18	61	Continuing the existing provision of providing interest free loan to BFIs to open new branches	Circular has been issued in October 2013. By mid-May 2014, a total loan of Rs 16.0 million has been provided at zero interest rate to three "D class" financial institutions for the opening of 8 new branches.
19	61	Encouraging to open branches outside district headquarters and urban areas	Circular issued in October 2013. BFIs have been extending their services in rural areas.
20	62	Encouraging BFIs to conduct activities related to environment and corporate social responsibility.	Circular issued in December 2013. Necessary adjustment has been made in CAMELS rating procedure to make BFIs more accountable for environment and corporate social responsibility.
21	63	Encouraging BFIs to reestablish their branches or provide financial services in areas from where they were displaced by the conflict.	24 branches of NBL and 37 branches of RBB were re-established till mid-June 2014. Additional 2 branches of NBL and 8 branches of RBB are in the process of re-establishment.
22	64	Making a provision of allowing credit up to certain amount to projects such as agriculture business like coffee, orange, tea and livestock and dairy products against the collateral of project itself on the basis of viability.	Circular issued in October 2013. Provision has been made to take notice of grievances hearing regarding unavailability of such credit. Banks' loan to the agriculture sector has been increasing.
23	65	Making a provision requiring 'A', 'B' and 'C' class BFIs to bring down average interest spread between credit and deposit to 5 percent within a specified time period.	Directive comprising calculation methodology issued in October 2013. The weighted average interest spread rate between credit and deposit stood at 6.59 percent in mid-June 2014. Additional revision has been made for interest spread rate calculation methodology in July 2014.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
24	66	Making financial services consumer friendly by restricting BFIs to differentiate interest rate beyond certain percentage points on similar type of credit and deposits, and by revising guidelines to set uniformity in commission, charges, penalties and fees including service charges for loan repayments before maturities.	A draft on Financial Protection and Financial Literacy has been prepared and posted in NRB Web Site to get suggestions and responses.
25	67	Making necessary provision regarding the protection of banking customers to protect their rights. Grievance hearing unit will be made more effective.	A draft on Financial Protection and Financial Literacy has been prepared and posted on NRB Website to get suggestions and responses.
26	68	Adopting necessary measures to discourage multiple banking transactions which have remained as a challenge for the financial system.	Necessary circular issued in August 2013.
27	69	Making necessary legal and regulatory provisions to ensure timely refund of deposits when such a situation arises to refund the guaranteed deposits to depositors.	Formulations of necessary legal and regulatory provisions are in the process for ensuring prompt and timely refund of deposits in such a situation.
28	69	Coordinating with concerned institutions to strengthen capital base of Deposit and Credit Guarantee Corporation, and reviewing the provisions for limit and fees for deposit guarantee.	Necessary coordination with concerned authorities to review the provisions for fees on deposit guarantee is being done.
29	70	Simplifying the merger process to encourage the merger of BFIs.	The procedure of merging has been simplified to encourage merger of BFIs.
30	70	Developing and implementing an acquisition manual.	Acquisition By-laws 2012 has been enacted.
31	71	Implementing the provisions of BASEL-III gradually based on necessity and rationality to maintain financial stability.	Consultative document has been published on NRB's website for suggestions and comments and a working group has been formed to revisit the document.
32	72	Completing the task of capitalization of RBB as per the approved capital plan.	Most of the tasks as per approved capital plan has already been completed and the paid up capital of RBB has reached Rs. 8.59 billion.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
33	72	Implementing the approved capital plan and transferring the management of NBL to its shareholders there after	The management of NBL is still under NRB's control. All other tasks under capital plan except selling of NBA have been completed. The paid of capital of NBL has reached Rs 3.97 billion and the process of transferring banks management to the bank's shareholders is in the last stage.
34	73	For strengthening the capital of BFIs, making a provision requiring 'A, 'B' and 'C' class BFIs to maintain the prescribed minimum paid-up capital compulsorily by mid-July 2014.	The related directives were issued in August 2013. Accordingly, paid up capital of 23 commercial banks, 62 development banks and 40 finance companies were at required level in mid-July 2014.
35	73	The capital base of all types of financial institutions to be increased to strengthen the financial system. For this, in addition to paid up capital, other types of instruments/measures will also be implemented.	In order to strengthen the capital base, commercial banks are allowed to issue bonds based on the prescribed norms, if they propose to do so. The capital adequacy of commercial banks has been increased to 11 percent including 1 percent buffer capital.
36	74	Making necessary provisions to strengthen the internal control system including governance system for reducing operational risks in BFIs.	The related directives were issued in October 2013 to strengthen the Internal audit/Operational Guidelines of BFIs.
37	75	Monitoring the implementation aspect of the IT Guideline and System Audit to reduce the risks that may arise with the widespread use of information technology and the electronic medium in transactions in the banking sector.	The compliance status of the IT Guideline and System Audit is being monitored during the onsite inspection.
38	75	Encouraging the implementation of the international practices to mitigate the risks originating from the use of information technology.	Additional provisions were made by issuing related directives in October 2013.
39	76	Integrating the prevailing provisions related to payment, settlement and clearing including modern technology implemented for such purposes.	Payment, settlement and clearing division have been established to prepare roadmap to conduct operations according to RTGS process and the tasks are being done accordingly.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
40	78	Encouraging BFIs to provide banking service in a simplified way to elderly and disabled people.	The related directives were issued in October 2013.
41	79	Preparing cross border supervision guidelines for Home/Host supervision as there is a policy of allowing Nepalese banks to open branches in foreign countries and foreign banks to open branches in Nepal.	Guideline is being drafted.
42	80	Preparing a work plan on the basis of self assessment of Basel core principles with an objective of helping prepare future strategy of Basel Core Principle and evaluation of its implementation status.	Self-assessment report is under discussion and work-plan will be prepared once final report is received.
43	81	Implementing the Problem Bank Resolution Framework	"Problem Bank Resolution Framework" was prepared and brought into implementation with setting up of separate "Problem Institution Resolution Division".
44	82	Strengthening the off-site supervision system by timely updating the information obtained from the BFIs.	"Inspection and Supervision By-law" was amended. Out of the employees involved in supervision, total of 228 have been provided training, of which 55 employees received foreign training and 173 received domestic training.
45	82	Making the quality assessment process of assets effective by carrying out on-site inspection of the borrowers' collateral and projects during inspection.	To broaden the coverage of on-site inspection, the number of inspection of collateral of the big borrowers and projects has been increased.
46	83	Initiating the process of liquidity based prompt corrective action to those commercial banks which do not meet the recommended liquidity ratio.	The draft of the amended version of Prompt Corrective Action By-law has been completed and it is in the phase of implementation.
47	84	Implementing the provision of stress testing by the national level finance companies for identifying and managing the upcoming risk.	A directive was issued in January 2014 and the capacity development program of the finance companies has been brought into action.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
48	84	Utilizing the result of the stress testing for risk minimization of the BFIs.	Directive has been issued and a continual follow-up of the acquired result is being done.
49	85	Implementing the concept of the dynamic provisioning by revising the provision of loan classification and loan loss provision.	A concept paper on the related issue has been prepared.
50	86	Making a provision of taking the income capacity for loan repayment and cash flow as a major basis to make the loan secured, in addition to the existing provision of current and fixed assets,.	A discussion is being carried out regarding this proposal.
51	87	Making a provision of limiting the institutional deposit below 60 percent of the total deposit of commercial banks.	By defining the institutional deposit, a directive was issued in October 2013 in relation to maintaining the specified percentage by mid-July 2014.
