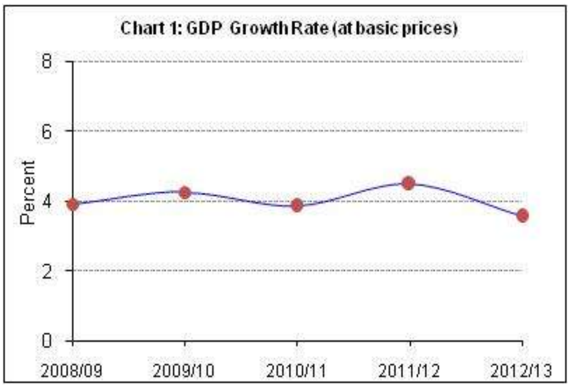
Current Macroeconomic Situation of Nepal

(Based on the Annual Data of FY 2012/13)

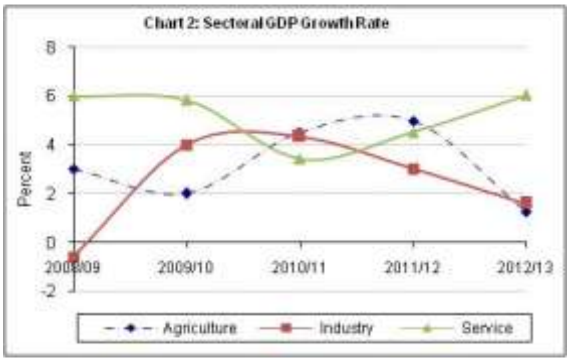
Real Sector

Gross Domestic Product

1. According to the preliminary estimates of Central Bureau of Statistics (CBS) based on the data of fiscal year 2012/13, the Real GDP at basic price was expected to grow by 3.6 percent compared to a growth of 4.5 percent in the previous year. Similarly, the real GDP at producers' price was expected to grow by 3.7 percent in the review year compared to a growth of 4.9 percent in the previous year. The growth performance of service sector has improved whereas the agriculture and industrial sector has witnessed sluggish growth in the review year.



2. In the review year, the agriculture sector was expected to grow by 1.3 percent whereas the non-agriculture sector was expected to expand by 5.0 percent. These sectors had grown by 5.0 percent and 4.2 percent respectively in the previous year.



3. In the review year, the agriculture sector shrunk due to the unfavorable monsoon. In the review year, the production of principal crops like paddy was estimated to fall by 11.2 percent and maize by 8.3 percent whereas the production of vegetables was estimated to grow by 20.1 percent, meat and dairy production by 1.1 percent and other animal related products by 5.6 percent.

4. In the review year, the industrial sector was estimated to grow marginally by 1.6 percent compared to a growth of 3.0 percent in the previous year. The impacts of various structural bottlenecks including energy shortage, industrial labour relation and delay in adopting a full-fledged budget resulted the sluggish growth of industrial sector in the review year.

5. In the review year, the service sector was estimated to expand by 6.0 percent compared to a growth of 4.5 percent in the previous year. The improvement in the wholesale and retail trade, hotels and restaurants, transport, storage and communication and financial intermediaries contributed to have better performance of service sector in the review period.

Consumption, Saving and Investment.

6. In 2012/13, the ratio of total consumption to GDP was estimated to stand at 90.7 percent compared to 88.5 percent in the previous year. Likewise, the ratio of saving to GDP was estimated to 9.3 percent in the review year compared to 11.5 percent in the previous year. In the review year, the ratio of gross investment to GDP was estimated at 37.8 percent compared to 34.9 percent in the previous year.

Gross National Disposable Income

7. In 2012/13, the Gross National Disposable Income (GNDI) was estimated to grow by 11.3 percent compared to the growth of 16.8 percent in the previous year. In the review year, the ratio of GNDI to GDP was estimated 129.1 percent compared to 128.5 percent in the preceding year.

Tourist Arrival

8. In 2012/13, the number of tourist arrival by air decreased by 1.4 percent to 5,86,668. Of the total, the share of Indian tourists accounted for 24.4 percent and remaining 75.6 percent from the other countries.

9. In the review year, the tourist arrival from India decreased by 15.1 percent to 1,43,196 compared to a growth of 29.0 percent in the previous year. However, the tourist arrival from other countries grew by 3.9 percent in the review year compared to the growth of 15.3 percent in the preceding year.

Table: 1
Inflow of Tourist via Air

Countries	Tourist Arrival			Percent Change		Share (in Percent)
	2010/11	2011/12	2012/13	2011/12	2012/13	2012/13
India	130717	168594	143196	29.0	-15.1	24.4
Other Countries	370033	426668	443472	15.3	3.9	75.6
Total	500750	595262	586668	18.9	-1.4	100.0

Source: Nepal Tourism Board.

