



**NEPAL RASTRA BANK**

**ECONOMIC REPORT**

**2006/07**

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## Acronyms Used

ABBS	Any Branch Banking System
ADB/N	Agricultural Development Bank of Nepal
ASYCUDA	Automated System for Custom Data
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOP	Balance of Payments
CBS	Central Bureau of Statistics
CGISP	Community Groundwater Irrigation Sector Project
CIB	Credit Information Bureau
CIT	Citizen Investment Trust
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
CRRDB	Central Region Rural Development Bank
DFID	Department for International Development (UK)
DICGC	Deposit Insurance and Credit Guarantee Corporation
EOI	Expression of Interest
EPF	Employees Provident Fund
ERRDB	Eastern Region Rural Development Bank
EWS	Early Warning Signal
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FWRRDB	Far-western Region Rural Development Bank
GDP	Gross Domestic Product
GHC	Grievance Hearing Cell
GNDI	Gross National Disposable Income
GON	Government of Nepal
GWH	Giga Watt Hours
HR	Human Resource
IC	Indian Currency
IMF	International Monetary Fund
IRD	Internal Revenue Department
IT	Information Technology
L/C	Letter of Credit
L <sub>1</sub>	Board Major of Liquidity
LMFF	Liquidity Monitoring and Forecasting Framework
Ltd.	Limited
LTO	Large Tax Payers Office
M <sub>1</sub>	Narrow Money Supply
M <sub>2</sub>	Broad Money Supply
MRA	Masters Purchase Agreement
MT	Metric Tons
MTEF	Medium Term Expenditure Framework
MWRRDB	Mid-Western Region Rural Development Bank

NBBL	Nepal Bangladesh Bank Limited
NBFI	Non-bank Financial Institution
NBL	Nepal Bank Limited
NDA	Net Domestic Assets
NEPSE	Nepal Stock Exchange
NFA	Net Foreign Assets
NGOs	Non-governmental Organizations
NOC	Nepal Oil Corporation
NPL	Non-performing Loans
NRB	Nepal Rastra Bank
NWPI	National Wholesale Price Index
OBIs	Other Banking Institutions
PRGF	Poverty Reduction and Growth Facility
RBB	Rastriya Banijya Bank
RDBs	Rural Development Banks
Repo.	Repurchase
RMDC	Rural Microfinance Development Centre
Rs	Rupees
RSRF	Rural Self Reliance Fund
SAARC	South Asian Association for Regional Cooperation
SDRs	Special Drawing Rights
SEBO/N	Securities Board of Nepal
SFCL	Small Farmers' Cooperative Limited
SFDB	Small Farmers' Development Bank
SITC	Standard International Trade Classification
SLF	Standing Liquidity Facility
TBs	Treasury Bills
UK	United Kingdom
US\$	US Dollar
USA	United States of America
VAT	Value Added Tax
VRS	Voluntary Retirement Scheme
WRRDB	Western Region Rural Development Bank
WTO	World Trade Organization
y-o-y	year-on-year

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# 1

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## World Economic and Financial Developments

*1.1* According to the World Economic Outlook published by the International Monetary Fund (IMF) in April 2008, the world output growth rate was estimated at 4.9 percent in 2007. The Fund projects such growth to be 3.7 percent in 2008 and 3.8 percent in 2009. The expansion of the world economy will remain subdued due mainly to the spill over effect of the financial turmoil resulted from the sub-prime mortgage in the US to the other advanced economies through trade and financial system.

*1.2* The continuing housing correction in the United States will remain a drag on demand and a source of uncertainty for financial markets. As a result, the US economy is projected to tip into mild recession in 2008. Other advanced economies will also slow in the face of trade and financial spillovers, with housing markets a source of drag in some European countries. Moreover, the growth rates of Japan and Euro area are also projected to remain low in 2008 compared to that of the preceding year.

*1.3* The economic growth of the emerging and developing economies is expected to remain buoyant on account of lesser effect of the financial instability underpinned by the robust growth of Indian and Chinese economies.

*1.4* Emerging Asia registered a growth of 9.1 percent in 2007 and is projected to grow by 7.5 percent in 2008. Likewise, South Asia posted a growth of 8.6 percent in 2007 and is projected to expand by 7.5 percent in 2008. The neighboring countries India and China witnessed a growth of 9.2 percent and 11.4 percent respectively in 2007. The economic growth of India is projected at 7.9 percent and that of China 9.3 percent in 2008.

*1.5* The financial market strains and its adverse impact on the expansion of the global economy, the higher price rise in the petroleum products and food grains together with the persistent global imbalances have created challenges for the world economy.

*1.6* The World trade volume decelerated at the rate of 6.8 percent in 2007 as compared to a growth of 9.2 percent in 2006 and is projected to expand by 5.6 percent in 2008. The imports registered a growth of 4.2 percent in advanced economies and 12.8 percent in developing economies in 2007. Likewise, exports went up by 5.8 percent in advanced economies and 8.9 percent in developing economies in 2007. The imports are projected to increase by 3.1 percent in advanced economies and 11.8 percent in developing economies and exports by 4.5 percent and 7.1 percent in the respective economies in 2008.

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**1.7** The inflation stood at 2.2 percent in the advanced economies and 6.4 percent in the developing economies in 2007. The inflation in the advanced and developing economies will accelerate to 2.6 percent and 7.4 percent respectively in 2008. Most of the economies experienced higher headline inflation this year due to the higher price rise in the food and energy products on account of the strong demand growth in the emerging and developing economies. The inflation in South Asia is estimated to remain at 6.9 percent in 2007, which is projected to be 5.9 percent in 2008.

**1.8** The net private capital flows to emerging market and developing economies are estimated to go up sharply to US\$ 605.0 billion in 2007 from US\$ 231.9 billion in 2006. However, such flows are projected to be as US\$330.7 billion in 2008.

**1.9** Unemployment rate in the advanced economies remained at 5.4 percent compared to that of 3.4 percent in the newly industrialized Asian economies in 2007. The unemployment rate stood at 4.6 percent in the United States, 7.4 percent in the Euro area, 3.9 percent in Japan and 5.4 percent in the United Kingdom in 2007. The unemployment rate in the advanced economies is estimated to go up at 5.6 percent while such rate is expected to decline at 3.3 percent in the newly industrialized Asian economies in 2008.

**1.10** The fiscal imbalances as percent of Gross Domestic Product (GDP) in the United States and Japan remained at 2.5 percent and 3.4 percent respectively in 2007. The net debt to GDP ratio stood at 100.3 percent in Italy followed by Japan (90.8 percent), Germany (57.7 percent), France (54.3 percent), the United States (44.0 percent), the United Kingdom (38.3 percent) and Canada (25.1 percent) in 2007.

**Table 1.1: Overview of the World Economic Outlook Projections**  
(Annual percent change unless otherwise stated)

	2006	2007	Current Projections	
			2008	2009
<b>1. World output<sup>#</sup></b>	<b>5.0</b>	<b>4.9</b>	<b>3.7</b>	<b>3.8</b>
Advanced economies	3.0	2.7	1.3	1.3
United States	2.9	2.2	0.5	0.6
Euro area	2.8	2.6	1.4	1.2
Japan	2.4	2.1	1.4	1.5
Newly industrialized Asian economies	5.6	5.6	4.0	4.4
Other emerging market and developing countries	7.8	7.9	6.7	6.6
Developing Asia	9.6	9.7	8.2	8.4
China	11.1	11.4	9.3	9.5
India	9.7	9.2	7.9	8.0
ASEAN-5 *	5.7	6.3	5.8	6.0
South Asia	9.1	8.6	7.5	7.7
<b>2. World trade volume (goods and services)</b>	<b>9.2</b>	<b>6.8</b>	<b>5.6</b>	<b>5.8</b>
Imports				
Advanced economies	7.4	4.2	3.1	3.7
Other emerging market and developing countries	14.4	12.8	11.8	10.7
Exports				
Advanced economies	8.2	5.8	4.5	4.2
Other emerging market and developing countries	10.9	8.9	7.1	8.7
<b>3. Commodity prices (US dollar)</b>				
Oil**	20.5	10.7	34.3	-1.0
Non-fuel (average based on world commodity export weights)	23.2	14.0	7.0	-4.9
<b>4. Consumer prices</b>				
Advanced economies	2.4	2.2	2.6	2.0
Other emerging market and developing countries	5.4	6.4	7.4	5.7
South Asia	6.5	6.9	5.9	4.7
<b>5. London inter-bank offered rate (LIBOR, percent)***</b>				
On U.S. dollar deposits	5.3	5.3	3.1	3.4
On Euro deposits	3.1	4.3	4.0	3.6
On Japanese yen deposits	0.4	0.9	1.0	0.8
<b>6. Private capital flows, net (Emerging Market and Developing Countries, billions of US\$)</b>	<b>231.9</b>	<b>605.0</b>	<b>330.7</b>	<b>441.5</b>
<b>7. Unemployment (percent of labor force)</b>				
Advanced economies	5.7	5.4	5.6	5.9
United States	4.6	4.6	5.4	6.3
Euro area	8.2	7.4	7.3	7.4
Japan	4.1	3.9	3.9	3.9
United Kingdom	5.4	5.4	5.5	5.4
Newly industrialized Asian economies	3.7	3.4	3.3	3.2

Notes: \* Indonesia, Thailand, the Philippines, Malaysia and Vietnam.

\*\* Simple average of prices of UK Brent, Dubai, and West Texas Intermediate crude oil.

\*\*\* Six-month rate for the United States and Japan. Three-month rate for the Euro area.

# World Economic Outlook update, January 2008.

Source: World Economic Outlook, April 2008, International Monetary Fund, p. 2,66,82,86,255 & 264.

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## 2

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### An Overview of Macro Economic Situations

**2.1** Economic growth remained weak in 2006/07. Political instability, frequent strikes, roadblocks, unfavorable weather, shortages in the supply of petroleum products and blackout constrained the economic growth in the review year. The performance of both agricultural and non-agricultural sector growth remained below expectation. As a result, real GDP producer prices just grew by 2.5 percent in 2006/07 compared to a growth of 2.8 percent in 2005/06.

**2.2** Inflation decelerated to 6.4 percent in the review year from 8.0 percent in the previous year. A deceleration in the prices of non-food and services groups, and the appreciation of Nepalese currency against the US dollar accounted for the moderation of inflation in 2006/07. An elapse of base effect of the hike in petroleum price in the previous year was also accounted for slowdown in inflation in the review year.

**2.3** In the review year, the fiscal deficit remained under control at 2.0 percent of GDP. Revenue mobilization and foreign grants helped maintain such a fiscal discipline, amidst increasing government expenditure for peace process, security arrangements, and rehabilitation of internally displaced people.

**2.4** The growth of monetary aggregates was lower than the targeted level on account of the slower growth of net foreign assets following the deceleration in remittance inflows and sluggish performance of exports.

**2.5** In 2006/07, trade deficit continued to widen. However, current account remained in surplus, albeit lower than that of the previous year, on account of the elevated level of remittance inflows. Balance of payments also remained in surplus, albeit lower than that of the previous year.

**2.6** Ratio of exports to imports declined to 31.7 percent in 2006/07 from 34.7 percent a year ago, reflecting the declining import financing capacity of exports. Moreover, trade concentration with India stood at 63.2 percent in the review year as in the previous year.

**2.7** Total foreign exchange reserve of the banking system amounted to Rs.165.11 billion as in mid-July 2007 almost at the same level of the previous year, sufficient for financing merchandise imports of 10.3 months.

**2.8** Indian Currency (IC) equivalent to Rs 64.52 billion was purchased in the review year by selling 930 million US dollar compared to a purchase of Rs 42.96 billion in

2005/06 to fulfill the growing demand of Indian currency on account of higher current account deficit with India.

**2.9** The stock market witnessed significant growth in 2006/07. The y-o-y NEPSE index increased by 76.8 percent to 683.95 points in mid-July 2007. Similarly, market capitalization to GDP ratio reached 25.5 percent in mid-July 2007 from 15 percent a year ago.

**2.10** Overall, macroeconomic performance of the Nepalese economy remained mixed in 2006/07. Economic growth remained low with a moderate level of inflation. Despite the weak performance of exports, Balance of Payment (BOP) remained in surplus on account of the elevated level of remittances.

# 3

## Economic Growth

**3.1** Economic growth remained lower than expected in 2006/07. Political instability, strikes, lockouts and roadblocks, failure of the monsoon, scarcity of petroleum products and disturbance in Terai region constrained economic growth.

**3.2** Real GDP at producers' price grew by 2.5 percent in 2006/07 compared to a growth of 2.8 percent in 2005/06. The low performance of both agriculture and non-agriculture sectors dragged down the overall growth in the review year. The agriculture sector witnessed slow growth due to the decline in the production of cereal and other crops that contribute nearly fifty percent to overall agricultural production.

**3.3** The growth in non-agriculture sector decelerated further to 0.7 percent in 2006/07 from 1.1 percent in the preceding year. Industrial sector grew by 2.2 percent, which was nearly a half of the previous year's rate. The services sector grew by 4.1 percent, which was slightly lower than that of the previous year.

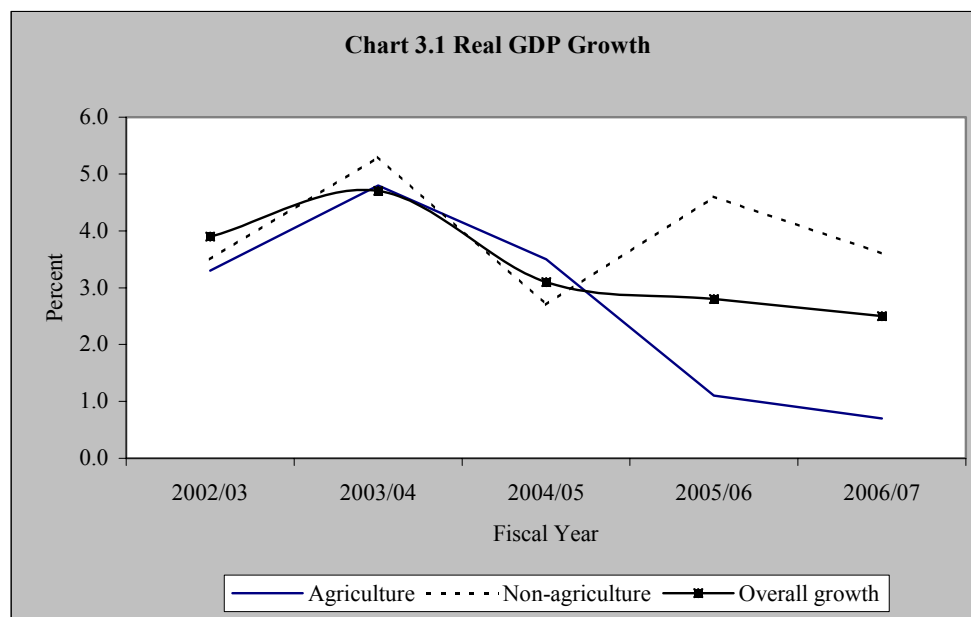
**3.4** The review year, the final year of the Tenth Plan (2002/03 - 2006/07), witnessed the lowest growth in the Plan period. The growth of agriculture sector during the Plan period was near to the minimum target whereas, the growth of non-agriculture sector remained far below the minimum target. As a result, the minimum growth target of the Tenth Plan could not be achieved. (Table 3.1).

**Table 3.1**  
**GDP Growth Rate (at 2000/01 prices)**

Sectors	2002/03	2003/04	2004/05	2005/06	2006/07	Avg. (2002/03- 2006/07)	Tenth Plan's Normal Target
Agriculture	3.3	4.8	3.5	1.1	0.7	2.7	2.8
Non-Agriculture	3.5	5.3	2.7	4.6	3.6	3.9	5.2
Industries	3.1	1.4	3.0	4.3	2.2	2.8	-
Services	3.7	6.8	2.5	4.7	4.1	4.4	-
Overall Growth	3.9	4.7	3.1	2.8	2.5	3.4	4.3

*Source: Central Bureau of Statistics, National Planning Commission and NRB's calculation.*

**3.5** Nepalese economy underwent a structural change in the last decade. The contribution of agriculture and industries sectors declined. In the mean time, contribution of services sector expanded gradually. The contribution of agriculture, industries and services sectors to the real GDP remained at 36.1 percent, 16.8 percent and 47.1 percent respectively in 2006/07. These ratios were 39.8 percent, 23.2 percent and 37.0 percent in 1996/97.



## Activities of Economic Sectors

### *Agriculture*

**3.6** The contribution of agriculture to real GDP came down to 36.1 percent in the review year from 36.8 percent in the previous year. Relative contribution of agriculture to the overall growth also declined substantially from 12.3 percent in the previous year to 9.4 percent in the review year due to a fall in the growth of the sector. Despite a negligible change in absolute contribution of the industrial sector to GDP, a deceleration in the growth of industrial sector dragged down the sector's relative contribution from 21.7 percent in the previous year to 14.5 percent in the review year. However, the services sector witnessed the highest relative contribution to the overall growth. The relative contribution of the sector to overall growth rose substantially from 66.0 percent in the previous year to 76.1 percent in the review year (Table 3.2).



**Table 3.2**  
**Contribution of Sectors to GDP and Relative Contribution to Growth**  
**(At 2000/01 Prices)**

In percent

Sectors	Share in Real GDP		Growth Rate		Relative Contribution to Growth Rate	
	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07
Agriculture	36.8	36.1	1.1	0.7	12.3	9.4
Non-agriculture	63.2	63.9	4.6	3.6	87.7	90.6
<i>Industries</i>	16.9	16.8	4.3	2.2	21.7	14.5
<i>Services</i>	46.3	47.1	4.7	4.1	66.0	76.1
Total	100	100	3.3*	2.5*	100	100.0

\* Basic price prior to deduction of bank service charges.

*Source: Central Bureau of Statistics and NRB's calculations.*

**3.7** In 2006/07, the performance of agriculture sector remained the lowest of the last ten years. The agriculture sector grew at slower rate of 0.7 percent in the review year compared to a growth of 1.1 percent in the previous year. Despite improvements in the production of other agricultural crops, the decline in the production of cereal crops, which accounts for nearly a half share in overall agricultural production, caused the agriculture sector grow at a lower pace in the review year. The decline in the production of cereals and other crops was on account of the less than average rainfall occurrence during the summer season (Appendix Table 5).

### ***Rainfall***

**3.8** The monsoon has always been playing an important role in agricultural production in the country. Like in the previous years, the monsoon did not remain favourable for paddy plantation in the review year, too. According to the statistics on monsoon rain analysis released by the Department of Hydrology and Meteorology, 29 stations out of 37 stations recorded below the normal precipitation. In spite of the rainfall recorded more than average in some small pocket areas, most of the places received only 80 percent of normal precipitation. Likewise, Terai- the most fertile region- witnessed only 40 percent of normal precipitation. Insufficient rainfall severely affected the paddy plantation and consequently the paddy production. Failure of the monsoon affected most of the rain-fed irrigation systems in these districts also. The severely affected districts for the paddy plantation were Jhapa, Mahotari, Sarlahi, Dhanusha, Siraha, Saptari, Rautahat, Bara and Chitwan.

### ***Irrigation***

**3.9** Irrigation facility increased by 29 thousand hectares in the review year compared to an expansion of 18 thousand hectares in the previous year. According to statistics released by Ministry of Agriculture and Cooperatives, total area of irrigated land reached 1,060 thousand hectares in the review year from 1,031 thousand hectares in the previous

year. The total area of irrigated land reached 40.1 percent of cultivated land in the review year compared to 39.0 percent in the previous year. (Appendix Table 9)

### ***Improved Seeds***

**3.10** The supply of improved seeds from National Seeds Company Ltd. declined dramatically by 11.1 percent to 3,158 metric tons in the review year as against an increase of 100.8 percent in the previous year.

### ***Chemical Fertilizers***

**3.11** The supply of chemical fertilizers continued to decline in the review year, too. The supply of chemical fertilizer declined marginally by 0.8 percent to 90,848 metric tons in the review year compared to a decline of 25.4 percent in the previous year. The drought-like condition during the monsoon period was the reason for the fall in the demand for chemical fertilizers.

## **Agricultural Production**

### ***Cereals and Other Crops***

**3.12** The production index of cereal and other crops with nearly a fifty percent in overall agricultural production declined by 3.3 percent in the review year from the previous level. The decline in the index was due mainly to the negative growth in the production of paddy that accounts for nearly 21 percent share in agricultural production and almost 42 percent share in the cereals and other crops group. The cultivated area under cereal and other crops declined by 1.3 percent to 4,038.6 thousand hectares in the review year from 4,090.1 thousand hectares in the previous year. (Appendix Table 5, 6, 7 and 8).