52	88	Implementing the provision requiring BFIs to invest a certain portion of the deposits mobilized from rural in such areas.	In-house study is being carried out and the report is in the process of completion.
53	89	Providing technical assistance to the Department of Cooperatives for monitoring the cooperatives having annual transactions greater than Rs. 500 million.	This bank conducted training program and a discussion program for the employees of the Department of Cooperatives in order to enhance their supervisory capacity and have provided necessary recommendations to the GoN.
54	90	The ownership of those houses/apartments, for which loan is provided by BFIs against collateral and money is deposited by customers themselves, will be settled after consulting with the relevant institutions of the GoN.	The ownership settlement process is being implemented.
55	91	Making a necessary provision to avoid the conflict of interest that may arise when the promoter, CEO, top level management staff of BFIs draw loans from other BFIs for companies operating under his/her ownership.	Draft of the directive has been prepared and is in the phase of implementation.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
56	92	Encouraging BFIs to increase their credit flows to those sectors where refinancing is provided by this bank.	Utilization of refinancing is increasing
57	93	Provision of using note chest by development banks will be facilitated by expanding note chest facilities.	Provision of providing note chest facility to development banks has been implemented since mid-December 2013.
58	94	Drafts of NRB Act, BFIs Act, Negotiable Instrument Act, Banking Offence (Prevention) Act and Foreign Exchange Regulation Act will be submitted to the GoN for amendment.	Draft of NRB Act and Banking Offence (prevention) Act has been submitted to the GoN. Draft of BFIs Act has been submitted to the Board of Directors of NRB. Draft of Negotiable Instrument Act and Foreign Exchange Regulating Act are in the process of preparation.
59	94	Making coordination with various Government entities to formulate and amend other related acts, which affect the overall financial system.	Coordination with Government entities is ongoing in this respect.
60	94	Making coordination with all stakeholders for effective implementation of legal provisions related to the banking system.	Necessary coordination has been made with other regulatory authorities associated with financial sector in addition to BFIs for maintaining financial sector stability. Training and seminar programs have been organized. The coordination committee with member from Department of Cooperatives, Office of Company Register, Beema Samiti, SEBON and other regulatory bodies has been formed and regular meeting is ongoing.
61	95	Continuing the detailed inspection and supervision with regard to compliance of responsibilities by the BFIs in accordance with Anti-money Laundering Act, 2064 and the directives issued by this bank.	Detailed inspection and supervision has been continued.
62	96	Making pension and social security allowance available through branchless banking system of BFIs.	Discussion is going on among the Ministry of Finance and banks performing Government transaction.
63	96	Shifting the pension service being provided by the NRB to banks conducting government transactions.	Implemented in mid-April 2014.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
64	97	Making an arrangement of providing loan up to Rs. 2.0 million at zero interest rate for "D" class microfinance institutions to open branches in the districts where access to microfinance services is low.	Circular has been issued in September 2013. Three "D" class microfinance institutions have received Rs. 16.0 million at zero percent interest for opening 8 new branches by mid-June 2014.
65	97	Making a provision of allowing microfinance institutions to expand branches in districts with less financial access to microfinance without taking prior approval from NRB.	Districts have been identified and circular was issued in September 2013.
66	98	For those group members who have used deprived sector lending from the BFIs for last two years and turned into good borrowers, the limit for loan provided against collateral will be increased to Rs. 1,50,000 from Rs. 1,00,000 and the limit for micro enterprises loan against group guarantee will be extended from Rs. 3, 00,000 to Rs. 4, 00,000.	Implemented by issuing circular in August 2013 and loan flow has increased accordingly.
67	99	Project credit up to Rs. 5,00,000 provided by BFIs to micro-enterprises promoted by women will be included in deprived sector lending and provision will be made to guarantee such credit.	Implemented by issuing circular in August 2013. An arrangement has been made to secure such loan.
68	100	A provision of providing refinance at 5.0 percent from this bank will be made for those project loans up to Rs. 1 million provided to small and medium enterprises from BFIs. While utilizing this facility, BFIs shall only charge interest rate up to 10 percent from their clients.	Implemented by issuing circular in July 2013.
69	102	Making an arrangement of exchanging credit information with each other for BFIs licensed by this bank while making micro-credit transactions of more than Rs. 50,000.	Implemented by issuing circular in August 2013.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
70	103	Making a provision for non-government organizations, authorized by this bank for financial intermediation to convert into "D" class microfinance institution by mid-July 2015 by completing necessary process.	Letters were submitted to related institutions in July/August 2013 and action plans have been received from 21 institutions by mid-July 2014.
71	104	Extending an access and coverage areas of RSRF as the GoN has increased its resources.	Expanded the service of RSRF to 68 districts from 66 districts and increased the number of co-operatives utilizing loan from RSRF, to 883 from 720.
72	105	Making a provision of extending loan for promotion of productive micro enterprise/business by developing coordination and cooperation between RSRF and Micro Enterprise Development Program (MEDP) operated by GoN.	Agreement already reached between RSRF and MEDEP.
73	105	Providing credit facility to persons who are physically disabled through the RSRF to operate self-employed business.	Policy provision is already in place and necessary work is being done for applications received.
74	106	Launching the financial literacy programs through audio, visual and print media along with the conduct of programs like "NRB with students".	Books like "NRB with students" and "Nepal Rastra Bank: Then, Now and Ahead" have been published. A concept of "NRB with students" prepared and being implemented. A documentary, covering the past, present and future aspect of NRB is in the final stage of production. An album containing 6 songs related to financial literacy has been prepared. The financial information and literacy related materials are displayed through the electronic lead display.
75	107	Finalizing the process of unification & restructuring of the Rural Development Banks.	The process of unification of Rural Development Banks has been completed and the restructuring process has started.
76	108	Completing the Rural Credit Survey in 2013/14.	The process of outsourcing through the tender is underway, which was halted due the code of conduct of Second Constituent Assembly election effective till mid-December 2013.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
77	109	Adding additional items in the list of goods that can be imported from India by paying convertible foreign currency.	A provision of adding the goods on reference/recommendations from the concerned agencies is being maintained. Now, there are 161 goods which can be imported through the payment of convertible foreign currency from India.
78	112	Introducing a provision of issuing the prepaid remittance card by the remittance companies for the easy access of remittance receiving households.	A circular was issued in March 2014 (circular no 612) including the provision of issuing the Pre-paid remittance card as per the amount of concerned receiving person.
79	113	Providing foreign currencies to manpower companies, based on the number of workers send by them for foreign employment, through expense on their foreign currency account or through foreign exchange facility.	This provision has been addressed through the circular no 608. A maximum limit of making expenses from their FC accounts up to USD 10,000 annually and upto USD 20,000 for the manpower companies sending more than 100 persons per year for foreign employment has been set.
80	114	Making a provision to allow Nepalese citizens working in international organizations and having foreign currency accounts to use money from such an account in a prescribed manner. A provision will be made allowing foreign exchange earning resident and nonresident firm/companies and Nepali citizens to spend annually maximum of USD 10,000 or equivalent convertible currency from their foreign currency account held in Nepal.	A circular was issued in August 2013, which gives the provision of making expenses up to USD10,000.
81	115	Developing the process of purchasing currencies of additional countries opened for the foreign employment so as to provide exchange facility.	Buying rate of the currencies of Kuwait and Bahrain has been published through the circular number 607 in January 2014.
82	115	Making a provision to allow money changers and remittance companies to exchange foreign currencies received by them at NRB.	Implemented by issuing a circular in October 2013.