Foreign Direct Investment

10. The high priority pledged by the government to investment has soared the commitment of foreign direct investment in 2012/13. In the review year, the number of joint venture projects and investment amount increased significantly by 32.2 percent and 171.7 percent respectively. During the review period, Department of Industry granted approval to 300 joint venture projects with the foreign direct investment commitment of Rs. 19.39 billion. In the previous year, 227 joint venture projects were approved with a total amount of Rs. 7.14 billion.

11. Out of 300 projects approved in the review year, 87 are tourism related, 85 service, 77 manufacturing, 42 agriculture, 4 energy, 4 mineral and 1 construction related project. In the previous year, there were 106 service related, 64 tourism, 31 manufacturing, 15 agriculture, 7

mineral and 4 energy related projects. In the review year, both the number and total amount on investment of agriculture, manufacturing and tourism related projects have increased considerably whereas the number of service related projects has decreased even increase in investment.

12. Of the total 300 projects approved in the review year, the countrywise analysis depicts the largest number were from China (96) followed by India (37), South Korea (24), USA (22) and 121 from other countries. The approved projects were expected to generate direct employment opportunities for 14,895 people.

Foreign Employment

13. In 2012/13, the Government of Nepal, Department of Foreign Employment granted final approval to 4,53,543 workers for foreign employment registering a growth of 17.9 percent compared to the previous year.

14. As in the past, Malaysia and the Gulf countries appeared to be the major destinations for Nepalese workers in 2012/13. Of the total workers granted final approval for foreign employment in the review year, 34.6 percent were for Malaysia, 20.0 percent for Qatar, 19.0 percent for Saudi Arab and 11.5 percent for U.A.E. In the review year, the number of workers approved for Qatar declined by 14.0 percent whereas that for Malaysia significantly increased by 59.4 percent.

Table: 2
Number of Workers Approved for Foreign Employment

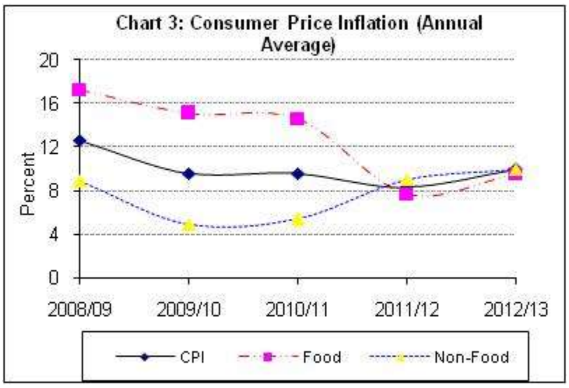
Countries	Total Approval for Foreign Employment			Percent Change		Share (in percent)
	2010/11	2011/12	2012/13	2011/12	2012/13	2012/13
Qatar	102966	105681	90935	2.6	-14.0	20.0
Malaysia	105906	98367	156770	-7.1	59.4	34.6
Saudi Arab	71116	80455	86276	13.1	7.2	19.0
UAE	44464	54482	52295	22.5	-4.0	11.5
Kuwait	15187	24575	14401	61.8	-41.4	3.2
Bahrain	4647	5865	3390	26.2	-42.2	0.7
Oman	2442	3163	3114	29.5	-1.5	0.7
South Korea	3728	5627	4299	50.9	-23.6	0.9
Others	4260	6450	42063	51.4	552.1	9.3
Total	354716	384665	453543	8.4	17.9	100.0

Source: Government of Nepal, Department of Foreign Employment.

Inflation, Salary and Wage Rate

Consumer Price Inflation

15. The annual average consumer price inflation increased by 9.9 percent in 2012/13 compared to an increase of 8.3 percent in 2011/12. The price index of food and beverages group increased by 9.6 percent whereas the index of non-food and services group increased by 10.0 percent. The indices of food and beverages and non-food and services had increased by 7.7 percent and 9.0 percent respectively in 2011/12.



