

**A Glimpse
of
Nepal's Macroeconomic Situation**



Prepared by
**Nepal Rastra Bank on the occasion of the
35th Meeting of the Board of Governors,
Asian Clearing Union on
May 22-23**

Kathmandu, Nepal

© 2006 Nepal Rastra Bank
Central Office
Baluwatar, Kathmandu
Nepal
Website: <http://www.nrb.org.np>

All rights reserved.

Cover design : Sundar Shrestha

Interior design : Mr. Amar Ratna Bajracharya

Printed by : Nepal Rastra Bank.

Statistical Tables

1. Monetary Survey
2. Share Market Activities
3. Summary of Share Market Transactions
4. Capital Growth and Non Performing Loan
5. National Urban Consumer Price Index
6. Core Inflation
7. National Urban Consumer Price Index (Monthly Series)
8. National Wholesale Price Index
9. National Wholesale Price Index (Monthly Series)
10. National Salary and Wage Rate Index
11. Government Budgetary Operation
12. Outstanding Domestic Debt of HMG
13. Direction of Foreign Trade
14. Export of Major Commodities to India
15. Export of Major Commodities to Other Countries
16. Import of Selected Commodities from India
17. Import of Selected Commodities from Other Countries
18. Summary Balance of Payments
19. Gross Foreign Exchange Reserve
20. Production Index of Agricultural Production
21. Tourist Arrival by Major Regions
22. Foreign Exchange Earnings from Tourism
23. Structure of Energy Consumption
24. Extension of Road Facilities
25. Extension of Telephone Facilities
26. Number of Primary, Lower Secondary and Secondary School Teachers
27. Number of Students Enrolled in Higher Level of Education

Contents

	<i>Page</i>
I. Introduction	1
II. Domestic Macroeconomic Situation	5
III. Macroeconomic Stability	32
IV. Economic Challenges facing Nepal	37
V. Conclusion	43

List of Tables

Table 2.1 : Gross Domestic Product at Constant Prices	6
Table 2.2 : National Urban Consumer Price Index	9
Table 2.3 : National Wholesale Price Index	11
Table 2.4 : Banks and Financial Institutions Licensed by Nepal Rastra Bank	28
Table 2.5 : Total Assets of NRB regulated Nepalese Financial Sector	29
Table 2.6 : Market Shares of Deposit-Taking Banks and Financial Institutions	30

List of Graphs

Graph 2.1: Growth of Real GDP	6
Graph 2.2: Gross Domestic Saving and Investment	7
Graph 2.3: Growth of Actual and Potential Output	8
Graph 2.4: Annual Inflation	9
Graph 2.5: Trade Indicators	13
Graph 2.6: Remittances, Foreign Exchange Reserve and External Debt as % of GDP	17
Graph 2.7: Trend of Government Revenue	18
Graph 2.8: Trend of Govt. Expenditure	21
Graph 2.9: Trend of Fiscal Deficit	22
Graph 2.10: Trend of Internal Borrowing	23
Graph 2.11: Foreign Grants to Loan Ratio	24
Graph 2.12: Growth of Board Money	25
Graph 2.13: Share of NFA and NDA in M_2	25

Statistical Tables

II

Domestic Macroeconomic Situation

The chapter provides a picture of the past Nepalese Macroeconomic situation for the past years ending in FY 2004/2005.

II.1 National Output

1. The growth of GDP at constant (1994/95) prices fluctuated over the past six years from the peak of 6.0 percent recorded in FY 1999/2000, to the lowest level of -0.4 percent in FY 2001/02. The high growth rate achieved in FY 1999/2000 resulted from an encouraging growth in the agriculture and non-agriculture sector of 4.9 percent and 6.8 percent respectively. The GDP growth rate declined to 4.8 percent in 2000/01 and further dipped to -0.4 percent in the following FY 2001/02. A lower growth rate recorded in the agriculture sector due to drought and double digit negative growth rate in manufacturing and trade, hotel and restaurant sub-sectors were attributed to the negative growth in that year. The economy rebounded by 3.0 percent in FY 2002/03 and was stagnant at 3.5 percent in FY 2003/04. The overall performance of the economy in FY 2004/05 decelerated to 2.3 percent growth due to unfavorable weather, negative growth recorded in trade, restaurant and hotel sectors due mainly to the slackness observed in trade and tourism and slowed public and private investment. In FY 2004/05 the agriculture and non-agriculture sectors grew by 3.0 percent and 2.1 percent respectively.

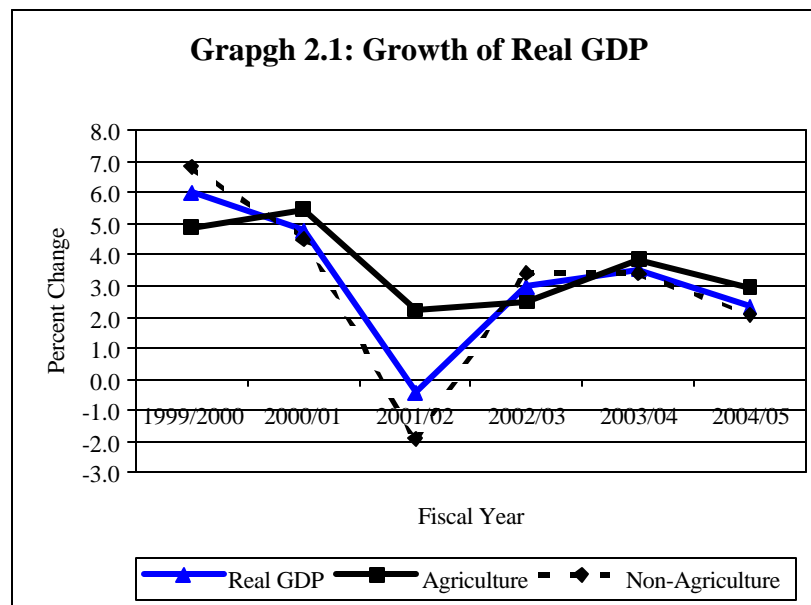
6 A Glimpse of Nepal's Macroeconomic Situation

Table 2.1: Gross Domestic Product at Constant Prices (1994/95), 1999/00–2004/05

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	Percentage Change					
GDP at factor cost	6.0	4.8	-0.4	3.0	3.5	2.3
Agriculture, Fisheries and Forestry	4.9	5.5	2.2	2.5	3.9	3.0
Non-Agriculture	6.8	4.5	-1.9	3.4	3.4	2.1
Sectoral Growth						
Agriculture, Fisheries and Forestry	4.9	5.5	2.2	2.5	3.9	3.0
Non-Agriculture	6.8	4.5	-1.9	3.4	3.4	2.1
Industry	8.7	3.2	-2.9	3.3	1.1	1.4
<i>Manufacturing</i>	7.2	3.8	-10.0	2.0	1.7	2.6
Services	5.7	5.3	-1.3	3.4	4.8	2.4
GDP at factor cost	6.0	4.8	-0.4	3.0	3.5	2.3

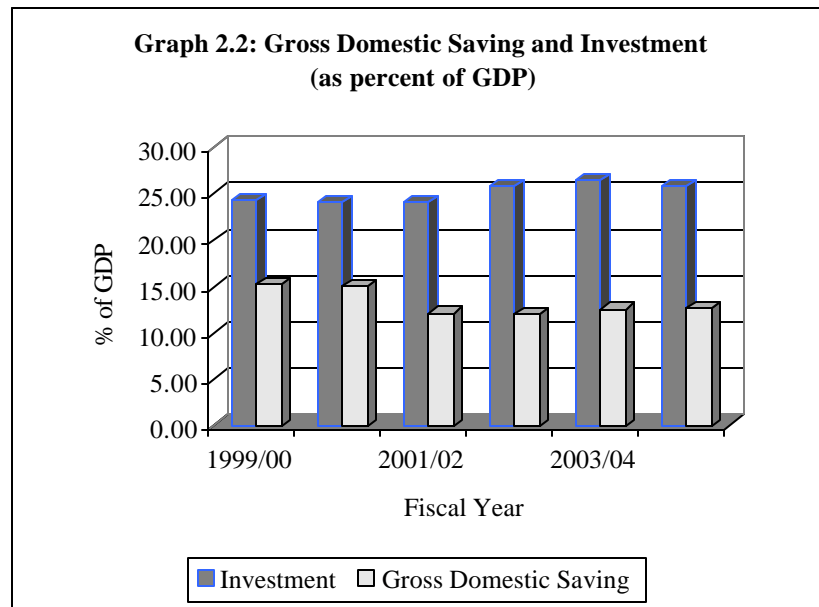
Source: Central Bureau of Statistics

2. The growth rate of the agriculture sector was 3.0 percent in FY 2004/05 as compared to 3.9 percent in FY 2003/04. Deceleration in the growth of food grains due to unfavorable weather, led to a slowdown in the agriculture sector. The non-agricultural sector witnessed a slow growth of 2.1 percent compared to 3.4 percent growth achieved in FY 2003/04. The industrial sector registered a growth of 1.4 percent in FY 2004/05 as compared to a growth of 1.1



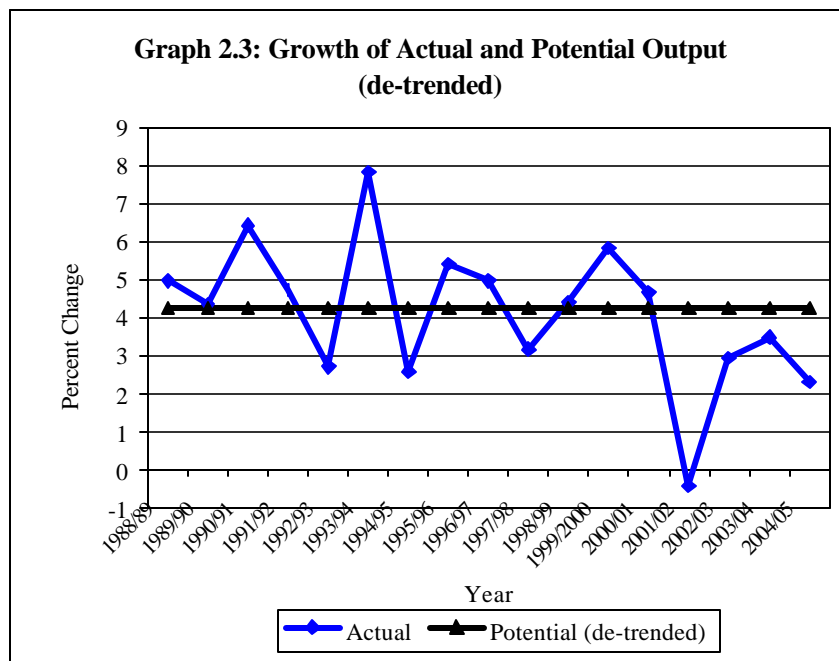
percent registered in 2003/04. A marginal improvement in mining and quarrying; manufacturing; and trade, restaurant and hotel sub-sectors contributed to this growth. The manufacturing sub-sector registered a growth of 2.6 percent in FY 2004/05 as compared to 1.7 percent in FY 2003/04. Despite a significant decline witnessed in garments and carpets, the manufacturing sector - especially in vegetable ghee, textiles and chemical products which accounted for about one-third output of this sector - grew by 5.6 percent. The service sector reported a growth of 2.4 percent in FY2004/05 as compared to 4.8 percent in FY 2003/04. Despite impressive performance observed in transport, communication and storage, finance and real estate, and community and social services, a significant decline in trade, restaurant and hotel sub-sector, largely contributed to slow down in the growth of this sector.

3. Saving and investment have remained stable over last few years. The rate of domestic savings was registered at 12.58 percent of GDP in FY 2004/05 as compared to being 12.56 percent of GDP in FY 2003/04. Likewise the rate of investment was 25.72 percent of GDP in FY 2004/05 as compared to being 26.37 percent in FY 2003/04.



8 A Glimpse of Nepal's Macroeconomic Situation

4. Potential output estimate provides the aggregate supply capacity of the economy and indicates the possibility for non-inflationary growth. The level of potential output depends on the total factor productivity and the growth rates of physical capital and of the potential labor force. There are some widely used methods to measure a country's potential output such as statistical de-trending methods and theory based economic approach. In Nepal, there has not been a credible estimate of potential output using the theoretical base, such as production function approach. However, using linear trend statistical method¹ it is calculated that an annual growth rate of 4.5 percent is expected based on the current level of output for Nepal.



$$^1 y = 11.3 + 0.045 t$$

(607.4) (42.5)

Adjusted R-Squared = 0.983; D-W = 1.26; Sample size 1975-2005. The number within the parenthesis represents t-statistics, y is the log of real Gross Domestic Product at Factor cost (1994/95 prices); t is time trend

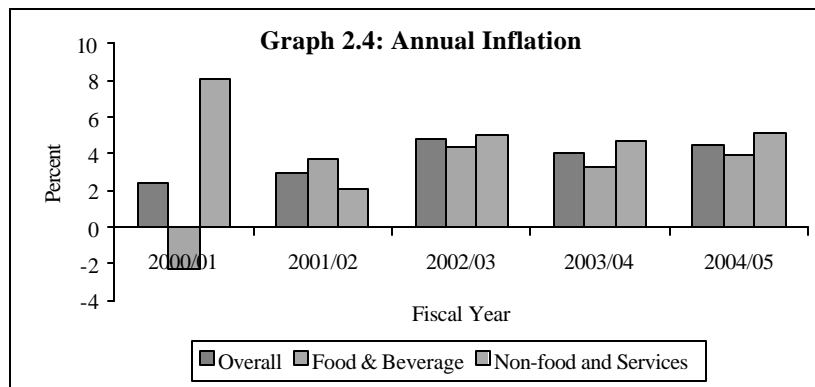
II.2 Price Situation

1. The level of five year average inflation, using the National Urban Consumer Price Index (1995/96=100), depicted a rise of 3.7 percent. Year wise, the rise of such inflation had registered a growth of 2.4 percent, 2.9 percent, 4.8 percent, 4.0 percent and 4.5 percent in the FY 2000/01, 2001/02, 2002/03, 2003/04 and 2004/05, respectively.

Table 2.2: National Urban Consumer Price Index (1995/96 = 100)

Groups & sub-groups	Weight %	Fiscal Year				
		2000/01	2001/02	2002/03	2003/04	2004/05
1. Overall Index	100.00	138.1	142.1	148.9	154.8	161.8
1.1 Food & Beverages	53.20	133.0	137.9	144.0	148.8	154.7
1.2 Non-food & Services	46.80	144.2	147.2	154.6	161.8	170.1
Groups & sub-groups	Weight %	Inflation				
		2000/01	2001/02	2002/03	2003/04	2004/05
1. Overall Index	100.00	2.4	2.9	4.8	4.0	4.5
1.1 Food & Beverages	53.20	-2.3	3.7	4.4	3.3	4.0
1.2 Non-food & Services	46.80	8.1	2.1	5.0	4.7	5.1

Groupwise, on a five year average basis, the food and beverages group increased by 2.6 percent whereas, the index of non-food and services group increased with a higher rate of 5.0 percent, due to the high pressure of imported inflation i.e. mainly the prices of petroleum products. The prices of petroleum products were increased 14 times during this five years period.



10 A Glimpse of Nepal's Macroeconomic Situation

2. There had been varied price developments during FY 2004/05

Consumer Price Index (CPI): As measured by the national urban consumer price index (1995/96 = 100), the annual average inflation rate during FY 2004/05 registered a rise of 4.5 percent compared to an increase of 4.0 percent in FY 2003/04. This rise is mainly attributable to an upward revision in February 2005 of petroleum prices by 36 percent and an increase of VAT rate from 10 percent to 13 percent. The rise in the prices of petroleum products escalated the price indices of transport and communication, housing goods and services sub-groups. The sharp rise in the price of grains and cereal products resulting from the rise in the prices of rice and rice products also pushed up the overall price index.

In the review year, the index of food and beverages group increased by 4.0 percent compared to an increase of 3.3 percent in FY 2003/04. The rise in the prices of grains and cereal products, vegetables and fruits, restaurant meals, meat, fish and eggs, pulses as well as sugar and related products pushed up the price index of this group.

The index of non-food and services group increased by 5.1 percent in 2004/05 compared to an increase of 4.7 percent during the preceding year. The sharp rise in the price index of this group is mainly attributable to the rise in the prices of petroleum products, which exerted an upward pressure in the price of housing goods and services as well as transport and communication sub-groups.

Wholesale Price Index (WPI): On an annual average basis, the national wholesale price index (1999/00=100) increased by a much higher rate of 7.3 percent during 2004/05 compared to a 4.1 percent increase in the previous year. The higher growth in the price index is mainly attributable to the sharp rise in the prices of food grains, cash crops, chemical fertilizer and chemical goods together with a sharp upward revision in the administered prices of petroleum products.

In FY 2004/05, the index of agricultural commodities group increased by 2.8 folds to 5.9 percent compared to that of a 2.1 percent increase during the previous year. Such growth is mainly attributable

**Table 2.3: National Wholesale Price Index
(By Groups and Sub-groups of Commodities)
(Base Year 1999/2000 = 100)**

Groups and Sub-groups	Weight %	Fiscal Year				
		2000/01	2001/02	2002/03	2003/04	2004/05
<i>Overall Index</i>	100.0	101.4	106.4	110.4	114.9	123.3
Agricultural Commodities	49.6	98.2	105.6	109.6	111.9	118.5
Domestic Manufactured Commodities	20.4	100.0	105.5	108.4	114.5	121.6
Imported Commodities	30.0	107.8	108.4	113.1	120.1	132.3
Groups and Sub-groups	Weight %	Percentage Change				
		2/1	3/2	4/3	5/4	
<i>Overall Index</i>	100.0	4.9	3.8	4.1	7.3	
Agricultural Commodities	49.6	7.6	3.8	2.1	5.9	
Domestic Manufactured Commodities	20.4	5.5	2.8	5.6	6.2	
Imported Commodities	30.0	0.6	4.3	6.2	10.1	

to the rise in the prices of cash crops and food grains due to the effect of unfavorable monsoon. Likewise, the index of domestic manufactured commodities group increased by 6.2 percent compared to a rise of 5.6 percent during the preceding year. The price index of this group is mainly attributable to the rise in the prices of construction materials. Finally, in the review year, the index of imported commodities group increased by 10.1 percent compared to an increase of 6.2 percent during the previous year. The sharp rise in the price index of petroleum products and coal as well as chemical fertilizers and chemical goods exerted an upward pressure in the price index of this group.

12 *A Glimpse of Nepal's Macroeconomic Situation*

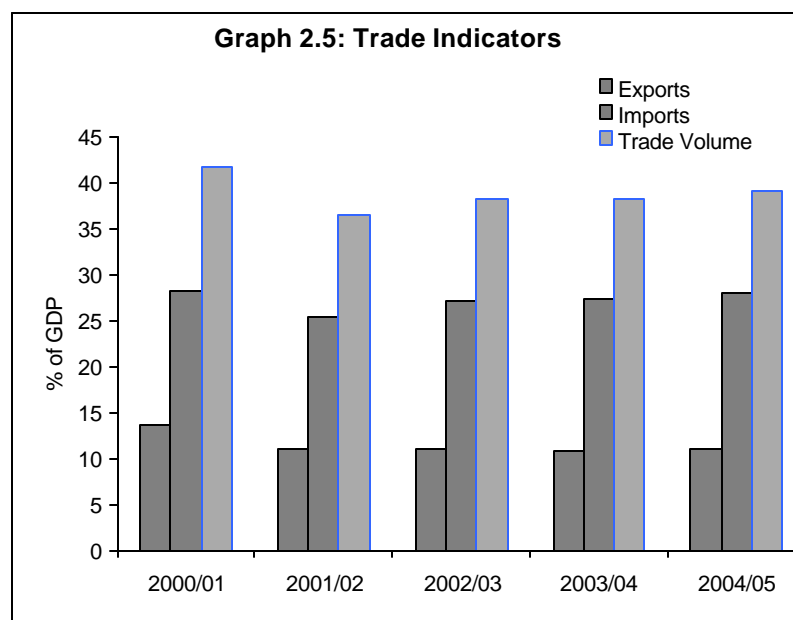
3. **Anti-inflationary Measures: Monetary, Fiscal, Exchange Rate Policies**

Over the past many years, Nepal has adopted fixed exchange rate regime with the Indian Currency (IC). During the mentioned period, Indian inflation has stood at a lower rate vis-à-vis Nepal. The impact of the imported commodities from India has a positive pressure on Nepalese CPI, as the most of the imported commodities are based on Indian market. The Nepal Rastra Bank has introduced and adopted some of the anti inflationary measures such as revision in the bank rate from 5.5 to 6.0 percent and 6.0 percent to 6.25 percent, mopped up the liquidity through open market operation and reducing the Standing Liquidity Facility (SLF) period from 5 days to 3 days. It is observed that all these measure has shown a positive impact on Nepalese inflation.

II.3 External Sector Situation

1. **Trends in Imports and Exports**

During the last five years, Nepal's trade sector has been displaying a mixed performance. On an annual basis, both exports and imports have shown positive growth rates except in FY 2001/02 when they declined by 19.0 percent and 10.9 percent, respectively. Moreover, the trade pattern depicts that trade is becoming more concentrated towards India, reflected by an increasing trend of both exports and imports towards that country. The share of exports of two principal commodities - readymade garments and woolen carpets - in total exports have fallen to 30.9 percent and 29.7 percent, respectively in FY 2004/05 from 44.3 percent and 29.0 percent in FY 2000/01. While the abolition of the multi-fibre arrangement (MFA) adversely affected the exports of readymade garments, static global demand and stiff competition from machine-made carpets have also led to the decline in the export of woolen carpets in recent years. Because of the higher rate of growth of imports in comparison to exports, trade deficit has also been taking an upward trend. India's share in Nepal's total trade deficit went up from 47.8 percent in FY 2000/01 to 54.8 percent in FY 2004/05. Likewise, the share of India in Nepal's total trade has increased from 47.1 percent in FY 2000/01 to 61.3 percent in FY 2004/05, while the share of other countries has declined from 52.9 percent in FY 2000/01 to 38.7 percent in FY 2004/05.