Monetary Policy for Fiscal Year 2014/15

S.N.	Point No.	Programs	Implementation Status
83	116	Encourage existing remittance companies to expand their business in foreign countries where Nepalese are working but not having any access to remittance company. Formulating a policy measure to promote the remittance inflow through formal channel by providing permission to open new remittance company only in those countries where there is no access to such facility.	Policy measure has been set up to provide permission to open remittance company in the countries other than Malaysia, Qatar, and UAE.
84	117	Making the coverage of inspection dense and broad by focusing on transaction, systems and risk management process of those institutions licensed to carry out foreign exchange transactions.	Inspection process has been broadened and made comprehensive.
85	118	Providing facility to receive loans in foreign currency from commercial banks to import machinery and equipments for the infrastructure projects of road and cable car in addition to electricity projects operated by the private sector.	A circular has been issued in October 2013.

Appendix III
Projection of Monetary Survey

(Rs. in million)

Monetary Aggregates	2012 Jul	2013 Jul	2014 Jul ^P	2015 Jul ^{Proj}	Annual change					
					2012/13		2013/14		2014/15	
					Amount	Percent	Amount	Percent	Amount	Percent
1. Foreign Assets, Net	383772.16	468238.00	584784.85	644784.84	68939.5 ^{1/}	18.0	115000.0 ^{2/}	24.6	60000.0	10.3
1.1 Foreign Assets	455976.83	554093.55	685151.92	760319.62	98116.7	21.5	131058.4	23.7	75167.7	11.0
1.2 Foreign Liabilities	72204.68	85855.55	100367.07	115534.79	13650.9	18.9	14511.5	16.9	15167.7	15.1
a. Deposits	60465.59	74332.31	88303.67	103005.73	13866.7	22.9	13971.4	18.8	14702.1	16.6
b. Other	11739.08	11523.24	12063.40	12529.06	-215.8	-1.8	540.2	4.7	465.7	3.9
2. Net Domestic Assets	746529.93	847138.30	980512.97	1170960.56	116134.7 ^{1/}	15.6	134921.6 ^{2/}	15.9	190447.6	19.4
2.1 Domestic Credit	994691.57	1165866.29	1333460.65	1583102.59	171174.7	17.2	167594.4	14.4	249641.9	18.7
a. Net Claims on Government	162882.05	167788.27	160585.50	200585.47	4906.2	3.0	-7202.8	-4.3	40000.0	24.9
Claims on Government	165254.85	167972.77	178585.50	200585.47	2717.9	1.6	10612.7	6.3	22000.0	12.3
Government Deposits	2372.80	184.50	18000.00	0.00	-2188.3	-92.2	17815.5	-	-18000.0	-
b. Claims on Non-Financial Government Enterprises	10099.50	11389.10	13288.98	15016.54	1289.6	12.8	1899.9	16.7	1727.6	13.0
c. Claims on Financial Institutions	11884.17	13662.84	16280.38	18399.77	1778.7	15.0	2617.5	19.2	2119.4	13.0
Government	2088.75	1317.39	1500.00	1800.00	-771.4	-36.9	182.6	13.9	300.0	20.0
Non-government	9795.42	12345.46	14780.38	16599.77	2550.0	26.0	2434.9	19.7	1819.4	12.3
d. Claims on Private Sector	809825.85	973026.08	1143305.79	1349100.80	163200.2	20.2	170279.7	17.5	205795.0	18.0
2.2 Net Non-Monetary Liabilities	248161.64	318728.00	352947.68	412142.03	55040.1 ^{1/}	22.2	32672.8 ^{2/}	10.3	59194.3	16.8
3. Broad Money (M2)	1130302.09	1315376.29	1565297.79	1815745.43	185074.2	16.4	249921.5	19.0	250447.6	16.0
3.1 Money Supply (M1+)	789269.09	925469.15	1111080.44	1291293.39	136200.1	17.3	185611.3	20.1	180213.0	16.2
a. Money Supply (M1)	263705.50	301590.21	346828.74	397118.91	37884.7	14.4	45238.5	15.0	50290.2	14.5
Currency	170491.69	195874.24	232111.01	271569.79	25382.5	14.9	36236.8	18.5	39458.8	17.0
Demand Deposits	93214.06	105715.94	114717.73	125549.12	12501.9	13.4	9001.8	8.5	10831.4	9.4
b. Saving and Call Deposits	525563.59	623878.94	764251.70	894174.49	98315.3	18.7	140372.8	22.5	129922.8	17.0
3.2 Time Deposits	341033.00	389907.15	454217.35	524452.04	48874.1	14.3	64310.2	16.5	70234.7	15.5
4. Broad Money Liquidity (M3)	1190767.68	1389708.60	1653601.46	1918751.16	198940.9	16.7	263892.9	19.0	265149.7	16.0

P:Provisional

Proj: Projection

1/ Adjusting the exchange valuation gain of Rs. 15526.3 million

2/ Adjusting the exchange valuation gain of Rs. 1546.9 million

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Table 1
Gross Domestic Product
(at 2000/01 prices)