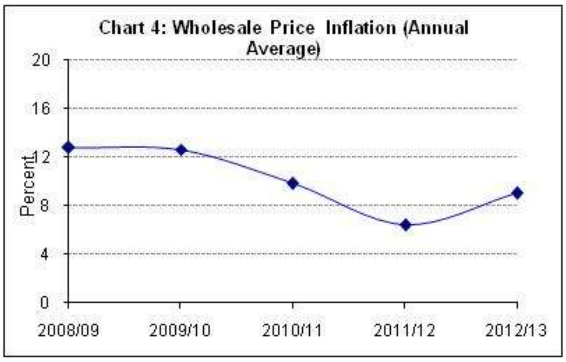
16. Under the food and beverages group, the yearly average price index of meat and fish sub-group increased by 14.4 percent in the review year whereas it had increased by 7.5 percent in the previous year. Similarly, the annual average price indices of ghee and oil and tobacco products sub-groups went up at the same rate of 13.8 percent compared to their respective increments of 14.4 percent and 10.8 percent in the previous year. The annual price index of sugar and sweets sub-group which had increased by 9.2 percent in the previous year grew up by 13.7 percent in review year. Likewise, the annual price indices of legume varieties sub-group, which was unchanged in previous year increased by 12.5 percent in the review year.

17. Under the non-food and services group, the yearly average indices of furnishing and household equipment went up by 13.3 percent compared to the rise of 13.4 percent in the previous year. Similarly, the annual price indices of clothing and footwear sub-group and education sub-group grew up at the same rate of 12.1 percent in the review year compared to their respective increments of 14.8 percent and 9.8 percent in the previous year. The annual average price index of communication, which had decreased by 8.2 percent in the previous year, has further declined by 2.0 percent during the review year.

18. Region-wise, annual average price indices increased by 10.2 in Terai followed by 9.7 percent in Kathmandu valley and 9.5 percent in Hills in the review year. Such indices had risen by 8.1 percent, 7.4 percent and 9.7 percent respectively in the previous year.

Wholesale Price Inflation

19. The annual average wholesale price inflation increased by 9.0 percent in 2012/13 compared to 6.4 percent rise in the previous year. The annual average price indices of agricultural commodities, imported commodities and domestic manufactured commodities increased by 10.6 percent, 8.4 percent and 5.2 percent respectively compared to their corresponding rise of 2.5 percent, 12.1 percent and 9.6 percent in the previous year.



National Salary and Wage Rate Index

20. The annual average salary and wage rate index increased by 9.2 percent in 2012/13 whereas it had increased by 27.4 percent in the previous year. In the review year, there is no change in the annual average price index of salary whereas the price index of wage rate rose by 11.5 percent. In the previous year the increment in salary index and the wage rate index were 19.3 percent and 29.6 percent respectively. In the review year, the wage rate index of agricultural laborers, industrial laborers and construction laborers have increased by 12.8 percent, 10.3 percent and 7.2 percent respectively.

External Sector Situation

Foreign Trade

21. Merchandise exports went up by 3.6 percent to Rs. 76.92 billion in the review year. Such exports had increased by 15.4 percent to Rs. 74.26 billion in the previous year. The growth of total export remained low in the review year due to the slowdown in exports to both India and other countries.

22. Exports to India increased by 2.8 percent during the review year compared to the growth of 14.4 percent in the previous year. Likewise, exports to other countries which had increased by 17.5 percent in the previous year rose by 5.2 percent in the review year. In USD terms, exports to other countries decreased by 3.8 percent to USD 293.7 million in contrast to an increase of 5.2 percent in the previous year. The export of G.I. pipe, zinc sheet, sackings, polyester yarn and ginger, among others, increased to India. Likewise, exports to other countries increased mainly to an increase in export of tanned skin, pulses and readymade leather goods, among others.

23. Merchandise imports surged by 20.6 percent to Rs. 556.74 billion in the review year. Such imports had risen by 16.5 percent to Rs. 461.67 billion in the previous year. Total merchandise imports surged in the review year due mainly to the rapid increase in the imports from India.

24. Imports from India soared by 22.6 percent during review year compared to a growth of 14.3 percent in the previous year. Likewise, imports from other countries rose by 16.9 percent in the review year compared to an increase of 20.9 percent in the previous year. In USD terms, imports from other countries went up by 7.1 percent to USD 2.15 billion compared to an increase of 7.9 percent in the previous year. Imports from India increased primarily owing to an increase in the imports of petroleum products, vehicles and spare parts, cement, rice and chemical fertilizers, among others. Likewise, imports from other countries increased mainly on account of an increase in the imports of telecommunication equipment parts, silver, readymade garments, pipe and pipe fittings and chemical fertilizers, among others.

25. Due to the high growth rate of imports compared to exports, total trade deficit surged by 23.9 percent to Rs. 479.82 billion in the review year. Such deficit had expanded by 16.7 percent in the previous year. Trade deficit with India surged by 26.5 percent during the review year compared to a growth of 14.3 percent in the previous year. Likewise, trade deficit with other

countries grew by 19.0 percent in the review year compared to an increase of 21.5 percent in the previous year.

26. The ratio of export to import declined to 13.8 percent in the review year from 16.1 percent in the previous year. The share of India in Nepal's trade increased marginally to 66.0 percent in the review year from 65.1 percent in the previous year.