2. Trade openness shows the extent to which a country is open to international trade. It is generally calculated as the ratio of the sum of imports and exports to GDP. For Nepal, this statistic has not changed much between FY 2000/01 and FY 2004/05. After declining to 36.5 percent in FY 2001/02 from 41.7 percent in FY 2000/01, the ratio has been gradually increasing and reached 39.0 percent in 2004/05. A similar pattern can be noticed for the exports/GDP ratio and the imports/GDP ratio. While the exports/GDP ratio declined to 11.1 percent in FY 2001/02 from 13.5 percent in FY 2000/01 and stood at 11.0 percent in FY 2004/05, the imports/GDP ratio decreased to 25.4 percent in FY 2001/02 from 28.1 percent in FY 2000/01 and went up gradually to 28.0 percent in 2004/05 (Graph 2.5). Remittances to GDP ratio, on the other hand, rose to 12.3 percent in 2004/05 from 11.5 percent in FY 2000/01 (Graph 2.6).

3. On the basis of FY 2004/05 customs' data, total trade registered an increase of 12.1 percent to US\$ 2.9 billion compared to the growth

14 A Glimpse of Nepal's Macroeconomic Situation

of 15.0 percent in the previous year. Despite disruptions related to the insurgency and the abolition of textile quotas beginning January 1, 2005, total exports was augmented by a 11.5 percent growth to US\$ 814.7 million in FY 2004/05, due to booming exports to India. Exports had risen by 13.8 percent in the previous year. Exports to India soared by 29.5 percent in comparison to a rise of 22.8 percent in the previous year. The principal exports to India consisted of vegetable ghee, textiles, jute goods, chemicals and polyester yarn. However, exports to other countries posted a decline of 12.4 percent in FY 2004/05 as against an increase of 3.8 percent in the previous year primarily due to the fall in the exports of readymade garments, pashmina and pulses. There exists a geographic concentration of Nepal's exports, the top five major trading partners being India, the United States, Germany, the United Kingdom and France in 2004/05.

4. Total imports posted a growth of 12.3 percent to US\$ 2.1 billion in FY 2004/05 as compared to an increase of 15.5 percent in FY 2003/04. Imports from India, primarily consisting of industrial raw materials and petroleum products, rose by 15.3 percent as compared to a rise of 17.0 percent in the previous year. Imports from other countries, on the other hand, grew by 8.2 percent in FY 2004/05 as compared to an increase of 13.5 percent in the previous year. These imports comprised both manufactured goods and raw materials. Destination-wise, the major imports of Nepal came from India, China, Singapore, Indonesia and Saudi Arabia in FY 2004/05.

5. Trade deficit decelerated to 12.9 percent to US\$ 1.3 billion in FY 2004/05 as compared to a growth of 16.7 percent in the previous year. Trade deficit with India, on the other hand, went up by 6.2 percent compared to the growth of 13.6 percent in the previous year, trade deficit with other countries accelerated by 22.1 percent and 21.2 percent, respectively, in FY 2004/05 and FY 2003/04.

6. Trend in Balance of Payments

Nepal began compiling the balance of payments (BOP) statistics from 1974/75. Currently, it is following the 5th BOP Manual of the IMF. Although this Manual was introduced in 1993, it was only from May 2003 that the Nepal BOP statistics was published in conformity with the mentioned format.

7. The performance of the Nepalese BOP has also been mixed during the last five years. Except for a deficit in FY 2001/02, a surplus has been recorded in the BOP in the remaining years. Receipts from travel have been fluctuating due to the uncertain security conditions. Overall, the current account has been registering a surplus during the last five years primarily due to the growing remittance inflows.

8. During FY 2004/05, there was a surplus in the current account equivalent to US\$ 160.2 million. Travel receipts declined by 41.0 percent to US\$ 145.2 million due to the decline in the number of tourists. In FY 2004/05, tourist arrivals (by air) declined by 18 percent of which there was a 17 percent decline in the non-Indian segment and a 20 percent drop in the Indian segment. Political instability and other domestic incidences were detrimental for Nepalese tourism. Strong travel advisories were issued against Nepal by some of the major tourist generating countries.

9. The significant increase in workers' remittances by 14.6 percent was the primary factor which was attributed to the upsurge in the current account surplus. Under the capital account, on the other hand, capital transfers went up from US\$ 19.7 million in 2003/04 to US\$ 21.8 million in FY 2004/05.

10. Under the financial account, the trade credit assets increased by US\$ 4.5 million in FY 2004/05. The government drawings amounted to US\$ 100.7 million while amortization was recorded at US\$ 82.6 million. In the previous year, such drawing and amortization were recorded at US\$ 125.3 million and US\$ 78.1 million, respectively. Foreign currency and deposit liabilities decreased by US\$ 0.9 million in FY 2004/05. Based on the foregoing developments, an overall surplus of US\$ 79.7 million was recorded in the BOP in 2004/05. Out of this total figure, while a deficit of US\$ 328.2 million was recorded with India, a surplus of US\$ 407.9 million was registered with other countries.

11. On the financial account front, trade credit assets decreased by US\$ 11.2 million during the first half of FY 2005/06. Loan amounting to US\$ 31.3 million was received while repayment equivalent to US\$ 45.0 million was made, resulting in a net outflow of US\$ 13.7 million.

12. Foreign Exchange Reserves

16 A Glimpse of Nepal's Macroeconomic Situation

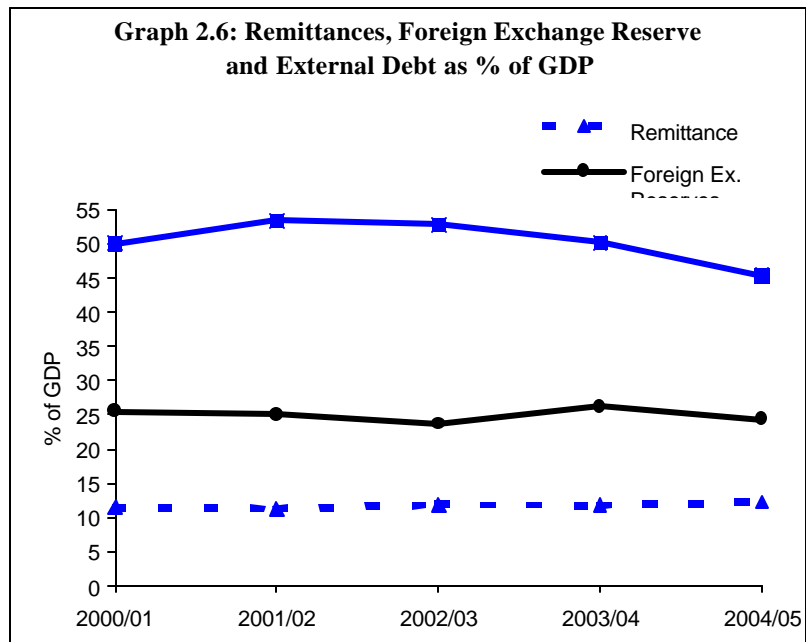
Analyzing the annual movements of the foreign exchange reserve for the last five years, the total reserves have been taking an upward path except, for a slight fall in FY 2001/02. While the convertible reserves have been consistently rising, there has been a decline in the inconvertible reserves except for FY 2003/04. Total foreign exchange reserves as ratio of GDP has been taking a fluctuating trend from 25.6 percent in FY 2000/01 to 24.3 percent in FY 2004/05 (Graph 2.6).

13. On a year-to-year basis, in mid-July 2005, the gross foreign exchange reserves rose by 5.1 percent to US\$ 1.85 billion from US\$ 1.76 billion in mid-July 2004. While the convertible currency reserve rose by 11.7 percent primarily owing to the rise in remittances through the banking channel, the Indian rupee reserves plummeted by 52.9 percent due to the increase in imports from India and the decline in travel receipts. The share of convertible reserves in the total reserves went up to 95.4 percent as at mid-July 2005 from 89.8 percent in the same point of time last year, resulting in the corresponding fall in the share of the Indian rupee reserves to 4.6 percent from 10.2 percent.

14. External Debt

Developing countries such as Nepal utilize external borrowing as a technique to address the gap between the government revenue and investment as well as to meet the export-import gap. This kind of borrowing adds to the total resources available to the government over a given period and enables the government to incur higher expenditure than would be otherwise possible. These resources can contribute to poverty alleviation and economic growth if properly employed.

15. The stock of outstanding medium and long-term external debt of the Nepalese government in mid-July 2005 stood at US\$ 3,122 million, a slight decline of 2 percent compared to the figure of US\$ 3,177 million in mid-July 2004. Of this amount, the share of multilateral debt was 87 percent and the remaining 13 percent consisted of bilateral debt. Moreover, the debt-to-GDP ratio, a measure that indicates the country's ability to pay back its debt, has gone down from 49.9 percent in 2000/01 to 45.3 percent in 2004/05 (Graph 2.6).



16. Exchange Rate

The Nepalese exchange rate policy is aimed at supporting the peg with the Indian rupee. The peg has enabled the domestic economy to benefit from its close economic ties with India. These ties include extensive trade links, free labor mobility through porous borders, and formal business links and informal family relations. Importantly, the peg abolishes exchange rate risk in the large volume of current and capital account transactions with India. It is felt that the peg provides credibility to policy by importing stable monetary conditions from India. The rupee appreciated by 5.4 percent against the US dollar in mid-July 2005 compared to the corresponding period of the previous year.

17. Foreign Direct Investment (FDI)

In Nepal, figures of FDI are generally based on figures of approved FDI provided by the Department of Industry, HMG. In FY 2004/05, the approved FDI was US\$ 12.2 million. However, it is believed that the actual disbursement of FDI in Nepal is lower than the approvals. Further, the share of India in total FDI was 25.5 percent

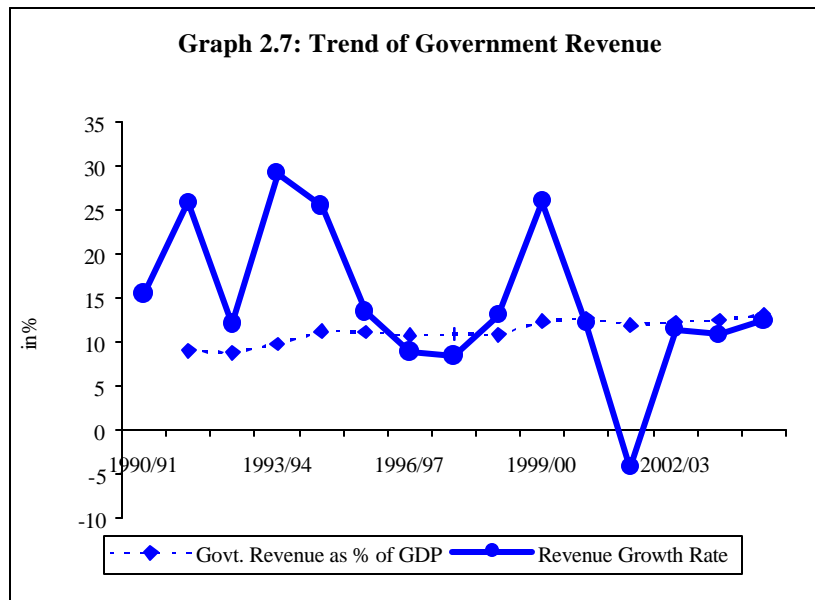
18 A Glimpse of Nepal's Macroeconomic Situation

while the share of other countries was 74.5 percent in FY 2004/05. These statistics suggest that FDI is largely concentrated in the manufacturing sector with its share being 37.8 percent, followed by transport and communication with 24.2 percent and service industries with 20.4 percent.

II.4 Public Finance

1. Revenue Trend

In the 15-year period from 1990 to 2005, government revenue reported an increasing trend, but with the fluctuating growth rate. During the period, the government revenue grew at an average of 14.7 percent with the highest growth rate of 29.3 percent in FY 1993/94 and the lowest of negative 4.2 percent in FY 2001/02. In most of the review years, revenue recorded a double-digit growth rate – e.g. revenue had increased by 11.5 percent, 10.9 percent and 12.5 percent respectively during the last three fiscal years. While the snail-pace growth of the economy is one major reason for low growth of revenue mobilization, the deceleration in tax revenue especially customs revenue is the other.



2. Comparison of 1991 and 2005

In 1990/91, the government revenue mobilization stood at Rs. 10.7 billion, amongst which Rs 8.2 billion (76.2 percent) was mobilized from tax revenue sources. The remaining Rs 2.5 billion (23.8 percent) were collected from non-tax sources such as fees, fines, interest, dividends and principal repayments. Regarding the composition of tax revenue, the indirect tax contributed 84.3 percent and the direct tax contributed 15.7 percent. Regarding the contribution of individual taxes, revenue from customs duty comprised of 37.2 percent total tax revenue followed by sales tax (24 percent), tax from excise duty (14.7) percent and other indirect taxes (24.1 percent). If sales tax, contract tax and hotel tax (these were later replaced by Value Added Tax (VAT)) are combined together, the combined share of these taxes will be 53 percent. In FY 2004/05, the government revenue increased to Rs 70.1 billion, with the contribution of tax revenue being 77.2 percent. The share of revenue from non-tax sources decreased to 22.8 percent. In the review year, the share of indirect tax and direct tax on tax revenue stood at 77.3 and 22.7 respectively. The contribution of VAT was the largest for tax revenue in 2004/05. While VAT revenue contributed 34.9 percent of the total revenue, the contribution of customs revenue, excise revenue and income tax was 29 percent, 11.9 percent and 19.3 percent respectively.

3. Composition of Revenue

In Nepal the major source of government revenue is the tax revenue, as it contributes around 77 percent of total revenue mobilization. The remaining 23 percent is mobilized from non-tax revenue sources such as fees, fines, royalties and others. On the tax revenue, almost 76.0 percent comes from the sources of indirect tax and the remaining 24.0 percent from direct tax sources. While the components of direct tax include, personal income tax, corporate income tax, house and land registration tax and property tax; the components of indirect tax are customs duty, VAT and the excise duty. The non- tax revenue of the government comprises government receipts from duties and fees, fines and forfeiture, public utilities, dividends, interest, royalty, principal repayments and miscellaneous income.

20 A Glimpse of Nepal's Macroeconomic Situation

4. On the tax-composition by individual taxes, Customs and VAT are the two major sources of tax revenue in Nepal. Of the total revenue mobilization in the last six years, the revenue from customs duty and VAT each constituted about 32.0 percent of the total tax revenue. Income tax, which is a major source of direct tax in Nepal, contributed 20.0 percent of the total tax revenue in the period. While the customs revenue used to be the highest contributor of tax revenue, in FY 2004/05 the share of VAT revenue on tax revenue exceeded the share of customs revenue by around 6 percent. In FY 2004/05, the share of revenue from customs duty and VAT stood at 29 percent and 34.9 percent of the tax revenue. The share of income tax in the tax revenue stood at 14.9 percent in FY 2004/05.

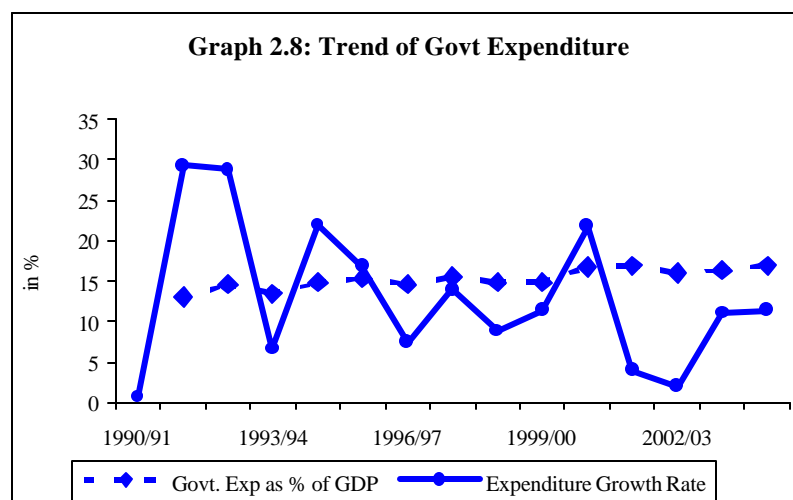
5. Rationalization of Tax Structure

The role of revenue is crucial for the overall development of the country. In this context, the Nepalese government needs to develop a sustainable broad based source of revenue. Since more than 80 percent of the total revenue is collected from the tax source, efficient tax system has to be developed and strengthened. In recent years, the government has taken several measures to reduce tax-induced distortions, strengthening tax administration, simplifying tax laws and procedures to make them more transparent. With an aim to broaden the tax base the government enacted new Income Tax Act in 2002. This Tax Act brought all sources of income – from employment, business and investment – under the tax net and helped maintain neutrality of taxation in various income generating activities. The Customs Act was amended to make the Nepalese system compatible with the WTO valuation system, broaden the tax base and mobilize additional revenues by curtailing wide range of exemptions. In 1997, the government introduced VAT aiming to develop it as the backbone of Nepalese Revenue.

6. Trend of Government Expenditure

Government expenditure depicted an increasing trend, with varying growth rates between 0.7 percent to 29 percent in the period of 1990 and 2005. During the review period, government expenditure increased at an average of 12.3 percent. Government expenditure increased at the lowest rate (of the review period) of 0.68 percent in FY 1990/91 and at the highest rate (of the review period) of 29.3

percent in FY 1991/92, where it increased by a higher rate of 29.3 percent. In the last couple of years the growth in expenditure has remained relatively at the lower level mainly due to increased insecurity in the country that has adversely hit the development efforts of the Government. In 2002/03 the expenditure growth rate was just 2 percent.



7. In FY 1990/91, the total government expenditure was Rs 15.1 billion, among which the share of regular expenditure and development expenditure were 50.6 percent and 49.4 percent respectively. In FY 2004/05, the total government expenditure increased to Rs. 90.4 billion. The share of recurrent expenditure combined with principal repayments (previously known as regular expenditure) and capital expenditure (previously known as development expenditure) were 81.8 percent and 18.2 percent respectively.

8. Composition of Government Expenditure

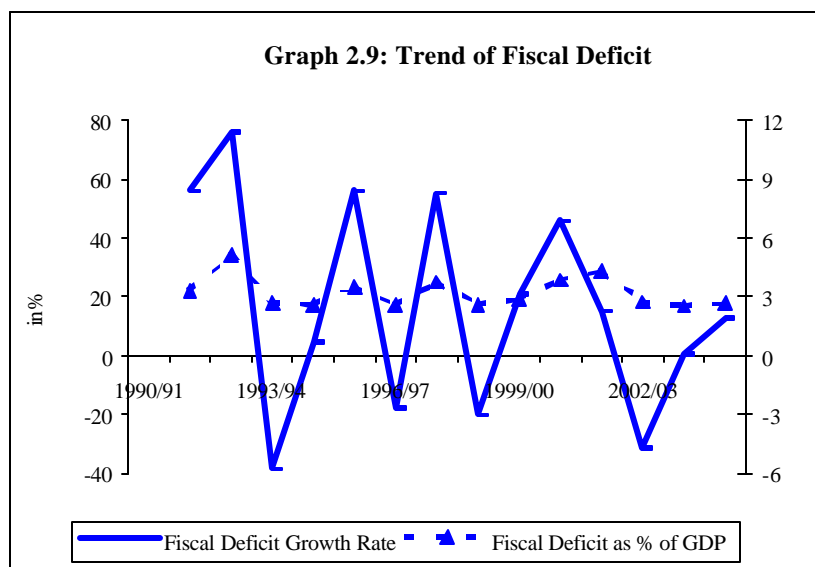
Prior to FY 2004/05, government expenditure used to include two types of expenditure – regular and development. However, FY 2004/05 onwards, the Nepalese government started following international practice of expenditure classification and reclassified the government expenditure into recurrent expenditure, capital expenditure and principal repayment. Before the introduction of new

22 A Glimpse of Nepal's Macroeconomic Situation

classification, principal repayment used to be a part of regular expenditure. The trend analysis of composition of expenditure in the last fifteen years reveals that there has been an overturn in the proportion of regular and capital expenditure. In FY 1989/90 the share of regular expenditure on total expenditure was 45 percent and that of development expenditure was 55 percent. Now, the share of recurrent expenditure (including the principal payments) in the total expenditure has increased to 81.8 percent, while the share of capital (development) expenditure has reduced to just 18.2 percent. One major reason for the heavy increase in the share of regular expenditure is the significant increase in security expenses as well as increase in salary and allowances, followed by a heavy decrease in capital expenditure, because of internal conflict in the country

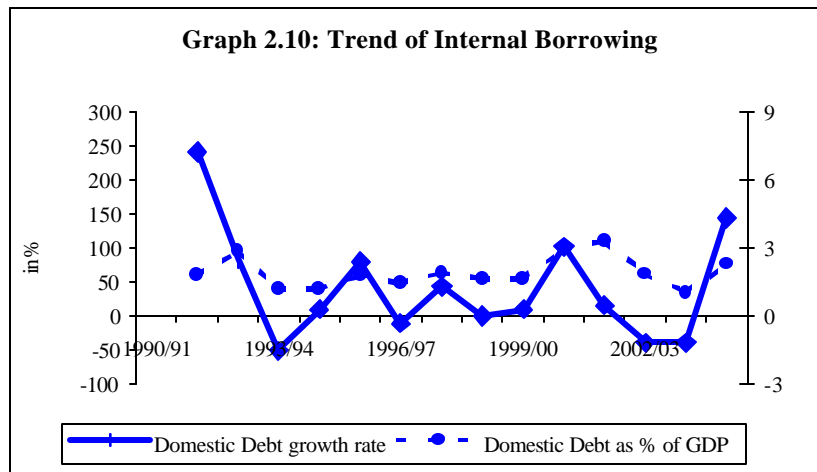
9. Trend of Budget Imbalances

Nepal has always experienced budget deficit, and the annual average growth of budget deficit in the last fifteen-year period stood at 14.9 percent. The growth of the budget deficit varied from negative 38.4 percent in FY 1993/94 to a spurt of 56.1 percent during FY 2004/05. The budget deficit increased to 12.9 percent in 2004/05 from the growth of 0.7 percent in the previous year.