Sectors	Rs. in million						Percentage change				
	2008/09	2009/10	2010/11	2011/12	2012/13 ^R	2013/14 ^P	2009/10	2010/11	2011/12	2012/13 ^R	2013/14 ^P
Agriculture	201464.00	205517.00	214787.00	224731.00	227193.00	237924.00	2.0	4.5	4.6	1.1	4.7
Agriculture and Forestry	198257.00	202196.00	211271.00	220950.00	223310.00	233850.00	2.0	4.5	4.6	1.1	4.7
Fishery	3207.00	3321.00	3516.00	3781.00	3883.00	4074.00	3.6	5.9	7.5	2.7	4.9
Non-Agriculture	364915.00	384570.00	398569.00	416632.00	435642.00	458905.00	5.4	3.6	4.5	4.6	5.3
Industry	87784.00	91295.00	95250.00	98112.00	100582.00	103319.00	4.0	4.3	3.0	2.5	2.7
Mining and Quarrying	2531.00	2585.00	2637.00	2770.00	2861.00	2966.00	2.1	2.0	5.0	3.3	3.7
Manufacturing	39132.00	40291.00	41923.00	43445.00	45059.00	45899.00	3.0	4.1	3.6	3.7	1.9
Electricity, Gas and Water	12750.00	12989.00	13564.00	14690.00	14731.00	15438.00	1.9	4.4	8.3	0.3	4.8
Construction	33371.00	35430.00	37126.00	37207.00	37931.00	39016.00	6.2	4.8	0.2	1.9	2.9
Service	277131.00	293275.00	303319.00	318520.00	335060.00	355586.00	5.8	3.4	5.0	5.2	6.1
Wholesale and Retail Trade	70481.00	75237.00	76298.00	78967.00	84328.00	91776.00	6.7	1.4	3.5	6.8	8.8
Hotels and Restaurant	9056.00	9646.00	10244.00	11000.00	11605.00	12429.00	6.5	6.2	7.4	5.5	7.1
Transport, Storage and Communications	51585.00	54657.00	57504.00	62160.00	66770.00	71789.00	6.0	5.2	8.1	7.4	7.5
Financial Intermediation	24632.00	25327.00	26163.00	27071.00	26825.00	27305.00	2.8	3.3	3.5	-0.9	1.8
Real Estate, Renting and Business	46421.00	47818.00	48894.00	50346.00	51706.00	53261.00	3.0	2.3	3.0	2.7	3.0
Public Administration and Defence	10012.00	10405.00	10806.00	11203.00	11822.00	12492.00	3.9	3.9	3.7	5.5	5.7
Education	36233.00	38638.00	39799.00	42019.00	44506.00	47196.00	6.6	3.0	5.6	5.9	6.0
Health and Social Work	8191.00	8581.00	9012.00	9591.00	10129.00	10691.00	4.8	5.0	6.4	5.6	5.5
Other Community, Social and Personal Service	20520.00	22966.00	24599.00	26163.00	27369.00	28647.00	11.9	7.1	6.4	4.6	4.7
Total GVA including FISIM	566379.00	590087.00	613356.00	641363.00	662835.00	696829.00	4.2	3.9	4.6	3.3	5.1
Financial Intermediation Indirectly Measured (FISIM)	23725.00	24327.00	25821.00	26725.00	26919.00	28136.00	2.5	6.1	3.5	0.7	4.5
GDP at basic prices	542654.00	565759.00	587535.00	614638.00	635916.00	668693.00	4.3	3.8	4.6	3.5	5.2
Taxes less subsidies on products	47455.00	52770.00	52160.00	55643.00	60183.00	65528.00	11.2	-1.2	6.7	8.2	8.9
GDP at producers price	590107.00	618529.00	639695.00	670281.00	696099.00	734221.00	4.8	3.4	4.8	3.9	5.5

R - Revised Estimate of CBS

P - Preliminary Estimate of CBS

Source: Central Bureau of Statistics

Table 2
Gross Domestic Product
(at current prices)

Sectors	Rs. in million						Percentage change				
	2008/09	2009/10	2010/11	2011/12	2012/13 ^R	2013/14 ^P	2009/10	2010/11	2011/12	2012/13 ^R	2013/14 ^P
Agriculture	309553.00	395755.00	478149.00	506284.00	534515.00	592351.00	27.8	20.8	5.9	5.6	10.8
Agriculture and Forestry	305477.00	391519.00	473270.00	500465.00	527869.00	583692.00	28.2	20.9	5.7	5.5	10.6
Fishery	4076.00	4236.00	4879.00	5819.00	6646.00	8659.00	3.9	15.2	19.3	14.2	30.3
Non-Agriculture	629339.00	722815.00	811992.00	931190.00	1043542.00	1197418.00	14.9	12.3	14.7	12.1	14.7
Industry	148901.00	169383.00	192845.00	215387.00	239275.00	262587.00	13.8	13.9	11.7	11.1	9.7
Mining and Quarrying	5084.00	5926.00	6956.00	8166.00	9616.00	11253.00	16.6	17.4	17.4	17.8	17.0
Manufacturing	65447.00	70924.00	80531.00	91164.00	100312.00	108745.00	8.4	13.5	13.2	10.0	8.4
Electricity, Gas and Water	14629.00	15244.00	16002.00	17518.00	20368.00	21726.00	4.2	5.0	9.5	16.3	6.7
Construction	63741.00	77289.00	89356.00	98539.00	108979.00	120863.00	21.3	15.6	10.3	10.6	10.9
Service	480438.00	553432.00	619147.00	715803.00	804267.00	934831.00	15.2	11.9	15.6	12.4	16.2
Wholesale and Retail Trade	124121.00	161067.00	179306.00	198164.00	228747.00	267510.00	29.8	11.3	10.5	15.4	16.9
Hotels and Restaurant	13943.00	17347.00	21057.00	25307.00	29886.00	35303.00	24.4	21.4	20.2	18.1	18.1
Transport, Storage and Communications	92618.00	95304.00	105834.00	122354.00	140537.00	156500.00	2.9	11.0	15.6	14.9	11.4
Financial Intermediation	39100.00	46083.00	50111.00	58529.00	62183.00	67278.00	17.9	8.7	16.8	6.2	8.2
Real Estate, Renting and Business	81625.00	93747.00	106236.00	123213.00	138587.00	150900.00	14.9	13.3	16.0	12.5	8.9
Public Administration and Defence	18556.00	21695.00	24830.00	30547.00	32236.00	42578.00	16.9	14.5	23.0	5.5	32.1
Education	62642.00	61384.00	67739.00	81797.00	91736.00	114833.00	-2.0	10.4	20.8	12.2	25.2
Health and Social Work	13744.00	15382.00	17087.00	20431.00	22327.00	26555.00	11.9	11.1	19.6	9.3	18.9
Other Community, Social and Personal Service	34089.00	41423.00	46947.00	55461.00	58028.00	73374.00	21.5	13.3	18.1	4.6	26.4
Total GVA including FISIM	938890.00	1118571.00	1290141.00	1437474.00	1578057.00	1789769.00	19.1	15.3	11.4	9.8	13.4
Financial Intermediation Indirectly Measured (FISIM)	29362.00	35156.00	41660.00	49992.00	55205.00	65172.00	19.7	18.5	20.0	10.4	18.1
GDP at basic prices	909528.00	1083415.00	1248481.00	1387482.00	1522852.00	1724597.00	19.1	15.2	11.1	9.8	13.2
Taxes less subsidies on products	78744.00	109358.00	118472.00	139862.00	169790.00	203921.00	38.9	8.3	18.1	21.4	20.1
GDP at producers price	988274.00	1192772.00	1366953.00	1527344.00	1692642.00	1928518.00	20.7	14.6	11.7	10.8	13.9

R - Revised Estimate of CBS

P - Preliminary Estimate of CBS

Source: Central Bureau of Statistics

Table 3
Gross National Disposable Income
(at current prices)