**3.13** The production of paddy continued to decline for the third consecutive year. It decreased by 12.6 percent in the review year compared to a decline of 1.9 percent in the previous year. The cultivated area under paddy declined by 7.1 percent to 1,439.0 thousand hectares in the review year from 1,549.4 thousand hectares in the previous year. The production of paddy declined to 3,680.8 thousand metric tons in the review year from 4,209.3 thousand metric tons in the previous year. Consequently, the yield of paddy dropped by 6.1 percent to 2.55 metric tons per hectare in the review year from 2.72 metric tons per hectare a year ago.

**3.14** The production of maize increased by 4.9 percent in the review year compared to a growth of 1.1 percent a year ago. Reflecting a marginal increase in area coverage, the total production of maize increased to 1,819.9 thousand metric tons in the review year. The yield of maize increased slightly to 2.09 metric tons per hectare in the review year.

**3.15** The production of wheat increased by 8.7 percent in the review year as against a decline of 3.3 percent in the previous year. With an increase of 4.6 percent in the cultivated areas, the production of wheat increased to 1,515.1 thousand metric tons in the review year from 1,394.1 thousand metric tons in the previous year. Consequently, the yield of wheat surged to 2.15 metric tons per hectare in the review year from 2.07 metric tons per hectare in the previous year. The production of millet posted a decline of 2.1 percent and barley production recorded a growth of 1.8 percent in the review year.

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**3.16** Despite an increase in the area cultivated, the production of potato registered a decline of 1.6 percent in the review year compared to a significant growth of 13.6 percent in the previous year. As a result, the production yield of potato dropped by 3.3 percent to 12.66 metric tons per hectare from 13.09 metric tons per hectare in the previous year. The production of sugarcane posted a growth of 5.6 percent in the review year compared to a growth of 3.6 percent in the previous year. The area coverage of sugarcane also increased marginally to 64 thousand hectares from 62.1 thousand hectares in the previous year. The production yield of sugarcane increased marginally by 2.3 percent to 40.61 metric tons per hectare in the review year.

**3.17** The production of jute, which had increased by 15.2 percent in the previous year, significantly declined by 10.1 percent in the review year. The area coverage of jute declined by 3.6 percent and consequently, the production yield declined in the review year. Despite an increase in the area cultivated, the production of tobacco continued to decline. It further dropped by 2.6 percent in the review year.

**3.18** Despite an increase in the area of pulses cultivation, the production declined by 5.3 percent as in the previous year. The production yield of pulses dropped marginally to 0.86 metric tons per hectare in the review year. Similarly, the production of soyabeans increased marginally by 1.1 percent compared to a decline of 1.4 percent in the previous year. The production of other crops continued to decline. It declined by 2.7 percent compared to a decline of 3.4 percent in the previous year.

### ***Vegetables, Horticultural and Nursery Products***

**3.19** The production index of vegetables, horticultural and nursery products registered a growth of 6.7 percent in the review year compared to a growth of 5.7 percent in the previous year.

**3.20** The production of vegetables increased by 6.7 percent in the review year compared to a growth of 5.7 percent in the previous year. The area cultivated under vegetables increased by 4.5 percent to 198.3 thousand hectares in the review year. The production yield of vegetables surged by 2.1 percent to 11.74 metric tons per hectare in the review year. However, the production of other crops in the group declined by 6.5 percent in the review year compared to a decline of 2.5 percent in the previous year.

### ***Fruits, Nuts, Beverages and Spice Crops***

**3.21** The production index of fruits, nuts, beverages and spice crops registered a growth of 5.4 percent in the review year against a decline of 0.8 percent in the previous year.

**3.22** The production of fruits posted a growth of 5.0 percent in the review year against a decline of 2.4 percent in the previous year. The cultivated area under fruits increased marginally by 0.8 percent to 56.9 thousand hectares. The production yield of fruits also reported a surge of 4.2 percent to 9.87 metric tons per hectare in the review year.

**3.23** The production of spice crops, tea and coffee registered a growth of 6.1 percent, 8.2 percent and 19.3 percent respectively in the review year. The growth rates of corresponding items were 1.6 percent, 10.0 percent and 20.1 percent respectively in the previous year. The cultivated area under tea remained constant at 16.5 thousand hectare in the review year with some improvements in production yield. The production of other

crops in the group reported a growth of 5.0 percent in the review year against a decline of 2.4 percent in the previous year.

#### ***Farming of Domestic Animals***

**3.24** The production index of domestic animals with nearly a quarter share in agricultural production, grew by 2.6 percent in the review year compared to a growth of 3.0 percent in the previous year. The production of buffalo's meat and mutton witnessed the growth of 3.5 percent and 4.7 percent in the review year. But they grew by 2.2 percent and 2.5 percent respectively in the previous year.

**3.25** The production of milk with the highest share in the group grew nearly at the same pace i.e., by 3.0 percent as in the previous year. However, the production of other crops in the group posted a decline of 1.8 percent as against a growth of 5.2 percent in the previous year.

#### ***Other Animals Farming and Production of Animal Products***

**3.26** The production index of other animals farming and animal products grew by 3.2 percent in the review year compared to a growth of 0.3 percent in the previous year. The acceleration of the index was due mainly to the rise in the growth rates of hides and skin, poultry meat and eggs in the group. The production of pork (pigs' meat) and chicken (poultry meat) recorded the growths of 1.7 percent and 3.2 percent respectively in the review year compared to the growths of 0.3 percent and 0.9 percent respectively in the previous year.

**3.27** The production of egg increased by 2.8 percent in the review year compared to a growth of 1.3 percent in the previous year. The production of hides and skins witnessed a significant growth of 7.0 percent as against a decline of 3.7 percent in the previous year.

#### ***Forestry, Logging and Related Services***

**3.28** The production index of forestry, logging and related services activities grew by 1.7 percent against a decline of 2.5 percent in the previous year. The acceleration in the index was due mainly to an increase in the production of timber and other commodities. The production of timber grew by 2.7 percent in the review year contrary to the negative growth of 1.4 percent in the previous year. Likewise, the production of firewood continued to decline in the review year.

**3.29** The production of herbal products and other commodities in the group posted a growth of 1.1 percent and 5.7 percent respectively in the review year compared to a growth of 5.4 percent and 1.4 percent respectively in the previous year.

#### ***Fisheries***

**3.30** The production of fisheries grew by 2.3 percent to 46.8 thousand metric tons compared to a growth of 7.7 percent in the previous year.

#### ***Industry***

**3.31** The performance of industrial sector did not remain satisfactory in the review year due mainly to the low performance of construction sector. The industrial sector grew by 2.2 percent in the review year compared to a growth of 4.3 percent in the previous year.

## 12 Economic Report

**3.32** The production index of manufacturing sector grew by 2.4 percent in the review year compared to a growth of 2.0 percent in the previous year. The production of medicine and soap, beverage, processed leather, grain mill products and prepared animal foods, textile, iron rod and billets, other food products, paper, processed milk and wood sawn subgroups grew in the review year while the production of other textile, *pashmina*, garment, plastic product, bricks and cement and domestic metal product recorded a negative growth. The production of vegetable ghee and oil with 15.8 percent share in manufacturing production, declined by 0.5 percent as against a growth of 1.6 percent in the previous year (Appendix Table 10).

**3.33** Electricity, gas and water sector recorded a growth of 3.2 percent in the review year compared to a growth of 3.6 percent in the previous year. Despite an increase in the generation of electricity, the performance of the sector did not improve in the review year. This was due mainly to supply constraints and non-completion of new electricity projects in the review year.

**3.34** The hydropower generation increased by 8.3 percent to 2,723.0 GWH in the review year compared to a growth of 4.7 percent in the previous year. Nepal imported 228.8 GWH electricity from India in the review year while it was 266.2 GWH in the previous year. Nepal exported 78.3 GWH electricity to India compared to 96.6 GWH in the previous year (Appendix Table 12).

**3.35** The performance of construction sector remained low in the review year due mainly to the decline in the domestic production of construction materials. The sector recorded a growth of 1.5 percent in the review year compared to a significant growth of 7.3 percent in the previous year.

**3.36** The growth in mining and quarrying sector remained higher in the review year too. It grew by 6.0 percent compared to a growth of 7.6 percent in the previous year.

### **Services**

**3.37** The pace of growth in the services sector remained slightly lower in the review year. This sector grew by 4.1 percent compared to a growth of 4.7 percent in the previous year. The lower growth was attributable to a deceleration in wholesale and retail trade sector and a nominal growth in hotel and restaurant sector (Appendix Table 1).

**3.38** The wholesale and retail trade sector declined by 2.6 percent in the review year compared to a growth of 3.7 percent in the previous year due mainly to the low production of tradable domestic goods. The hotel and restaurant sector witnessed a growth of 2.8 percent in the review year compared to a growth of 6.0 percent in the previous year.

**3.39** The performance of hotel and restaurant sector in terms of tourist arrival remained normal in the review year. The number of tourists visiting Nepal in the review year grew by 2.3 percent to 383.9 thousand as against a decline of 2.6 percent in the previous year. In the previous year, a total of 375.4 thousand tourists had visited Nepal. The number of Indian tourists declined by 2.8 percent to 93.7 thousand in contrast to a growth of 6.8 percent in the previous year. However, the number of tourists arrival from third countries increased by 4.0 percent to 290.2 thousand in the review year against a decline of 5.4

percent in the previous year. The share of Indian and third country tourists in total tourist arrival was 24.4 percent and 75.6 percent respectively in the review year compared to 25.7 percent and 74.3 percent respectively in the previous year (Appendix Table 11).

**3.40** In the review year, per capita tourist expenditure increased by 3.6 percent to Rs. 26,373 from Rs. 25,455 a year ago. The average duration of stay of the tourists in the review year increased by 12.1 percent to 10.2 days as against a decline of 32.6 percent in the previous year.

**3.41** Transport, storage and communication sector; financial intermediation sector; and real estate, renting and business activities sector increased by 8.1 percent, 8.6 percent and 8.6 percent respectively in the review year. The growth rates of these sectors were 4.4 percent, 16.5 percent and 1.1 percent respectively in the previous year. Likewise, public administration and defense sector; education sector; health and social work sector and other community, social and personal services sector grew by 3.6 percent, 5.6 percent, 5.2 percent and 5.0 percent respectively in the review year. The growth rates of these sectors were 6.9 percent, 2.7 percent, 7.0 percent and 7.5 percent respectively a year ago (Appendix Table 1).

### **Aggregate Demand**

#### ***Domestic Demand***

**3.42** Gross domestic demand at current price witnessed a growth of 9.3 percent in 2006/07 compared to a growth of 12.7 percent in the previous year. The growth of gross domestic demand remained low due mainly to the slow growth of private sector consumption. The total consumption increased by 9.5 percent and stood at 90.6 percent of GDP in 2006/07 compared to 92.1 percent in the previous year. The private and public consumption grew by 9.3 percent and 10.5 percent respectively in 2006/07 compared to a growth of 14.9 percent and 8.3 percent in the previous year. The growth rate of private consumption declined on account of the lower inflows of remittances in the review year compared to that of the previous year.

**3.43** The gross capital formation grew by 8.6 percent and remained at 25.3 percent of GDP in the review year compared to 26.0 percent of GDP in the previous year. The gross fixed capital formation grew by 8 percent and accounted for 20.3 percent of GDP in the review year compared to 20.9 percent of GDP a year ago.

#### ***Net Foreign Demand***

**3.44** The foreign demand for the Nepalese goods and services registered a growth of 2.1 percent in the review year compared to a growth of 2.3 percent in the previous year. Likewise, the internal demand for foreign goods and services remained stable in the review year compared to a growth of 17.9 percent a year ago. The net foreign demand, which had remained negative, could not improve in the review year. The net foreign demand in the review year declined by 1.5 percent (Table 3.3 and Appendix Table 3).

**Gross National Disposable Income**

3.45 Gross national disposable income (GNDI) at current prices witnessed a growth of 10.3 percent in 2006/07 compared to a growth of 12.9 percent in the previous year. The GNDI accounted for 119.2 percent of GDP compared to 120.3 percent of GDP in the previous year. The workers' remittances continued to be a substantial part in net transfer registering a growth of 2.5 percent in the review year compared to a growth of 49.0 percent a year ago. The workers' remittances as percent of GDP stood at 13.9 percent in the review year (Table 3.3 and Appendix Table 4).

**Table 3.3**  
**Gross National Disposable Income**  
**(At current prices)**

Particulars	Rs. in Million			Percentage Change	
	2004/05	2005/06	2006/07	2005/06	2006/07
Total Consumption	521301	59535.5	652170	14.2	9.5
Total Investment	155907	167991	182384	7.8	8.6
Domestic Demand	677208	763347	834555	12.7	9.3
Net Export	-87796	-116876	-115078	33.1	-1.5
Gross Domestic Product	589412	646471	719477	9.7	11.3
Net Factor Income	1637	4956	4444	202.8	-10.3
Net Transfers	97704	126146	133698	29.1	6.0
<i>Workers Remittances</i>	<i>65541</i>	<i>97689</i>	<i>100145</i>	<i>49.0</i>	<i>2.5</i>
Gross National Disposable Income	688752	777672	857619	12.9	10.3

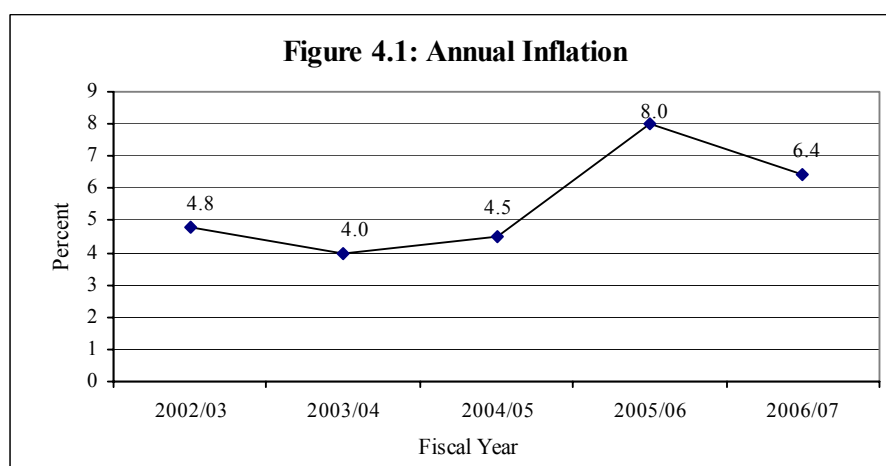
Sources: Government of Nepal, Central Bureau of Statistics and NRB.

# 4

## Inflation

### Consumer Price Inflation

**4.1** The average annual consumer price inflation moderated to 6.4 percent in 2006/07 from 8.0 percent in 2005/06. The deceleration in the growth of non-food and services group index was largely on account of the base effect of the hike in prices petroleum products in March 2006. The significant appreciation of the Nepalese currency against the US dollar also contributed to dampen the prices of imported goods. The rate of inflation remained at a moderate level on account of these two factors.



**4.2** On a year-on-year (y-o-y) basis, the rate of inflation declined to 5.1 percent in mid-July 2007 from 8.3 percent a year ago. During the review period, the indices of food and beverages group and non-food and services group increased by 6.9 percent and 3.1 percent respectively in mid-July 2007. These rates were 7.9 percent and 8.7 percent a year ago.

**4.3** The food and beverages index rose by 7.2 percent on y-o-y basis in the review year compared to an increase of 7.8 percent in the previous year. Likewise, the index of non-

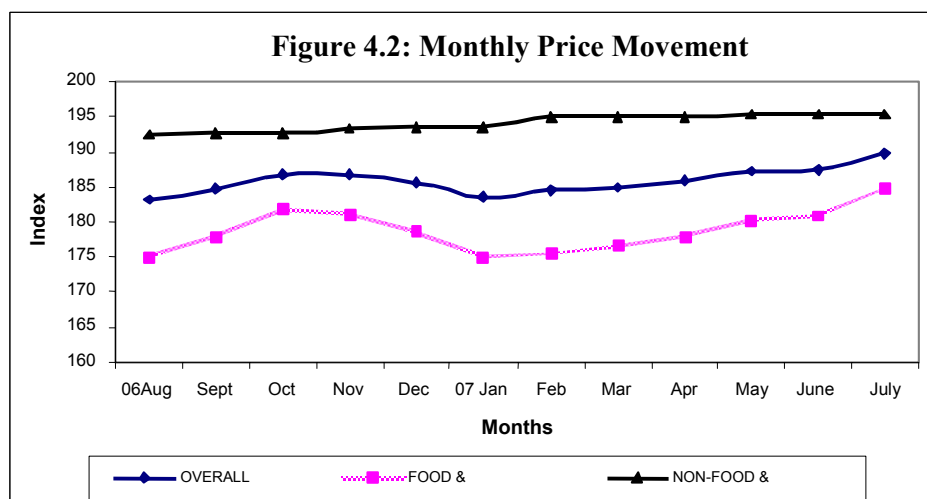


food and services group increased by 5.5 percent in 2006/07 compared to 8.1 percent a year ago.

4.4 Region-wise, the y-o-y price level in Kathmandu Valley, Terai and the Hills rose by 6.1 percent, 6.7 percent and 6.0 percent respectively in the review year. The respective rates were 6.5 percent, 8.6 percent and 8.6 percent in the previous year. A relatively higher price level was observed in the Terai region due mainly to the effect of continual unrest in the Terai region in the second half of the review year.

### Monthly Price Movement

4.5 Monthly price movement in the review year has been shown in Figure 4.2. The overall price index reached a peak (189.8) in mid-July 2007, while the lowest at 183.1 in mid-August 2006.



4.6 In the period of mid-August 2006 to mid-November 2006, the overall index rose gradually from 183.1 points to 186.9 points with an increase of 2.1 percent. It decreased by 0.7 percent and 1.1 percent in mid-December and mid-January respectively, and reached 183.6 points. However, the index increased by 3.4 percent to 189.8 points in the mid-July 2007 from 183.6 point in mid-January 2007.

4.7 The index of food and beverages group increased in the first three months (mid-August 2006 to mid-October 2006) from 175.0 points to 181.9 points and decreased in the second three months (mid-November 2006 to mid-January 2007) from 181.2 points to 175.0 points. The index witnessed a gradual increase again from mid-January 2007 to mid-July 2007 (from 175.0 points to 184.8 points). Likewise, the index of non-food and services group increased gradually every month from 192.5 points to 195.4 points. It shows that the overall price index is affected mostly by the movement of prices of food and beverages groups.

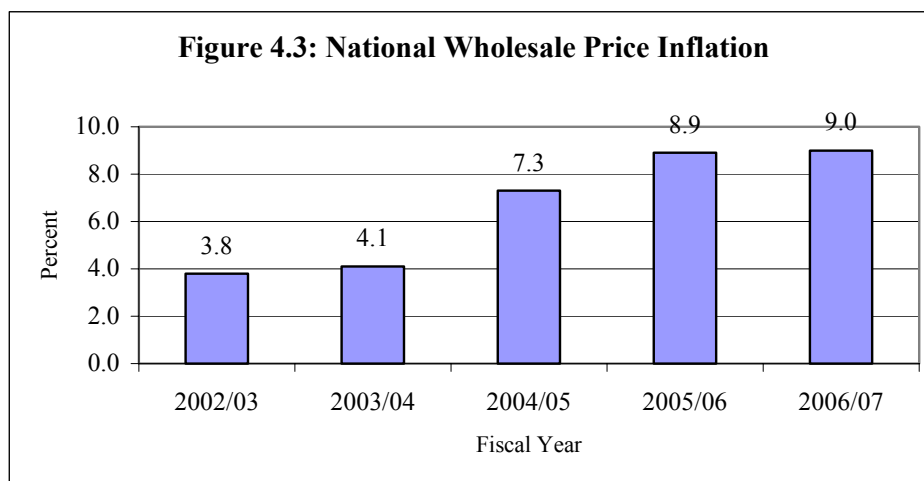
### Price Movement of Sub-groups of Commodities

**4.8** The y-o-y food and beverages index rose by 7.2 percent in the review year compared to an increase of 7.8 percent in the previous year. The prices of sugar and related products declined by 7.1 percent in the review period. Likewise, the prices of grains and cereal products decelerated to 6.4 percent on account of the slow down in the prices of rice and rice products. Which helped contain the price index of this group. However, the prices of some commodities in this group namely, spices, pulses and vegetables and fruits increased by 22.5 percent, 17.0 percent, and 11.1 percent respectively in the review year.