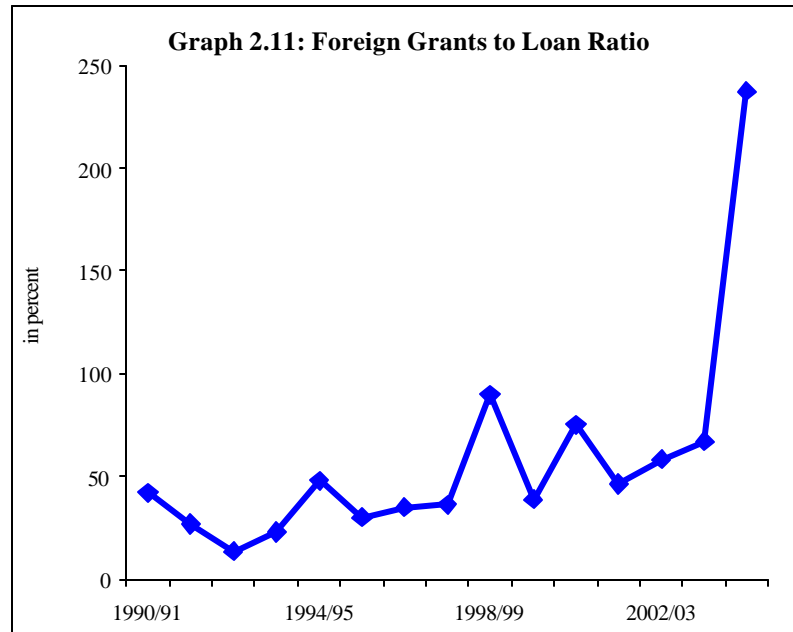
10. Domestic Debt Stock

In FY 1990/91, total outstanding domestic debt of HMG increased by 42.1 percent to Rs. 20.9 billion compared to the previous year. In FY 1995/96, FY 2000/01 and FY 2004/05 outstanding domestic debt stood at Rs 34.1 billion, Rs. 60.0 billion and Rs. 87.6 billion respectively.



11. Foreign cash grant depicted a fluctuating trend in FY 2004/05. In 1990/91 foreign cash grant was Rs 1.0 billion which had declined to Rs. 625.0 million and Rs. 520.6 million in FY 1991/92 and FY 1992/93 respectively, but it climbed to Rs 706.5 million and Rs. 1.5 billion in FY 1993/94 and FY 1994/95 respectively. It caught a declining trend up to FY 1996/97 and again increased up to FY 1998/99. In FY 2000/01, the received foreign cash grant amounted to Rs 2.85 billion; this had increased drastically to Rs 5.2 billion in FY 2004/05.

24 A Glimpse of Nepal's Macroeconomic Situation



12. Foreign loan reported a fluctuating trend in the review period. In FY 1990/91, the amount of foreign loan was of Rs. 2.41 billion. It increased to Rs 4.3 billion and Rs 3.8 billion in FY 1995/96 and FY 2000/01 respectively. In FY 2003/04 it increased drastically to Rs 7.7 billion due mainly to the loan receipts on the Poverty Reduction Growth Facility (PRGF) heading. However in FY 2004/05 it declined by 71.3 percent to Rs 2.2 billion. During the last fifteen-year period the foreign cash loan recorded an annual average increment of 13.52 percent

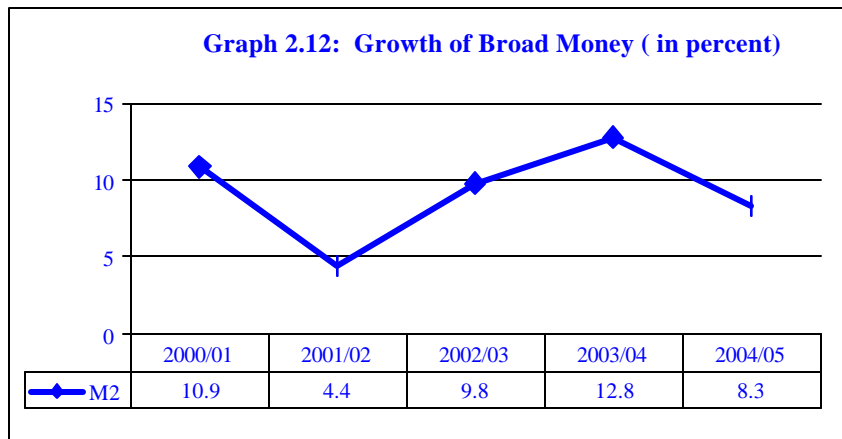
13. Tax buoyancy calculated on the basis of figures of revenue and gross domestic product for the fifteen-year period from 1990 to 2005 was calculated as 1.268.

II.5 Monetary Situation

1. Broad money (M_2) witnessed a fluctuating trend over the past few years

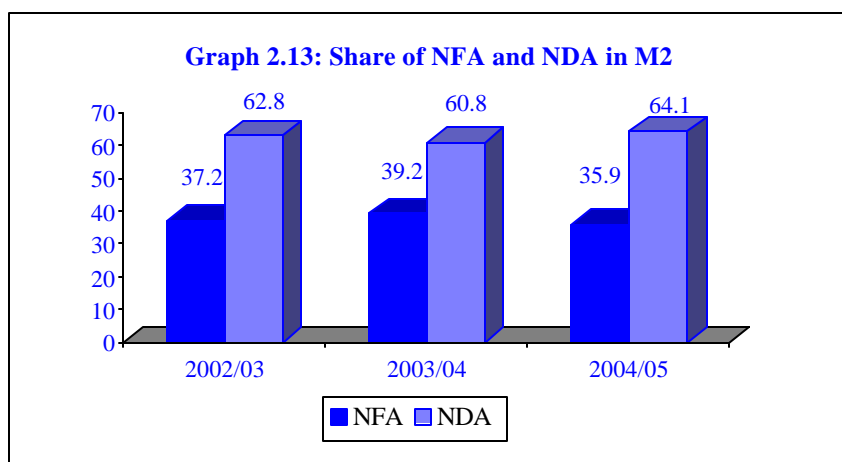
M_2 had decelerated to 4.4 percent in FY 2001/02 from a growth of 10.9 percent in FY 2000/01 and accelerated to a higher growth of

9.8 and 12.8 percent in FY 2002/03 and FY 2003/04 respectively. The growth of M_2 , however, decelerated to 8.3 percent in 2004/05 due



mainly to slow down in the growth of net foreign assets (NFA). NFA, after adjusting foreign exchange gain/loss, increased by a lower rate of Graph 2.12 5.3 percent (Rs. 5.7 billion) in FY 2004/05 compared to a growth of 17.5 percent (Rs. 16.0 billion) in FY 2003/04.

2. M_2 /GDP has been continuously increasing over the years reflected in financial deepening of the economy. M_2 /GDP ratio was 53.8 percent in FY 2002/03, which increased to 55.8 percent in 2003/04 and 56.3 percent in FY 2004/05



26 *A Glimpse of Nepal's Macroeconomic Situation*

3. The share of NFA in M2 declined to 35.9 percent in 2004/05 from 39.2 percent a year ago.
4. Time deposits, a component of M_2 , witnessed a deceleration in FY 2004/05 due mainly to slow economic growth. However, it showed a growing tendency in the first half of FY 2005/06 because of growing remittance inflows. The ratio of time deposit to M_2 has been increasing, implying the availability of long-term loanable fund in the banking system. Such ratio had stood at 66.6 percent in FY 2004/05. In terms of GDP, time deposits also registered an increasing trend. It stood at 37.5 percent of GDP in FY 2004/05 increased from 36.9 percent in FY 2003/04.
5. **Domestic credit** increased by 13.8 percent in FY 2004/05 compared to a growth of 9.9 percent in the previous fiscal year. Most of the components of domestic credit witnessed acceleration in FY 2004/05, except the claims on financial institutions. Net claims on government, claims on non-financial government enterprises and claims on financial enterprises declined in the first half of FY 2005/06. The private sector credit growth remained at 14.2 percent in FY 2004/05 almost at the previous fiscal year's level.
6. As regards the structure of the domestic credit, the credit flow to the private sector occupied the highest share with an increasing trend. In FY 2003/04, private sector credit shared 70.1 percent of domestic credit, which increased marginally to 70.3 percent. In the composition of the domestic credit, net claims on government follow the private sector credit. Claims on non-financial government enterprises remained the least after the claims on financial institutions in the domestic credit.
7. Growth in **reserve money (RM)** decelerated from 16.6 percent in FY 2003/04 to 2.2 percent in FY 2004/05 reflecting a deceleration in both NFA and NDA of the NRB. Commercial banks also maintained a lower level of deposit with NRB in FY 2004/05 owing to cut in cash reserve ratio (CRR) from 6 percent to 5 percent.
8. The **money multiplier** (the ratio of M_2 to RM) rose from 2.934 as at mid-Jul 2004 to 3.112 as at mid-Jul 2005. A cut in CRR at the beginning of FY 2004/05 contributed to rise in money multiplier during that FY. With regard to income velocity of money, it has been declining gradually over the past years. Income velocity of broad

money stood at 1.85 in FY 2004/05 compared to 1.90 a year ago. Such a decline in velocity was due to a slower economic growth on one hand and the financial deepening on the other.

9. Interest rate structure in Nepal shows the declining trend over the past years. Both short – term and long-term interest rates exhibit the downward trend due mainly to sluggish aggregate demand and accommodative monetary policy which had been followed in the past years. For example, annual weighted average 91-day treasury bills rate declined to 2.46 percent in FY 2004/05 from 2.93 percent in FY 2003/04. However, one year fixed deposit rate remained stable at 2.25 to 5.0 percent.

10. Non-Performing Assets (NPA) of the commercial banks declined to 18.7 percent in 2004/05 from 22.7 percent in 2003/04. However, NPA in two public sector commercial banks still remained as high as 50 percent in 2004/05, though it has been gradually declining. By excluding these two banks, NPA of the remaining banks stood at just 5.5 percent of total loans in 2004/05.

II.6 Financial Sector and Some Structural Changes

1. A Brief Review on Nepalese Financial Sector

Within a period of two and half decades, the Nepalese financial system has grown significantly - both in terms of business volume and the size of assets and market. This period saw a number of financial institutions coming into existence with varied nature of operations and offering a wide range of financial services. Since the second half of the 1980s, significant achievements have been made in the Nepalese financial system. The primary objective of initiating different reform measures was to enhance efficiency in financial services. In Mid-July 2005, the Nepalese financial sector comprised 17 commercial banks, 34 development banks (including 5 rural development banks), 59 finance companies, 19 cooperatives (those carrying limited banking activities upon the approval of NRB) and 47 non-government organizations (carrying limited banking activities) and some other non-bank financial institutions. The other non-deposit taking financial institutions include 18 insurance companies, one Employee Provident Fund, one Citizen Investment Trust, one Deposit Insurance and Credit Guarantee Corporation, one Nepal Stock Exchange Limited, one Credit Information Bureau, 116 postal saving offices and one Rural

28 A Glimpse of Nepal's Macroeconomic Situation

Self-Reliance Fund. Commercial banks, development banks, finance companies and cooperatives and non-government organizations licensed to carry out limited banking businesses come under the regulatory and supervisory jurisdiction of the NRB. The institutional presence of deposit-taking financial institutions over the period is depicted in table 2.4.

Table 2.4: Banks and Financial Institutions Licensed by Nepal Rastra Bank

Mid July	Commercial Banks	Development Banks	Finance Companies	Cooperatives*	Non-Governmental Organizations*	Total
1995	10	6	22	7	8	53
1996	10	7	34	11	21	83
1997	11	7	42	16	29	105
1998	11	7	44	22	34	118
1999	13	12	44	35	30	134
2000	13	13	46	35	7	114
2001	15	17	48	34	15	129
2002	16	21	54	34	25	150
2003	17	22	57	34	40	170
2004	17	25	59	21	44	166
2005	17	34	59	20	47	177

*Allowed for a Limited Banking Operation

** Figure of Mid- January 2006.

Source: Nepal Rastra Bank, Bank and Financial Institutions Regulation Department.

2. Market share and structure of Banks/Non-banks - Like most of the developing countries, Nepal has a special characteristic of bank-dominated financial system. As the domestic capital and stock markets are at the initial stage of development; the banking system largely dominates the entire financial sector. The share of assets of financial institutions is grouped as shown in table No 2.5.

Table 2.5: Total Assets of NRB regulated Nepalese Financial Sector

Banks and financial Institutions (Mid- July 2005)	Total Assets (Rs in Million)	Percent
Commercial Banks	411240.6	86.7%
Development Banks	23242.0	4.9%
Finance Companies	30356.9	6.4%
Micro-credit Development Banks	6166.2	1.3%
Others(Cooperatives and NGOs)	3320.3	0.7%
Total	474326.0	100.0%

Source: Nepal Rastra Bank, BFI Regulation Dept.

The above table depicts that commercial banks have a leading shares in total assets/liabilities and branch network in the financial sector. Though Nepalese financial system is reasonably diversified with institutional arrangement of varied nature of financial institutions, commercial banks are the major players in the system and they occupy substantial share in the structure of the financial sector.

As of mid-July 2005, total assets of NRB regulated financial sector amounted to Rs. 474.3 billion. Commercial banks comprised the largest share of 86.7 percent, followed by finance companies (6.4 percent); development banks (4.9 percent) and others (2.0 percent). Total assets of commercial banks alone accounted for more than two-third of the system's total assets. Therefore, Nepalese financial system is basically dominated by the banking system particularly from the commercial banks. The deposit-taking banks and financial institutions in Nepal comprise of commercial banks, development banks, finance companies, cooperative (with limited banking) and non-government organizations (carrying with limited banking), all licensed by the NRB. Some key indicators of these banks and financial institutions are presented in the following table.

Table 2.6: Market Shares of Deposit-Taking Banks and Financial Institutions

(Figures in Percentage)

Financial Institutions (Mid-July 2005)	Total Assets	Total Deposit	Total Credit	Total Investment	Liquid Fund
Commercial Banks	86.7%	88.8%	78.3%	90.5%	83.8%
Development Banks	4.9%	2.4%	9.2%	3.0%	4.9%
Finance Companies	6.4%	7.9%	10.2%	3.6%	8.5%
Micro-credit Development Banks	1.3%	0.3%	1.6%	2.3%	1.5%
Others (Cooperatives and NGOs)	0.7%	0.6%	0.7%	0.6%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Nepal Rastra Bank, BFI Regulation Dept..

The figure for asset composition of Mid-July 2005 point to commercial banks dominating the sector in terms of deposit, loan and advances, investment and liquid funds as well. Of the total deposit liabilities, commercial banks shared 88.8 percent followed by finance companies (7.9 percent); development banks (2.4 percent) and others (0.9 percent). In the structure of the total outstanding credit of all deposit-taking banks and financial institutions, the share of commercial banks alone is 78.3 percent whereas finance companies, development banks, micro-credit development banks and others share 10.2, 9.2, 1.7 percent and 0.7 percent respectively. Similarly, commercial banks are found to be the leading financial intermediaries in terms of both investment and liquid funds. Of the total investment of Nepalese financial sector, commercial banks share 90.5 percent of the total followed by finance companies (3.6 percent, development banks (3.0 percent), micro-credit banks (2.3 percent) and others (0.6 percent). Likewise, commercial banks depict the highest share of liquid funds occupying 83.8 percent of the total liquidity funds of the sector, followed by finance companies (8.5 percent, development banks (4.9 percent), micro-credit banks (1.5 percent) and others (1.3 percent). From the above table, it can be thus concluded that commercial banks are the largest financial intermediaries in the Nepalese financial market.

3. Financial Sector Reform

A competitive, efficient and healthy financial system is vital for enhancing growth, efficiency and maintaining stability of the overall economy. Although Nepalese financial system is getting widened

today as compared to that of few years ago, some of the issues and challenges still need to be addressed. A study conducted by the World Bank has revealed a number of serious issues and challenges in the Nepalese financial system. Excessive government involvement in the banking sector, weak corporate governance and organizational culture, poor lending practices, fragmented legal framework, weak central bank, inadequate disclosure, accounting and auditing standards, high level of non-performing loans and political intervention are some of the major challenges particularly associated with the Nepalese banking system. An urgent need of undertaking important measures to strengthen and deepen the financial system was realized. Under the loan assistance of the World Bank and grant assistance of the Department for International Development (DFID, UK), Financial Sector Technical Assistance Project has been implemented since 1998. It was felt that the government and the central bank need to reorient their activities from being active participants in the financial sector and should proceed towards being a stronger regulator and supervisor of the overall financial system. Under the Financial Sector Technical Assistance Program, the banking sector reform strategy has incorporated the following aspects.

- Initiate strong corporate governance by ensuring that banks are owned and managed by private investors and professionals by implying the progressive withdrawal of HMG/N from the ownership of all financial institutions and also refraining from promoting financial institutions primarily with the equity participation of the government or government owned institutions.
- Enhance the authority and the ability of the NRB for effective supervision of banks and non-bank financial institutions and enforce regulations as well as move towards increased autonomy of the central bank.
- Improve the existing legal and judicial processes for enforcing financial contracts.
- Improving auditing and accountancy standards within the banking sector.
- Promote financial discipline through adequate disclosure and competition.

III

Macroeconomic Stability

1. The country's economic trend has been portrayed in the last chapter. This chapter provides perspective of short-term macroeconomic trends and stability in regard to fiscal (e.g. fiscal deficit, government domestic borrowing; tax revenue), inflation and external (e.g. exchange rate: nominal and real; export growth; remittance inflow, BOP and international reserves; external debt) statistics. It is assumed that all these evidences indicate the direction of national output. The snapshots of these are provided below.

	Subject	Fiscal Year (first seven months)	
		2004/05	2005/06
1	Fiscal deficit (as % of total government expenditure)	0.9%	0.4%
2	Government revenue (growth)	13.1%	2.9%
3	Outstanding Government domestic borrowing at the end of 2004/05 (as % GDP)	16.02%	NA
4	Outstanding external debt at the end of 2004/05 (as % of GDP)	41.37	NA
5	Money supply growth (M_2)	4.0%	7.3%
6	Inflation (headline at mid-December 2005)	5.7%	5.8%
7	Nominal cumulative exchange rate (vis-à-vis USD)	-2.5%	2.1%
8	Merchandise export growth	5.5%	12.2%
9	International reserves (Merchandise import capacity equivalent months.)	11.2 months	9.8 months

Source: *Nepal Rastra Bank*

2. Stabilization has to be taken in context of the domestic conflict situation in the country, which had been mentioned earlier.

3. In this regard, the country is pursuing macroeconomic stability characterized by the aim for reasonable fiscal deficit, stable inflation and strong external position.
4. Minimizing the fiscal deficit (total expenditure less non-debt resources) is essential for attaining macroeconomic stability. During the first seven months of FY 2005/06 the fiscal deficit stood at 0.4 percent of total government expenditure compared to 0.9 percent in the previous year. In the first seven months of FY 2005/06, total government expenditure (on cash basis) witnessed a growth of 16.5 percent compared to moderate growth of 6.6 percent last year. Pressure on recurrent expenditure contributed to such a large surge in total government expenditure.
5. The major factor leading to growth in fiscal deficit is the domestic insurgency. This has increased total expenditure as well as changed their composition, and as reduced the growth rate of tax revenue.
6. As mentioned earlier, government expenditure has been expansionary. However, there has been a change in the composition. The share of capital expenditure (including freeze account) in total government expenditure increased to 18.00 percent in the first seven months of FY 2005/06 compared to 14.4 percent in the corresponding period of FY 2004/05. Conversely, the share of the current expenditure (including principal repayment) in total government expenditure declined to 82.0 percent in the review period from 85.6 percent last year.
7. Government revenue increased by a lower rate of 2.9 percent to Rs 35.8 billion during the first seven months of FY 2005/06 as compared to a higher growth rate of 13.1 percent in the same period of the previous fiscal year. The major factors for low growth rate of revenue mobilization were mainly attributed to low economic growth rate, industrial sluggishness, increase in import of industrial raw material and consumer goods attracting lower customs duty.
8. The growing fiscal deficit of the Nepalese government is largely financed by public debt, both internal and external. The government mobilized additional internal public debt in the first seven months of FY 2005/06, by borrowing in the domestic market through issue of Rs 3.1 billion in treasury bills. In the corresponding period of the previous fiscal year the government had been able to mobilize Rs 2.2

34 *A Glimpse of Nepal's Macroeconomic Situation*

billion worth of domestic borrowings. Similarly, government mobilized foreign loans amounting to Rs 2.4 billion in the first seven months of the current fiscal year as compared to Rs 1.2 billion in the corresponding period of the previous fiscal year.