Sectors	Rs. in million						Percentage change				
	2008/09	2009/10	2010/11	2011/12	2012/13 ^R	2013/14 ^P	2009/10	2010/11	2011/12	2012/13 ^R	2013/14 ^P
Consumption	895042.00	1056184.00	1176030.00	1359538.00	1521716.00	1756483.00	18.0	11.3	15.6	11.9	15.4
<i>Government consumption</i>	<i>106527.00</i>	<i>119189.00</i>	<i>130917.00</i>	<i>164370.00</i>	<i>168192.00</i>	<i>215658.00</i>	<i>11.9</i>	<i>9.8</i>	<i>25.6</i>	<i>2.3</i>	<i>28.2</i>
<i>Private consumption</i>	<i>772762.00</i>	<i>916993.00</i>	<i>1022126.00</i>	<i>1167861.00</i>	<i>1324363.00</i>	<i>1505803.00</i>	<i>18.7</i>	<i>11.5</i>	<i>14.3</i>	<i>13.4</i>	<i>13.7</i>
<i>Nonprofit institutions serving households</i>	<i>15753.00</i>	<i>20002.00</i>	<i>22987.00</i>	<i>27307.00</i>	<i>29161.00</i>	<i>35022.00</i>	<i>27.0</i>	<i>14.9</i>	<i>18.8</i>	<i>6.8</i>	<i>20.1</i>
Gross Capital Formation	313029.00	456490.00	519267.00	526889.00	624645.00	715057.00	45.8	13.8	1.5	18.6	14.5
<i>Gross Fixed Capital Formation</i>	<i>211039.00</i>	<i>264888.00</i>	<i>292730.00</i>	<i>317185.00</i>	<i>382153.00</i>	<i>446129.00</i>	<i>25.5</i>	<i>10.5</i>	<i>8.4</i>	<i>20.5</i>	<i>16.7</i>
Government	44278.00	53665.00	63806.00	71555.00	71054.00	90300.00	21.2	18.9	12.1	-0.7	27.1
Private	166761.00	211223.00	228924.00	245629.00	311099.00	355830.00	26.7	8.4	7.3	26.7	14.4
<i>Change in Stock</i>	<i>101990.00</i>	<i>191602.00</i>	<i>226537.00</i>	<i>209704.00</i>	<i>242492.00</i>	<i>268928.00</i>	<i>87.9</i>	<i>18.2</i>	<i>-7.4</i>	<i>15.6</i>	<i>10.9</i>
Total Domestic Demand	1208071.00	1512674.00	1695297.00	1886427.00	2146361.00	2471540.00	25.2	12.1	11.3	13.8	15.2
<i>Export of goods and services</i>	<i>122737.00</i>	<i>114298.00</i>	<i>121714.00</i>	<i>153863.00</i>	<i>181181.00</i>	<i>234192.00</i>	<i>-6.9</i>	<i>6.5</i>	<i>26.4</i>	<i>17.8</i>	<i>29.3</i>
<i>Import of goods and services</i>	<i>342536.00</i>	<i>434198.00</i>	<i>450059.00</i>	<i>512948.00</i>	<i>634899.00</i>	<i>777216.00</i>	<i>26.8</i>	<i>3.7</i>	<i>14.0</i>	<i>23.8</i>	<i>22.4</i>
Net Exports of Goods and Services	-219799.00	-319900.00	-328345.00	-359084.00	-453718.00	-543024.00	45.5	2.6	9.4	26.4	19.7
Gross Domestic Product	988272.00	1192774.00	1366954.00	1527344.00	1692643.00	1928517.00	20.7	14.6	11.7	10.8	13.9
Net Factor Income	11750.00	9117.00	7549.00	12291.00	13079.00	38224.00	-22.4	-17.2	62.8	6.4	192.3
Gross National Income (GNI)	1000022.00	1201891.00	1374503.00	1539635.00	1705722.00	1966741.00	20.2	14.4	12.0	10.8	15.3
Net Transfer	249487.00	282648.00	307859.00	422772.00	497701.00	685426.00	13.3	8.9	37.3	17.7	37.7
Gross National Disposable Income (GNDI)	1249509.00	1484539.00	1682362.00	1962407.00	2203423.00	2652167.00	18.8	13.3	16.6	12.3	20.4

R - Revised Estimate of CBS

P - Preliminary Estimate of CBS

Source: Central Bureau of Statistics

Table 4
National Consumer Price Index
(1995/96 = 100)

Mid- Months	2009/10		2010/11		2011/12		2012/13		2013/14	
	Index	% Change	Index	% Change	Index	% Change	Index	% Change	Index	% Change
August	136.0	10.1	148.9	9.5	160.3	7.7	179.3	11.9	193.4	7.9
September	137.4	9.2	149.2	8.6	161.9	8.5	180.1	11.2	194.4	8.0
October	138.1	8.6	150.2	8.9	163.6	8.9	180.8	10.5	196.0	8.4
November	139.0	9.1	150.7	8.4	163.4	8.5	180.5	10.5	198.5	10.0
December	138.5	10.3	151.6	9.6	163.0	7.5	179.9	10.4	198.4	10.3
January	138.1	10.7	153.6	11.3	164.0	6.8	180.1	9.8	197.6	9.7
February	139.0	11.0	153.0	10.2	163.8	7.0	180.3	10.1	196.1	8.8
March	138.6	10.0	153.3	10.7	164.1	7.0	180.9	10.2	196.9	8.9
April	139.6	9.8	154.4	10.6	166.0	7.5	181.7	9.5	198.9	9.4
May	141.3	8.9	154.5	9.5	168.0	8.7	182.6	8.7	200.4	9.7
June	142.4	8.2	154.8	8.8	170.2	9.9	184.2	8.2	201.6	9.5
July	144.7	9.0	158.6	9.6	176.8	11.5	190.5	7.8		
Average	139.4	9.6	152.7	9.6	165.4	8.3	181.7	9.9	197.5*	9.1*

* Average of Eleven Months

Table 5
Monetary Survey

(Rs. in million)