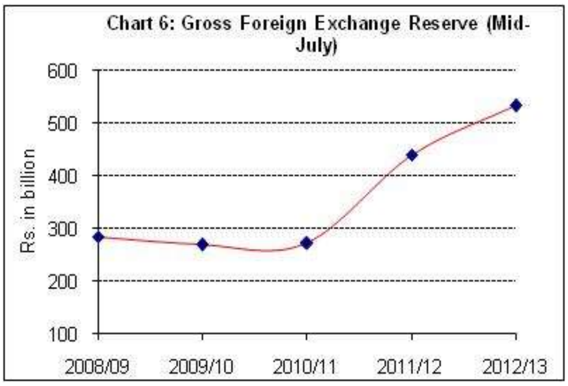
Balance of Payments Situation

27. The overall BoP recorded a surplus of Rs. 68.94 billion in the review year compared to a surplus of Rs. 131.63 billion in the previous year. The current account posted a surplus of Rs. 57.6 billion in the review year compared to a surplus of Rs. 75.98 billion in the previous year. The current account surplus was lower in the review year due mainly to a substantial rise in imports of services. In USD terms, the current account and the overall BoP registered a surplus of USD 634.6 million and USD 768.0 million respectively in the review year. The current account and overall BoP had recorded a surplus of USD 909.0 million and USD 1.62 billion respectively in the previous year.

28. The FOB-based merchandise trade deficit increased by 23.6 percent to Rs. 461.30 billion in the review year. Such deficit had grown by 16.7 percent in the previous year. The net service income posted a surplus of Rs. 7.59 billion in the review year compared to a surplus of Rs. 14.06 billion in the previous year. Net transfers registered a growth of 17.7 percent to Rs. 497.70 billion in the review year compared to a growth of 37.3 percent in the previous year. Under transfers, workers' remittances rose by 20.9 percent to Rs. 434.58 billion in the review year compared to an increase of 41.8 percent in the previous year. In USD terms, remittance inflows increased by 11.7 percent to USD 4.93 billion in the review year compared to an increase of 25.8 percent in the previous year. Likewise, under financial account, foreign direct investment of Rs. 9.08 billion was recorded during the review year compared to such investment of Rs. 9.20 billion in the previous year.

Foreign Exchange Reserves

29. The gross foreign exchange reserves increased by 21.4 percent to Rs. 533.30 billion in mid-July 2013 from a level of Rs. 439.46 billion in mid-July 2012. Such reserve had increased by 61.5 percent in the previous year. Out of total reserves, NRB's reserves increased by 20.6 percent to Rs. 453.0 billion in the review year from a level of Rs. 375.52 billion in mid-July 2012. In USD terms, the reserves of convertible foreign exchange increased by 12.6 percent to USD 4.36 billion in mid-July 2013 from the level of mid-July 2012. Such reserves had increased by 24.4 percent in the previous year. Likewise, the reserves in terms of inconvertible foreign exchange increased by 23.4 percent to INR 74.55 billion. Such reserves had increased by 88.0 percent in the previous year. On the basis of the trend of imports, the existing level of reserves is sufficient for financing merchandise imports of 11.7 months and merchandise and service imports of 10.1 months.



Price of Oil and Gold in the International Market and Exchange Rate Movement

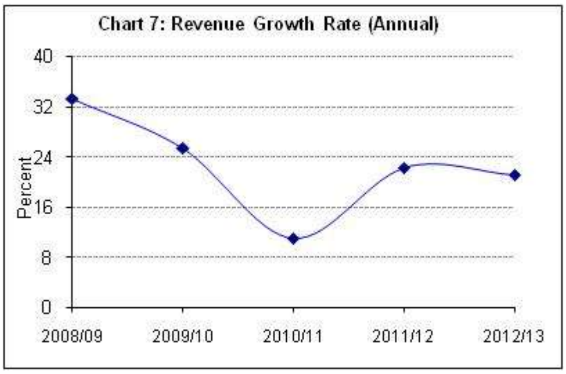
30. The price of oil (Crude Oil Brent) in the international market increased by 6.8 percent to USD 109.05 per barrel in mid-July 2013 from USD 102.10 per barrel in mid-July 2012. On the other hand, the price of gold decreased by 19.2 percent to USD 1284.75 per ounce in mid-July 2013 from USD 1589.75 in mid-July 2012.

31. Nepalese currency vis-à-vis the US dollar depreciated by 6.7 percent in mid-July 2013 from the level of mid-July 2012. It had depreciated by 19.9 percent in the corresponding period of the previous year. The exchange rate of one US dollar stood at Rs. 95.00 in mid-July 2013 compared to Rs. 88.60 in mid-July 2012.