9. This fiscal year monetary policy has the primary objective of price stability and the secondary objective of maintaining a reasonable balance of payments surplus. NRB formulates its monetary policy at the start of each fiscal year as per the NRB Act 2002. Accordingly, NRB had announced the monetary policy for 2005/06 on July 22, 2005. As such, broad money was targeted in order to maintain the inflation at about 5 percent with a BOP surplus of Rs. 4.5 billion. On the background of sluggish economic activities on the one hand, and rising inflationary pressures due to elevated international oil price on the other hand, NRB has adopted the cautious monetary policy stance for 2005/06 by increasing bank rate from 5.5 percent to 6.0 percent. Moreover, the pegged exchange rate regime with Indian currency is taken as nominal anchor.

10. The effect of macroeconomic stability may also be reflected in domestic inflation. Inflation in Nepal is captured in three ways: Headline inflation, core inflation and national wholesale price index. For example, headline inflation based on the National Urban Consumer Price Index (1995/96 = 100), on a year to year basis, increased at a higher rate of 5.8 percent in the first seven months of FY 2005/06 as compared to an increase of 5.7 percent during the same period in the preceding fiscal year. Likewise, the year on year increase in core inflation was 3.9 percent in the first seven months of FY 2005/06 compared to an increase of 4.0 percent in the same period in the preceding fiscal year. Finally National Wholesale Price Index (1999/00 = 100) in the first seven months of FY 2005/06 registered a rise of 6.5 percent on a point-to-point basis; such index had increased by 7.2 percent during the corresponding period in the preceding fiscal year. Though inflation rate remained low in the first seven months of FY 2005/06 compared to that of the previous months, owing to base effects, pressure on price remained high. For example, the average growth rate of the price index from mid-March 2005 to Mid-February 2006 stood at 7.0 percent. Such growth rate was 2.9 percent in the same period in the previous year. The increases were attributed

to sharp upward revision in prices of petroleum products, together with sharp rise in the price of rice and rice related products.

11. The nominal exchange rate vis-à-vis Indian Currency (IC) had been stable, however exchange rate vis-à-vis other currencies simply a reflection of IC movement vis-à-vis other currencies. Since the exchange rate movement of the Nepalese currency is driven by the Indian currency, the bilateral real exchange rate with India is examined. Over the years there has not been a significant misalignment as inflation rates have been similar, however, recent analysis suggest that inflation rates of both countries are likely to diverge suggesting that at the fixed exchange rate the NC vis-à-vis IC will become over valued [Analysis of Indian and Nepalese inflation (Indian Budget 2006/7): Impact on Nepalese Financial Sector].

12. The stability of the exchange rate led to a strong external position despite the current domestic conflict situation. The overall BOP posted a surplus of Rs. 13.0 billion in the first seven months of FY 2005/06 compared to a surplus of Rs. 5.7 billion in the corresponding period in the previous fiscal year. This position is largely attributed to strong remittance inflows, despite a deficit in the current account. Healthy external accounts led to healthy gross foreign exchange reserve position which rose by 10.7 percent in the first seven months of FY 2005/06 as against an increase of just 0.4 percent in the corresponding period of the previous fiscal year. The current level of reserves is sufficient to finance merchandise imports of 9.8 months and merchandise and service imports of 8.3 months.

13. Looking forward to the full period of FY 2005/2006, it is expected that the economy will grow by about 1.8 percent to 2 percent. This depressed GDP growth rate is expected due to the prolonged drought and the insurgency problem.

14. In sum, looking at the recent statistics of macroeconomic performance, it is felt that despite the emergence of armed conflict in the mid 90s and political instability, Nepalese economy had shown remarkable resilience in terms of macro economic and financial stability. This can be seen from the moderate to low level of inflation, the overall surplus in the balance of payments, adequate international reserves and manageable level of fiscal deficit. However, due to the prolonged conflict and political instability, the growth level remained

36 *A Glimpse of Nepal's Macroeconomic Situation*

low particularly in the last few years and the poverty and inequality remained high. Short term challenges remain to mobilize revenue, prioritize expenditure, increase social sector spending and limit domestic budget financing. There is also the need to improve fiscal transparency, public expenditure management and the quality of spending. In the financial sector there is the need to improve the legal framework for financial sector activity and to make progress with loan recovery from large, willful defaulters.

15. Recent events, such as the reinstatement of the parliament and the changed political environment, have painted a rosy picture where it is expected that the economy will rebound in the FY 2006/07. This projection is there since donor communities have committed to increase the aid and there are already positive signs in the tourism sector. Moreover, if the decade long armed conflict finds the peaceful resolution, industrial and manufacturing activities are expected to revive. Thus, under the favorable economic and political situation, the economy might be expected to achieve a growth rate of around 6 percent as envisaged in the current Tenth Plan.

IV

Economic Challenges Facing Nepal

The previous chapter had shown that the country is facing pressure in the short term with macroeconomic stabilization. This chapter focuses on eight major challenges facing the country as she moves forward in the future. It is important to note that most are closely interlinked and, in many cases, inseparable. These challenges can be grouped as below:

1. Fluctuations in output growth

There are fluctuations in output growth of every economy. However, the nature of the fluctuations is different and will have varied impact on the economy. These fluctuations in growth can be decomposed into temporary and permanent growth; the prior are growth which varies on an annual basis, the later is of a more durable nature and captures growth from productivity. In this regard, fluctuations of the Nepalese economy have to be taken in context of the present economic transformation away from an agricultural economy: in the past, agriculture had contributed a majority of Nepal's gross domestic product. This has shrunk to its present level of 35 percent of gross domestic product (HMG/N, Economic Survey, 2004/2005).

Fluctuations in Nepalese agriculture output are of a temporary nature as it is more influenced by rainfall than government policy (such as pricing, irrigation etc.). Thus, when the monsoon is favorable there will be a good growth in agriculture while a drought will result in poor agriculture growth, this will spillover to national income although with a somewhat dampened effect. Likewise, there have been fluctuations in commodity prices, such as petroleum, which have

38 *A Glimpse of Nepal's Macroeconomic Situation*

lead to increasing cost of production and lead to decrease in output growth.

The more important and sustained contributor in the permanent growth of the economy can be captured by increases of the productivity of capital and labor resulting from investment (such as infrastructure and research and development for capital and education and health for human input). However, productivity has remained stagnant over the years thus moving Nepal away from the optimal long run growth path.

The challenge for Nepal is to minimize these short-term fluctuations and to provide direction for the trend of the economy to ensure a positive economic growth and development.

2. Poverty and unemployment

A high level of poverty is detrimental to economic development and growth since households are unable to utilize their disposable income for saving and investment. In Nepal, the magnitude of poverty can be captured by household surveys, the two most recent are the Nepal Living Standard Survey conducted by CBS in 1996/96 and 2003/04. A comparison of both surveys are provided where the estimated poverty headcount in 1995/1996 and 2003/2004 had decreased from 42% to 31% (<http://www.npc.gov.np/recentActivities/nlsspovetry2.pdf>). This statistics suggest that over the aforementioned period, there has been alleviation of poverty which, by virtue of greater disposable income, leading to greater savings and investment, which will spurt economic growth and development.

However, there are various problems with this statistics putting into question the reliability of the measure. Nonetheless and taking that figure as realistic – which may be the case due to internal and external migration – the figure does not capture the level of inequality. Various measure of inequality (both income and regional) is provided in the UNDP's 2004 issue of Nepal Human Development Report (http://hdr.undp.org/docs/reports/national/NEP_Nepal/Nepal_2004_en.pdf); for example, the average life expectancy in Kathmandu District in 2001 was 69.53 years while it was 44.07 years in Mugu District. It is felt that this factor had been one of the major contributors to the present situation of domestic conflict.

The other face of poverty is unemployment. In Nepal unemployment has increased over the years although moderated by the outward migration of nationals to other countries. It is also important to capture the disaggregate measure of unemployment: formal and informal, urban and rural etc. From this aspect, the distribution of unemployment in Nepal appears to be inequitable, as had been mentioned earlier. Another aspect of unemployment, which is more difficult to capture empirically, is the level of underemployment in the country. While individuals are employed, their ability is not fully utilized – e.g. there may be MA graduates who have menial jobs etc.

The challenge for Nepal is to ensure broad based growth to alleviate poverty, unemployment and inequality.

3. Fiscal Policy

The objective of the government fiscal policy over the medium term is to raise the revenue-to-GDP ratio and there by improve efficiency of public spending. The FY 2005 budget aims to boost capital expenditure, especially in rural areas, by improving utilization of block grants to local government along with community-led development projects in the areas of health, education, and rural infrastructure. However, it is proving increasingly difficult in the current conflict environment. To revise the revenue-to-GDP ratio, HMG is improving administration of VAT, simplifying the income tax law and implementing customs reforms and modernization programme. It also announced 3 percentage point increase in the VAT to 13 percent during the mid-term review of the FY 2005/06 budget.

Due to the prolonged conflict, government expenditure programmes has been more inclined toward recurrent expenditure rather toward various development programmes under the heading of capital expenditure. An exacerbation of the conflict could further restrict development expenditure undermining the growth in industrial service sector of the economy and adversely affecting poverty reduction efforts. Additionally the effectiveness of public spending programmes has found to be low in terms of delivery of public services and output. The better management of public expenditure programme is necessary so as to improve development outcomes in terms of poverty reduction targets set out in the current Tenth

40 A Glimpse of Nepal's Macroeconomic Situation

plan/PRSP of HMG and accelerating sluggish pace of economic growth.

The challenge for the country is thus to minimize the level of the fiscal deficit to an appropriate level and increase the quality of fiscal expenditure.

4. External debt: Resource Transfer

The external debt financing contributes significantly to the development expenditure of Nepal. However, the increasing burden of debt servicing has drained resources by curtailing the investment from socio-economic development and infrastructure building in the economy. The outstanding external debt as mid-March 2005, amounted to Rs. 235.2 billion, higher by 1.0 percent in comparison to that of 2004, i.e. Rs. 232.7 billion. The debt servicing expenditure to GDP has remained at around 32 percent. It has been found that external debt servicing has dominated the debt service for the few years. Most of the external debt received by Nepal is of concessional in nature obtained from multilateral agencies. As Nepal has partially liberalized her capital account, necessary surveillance over the composition, classification, accumulation and servicing of the external debt is important. Due to the presence of huge external debt and the growing public expenditure needs for reconstruction and development in the face of a decade long conflict, Nepal should actively pursue for debt relief such as HIPC initiatives. It would thus be desirable to Nepal for her inclusion in the Heavily Indebted Poor Countries (HIPC) Programme of the WB and IMF. Through such endeavors, Nepal could maintain a meaningful linkage between debt relief and ongoing poverty reduction programmes in the years to come.

The challenge for Nepal is to reduce the level of external debt and to ensure that the external debt taken is used productively.

5. Financial Stability and Inflation

Financial stability is essential to facilitate economic growth and development. Financial stability may be affected by growing pressure for inflation (for example financing the government budget deficit etc.), which will increase uncertainty. A direct impact of financial stability is the relation with the external economy since inflation has an affect on the real exchange rate. An overvalued currency will make

export more expensive than is justified by fundamentals; the opposite case holds true for imports – they become relatively under-priced. Inflation also has a detrimental effect on savings and investment. For savings, inflation is a disincentive – it is more reasonable to spend at the earliest. Likewise for investment, high inflation is potentially unstable making long term decision on profitability uncertain. Thus, high inflation is also a deterrent to investment.

The challenge for the country is to limit inflationary pressure, such as from rising oil prices, and maintain domestic financial stability.

6. Savings and investment

Due to the slow pace of GDP growth, Nepal is facing Investment-Saving gap. This gap has been mitigated either by internal borrowing or by grants or debt received from multilateral as well as bilateral donors. Regional disparity and poverty has widened saving-investment gap which is also one of the major causes of sluggish pace of capital formation in the economy. Sacrifice of present consumption form public is impossible due to the intensification of conflict and prevalence of poverty in the economy. This has urged Nepal to rely on foreign capital for her development endeavors.

In FY 2003/04, Gross Domestic Saving's percentage share to Nepalese GDP was 12.5 percent in 2003/04 which remained as it to 12.5 percent in FY 2004/05. The gross domestic saving was 62.3 billion in FY 2004/05. However, total investment in the country witnessed the modest growth of Rs. 130.9 billion in FY 2003/04 which increased marginally to Rs. 137.2 billion in FY 2004/05. Total investment percentage share to Nepal's GDP remained at 26 percent in FY 2004/05.

The declining tendency of development expenditure due to the conflict in the economy is responsible for slow pace of the growth of aggregate investment in the economy. If this situation continues, it retards the future productive capacity of the economy and will have long-term consequences for the country. Additionally, low expenditure in areas of education, health and economic infrastructure suppress private sector investment initiatives in the economy, with adverse impact on incomes and the poverty situation in the country.

42 *A Glimpse of Nepal's Macroeconomic Situation*

The challenge for the country is increase both Saving and Investment and reduce the domestic Saving-Investment gap.

7. Integration with global economy

Nepal is integrating with the global economy. This can be best reflected by the country's membership in the WTO. However, integration is a dynamic process and does not end there. Nepal, in addition to having fully liberalized the current account, is also considering further liberalizing the capital account. This will have positive results since the country will be able to access international capital markets. However, there is a negative side to this – if the country does not sequence liberalization of the capital account appropriately and put up appropriate safeguards, there will be possibility of financial and exchange rate meltdown. Further, international trade and payments is tied with technological innovation (such as the Internet), which is changing rapidly and it is difficult to keep pace with these developments.

The challenge to Nepal is to appropriately integrate with the global economy and provide necessary safeguards during the process.

8. Internal insurgency

Nepal has been experiencing worsening armed conflict since 1996. The law and order situation has been seriously deteriorated which has resulted in the contraction of both government activities and services, especially in the rural areas. This ongoing conflict has caused the loss of about 15,000 human lives and billions rupees worth of physical capital (estimated on an average 2.2 percent GDP each year after 2001). Besides these direct and explicit costs, there are indirect hidden economic costs, which have reduced the overall growth path of the country – that is there has been a lower level of domestic investment, which retards future economic growth and development. For example, the ADB's 2004 Quarterly Economic Update of Nepal using the Nepal Macroeconometric model finds that there will be a reduction in economic growth of 1.5 – 2 % per annum.

Recently, there have been positive developments in the political scenario which point to the possibility of a resolution of the internal insurgency and a reduction of uncertainty. Nonetheless, there is a long road to achieve this with the challenge for Nepal to reduce uncertainty and to ensure economic growth and development.

V

Conclusion

This concluding chapter attempts to summarize the previous chapters and provides some additional observations in the context of the recent political developments in the country.

It has been demonstrated in *Chapter 2* that the Nepalese economy, which had exhibited a good performance during the early 1990s, witnessed a setback in recent years and registered only modest growth. The decade long insurgency has been responsible for this. Real GDP growth decelerated to 2.3 percent with average annual inflation rate being contained at 4.5 percent in 2004/05. The overall external sector, on the other hand, has remained quite stable despite the shock emanating from the abolition of the textile quota and the negative impact of insurgency on tourism, which is reflected in the current account and overall balance of payments position being in surplus. The fiscal position of the country, on the other hand has not been strong with the budget deficit having increased to 12.9 percent in FY 2004/05 as compared to the growth of just 0.7 percent in the previous fiscal year. Further, monetary and exchange rate policies remained geared to supporting the exchange rate peg to the Indian rupee. Although financial soundness indicators have shown some signs of improvement in recent years owing to financial sector reforms, the NPA of the commercial banks of the country is still high at 18.7 percent in FY 2004/05. Overall it is felt that macroeconomic performance, while modest, could have been much better.

Chapter 3 basically assesses short-term macroeconomic trends and stability with respect to fiscal data, inflation and external statistics. For instance, the trend in fiscal deficit indicates that its role in macroeconomic stability is not pronounced. Inflation, on the other

44 *Macroeconomic Situation of Nepal*

hand, has been taking an upward trend in recent months due to the surge in the price of petroleum products together with the sharp rise in the price of rice and rice-related products. The nominal exchange rate vis-à-vis IC has been stable; however, the exchange rate vis-à-vis other currencies denote the fluctuations of IC with respect to other currencies. Although in the past there has not been a noteworthy misalignment, recent analysis reveals that inflation rates of both the countries could potentially diverge. On the external front, despite the insurgency, a surplus has been recorded in the balance of payments due to increasing remittances.

There exist a number of challenges that Nepal will face in today's era of globalization. These are discussed at length in *Chapter 4*. The first relates to minimization of fluctuations in output where agricultural contribution is more affected by weather conditions than policies initiated by the government and investment has not resulted in increases in productivity especially in the present conflict situation. The second challenge is to ensure broad based growth to alleviate poverty, unemployment and inequality. The third challenge to right-size fiscal policy and make efforts to reduce fiscal deficit by raising the revenue-GDP ratio, which has not been possible due to insurgency, and enhance the efficient and productive use of government expenditure for development purposes. The next challenge pertains to external debt and Nepal's possible entry into the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank and the IMF to help release its resources from debt servicing obligations that will enable it to implement poverty reduction programs more effectively. The fifth challenge relates to limiting inflationary pressure and maintenance of domestic financial stability. The sixth challenge is to reduce the savings-investment gap arising from regional disparity and poverty. The seventh challenge is to appropriately integrate with the global economy and provide necessary safeguards during the process. The final and the most important challenge include the tackling of the problems emanating from the internal insurgency which has affected every sector of the economy.

Having provided a summary of Chapters 2, 3 and 4 above, some observations are made below in the light of recent political developments in the country.

- The major economic policy tasks ahead for Nepal are the maintenance of macroeconomic stability, restoration of growth and alleviation of poverty and inequality. While sound and effective monetary, foreign exchange and fiscal policies are important for the maintenance of macroeconomic stability, structural reforms in financial and public sectors are crucial for restoring growth and reducing poverty.
- The latest political developments in Nepal indicate that the time for reconstruction and revival of the economy has arrived and appropriate mechanism must be developed to ensure higher economic growth rate. The time is ripe for Nepal to urge the international community to assist in the reconstruction efforts. The country must seek aid for infrastructure development projects from all the important development partners who have expressed their solidarity recently such as India, US, Japan and the EU.
- In the present context, emphasis should also be accorded to small and medium scale industries since they have an instrumental role to play in generating employment opportunities, in penetrating markets and generating export earnings. A new industrial policy should be formulated as the Industrial Policy of 1992 has been outdated.
- Moreover, with the recent political developments, it is expected that an investment-friendly climate will be created for attracting FDI. For this, the Foreign Investment and Technology Transfer Act of 1992 needs to be revised taking into consideration the general trends of liberalization of FDI policy among other developing countries.
- Although the exchange rate peg to the Indian rupee seems appropriate for the time being, the level of the peg should be kept under review, given Nepal's growing integration with the world economy.
- The Nepalese rupee was made fully convertible for the current account transactions on February 12, 1993. However, it is

46 *Macroeconomic Situation of Nepal*

important to note that India is formulating a road map for capital account convertibility. This together with other developments (such as Nepal's entry into WTO, SAFTA and BIMSTEC) will be critically important so far as timing and sequencing of capital account convertibility for Nepal is concerned.

- Nepal needs to diversify its exports, both country wise and commodity wise. Nepal must look also at the non-traditional markets. This will require new knowledge, new networks, new contacts and new approaches towards dealing with unfamiliar laws, rules and regulation. The country must come out with a new trade policy as the Trade Policy of 1992 is outdated in this present context of globalization.
- Finally, the ceasefire announced by both the Maoists and the Government is a significant striking milestone on the road leading to peace, stability and economic growth – it is important to take full advantage of this opportunity for ensuring peace which will facilitate the attainment of sustainable economic growth and development for Nepal.

Table 1
Monetary Survey

(Rs. in million)

Monetary Aggregates					Changes in the First Seven Months of			
	2004	2005	2005	2006	2004/05		2005/06	
	Jul	Feb	Jul (p)	Feb (e)	Amount	Percent	Amount	Percent
1. Foreign Assets, Net	108804.6	109690.1	107744.4	120825.4	5716.2 1/	5.3	13006.6 2/	12.1
1.1. Foreign Assets	131366.0	131789.7	130919.1	144859.1	423.7	0.3	13940.0	10.6
1.2 Foreign Currency Deposits	21174.6	20488.0	21557.2	22561.1	-686.7	-3.2	1003.9	4.7
1.3 Other Foreign Liabilities	1386.7	1611.7	1617.6	1472.6	224.9	16.2	-144.9	-9.0
2. Net Domestic Assets	168501.2	178640.4	192695.6	201600.4	5308.4 1/	3.2	8979.2 2/	4.7
2.1. Domestic Credit	246171.8	259086.4	280243.2	294913.7	12914.6	5.2	14670.4	5.2
a. Net Claims on Govt.	57396.6	53691.9	63897.2	61354.8	-3704.6	-6.5	-2542.4	-4.0
i. Claims on Govt.	58149.6	58195.3	63897.2	66986.2	45.7	0.1	3089.0	4.8
ii. Govt. Deposits	753.0	4503.4	0.0	5631.4	3750.3	498.0	5631.4	0.0
b. Claims on Non-Financial Govt. Ent.	2914.9	3915.4	6566.2	4843.1	1000.5	34.3	-1723.1	-26.2
c. Claims on Financial Institutions	13343.9	12966.6	12762.8	12602.6	-377.2	-2.8	-160.2	-1.3
i. Government	13203.3	12934.6	12730.8	12570.6	-268.6	-2.0	-160.2	-1.3
ii. Non-government	140.6	32.0	32.0	32.0	-108.6	-77.2	0.0	0.0
d. Claims on Private Sector	172516.5	188512.4	197017.0	216113.2	15995.9	9.3	19096.1	9.7
2.2. Net Non-monetary Liabilities	77670.6	80445.9	87547.6	93313.3	7606.2 1/	9.8	5691.3 2/	6.5
3. Broad Money (M2)	277305.9	288330.5	300440.0	322425.8	11024.6	4.0	21985.8	7.3
3.1. Money Supply (M1)	93969.5	96296.8	100205.8	105012.8	2327.3	2.5	4807.0	4.8
a. Currency	63218.9	67617.7	68784.1	72182.9	4398.9	7.0	3398.8	4.9
b. Demand Deposits	30750.7	28679.1	31421.6	32830.0	-2071.6	-6.7	1408.3	4.5
3.2. Time Deposits	183336.4	192033.7	200234.2	217413.0	8697.3	4.7	17178.8	8.6
4. Broad Money Liquidity (M3)	298480.5	308818.5	321997.2	344986.9	10337.9	3.5	22989.7	7.1
	-0.1	0.0	0.0	-0.1	0.1		-0.1	
Reserve Money	94415.2	87621.9	96539.3	97753.6	-6793.3	-7.2	1214.3	1.3
Money multiplier (M1)	1.0	1.1	1.0	1.1	0.1	10.4	0.0	3.5
Money multiplier (M2)	2.9	3.3	3.1	3.3	0.4	12.0	0.2	6.0

1/ Adjusting the exchange valuation loss of Rs. 4830.8 million.