**4.9** The y-o-y index of non-food and services group increased by 5.5 percent in 2006/07 compared to 8.1 percent in the previous year. This moderation was mainly on account of the base effect of previous year's hike in petroleum prices.

### National Wholesale Price Inflation

**4.10** The annual average National Wholesale Price Index (NWPI) increased by 9.0 percent in 2006/07 compared to a rise of 8.9 percent in the previous year. Such a higher level of inflation was mainly due to the increase in the prices of agricultural commodities as well as domestic manufactured commodities. The base effect of the hike in the prices of petroleum products in March 2006 largely accounted for the moderation of y-o-y wholesale price inflation.



**4.11** The wholesale price of agricultural commodities rose by 11.6 percent in the review year compared to an increase of 9.9 percent in mid July 2006. This rise was mainly attributed to the increase in the prices of spices by 22.1 percent, pulses by 20.4 percent, cash crops by 14.8 percent, food-grains by 10.8 percent, and fruits and vegetables by 9.1 percent. The price of domestically manufactured commodities also recorded a higher annual growth of 8.5 percent compared to that of 3.6 percent in the previous year. This was mainly due to the significant rise in the prices of construction material by 15.6 percent and the food-related products by 8.2 percent. The prices of imported commodities

decelerated to 5.6 percent in the review year from 10.7 percent in the previous year. This deceleration was on account of the base effect of the hike in the process of petroleum products in the preceding year and the nominal appreciation of Nepalese currency against the US dollar.

### **Wholesale Price Indices of Some Important Commodities**

#### ***Foodgrains***

**4.12** In 2006/07, an increase in the index of foodgrains moderated to 10.9 percent from 16.2 percent in the previous year. In the review year, the price of rice increased due to the inadequate production caused by unfavorable monsoon, irregularity in supply situation as well as the higher cost of imported rice. During the review year, the index of wheat and maize also registered a higher increase by 22.3 percent and 10.2 percent respectively.

#### ***Cash Crops***

**4.13** In the review year, on an annual average basis, the price index of cash crops increased by a higher rate of 14.8 percent compared to 8.2 percent in the preceding year. This growth was mainly due to the rise in prices of potato (15.6 percent) and oil seeds (15.1 percent) despite a decline in the prices of jute by 18.0 percent.

#### ***Pulses***

**4.14** In 2006/07, the price index of pulses sub-group went by 20.4 percent. Such index had increased by 14.9 percent in the previous year. The fall in the supply due mainly to an unfavourable weather condition caused such a price hike in the review year.

#### ***Petroleum Products and Coal***

**4.15** The effect of second time price revision in February 2006 contributed to the rise in the index of this sub-group. Consequently, the index rose by 9.3 percent in the review year compared to the growth of 24.6 percent in the previous year.

#### **Salary and Wage Rate**

**4.16** The annual average National Salary and Wage Rate Index increased by 9.8 percent in 2006/07. It had increased by 3.9 percent in the previous year. Such an increase was on account of ten percent increase in the allowances of civil servants in mid-July 2006; a rise in the wages of industrial workers mostly in the second half of the review year; and labour supply constraints due mainly to the migration of youths from rural areas along with the increasing trend of Nepalese youths seeking employment abroad. In the review year, both salary and wage rate indices rose by 6.3 percent and 10.9 percent respectively compared to the respective growth of 0.3 percent and 5.3 percent in the preceding year. Within the wage rate index, the index of industrial labour increased by a higher rate of 13.0 percent, followed by 10.3 percent of agriculture labour and 7.7 percent of construction labour in the review year.

### ***Wages***

**4.17** In the review year, the wage rate in four market centres i.e. Kathmandu, Biratnagar, Birgunj and Bhairahawa depicted an increasing trend. The average growth rate in wage of agricultural labourer for males ranged between 1.04 percent in Bhairahawa and 26.41 percent in Kathmandu, while such a rate declined by 0.12 percent in Birgunj. The wage rate related to female agriculture workers remained stagnant in Birgunj, and 20.31 percent in Kathmandu.

**4.18** The average growth rate in the wages of skilled mason labourer in Birgunj remained at par to that of the preceding year. Whereas, that in other centers for such labourer ranged from 5.26 percent in Kathmandu and 14.96 percent in Biratnagar. The average growth rate in wages of the mason unskilled labourer ranged from zero percent in Bhairahawa to 10.19 percent in Kathmandu.

**4.19** The wage rate of skilled and unskilled carpenters in Birgunj remained constant to that of the previous year. Following the same trend, the unskilled carpenter in Bhairahawa received the same wage rates of that of the previous year. However, the average growth rate in wages of skilled carpenter ranged from 3.95 percent in Kathmandu to 14.96 percent in Biratnagar. In the review year, the wage rate of the unskilled labourer of such field increased by 0.29 percent in Biratnagar and 8.89 percent in Kathmandu.

**4.20** In case of wages of (general) laborer, the wages for both male and female increased significantly in all price collection centres ranging from 3.88 percent in Birgunj to 13.04 percent in Bhairahawa and 3.88 percent in Birgunj to 19.27 percent in Bhairahawa respectively.

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# 5

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## Fiscal Sector Developments

**5.1** Despite the long and difficult process of political transition, Nepal has maintained fiscal discipline and macroeconomic stability. The IMF has commended the Nepalese authorities for implementing prudent macroeconomic policies and structural reforms under difficult political circumstances. The overall fiscal deficit<sup>1</sup> (after foreign grants) remained at 2.0 percent of GDP in 2006/07. Such ratio was estimated at 2.6 percent in the budget speech 2006/07. Maintaining such fiscal discipline was mainly on account of encouraging revenue mobilization and foreign grants. The reforms in tax administration, adjustment in customs duty on selected imports and expansion of income and excise tax bases contributed to such a remarkable growth of revenue mobilization.

**5.2** The government expenditure to GDP ratio picked up in 2006/07. Recurrent expenditure rose heavily on account of more spending on peace related activities, including the upkeep of Maoist Camps, security arrangements and preparations for constitution assembly elections and rehabilitation of internally displaced persons. The rise in capital expenditure also contributed to the increase in total expenditure. However, this increase was due mainly to the loan to Nepal Oil Corporation (NOC) and other disbursement to local authorities, rather than real capital expenditure on developmental works.

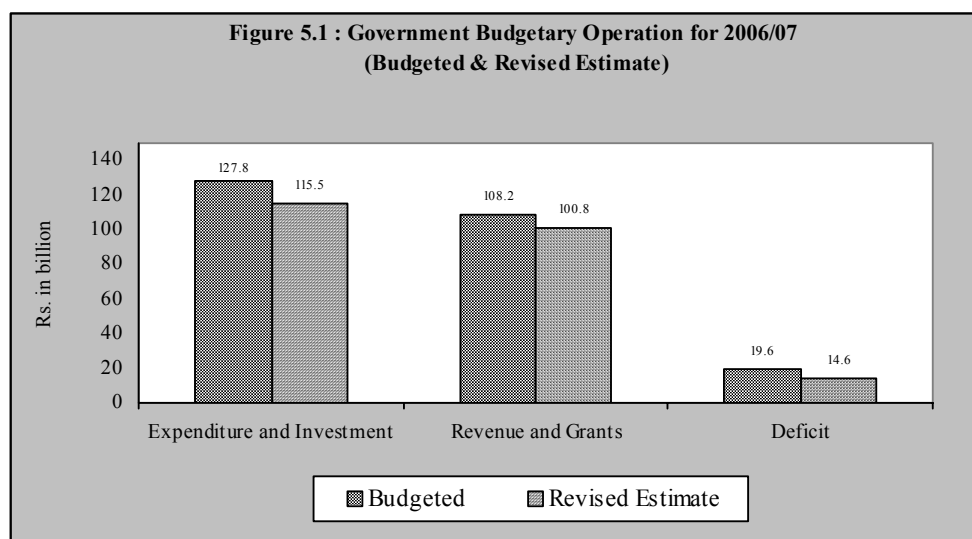
### **Fiscal Performance (Revised Estimates)**

#### *Fiscal Stance*

**5.3** The government budget remained expansionary in 2006/07. The budget deficits (after grants) recorded an increase of 39.1 percent to Rs 14.63 billion compared to a higher growth of 133.0 percent in the previous year. The budget deficit increased at a lower rate on account of satisfactory revenue mobilization and foreign grants. The ratio of budget deficit to GDP rose to 2.0 percent in 2006/07 from 1.6 percent in the previous year.

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<sup>1</sup> Such fiscal deficit is determined by deducting total expenditure and investment (excluding principal repayment expenditure) from the revenue and grants.

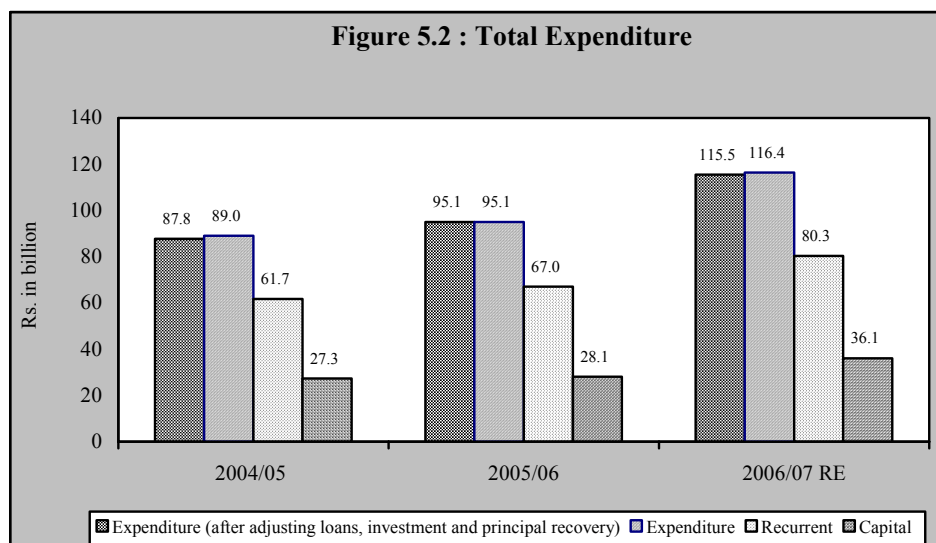


**5.4** Of the total budget in 2006/07, the government mobilized Rs 10.20 billion through net internal borrowings and Rs 2.89 billion through net external borrowings. Such figures were Rs 4.56 billion and Rs 1.23 billion respectively in the previous year.

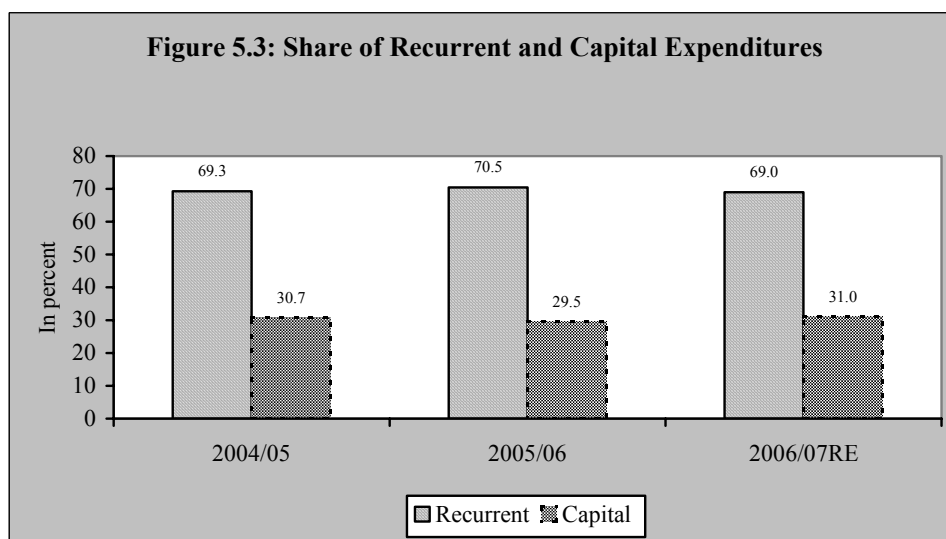
**5.5** In 2006/07, the gross external loan increased by 25.8 percent to Rs 10.33 billion in contrast to a decline of 11.4 percent in the previous year. The gross external loan was Rs 8.21 billion in 2005/06. Since the principal repayments of foreign loan went up at a lower rate of 6.5 percent, the inflows of net external loan increased by 135.7 percent in the review year. The gross internal borrowing (excluding overdraft) increased by 51.3 percent to Rs 17.90 billion compared to a growth of 32.4 percent in the previous year. The amount of gross internal borrowings was Rs 11.83 billion in 2005/06. Since the principal repayments on internal loan went up at a higher rate of 5.8 percent, the net internal borrowings increased by a lower rate of 123.8 percent compared to an increase of 235.6 percent in the review period. The ratio of gross internal and external borrowings to GDP remained at 2.5 percent and 1.4 percent respectively in the review year. Such ratios were 1.8 percent and 1.3 percent respectively in the previous year.

### Government Expenditures

**5.6** Total government expenditure including loan and investment climbed up by 21.4 percent to Rs 115.47 billion in 2006/07 compared to a lower growth rate of 8.4 percent in the previous year. The high growth in both the recurrent expenditure and capital expenditure accounted for such a high growth of total government expenditure in the review year. The revised estimate of total government expenditure was lower by 6.8 percent than the budget estimate. The ratio of total government expenditure to GDP remained higher at 16.0 percent compared to that of 14.7 percent in the previous year.



**5.7** Of the total expenditure, recurrent expenditure went up by 19.9 percent to Rs 80.33 billion in 2006/07 compared to a lower growth of 8.6 percent in the preceding year. Increased spending on compensation and financial support to conflict-hit people, payments of liabilities of public enterprises, a rise in allowances of civil servants, re-establishment of police posts, Maoist cantonment management as well as maintaining peace and security exerted a pressure on recurrent expenditure. The revised estimate of the recurrent expenditure was 4.1 percent lower than the budget estimate of 2006/07. The ratio of recurrent expenditure to GDP stood at 11.2 percent in 2006/07 compared to that of 10.4 percent in 2005/06.



**5.8** Capital expenditure increased by a higher rate of 28.4 percent to Rs 36.09 billion compared to a very lower growth of 2.8 percent in the previous year. A significant amount released to local authorities at the end of the fiscal year and the loan to NOC amounting to Rs 1.50 billion, among others, pushed up the capital expenditure in the review year. The revised estimate of capital expenditure was 18.7 percent lower than the budget estimate. The ratio of capital expenditure to GDP stood at 5.0 percent in 2006/07 compared to that of 4.3 percent in the previous year.

**5.9** The ratio of recurrent and capital expenditures in total expenditure remained at 69.0 percent and 31.0 percent respectively in 2006/07. Such ratios were 70.5 percent and 29.5 percent respectively in 2005/06.

## Revenue

**5.10** Revenue mobilization (excluding the principal repayment) reported a significant growth of 20.0 percent to Rs 84.89 billion in 2006/07 compared to a very low growth of 2.7 percent in the previous year. Reforms in revenue administration, upward revision of customs duty rates and excise duty rates helped increase revenue at such a higher rate. Moreover, relatively smaller revenue base of the previous year also contributed to the strong growth of revenue in the review year. The revised estimate of revenue was higher by 0.5 percent than the budget estimate. The revenue to GDP ratio climbed up to 11.8 percent in 2006/07 from 10.9 percent in 2005/06. Of the total revenue, the share of tax revenue and non-tax revenue stood at 82.5 percent and 17.5 percent respectively in 2006/07. Such ratios were 81.1 percent and 18.9 percent respectively in the previous year.

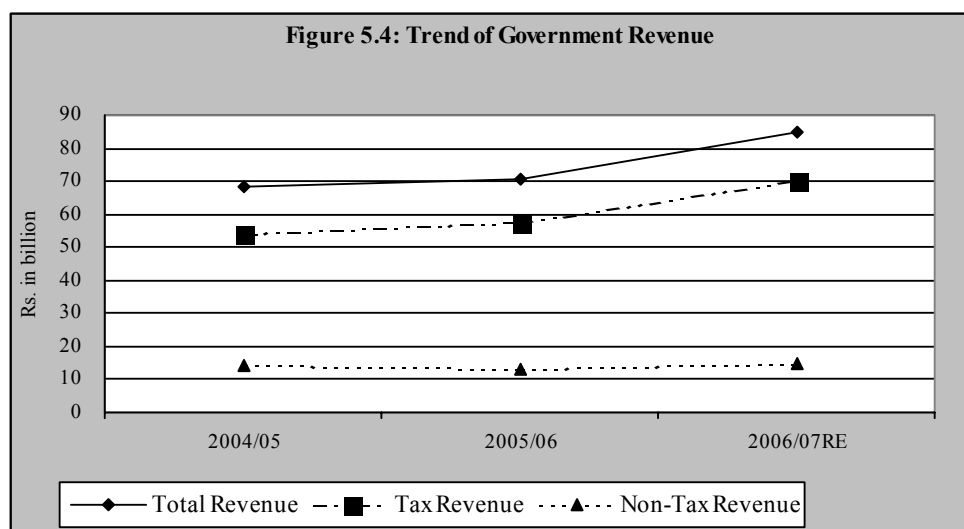
### **Box 5.1: Tax Elasticity and Buoyancy**

*A time series analysis (sample period from 1975-2005) of tax elasticity and buoyancy reveals that the tax system in Nepal is inelastic (less than unity) with a more than unitary buoyancy coefficients reflecting a significant revenue collection coming from the discretionary changes in the tax policy. Total tax revenue, which occupies approximately 80 percent of the total revenue mobilization in Nepal, has elasticity coefficient of 0.51 which is less than half of the buoyancy coefficient of 1.12. From these results, it can be easily observed that there is very low automatic growth of the tax revenue reflecting a very inelastic tax structure.*

## Tax Revenue

**5.11** Tax revenue showed a higher growth of 22.0 percent in 2006/07 compared to a lower growth of 6.1 percent in the previous year. The revised estimate of tax revenue was 0.16 percent higher than the budget estimate. The ratio of tax revenue to GDP remained at 9.7 percent in 2006/07, compared to 8.9 percent in the previous year. Of the total tax revenue, value added tax (VAT) occupied the largest share, followed by income tax. In 2006/07, the share of direct and indirect tax in total tax revenue stood at 26.3 percent and 73.7 percent respectively. In the previous year, such ratios were 24.3 percent and 75.7 percent respectively. The major components of direct tax are corporate income tax, house and land registration tax, investment and other tax and remuneration tax, whereas VAT, customs duties and excise duties are the major ingredients of indirect tax revenue.