Fiscal Situation *

Government Revenue and Foreign Cash Grants

32. In 2012/13, revenue mobilization of the Government of Nepal (GoN) increased by 21.1 percent to Rs. 296.01 billion, which was 102.2 percent of annual budget estimate of Rs. 289.61 billion. The revenue had risen by 22.2 percent to Rs. 244.37 billion in 2011/12. Consequently, the revenue to GDP ratio remained at 17.4 percent in 2012/13 compared to that of 15.9 percent in 2011/12. Mainly remarkable increase in imports and resulting growth of custom revenue, increasing growth of income tax, tax leakage control as well as overall reforms in tax administration contributed to such an increase in revenue mobilisation.



33. Of the total revenue mobilization, VAT revenue grew by 15.7 percent to Rs. 83.51 billion in 2012/13. Such revenue had increased by 17.1 percent in the previous year. Slower growth of VAT from domestic production, sales and services accounted for such a low growth rate of VAT revenue in 2012/13

34. In 2011/12, customs revenue rose by 31.1 percent to Rs. 56.89 billion compared to an increase of 21.7 percent in the previous year. The rise in imports including the import of high tax yielding vehicles and spare parts contributed to such a growth in customs revenue. Likewise, the depreciation of Nepalese Rupee against US dollar also contributed to such an increase in customs revenue during the review year.

35. Income tax revenue increased by 28.1 percent to Rs. 67.02 billion in 2012/13 compared to an increase of 25.5 percent in the previous year. Positive impact of reform in income tax

* Based on the data reported by 8 NRB offices, 66 RBBL branches (all of 66 branches conducting govt. transactions), 44 NBL branches (out of 44 branches conducting govt. transactions), 5 Everest Bank branches and 1-1 branch each of Nepal Bangladesh Bank Limited and Global IME Bank Limited conducting government transactions.

administration, tax leakage control and taxpayer education contributed to a high growth of income tax revenue.

36. During the review year, excise revenue increased by 20.6 percent to Rs. 36.66 billion compared to an increase of 15.2 percent in the previous year. Increase in imports of higher excise tax yielding vehicles, reforms in the tax administration and control of tax leakages are mainly responsible for such a high growth rate of excise duty during the review year.

37. Amongst the components of revenue in 2012/13, VAT constituted a share of 28.2 percent followed by income tax (22.6 percent), customs duties (19.2 percent), and excise duties (12.4 percent). In the previous year, such compositions were 29.6 percent, 21.4 percent, 17.8 percent and 12.5 percent respectively.

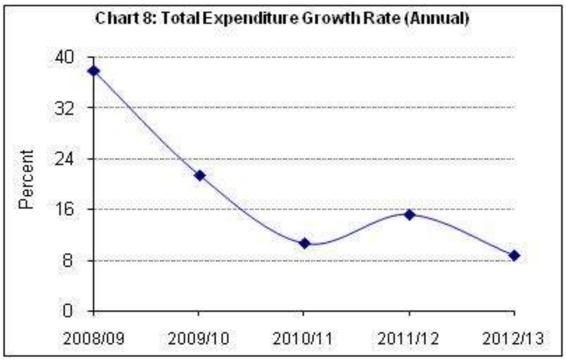
38. In the review year, non-tax revenue went down by 3.7 percent to Rs. 36.40 billion in contrast to an increase of 35.0 percent in the previous year. The decrease in non-tax revenue collection was on account of decrease in interest and dividend paid by some public enterprises to the government.

39. Of the total revenue, the share of tax revenue and non-tax revenue stood at 87.7 percent and 12.3 percent respectively in 2012/13. Such ratio was 84.5 percent and 15.5 percent respectively in the previous year. The share of direct tax and indirect tax revenue in total tax revenue remained at 31.7 percent and 68.3 percent respectively during the review year. Such ratio was 29.1 percent and 70.9 percent respectively in 2011/12.

40. In 2012/13, foreign cash grants reached to Rs. 26.59 billion. Such grants was Rs. 46.57 billion in the previous year

Government Expenditure

41. Government expenditure, on cash basis, increased by 8.7 percent to Rs. 347.74 billion in 2012/13 compared to an increase of 15.2 percent to Rs. 319.85 billion in the previous year. Announcement of full budget only in the ninth month of the reviewed fiscal year was responsible for such a decline in the growth rate of total spending during the review year.



42. During the review year, recurrent expenditure increased by 0.7 percent to Rs. 237.99 billion compared to previous year, which was 85.3 percent of annual budget estimate of 2012/13.