2/ Adjusting the exchange valuation gain of Rs 74.4 million.

e = estimates, p =provisional

Table 2
Share Market Activities

S.N.	Name of Issuing Company	Types of Securities	Amount of (Rs. in million)	Permission Date
1	Siddhartha Bank Limited	Ordinary	150.0	03/08/2005
2	Srijana Finance Limited	Ordinary	4.0	03/08/2005
3	Prudential Financial Institute	Ordinary	24.5	17/08/2005
4	Bank of Kathmandu Limited	Debenture	200.0	07/09/2005
5	Merchant Finance Company	Ordinary	12.0	20/09/2005
6	Kumari Bank Limited	Rights Share	125.0	23/11/2005
7	Nepal Development Bank	Rights Share	160.0	26/12/2005
8	Fewa Finance Company	Rights Share	30.0	26/12/2005
9	Om Finance Limited	Rights Share	30.0	26/12/2005
10	Gandaki Financial Institution	Ordinary	15.0	28/12/2005
11	Goodwill Finance Co. Limited	Rights Share	25.0	03/01/2006
12	Busieness Financial	Ordinary	12.0	05/01/2006
13	Royal Merchant Banking &	Ordinary	17.5	25/01/2006
14	Busieness Financial	Ordinary	10.5	31/01/2006
15	Central Finance Ltd.	Rights Share	12.0	02/02/2006
16	Taragaon Regency Hotels Ltd.	Rights Share	446.5	07/02/2006
			1274.0	

NEPSE*													% Change		
2004			2005			2006									
Mid-Feb.		Mid-Jan.-Mid-Feb.		Mid-Dec.(2005)-Mid-Jan.		Mid-Jan.-Mid-Feb.									
Closing	High	Low	Closing	High	Low	Closing	High	Low	Closing	4 over 1	10 over 4	10 over 7			
1	2	3	4	5	6	7	8	9	10						
-	-	-	-	337.15	326.56	329.02	347.81	328.41	347.81	-	-	5.7			
-	-	-	-	229.89	225.54	228.46	252.02	227.29	252.02	-	-	10.3			
-	-	-	-	331.07	326.85	331.07	334.39	330.37	334.16	-	-	0.9			
-	-	-	-	247.81	240.13	246.60	248.11	245.75	247.67	-	-	0.4			
-	-	-	-	274.42	271.89	274.42	274.42	274.00	274.00	-	-	-0.2			
-	-	-	-	178.57	177.90	178.57	181.26	179.92	181.26	-	-	1.5			
-	-	-	-	142.83	134.84	142.83	148.07	142.78	148.07	-	-	3.7			
-	-	-	-	354.57	290.01	354.57	354.13	336.41	341.20	-	-	-3.8			
211.31	257.29	239.89	257.29	308.67	299.93	305.50	317.69	305.27	317.69	21.8	23.5	4.0			

2005			2006						% Change			
Mid-Jan.-Mid-Feb.			Mid-Dec.(2005)-Mid-Jan.			Mid-Jan.-Mid-Feb.			Change in Share Unit (%)		Change in Share Amount (%)	
Share Units ('000)	Rs In Million	% Share of Value	Share Units ('000)	Rs In Million	% Share of Value	Share Units ('000)	Rs In Million	% Share of Value	7 over 1	7 over 4	8 over 2	8 over 5
1	2	3	4	5	6	7	8	9				
672.41	145.72	100.0	550.22	183.92	100.0	673.27	222.35	100.0	0.1	22.4	52.6	20.9
330.56	102.44	70.3	288.94	143.73	78.1	468.94	177.12	79.7	41.9	62.3	72.9	23.2
188.55	34.96	24.0	2.78	0.67	0.4	66.70	19.10	8.6	-64.6	2299.3	-45.4	2750.7
18.04	2.86	2.0	18.42	4.10	2.2	25.23	7.96	3.6	39.9	37.0	178.3	94.1
1.50	0.20	0.1	213.80	30.61	16.6	98.08	13.32	6.0	6438.7	-54.1	6560.0	-56.5
7.02	1.03	0.7	3.29	2.65	1.4	3.98	0.30	0.1	-43.3	21.0	-70.9	-88.7
15.34	0.69	0.5	21.85	1.13	0.6	4.18	0.20	0.1	-72.8	-80.9	-71.0	-82.3
0.03	0.04	0.0	0.31	0.65	0.4	0.87	2.05	0.9	2800.0	180.6	5025.0	215.4
111.37	3.50	2.4	0.83	0.38	0.2	5.29	2.30	1.0	-95.3	537.3	-34.3	505.3

Table 3
Summary of Share Market Transactions

S.N.	Particulars	2005		2006			% Change	
		Mid-Jan.-Mid-Feb.	Mid-Dec.(2005)-Mid-Jan.	Mid-Jan.-Mid-Feb.		4 Over 1	4 Over 2	
		1	2	3	4			5
	Total	Total	Share %	Total	Share %			
1	Number of Companies Listed	123	127	100	127	100	3.3	0.0
	Financial Institutions		81	63.8	81	63.8	-	0.0
	<i>Commercial Banks</i>		14	11.0	14	11.0	-	0.0
	<i>Development Banks</i>		7	5.5	7	5.5	-	0.0
	<i>Insurance</i>		14	11.0	14	11.0	-	0.0
	<i>Finance</i>		46	36.2	46	36.2	-	0.0
	Manufacturing & Processing		29	22.8	29	22.8	-	0.0
	Hotel		4	3.1	4	3.1	-	0.0
	Trading		8	6.3	8	6.3	-	0.0
	Others		5	3.9	5	3.9	-	0.0
2	Market Capitalization of Listed Companies (Rs. Million)	53180.36	69994.03	100.0	74053.64	100.0	39.2	5.8
	Financial Institutions		57273.74	81.8	61181.18	82.6	-	6.8
	<i>Commercial Banks</i>		47982.23	68.6	51352.64	69.3	-	7.0
	<i>Development Banks</i>		1021.39	1.5	1315.59	1.8	-	28.8
	<i>Insurance</i>		4100.22	5.9	4252.53	5.7	-	3.7
	<i>Finance</i>		4169.90	6.0	4260.42	5.8	-	2.2
	Manufacturing & Processing		4987.04	7.1	4979.37	6.7	-	-0.2
	Hotel		2315.77	3.3	2350.56	3.2	-	1.5
	Trading		737.17	1.1	764.19	1.0	-	3.7
	Others		4680.31	6.7	4778.34	6.5	-	2.1
3	Total Paid Up Value of Listed Shares (Rs. Million)	15440.00	17552.00		17993.00		16.5	2.5
4	Market Days	21	19		19		-9.5	0.0
5	Number of Companies Traded	83	77		82		-1.2	6.5
6	Number of Transactions	7802	10382		4137		-47.0	-60.2
7	Average Daily Turnover:							
	Number ('000)	32.02	28.96		35.44		10.7	22.4
	Amount (Rs.Million)	6.94	9.68		11.70		68.6	20.9
8	Ratio of Turnover to Market Capitalization (%)	0.27	0.26		0.30		11.1	15.4
9	Ratio of Market Capitalization to GDP(%) *	10.0	13.1		13.9		-	-

* The annual GDP figure has been used.

Table 4
Capital Growth and NPL Level of Financial Institutions

Institutions Group	Paid-up Capital (Rs. in million)		Number of FIs		Financial Performances (Rs. in million)			% Of NPL	
	2005 Mid July	2006 Mid Feb	2005 Mid July	2006 Mid Feb	Cash Dividend	Bonus Share	Right Share	2005 Mid July	2006
Commercial Banks	9407	10081	17	17	1081	295	-	18.8	18.04
Development Banks	3594	3613	37	40	91	11	84	6.7	NA
Finance Companies	2428	2824	59	63	87	73	-	5.2	NA
Cooperatives	20	21	20	19	NA	NA	NA	NA	NA
Total	15449	16539	133	139	1259	379	84	16.6	

Sources: NRB, Bank and Financial Institutions Regulation and Supervision Dept.

Table 5
National Urban Consumer Price Index
(1995/96 = 100)

MID-FEBRUARY 2006 (MAGH 2062)											
Groups & sub-groups 1	Weight % 2	2003/04		2004/05		2005/06P		Percentage Change			
		Jan/Feb 3	Dec./Jan. 4	Jan/Feb 5	Nov./Dec. 6	Dec./Jan. 7	Jan/Feb 8	Column 5 Over 3	Column 5 Over 4	Column 8 Over 5	Column 8 Over 7
1. OVERALL INDEX	100.00	152.7	159.5	161.4	173.0	170.6	170.8	5.7	1.2	5.8	0.1
1.1. FOOD & BEVERAGES	53.20	144.7	149.7	150.6	166.6	162.0	161.3	4.1	0.6	7.1	-0.4
Grains and Cereal Products	18.00	135.6	142.9	142.0	165.4	161.9	162.4	4.7	-0.6	14.4	0.3
Rice and Rice Products	(14.16)	132.0	139.4	137.6	166.4	161.1	160.8	4.2	-1.3	16.9	-0.2
1.2 Wheat and Wheat Flour	1.79	159.1	172.1	174.7	180.0	182.3	189.4	9.8	1.5	8.4	3.9
1.3 Other Grains and Cereal products	2.05	138.5	141.7	143.3	145.7	146.5	146.9	3.5	1.1	2.5	0.3
Pulses	2.73	126.2	133.7	132.8	146.3	146.0	146.2	5.2	-0.7	10.1	0.1
Vegetables and Fruits	7.89	125.5	123.0	122.1	158.0	133.0	124.7	-2.7	-0.7	2.1	-6.2
3.1 All Vegetables	6.25	123.2	116.3	114.3	159.5	128.8	116.9	-7.2	-1.7	2.3	-9.2
3.1.1 Vegetables without Leafy Green	5.15	126.4	118.0	115.8	167.2	133.2	120.4	-8.4	-1.9	4.0	-9.6
3.1.2 Leafy Green Vegetables	1.10	114.1	113.3	113.4	126.2	109.0	102.8	-0.6	0.1	-9.3	-5.7
3.2 Fruits and Nuts	1.65	134.9	150.5	154.8	150.2	149.4	155.7	14.8	2.9	0.6	4.2
3.2.1 Fruits	1.59	133.8	148.2	152.6	147.3	146.4	153.1	14.1	3.0	0.3	4.6
3.2.2 Nuts	0.08	159.4	205.7	207.5	217.2	218.7	217.2	30.2	0.9	4.7	-0.7
Spices	1.85	147.4	142.2	141.6	144.3	147.7	147.6	-3.9	-0.4	4.2	-0.1
Ment, Fish and Eggs	5.21	156.2	166.7	171.5	171.0	173.0	173.3	9.8	2.9	1.0	0.2
Milk and Milk Products	4.05	150.4	150.2	150.0	156.9	157.2	157.9	-0.3	-0.1	5.3	0.4
Oil and Ghee	3.07	152.6	150.2	150.5	147.0	146.3	146.3	-1.4	0.2	-2.8	0.0
Sugar and Related Products	1.21	116.0	155.8	161.3	162.3	159.4	160.8	39.1	3.5	-0.3	0.9
Beverages	2.28	160.8	164.1	165.8	178.4	178.4	183.2	3.1	1.0	10.5	2.7
9.1 Non Alcoholic Beverages	0.75	127.9	135.0	136.6	141.5	141.3	141.3	6.8	1.2	3.4	0.0
9.2 Alcoholic Beverages	1.53	174.3	175.7	177.6	193.0	193.0	199.6	1.9	1.1	12.4	3.4
Restaurant Meals	6.91	182.9	188.7	194.0	203.2	203.7	203.8	6.1	2.8	5.1	0.0
1.2. NON-FOOD & SERVICES	46.80	162.1	170.8	174.1	180.5	180.7	181.8	7.4	1.9	4.4	0.6
Cloth, Clothing & Sewing Services	8.92	138.2	141.0	141.8	145.4	145.8	145.9	2.6	0.6	2.9	0.1
Cloths	(2.28)	125.5	130.6	131.0	133.6	133.7	133.7	4.4	0.3	2.1	0.0
Clothings	(5.75)	138.5	139.9	140.8	144.9	145.5	145.3	1.7	0.6	3.2	-0.1
11.3 Sewing Services	0.89	173.3	179.4	181.2	185.4	185.4	187.5	4.6	1.0	3.5	1.1
Footwear	2.20	132.7	133.3	134.4	137.4	137.4	138.1	1.3	0.8	2.8	0.5
Housing goods and Services	14.87	163.6	183.9	186.9	194.7	195.0	196.8	14.2	1.6	5.3	0.9
13.1 House Furnishing and Household Goods	3.50	130.3	135.6	136.5	141.1	141.1	141.6	4.8	0.7	3.7	0.4
13.2 House Rent	4.19	148.3	148.3	154.9	154.9	154.9	161.8	4.5	4.5	4.5	4.5
13.3 Cleaning Supplies	1.26	139.7	141.4	141.8	144.9	145.1	145.4	1.5	0.3	2.5	0.2
Fuel, Light and Water	(5.92)	200.7	247.0	249.4	264.7	265.1	265.4	24.3	1.0	6.4	0.1
Transport and Communication	4.03	183.5	188.1	209.4	218.4	218.4	220.4	14.1	11.3	5.3	0.9
14.1 Transport	3.61	190.3	195.4	219.4	229.2	229.2	231.3	15.3	12.3	5.4	0.9
14.1.1 Public Transport	2.54	201.2	204.5	236.6	246.4	246.4	249.2	17.6	15.7	5.3	1.1
14.1.2 Private Transport	1.07	162.0	172.5	172.2	185.2	185.2	185.4	6.3	-0.2	7.7	0.1
14.2 Communication	0.42	123.4	123.4	123.4	126.6	126.6	126.6	0.0	0.0	2.6	0.0
Medical and Personal Care	8.03	170.4	172.1	172.2	175.9	175.9	177.4	1.1	0.1	3.0	0.9
15.1 Medical Care	6.21	175.7	177.3	177.0	181.4	181.4	183.2	0.7	-0.2	3.5	1.0
15.2 Personal Care	1.82	152.1	154.1	155.4	156.8	156.8	157.6	2.2	0.8	1.4	0.5
Education, Reading and Recreation	7.09	182.5	189.2	190.7	199.8	199.8	199.8	4.5	0.8	4.8	0.0
16.1 Education	4.78	200.8	210.2	210.6	221.0	221.0	221.2	4.9	0.2	5.0	0.1
16.2 Reading and Recreation	1.63	137.5	138.2	144.2	151.2	151.2	149.7	4.9	4.3	3.8	-1.0
16.3 Religious Activities	0.68	168.4	171.1	170.9	175.0	175.0	177.1	1.5	-0.1	3.6	1.2
Tobacco and Related Products	1.66	153.1	154.8	156.8	162.7	162.7	162.9	2.4	1.3	3.9	0.1
Urban Consumer Price Index : Kathmandu Valley											
OVERALL INDEX	100.00	148.4	155.8	158.3	166.6	165.5	165.0	6.7	1.6	4.2	-0.3
FOOD & BEVERAGES	51.53	141.7	147.4	149.7	159.8	157.7	155.9	5.6	1.6	4.1	-1.1
NON-FOOD & SERVICES	48.47	155.5	164.9	167.4	173.9	173.8	174.7	7.7	1.5	4.4	0.5
DOMESTIC GOODS	81.26	146.1	151.0	153.9	162.6	161.3	160.9	5.3	1.9	4.5	-0.2
IMPORTED GOODS	18.74	158.1	176.7	177.2	184.1	183.6	182.8	12.1	0.3	3.2	-0.4
TRADABLE GOODS	68.86	144.1	152.6	154.2	163.0	161.4	160.2	7.0	1.0	3.9	-0.7
NON-TRADABLE GOODS	31.14	157.8	163.0	167.3	174.5	174.6	175.6	6.0	2.6	5.0	0.6
GOVT.CONTROLLED GOODS	17.03	159.8	182.2	185.8	199.2	198.9	198.8	16.3	2.0	7.0	-0.1
NON-CONTROLLED GOODS	82.97	146.0	150.4	152.6	159.9	158.6	158.0	4.5	1.5	3.5	-0.4
Urban Consumer Price Index : Terai											
OVERALL INDEX	100.00	154.6	161.2	162.5	176.3	172.7	173.1	5.1	0.8	6.5	0.2
FOOD & BEVERAGES	54.98	144.7	149.8	149.2	169.7	162.9	162.6	3.1	-0.4	9.0	-0.2
NON-FOOD & SERVICES	45.02	166.7	175.3	178.6	184.3	184.7	186.0	7.1	1.9	4.1	0.7
Urban Consumer Price Index : Hills											
OVERALL INDEX	100.00	154.7	160.6	163.7	174.8	173.4	174.0	5.8	1.9	6.3	0.3
FOOD & BEVERAGES	53.04	149.4	153.4	155.5	169.2	166.6	166.8	4.1	1.4	7.3	0.1
NON-FOOD & SERVICES	46.96	160.5	168.7	172.9	181.1	181.0	182.1	7.7	2.5	5.3	0.6

Table 6
Core CPI Inflation**
(1995/96 = 100)

MID-FEBRUARY 2006 (MAGH 2062)

Group & sub-groups	Weight %	Revised Weight	2003/04	2004/05	2005/06P	Change %	
			Jan/Feb	Jan/Feb	Jan/Feb	2004/05	2005/06
OVERALL (Adjusted)	100.00	100.00	154.9	161.1	167.4	4.0	3.9
FOOD AND BEVERAGES (Adjusted)	53.20	45.53	155.6	164.0	170.9	5.4	4.2
Grains and Cereal Products							
Rice and Rice Products	14.16	0.00	132.0	137.6	160.8	4.2	16.9
Wheat and Wheat Flour	1.79	2.62	159.1	174.7	189.4	9.8	8.4
Other Grains and Cereal Products	2.05	3.00	138.5	143.3	146.9	3.5	2.5
Pulses	2.73	3.99	126.2	132.8	146.2	5.2	10.1
Vegetables and Fruits	7.89	0.00	125.5	122.1	124.7	-2.7	2.1
ALL VEGETABLES		0.00	123.2	114.3	116.9	-7.2	2.3
VEG WITHOUT LEAFY GREEN		0.00	126.4	115.8	120.4	-8.4	4.0
LEAFY GREEN VEGETABLES		0.00	114.1	113.4	102.8	-0.6	-9.3
FRUITS & NUTS		0.00	134.9	154.8	155.7	14.8	0.6
FRUITS		0.00	133.8	152.6	153.1	14.1	0.3
NUTS		0.00	159.4	207.5	217.2	30.2	4.7
Spices	1.85	2.70	147.4	141.6	147.6	-3.9	4.2
Meat, Fish and Eggs	5.21	7.61	156.2	171.5	173.3	9.8	1.0
Milk and Milk Products	4.05	5.92	150.4	150.0	157.9	-0.3	5.3
Oil and Ghee	3.07	4.49	152.6	150.5	146.3	-1.4	-2.8
Sugar and Related Products	1.21	1.77	116.0	161.3	160.8	39.1	-0.3
Beverages	2.28	3.33	160.8	165.8	183.2	3.1	10.5
NON ALCOHOLIC BEVERAGES		0.00	127.9	136.6	141.3	6.8	3.4
ALCOHOLIC BEVERAGES		0.00	174.3	177.6	199.6	1.9	12.4
Restaurant Meals	6.91	10.10	182.9	194.0	203.8	6.1	5.1
NON-FOOD AND SERVICES (Adjusted)	46.80	54.47	154.2	158.7	164.4	2.9	3.6
Cloth, Clothing & Sewing Services	8.92	13.04	138.2	141.8	145.9	2.6	2.9
CLOTH		0.00	125.5	131.0	133.7	4.4	2.1
CLOTHING		0.00	138.5	140.8	145.3	1.7	3.2
SEWING SERVICES		0.00	173.3	181.2	187.5	4.6	3.5
Footwear	2.20	3.22	132.7	134.4	138.1	1.3	2.8
Housing goods and Services							
House Furnishing and Household Goods	3.50	5.12	130.3	136.5	141.6	4.8	3.7
House Rent	4.19	6.12	148.3	154.9	161.8	4.5	4.5
Cleaning Supplies	1.26	1.84	139.7	141.8	145.4	1.5	2.5
Fuel, Light and Water	5.92	0.00	200.7	249.4	265.4	24.3	6.4
TRANSPORT & COMMUNICATION		0.00	183.5	209.4	220.4	14.1	5.3
Transport	3.61	0.00	190.3	219.4	231.3	15.3	5.4
PUBLIC TRANSPORT		0.00	201.2	236.6	249.2	17.6	5.3
PRIVATE TRANSPORT		0.00	162.0	172.2	185.4	6.3	7.7
Communication	0.42	0.61	123.4	123.4	126.6	0.0	2.6
Medical and Personal Care	8.03	11.74	170.4	172.2	177.4	1.1	3.0
MEDICAL CARE		0.00	175.7	177.0	183.2	0.7	3.5
PERSONAL CARE		0.00	152.1	155.4	157.6	2.2	1.4
Education, Reading and Recreation	7.09	10.36	182.5	190.7	199.8	4.5	4.8
EDUCATION		0.00	200.8	210.6	221.2		
READING AND RECREATION		0.00	137.5	144.2	149.7		
RELIGIOUS ACTIVITIES		0.00	168.4	170.9	177.1		
Tobacco and Related Products	1.66	2.43	153.1	156.8	162.9	2.4	3.9

P: Provisional

**Based on the exclusion principle by excluding rice and rice products, vegetables and fruits, fuel, light and water and transports.