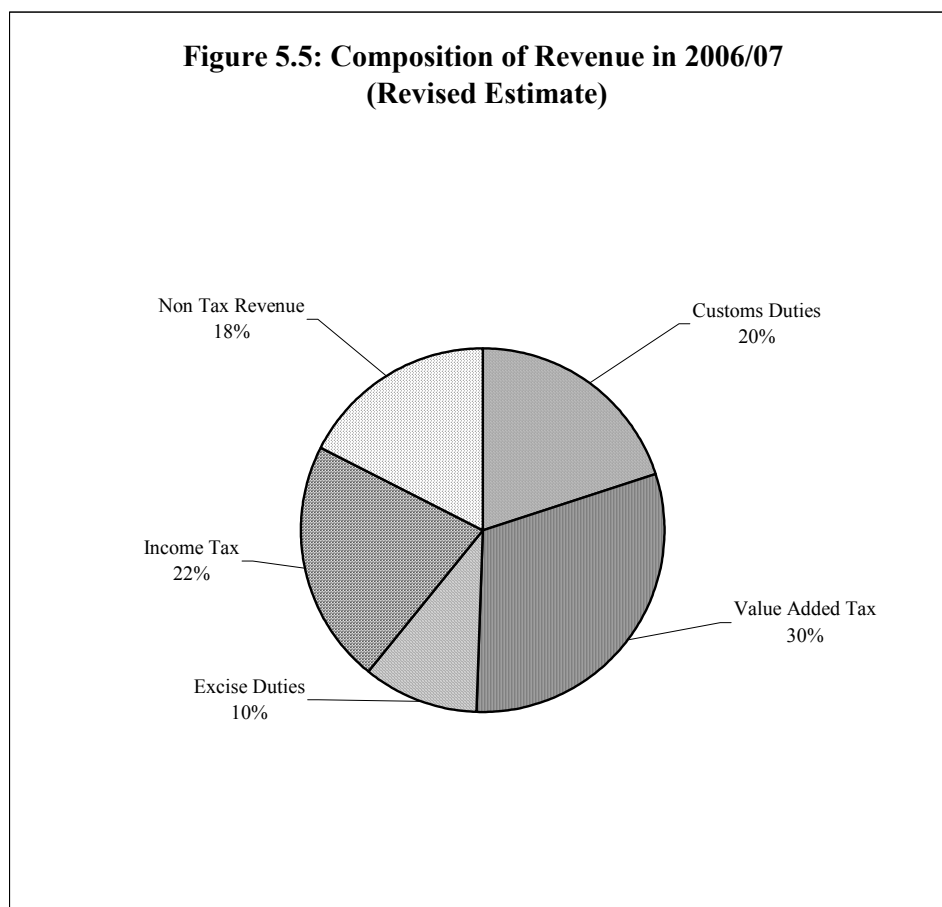


**5.12** Of the total tax revenue, VAT constituted the highest share (30.7 percent) followed by income tax (21.7 percent) and customs duties (19.9 percent) in the review year. In the previous year, VAT had the highest share of 30.5 percent, followed by customs duties (21.7 percent) and income tax (19.7 percent). The revised estimate of VAT revenue registered a growth of 20.6 percent in the review year compared to an increase of 14.4 percent in the previous year and remained higher than the budget estimate by 1.4 percent. Income tax reported a growth of 31.7 percent in the review year compared to a lower growth of 6.8 percent in the preceding year. The revised estimate of income tax was 10.9 percent higher than the budget estimate. A significant amount of income tax paid by Nepal telecom, Rastriya Beema Sansthan, Surya Nepal, Nabil Bank Limited and Agricultural Development Bank of Nepal (ADB/N) contributed to a rise in income tax in the review year.

**5.13** In the review year, customs duties observed a growth of 10.2 percent in contrast to a decline of 2.3 percent in the previous year. The reforms in customs administration, expansion of automated system for custom data (ASYCUDA), adjustments in customs duties and increase in the imports of high tax yielding vehicles/ spare parts helped increase the customs revenue in the review year.

**5.14** Excise duties went up by 33.5 percent in the review year compared to a marginal growth of 1.0 percent in the previous year. The revised estimate of the growth of excise duties remained at 1.15 percent higher than the budget estimate. Inclusion of additional commodities under excise duty net contributed to such an increase in excise revenue in the review year.

**Figure 5.5: Composition of Revenue in 2006/07  
(Revised Estimate)**



**5.15** The non-tax revenue grew by 11.3 percent in the review year in contrast to a decline of 9.7 percent in the previous year. The rise in non-tax revenue was mainly on account of an increase in dividends paid by some government enterprises including Nepal Rastra Bank to the Government of Nepal (GON). The revised estimate of non-tax revenue was 2.1 percent higher than the budget estimate.

### **Foreign Grants**

**5.16** In 2006/07, foreign grants grew by 15.3 percent to Rs 15.95 billion in contrast to a decline of 3.9 percent in the previous year. The revised estimate of foreign grants remained lower by 32.80 percent than the budget estimate. The foreign grants to GDP ratio remained at 2.2 percent in 2006/07 compared to that of 2.1 percent in the previous year.

### **Public Debt**

**5.17** The amount of total outstanding public debt (both internal and external) was Rs 315.93 billion as at mid July 2007, which was 2.47 percent lower than that of the previous

year. The share of total external and internal debt in total outstanding debt remained at 68.6 percent and 31.4 percent respectively in the review year. Such ratios were 72.2 percent and 27.8 percent respectively in the previous year. Of the total outstanding debt, internal debt increased by 10.4 percent to Rs 99.30 billion compared to an increase of 8.6 percent in the previous year. The ratio of internal debt, external debt and total outstanding debt to GDP remained at 13.8 percent, 30.1 percent and 43.9 percent respectively in 2006/07. Such ratios were 13.9 percent, 36.2 percent and 50.1 percent respectively in 2005/06.

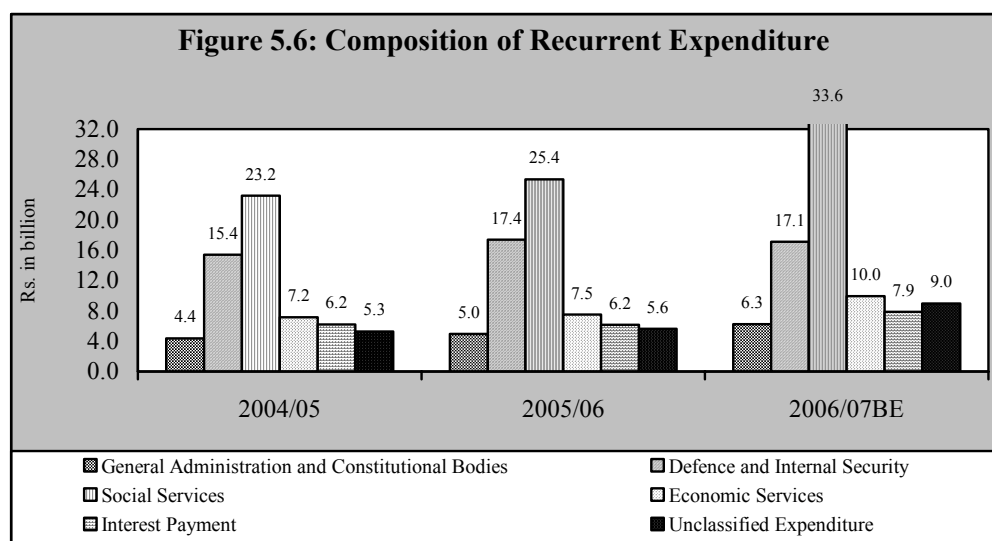
### **Ownership Pattern of Government Domestic Debt**

**5.18** In 2006/07, NRB's holdings of the government bonds (excluding TB's) stood at 7.5 percent of the total bonds which was higher by 0.7 percentage point from the preceding year's level. The government bonds held by commercial banks also increased to 29.1 percent of the total bonds which was higher by 2.4 percentage points from the preceding year's level. The government bonds held by financial institutions (excluding Employees' Provident Fund Corporation) increased from 17.3 percent to 18.7 percent and Employees' Provident Fund Corporation from 15.7 percent to 22.2 percent. Conversely, the government bonds held by business enterprises recorded a decline from 0.9 percent to zero, private business enterprises from 1.6 percent to 1.4 percent, individuals from 30.2 percent to 20.9 percent and non-profit organization from 0.9 percent to 0.2 percent. Thus, the decline in the government bonds held by individuals accounted for the decline in total holdings of government bonds by 7.9 percent.

**5.19** In 2006/07, total outstanding treasury bills grew by 18.2 percent to Rs 74.45 billion compared to an increase by 22.6 percent in 2005/06. The share of NRB holdings in total TBs rose to 18.5 percent in the review year compared to that of 14.6 percent last year. However, such share of commercial banks declined from 81.4 percent in 2005/06 to 78.7 percent in 2006/07. Likewise, financial institutions' share also depicted a decline from 0.6 percent to zero and other's share declined from 3.4 percent to 2.8 percent in the review period from the preceding year.

### **Budget 2006/07**

**5.20** The budget estimate of government expenditure including net loans and investment stood at Rs 127.83 billion, which was 34.4 percent higher than that of the previous year. Total government expenditure excluding net loans and investment increased by 34.7 percent compared to the level of the previous year. Of the total expenditure, Rs 83.77 billion (65.4 percent) and Rs 44.39 billion (34.6 percent) were allocated for the recurrent and the capital expenditures respectively. Both the recurrent and the capital expenditure were expected to increase by 25.0 percent and 57.9 percent respectively in 2006/07 compared to that of the previous year. A rise in social services expenditures especially in education, health, followed by the miscellaneous items, economic sectors and constitutional bodies accounted for such an increase in recurrent expenditure.



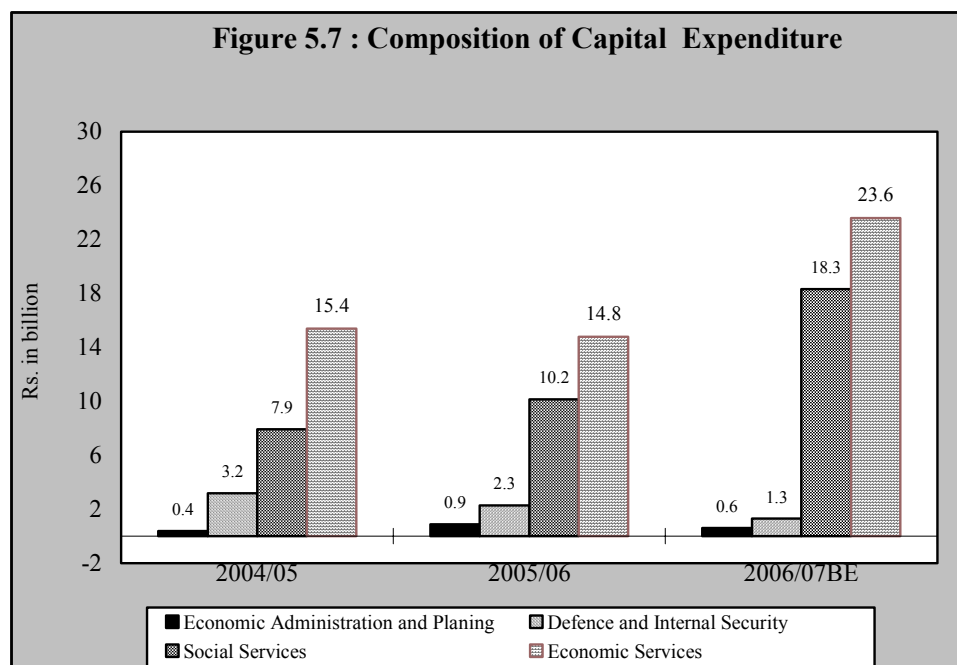
**5.21** Of the total recurrent expenditure, Rs 33.56 billion (40.1 percent) was allocated for social services, Rs 17.14 billion (20.5 percent) for defense and security, Rs 16.86 billion (20.1 percent) for miscellaneous expenditure, Rs 9.95 billion (11.9 percent) for economic services and Rs 6.26 billion (7.5 percent) for general administration and constitutional bodies.

**Box 5.2 : Budget 2006/07**

The budget of 2006/07, focused on increasing the level and improving the quality of public spending and raising the revenue to GDP ratio. On the expenditure front, the budget has made provisions for a significant scaling up of the social sector and public investment programs on health, education, and rural infrastructure in line with the Medium Term Expenditure Framework (MTEF). On the revenue side, a revive in economic activities and improved supply situation were estimated to boost revenue (excluding principal repayment) from 10.9 percent of GDP in 2005/06 to 11.7 percent of GDP in 2006/07. The major contributing factor to meet the revenue estimates would be higher customs duty rates on selected imports and higher excise rates on alcohol, beer and cigarettes. As the expenditure was estimated to exceed the revenue, the overall deficit before grants was expected to rise to 6.0 percent of GDP. With grants projected to rise to 3.3 percent of GDP, the overall deficit (after grants) was to be limited to 2.7 percent of GDP of which the domestically financed deficit was set at 1.4 percent of GDP. Net external loans was expected to rise to 1.3 percent of GDP. To raise external resources for peace related activities, the GON has also set up a peace fund as an off-budget fund to attract donor and other financing.

**5.22** Of the capital expenditure, Rs 23.59 billion (53.1 percent) was allocated for economic services of which, the highest share (18.7 percent) was occupied by the electricity sub sector, Rs 18.31 billion (41.3 percent) was allocated for social services, Rs

1.32 billion (3.0 percent) for defense and security, and the rest was allocated for economic administration and planning, and unclassified expenditures.



**5.23** On the revenue side, the budget estimate of revenue was Rs 84.47 billion in 2006/07 of which, Rs 69.93 billion (82.8 percent) was estimated to be mobilized from tax revenue and the remaining Rs 14.84 billion (17.2 percent) was from non tax revenue. Of the total tax revenue, Rs 26.42 billion (37.8 percent) was estimated to be mobilized from VAT, Rs 18.33 billion (26.2 percent) was targeted to be mobilized from customs duties, Rs 16.59 billion (23.7 percent) from income tax and Rs 8.66 billion (12.3 percent) from excise duties.

**5.24** Of the total non-tax revenue, civil administration reported a major portion of Rs 4.72 billion (27.2 percent). This was followed by dividend of Rs 3.96 billion (27.2 percent) and miscellaneous sources of Rs 3.55 billion (24.4 percent). The balance was estimated to receive from interest, departmental receipts and forest sector.

### Major Fiscal Reforms

**5.25** In 2006/07, fiscal sector reforms were focused on improving tax administration and fiscal transparency. The separate Large Tax Payers Office (LTO) was established, which started conducting comprehensive audits of large taxpayers to strengthen enforcement. The Inland Revenue Department (IRD) succeeded in reducing the ratio of VAT nonfilers to registered taxpayers. The cabinet approved the new Customs Act. The Department of Customs expanded the modern ASYCUDA system network. For this, the process of establishing WAN was completed. On the fiscal transparency front, the government made commitment to implement the recommendations made in the draft report on the

fiscal transparency module (Report On Standards and Codes – ROSC), prepared by the IMF staff.

### Tax Policy Provisions

**5.26** With regard to income tax, the exemption limit for personal income taxation of Rs 100,000 for individual and Rs 125,000 for family in 2005/06 remained same also in 2006/07.

**5.27** The GON had increased the customs rates of more than 40 goods including vehicle parts, air condition machine through 2006/07 budget to minimize the negative impact of revision of customs rates in February 2005.

### Tax Rates

**5.28** Income of Rs 75,000 above the tax exemption limit was subject to income taxation of 15 percent and thereafter the rate was 25 percent i.e. the highest marginal rate of 25 percent plus 1.5 percent introduced in 2005/06, remained unchanged in 2006/07. On the excise front, excise rates were changed to 4, 5, 15, 32, 53 percent in 2006/07 from 2, 4, 5, 15 and 32 percent in 2005/06. In 2006/07, customs rates on imports remained at 5, 10, 15, 20, 25, 30, 40, 55 and 80 percent which were 5, 10, 15, 25, 35, 40 and 80 percent in 2005/06. In 2006/07, customs rates on exports remained the same at 0.5, 1, 8, 70 and 200 percent from the previous year.

<b>Box 5.3: Tax Rates</b>			
		2005/06	2006/07
1.	Import duties (percent)	5,10,15,25,35, 40,80	5,10,15,20,25,30, 40,55,80
2.	Export duties (percent)	0.5, 1, 8, 70, 200	0.5, 1, 8, 70, 200
3.	Excise (percent)	2, 4, 5, 15, 32	4, 5, 15, 32, 53
4.	VAT (percent)	13	13
5.	Income tax		
	(a) Limit of exemption		
	(i) Individual	Rs 100,000	Rs 100,000
	(ii) Family	Rs 125,000	Rs 125,000
	(b) Rate of tax (percent)		
	(i) First Rs 75,000 after exemption	15 percent	15 percent
	(ii) After that	25+1.5 percent	25+1.5 percent
	Corporate tax		
	(a) Flat rate at corporate net income		
	(i) Bank and financial institution	30 percent	30 percent
	(ii) Others	25 percent	25 percent
	(b) Partnership firm	25 percent	25 percent

### Situation of the Public Enterprises

**5.29** In 2005/06, of the 36 state owned (fully/partially owned) enterprises, 17 enterprises had earned profit and 19 enterprises were in the losses. However, the progress of these enterprises for 2006/07 was estimated to be satisfactory. In the review period, 21 enterprises were estimated to earn net profit and only 15 enterprises were estimated to

operate at losses. Even, the economic condition, capacity utilization and employee productivity of the most of the profit earning enterprises did not seem satisfactory.

**5.30** At the end of 2005/06, the investment by government in the share capital of these 36 enterprises had reached Rs 65.68 billion along with loans of Rs 62.72 billion. The return on investment in the form of dividends in 2005/06 was, however, only Rs 2.08 billion which was 3.16 percent of total investment in share capital. In spite of majority of enterprises operating at losses with remarkable amount of accumulated loss, state owned enterprises had earned net profit of Rs 2.54 billion in 2005/06. In 2006/07, such enterprises were estimated to earn net profit of Rs 6.91 billion. The profit of Nepal Telecom, Rastriya Banijya Bank, Civil Aviation Authority of Nepal contributed positively to such profit. To the contrary, net loss of Nepal Oil Corporation, Udayapur Cement Industries accounted for the negative impact on the profit. In 2005/06, the net worth of all enterprises increased to Rs 39.57 billion from Rs 32.48 billion in 2004/05. The additional capital injection by GON in Agriculture Development Bank and net profit of Nepal Telecom mainly contributed to the increment of total network.

**5.31** The corporate income tax received by the GON increased to Rs 1.02 billion in 2006/07 compared to that of Rs 195.8 million in the previous year. It was mainly on account of improvement in performance and an increase in net profit of the enterprises.

**5.32** Very low rate of return on investment, lack of regular and updated audit, overstaffing, majority of enterprises operating at losses, some enterprises having negative networth, lack of funds for the provisions to meet employees related facilities, political interfering, compulsion of Nepal Oil Corporation to sell the petroleum product at price lower than the purchase price were the main challenges of public enterprises in Nepal.

### **Privatization and Dissolution of Public Enterprises**

**5.33** Taking into account the concept of current open and liberal economy; to reduce the administrative and financial burden of government; to enhance business skill and productivity of the industry and enterprises and to increase the private sector's partnership in the economic development process, The GON has been implementing the privatization program since one and a half decades with a great priority on the basis of ability, efficiency, appropriateness and rationale. Up to now, 29 public enterprises have been privatized and dissolved.

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## External Sector Developments

### Updates on the External Sector Front

**6.1** Despite the high economic growth rates of the neighboring countries like India, China and many other countries of the world, Nepal's exports have not increased satisfactorily implying that Nepal has not been able to get the expected benefit from the world's high economic growth rate. Moreover, Nepal's foreign trade has still been concentrated towards India as India's share in Nepal's total trade was more than 60 percent in 2006/07.

**6.2** On the regional front, the 14th summit of the South Asian Association for Regional Co-operation (SAARC) concluded on April 3, 2007 in New Delhi. This summit has given due emphasis on the full implementation of SAFTA along with the inclusion of service sector business. Similarly, the summit has emphasized to make road map of South Asian Customs Union and South Asian Economic Union.

**6.3** In this 14th SAARC summit, India announced to bring zero customs rate by the end of 2007 to provide entry into its market to the four least developed countries (Bangladesh, Bhutan, Maldives and Nepal) of SAARC region. Similarly, India declared to minimize the list of sensitive goods to enter India from these countries. But this provision may create additional difficulties for the Nepalese products, which were being exported with customs exemption facilities, to uphold the larger share of Indian market. Nepalese products will have to face competition with the products of Bangladesh, Bhutan and Maldives since the products of these countries also will have the same customs exemption facilities from 2008.

**6.4** The Framework Agreement on BIMSTEC (Bay of Bengal Initiative for Multi-sectoral Technical & Economic Cooperation) Free Trade Area, involving Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand, though scheduled for implementation on goods from July 1, 2006, could not be enforced due to political problems in some of the member countries. Later, the foreign ministerial meeting held in New Delhi in August 2006 agreed to implement the understanding prior to the second summit meeting scheduled for February 8, 2007 in New Delhi. However, the second BIMSTEC Summit was also deferred due to political instability in member states and has been rescheduled for mid-July 2007.

**6.5** On the multilateral front, after being a member of the World Trade Organization (WTO), Nepal has amended some laws; it was also in the process of amending more



laws, policies, rules and regulations to make them more transparent in line with the multilateral trading system. In order to comply with the provisions of the WTO Competition Law, Anti-dumping Law, Countervailing Law and Intellectual Property Rights Law, among others, have been drafted.

**6.6** On the domestic front, the Government of Nepal has set up the Trade and Export Promotion Committee in October 2006, after integrating the three institutions (Trade Promotion Center, Export Promotion Committee and Carpet and Wool Development Committee) which were established for the purpose of export promotion. Trade and Export Promotion Center has been established to perform the functions of this committee.