43. In the review year, the capital expenditure increased by 3.8 percent to Rs. 47.15 billion compared to previous year, which was 71.3 percent of annual budget estimate of 2012/13. Delay in the tender process including other procedural processes due to the announcement of full budget only in the ninth month of the fiscal year was responsible for the slower growth of capital expenditure.

Budget Deficit / Surplus

44. The government budget deficit, on cash basis, declined by 18.6 percent to Rs. 18.19 billion in 2012/13, such deficit was Rs 22.34 billion in 2011/12. The ratio of budget deficit to GDP remained at 1.1 percent in the review year. Such ratio was 1.5 percent in the previous year.

Sources of Deficit Financing

45. As a source of deficit financing, domestic borrowings of Rs. 19.04 billion has been mobilised in 2012/13, which was 1.1 percent of GDP. Domestic borrowings of Rs. 36.42 was mobilised in the previous year.

46. Principal of domestic borrowings of Rs. 21.16 billion has been repaid by the GoN in 2012/13. Moreover GoN has cash balance of Rs. 13.53 billion (including the previous year balance) with Nepal Rastra Bank.

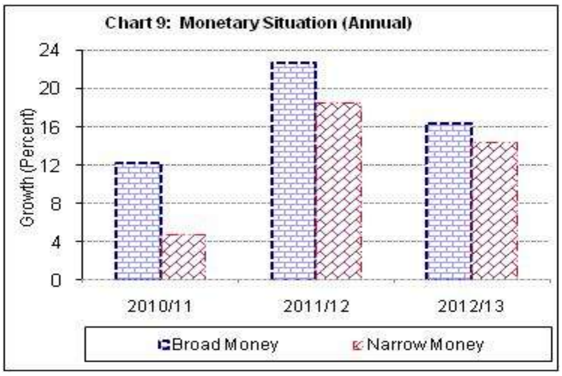
47. Outstanding domestic debt of GoN stood at Rs. 207.0 billion in 2012/13. After adjusting the government balance of Rs. 13.53 billion, total outstanding domestic debt stood at Rs. 193.48 billion in mid-July 2013.

48. Foreign cash loan reached to Rs 9.86 billion in 2012/13. Such loan was of Rs. 5.75 billion in the previous year.

Monetary Situation

Money Supply

49. Broad money supply (M2) increased by 16.4 percent in 2012/13 compared to a growth of 22.7 percent in the previous year. The slower growth of broad money supply was an account of slowdown in the growth rate of net foreign assets of the banking sector in the review year. Similarly, narrow money supply (M1) increased by 14.4 percent during the review year compared to a rise of 18.6 percent in the previous year.



50. Net foreign assets-NFA (after adjusting foreign exchange valuation gain/loss) increased by Rs. 68.94 billion (18.0 percent) during the review year compared to a growth of Rs. 131.63 billion (59.5 percent) in the previous year. A higher growth in imports relative to exports and a decline in foreign grants led to a decelerated growth in NFA.

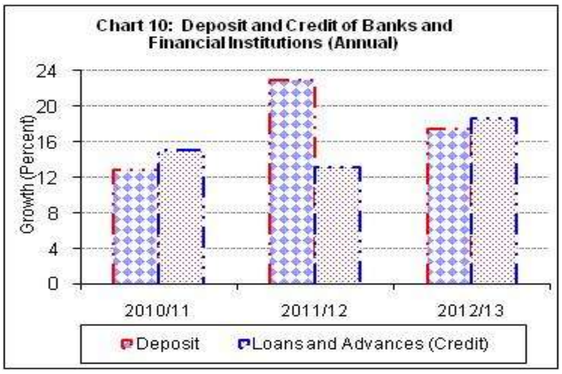
Domestic Credit

51. Domestic credit increased by 15.9 percent in the review year compared to a growth of 9.3 percent in the previous year. Such a high growth of domestic credit was due to an accelerated growth in credit flows to private sector in the review year. The claims on the private sector increased by 20.2 percent in the review year compared to a growth of 11.3 percent in the previous year.

Reserve Money

52. Reserve money increased by 10.9 percent in the review year compared to an increase of 36.4 percent in the previous year. A decrease in Nepal Rastra Bank's (NRB) net claims on government coupled with a slower growth of net foreign assets resulted into a decelerated growth of reserve money in the review year.

Deposit Mobilization of Banks and Financial Institutions



53. Deposit mobilization of banks and financial institutions (BFIs) increased by 17.4 percent (Rs. 176.27 billion) in 2012/13. Such deposit mobilization had increased by 22.9 percent (Rs. 188.59 billion) in the previous year. In the review year, deposit mobilization of commercial banks and development banks increased by 17.9 percent and 27.1 percent respectively while deposit mobilization of finance companies decreased by 9.6 percent. In the previous year, the deposit mobilization of commercial banks and development banks had increased by 26.7 percent and 34.0 percent respectively whereas the deposit mobilization of finance companies had decreased by 7.5 percent. The deposit mobilization of finance companies declined due to merger of 7 finance companies with the development banks in the review year.