Monetary Aggregates	2012 Jul	2013 Jun	2013 Jul	2014 Jun (e)	Changes during eleven months			
					2012/13		2013/14	
					Amount	Percent	Amount	Percent
1. Foreign Assets, Net	383772.14	447649.87	468238.00	579345.38	52686.43 ^{1/}	13.7	109560.49 ^{2/}	23.4
1.1 Foreign Assets	455976.82	530804.32	554093.55	667113.69	74827.50	16.4	113020.15	20.4
1.2 Foreign Liabilities	72204.68	83154.45	85855.55	87768.31	10949.78	15.2	1912.76	2.2
a. Deposits	60465.59	71665.00	74332.31	77825.71	11199.41	18.5	3493.39	4.7
b. Other	11739.08	11489.45	11523.24	9942.60	-249.63	-2.1	-1580.64	-13.7
2. Net Domestic Assets	746530.15	803459.12	847138.28	914147.27	68120.27 ^{1/}	9.1	68555.89 ^{2/}	8.1
2.1 Domestic Credit	994691.47	1103281.23	1165866.28	1248972.38	108589.76	10.9	83106.10	7.1
a. Net Claims on Government	162882.05	111010.62	167788.26	92397.15	-51871.43	-31.8	-75391.11	-44.9
Claims on Government	165254.85	155863.07	167972.77	168657.20	-9391.78	-5.7	684.43	0.4
Government Deposits	2372.80	44852.45	184.52	76260.05	42479.65		76075.53	
b. Claims on Non-Financial Government Enterprises	10099.42	10855.86	11389.10	11986.48	756.44	7.5	597.39	5.2
c. Claims on Financial Institutions	11884.15	14615.20	13662.84	11029.22	2731.04	23.0	-2633.62	-19.3
Government	1275.98	1191.09	1317.39	1566.89	-84.90	-6.7	249.50	18.9
Non-government	10608.17	13424.11	12345.46	9462.33	2815.94	26.5	-2883.12	-23.4
d. Claims on Private Sector	809825.85	966799.55	973026.08	1133559.52	156973.70	19.4	160533.44	16.5
2.2 Net Non-Monetary Liabilities	248161.32	299822.11	318728.00	334825.11	40469.49 ^{1/}	16.3	14550.22 ^{2/}	4.6
3. Broad Money (M2)	1130302.29	1251108.99	1315376.28	1493492.65	120806.69	10.7	178116.37	13.5
3.1 Money Supply (M1+)	789269.29	884591.73	925469.13	1067541.61	95322.43	12.1	142072.48	15.4
a. Money Supply (M1)	263705.70	293220.15	301590.19	336540.47	29514.45	11.2	34950.28	11.6
Currency	170491.69	189316.86	195874.24	223417.99	18825.18	11.0	27543.75	14.1
Demand Deposits	93214.01	103903.27	105715.94	113122.54	10689.26	11.5	7406.59	7.0
b. Saving and Call Deposits	525563.59	591371.58	623878.94	731001.14	65807.99	12.5	107122.20	17.2
3.2 Time Deposits	341033.00	366517.26	389907.15	425951.04	25484.26	7.5	36043.89	9.2
4. Broad Money Liquidity (M3)	1190767.89	1322773.99	1389708.59	1571318.36	132006.10	11.1	181609.77	13.1

1/ Adjusting the exchange valuation gain of Rs. 11191.3 million

2/ Adjusting the exchange valuation loss of Rs. 1546.9 million

e = estimates

Table 6
Structure of Interest Rates
 (percent per annum)

Year Mid-month	2013 Jul	2013 Oct	2014 Jan	2014 Apr	2014 Jul
A. Policy Rates					
CRR					
Commercial Banks	6.0	5.0	5.0	5.0	5.0
Development Banks	5.5	4.5	4.5	4.5	4.5
Finance Companies	5.0	4.0	4.0	4.0	4.0
Bank Rate	8.0	8.0	8.0	8.0	8.0
Refinance Rates Against Loans to:					
Special Refinance	1.5	1	1	1.0	1.0
General Refinance	6.0	5.0	5.0	5.0	5.0
Export Credit in Foreign Currency	LIBOR+0.25	LIBOR+0.25	LIBOR+0.25	LIBOR+0.25	LIBOR+0.25
Standing Liquidity Facility (SLF) Rate ^	8.0	8.0	8.0	8.0	8.0
B. Government Securities					
T-bills* (28 days)	0.55	0.04	0.25	0.02	0.01
T-bills* (91 days)	1.19	0.07	0.47	0.06	0.02
T-bills* (182 days)	1.60	0.42	0.93	0.26	0.42
T-bills* (364 days)	2.71	0.79	1.06	0.68	0.72
Development Bonds	5.0-9.5	5.0-9.5	3.25-9.5	3.25-9.5	3.25-9.5
National/Citizen SCs	6.0-10	6.0-10	6.0-10.0	6.0-10.0	6.0-10.0
C. Interbank Rate of Commercial Banks	0.86	0.25	0.21	0.19	0.16
D. Weighted Average Deposit Rate (Commercial Banks)	5.25	4.89	4.68	4.30	4.22**
E. Weighted Average Lending Rate (Commercial Banks)	12.09	11.78	11.53	10.92	10.81**
F. Base Rate (Commercial Banks)^s	9.83	9.23	8.75	8.38	8.23**

^ The SLF rate is fixed as same as bank rate effective from August 16 2012

* Weighted average interest rate.

** Mid-Jun 2013

\$ Base rate has been compiled since January 2013

Table 7
Government Budgetary Operation⁺
(On Cash Flow Basis)
(As of 11 July, 2014)

(Rs. in million)

Heads	2011/12	2012/13	2013/14 ^P	Percent changes	
				2012/13	2013/14
Sanctioned Expenditure	327350.80	326568.50	370648.20	-0.2	13.5
Recurrent	239833.70	235146.40	280331.50	-2.0	19.2
Capital	48488.80	42587.40	46366.20	-12.2	8.9
<i>a.Domestic Resources & Loans</i>	43315.40	39542.70	40636.60	-8.7	2.8
<i>b.Foreign Grants</i>	5173.40	3044.70	5729.60	-41.1	88.2
Financial [*]	39028.30	48834.70	43950.50	25.1	-10.0
<i>a.Domestic Resources & Loans</i>	38463.10	48305.30	43390.90	25.6	-10.2
<i>b.Foreign Grants</i>	565.20	529.40	559.60	-6.3	5.7
Unspent Government Balance	12322.80	220.90	0.00	-98.2	
Recurrent	3563.50	49.00	0.00	-98.6	
Capital	3041.50	171.90	0.00	-94.3	
Financial	5717.80	0.00	0.00		
Actual Expenditure of Budget	315028.00	326347.60	370648.20	3.6	13.6
Recurrent	236270.20	235097.40	280331.50	-0.5	19.2
Capital	45447.30	42415.50	46366.20	-6.7	9.3
Financial	33310.50	48834.70	43950.50	46.6	-10.0
Expenditure from Freeze Accounts	4822.10	12115.60	138.40	151.3	-98.9
Freeze-1 Recurrent	1452.50	3421.00	9.20	135.5	-99.7
Freeze-2 Capital	3369.60	2976.80	129.20	-11.7	-95.7
Freeze-3 Financial	0.00	5717.80	0.00		
Total Expenditure	319850.10	338463.20	370786.60	5.8	9.6
Total Resources	297506.40	329551.50	393680.30	10.8	19.5
Revenue and Grants	290945.30	322605.60	374779.70	10.9	16.2
Revenue	244371.80	296011.40	337515.20	21.1	14.0
Foreign Grants	46573.50	26594.20	37264.50	-42.9	40.1
Non-Budgetary Receipts,net	5309.60	6367.70	7468.90	19.9	17.3
Others	100.10	78.90	-53.80	-21.2	-168.2
V. A. T. Fund Account	75.00	-13.50	2359.00		
Custom Fund Account	253.90	258.10	913.40	1.7	253.9
Local Authorities' Account (LAA) [#]	822.50	254.70	8213.10	-69.0	3124.6
Deficits(-) Surplus(+)	-22343.70	-8911.70	22893.70	-60.1	-356.9
Sources of Financing	22343.70	8911.70	-22893.69	-60.1	-356.9
Internal Loans	16407.50	-1708.10	-38328.59	-110.4	2143.9
Domestic Borrowings	36410.00	19042.80	9982.82	-47.7	-47.6
(i) Treasury Bills	17283.40	19000.00	0.00	9.9	
(ii) Development Bonds	14000.00	0.00	9000.00		
(iii) National Savings Certificates	5000.00	0.00	906.40		
(iv) Citizen Saving Certificates	126.60	0.00	0.00		
(v) Foreign Employment Bond	0.00	42.80	76.42		78.5
Overdrafts ⁺⁺	-23125.1	-20443	-49743	-11.6	143.3
Others [@]	3122.60	-307.90	1431.60	-109.9	
Principal Refund and Share Divestment	4744.70	755.30	425.70	-84.1	-43.6
Foreign Loans	1191.50	9864.50	15009.20	727.9	52.2