Table 7
National Urban Consumer Price Index
(Base Year: 1995/96 = 100)

(Point to Point Annual Changes)

Mid-month	2003/04		2004/05		2005/06P	
	INDEX	%CHANGES	INDEX	%CHANGES	INDEX	%CHANGES
Mar	146.7	5.2	153.1	4.4	161.9	5.7
Apr	151.5	8.1	154.1	1.7	163.1	5.8
May	152.1	7.7	154.1	1.3	164.0	6.4
June	152.2	6.6	155.0	1.8	164.6	6.2
July	153.3	6.1	156.4	2.0	166.8	6.6
Aug	155.4	5.4	159.1	2.4	170.7	7.3
Sept	156.1	5.2	160.2	2.6	173.3	8.2
Oct	157.1	5.6	161.2	2.6	173.8	7.8
Nov	156.6	5.8	160.8	2.7	174.5	8.5
Dec	154.2	4.9	159.0	3.1	173.0	8.8
Jan	152.5	5.0	159.5	4.6	170.6	7.0
Feb	152.7	4.7	161.4	5.7	170.8	5.8
Average	153.4	5.9	157.8	2.9	168.9	7.0

P: Provisional.

Table 8
National Wholesale Price Index

(1999/00 = 100)

MID-FEBRUARY 2006 (MAGH 2062)

Groups and Sub-groups 1	Weight % 2	2003/04		2004/05		2005/06P			Percentage Change			
		Jan/Feb	Dec/Jan	Jan/Feb	Nov/Dec	Dec/Jan	Jan/Feb	Column 5 Over 3	Column 5 Over 4	Column 8 Over 5	Column 8 Over 7	
		3	4	5	6	7	8					
I. Overall Index	100.00	112.9	119.7	121.0	134.3	129.5	128.9	7.2	1.1	6.5	-0.5	
I.1 Agricultural Commodities	49.59	107.5	112.0	111.2	132.1	122.5	120.9	3.5	-0.7	8.7	-1.3	
Foodgrains	16.58	90.4	103.0	102.6	116.6	113.4	116.4	13.6	-0.4	13.4	2.6	
Cash Crops	6.09	102.8	118.6	108.9	179.3	147.5	130.2	6.0	-8.1	19.5	-11.7	
Pulses	3.77	116.5	119.6	116.0	133.6	131.1	130.4	-0.4	-2.9	12.4	-0.5	
Fruits and Vegetables	11.18	114.0	103.8	104.3	125.5	103.9	100.4	-8.4	0.5	-3.8	-3.4	
Spices	1.95	107.3	100.6	102.1	107.6	116.1	117.5	-4.9	1.4	15.1	1.2	
Livestock Production	10.02	127.9	131.2	134.6	140.7	141.0	142.6	5.2	2.6	6.0	1.1	
I.2 Domestic Manufactured Commodities	20.37	115.3	119.8	121.7	124.7	124.5	124.9	5.6	1.6	2.6	0.3	
Food-Related Products	6.12	109.5	110.5	111.8	115.9	115.5	114.5	2.1	1.1	2.4	-0.9	
Beverages and Tobacco	5.68	116.1	120.0	123.3	127.9	127.9	128.8	6.2	2.8	4.5	0.7	
Construction Materials	4.50	127.6	142.8	145.6	143.8	143.7	144.9	14.1	1.9	-0.4	0.8	
Others	4.07	109.2	108.2	108.1	112.1	111.8	113.2	-1.0	-0.1	4.7	1.3	
I.3 Imported Commodities	30.04	120.1	132.4	136.6	144.4	144.3	144.8	13.7	3.2	6.0	0.3	
Petroleum Products and Coal	5.40	158.3	204.7	216.9	234.5	234.6	234.6	37.0	5.9	8.2	0.0	
Chemical Fertilizers and Chemical Goods	2.46	127.5	134.1	148.1	160.6	160.6	159.9	16.2	10.5	7.9	-0.4	
Transport Vehicles and Machinery Goods	6.97	107.0	117.2	116.9	125.1	125.1	125.9	9.2	-0.3	7.7	0.6	
Electric and Electronic Goods	1.87	95.5	96.6	96.8	96.9	96.5	95.2	1.4	0.2	-1.7	-1.3	
Drugs and Medicine	2.73	107.8	107.4	109.7	112.0	112.0	111.7	1.8	2.1	1.8	-0.3	
Textile-Related Products	3.10	112.3	112.4	112.4	112.0	111.5	110.7	0.1	-0.1	-1.5	-0.7	
Others	7.51	116.3	120.1	123.2	129.1	129.3	131.3	5.9	2.6	6.5	1.5	

P = Provisional

R = Revised

* Revised

Note: Some adjustment has been done on Agricultural commodities to make annual average 100

Table 9
National Wholesale Price Index
(1999/00=100)

(Point to Point Annual Changes)

Mid months	2003/04		2004/05		2004/05P	
	Index	% Change	Index	% Change	Index	% Change
Mar	109.6	5.9	113.5	3.6	123.2	8.5
Apr	111.3	8.9	114.2	2.6	123.7	8.4
May	112.3	8.0	114.3	1.7	125.2	9.5
June	111.2	5.6	116.2	4.5	126.5	8.9
July	112.7	6.1	118.1	4.8	129.9	9.9
Aug	114.4	3.1	122.1	6.8	133.5	9.3
Sep	116.0	3.2	123.1	6.1	134.8	9.5
Oct	116.4	3.5	123.4	6.0	135.0	9.4
Nov	117.2	4.1	122.6	4.6	136.4	11.3
Dec	113.9	5.9	119.0	4.4	134.3	12.9
Jan	112.0	7.0	119.7	6.9	129.5	8.2
Feb	112.9	5.2	121.0	7.2	128.9	6.5
Average	113.3	5.6	118.9	4.9	130.1	9.4

P: Provisional

Table 10
National Salary and Wage Rate Index
(2004/05=100)

MID-FEBRUARY 2006 (MAGH 2062)

S.No.	Groups/Sub-groups	Weight %	2003/04	2004/05		2005/06 ^P		Percentage Change		
			Annual	Annual	Mid-Feb	Mid-Jan	Mid-Feb	5 over 4	8 over 7	8 over 6
1	2	3	4	5	6	7	8			
	Overall Index	100.00	91.1	100.0	100.0	104.3	104.3	9.8	0.0	4.3
	1 Salary Index	26.97	92.0	100.0	100.0	100.4	100.4	8.6	0.0	0.4
	Officers	9.80	93.0	100.0	100.0	100.3	100.3	7.5	0.0	0.2
	Non Officers	17.17	91.5	100.0	100.0	100.4	100.4	9.2	0.0	0.4
	1.1 Civil Service	2.82	83.3	100.0	100.0	100.0	100.0	20.0	0.0	0.0
	Officers	0.31	83.3	100.0	100.0	100.0	100.0	20.0	0.0	0.0
	Non Officers	2.51	83.3	100.0	100.0	100.0	100.0	20.0	0.0	0.0
	1.2 Public Corporations	1.14	89.8	100.0	100.0	104.4	104.4	11.4	0.0	4.4
	Officers	0.19	88.6	100.0	100.0	106.4	106.4	12.9	0.0	6.4
	Non Officers	0.95	90.0	100.0	100.0	104.0	104.0	11.1	0.0	4.0
	1.3 Bank & Financial Institutions	0.55	99.8	100.0	100.0	110.0	110.0	0.2	0.0	10.0
	Officers	0.10	99.7	100.0	100.0	112.6	112.6	0.3	0.0	12.6
	Non Officers	0.45	99.8	100.0	100.0	109.4	109.4	0.2	0.0	9.4
	1.4 Army & Police Forces	4.01	83.5	100.0	100.0	100.0	100.0	19.7	0.0	0.0
	Officers	0.17	83.4	100.0	100.0	100.0	100.0	19.9	0.0	0.0
	Non Officers	3.84	83.5	100.0	100.0	100.0	100.0	19.7	0.0	0.0
	1.5 Education	10.55	91.5	100.0	100.0	100.0	100.0	9.3	0.0	0.0
	Officers	6.80	91.3	100.0	100.0	100.0	100.0	9.5	0.0	0.0
	Non Officers	3.75	91.8	100.0	100.0	100.0	100.0	8.9	0.0	0.0
	1.6 Private Organisations	7.90	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0
	Officers	2.24	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0
	Non Officers	5.66	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0
	2 Wage Rate Index	73.03	90.7	100.0	100.0	105.7	105.7	10.3	0.0	5.7
	2.1 Agricultural Labourer	39.49	90.5	100.0	100.0	107.3	107.3	10.5	0.0	7.3
	Male	20.49	89.9	100.0	100.0	106.5	105.4	11.2	-1.0	5.4
	Female	19.00	91.2	100.0	100.0	108.2	109.4	9.7	1.1	9.4
	2.2 Industrial Labourer	25.25	90.5	100.0	100.0	105.1	105.1	10.5	0.0	5.1
	Highly Skilled	6.31	87.4	100.0	100.0	103.5	103.5	14.4	0.0	3.5
	Skilled	6.31	90.0	100.0	100.0	105.3	105.3	11.1	0.0	5.3
	Semi Skilled	6.31	92.3	100.0	100.0	105.9	105.9	8.4	0.0	5.9
	Unskilled	6.32	92.4	100.0	100.0	105.8	105.8	8.3	0.0	5.8
	2.3 Construction Labourer	8.29	92.0	100.0	100.0	100.3	100.3	8.7	0.0	0.3
	Mason	2.76	93.5	100.0	100.0	101.2	101.2	7.0	0.0	1.2
	Skilled	1.38	93.6	100.0	100.0	101.0	101.0	6.9	0.0	1.0
	Unskilled	1.38	93.4	100.0	100.0	101.4	101.4	7.0	0.0	1.4
	Carpenter	2.76	91.9	100.0	100.0	100.6	100.6	8.8	0.0	0.6
	Skilled	1.38	92.3	100.0	100.0	100.3	100.3	8.3	0.0	0.3
	Unskilled	1.38	91.5	100.0	100.0	100.9	100.9	9.3	0.0	0.9
	worker	2.77	90.5	100.0	100.0	99.0	99.1	10.4	0.1	-0.9
	Male	1.38	89.6	100.0	100.0	98.7	99.0	11.7	0.3	-1.0
	Female	1.39	91.5	100.0	100.0	99.3	99.3	9.3	0.0	-0.7

P : Provisional

Table 11
Government Budgetary Operation⁺
(On cash basis)

During the First Seven Months of Fiscal Year

Rs. in million

Heads	Amount			Change %		
	2003/04	2004/05	2005/06P	2003/04	2004/05	2005/06
Sanctioned Expenditure	44912.7	46318.7	55750.9	6.2	3.1	20.4
Recurrent	*	33869.6	39226.6	-	-	15.8
Capital	*	5157.7	8008.9	-	-	55.3
<i>a.Domestic Resources & Loans</i>	*	4780.0	6877.7	-	-	43.9
<i>b.Foreign Grants</i>	*	377.7	1131.2	-	-	199.5
Principal Repayment	*	5901.2	6208.7	-	-	5.2
Others (Freeze Account)	1583.4	1390.2	2306.7	22.1	-12.2	65.9
Unspent Government Balance	7909.6	7859.6	9766.8	8.0	-0.6	24.3
Recurrent	*	5282.5	5909.8	-	-	11.9
Capital	*	1870.5	2034.7	-	-	8.8
Principal Repayment	*	706.6	1822.3	-	-	157.9
Actual Expenditure	37003.1	39463	45984.1	5.9	6.6	16.5
Recurrent	*	28587.1	33316.8	-	-	16.5
Capital	*	4291.1	5974.2	-	-	39.2
Principal Repayment	*	5194.6	4386.4	-	-	-15.6
Others (Freeze Account)	1583.4	1390.2	2306.7	22.1	-12.2	65.9
Resources	34077.5	39825.1	46158.8	10.6	16.9	15.9
Revenue	30782.9	34824.6	35824.8	12.6	13.1	2.9
From Foreign Grants	2157.7	3890.1	5869	177.4	80.3	50.9
Non-Budgetary Receipts,net	819.2	888.0	1420.7	-65.0	8.4	60.0
Others #	201.5	74.2	-569.9	-4.5	-63.2	-868.1
V.A.T.	116.2	148.2	224.9	-16.6	27.5	51.8
Local Authority Account	0	0	3389.3	0	0	0
Deficit (-) Surplus (+)	-2925.6	362.1	174.7	-29.3	-112.4	-51.8
Deficit (-) Surplus (+)excluding the LAC	-2925.6	362.1	-3214.6	-29.3	-112.4	-987.8
Sources of Financing	2925.6	-362.1	3214.6	-29.3	-112.4	-987.8
Internal Loans	-3941.9	-1534.3	792.9	-285.7	-61.1	-151.7
<i>a.Treasury Bills</i>	1100.0	2200.0	3135.0	0.0	0.0	42.5
<i>b.Development Bonds</i>	0.0	0.0	0.0	-100.0	-	-
<i>c.National Savings Certificates</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>d. Citizen Saving Certificates</i>	247.8	0.0	0.0	-18.2	-100.0	-
<i>e.Overdrafts⁺⁺</i>	-4139.8	-3750.4	-2241.4	1818.4	-9.4	-40.2
<i>f. Others</i>	-1149.9	16.1	-100.7	-3330.1	-101.4	-725.5
Foreign Loans	6867.5	1172.2	2421.7	241.2	-82.9	106.6

+ As per NRB records.

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

++ Minus (-) indicates surplus.

@ Interest from Government Treasury transactions and others.

* Data of this period is not available because of reclassification of the government account from the current fiscal year.

P : Provisional.

Table 12
Outstanding Domestic Debt of HMG

No.	Name of Bonds/Ownership	Rs. in million					
		2004/05		2005/06		Amount Change (Feb-July)	
		Mid-Jul	Mid-Feb.	Mid-Jul	Mid-Feb	2005	2006
1	Treasury Bills	49429.6	50391.6	51383.1	57141.1	962.0	5758.0
	a. Banking Sector	45958.7	48001.1	50425.4	56133.1	2042.4	5707.7
	<i>i. Nepal Rastra Bank</i>	9804.4	8463.3	10923.8	15726.8	-1341.1	4803.0
	<i>ii. Commercial Banks</i>	36154.3	39537.8	39501.6	40406.3	3383.5	904.7
	b. Non-Banking Sector	3470.9	2390.5	957.7	1008	-1080.4	50.3
	<i>(of which ADB/N)</i>	690	610	200	97.8	-80.0	-102.2
2	Development Bonds	17549.2	16999.2	19999.2	19999.2	-550.0	0.0
	a. Banking Sector	9885.7	8263.1	9623.2	9623.2	-1622.6	0.0
	<i>i. Nepal Rastra Bank</i>	3298.3	1675.7	1518.7	1518.68	-1622.6	0.0
	<i>ii. Commercial Banks</i>	6587.4	6587.4	8104.5	8104.5	0.0	0.0
	b. Non-Banking Sector	7663.5	8736.1	10376.0	10376	1072.6	0.0
3	National Saving Certificates	9029.8	9029.8	6576.8	5189.3	0.0	-1387.5
	a. Banking Sector	450.8	198.5	231.4	234.5	-252.3	3.1
	<i>i. Nepal Rastra Bank</i>	340.8	88.5	231.4	234.476	-252.3	3.1
	<i>ii. Commercial Banks</i>	110.0	110.0	0.0	0	0.0	0.0
	b. Non-Banking Sector	8579.0	8831.3	6345.4	4954.8	252.3	-1390.6
4	Citizen Saving Bonds	1178.9	1178.9	1428.9	1428.9	0.0	0.0
	a. Banking Sector	45.8	47.6	49.6	50.2	1.8	0.6
	<i>i. Nepal Rastra Bank</i>	45.8	47.6	49.6	50.2	1.8	0.6
	b. Non-Banking Sector	1133.1	1131.3	1379.3	1378.7	-1.8	-0.6
5	Special Bonds	3359.9	3399.4	3454.0	3465.6	39.5	11.6
	a. Banking Sector	944.6	944.6	944.6	944.6	0.0	0.0
	<i>i. Commercial Banks</i>	944.6	944.6	944.6	944.6	0.0	0.0
	b. Non-Banking Sector	2415.3	2454.8	2509.4	2521	39.5	11.6
	<i>(Of which duty drawback)</i>	941.7	981.3	1035.9	1047.529	39.6	11.6
6	Short Term Loan & Advances	-753	-4503.4	2623	-5630.7	-3750.4	-8253.7
	Nepal Rastra Bank	-753.0	-4503.4	2623.0	-5630.7	-3750.4	-8253.7
7	Grand Total	79794.4	76495.5	85465.0	81593.4	-3298.9	-3871.6
	a. Banking Sector	56532.6	52951.5	63897.2	61354.9	-3581.1	-2542.3
	<i>i. Nepal Rastra Bank</i>	12736.3	5771.7	15346.5	11899.5	-6964.6	-3447.0
	<i>ii. Commercial Banks</i>	43796.3	47179.8	48550.7	49455.4	3383.5	904.7
	b. Non-Banking Sector	23261.8	23544.0	21567.8	20238.5	282.2	-1329.3
	<i>(of which ADB/N)</i>	690	610	200	97.8	-80.0	-102.2

Table 13
Direction of Foreign Trade*
FY 2005/06
First Seven Months

Rs in million

	2002/03	2003/04 ^R	2004/05 ^P	2005/06 ^P	Percentage Change		
					2003/04	2004/05	2005/06
Total Exports	28398.4	31391.7	33104.9	37127.9	10.5	5.5	12.2
To India	15332.3	17665.4	21251.7	26100.8	15.2	20.3	22.8
To Other Countries	13066.1	13726.3	11853.2	11027.1	5.1	-13.6	-7.0
Total Imports	68837.5	75176.9	81965.8	102522.1	9.2	9.0	25.1
From India	38007.4	42210.4	47747.3	62694.2	11.1	13.1	31.3
From Other Countries	30830.1	32966.5	34218.5	39827.9	6.9	3.8	16.4
Total Trade Balance	-40439.1	-43785.2	-48860.9	-65394.2	8.3	11.6	33.8
With India	-22675.1	-24545.0	-26495.6	-36593.4	8.2	7.9	38.1
With Other Countries	-17764.0	-19240.2	-22365.3	-28800.8	8.3	16.2	28.8
Total Foreign Trade	97235.9	106568.6	115070.7	139650.0	9.6	8.0	21.4
With India	53339.7	59875.8	68999.0	88795.0	12.3	15.2	28.7
With Other Countries	43896.2	46692.8	46071.7	50855.0	6.4	-1.3	10.4

1. Ratio of export and import	41.3	41.8	40.4	36.2
India	40.3	41.9	44.5	41.6
Other Countries	42.4	41.6	34.6	27.7
2.Share in total export				
India	54.0	56.3	64.2	70.3
Other Countries	46.0	43.7	35.8	29.7
3.Share in total import				
India	55.2	56.1	58.3	61.2
Other Countries	44.8	43.9	41.7	38.8
4.Share in Trade Balance				
India	56.1	56.1	54.2	56.0
Other Countries	43.9	43.9	45.8	44.0
5.Share in total trade				
India	54.9	56.2	60.0	63.6
Other Countries	45.1	43.8	40.0	36.4
6. Share of export and import in total trade				
Export	29.2	29.5	28.8	26.6
Import	70.8	70.5	71.2	73.4

* On customs data basis
P = Provisional
R = Revised

Table 14
Exports of Major Commodities to India
(Rs in million)