**6.7** Nepal-India Trade Treaty has been renewed for the period of five years from March 5, 2007 as part of the automatic extension as permitted by the provisions contained in the treaty itself. Both the governments had agreed to address, in the near future, some of the crucial issues on the flow of trade that had emerged in the way of implementation during the past five years.

### **Foreign Exchange Sector Reforms for 2006/07**

**6.8** Some of the major reforms in the foreign exchange sector are highlighted below:

- The existing arrangement is such that a forex facility of up to US\$ 1,500 to individuals and institutions is provided by commercial banks for settling petty international transactions for various purposes. Taking into account the benefits obtained by the general public from this facility, this limit of exchange facility has been raised upward to US\$ 2,500. Moreover, the existing system of making payments through telex/wire/draft, has been expanded to include credit card and debit card as well.
- People migrating to advanced countries such as USA, Canada, Australia, New Zealand and UK under immigration visa have been receiving the foreign exchange facility up to US\$ 5,000 for individual migrant, and US\$ 10,000 for the family migrant on the NRB's approval. Effective from 2006/07, the exchange facility to such people will be made available directly from the commercial banks by endorsing the amount in the passport.
- Provision has been made to enable the related commercial bank to directly open more than one year usance letter of credit under deferred payment and suppliers credit against the prevailing provision of requiring the permission of NRB for more than one year from the countries other than India.
- In order to enhance the competitive capacity of the industries in Nepal, the provision of importing certain items from India through the payment of convertible currency has been raised to 121 items as of mid-July 2007.
- The current limit of providing exchange facility of up to US\$ 300 at a time to individuals having visa for private visit by surface route to autonomous region of China, Tibet (except rule based visitors) as well as SAARC countries other than India has been increased to US\$ 1,000.

- In a situation of receiving the document in excess of the amount than is stated in import letter of credit (L/C) in convertible currency, the current provision allows commercial banks to accept such a document up to the extent of 2 percent of the L/C amount or US\$ 1,000 whichever is lower, has been simplified. From 2006/07, commercial banks have been allowed to accept such a document in excess of any amount stated in import L/C.
- Until the end of 2005/06, the provision required the licensed money changer firm/company to exchange the convertible currencies they have purchased with the commercial banks. From 2006/07, the following measures have been introduced in this regard: a) the money-changer firms/companies can sell their convertible currencies to the commercial banks; b) money changer firm/company can open foreign currency account in the bank and financial institutions under the existing rules; and c) these companies are allowed to provide foreign exchange for passport facility as per the existing rule.
- There is always exchange rate risk emanating from the fluctuation in the exchange rates in a market economy. The use of derivative instruments has been extended these days as a measure to hedge such risks. In this context, the commercial banks will not be required to take approval of NRB while trading in derivative instruments like forward, option, swaps and futures provided such trading takes place as per the criteria set by the Board of Directors of the respective commercial banks.

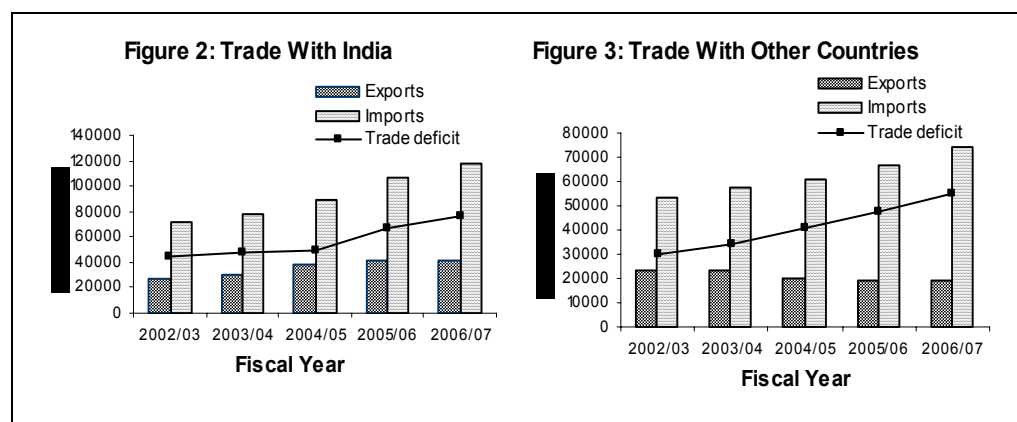
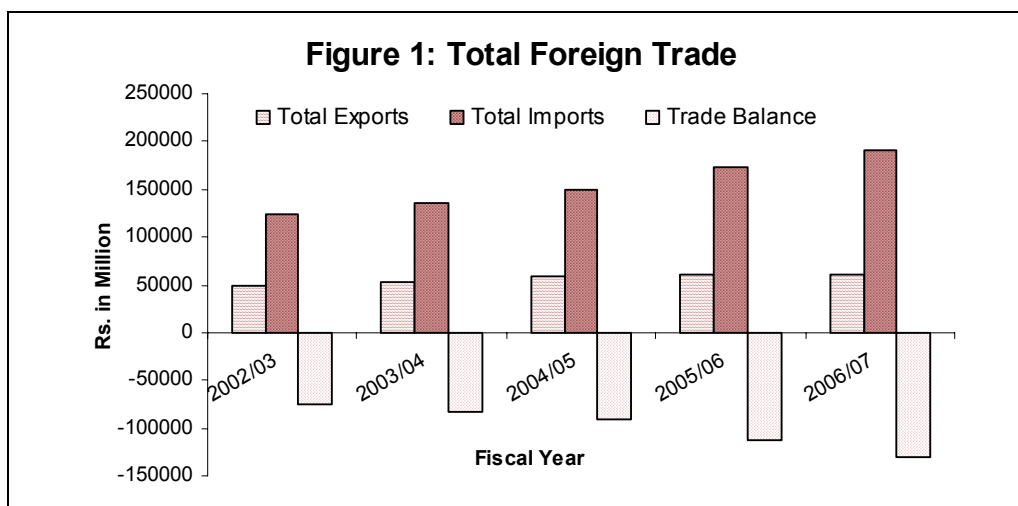
**6.9** In aggregate, Nepal's external sector displayed a mixed performance in 2006/07. There was a deceleration in the growth rate of exports that was ascribed to a number of factors. Among them, the major ones included the lack of investment-friendly climate, deteriorating security condition, frequent bandhs and power shortages. Though imports from India rose at a slower rate compared to that of the previous year, the upsurge in imports from other countries and the higher growth rate of overall imports compared to overall exports resulted in the expansion of trade deficit. Despite the increase in trade deficit and a decline in net services, the current account recorded a surplus because of the rise in remittances. Consequently, the balance of payments also posted a surplus.

**6.10** In terms of intervention in the foreign exchange market, the NRB intervened 77 times, purchasing a total of US\$ 923.0 million from the commercial banks. Likewise, it intervened once selling a total of US\$ 7.2 million to the commercial banks.

### **Merchandise Trade**

**6.11** On the basis of customs data, trade in nominal value went up by 7.9 percent to Rs. 252.50 billion in the review year in comparison to the growth of 12.4 percent in the preceding year. In proportion to GDP, total trade this year stood at 35.1 percent compared to 36.2 percent a year earlier. Similarly, on the basis of US dollars, total trade posted a growth of 10.7 percent compared to the previous year's growth of 12.0 percent. The composition of total trade revealed that trade with India and other countries constituted 63.2 percent and 36.8 percent, respectively, of total trade during the review year. The respective shares in the previous year were the same. During the review year, the import sustainability of exports went down to 31.7 percent from 34.7 percent in the

previous year. While import sustainability of export to India went down from 38.0 percent in the previous year to 35.6 percent in the review year, import sustainability of export to overseas countries dropped from 29.3 percent in the previous year to 25.6 percent in the review year.



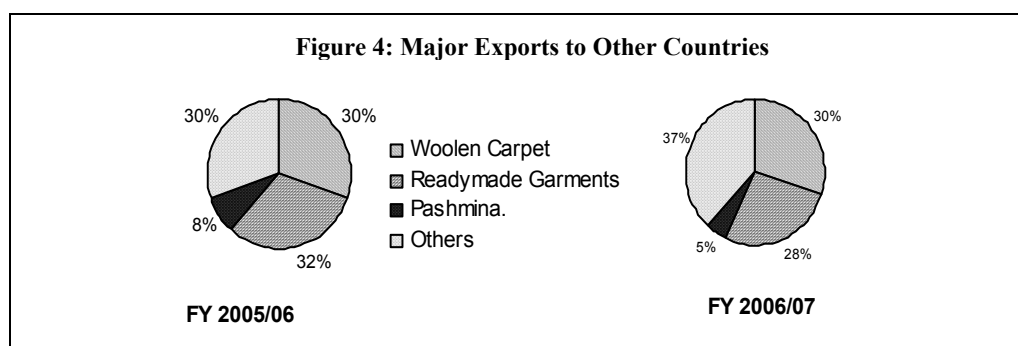
**6.12** In 2006/07, total exports increased by 0.9 percent to Rs. 60.80 billion. One year earlier, total exports had risen by 2.6 percent to Rs. 60.23 billion. Destination-wise, exports to India saw a growth of just 2.8 percent in the review year compared to a higher growth of 4.6 percent in the previous year. Exports to other countries, on the other hand, witnessed a decline of 3.1 percent in comparison to a decline of 1.4 percent in the previous year.

**6.13** In dollar terms, total exports went up by 3.6 percent to US\$ 862.5 million in 2006/07 in comparison to a lower growth of 2.2 percent a year earlier. On the basis of US dollar, exports to India rose by 5.5 percent in comparison to a growth of 4.2 percent in the

previous year. Exports to other countries, on the other hand, registered a decline of 0.5 percent in the review year in comparison to a decline of 1.7 percent a year earlier.

**6.14** As percent of GDP, exports accounted for 8.5 percent during the review year in comparison to 9.3 percent a year earlier. Of the total exports, exports to India and other countries comprised 68.9 percent and 31.1 percent respectively in the review year while their respective shares were 67.6 percent and 32.4 percent a year earlier.

**6.15** The rise in the exports of thread, zinc sheet, textiles, M.S. pipe and juice accounted for a slight increase in the exports to India. However, exports of polyester yarn, plastic utensils, G.I. pipe, cattle feed and readymade garments to India declined during the review period. Exports to other countries declined owing to the decline in exports of readymade garments, pashmina, woolen carpets, handicrafts and Nepalese paper & paper products. The problem pertaining to readymade garments was that Nepal was not able to enhance competitive strength in terms of price and quality of the Nepali products to compete with big suppliers from India and China and other fervent players like Bangladesh, Sri Lanka and Cambodia. Exports of pulses, readymade leather goods, silverware & jewelleryes, herbs and tea to other countries, on the other hand, increased.



**6.16** With respect to the composition of exports based on the Standard International Trade Classification (SITC), the first position was held by manufactured goods classified chiefly by materials (SITC-6) which formed 51.1 percent of total exports and registered a growth of 8.9 percent. Miscellaneous manufactured articles (SITC-8) secured second position with a share of 18.0 percent despite its decline by 22.4 percent. In the previous year, manufactured goods classified chiefly by materials and miscellaneous manufactured articles constituted 47.4 percent and 23.4 percent, respectively, of total exports. Exports of food and live animals (SITC-0) comprised 12.4 percent of total exports in comparison to 11.9 percent in the previous year and remained in third position. The share of animal and vegetable oil and fats (SITC-4) in total exports increased to 7.5 percent in the review year from 7.1 percent a year earlier. Chemicals and drugs (SITC-5) comprised 6.7 percent of total exports compared to the share of 6.1 percent in the previous year. Overall, while primary goods (SITC 0-4) formed 22.2 percent of the total exports in the review year, manufactured and capital goods (SITC 5-9) constituted 77.8 percent. The respective shares of primary and manufactured goods in the previous year were 21.1 percent and 78.9 percent.

**6.17** During the review year, total imports rose by 10.3 percent to Rs. 191.71 billion in comparison to a growth of 9.7 percent in the previous year. Imports from India increased by 9.9 percent in the review year to Rs. 117.74 billion compared to a significant growth of 20.8 percent in the preceding year. Imports from other countries soared by 11.0 percent to Rs. 73.97 billion in comparison to a growth of 9.6 percent in the previous year.

**6.18** In dollar terms, total imports registered a growth of 13.2 percent in the review year compared to an increase of 15.8 percent in the previous year. Imports from India in dollar terms rose by 12.7 percent in comparison to the previous year's growth of 20.4 percent. Likewise, in dollar terms, imports from other countries surged by 13.9 percent in the review year in comparison to an increase of 9.2 percent in the previous year.

**6.19** The value of total imports in relation to GDP went down by 0.3 percentage points to 26.6 percent in the review year from 26.9 percent a year earlier. The relative share of imports from India in total imports declined slightly to 61.4 percent in the review year from 61.7 percent in the previous year. Likewise, the relative share of imports from other countries moved up to 38.6 percent in the review year from 38.3 percent a year ago.

**6.20** Product-wise, the major imports from India that experienced an increase in 2006/07 included vehicles & spare parts, cold rolled sheet in coil, thread, hot rolled sheet in coil, electrical equipment and M.S. billet. Similarly, the following comprise some of the major imports from India that declined: rice, chemicals, chemical fertilizer, cosmetics and readymade garments. With respect to imports from third countries, the principal items that registered an upsurge included gold, crude palm oil, computer parts, telecommunication equipment parts and betel nut. The major imports that declined from third countries were palm oil, readymade garments, textiles, polythene granules and shoes & sandals.

**6.21** With regard to the composition of imports on the basis of SITC, the major groups were manufactured goods classified chiefly by materials (SITC-6), mineral, fuels & lubricants (SITC-3), and machinery & transport equipment (SITC-7) whose respective shares were 24.8 percent, 19.0 percent and 18.6 percent in total imports. In the preceding year, manufactured goods classified chiefly by materials, mineral, fuels & lubricants and machinery & transport equipment formed 23.4 percent, 21.0 percent and 15.1 percent of total imports respectively. The share of chemicals and drugs (SITC-5) declined to 13.5 percent in the review year from 14.2 percent in the previous year; likewise, the share of food and live animals (SITC-0) in total imports declined to 6.8 percent from 7.7 percent. Similarly, while the share of miscellaneous manufactured articles went down to 5.8 percent in the review year from 6.0 percent in the previous year, the corresponding share of animal and vegetable oil & fat dropped to 5.7 percent from 5.9 percent. The share of crude materials, inedibles except fuels (SITC-2) declined to 5.1 percent from 6.1 percent a year earlier. Overall, while the share of imports of primary commodities (SITC 0-4) in total imports decreased to 37.1 percent in the review year from 41.2 percent in the previous year, the share of imports of manufactured and capital goods (SITC 5-9) rose to 62.9 percent from 58.8 percent.

**6.22** Owing to the higher rate of growth of imports relative to exports, the total trade deficit rose by 15.3 percent to Rs. 130.91 billion. In the previous year, trade deficit had

expanded by 25.1 percent. In dollar terms, trade deficit rose by 18.3 percent to US\$ 1.86 billion compared to a growth of 24.6 percent in the previous year.

**6.23** While trade deficit with India rose by 14.2 percent compared to a significant growth of 33.5 percent in the previous year, trade deficit with other countries soared by 16.8 percent in comparison to a growth of 14.9 percent in the previous year. Trade deficit with India and other countries constituted 58.0 percent and 42.0 percent, respectively, of the total trade deficit in the review year. In the preceding year, the corresponding shares were 58.5 percent and 41.5 percent.

### **Balance of Payments**

**6.24** The overall BOP position of the country remained at a surplus of Rs. 5.88 billion in 2006/07 compared to a higher surplus of Rs. 25.60 billion in the previous year. Although there was a rise in trade deficit and a decline in net services, a surplus was registered in the BOP mainly emanating from the rise in the inflow of remittances.

**6.25** In terms of the current account, total exports (at f.o.b. value) rose by 2.3 percent to Rs. 62.90 billion compared to a growth of 2.5 percent in the preceding year. Total imports went up by 9.3 percent to Rs. 187.45 billion in comparison to a higher growth of 17.7 percent in the previous year. Consequently, trade deficit rose by 13.2 percent to Rs. 124.55 billion in the review year. In the previous year, the trade deficit had expanded by 28.3 percent.

**6.26** On the services front, gross receipts soared by 21.2 percent to Rs. 32.08 billion in comparison to a rise of just 1.8 percent in the previous year. The increase in such receipts was attributed to the increase in income under the three subheads—travel by 6.0 percent, government n.i.e. by 65.8 percent and other services by 1.5 percent. On the payments side, there was an increase in the payments on transportation, travel and other services by 15.6 percent, 32.0 percent and 15.8 percent, respectively. Consequently, total payments increased by 21.5 percent to Rs. 40.46 billion compared to a lower growth of 18.7 percent in the previous year. Ultimately, net services income registered a deficit of Rs. 8.38 billion in the review year. There was a deficit in the balance of goods and services account amounting to Rs. 132.93 billion in comparison to the deficit of Rs. 116.88 billion in the previous year.

**6.27** In the review year, receipts under income account rose by 26.8 percent to Rs. 14.50 billion while payments increased by 9.1 percent to Rs. 7.07 billion. As a result, there was a deficit on balance on goods, services and income account amounting to Rs. 125.50 billion in the review year compared to a deficit of Rs. 111.92 billion a year earlier.

**6.28** With regard to current transfers, net receipts in the review year rose by 2.3 percent to Rs. 128.99 billion in comparison to a rise of 29.1 percent in the previous year. Grants declined by 3.4 percent in the review year in comparison to a decline of 10.5 percent earlier. Workers' remittances, on the other hand, increased by 2.5 percent to Rs. 100.14 billion in the review year compared to a significant growth of 49.0 percent in the previous year. Pensions rose by 7.7 percent in contrast to a decline of 4.0 percent a year earlier. Other transfers (that is, excise duty refund) fell by 18.0 percent in the review year in contrast to a rise by 5.5 percent in the previous year. Consequently, the current account

posted a surplus of Rs. 3.50 billion in the review year compared to a higher surplus of Rs. 14.22 billion in the previous year. The current account surplus in the review year was about 0.5 percent of the nominal GDP. Such surplus was 2.2 percent of GDP in the preceding year.

**6.29** Regarding the capital account, capital transfer of Rs. 4.45 billion was received in the review year in comparison to an inflow of Rs. 3.11 billion a year earlier. Under the financial account, trade credit assets increased by Rs. 5.13 billion whereas other assets increased by Rs. 5.56 billion. On the liability side, trade credit rose by Rs. 1.73 billion. Government drawing amounted to Rs. 9.69 billion while amortization was recorded at Rs. 7.54 billion. In the previous year, such drawing and amortization were recorded at Rs. 7.69 billion and Rs. 6.99 billion, respectively. Currency and deposit liability went up by Rs. 4.78 billion in comparison to an increase of Rs. 3.39 billion in the previous year. Likewise, miscellaneous capital inflow aggregated Rs. 5.08 billion in the review year in comparison to an inflow of Rs. 12.99 billion in the preceding year. Reserve assets and related items recorded an increase of Rs. 10.67 billion in the review year in comparison to an increase of Rs. 28.99 billion in the previous year. As a result, in the review year the change in net foreign assets was favorable by Rs. 5.88 billion in comparison to a surplus of Rs. 25.60 billion a year earlier.

### **Income and Expenditure of Convertible Foreign Exchange**

**6.30** On the income front, total income rose by 14.4 percent to Rs. 179.97 billion in 2006/07. This was primarily ascribed to the increased income under services (comprising remittances, tourist expenditure and interest receipts), merchandize exports and diplomatic mission. In 2005/06, total income had risen by 2.2 percent to Rs. 123.3 billion.

**6.31** On the expenditure side, total expenditure soared by 22.4 percent to Rs. 165.47 billion primarily owing to an increase in expenditure under services and merchandize imports. In 2005/06, total expenditure had increased by 24.1 percent to Rs. 135.18 billion. Consequently, a surplus of Rs. 14.50 billion emanated from the transaction on convertible foreign exchange in 2006/07 that was lower by 34.4 percent in comparison to the previous year.