+ Based on data reported by 8 offices of NRB, 66 out of total 66 branches of Rastriya Banijya Bank Limited, 32 out of total 44 branches of Nepal Bank Limited, 9 branches of Everest Bank Limited, 4 branches of Global IME Bank Limited and 1-1 branch each from Nepal Bangladesh Bank Limited, NMB Bank Limited and Bank of Kathmandu Limited conducting government transactions.

* Includes internal loan, external borrowing and investment.

Change in outstanding amount disbursed to VDC/DDC remaining unspent.

++ Minus (-) indicates surplus.

@ Interest from Government Treasury transactions and others.

P Provisional.

Table 8
Direction of Foreign Trade⁺

(Rs. in million)

	2010/11	2011/12	2012/13	2011/12 *	2012/13 *	2013/14 *	Percent change	
	Annual	Annual	Annual				2012/13 *	2013/14 *
Total Exports	64338.50	74261.00	76916.96	67214.50	69926.66	81730.50	4.0	16.9
To India	43360.4	49616.30	50999.77	45258.20	46434.87	54540.90	2.6	17.5
To Other Countries	20978.1	24644.70	25917.19	21956.30	23491.79	27189.60	7.0	15.7
Total Imports	396175.50	461667.70	556740.28	419573.80	508600.08	645703.70	21.2	27.0
From India	261925.2	299389.60	367031.31	272262.00	335731.21	431621.20	23.3	28.6
From Other Countries	134250.3	162278.10	189708.97	147311.80	172868.87	214082.50	17.3	23.8
Total Trade Balance	-331837.00	-387406.70	-479823.32	-352359.30	-438673.42	-563973.20	24.5	28.6
With India	-218564.8	-249773.30	-316031.55	-227003.80	-289296.35	-377080.30	27.4	30.3
With Other Countries	-113272.2	-137633.40	-163791.78	-125355.50	-149377.08	-186892.90	19.2	25.1
Total Foreign Trade	460514.00	535928.70	633657.24	486788.30	578526.74	727434.20	18.8	25.7
With India	305285.6	349005.90	418031.08	317520.20	382166.08	486162.10	20.4	27.2
With Other Countries	155228.4	186922.80	215626.17	169268.10	196360.67	241272.10	16.0	22.9

1. Export / Import Ratio	16.2	16.1	13.8	16.0	13.7	12.7
India	16.6	16.6	13.9	16.6	13.8	12.6
Other Countries	15.6	15.2	13.7	14.9	13.6	12.7
2. Share in Total Export						
India	67.4	66.8	66.3	67.3	66.4	66.7
Other Countries	32.6	33.2	33.7	32.7	33.6	33.3
3. Share in Total Import						
India	66.1	64.8	65.9	64.9	66.0	66.8
Other Countries	33.9	35.2	34.1	35.1	34.0	33.2
4. Share in Trade Balance						
India	65.9	64.5	65.9	64.4	65.9	66.9
Other Countries	34.1	35.5	34.1	35.6	34.1	33.1
5. Share in Total Trade						
India	66.3	65.1	66.0	65.2	66.1	66.8
Other Countries	33.7	34.9	34.0	34.8	33.9	33.2
6. Share of Export and Import in Total Trade						
Export	14.0	13.9	12.1	13.8	12.1	11.2
Import	86.0	86.1	87.9	86.2	87.9	88.8

+ On customs data basis

* Eleven months

Table 9
Balance of Payments Situation

(Rs. in million)