	First Seven Months				% Change		
	2002/03	2003/04 ^R	2004/05 ^P	2005/06 ^P	2003/04	2004/05	2005/06
A. Major Items	12140.3	15042.6	16986.7	19648.9	23.9	12.9	15.7
1 Aluminium Section	167.6	185.4	469.4	592.0	10.6	153.2	26.1
2 Batica hair oil	160.0	247.5	192.3	1.2	54.7	-22.3	-99.4
3 Biscuits	16.4	9.5	8.3	5.1	-42.1	-12.6	-38.6
4 Brans	42.5	28.4	31.6	76.8	-33.2	11.3	143.0
5 Brooms	25.5	27.0	35.7	25.6	5.9	32.2	-28.3
6 Cardamom	273.1	320.2	367.4	346.4	17.2	14.7	-5.7
7 Catechue	67.6	89.9	232.3	261.5	33.0	158.4	12.6
8 Cattlefeed	258.7	299.3	324.1	364.1	15.7	8.3	12.3
9 Chemicals	37.6	243.3	719.0	754.1	547.1	195.5	4.9
10 Cinnamon	2.5	3.9	3.6	24.8	56.0	-7.7	588.9
11 Copper Wire Rod	233.0	92.7	323.3	186.9	-60.2	248.8	-42.2
12 Dried Ginger	69.2	50.2	34.2	41.6	-27.5	-31.9	21.6
13 Fruits	1.8	0.4	1.0	0.6	-77.8	150.0	-40.0
14 G.I. pipe	149.3	357.7	214.9	353.7	139.6	-39.9	64.6
15 Ghee (Vegetable)	2591.3	2008.9	2234.5	2923.0	-22.5	11.2	30.8
16 Ghee (Clarified)	29.2	45.3	48.4	44.1	55.1	6.8	-8.9
17 Ginger	238.4	245.8	126.3	202.4	3.1	-48.6	60.3
18 Handicraft Goods	23.9	20.7	34.7	14.7	-13.4	67.6	-57.6
19 Herbs	52.7	49.3	75.5	69.4	-6.5	53.1	-8.1
20 Juice	284.5	380.1	507.8	578.9	33.6	33.6	14.0
21 Jute Goods	1153.1	972.4	1347.3	1703.8	-15.7	38.6	26.5
(a) Hessian	21.6	48.2	71.8	210.9	123.1	49.0	193.7
(b) Sackings	402.4	575.0	726.2	915.9	42.9	26.3	26.1
(c) Twines	729.1	349.2	549.3	577.0	-52.1	57.3	5.0
22 Live Animals	34.2	35.8	35.5	37.3	4.7	-0.8	5.1
23 M.S. Pipe	295.1	588.2	209.8	13.6	99.3	-64.3	-93.5
24 Marble Slab	16.1	13.2	35.7	25.0	-18.0	170.5	-30.0
25 Medicine (Ayurvedic)	667.7	163.7	148.1	148.7	-75.5	-9.5	0.4
26 Mustard & Linseed	42.6	33.7	30.3	23.3	-20.9	-10.1	-23.1
27 Noodles	175.1	191.6	195.0	304.5	9.4	1.8	56.2
28 Oil Cakes	184.1	201.1	189.0	176.3	9.2	-6.0	-6.7
29 Paper	184.5	146.7	115.0	55.7	-20.5	-21.6	-51.6
30 Particle Board	124.8	164.6	164.1	156.2	31.9	-0.3	-4.8
31 Pashmina	325.7	310.1	202.3	191.0	-4.8	-34.8	-5.6
32 Plastic Utensils	327.1	707.6	716.8	523.2	116.3	1.3	-27.0
33 Polyester Yarn	367.5	601.7	841.0	2119.7	63.7	39.8	152.0
34 Pulses	737.4	419.4	499.7	446.5	-43.1	19.1	-10.6
35 Raw Jute	0.0	0.0	0.0	0.5	-	-	-
36 Readymade garment	162.5	432.2	214.7	594.1	166.0	-50.3	176.7
37 Ricebran Oil	121.9	109.2	90.9	63.8	-10.4	-16.8	-29.8
38 Rosin	137.6	90.5	136.1	195.3	-34.2	50.4	43.5
39 Shoes and Sandles	65.5	75.4	163.8	195.0	15.1	117.2	19.0
40 Skin	144.4	177.9	132.7	192.3	23.2	-25.4	44.9
41 Soap	260.0	289.6	194.4	197.4	11.4	-32.9	1.5
42 Stone and Sand	83.0	112.3	136.3	72.6	35.3	21.4	-46.7
43 Turpentine	11.4	10.9	35.8	38.4	-4.4	228.4	7.3
44 Textiles*	403.0	888.2	1625.8	1299.3	120.4	83.0	-20.1
45 Thread	767.0	918.9	1322.6	1071.5	19.8	43.9	-19.0
46 Tooth Paste	390.0	835.1	738.6	453.4	114.1	-11.6	-38.6
47 Turmeric	0.0	0.0	0.0	0.4	-	-	-
48 Vegetable	35.7	17.5	30.3	15.6	-51.0	73.1	-48.5
49 Wire	112.7	339.3	569.2	979.1	201.1	67.8	72.0
50 Zinc Oxide	44.1	8.8	1.0	0.0	-80.0	-88.6	-100.0
51 Zinc sheet	41.7	1481.5	880.6	1488.5	3452.8	-40.6	69.0
B. Others	3192.0	2622.8	4265.0	6451.9	-17.8	62.6	51.3
Total(A+B)	15332.3	17665.4	21251.7	26100.8	15.2	20.3	22.8

Table 15
Exports of Major Commodities to Other Countries
(Rs in million)

	First Seven Months			% Change		
	2003/04 ^k	2004/05 ^r	2005/06 ^r	2003/04	2004/05	2005/06
A. Major Items	10957.1	8814.6	8380.4	-2.4	-19.6	-4.9
1 Handicraft (Metal and Wooden)	427.7	456.8	199.4	129.7	6.8	-56.3
2 Herbs	25.0	32.1	8.2	131.5	28.4	-74.5
3 Nepalese Paper & Paper Products	148.3	134.9	121.3	5.4	-9.0	-10.1
4 Nigerseed	4.5	0.0	7.0	-38.4	-100.0	-
5 Pashmina	685.8	671.4	826.3	-12.4	-2.1	23.1
6 Pulses	226.4	61.4	177.6	80.0	-72.9	189.3
7 Readymade Garments	5840.0	3643.1	3200.0	-12.6	-37.6	-12.2
8 Readymade Leather Goods	18.4	16.2	5.7	-30.0	-12.0	-64.8
9 Silverware and Jewelleries	201.7	202.6	200.0	0.2	0.4	-1.3
10 Tanned Skin	158.0	159.3	154.8	13.2	0.8	-2.8
11 Tea	75.9	63.8	59.8	123.9	-15.9	-6.3
12 Woolen Carpet	3145.4	3373.0	3420.3	8.6	7.2	1.4
B. Others	2769.2	3038.6	2646.7	51.0	9.7	-12.9
Total (A+B)	13726.3	11853.2	11027.1	5.1	-13.6	-7.0

Table 16
Import of Selected Commodities from India
(Rs in million)

	First Seven Months				% Change		
	2002/03	2003/04 ^R	2004/05 ^P	2005/06 ^P	2003/04	2004/05	2005/06
A. Major Items	31417.3	35003.2	37026.5	45757.3	11.4	5.8	23.6
1 Agri. Equip.& Parts	375.0	270.1	347.1	311.3	-28.0	28.5	-10.3
2 Aluminium Ingot, Billet & Rod	142.5	252.7	289.2	136.7	77.3	14.4	-52.7
3 Baby Food & Milk Products	317.9	231.6	204.5	303.3	-27.1	-11.7	48.3
4 Bitumen	19.6	55.7	69.6	53.3	184.2	25.0	-23.4
5 Books and Magazines	117.0	140.0	162.5	123.6	19.7	16.1	-23.9
6 Cement	1579.0	1025.4	740.4	1053.1	-35.1	-27.8	42.2
7 Chemical Fertilizer	38.6	334.2	286.1	748.6	765.8	-14.4	161.7
8 Chemicals	925.0	1299.7	2000.0	2024.9	40.5	53.9	1.2
9 Coal	276.5	384.0	445.7	573.2	38.9	16.1	28.6
10 Coldrolled Sheet in Coil	779.6	1357.8	2152.2	465.5	74.2	58.5	-78.4
11 Cooking Stove & Parts	25.4	24.4	35.2	23.0	-3.9	44.3	-34.7
12 Cosmetics	189.7	258.8	255.7	499.1	36.4	-1.2	95.2
13 Cuminseeds and Peppers	93.8	103.3	195.2	147.4	10.1	89.0	-24.5
14 Dry Cell Battery	43.3	43.2	43.5	64.1	-0.2	0.7	47.4
15 Electrical Equipment	429.7	557.5	577.2	739.1	29.7	3.5	28.0
16 Enamel & Other Paints	69.8	68.2	79.0	115.8	-2.3	15.8	46.6
17 Fruits	136.8	203.0	196.8	376.0	48.4	-3.1	91.1
18 Glass Sheet and G.Wares	203.1	267.3	264.9	237.2	31.6	-0.9	-10.5
19 Hotrolled Sheet in Coil	1308.8	1167.1	324.0	598.7	-10.8	-72.2	84.8
20 Incense Sticks	39.2	40.3	35.9	40.5	2.8	-10.9	12.8
21 Insecticides	72.2	73.5	58.3	143.4	1.8	-20.7	146.0
22 Live Animals	221.4	254.7	240.4	149.5	15.0	-5.6	-37.8
23 M.S. Billet	1861.8	2327.7	1663.9	2181.8	25.0	-28.5	31.1
24 M.S. Wire Rod	470.9	802.5	699.9	641.5	70.4	-12.8	-8.3
25 Medicine	1906.0	1905.1	2114.6	2647.4	0.0	11.0	25.2
26 Molasses Sugar	76.8	74.8	49.9	41.0	-2.6	-33.3	-17.8
27 Other Machinery & Parts	1201.2	1855.5	1670.4	1874.9	54.5	-10.0	12.2
28 Other Stationary Goods	37.9	50.5	47.4	202.7	33.2	-6.1	327.6
29 Paper	238.7	244.1	224.3	343.3	2.3	-8.1	53.1
30 Petroleum Products	10279.7	10697.6	14032.9	19217.1	4.1	31.2	36.9
31 Pipe and Pipe Fittings	68.5	82.1	128.6	153.6	19.9	56.6	19.4
32 Plastic Utensils	71.6	120.2	80.7	167.7	67.9	-32.9	107.8
33 Radio, TV, Deck & Parts	76.8	61.9	63.1	223.5	-19.4	1.9	254.2
34 Raw Cotton	59.4	65.9	101.3	84.6	10.9	53.7	-16.5
35 Readymade Garments	309.0	323.9	553.4	633.4	4.8	70.9	14.5
36 Rice	358.1	431.3	147.4	1286.1	20.4	-65.8	772.5
37 Salt	280.1	357.0	118.1	11.6	27.5	-66.9	-90.2
38 Sanitaryware	73.7	71.9	66.4	102.6	-2.4	-7.6	54.5
39 Shoes & Sandles	47.0	59.8	35.2	41.0	27.2	-41.1	16.5
40 Steel Sheet	192.3	6.0	5.3	20.2	-96.9	-11.7	280.2
41 Sugar	118.9	12.4	41.0	210.6	-89.6	230.6	413.7
42 Tea	31.0	32.1	20.4	11.5	3.5	-36.4	-43.6
43 Textiles	2702.9	2330.0	1258.2	878.0	-13.8	-46.0	-30.2
44 Thread	563.7	552.7	632.9	1416.4	-2.0	14.5	123.8
45 Tobacco	303.1	368.1	368.9	253.0	21.4	0.2	-31.4
46 Tyre Tubes,Flapes	114.9	140.2	136.7	158.4	22.0	-2.5	15.9
47 Vegetables	466.3	552.8	620.7	712.1	18.6	12.3	14.7
48 Vehicles & Spare Parts	2021.1	2996.8	3060.5	3128.6	48.3	2.1	2.2
49 Wire Products	82.0	67.8	81.0	162.4	-17.3	19.5	100.5
B. Others	6590.1	7207.2	10720.8	16936.9	9.4	48.8	58.0
Total (A+B)	38007.4	42210.4	47747.3	62694.2	11.1	13.1	31.3

Table 17
Import of Selected Commodities from Other Countries

(Rs in million)

	First Seven Months			% Change		
	2003/04 ^e	2004/05 ^f	2005/06 ^g	2003/04	2004/05	2005/06
A. Major Items	23134.0	18682.8	27369.8	5.2	-19.2	46.5
1 Aircraft & Spareparts	813.1	536.9	730.7	55.7	-34.0	36.1
2 Bags	68.6	42.1	25.4	-14.9	-38.6	-39.7
3 Betelnut	203.3	378.2	447.4	27.5	86.0	18.3
4 Button	79.6	16.8	28.6	114.0	-78.9	70.2
5 Camera	85.6	64.7	56.6	-32.7	-24.4	-12.5
6 Chemical Fertilizer	687.6	169.7	11.1	36.1	-75.3	-93.5
7 Cigarette Paper	10.9	2.5	5.7	36.3	-77.1	128.0
8 Clove	80.5	72.1	4.7	-51.6	-10.4	-93.5
9 Coconut Oil	52.0	49.9	56.4	109.7	-4.0	13.0
10 Computer Parts	709.4	707.2	655.1	-25.0	-0.3	-7.4
11 Copper Wire Rod, Scrapes & Sheets	510.0	751.8	1098.1	23.5	47.4	46.1
12 Cosmetic Goods	177.6	149.6	148.3	67.1	-15.8	-0.9
13 Crude Coconut Oil	17.7	34.1	16.8	-89.6	92.7	-50.7
14 Crude Palm Oil	2812.9	1021.1	2548.3	1.2	-63.7	149.6
15 Crude Soyabean Oil	1199.4	483.0	943.4	45.4	-59.7	95.3
16 Cuminseed	61.8	3.5	1.9	-16.1	-94.3	-45.7
17 Door Locks	17.1	19.8	8.3	-6.0	15.8	-58.1
18 Drycell Battery	70.6	63.5	40.6	-23.1	-10.1	-36.1
19 Edible Oil	139.5	229.6	316.8	132.1	64.6	38.0
20 Electrical Goods	1023.3	737.7	1473.8	26.7	-27.9	99.8
21 Fastener	32.6	47.9	27.8	-45.8	46.9	-42.0
22 Flash Light	79.3	39.2	4.0	-64.4	-50.6	-89.8
23 G.I. Wire	0.0	3.1	28.3	-100.0	-	812.9
24 Glasswares	35.5	49.8	53.9	51.1	40.3	8.2
25 Gold	15.7	3.3	2.7	-70.9	-79.0	-18.2
26 Insecticides	12.5	5.9	103.3	13.6	-52.8	-
27 M.S. Billet	68.2	255.5	818.8	-	274.6	220.5
28 M.S. Wire Rod	0.0	135.5	354.1	-	-	161.3
29 Medical Equip. & Tools	343.0	338.3	431.5	-13.4	-1.4	27.5
30 Medicine	356.2	480.0	649.4	-21.5	34.8	35.3
31 Office Equip. & Stationary	143.8	93.2	133.8	37.6	-35.2	43.6
32 Other Machinery & Parts	1442.5	1514.5	1713.9	35.8	5.0	13.2
33 Other Stationaries	74.6	59.1	165.5	55.4	-20.8	180.0
34 P. V. C. Compound	135.3	150.0	134.0	-3.1	10.9	-10.7
35 Palm Oil	183.0	177.3	1357.0	43.2	-3.1	665.4
36 Parafix Wax	38.1	31.6	54.5	62.8	-17.1	72.5
37 Petroleum Products	194.0	116.4	298.5	0.8	-40.0	156.4
38 Pipe & Pipe Fittings	7.4	7.1	153.0	-15.9	-4.1	-
39 Polythene Granules	1761.8	1175.6	2345.1	6.2	-33.3	99.5
40 Powder Milk	47.3	24.8	26.7	-46.0	-47.6	7.7
41 Raw Silk	20.7	41.6	90.2	-32.4	101.0	116.8
42 Raw Wool	1245.5	1077.2	671.7	31.3	-13.5	-37.6
43 Readymade Garments	318.7	951.0	361.1	-66.5	198.4	-62.0
44 Shoes and Sandals	437.5	335.5	116.3	19.0	-23.3	-65.3
45 Silver	47.3	96.8	52.6	-66.8	104.7	-45.7
46 Small Cardamom	179.4	195.7	150.8	-7.2	9.1	-22.9
47 Steel Rod & Sheet	165.9	102.5	150.7	-22.6	-38.2	47.0
48 Storage Battery	66.3	54.5	85.8	-18.6	-17.8	57.4
49 Synthetic & Natural Rubber	50.1	45.8	71.1	-42.8	-8.6	55.2
50 Synthetic Carpet	66.5	94.8	86.7	-0.9	42.6	-8.5
51 Telecommunication Equip. Parts	878.8	1079.4	1065.5	-39.8	22.8	-1.3
52 Tello	61.7	98.4	86.9	-44.4	59.5	-11.7
53 Textile Dyes	7.7	17.6	1618.3	26.2	128.6	-
54 Textiles	1967.9	937.8	1280.6	72.0	-52.3	36.6
55 Threads	1048.7	703.1	739.5	23.9	-33.0	5.2
56 Toys	22.1	22.7	8.3	-42.6	2.7	-63.4
57 Transport Equip. & Parts	951.4	974.1	1224.7	-6.7	2.4	25.7
58 Tyre, Tube & Flaps	143.0	94.5	93.0	68.6	-33.9	-1.6
59 Umbrella and Parts	18.4	26.0	3.4	457.6	41.3	-86.9
60 Video Television & Parts	600.2	678.8	408.0	-14.4	13.1	-39.9
61 Watches & Bands	115.7	89.1	60.7	-5.9	-23.0	-31.9
62 Writing & Printing Paper	209.0	112.8	434.2	-18.5	-46.0	284.9
63 X-Ray Film	35.3	42.1	55.8	7.3	19.3	32.5
64 Zinc Ingot	684.9	569.1	980.1	53.2	-16.9	72.2
B. Others	9832.5	15535.7	12458.1	11.2	58.0	-19.8
Total (A+B)	32966.5	34218.5	39827.9	6.9	3.8	16.4

Table 18
Summary of Balance of Payment Presentation

Particulars	(Rs in million)						
	2003/04		2004/05		2005/06	% Change	
	6 months	Annual	6 months	Annual	6 months	2004/05	2005/06
A. Current Account	11435.8	14598.0	4229.4	11544.6	3908.2	-63.0	-7.6
Goods: Exports f.o.b.	26957.3	55228.3	28680.0	59956.1	33214.4	6.4	15.8
Oil	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	26957.3	55228.3	28680.0	59956.1	33214.4	6.4	15.8
Goods: Imports f.o.b.	-61970.1	-132909.9	-69574.4	-145718.2	-86272.9	12.3	24.0
Oil	-8807.5	-20167.3	-11875.3	-26653.6	-16494.6	34.8	38.9
Other	-53162.6	-112742.6	-57699.1	-119064.6	-69778.3	8.5	20.9
Balance on Goods	-35012.8	-77681.6	-40894.4	-85762.1	-53058.5	16.8	29.7
Services: Net	3719.7	9074.9	218.9	-2034.2	-1609.8	-94.1	-835.4
Services: credit	13560.1	34315.9	13135.1	26001.9	14310.9	-3.1	9.0
Travel	7202.6	18147.4	5979.1	10463.8	4914.6	-17.0	-17.8
Government n.I.e.	2629.8	7143.9	3220.8	6804.9	4187.5	22.5	30.0
Other	3727.7	9024.6	3935.2	8733.2	5208.8	5.6	32.4
Services: debit	-9840.4	-25241.0	-12916.2	-28036.1	-15920.7	31.3	23.3
Transportation	-4264.9	-9382.1	-5305.5	-10602.2	-6195.7	24.4	16.8
Travel	-2922.4	-10021.5	-4189.1	-9691.9	-6145.8	43.3	46.7
Other	-2653.1	-5837.4	-3421.6	-7742.0	-3579.2	29.0	4.6
Balance on Goods and Services	-31293.1	-68606.7	-40675.5	-87796.3	-54668.3	30.0	34.4
Income: Net	-1279.5	-1683.9	-704.4	1636.5	1078.4	-44.9	-253.1
Income: credit	1426.3	3841.5	2217.0	7751.6	4438.8	55.4	100.2
Income: debit	-2705.8	-5525.4	-2921.4	-6115.1	-3360.4	8.0	15.0
Balance on Goods, Services and Income	-32572.6	-70290.6	-41379.9	-86159.8	-53589.9	27.0	29.5
Transfers: Net	44008.4	84888.6	45609.3	97704.4	57498.1	3.6	26.1
Current transfers: credit	45310.7	89161.8	47253.8	101310.1	59864.0	4.3	26.7
Grants	10481.4	19557.8	9442.3	21071.9	8868.4	-9.9	-6.1
Workers' remittances	31044.5	58587.6	30871.3	65541.2	45911.3	-0.6	48.7
Pensions	2909.3	7906.2	5818.7	12502.2	5084.3	100.0	-12.6
Other	875.5	3110.2	1121.5	2194.8	0.0	28.1	-100.0
Current transfers: debit	-1302.3	-4273.2	-1644.5	-3605.7	-2365.9	26.3	43.9
B. Capital Account (Capital Transfer)	969.9	1452.2	671.4	1573.6	1979.5	-30.8	194.8
Total, Groups A plus B	12405.7	16050.2	4900.8	13118.2	5887.7	-60.5	20.1
C. Financial Account (Excluding Group E)	-9899.3	-21540.1	-15101.1	-25536.9	-296.9	52.5	-98.0
Direct investment in Nepal	0.0	0.0	-30.7	136.0	7.2	0.0	-123.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment: assets	-21092.8	-32591.2	-14186.2	-21863.2	-4014.5	-32.7	-71.7
Trade credits	-4171.5	-2247.6	-686.9	-323.8	807.9	-83.5	-217.6
Other	-16921.3	-30343.6	-13499.3	-21539.4	-4822.4	-20.2	-64.3
Other investment: liabilities	11193.5	11051.1	-884.2	-3809.7	3710.4	-107.9	-519.6
Trade credits	7939.2	3629.8	881.0	-4489.0	3204.1	-88.9	263.7
Loans	-653.7	3325.2	-1798.4	744.4	-1075.7	175.1	-40.2
General Government	-623.5	3479.1	-1717.5	1300.4	-986.4	175.5	-42.6
Drawings	1644.6	9244.7	1442.3	7253.7	2259.1	-12.3	56.6
Repayments	-2268.1	-5765.6	-3159.8	-5953.3	-3245.5	39.3	2.7
Other sectors	-30.2	-153.9	-80.9	-556.0	-89.3	167.9	10.4
Currency and deposits	3908.0	4096.1	33.2	-65.1	1582.0	-99.2	4665.1
Nepal Rastra Bank	133.9	-77.4	97.4	46.2	-111.2	-27.3	-214.2
Deposit money banks	3774.1	4173.5	-64.2	-111.3	1693.2	-101.7	-2737.4
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total, Group A through C	2506.4	-5489.9	-10200.3	-12418.7	5590.8	-507.0	-154.8
D. Miscellaneous Items, Net	9997.9	25591.2	15556.3	18098.1	6470.1	55.6	-58.4
Total, Group A through D	12504.3	20101.3	5356.0	5679.4	12060.9	-57.2	125.2
E. Reserves and Related Items	-12504.3	-20101.3	-5356.0	-5679.4	-12060.9	-57.2	125.2
Reserve assets	-13119.2	-20658.0	-6141.1	-6464.6	-12060.9	-53.2	96.4
Nepal Rastra Bank	-12536.1	-19507.8	-5253.8	-3253.7	-6737.7	-58.1	28.2
Deposit money banks	-583.1	-1150.2	-887.3	-3210.9	-5323.2	52.2	499.9
Use of Fund Credit and Loans	614.9	556.7	785.1	785.2	0.0	27.7	-100.0
Changes in reserve net (- increase)	-8596.3	-16005.2	-5322.8	-5744.5	-10478.9	-38.1	96.9