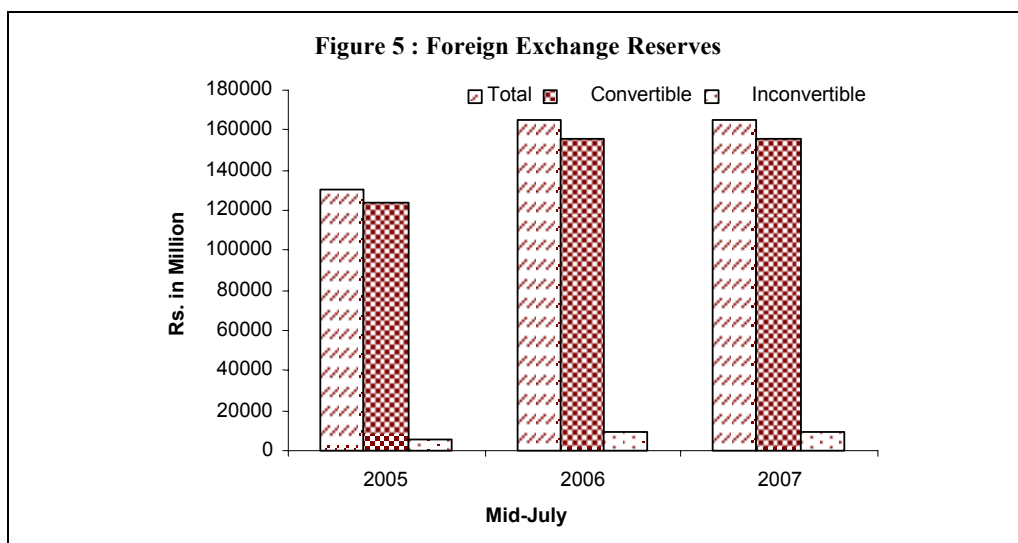
### **Foreign Assets and Liabilities of the Banking Sector**

**6.32** In the review year, net foreign assets (NFA) of the banking sector registered a decline of 5.4 percent (Rs. 7.55 billion) to Rs. 131.89 billion in contrast to a rise of 29.4 percent (Rs. 31.70 billion) in the previous year. In US dollar terms, such assets rose by 8.1 percent (US\$ 152.0 million) to US\$ 2.03 billion in comparison to a significant increase of 22.9 percent (US\$ 350.3 million) in the previous year. Likewise, gross foreign assets fell by 0.2 percent (Rs. 408.6 million) to Rs. 165.69 billion in the review year in contrast to a rise by 26.9 percent (Rs. 35.18 billion) a year earlier. In dollar terms, on the other hand, gross foreign assets rose by 14.0 percent (US\$ 313.4 million) to US\$ 2.56 billion in comparison to a rise of 20.5 percent (US\$ 380.7 million) in the previous year.

**6.33** The total foreign liabilities of the banking sector increased significantly by 26.8 percent (Rs. 7.14 billion) to Rs. 33.80 billion in the review year in comparison to a

growth of 15.0 percent (Rs. 3.49 billion) in the preceding year. Total foreign liabilities, in dollar terms, rose by 44.9 percent (US\$ 161.4 million) to US\$ 521.3 million in comparison to a growth of 9.2 percent (US\$ 30.4 million) a year earlier.

**6.34** As at mid-July 2007, the foreign exchange holding of the banking system amounted to Rs. 165.11 billion, constituting 94.1 percent convertible currency and 5.9 percent inconvertible currency. In the previous year, such foreign exchange holding was recorded at Rs. 165.03 billion, of which convertible and inconvertible currency formed 94.5 percent and 5.8 percent, respectively.



**6.35** Agencywise, the NFA of the monetary authorities declined by 4.0 percent (Rs. 5.20 billion) in the review year in contrast to a growth of 26.6 percent (Rs. 27.62 billion) in the preceding year. Likewise, gross foreign assets of the monetary authorities fell by 2.1 percent (Rs. 2.84 billion) to Rs. 130.19 billion in contrast to a rise of 26.2 percent (Rs. 27.59 billion) a year earlier.

**6.36** In US dollar basis, the gross foreign assets of the monetary authorities was equivalent to US\$ 2.01 billion, which implied a growth of 11.8 percent (US\$ 212.2 million) in the review year as compared to a growth of 19.8 percent (US\$ 296.5 million) in the previous year. The gross foreign assets of the monetary authorities comprised 78.6 percent of total gross foreign assets of the banking sector in the review year compared to 80.1 percent in the previous year. On a monthly basis, such official foreign assets depicted a mixed trend. On a monthly average basis, the gross official foreign assets of the monetary authorities aggregated Rs. 134.50 billion demonstrating a growth of 17.0 percent (Rs. 19.58 billion) in comparison to the 7.3 percent (Rs. 7.82 billion) growth in the previous year.

**6.37** In the review year, convertible and inconvertible currency holding of the NRB declined by 0.3 percent (Rs. 412.3 million) and 24.9 percent (Rs. 1.95 billion) respectively. In the previous year, such holdings had increased by 23.1 percent (Rs. 23.32 billion) and 117.2 percent (Rs. 4.22 billion). Gold fell by Rs. 405.0 million in



contrast to an increase by Rs. 21.6 million in the preceding year. Likewise, Special Drawing Rights (SDRs) declined by Rs. 76.2 million in comparison to the increase of Rs. 26.6 million in the previous year. With respect to liabilities, foreign liabilities of the NRB soared by 150.8 percent (Rs. 2.36 billion) in the review year as against a decline of 1.5 percent (Rs. 23.4 million) in the previous year.

**6.38** As at mid-July 2007, foreign assets held by commercial banks aggregated Rs. 35.50 billion, a growth of 7.4 percent (Rs. 2.43 billion) compared to a growth of 29.8 percent (Rs. 7.59 billion) in the previous year. The total liabilities of commercial banks rose by 19.0 percent (Rs. 4.78 billion) to Rs. 29.88 billion in the review year in comparison to a growth of 16.3 percent (Rs. 3.51 billion) in the previous year.

### **Foreign Aid Agreements**

**6.39** In 2006/07, foreign grant agreements aggregating Rs. 30.4 billion were signed with eleven countries and two donor agencies under bilateral basis and multilateral basis, respectively. With regard to amount, Japan was ranked at the top providing Rs. 4.02 billion (13.2 percent of the total grant) followed by the US that provided Rs. 2.44 billion (8.0 percent). Denmark followed next by agreeing to provide Rs. 2.19 billion (7.02 percent). While Germany and India agreed to provide Rs. 1.92 billion (6.3 percent) and Rs. 1.60 billion (5.3 percent), Norway, Finland and Switzerland agreed to provide Rs. 1.38 billion (4.5 percent), Rs. 1.35 billion (4.4 percent) and 1.32 billion (4.3 percent), respectively.

**6.40** Multilateral agreements were signed with two different agencies. Among these agencies, the World Bank was the larger donor agreeing to provide Rs. 6.99 billion (23.0 percent of the total grant) followed by the Asian Development Bank with Rs. 6.16 billion (20.3 percent).

**6.41** There was only one loan agreement totaling Rs. 6.16 billion signed with the Asian Development Bank in 2006/07.

### **Transactions with the IMF and IMF Liabilities**

**6.42** During 2006/07, transactions with the IMF resulted into a net balance of SDR 197,159 implying a net outflow with the total receipts of SDR 239,440 and payments amounting to SDR 436,599. The total receipts of SDR 180,682 was the sum of quarterly interest. Likewise, Nepal paid a total of SDR 436,599 consisting of allocation charges amounting to SDR 321,348, assessment charge of SDR 391 and interest on poverty reduction and growth facility (PRGF) amounting to SDR 114,860.

**6.43** At the end of 2006/07, the total liabilities to the IMF stood at Rs. 3.92 billion (SDR 39.2 million). This figure, the liability on the PRGF, was greater by Rs. 2.35 billion (SDR 24.9 million) than the total liabilities at the end of the preceding year.

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# 7

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## Monetary Developments

### Monetary Policy of 2006/07

**7.1** The monetary policy of 2006/07 was formulated against the background of inflationary pressure, low economic growth but substantial remittance inflows. With the changed political situation after Peoples' Movement II in April 2006, the economy was expected to grow at a higher rate on account of restoration of peace. Inflation outlook was, however, at risk following the higher accumulated loss of NOC and rising international oil price.

### Objectives

**7.2** As in the previous years, following the NRB Act 2002, the monetary policy was also geared towards maintaining price stability, external sector stability and financial sector stability for facilitating high and sustainable economic growth. Since the price stability was at risk, the monetary policy was focused towards containing inflation considering the excess liquidity in the economy and the overriding role of non-economic factors influencing the economic growth. The average consumer inflation was estimated to be 6 percent in 2006/07 compared to 8 percent in 2005/06. In the external sector, increasing remittances and foreign aid flows the balance of payment was projected to remain at surplus was Rs 16 billion.

**7.3** Inflation level was revised upward to 6.6 percent in the mid-term review of monetary policy on account of rising prices of food items. However, the base effect of the hike in petroleum prices in mid-March 2005 and the improvement in prices of non-food items following the appreciation of Nepalese currency vis-à-vis the US dollar contributed to moderate the rate of inflation in the review year. The average annual inflation stood at 6.4 percent at the end of the review year compared to 8 percent a year ago.

**7.4** The level of BOP surplus was revised downward to Rs 10 billion in the mid-term review on account of a declining trend of exports and workers' remittance inflows. The BOP finally stood at Rs 5.88 billion as in mid-July 2007 due to a lower growth of remittance inflows and a decline in the growth of exports.

### **Intermediate Target**

7.5 While designing monetary policy framework, the fixed exchange rate system of Nepalese currency vis-à-vis Indian currency was taken as a nominal anchor for determining the targets of monetary aggregates along with the projected economic growth of 5 percent and inflation level of 6 percent.

7.6 Broad money ( $M_2$ ), as an intermediate target, was projected to grow by 16 percent compared to a growth of 15.6 percent in 2005/06.  $M_2$  was projected at a marginally higher level than that of the previous year considering a higher expected growth and remittance inflows. Narrow money was projected to grow by 15.4 percent compared to a growth of 14.2 percent in 2005/06. However, the *ex post* monetary stance remained contractionary owing to less-than the targeted level of balance of payments and lower level of economic growth in 2006/07.

7.7 Domestic credit was estimated to grow by 15.8 percent in 2006/07 compared to a growth of 11.7 percent in 2005/06. The growth of domestic credit for 2006/07 was projected at a higher level than that of the previous year based on the assumptions of likely increase in economic activities and the growth of credit demand on the back of expected political stability due to ongoing peace process in the country. However, domestic credit increased by 16.7 percent on account of an expansion in private sector credit.

### **Operating Target**

7.8 In the monetary policy framework, as in the previous years, excess liquidity of commercial banks, which was introduced as an operating target of monetary policy since 2004/05, was continued in 2006/07 as well. Liquidity Monitoring and Forecasting Framework (LMFF) was used as in the previous year to monitor the excess liquidity of the commercial banks and to forecast their weekly excess liquidity.

### **Monetary Instruments**

#### ***Bank Rate and Refinance Rate***

7.9 Considering the situation of pressure on price, the bank rate, one of the indicators of ex-ante monetary policy stance, was kept unchanged at 6.25 percent in 2006/07. The NRB, as a lender of last resort, provided total liquidity of Rs 1.27 billion at the bank rate to Nepal Bangladesh Bank Ltd. in 2006/07 .

7.10 Considering the sluggish economic activities, monetary policy of 2006/07 made no changes in refinance rates. Refinance rate for export and agriculture credit in domestic currency and export credit in foreign currency was unchanged at 3.5 and 3.25 percents respectively. Likewise, the refinance rate for sick industries was also continued at 1.5 percent.

#### ***Cash Reserve Ratio (CRR)***

7.11 With a view to reduce the intermediation cost of commercial banks, the NRB reduced the level of cash reserve ratio in the past. However, the monetary policy of

2006/07 maintained CRR at 5 percent on account of pressure on price level and existing adequate level of liquidity with commercial banks.

### ***Open Market Operations***

7.12 In recent years, the open market operations have been the key instruments for monetary management. For conducting open market operations based on the excess liquidity of commercial banks under the initiative of the NRB, existing four separate forms for outright purchase auction, outright sale auction, repo auction, and reverse repo auction were unified into two forms-one for purchase and sale auction, and the other for repo and reverse repo auction in order to make open market operations easy and convenient. Likewise, Master Repurchase Agreement (MRA) was put in place to provide legal basis for repo and reverse repo transactions in the review year.

7.13 Through the open market operations, a net liquidity of Rs 30.74 billion was mopped up, on a turnover basis, in 2006/07 compared to a net liquidity absorption of Rs 18.73 billion in the previous year. In the review year, a total liquidity of Rs 32.74 billion was mopped up including Rs 18.4 billion through the sale auction and Rs 14.34 billion through the reverse repo auction. Liquidity of Rs 2.00 billion only was injected through the repo auction.

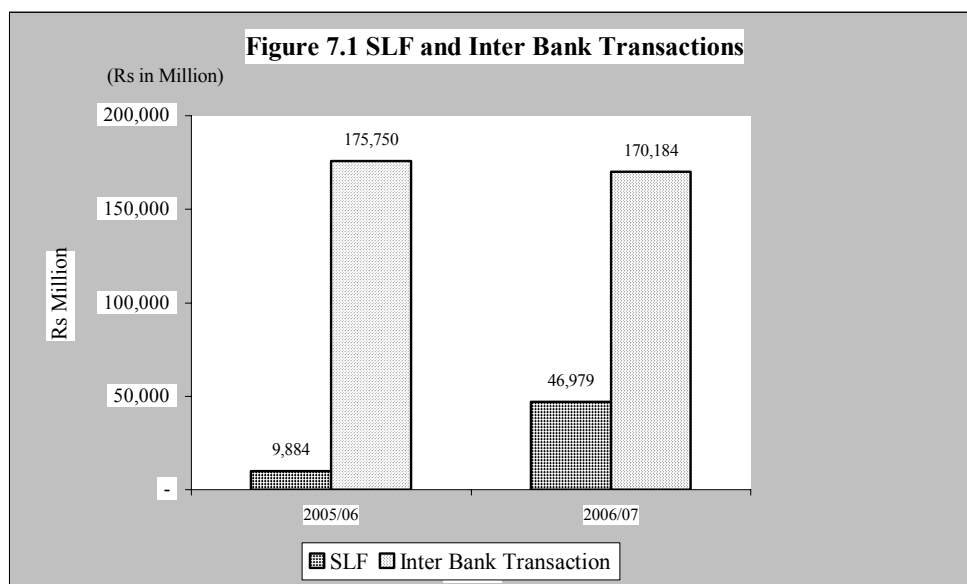
**Table 7.1: Secondary Market Operations**

Rs. in million

	2005/06	2006/07
<b>Total Liquidity Injection</b>	<b>1280.0</b>	<b>2000.0</b>
Outright Purchase Auction	830.0	0.0
Repo Auction	450.0	2000.0
<b>Total Liquidity Absorption</b>	<b>20010.0</b>	<b>32740.0</b>
Outright Sale Auction	13510.0	18400.0
Reverse Repo Auction	6500.0	14340.0
<b>Net Liquidity Absorption</b>	<b>18730.0</b>	<b>30740.0</b>

### ***Standing Liquidity Facility (SLF)***

7.14 Compared to Rs 9.88 billion in the previous year, commercial banks borrowed a total of Rs 46.98 billion under SLF in the review year. Short-term financing by some of commercial banks to companies and other financial institutions increased the use of SLF in the review year. In addition, a liquidity shortfall with the commercial banks in the first eleventh and twelfth months of the review year and liquidity shortage faced by some commercial banks also increased the use of SLF.



### ***Inter Bank Transactions***

**7.15** Inter bank transactions in the review year remained lower than that of the previous year. Inter bank transactions, which cumulated to Rs 175.75 billion in the previous year, declined by 3.2 percent to Rs 170.18 billion in the review year. A higher level of use of SLF by commercial banks lowered the volume of inter bank transactions in 2006/07.

### ***Sick Industries Refinance***

**7.16** The NRB has been providing refinance facility to sick industries since 2001/02. Till 2006/07, the NRB has allocated a total of Rs 9.00 billion for this facility. Despite a provision of Rs 2.00 billion under this facility for 2006/07, 8 hotels and one industry have used only Rs 242.0 million in 2006/07.

### ***Liquidity Injection through Foreign Exchange Interventions***

**7.17** Compared to the net liquidity injection of Rs 55.22 billion through the net purchase of the US dollar 760.6 million in 2005/06, the NRB injected net liquidity of Rs 64.46 billion through the net purchase of the US dollar 915.8 million in 2006/07. In the review year, a total of the US dollar equivalent to Rs 511.5 million was sold compared to Rs 654.5 million in the previous year.

**7.18** For managing the reserve of Indian Currency (IC), IC equivalent to Rs 64.52 billion was purchased in the review year through the sale of the US dollar 930 million in Indian money market compared to a purchase of Rs 42.96 billion through the sale of the US dollar 600 million in 2005/06. The purchase of Indian currency against the payments of the US dollar increased in the review year on account of growing current account deficit with India.

**Table 7.2: Net Purchase of the US dollar from Commercial Banks and IC Purchase from Indian Money Market through the Sale of the US dollar**

Rs in billion

Mid-Months	2005/06		2006/07	
	Net Purchase Of the US dollar from Commercial Banks	Net Purchase of IC through the Sale of US dollar	Net Purchase Of the US dollar from Commercial Banks	Net Purchase of IC through the Sale of the US dollar
August	1.18	4.18	6.55	3.74
September	2.16	3.51	4.75	4.46
October	3.78	4.24	5.59	5.13
November	6.20	2.90	5.13	5.76
December	4.83	3.66	6.88	4.30
January	4.36	2.16	5.42	4.98
February	2.93	3.54	2.85	2.12
March	5.26	4.97	7.26	4.95
April	3.92	5.00	3.53	5.53
May	5.02	0.72	4.50	7.92
June	9.75	4.39	5.40	8.47
July	5.83	3.69	6.60	7.16
<b>Total</b>	<b>55.22</b>	<b>42.96</b>	<b>64.46</b>	<b>64.52</b>

### *Monetary Aggregates*

**7.19**  $M_2$  grew by 14 percent in 2006/07 compared to a growth of 15.6 percent in 2005/06. The deceleration in  $M_2$  was on account of a substantial slowdown in the growth of net foreign assets (NFA).

**7.20** Of the components of  $M_2$ , narrow money ( $M_1$ ), which had grown by 14.2 percent in the previous year, grew by 12.1 percent in the review year. Similarly, compared to a growth of 16.4 percent in 2005/06, time deposits increased by 14.9 percent in 2006/07. A lower growth of NFA, export and GDP contributed to a slowdown in the growth of time deposits in the review year.

### *Sources of Monetary Growth*

**7.21** NFA, after adjusting foreign exchange valuation gain/loss, increased by 4.2 percent (Rs 5.88 billion) in 2006/07 compared to a growth of 23.8 percent (Rs 25.6 billion) in 2005/06. A lower growth of remittance inflows slowed the growth of NFA substantially in the review year. Contrary to the growth of NFA, net domestic assets (NDA) expanded by 20.5 percent compared to a growth of 11.1 percent in the previous year.

### *Structure of Domestic Credit*

**7.22** Domestic credit, which had increased by 11.7 percent in 2005/06, went up by 16.7 percent in 2006/07. Such a rise in domestic credit of monetary sector was on account of an increase in claims on non-financial government enterprises, commencement of additional two new commercial banks and loan expansion by private sector commercial banks in the review year.

7.23 Of the credit aggregates, net claims on government increased at the same level as that of the previous year by 10.5 percent.

7.24 In contrast to a decline by 32.1 percent in the previous year, claims on non-financial government enterprises increased by 12.1 percent in the review year. Additional bank loans were extended to Nepal Oil Corporation, National Trading Ltd., Janak Education Material Center Ltd. and Nepal Food Corporation increased the claims on non-financial government enterprises in the review year.

7.25 Credit to the private sector, a major component of domestic credit, grew by 18.9 percent in the review year compared to a growth of 14.4 percent in the previous year. Private sector commercial banks increased the credit to the sectors such as construction, services and wholesale and retail business in the review year. Further, the beginning of financial transactions by additional two commercial banks also contributed to the expansion of bank credit to the private sector in the review year.

7.26 Net non-monetary liabilities grew by 9.8 percent in the review year compared to a growth of 13.1 percent in the previous year. Net non-monetary liabilities increased at a lower rate due to the decline in loan loss provisioning for non-performing loans and interest suspense account following the credit write-off by Nepal Bank Ltd. (NBL) and Rastriya Banijya Bank (RBB) in the review year.