Particulars	2011/12		2012/13		2013/14 ^P	Percent change During eleven months	
	11 months	Annual	11 months	Annual	11 months	2012/13	2013/14
A. Current Account	61560.80	75979.20	41555.34	57060.74	77839.80	-32.5	87.3
Goods: Exports f.o.b.	73904.00	81511.80	78115.80	85989.80	91491.30	5.7	17.1
Oil	0.00	0.00	0.00	0.00	0.00		
Other	73904.00	81511.80	78115.80	85989.80	91491.30	5.7	17.1
Goods: Imports f.o.b.	-413195.60	-454653.10	-499904.90	-547294.30	-634701.60	21.0	27.0
Oil	-84455.50	-92255.60	-98055.50	-107138.90	-122698.20	16.1	25.1
Other	-328740.10	-362397.50	-401849.40	-440155.40	-512003.40	22.2	27.4
Balance on Goods	-339291.60	-373141.30	-421789.10	-461304.50	-543210.30	24.3	28.8
Services: Net	14231.20	14057.00	7151.60	7585.80	19726.30	-49.7	175.8
Services: credit	63840.40	72351.50	86708.70	95190.80	114408.40	35.8	31.9
Travel	28757.50	30703.80	31563.30	34210.60	43206.00	9.8	36.9
Government n.i.e.	8287.00	10071.40	16920.60	18389.70	21659.60	104.2	28.0
Other	26795.90	31576.30	38224.80	42590.50	49542.80	42.7	29.6
Services: debit	-49609.20	-58294.50	-79557.10	-87605.00	-94682.10	60.4	19.0
Transportation	-19421.10	-22292.30	-30312.30	-33276.70	-36461.80	56.1	20.3
Travel	-21046.30	-25769.70	-36199.10	-39611.90	-37643.40	72.0	4.0
O/W Education	-5745.70	-6371.70	-8599.50	-9508.50	-13328.40	49.7	55.0
Government services:debit	-1403.10	-1566.40	-1062.60	-1177.90	-1417.70	-24.3	33.4
Others	-7738.70	-8666.10	-11983.10	-13538.50	-19159.20	54.8	59.9
Balance on Goods and Services	-325060.40	-359084.30	-414637.50	-453718.70	-523484.00	27.6	26.3
Income: Net	9565.00	12291.40	9693.94	13078.84	29348.30	1.3	202.7
Income: credit	19142.70	22521.30	19483.24	23320.14	35510.70	1.8	82.3
Income: debit	-9577.70	-10229.90	-9789.30	-10241.30	-6162.40	2.2	-37.0
Balance on Goods, Services and Income	-315495.40	-346792.90	-404943.56	-440639.86	-494135.70	28.4	22.0
Transfers: Net	377056.20	422772.10	446498.90	497700.60	571975.50	18.4	28.1
Current transfers: credit	381636.60	427805.70	453551.20	505068.20	574909.50	18.8	26.8
Grants	32293.10	36227.10	31211.00	34180.50	44074.00	-3.4	41.2
Workers' remittances	320379.80	359554.40	388462.30	434581.70	490952.80	21.3	26.4
Pensions	25774.00	28343.60	32898.60	35326.70	38214.90	27.6	16.2
Other (Indian Excise Refund)	3189.70	3680.60	979.30	979.30	1667.80	-69.3	70.3
Current transfers: debit	-4580.40	-5033.60	-7052.30	-7367.60	-2934.00	54.0	-58.4
B Capital Account (Capital Transfer)	15151.70	18241.70	9238.90	10348.30	15735.50	-39.0	70.3
Total, Groups A plus B	76712.50	94220.90	50794.24	67409.04	93575.30	-33.8	84.2
C Financial Account (Excluding Group E)	28350.70	28912.80	10100.40	12496.32	11020.32	-64.4	9.1
Direct investment in Nepal	8069.00	9195.40	6689.80	9081.90	3159.70	-17.1	-52.8
Portfolio Investment	0.00	0.00	0.00	0.00	0.00		
Other investment: assets	-11734.50	-15719.60	-20301.70	-22846.40	-19857.90	73.0	-2.2
Trade credits	-3991.20	-5137.40	-4560.50	-5147.40	-2370.20	14.3	-48.0
Other	-7743.30	-10582.20	-15741.20	-17699.00	-17487.70	103.3	11.1
Other investment: liabilities	32016.20	35437.00	23712.30	26260.82	27718.52	-25.9	16.9
Trade credits	25197.80	26442.30	13439.70	14434.60	22445.10	-46.7	67.0
Loans	-239.00	1036.80	-187.70	-1281.80	3523.60	-21.5	-1977.3
General Government	-227.60	1047.60	-128.80	-1218.90	3722.80	-43.4	-2990.4
Drawings	10830.60	13445.30	13249.30	13701.00	16803.00	22.3	26.8
Repayments	-11058.20	-12397.70	-13378.10	-14919.90	-13080.20	21.0	-2.2
Other sectors	-11.40	-10.80	-58.90	-62.90	-199.20	416.7	238.2
Currency and deposits	7545.70	8446.20	11510.30	14301.10	2923.90	52.5	-74.6
Nepal Rastra Bank	-37.20	37.00	-63.80	-11.70	-27.40	71.5	-57.1
Deposit money banks	7582.90	8409.20	11574.10	14312.80	2951.30	52.6	-74.5
Other liabilities	-488.30	-488.30	-1050.00	-1193.08	-1174.08	115.0	11.8
Total, Group A through C	105063.20	123133.70	60894.64	79905.36	104595.62	-42.0	71.8
D. Miscellaneous Items, Net	18240.90	16939.10	3302.16	3335.36	7888.75	-81.9	138.9
Total, Group A through D	123304.10	140072.80	64196.80	83240.72	112484.37	-47.9	75.2
E. Reserves and Related Items	-123304.10	-140072.80	-64196.80	-83240.72	-112484.37	-47.9	75.2
Reserve assets	-122819.10	-139587.80	-63148.20	-82049.02	-111312.97	-48.6	76.3
Nepal Rastra Bank	-116891.40	-134787.00	-37986.40	-65763.42	-98838.07	-67.5	160.2
Deposit money banks	-5927.70	-4800.80	-25161.80	-16285.60	-12474.90	324.5	-50.4
Use of IMF's Credit and Loans	-485.00	-485.00	-1048.60	-1191.70	-1171.40	116.2	11.7
Changes in reserve, net (- increase)	-115758.40	-131626.60	-52686.50	-68939.62	-109560.47	-54.5	107.9

P - Provisional

Table 10
Gross Foreign Exchange Holding of the Banking Sector

(Rs. in million)

Particulars							Percent Change	
	2011	2012	2012	2013	2013	2014	Mid-Jul to Mid-Jun	
	Mid-Jul	Mid-Jun	Mid-Jul	Mid-Jun	Mid-Jul	Mid-Jun ^E	2012/13	2013/14
Nepal Rastra Bank	213095.10	361954.30	375524.50	422517.70	452994.50	554708.40	12.5	22.5
Convertible	165257.55	272666.63	285681.86	314960.51	339940.04	416704.41	10.2	22.6
Inconvertible	47837.55	89287.67	89842.64	107557.19	113054.46	138003.99	19.7	22.1
Banks and Financial Institutions	59058.00	65059.00	63932.20	89175.60	80302.50	92933.80	39.5	15.7
Convertible	55503.30	56846.00	57144.00	83127.30	74079.90	87592.63	45.5	18.2
Inconvertible	3554.70	8213.00	6788.20	6048.30	6222.60	5341.17	-10.9	-14.2
Total Foreign Exchange Reserve	272153.10	427013.30	439456.70	511693.30	533297.00	647642.20	16.4	21.4
Convertible	220760.85	329512.63	342825.86	398087.81	414019.94	504297.04	16.1	21.8
Share in total (in percent)	81.12	77.17	78.01	77.80	77.63	77.87	-	-
Inconvertible	51392.25	97500.67	96630.84	113605.49	119277.06	143345.16	17.6	20.2
Share in total (in percent)	18.88	22.83	21.99	22.20	22.37	22.13	-	-
Import Capacity (Equivalent Months)								
Merchandise	8.41	11.37	11.60	11.26	11.69	11.22	-	-
Merchandise and Services	7.26	10.15	10.28	9.71	10.08	9.77	-	-
1. Gross Foreign Exchange Reserve	272153.10	427013.30	439456.70	511693.30	533297.00	647642.20	16.4	21.4
2. Gold, SDR, IMF Gold Tranche	11957.04	15197.69	16520.18	19111.00	20796.60	19471.50	15.7	-6.4
3. Gross Foreign Assets(1+2)	284110.14	442210.99	455976.88	530804.30	554093.60	667113.70	16.4	20.4
4. Foreign Liabilities	62844.50	71378.50	72204.60	83154.20	85856.00	87768.70	15.2	2.2
5. Net Foreign Assets(3-4)	221265.64	370832.49	383772.28	447650.10	468237.60	579345.00	16.6	23.7
6. Change in NFA (before adj. ex. val.)*	-4740.52	-149566.86	-162506.65	-63877.82	-84465.32	-111107.40	-	-
7. Exchange Valuation (- loss)	650.80	33808.50	30880.00	11191.30	15526.30	1546.90	-	-
8. Change in NFA (- increase) (6+7)**	-4089.72	-115758.36	-131626.65	-52686.52	-68939.02	-109560.50	-	-
Period end buying rate (Rs/US\$):	70.95	88.60	88.60	92.72	95.00	95.32	-	-

E - Estimated.

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

** After adjusting exchange valuation gain/loss.