Credit Flow of Banks and Financial Institutions

54. During the review year, the loan and advances of BFIs increased by 18.6 percent (Rs. 180.20 billion) compared to a growth of 13.2 percent (Rs. 112.78 billion) in the previous year. Loan and advances of commercial banks and development banks rose by 19.1 percent and 23.3 percent respectively whereas the loan and advances of finance companies declined by 5.8 percent the review year. During the review year, credit to private sector increased by 20.8 percent (Rs. 161.92 billion) compared to a rise of 12.2 percent (Rs. 84.86 billion) in the previous year. Of the credit flows to private sector, credit from commercial banks registered a growth of 21.6 percent, development banks 28.3 percent and finance companies 1.3 percent.

55. Of the total credit from BFIs, the credit to industrial production sector surged by Rs. 34.21 billion in the review year compared to a growth of Rs. 27.29 billion in the previous year. Similarly, credit to the agriculture sector increased by Rs. 10.99 billion in the review year compared to an increase of Rs. 10.52 billion in the previous year. Likewise, credit to construction sector increased by Rs. 13.53 billion, to the wholesale and retail trade sector by Rs. 36.90 billion, and to transportation, communications and public services sector by Rs. 7.75 billion during the review year. Credit flows to these sectors had increased by Rs. 7.03 billion, Rs. 20.76 billion and Rs. 3.89 billion respectively in the previous year.

Liquidity Management

56. The NRB mopped up net liquidity of Rs. 8.50 billion through outright sale auction in the review year. In the previous year, liquidity of Rs. 8.40 billion was mopped up through outright sale auctions while liquidity of Rs. 0.74 billion was injected through repo auctions.

57. During the review year, the NRB injected net liquidity of Rs. 285.03 billion through the net purchase of USD 3.22 billion from the foreign exchange market (commercial banks). Net liquidity of Rs. 258.28 billion had been injected through the purchase of USD 3.19 billion in the previous year.

58. The NRB purchased Indian currency (INR) equivalent to Rs. 274.44 billion through the sale of USD 3.12 billion in the Indian money market during the review year. INR equivalent to Rs. 213.95 billion had been purchased through the sale of USD 2.66 billion in the previous year.

Inter-Bank Transactions and Standing Liquidity Facility

59. During 2012/13, the inter-bank transactions of commercial banks stood at Rs. 725.77 billion and those of development banks and finance companies amounted to Rs. 184.58 billion. Those figures had stood at Rs. 212.77 billion and Rs. 172.90 billion respectively in the previous year. BFIs borrowed Rs. 54.98 billion (on cumulative basis) under the Standing Liquidity Facility (SLF) during the review year compared to Rs. 5.57 billion in the previous year.

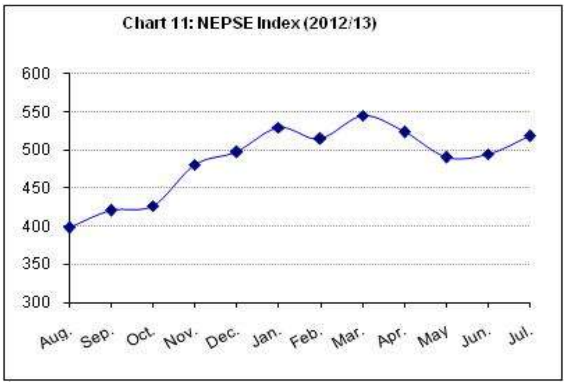
Interest Rates

60. The weighted average 91-day Treasury bill rate stood at 1.19 percent in mid-July 2013 from 1.15 percent a year ago. In mid-July 2013, the weighted average inter-bank rate among commercial banks remained at 0.86 percent, which is same as of mid-July of previous year, whereas the weighted average inter-bank rate among other financial institutions declined to 5.03 percent in mid-July 2013 from 6.97 percent a year ago.

61. In mid-July 2013, the weighted average deposit and lending rates of commercial banks remained at 5.25 percent and 12.09 percent respectively. Accordingly, the interest rate spread (lending rate less deposit rate) of commercial banks stood at 6.84 percent in mid-July 2013. Moreover, the average base rate of commercial banks remained at 9.83 percent in mid-July 2013.