### ***Reserve Money***

7.27 In the review year, reserve money witnessed a lower growth on account of a lower expansion in foreign assets of the monetary authority, a principal source of reserve money, following a lower growth of remittance inflows. Reserve money increased by 7.6 percent in 2006/07 compared to an increase of 14.9 percent in the preceding year. Of the components of reserve money, a growth of currency in circulation increased by 7.4 percent in the review year compared to a growth of 13.3 percent in the preceding year, whereas currency held by commercial banks increased by 21.6 percent compared to an increase of 23.8 percent last year. Likewise, in contrast to a growth of 13.2 percent in the preceding year, commercial banks' balances with NRB declined by 0.2 percent in the review year.

### ***Money Multiplier and Income Velocity***

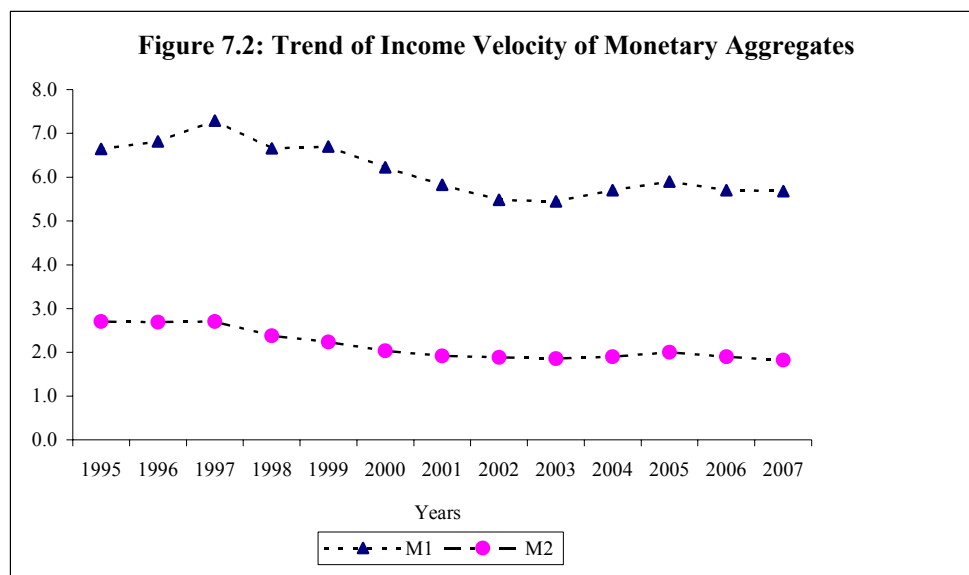
7.28 In the review year, both narrow money and broad money multipliers<sup>1</sup> grew at a higher rate relative to that of the previous year. Narrow money multiplier increased to 1.06 in 2006/07 compared to 1.02 in the previous year. Similarly, compared to 3.13 in the previous year, the broad money multiplier increased to 3.31 in 2006/07. Such a growth of multiplier in the review period was due to the insignificant amount of excess reserve of commercial banks and the fall in currency deposit ratio.

7.29 Income velocity, which implies the number of times an individual unit of money turns over for purchase of goods and services in a specific period of time, witnessed a declining trend for both narrow and broad money as shown in the figure 7.2. Compared to

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<sup>1</sup> Money multipliers are obtained by dividing monetary aggregates ( $M_2$  and  $M_1$ ) with reserve money.

2.1 in mid-July 2002, income velocity of  $M_1$  declined to 1.8 in mid-July 2007. Similarly, income velocity of  $M_2$  stood 5.7 in mid-July 2007 compared to 6.0 in mid-July 2002. It shows an increasing preference of the Nepalese people to hold more proportion of income in money as an asset due to a fall in the rate of interest. Beside this, structural factors such as increasing financial deepening also accounted for a slight fall in income velocity of money.



### Banking Survey

**7.30** Banking survey, which includes the sectoral balance sheet of other banking institutions (OBI)<sup>2</sup> including the monetary survey, provides a broad measure of liquidity. In 2006/07, broad measure of liquidity ( $L_1$ ) increased by 16.5 percent at the same rate of last year. A higher growth of NDA of the banking sector by 23.6 percent compared to a growth of 11.8 percent in 2005/06 contributed to such a rise in broad measure of liquidity in the review year, despite a subdued growth of NFA in 2006/07. NFA including that of OBI went up by 3.9 percent in 2006/07 compared to a growth of 26.4 percent last year. NFA of the monetary sector, after adjusting foreign exchange valuation gain/loss, increased by 4.2 percent amounting to Rs 5.88 billion in 2006/07 compared to Rs 27.72 billion in 2005/06. However, the NFA of OBI declined by Rs 471 million in 2006/07 against a rise of Rs 2.11 billion in 2005/06.

**7.31** Domestic credit expanded by 16 percent in 2006/07 compared to a growth of 11 percent in 2005/06. Domestic credit registered a higher growth in 2006/07 on account of a substantial increase in private sector credit of both banking as well as OBIs.

<sup>2</sup> OBI includes development banks, finance companies, rural development banks, and co-operative societies (licensed by the NRB for limited banking transactions).



**7.32** The monetary sector's claims on non-bank financial institutions (NBFI) declined by 89.9 percent in 2006/07 as against an increase of 26 percent in 2005/06. The higher credit demand from the private sector slowed the banking sectors' claims on NBFI in 2006/07.

**7.33** The credit to the private sector from both banking as well as OBIs' increased in 2006/07 compared to that of the previous year. The credit to the private sector from banking sector increased by 23.0 percent in 2006/07 compared to a growth of 11.2 percent in 2005/06. The initiation of peace settlement process contributed to the significant growth in private sector credit in 2006/07.

**7.34** The net non-monetary liabilities marginally increased by 0.5 percent in 2006/07 compared to an increase of 9.2 percent in the previous year. An adjustment of loan loss provisioning and interest suspense account following the credit write off of Rs 27.12 billion by NBL and RBB in 2006/07 contributed to the rise in net non-monetary liabilities in 2006/07.

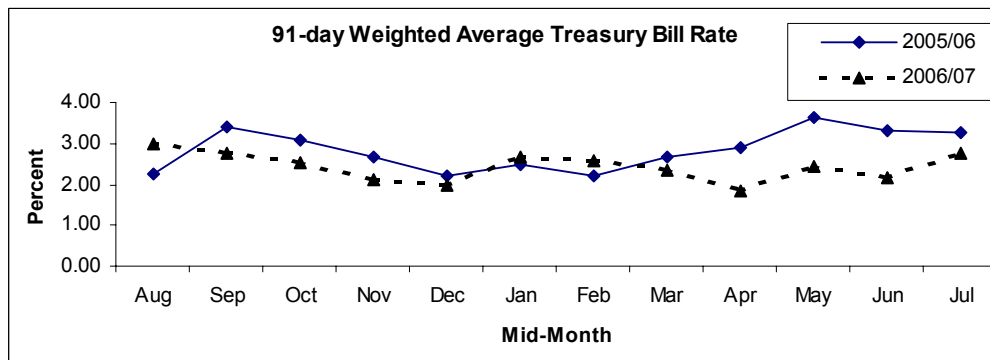
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## Financial Market

### Short-term Interest Rates

**8.1** Structure of interest rates remained almost stable in the review period. For instance, the weighted average 91-day Treasury bills rate ranged between 1.85 percent and 2.99 percent in the review year compared with that of 2.20 percent and 3.63 percent in the previous year. Similarly, monthly weighted average inter bank rate ranged between 1.20 percent and 3.35 percent in the review year compared to the range of 0.96 percent to 3.87 percent in the previous year. The annual average 91-day treasury bills rate remained 2.42 percent in 2006/07 compared to 2.46 percent in 2005/06. Similarly, the annual weighted average inter bank rate stood at 2.26 percent in 2006/07, slightly lower than 2.47 percent in 2005/06.

**Figure 8.1: Average weighted 91-day Treasury Bill Rate and Inter Bank Rate (in percent)**



### Securities Market

**8.2** Securities Act 2007 came into effect on January 14, 2007. The Act has further broadened the mandate of the Securities Board of Nepal (SEBO/N) as the regulator of the securities market. A significant growth in both primary and secondary market activities took place in 2006/07.

## **Primary Market**

**8.3 Issue Permission:** The SEBO/N granted approval to altogether 16 companies, 2 commercial banks, 9 development banks and 5 finance companies to issue securities of Rs. 940 million. These consisted of debentures of Rs. 250 million, preference shares of Rs. 400 million and ordinary shares of Rs. 290 million. Similarly, the SEBO/N permitted 15 companies (4 commercial banks, 3 development banks, and 8 finance companies) to issue right shares of Rs. 1.82 billion. Further, the SEBO/N registered the issue of 4 bonus shares amounting to Rs. 27.8 million of 3 finance companies in 2006/07.

**8.4** Of those obtaining the permission to issue securities, 17 companies (2 commercial banks, 11 development banks and 4 finance companies) publicly issued securities of Rs. 1.03 billion in 2006/07. This consisted of ordinary shares of Rs. 380.2 million, preference shares of Rs. 400 million, and debentures of Rs. 250 million. And 16 companies (3 commercial banks, 4 development banks, and 9 finance companies) issued right shares of Rs. 1.26 billion.

## **Secondary Market Developments**

**8.5 Listing of New Companies:** Ordinary shares of Rs. 1.07 billion of 12 new companies, all from financial group, were listed at the Nepal Stock Exchange Ltd. (NEPSE).

**8.6 Additional Listing of Securities:** A total of 57 listed companies listed their additional securities - right shares, bonus shares, and debentures at the NEPSE amounting to Rs. 2.81 billion in 2006/07.

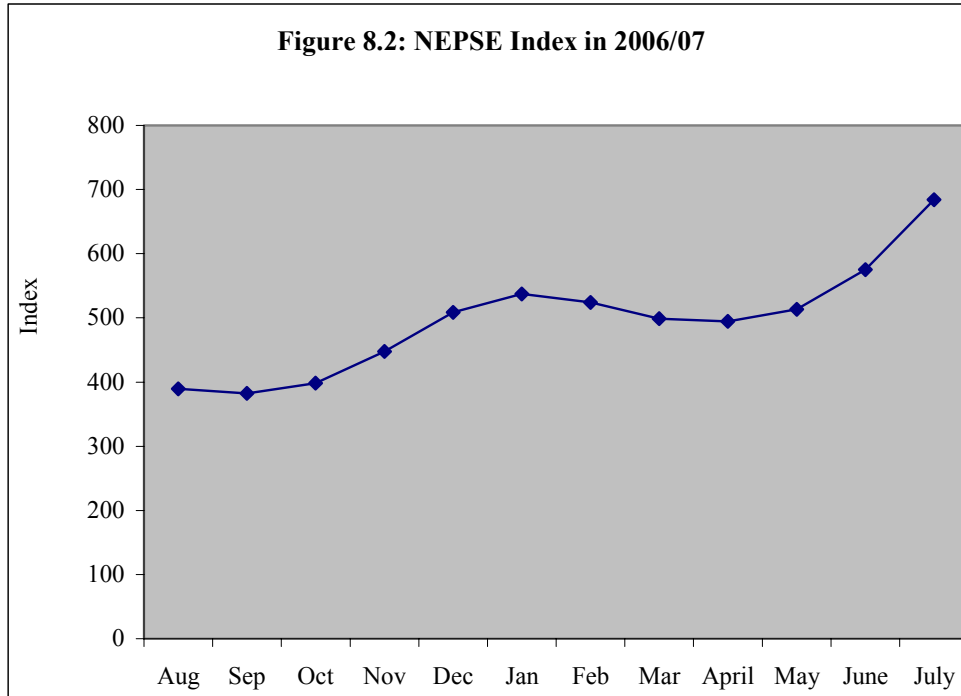
**8.7 Secondary Market Transactions of Government Bonds:** Secondary market transaction of Government bonds commenced at NEPSE on December 15, 2006. Government bonds worth Rs. 7.05 billion were listed at the NEPSE by mid-July 2007. Government bonds worth Rs. 366.7 million were traded at the NEPSE in 2006/07.

**8.8 Delisting of Companies:** NEPSE delisted 12 companies in 2006/07. Prior to this, ordinary shares of Rs. 348.2 million of these companies were listed at the NEPSE.

**8.9 NEPSE Unveiled Sensitive Share Price Index:** NEPSE made Sensitive Share Price Index public from January 1, 2007. This index is developed comprising companies, which are listed in "A" category by the NEPSE. There are certain standards fixed by the NEPSE to include a company in "A" category. These include: paid up capital of a company at least Rs. 20 million, number of shareholders at least 1000, book value of share not less than paid up value, shares offered publicly, profit recorded for the last three years, and the disclosure of the financial statements in the stipulated time. There were 66 companies, 64 from financial group, in "A" category as of mid-July 2007.

**8.10 Surge in the Stock Market Activities:** The Nepalese stock market witnessed a major expansion in 2006/07. The year-on-year (y-o-y) NEPSE index experiencing the bullish trend during the whole year increased by 76.81 percent to 683.95 points in mid-July 2007. This index was 386.83 points in the previous year. Increase in the investors' confidence on account of the improved peace and security situation, and the higher disclosure of the financial statements of the banks and financial institutions leading to the

offering of high stock and cash dividend declaration contributed to the stock market resilience. The revised capital requirements for bank and financial institutions also forced these institutions to offer right shares, bonus shares and stock dividend, which augmented investors' expectation leading stock market expansion.



**8.11 Market Capitalization:** The y-o-y market capitalization increased by 92.53 percent to Rs186.30 billion in mid-July 2007. Market capitalization to GDP ratio reached 25.9 percent in mid-July 2007 from 15 percent a year ago. Of the total market capitalization, bank and financial institutions, as in the past, recorded the highest share.

**8.12 Transactions and Turnover:** Total transactions of Rs. 8.36 billion of 116 companies took place at the NEPSE in 232 days. Of the total 243.5 million listed shares, 18.14 million shares were traded. The traded value to market capitalization ratio and the number of shares traded to total listed shares ratio show the domination of a few players in the stock market.

**8.13 Corporate Bonds:** In the past, SEBO/N granted permission to issue corporate bonds to various institutions (Table 8.1). Of these, bonds of Rs. 2.06 billion are still outstanding.

**Table: 8.1**  
**Corporate Debenture Issue**

S.N.	Issuer	Issue Amount (Rs in Million)	Maturity (BS)	Coupon Rate
1	Shree Ram Sugar Mills Ltd.	93.00	4 years	14%
2	Himalayan Bank Ltd.	360.00	7 years	8.5%
3	Nepal Investment Bank Ltd.	300.00	7 years	7.5%
4	Everest Bank Ltd.	300.00	7 years	6%
5	Bank of Kathmandu Ltd.	200.00	7 years	6%
6	Nepal Investment Bank Ltd.	250.00	7 years	6%
7	Nepal Industrial and Commercial Bank Ltd.	200.00	7 years	6%
8	Nepal SBI Bank Ltd.	200.00	7 years	6%
9	Nepal Investment Bank Ltd.	250.00	7 years	6.25%
	<b>Total</b>	<b>2153.00</b>		

*Source: Securities Board of Nepal*

## Financial Institutions

### Growth of Financial Institutions

**8.14** A significant growth in the number of bank and financial institutions took place in the review period. Total number of commercial banks reached 20 at the end of 2006/07. Similarly, the number of development banks, finance companies and micro-finance institutions reached 38, 74, and 12 respectively. While the number of cooperatives licensed by the NRB to undertake limited financial transactions decreased, the number of Non-Government Organizations (NGOs) licensed by the NRB to undertake micro-finance transactions remained the same (Table 8.2). In addition to the NRB licensed financial institutions, a number of other institutions (insurance companies, Employees Provident Fund, Citizen Investment Trust, etc.) represent the Nepalese financial system.

**Table 8.2: Number of Financial Institutions**

Banks and Financial Institutions	Mid-July	
	2006	2007
<b>NRB Licensed Financial Institutions</b>		
Commercial Banks	18	20
Development Banks	29	38
Finance Companies	70	74
Micro-Finance Institutions	11	12
Cooperatives (licensed by NRB to undertake limited financial transactions)	19	17
Non-Governmental Organizations (NGOs) (licensed by NRB to undertake micro-finance transactions)	47	47
Money Transfer Firms	31	33
Money Changers	238	315

<b>Institutions Other than NRB Licensed</b>		
Insurance Companies	21	21
Employees Provident Fund	1	1
Citizen Investment Trust	1	1
Postal Savings Bank (the number of offices)	117	117
Total Number of Savings and Credit Cooperatives (Licensed by the Department of Cooperatives, GON)*	2912	3392
Deposit Insurance and Credit Guarantee Corporation	1	1
Credit Information Centre	1	1
Stock Exchange	1	1

\*These also include NRB licensed Cooperatives.

### Financial Structure

**8.15** The ratio of total assets/liabilities of financial institutions including that of contractual saving institutions to GDP was 111.9 percent in mid-July 2007. Including the market capitalization of the shares listed in the NEPSE, the ratio stood at 137.8 percent (Table 8.3).

**8.16** The share of commercial banks in the total assets/liabilities of the financial institutions was 54.6 percent. Such shares of the NRB, Employees Provident Fund, finance companies, development banks and insurance companies were 21.6 percent, 7.5 percent, 6.6 percent, 2.8 percent and 4.0 percent respectively.

**Table 8.3: Nepalese Financial Structure**

(Rs. in million)

Description	Mid-July 2006			Mid-July 2007		
	Total Assets/ Liabilities	% Share in Total	Ratio of Total Assets to Nominal GDP (in %)	Total Assets/ Liabilities	% Share in Total	Ratio of Total Assets to Nominal GDP (in %)
<b>Financial Institutions</b>	<b>627890.9</b>	<b>87.9</b>	<b>97.1</b>	<b>703870</b>	<b>87.4</b>	<b>97.8</b>
Nepal Rastra Bank	167974.4	23.5	26.0	174209.1	21.6	24.2
Commercial banks	395965.1	55.4	61.3	439735.4	54.6	61.1
Development Banks	14036.0	2.0	2.2	22658.2	2.8	3.1
Finance Companies	38841.0	5.4	6.0	53395.9	6.6	7.4
Micro-finance Institutions	8197.4	1.1	1.3	10281.4	1.3	1.4
NRB Licensed Cooperatives	2877.0	0.4	0.4	3590.0	0.4	0.5
<b>Contractual Savings Institutions</b>	<b>86096.0</b>	<b>12.1</b>	<b>13.3</b>	<b>100377.0</b>	<b>12.5</b>	<b>14.0</b>
Employees Provident Fund	53630.0	7.5	8.3	59970.0	7.5	8.3
Citizen Investment Trust	7248.0	1.0	1.1	8425.0	1.0	1.2
Insurance companies	25218.0	3.5	3.9	31982.0	4.0	4.4
<b>Postal Savings Bank</b>	<b>447.0</b>	<b>0.1</b>	<b>0.1</b>	<b>690.0</b>	<b>0.1</b>	<b>0.1</b>
<b>Total</b>	<b>714433.9</b>	<b>100.0</b>	<b>110.5</b>	<b>804937.0</b>	<b>100.0</b>	<b>111.9</b>
Nominal GDP	646469.0			719476.0		
Market Capitalization	96763.0			186301.0		
Ratio of Market capitalization to GDP (in percent)	15.0			25.9		

### **Development Banks**

**8.17** A number of development banks were established with active participation of private sector once the Development Bank Act 1996 came into effect with the objective of enhancing agriculture, industry and commerce through the provision of credit. Prior to this Act, there were only two development banks namely Agricultural Development Bank (it has been converted into commercial bank) and Nepal Industrial Development Corporation, both owned by the government. At present, development banks are operating under Bank and Financial Institutions Act 2006 acquiring the status of "B" class financial institutions. NRB issues necessary directives on regular basis for the effective regulation of these banks. During the review year, total assets/liabilities of these banks increased by 73.3 percent to Rs.22.7 billion (Table 8.3). Total deposit mobilization, the major source of fund for these banks, increased by 74.8 percent to Rs. 15.4 billion. Similarly, capital fund and borrowing increased by 45.3 percent and 36.6 percent respectively. On the uses side of the fund, loan and advances, increased by 77.4 percent to Rs.15.4 billion.