Table 19
Gross Foreign Exchange Holding of the Banking Sector

(Rs in million)

	Mid-Jul. 2003	Mid-Feb. 2004	Mid-Jul. 2004	Mid-Feb. 2005	Mid-Jul. 2005	Mid-Feb. 2006	Percent Change	
							Mid-Jul To 2005	Mid-Feb. 2006
Nepal Rastra Bank	86966.1	101632.9	107915.9	104602.3	104426.0	112627.5	-3.1	7.9
Convertible	76752.0	91956.3	96235.9	101140.5	100825.9	106919.5	5.1	6.0
Inconvertible	10214.1	9676.6	11680.0	3461.8	3600.1	5708.0	-70.4	58.6
Commercial Bank	21263.3	20872.1	22289.2	26137.3	25472.7	31218.6	17.3	22.6
Convertible	20249.2	19225.1	20734.8	24574.4	23154.9	28964.4	18.5	25.1
Inconvertible	1014.1	1647.0	1554.4	1562.9	2317.8	2254.2	0.5	-2.7
Total Reserve	108229.4	122505.0	130205.1	130739.6	129898.7	143846.1	0.4	10.7
Convertible	97001.2	111181.4	116970.7	125714.9	123980.8	135883.9	7.5	9.6
Share in total (in percent)	89.6	90.8	89.8	96.2	95.4	94.5		
Inconvertible	11228.2	11323.6	13234.4	5024.7	5917.9	7962.2	-62.0	34.5
Share in total (in percent)	10.4	9.2	10.2	3.8	4.6	5.5		
Import Capacity(Equivalent Months)								
Merchandise	10.4	11.4	11.5	11.2	11.8	9.8		
Merchandise and Services	9.0	9.9	9.7	9.4	10.0	8.3		
1.Gross Foreign Exchange Reserve	108229.4	122505.0	130205.1	130739.6	129898.7	143846.1	0.4	10.7
2.Gold,SDR,IMF Gold Tranche	1076.9	1166.0	1160.9	1050.2	1020.5	1013.1	-9.5	-0.7
3.Gross Foreign Assets(1+2)	109306.3	123671.0	131366.0	131789.8	130919.2	144859.2	0.3	10.6
4.Foreign Liabilities	17899.3	20547.2	22561.4	22099.7	23174.8	24033.7	-2.0	3.7
5.Net Foreign Assets(3-4)	91407.0	103123.8	108804.6	109690.1	107744.4	120825.5	0.8	12.1
6.Change in NFA (before adj. ex. val.)*	-	-11716.8	-17397.6	-885.5	1060.2	-13081.1	-	-
7.Exchange Valuation	-	960.6	1392.5	-4830.8	-6804.9	74.4	-	-
8.Change in NFA (6+7)**	-	-10756.2	-16005.1	-5716.3	-5744.7	-13006.7	-	-

Sources: Nepal Rastra Bank and Commercial Banks; Estimated.

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

** = After adjusting exchange valuation gain/loss

Period end Buying Rate 74.75 73.24 74.14 70.59 70.35 71.00

Table 20
Production Index of Agricultural Production (Base Year 1994/95 =100)

Agricultural Commodities	Weights %	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	% Change
1. Foodgrains	33.68	100.00	116.08	116.93	117.69	120.04	129.58	133.23	134.13	135.72	143.15	143.55	0.28
a) Paddy	19.75	100.00	122.23	126.33	124.35	126.70	137.64	144.00	142.24	141.14	152.18	146.52	-3.72
b) Maize	6.87	100.00	104.54	103.06	107.39	105.71	113.53	116.56	118.66	123.24	124.89	134.78	7.92
c) Wheat	4.59	100.00	110.86	115.57	109.53	118.91	129.53	126.72	137.69	147.11	151.82	163.21	7.50
d) Millet	2.23	100.00	105.58	108.00	106.58	108.92	110.41	105.73	105.63	105.73	105.93	108.34	2.28
e) Barley	0.23	100.00	140.04	130.96	125.17	107.72	104.39	103.28	105.75	107.42	101.50	100.49	-1.00
2. Cash Crops	6.87	100.00	107.71	112.79	110.25	125.54	133.71	145.85	156.86	159.76	168.03	180.12	7.20
a) Sugarcane	1.37	100.00	104.54	108.06	114.46	131.39	140.18	147.40	149.81	156.14	153.63	153.78	0.10
b) Oilseeds	1.50	100.00	113.63	116.71	107.03	117.29	120.25	129.63	132.20	122.39	130.16	140.05	7.60
c) Tobacco	0.19	100.00	82.86	76.99	68.57	58.81	57.28	59.74	56.59	52.03	49.77	47.61	-4.34
d) Jute	0.13	100.00	131.72	123.35	135.24	133.88	133.70	144.42	149.37	150.09	148.81	148.96	0.10
e) Potato	3.68	100.00	106.93	114.45	111.28	129.89	140.76	156.37	175.31	182.28	195.61	214.20	9.50
3. Other Crops	21.57	100.00	86.12	92.36	93.59	95.46	98.56	106.45	107.93	113.39	115.74	124.16	7.27
a) Pulses	2.72	100.00	106.48	111.00	106.88	113.41	117.62	120.55	124.10	127.32	129.99	134.54	3.50
b) Fruits	10.07	100.00	65.04	75.79	75.33	80.71	79.17	86.25	83.83	91.83	90.251	99.20	9.60
c) Vegetables	5.73	100.00	105.58	107.41	112.36	106.82	118.52	131.52	138.29	143.21	150.38	162.72	8.21
d) Others	3.05	100.00	101.00	102.20	106.82	106.82	108.05	113.46	116.10	116.10	121.24	124.88	3.00
4. Livestocks	27.66	100.00	103.13	109.55	113.56	116.44	119.20	122.45	126.10	129.97	133.62	138.45	3.61
a) Milk	15.84	100.00	106.41	112.01	115.98	118.74	121.40	124.40	128.24	132.35	136.32	141.77	4.00
b) Buffalo meat	4.51	100.00	105.97	114.72	118.63	120.87	123.10	126.21	128.89	132.22	135.06	138.43	2.50
c) Mutton	3.99	100.00	92.70	99.47	102.37	103.87	105.68	107.90	109.98	112.76	115.06	119.08	3.49
d) Pig meat	0.75	100.00	96.17	100.85	106.68	113.48	119.36	124.20	127.09	127.35	125.42	127.30	1.50
e) Poultry meat	1.01	100.00	96.06	105.40	112.42	119.62	124.57	130.25	136.04	144.48	154.80	158.41	2.30
f) Eggs	1.55	100.00	96.19	102.27	106.99	111.77	116.67	123.10	130.65	135.24	139.66	146.64	5.00
5. Fishery	0.99	100.00	124.47	131.98	141.46	146.49	180.47	189.27	199.11	207.82	227.26	244.53	7.60
6. Forestry	9.24	100.00	101.00	100.77	100.62	100.90	100.47	119.18	122.52	123.79	126.88	130.06	2.51
Overall Index	100.00	100.00	104.15	108.63	109.50	112.61	118.12	124.59	127.40	130.59	135.65	140.23	3.38

* Preliminary estimate

Source : Nepal Rastra Bank and Central Bureau of Statistics

Table 21
Tourist Arrivals- By Major Regions

Year	North America	Central & South America	Western Europe	Eastern Europe	Africa	Asia			Australia & Pacific	Other	Total
						India	Other	Total+			
1988	30365 11.4	1888 0.7	99742 37.5	2563 1.0	604 0.2	-	-	114074 42.9	13592 5.1	3115 1.2	265943 100.0
1989	28045 11.7	1968 0.8	104695 43.6	3271 1.4	605 0.3			86372 36	13966 5.8	1023 0.4	239945 100.0
1990	26343 10.3	1872 0.7	110750 43.5	3275 1.3	611 0.2			98320 38.6	13108 5.2	606 0.2	254885 100.0
1991	24027 8.2	2202 0.7	110425 37.7	3126 1.1	956 0.3			140025 47.8	10476 3.6	1758 0.6	292995 100.0
1992	27356 8.2	2727 0.8	132555 39.6	2553 0.8	1263 0.4	106574 31.9	49738 14.9	156312 46.8	10893 3.2	694 0.2	334353 100.0
1993	25283 8.6	2612 0.9	122064 41.6	3016 1.0	985 0.3	83362 28.4	45450 15.5	128812 43.9	9806 3.4	989 0.3	293567 100.0
1994	26078 8.0	3083 1.0	132518 40.6	2664 0.8	915 0.3	102540 31.4	48442 14.8	150982 46.2	9905 3.0	386 0.1	326531 100.0
1995	29702 8.2	3049 0.8	133809 36.8	3860 1.1	1073 0.3	117260 32.3	63117 17.4	180377 49.6	11499 3.2	26 0.0	363395 100.0
1996	30635 7.8	4230 1.1	132787 33.7	6114 1.5	1775 0.5	122512 31.1	83297 21.2	205809 52.3	12333 3.3	30 0.0	393613 100.0
1997	36301 8.6	4554 1.1	137028 32.5	6416 1.5	1645 0.4	133438 31.6	89411 21.2	222849 52.8	13047 3.1	17 0.0	421857 100.0
1998	43038 9.3	5937 1.3	151070 32.6	6741 1.4	1795 0.4	143229 30.9	97231 21.0	240460 51.9	14635 3.1	8.0 0.0	463684 100.0
1999	46910 9.5	6096 1.3	164913 33.6	6723 1.4	1857 0.4	140661 28.6	109132 22.2	249793 50.8	15207 3.1	5.0 0.0	491504 100.0
2000	49032 10.6	6076 1.3	159325 34.4	6992 1.5	2040 0.4	95915 20.7	128617 27.7	224532 48.4	15641 3.4	8.0 0.0	463646 100.0
2001	39120 10.8	4634 1.3	131661 36.4	6201 1.7	1596 0.4	64320 17.8	100669 27.9	164989 45.7	13036 3.6	- 0.0	361237 100.0
2002	21265 7.7	2791 1.0	87912 31.9	5276 1.9	1132 0.4	66777 24.3	81893 29.7	148670 54.0	8420 3.1	- 0.0	275468 100.0
2003	22992 6.8	2262 0.7	95162 28.1	6451 1.9	1612 0.5	86363 25.5	113682 33.6	200045 59.2	9608 2.8	- 0.0	338132 100.0
2004*	25505 6.6	4373 1.2	116505 30.2	7661 2.0	1161 0.3	90222 23.4	128165 33.3	218387 56.7	10947 2.8	758 0.2	385297 100.0

* Estimated

Notes: Figures in bold shows percentage of total

+ Indian Tourists are included till 1991

Source: Ministry of Culture, Tourism and Civil Aviation

Table 22
Foreign Exchange Earnings from Tourism

Year	Total Foreign Exchange Earning From Tourism	AS% of Total Value of Merchandise Exports	AS% of Total Value of Exports of Goods & Non- Factor Services	As% of Total Foreign Exchange Earnings	AS% of GDB
1	2	3	4	5	6
1989/90	333121.2	59.5	28.5	23.3	3.2
1990/91	3587.6	47.1	23.5	21.8	3.2
1991/92	5016.9	35.9	19.5	20.0	3.6
1992/93	5966.0	34.5	26.7	17.6	3.7
1993/94	8251.7	42.7	22.4	18.9	4.1
1994/95	8973.2	50.8	21.8	17.3	4.1
1995/96	9521.2	47.9	23.3	21.4	3.8
1996/97	8523.0	37.6	13.7	17.6	3.0
1997/98	9881.6	35.9	17.4	15.2	3.3
1998/99	12167.8	34.1	18.5	15.9	3.6
1999/00	12073.9	24.2	13.0	8.8	3.2
2000/01	11717.0	21.0	12.0	7.4	2.9
2001/02	8654.3	14.9	10.6	6.1	2.1
2002/03	11747.7	23.1	15.2	8.2	2.6
2003/04	18147.4	32.9	20.3	11.4	3.7
2004/05*	6683.2	20.2	13.9	7.1	1.2

* First Seven Months
Source: Nepal Rastra Bank

Table 23
Structure of Energy Consumption

Thousand Tonne of Oil Equivalent

Energy Sources	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05*
Traditional	5691	5811	5933	6059	6185	6268	6403	6540	6681	6824	7066	7240	7397	7557
Fuelwood	5084	5191	5300	5412	5525	5574	5694	5816	5941	6068	6315	6451	6591	6733
Agri. Waste	228	233	238	243	248	273	279	285	292	299	305	312	319	328
Animal Dung	379	387	395	404	412	421	430	439	448	457	446	477	487	496
Commercial	419	430	483	581	651	691	769	818	1054	1016	1029	1015	1059	1054
Coal	58	26	32	67	72	60	61	68	246	174	152	134	171	153
Petroleum	306	348	391	448	507	554	625	661	709	734	758	753	747	754
Electricity	55	56	60	66	72	77	83	89	99	108	119	128	141	147
Others	5	6	6	7	10	13	16	20	24	29	33	39	45	51
Total	6115	6247	6422	6647	6846	6972	7188	7378	7759	7869	8128	8294	8501	8662

* Estimate of first eight months.

Note:-

1. Since the fiscal year 1993/94 structure of energy consumption is presented in Tonne of Oil Equivalent (TOE) instead of Tonne of Coal Equivalent (TCE). The basis of conversion is taken as 1 TOE equivalent to 1.454288 TCE.
2. The renewable energy has been included from FY 2004/05 in detail.
3. As data have been adjusted in accordance with the survey recently conducted by Water and Energy Commission it may not verify with the earlier statistics.

Source: Water & Energy Commission.

Table 24
Extension of Road Facilities

Fiscal Year	In Kilometre			
	Black-Topped	Gravelled	Fair Weathered	Total
1991/92	3164	2243	3444	8851
1992/93	3227	2333	3733	9293
1993/94	3398	2356	3910	9664
1994/95	3533	2662	4529	10724
1995/96	3609	2867	4761	11237
1996/97	3655	3011	5048	11714
1997/98	4080	3489	5654	13223
1998/99	4148	3710	5851	13709
1999/00**	4,522	3,646	7,140	15,308
2000/01+	4,566	3,786	7,350	15,702
2001/02**	4,781	4,520	7,533	16,834
2002/03	4,811	4,595	7,541	16,947
2003/04	4,871	4,697	7,614	17,182
2004/05*	4,871	4,703	7,643	17,217

+ Data of Department of Road Only.

* First Eight Months.

** NRS 2000.

Source : Department of Road.

Table 25
Extension of Telephone Facilities

Title	Mid-July														2005
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
I. Number of Towns	38	41	42	43	47	51	58	58	58	58	58	58	58	58	58
II. Telephone Line Distribution	65298	68886	72033	77317	82774	112645	153782	181302	221863	255777	288036	327673	371816	408417	433631
1. Automatic															
I. Number of Towns	2	2	2	2	2	1	1	-	-	-	-	-	-	-	-
II. Telephone Line Distribution	6108	6188	7072	7143	6974	2930	1550	-	-	-	-	-	-	-	-
2. C.B.															
I. Number of Towns	7	4	4	4	4	2	-	-	-	-	-	-	-	-	-
II. Telephone Line Distribution	1135	559	645	653	666	374	-	-	-	-	-	-	-	-	-
3. Digital Automatic															
I. Number of Towns	32	37	42	45	43	49	58	58	58	58	58	58	58	58	58
II. Telephone Line Distribution	63404	62139	64316	69521	75114	109341	152232	181302	221863	255777	288036	327673	371816	408417	433631
4. Magnetic															
I. Number of Towns															
II. Telephone Line Distribution															

* First Eight Months.

Source : Nepal Telecommunication Company Ltd.

Table 26
Number of Primary, Lower Secondary
and Secondary School Teachers

Year	Primary		Lower Secondary		Secondary		Grand Total	
	Total	Trained	Total	Trained	Total	Trained	Total	Trained
1989 May	63945	25304	12245	4571	10207	5056	86397	34931
1990 May	71213	26775	12399	4298	10421	4771	94033	35844
1991 May	74495	31906	13005	4428	11627	5120	99127	41454
1992 May	77948	36359	13225	4490	12132	5339	103305	46188
1993 May	79590	38536	13647	4623	12656	5512	105893	48671
1994 May	81544	33536	15358	4820	13820	5865	110722	44221
1995 May	82645	35057	16821	5438	14585	6491	114051	46986
1996 May	89378	38980	19704	6204	16423	7328	125505	52512
1997 May	91464	42039	20641	6411	16494	7743	128599	56193
1998 July	91878	42683	22095	7246	16677	8220	130650	58149
1999 Oct	99382	44221	24696	8062	19185	9711	143263	61994
2000 Oct	97879	50697	25375	10228	19498	11012	142752	71977
2001 Oct	96556	11300	26661	5771	18830	7597	142047	24668
2002 Oct	110173	17606	28058	7264	22753	8571	160984	33441
2003 Oct	111027	20247	28571	7627	23029	9428	162627	37302
2004* Academic Year	101483	30967	25962	7818	20232	9727	147677	48512

* Estimated.

Note : Due to change in academic year in 1998/99 data collection month has been different.

Source: Ministry of Education & Sports.

Table 27 : Number of Students Enrolled in Higher Level of Education

Educational Institute	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05**
A. Tribhuvan University														
a. Technical Education	18873	18472	19932	16936	15116	16230	14275	18767	17615	19058	19264	18413	18741	18829
1. Engineering	2268	2080	2029	+2112	++1974	++1998	++1784	++2645	++3150	++3612	++4077	++4291	4094	4163
2. Agriculture & Animal Science	721	674	675	565	520	602	598	696	742	745	720	564	570	710
3. Medicine	+1863	+1655	+1238	+1371	++1228	++1565	++1212	++1371	++1453	++1605	++1747	++1667	1685	1721
4. Forestry	454	563	541	483	404	410	353	435	396	405	360	358	441	407
5. Science & Technology	+13567	13500	15449	+12405	++10990	++11655	++10328	++13620	++11874	++12691	++12360	++11553	11951	11828
b. General Education	135853	128989	119120	113163	84243	88396	82905	104466	109740	128254	123660	121999	100398	93899
6. Law	+10268	9882	+7961	+8293	++4826	3877	4417	++4745	++4036	++3843	++2024	++1390	898	555
7. Management	+46335	42327	+40816	+42353	++28979	++31534	++28133	++36037	++36167	++39374	++37490	++37210	31341	30757
8. Education	+10730	11396	16664	+15330	++11623	++10984	++10840	++14980	++17452	++21891	++22823	++22384	18814	17951
9. Humanities & Social Science	+68520	65384	53679	+47187	++38815	++42001	++39515	++48704	++52085	++63156	++61322	++61015	49345	44736
10. Sanskrit														
Total	154726	147461	139052	130099	99359	104626	97180	123233	127355	147322	142924	140412	119149	112728
B. Mahendra Sanskrit University	923	913	864	851	833	1017	1100	2311	2952	3616	3252	3001	3610	2958
C. Kathmandu University														
1. School of Science				453	636	865	1372	665	828	711*	843*	715*	786	898
2. School of Engineering				76	180	252	388	442	428	515*	505*	468*	521	558
3. School of Management				71	71	71	96	138	248	127*	177*	120*	120	135
4. School of Education				24	13	24	156	81	30	35*	63*	100*	128	199
5. School of Arts						32	67	87	110	16*	16*	42*	98	166
6. School of Medical Science								1222	1730	93*	179*	287*	586	772
Total				624	900	1244	2079	2635	3374	1497*	1783	1732	2239	2728
D. Eastern University														
1. Humanities								26	159	239	433	564		1978
2. Management							31	38	88	229	315	838		1218
3. Education									111	265	278	543		2588
4. Science & Technology									103	461	705	1180		200
5. Law										11	60	119		
6. Agriculture										28				
7. Engineering										96				5984
Total							31	64	461	1329	1791	3244	6388	
E. Pokhara University														
1. Science & Technology								71	66	137	202	334	362	NA
2. Management									220	733	1256	1751	2064	NA
3. Engineering									409	762	1438	1973	2119	NA
4. Humanities & Social Science										36	45	75	69	NA
Total								71	695	1668	2941	4133	4614	NA
Grand Total (A+B+C+D+E)	155649	148374	139916	131574	101092	106887	100390	128320	134837	155432	152691	129785	136000	121670

* Excluding affiliated campuses

** Estimated.

+ Private Campus are included

++ Private Campus are not Included

Note:- Includes Students enrolled in Private Campuses under Science and Technology Faculty of T.U. since 1986/87.

Source : Tribhuvan University, Mahendra Sanskrit University, Kathmandu University, Eastern University & Pokhara University.