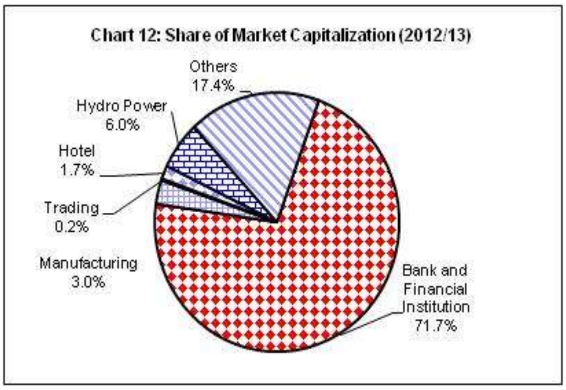
Securities Market

62. Remarkable improvement has been observed in securities market in FY 2012/13. The y-o-y NEPSE index, increased by 33 percent to 518.3 points in mid-July 2013 compared to 7.4 percent to 389.7 points in the previous year. NEPSE sensitive index stood at 130.3 point in mid-July 2013, as against 98.8 in mid-July 2012. Similarly, The NEPSE float index, increased by 17.1 percent in the review year to 35.8 in mid-July 2013 from 30.6 as of mid-July 2012.



63. The securities market transaction also increased remarkably in 2012/13. The transaction value increased by 114.5 percent to Rs.22.05 billion during 2012/13 compared to Rs.10.28 billion in the previous year.

64. The y-o-y market capitalization increased by 39.7 percent to Rs.514.5 billion in mid July 2013. As a result, the ratio of market capitalization to GDP stood at 30.2 percent in mid-July 2013 as compared to 24.0 percent in mid-July 2012. Of the total market capitalization, the share of banks and financial institutions (including insurance companies) stood at 71.7 percent while that of manufacturing and processing companies, hotels, business entities, hydropower and other sectors stood at 3.0 percent, 1.7 percent, 0.2 percent, 6.0 percent and 17.4 percent respectively.



65. Total paid-up capital of the listed companies stood at Rs. 126.06 billion in mid-July 2013, registering an increase of 14.0 percent over mid-July 2012. Such an increase in paid-up capital was due to the additional listing of securities at the NEPSE. In 2012/13, additional securities comprising ordinary share worth Rs. 8.25 billion, bonus share worth Rs. 4.02 billion and right share worth Rs. 0.28 billion were listed at the NEPSE. In addition, mutual fund of Rs.0.75 billion and commercial banks' bond of Rs. 120.0 billion were also listed at the NEPSE.

66. Total number of companies listed at the NEPSE increased from 216 in mid-July 2012 to 230 in mid-July 2013. Of the total listed companies as of mid-July 2013, the number of banks and financial institutions (including insurance companies) stood at 198 followed by production and processing industries (18), hotels (4), business entities (4), hydropower (4) and other companies (2).

Presence of Banks and Financial Institutions

67. Total number of bank and financial institutions licensed by NRB dropped to 254 in mid-July 2013 from 266 in mid-July 2012. Though, 10 additional financial institutions comprising 3 "B" class development banks and 7 "D" class microfinance institutions came into operation in 2012/13, the reduction in the total number of BFIs is attributed to the merger of BFIs during 2012/13, 2 commercial banks merged with each other, 2 development banks merged into one commercial bank, 10 development banks and 12 finance companies merged to form 7 development banks and 2 finance companies and license of 5 non-governmental organizations was revocated. Accordingly, the total number of commercial banks reached 31 while the number of development banks, finance companies and microfinance development banks stood at 86, 59 and 31 respectively in mid-July 2013. In addition, there are 16 cooperatives and 31 NGOs licensed from the NRB.

Table: 3
The Number of Banks and Financial Institutions

Banks and Financial Institutions	Mid-July	
	2012	**2013**
Commercial Banks	32	31
Development Banks	88	86
Finance Companies	70	59
Microfinance Development Banks	24	31
NRB Licensed Cooperatives (Undertaking limited banking transactions) *	16	16
NRB Licensed NGOs (undertaking micro finance transactions)	36	31
Total	266	254

* *Including National Cooperative Bank Limited.*

68. In mid-July 2013, the branch network of commercial banks, development banks, finance companies and micro finance development banks reached to 1486, 764, 242 and 634 respectively. Such branch networks were 1425, 687, 292 and 550 for commercial banks, development banks, finance companies and micro finance development banks respectively in previous year. As a result, in mid-July 2013, each branch has covered approximately 8475 population on an average.

Table: 4
Branches of Banks and Financial Institutions

Banks and Financial Institutions	Mid-July	
	2012	**2013**
Commercial Banks	1425	1486
Development Banks	687	764
Finance Companies	292	242
Microfinance Development Banks	550	634