### **Finance Companies**

**8.18** The establishment of finance companies speeded up after the first amendment of the Finance Companies Act 1986 in 1992. At present, these companies operate under Bank and Financial Institutions Act, 2006 as "C" class financial institutions. Total sources/uses of these companies increased by 37.5 percent to Rs 53.4 billion in 2006/07 (Table 8.3). Such an increase was 27.3 percent in the preceding year. Total deposit increased by 26.4 percent to Rs. 34.50 billion. Capital fund and borrowing reached Rs 7.54 billion and Rs. 3.5 billion respectively in mid-July 2007.

**8.19** On the uses side, loan and advances increased by 31.6 percent to Rs. 35.6 billion. Investment of these companies increased by 68.9 percent to Rs 4.63 billion. The liquid asset of finance companies was Rs. 7.51 billion as at mid-July 2007.

### **Money Transfer Companies**

**8.20** With a view to chanelize inflows of foreign currency, particularly earned by Nepalese workers working abroad, through formal channel; NRB started to grant license to money transfer firms since 2001. Money Transfer Firms are licensed by this Bank under Foreign Exchange Regulations Act, 1962. The NRB has adopted very easy licensing procedures for those who wish to engage in remittance business. Remitting firms can work as an agent of other established firms or may establish their own offices abroad. There were 33 money transfer firms as of mid-July 2007.

### **Money Changers**

**8.21** The NRB started granting license to establish Money Changers since 1995 to facilitate the people wishing to exchange foreign currencies. Money Changers are licensed by this Bank under Foreign Exchange Regulations Act 1962. The NRB had issued directives named "Money Changers Directives" in 1995 in order to regulate the licensed moneychangers. The NRB has made the provision of two types of licensees-one for Indian currency and another for convertible currencies. A license holder of the convertible currency is allowed only in buying and should surrender their foreign

currency to the bank in which they have bank account whereas a license holder of Indian Currency (IC) is allowed to engage in both buying and selling of the IC. As of mid-July 2007, there were 315 moneychangers working throughout the country.

**8.22** Additionally, foreign currency related transaction is allowed to travel agencies, airlines companies, trekking agencies, hotels and cargo companies to serve the purpose of their respective business.

### Insurance Companies

**8.23** The history of Nepalese insurance market dates back to 1947 when the first insurance company, Nepal Mal Chalani Tatha Beema Company later named Nepal Insurance Company was established as a subsidiary of Nepal Bank Limited. The main objective of the company was to transport goods imported by the bank and to keep it in its custody. The sector was opened to the private sector in 1990. There are altogether 21 insurance companies established under Insurance Act, 1992. Four of these are life insurance, 16 non-life insurance, and 1 is composite (both life and non-life). From the ownership perspective, 1 is government owned, 13 are owned by the private sector, 4 are foreign joint ventures, and 3 are foreign branches. According to the Insurance Board, the regulator of the insurance companies, total assets of these companies increased by 26.8 percent to Rs. 31.98 billion in mid-July 2007 (Table 8.3). Likewise, Total premium collection of these companies grew to Rs. 7.99 billion in mid-July 2007 from Rs. 6.58 billion in the previous year.

**Table 8.5: Ownership Structure of Insurance Companies**

Ownership	Nature of the Company			Total Number
	General	Life	Composite	
Government Owned	-	-	1	1
Private Sector	12	1	-	13
Foreign	2	1	-	3
Joint Venture	2	2	-	4
Total number	16	4	1	21

### Employees' Provident Fund

**8.24** Employees Provident Fund (EPF), established on 16 September 1962 under the Employees Provident Fund Act 1962, manages the provident fund of the government employees, army, police, teachers, government corporations, and of some private companies. Total assets/liabilities of the EPF increased by 11.8 percent to Rs. 59.97 billion in mid-July 2007 (Table 8.3). It was Rs. 53.63 billion a year ago. Provident fund collection, the major item in the liabilities side, increased by 13 percent to Rs. 54.38 billion in mid-July 2007 from Rs. 48.14 billion a year ago.



Box 8.1 EPF Highlights	
Mid-July 2007	
Total Contributors	415,000
Total Contributing Offices	28,000
Provident Fund	Rs 54.38 billion
Reserve Fund	Rs 3.16 billion
Other Funds	Rs 3.97 billion
Investment	Rs 56 billion

### **Citizen Investment Trust**

**8.25** Citizen Investment Trust (CIT) was established on March 18, 1991 under CIT Act 1991. This Trust mobilizes the private and institutional savings, extends loans and advances, and works as an issue manager. The Government of Nepal, Ministry of Finance regulates the CIT. Total assets/liabilities of the CIT increased by 16.2 percent to Rs. 8.42 billion in mid-July 2007 (Table 8.3). Total assets/liabilities was Rs. 7.24 billion a year ago. Fund collection, the major constituents in the liabilities side, increased by 14.8 percent to Rs. 7.71 billion in mid-July 2007 from Rs. 6.72 billion in the previous year. Investments, the major item in the assets side, increased by 7.3 percent to Rs. 5.51 billion in mid-July 2007 from Rs. 5.14 billion a year ago.

### **Postal Savings Bank**

**8.26** Postal Savings Bank established under the Postal Service Department, Government of Nepal came into operation in 1976. There are altogether 117 offices of the Postal Savings Bank engaged in collecting deposits. Total deposit collected by these offices was Rs. 700 million in mid-July 2007. One year ago, it was Rs. 425 million. Total accounts number were 34280 in mid-July 2007 from 25925 a year ago. The amount of outstanding loans extended by 49 offices of the bank was Rs. 270 million as at mid-July 2007.

### **Deposit Insurance and Credit Guarantee Corporation**

**8.27** Deposit Insurance and Credit Guarantee Corporation (DICGC) was established on 20 September 1974 to encourage commercial banks to extend loan in priority sector. The DICGC guarantees a number of loans such as priority sector loans, livestock loan, vegetable farming loan, foreign employment loan, micro and deprived sector credit, and credit for small and medium industries. Total loans guaranteed by DICGC was Rs. 920 million as of mid-July 2007.

### **Credit Information Bureau Limited**

**8.28** Credit Information Bureau (CIB) was established in 1989 under the initiation of Nepal Rastra Bank. It was registered as a company in September 2004 and started its operation as a company from March 2005. CIB is the prime organization in the country acting as the repository of credit information of the customers and commercial borrowers of all the banks and financial institutions. It collects the credit information from the banks

and financial institutions and disseminates them on demand. The NRB, and bank and financial institutions own the CIB. While the NRB holds 10 percent share, commercial banks, development banks and finance companies hold 60 percent, 15 percent and 15 percent share respectively. As of mid-July 2007, there were 2235 borrowers blacklisted by the CIB at the request of bank and financial institutions. Though the number of total borrowers blacklisted was 3339 by that time, 1104 borrowers were removed from the list.

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## Commercial Banking

### **Number of Banks**

**9.1** Expansion of commercial banks continued in 2006/07. Two new commercial banks came into operation in the review year. All together, there were 20 commercial banks, including Agriculture Development Bank, Nepal, in operation as in mid-July 2007.

**9.2** With the process of restoring peace and security after the People's Movement II in April 2006, commercial banks started expanding their branches in contrast to closure and merger in the past. As in mid-July 2007, the number of bank branches including those of Agriculture Development Bank of Nepal reached 552 from 492 as in mid-July 2006.

**9.3** However, the financial facilities provided by commercial banks have been largely urban centric as Kathmandu valley alone has 128 bank branches (23 percent) compared to 36 and 29 bank branches operating in the Mid-Western and Far-Western Development Regions respectively. The Central Development Region has 254 bank branches followed by 119 in the Eastern Development Region. As per ecological regions, the hilly regions with 52 districts have 161 bank branches whereas the terai region with 20 districts have 263 branches.

### **Assets and Liabilities of Commercial Banks**

**9.4** Commercial banks' assets/liabilities increased by 11.1 percent to Rs 439.74 billion in the review year compared to a growth of 10.9 percent in the previous year. Entry of two new commercial banks and credit expansion by some commercial banks increased the assets/liabilities of commercial banks in the review year. The ratio of assets/liabilities of commercial banks to GDP stood at 61.1 percent in the review year compared to 61.2 percent in the previous year.

**9.5** On the liability side, total deposit has occupied a dominant share followed by other liabilities. The share of total deposit in total liabilities reached 76.1 percent in the review year from 73.2 percent in the previous year. Similarly, the share of other liabilities in total liabilities stood at 23.1 percent in the review year.

**9.6** Compared to a decline by 1.7 percent in the previous year, other liabilities of commercial banks declined by 3.7 percent in the review year. The decline was on account of the fall in general reserves. Commercial banks' borrowing from the NRB increased by Rs 1.5 billion in the review year on account of a higher demand for private sector credit as against a decline by Rs 1.4 billion in the previous year.

### **Deposit Growth and Composition**

**9.7** In the review year, total deposits increased by 15.3 percent to Rs 334.45 billion compared to a growth of 16.0 percent in the previous year. Of the components of total deposits, the saving deposit occupied the highest share in total deposits. The share of saving deposit in total deposits declined marginally to 52.2 percent in the review year from 52.3 percent in the previous year. Such deposit grew by 15.1 percent in the review year compared to a growth of 16.6 percent in the previous year. The share of fixed deposit in total deposits stood at 34.1 percent as at mid-July 2007 compared to 34.5 percent in the previous year. The rate of growth of fixed deposit declined to 14 percent in the review year from a growth of 18.2 percent last year on account of a decelerating growth of foreign remittance inflows. Similarly, the share of demand deposits in total deposits increased marginally from 12.3 percent to 12.8 percent in the review year.

### **Paid-up Capital and General Reserve**

**9.8** The paid-up capital of commercial banks increased by 17.4 percent to Rs 20.0 billion in the review year compared to a growth of 8.7 percent in the previous year. The major reason for this increase was the provision of the NRB to increase paid-up capital of commercial banks to Rs 2 billion by Mid-July 2013. General reserves of commercial banks declined by 55.6 percent compared to a decline of 35.9 percent in the previous year.

### **Loans and Advances**

**9.9** Of the components of the assets of the commercial banks, loans and advances occupied a major share. The share of loans and advances in total assets reached 81.0 percent in the review year from 77.7 percent in the previous year. Loans and advances of commercial banks increased by 15.9 percent in the review year compared to a growth of 10.0 percent in the previous year on account of increasing demand for private sector credit in the review year.

**9.10** Of the credit aggregates, the credit to the private sector occupied a major share of 39.1 percent in gross domestic product and 64.0 percent in total assets and liabilities of commercial banks as in mid-July 2007. Compared to a growth of 14.9 percent in the previous year, private sector credit grew by 17.1 percent to Rs 281.38 billion as at mid-July 2007.

**9.11** The total investment of commercial banks in the government securities reached Rs 65.85 billion in mid-July 2007 from Rs 58.86 billion in mid-July 2006. It grew by 11.9 percent in the review year compared to 20.4 percent in the previous year. Similarly, commercial banks' claims on non-financial government enterprises increased by 12.2 percent in contrast to a decline of 32.1 percent in the previous year. Such claims increased due to additional loan availed by Nepal Oil Corporation, National Trading Ltd., Janak Education Material Center Ltd. and Nepal Food Corporation from the banking sector.

**9.12** Liquid funds of commercial banks increased by 5.5 percent in the review year compared to a growth of 22.8 percent in the previous year. The decline in foreign assets of commercial banks owing to a deceleration in remittance inflows and an increase in credit demand combined together lowered the growth of liquid funds of commercial banks in the review year.

**9.13** Of the components of liquid funds, balance held abroad grew by 8.1 percent in the review year compared to a growth of 30.6 percent in the previous year. Likewise, commercial banks' cash in hand soared by 21.6 percent in the review year, which had expanded by 23.8 percent in the previous year. Contrary to a growth of 13.2 percent last year, deposits of commercial banks with the NRB declined by 0.2 percent in the review year.

### **Non-performing Loans**

**9.14** Compared to 13.8 percent as in mid-July 2006, the ratio of non-performing loans (NPLs) to total loans has declined to 9.7 percent as in mid-July 2007. The NPLs of (NBL) came down to 14.6 percent as in mid-July 2007 from 25.1 percent in the previous year. Similarly, the level of NPLs of RBB came down to 26.4 percent in mid-July 2007 from 45.3 percent in mid-July 2006. Loan recovery along with a write-off of Rs 2.87 billion by NBL and Rs 13.2 billion by RBB contributed to the fall in the level of the NPLs of these banks in the review year.

**9.15** The NPLs of the private sector banks alone stood at 4.9 percent excluding the NPLs of the commercial banks owned by Government of Nepal such as ADB/N, NBL and RBB. However, the NPLs of Nepal Bangladesh Bank Ltd. and Nepal Credit and Commerce Bank Ltd. increased to 35.1 and 30.6 respectively in the review year from 12.3 and 11.1 percent in the previous year. However, the NPLs of Lumbini Bank Ltd. showed some improvement as NPLs declined to 19.9 percent in mid-July 2007 from 32.0 percent in previous year. In the review year, 14 banks, out of 20 banks maintained NPLs level below 4 percent.

**Table 9.1 : Non-performing Loans of the Commercial Banks  
(in percentage of total loans and advances as at mid-July)**

	2002	2003	2004	2005	2006	2007
1. Nepal Bank Limited	56.3	60.5	53.7	49.6	25.1	14.6
2. Rastriya Banijya Bank	55.1	60.2	57.6	53.0	45.3	26.4
3. NABIL Bank Limited	7.1	5.5	3.4	1.3	1.3	1.1
4. Nepal Investment Bank Limited	4.8	2.0	2.5	2.7	2.3	2.1
5. Standard Chartered Bank Nepal Limited.	4.8	4.1	3.8	2.7	2.1	1.8
6. Himalayan Bank Limited	8.3	10.1	8.9	7.4	6.1	3.5
7. Nepal SBI Bank Limited	6.3	11.7	6.3	6.5	6.3	0.5
8. Nepal Bangladesh Bank Limited	15.8	12.7	10.8	19.0	12.3	35.1
9. Everest Bank Limited	1.0	2.2	1.7	1.6	1.2	0.8
10. Bank of Kathmandu Limited	8.1	8.7	6.7	5.0	2.5	2.2
11. Nepal Credit and Commerce Bank Limited	40.1	20.6	12.7	8.6	11.1	30.6
12. Lumbini Bank Limited	19.3	11.6	7.4	15.2	32.0	19.9
13. Nepal Industrial & Commercial Bank Limited	8.2	6.7	3.9	3.8	2.6	1.1
14. Machhapuchchhre Bank Limited	10.5	2.1	1.0	0.4	0.3	1.1
15. Kumari Bank Limited	1.3	1.7	0.8	1.0	0.9	0.7
16. Laxmi Bank Limited	0.0	0.0	0.0	1.6	0.7	0.4
17. Siddhartha Bank Limited		0.0	1.6	2.6	1.3	0.3
18. Agriculture Development Bank					18.3	16.5
<b>Total</b>	<b>30.4</b>	<b>28.8</b>	<b>22.8</b>	<b>18.9</b>	<b>13.8</b>	<b>9.7</b>

### **Profitability**

**9.16** The banking sector earned profits amounting to Rs.8.9 billion (2.0 percent of the total assets) during 2006/07. Except Lumbini Bank and two new banks namely, Global Bank Ltd. and Citizen Bank (International) Ltd., all other banks earned net operating

profit in the review year. Even NBL, RBB and ADB/N earned net profit of Rs. 417.7 million, Rs. 1777.4 million and Rs.1452.0 million respectively in the review year. Interest income accounted for 70.4 percent of the total income of the banking sector, followed by commission and discount (6.7 percent) and the remaining from other income.

### Sectorwise and Securitywise Credit Flows

**9.17** Outstanding credit of commercial bank increased by 16.6 percent in the review year compared to a growth of 10.7 percent in the previous year. Commercial banks' outstanding credit to agriculture sector, however, declined by 12.1 percent in the review year compared to a growth of 3.5 percent in the previous year. The outstanding credit to metal productions, machinery and electrical tools and fittings increased by 83.5 percent contrary to a decline by 11.5 percent in the previous year. Likewise, the credit to service industries and transportation, communication and public services increased by 38.8 percent and 21.9 percent in the review year compared to a decline by 6.2 percent and 15.8 percent respectively in the previous year.

**Table 9.2 : Sector wise Outstanding Credit of Commercial Banks**

Heads	Outstanding Credit (Rs in million)				Percentage Change	
	2005	2006	2006* (ADB)	2007	2005/06	2006/07
1. Agriculture	4415.5	4572.0	15784.2	13882.0	3.5	-12.1
2. Mines	520.3	477.7	477.7	1315.0	-8.2	175.3
3. About Productions	53744.2	56432.2	59771.8	62369.6	5.0	4.3
4. Construction	8722.9	13398.0	13708.5	19770.6	53.6	44.2
5. Metal Productions, Machinery & Electrical Tools & fitting	1797.5	1590.9	1590.9	2919.4	-11.5	83.5
6. Transportation Equipment Production & Fitting	3156.3	2658.7	2658.7	3243.2	-15.8	22.0
7. Transportation, Communications & Public Services	8997.2	11697.5	11694.5	13130.8	30.0	12.3
8. Wholesaler & Retailers	34412.7	35073.6	40555.2	45635.7	2.0	12.5
9. Finance, Insurance & Fixed Assets	6391.0	10024.0	10024.0	13917.5	56.9	38.8
10. Service Industries	14984.8	14062.6	14163.0	18367.4	-6.2	29.7
11. Consumable Loan	3588.0	5839.4	5848.4	8120.1	62.8	38.8
12. Local Government	0.1	0.0	0.0	667.8	0.0	0.0
13. Others	18592.6	20542.9	22571.7	28505.6	10.5	26.3
<b>Total</b>	<b>159323.1</b>	<b>176369.6</b>	<b>198848.7</b>	<b>231844.7</b>	<b>10.7</b>	<b>16.6</b>

\* Including the consolidated data of ADB/N.

**9.18** Security wise, the outstanding credit against a security of land and house has occupied a dominant share of 57.4 percent in the review year. Outstanding credit against a collateral of house and land grew by 17.9 percent in 2006/07 compared to a growth of 44.1 percent in 2005/06. Credit against a collateral of non-government securities increased by 107.6 percent compared to a growth of 31.5 percent in the previous year. Likewise, the outstanding credit against a collateral of government securities increased by 15.5 percent compared to a growth of 1.3 percent in the previous year. The outstanding credit against a security of gold and silver increased by 57.9 percent in the review year compared to a growth of 29.6 percent in the previous year. Contrary to a decline by 15.9

percent, outstanding credit against a security of other agriculture products increased by 57.4 percent amounting to Rs 1.72 billion in the review year. Similarly, such credit against a security of rice and paddy products increased by 20.2 percent in the review year compared to a decline by 5.5 percent in the previous year. The outstanding credit against a collateral of machinery, export bills, loans against export bills and import bills and L/C declined in the review year.

**Table 9.3: Security wise Outstanding Credit of Commercial Banks**

	Outstanding Credit (Rs in million)			Growth (%)		Share in Total Outstanding Credit (%)	
	2005	2006	2007	2006	2007	2006	2007
Gold & Silver	1435.4	1820.8	2875.2	26.8	57.9	0.9	1.2
Government Securities	3077.4	3118.2	3602.6	1.3	15.5	1.6	1.6
Non-Govt. Securities	1007.0	1324.4	2749.4	31.5	107.6	0.7	1.2
Jute and Hessians	75.8	84.5	119.3	11.6	41.2	0.04	0.05
Rice and Paddy	1150.9	1088.0	1307.2	-5.5	20.2	0.6	0.7
Other Agricultural Products	1297.9	1091.2	1717.0	-15.9	57.4	0.6	0.7
Cloth and Yarn	1231.1	793.7	860.2	-35.5	8.4	0.4	0.4
Machinery	4167.0	4708.1	4321.9	13.0	-8.2	2.4	1.9
Other Goods	23884.8	26536.2	30850.1	11.1	16.3	13.3	13.3
Export Bills Purchased	1111.6	938.9	492.8	-15.5	-47.5	0.5	0.2
Loans Against Export Bills	329.6	249.4	207.4	-24.4	-16.8	0.1	0.1
Import Bills and L/c	7351.3	7480.5	6425.3	1.8	-14.1	3.8	2.8
Other Foreign Bills Purchased	458.9	155.3	161.9	-66.2	4.3	0.1	0.1
Domestic Bills Purchased	151.6	180.8	272.4	19.2	50.7	0.1	0.1
Loan Against Domestic Bills	0.0	0.0	0.0	0.00	0.00	0.00	0.00
Overdrafts and Guarantee	6819.6	8533.7	9882.3	25.1	15.8	4.3	4.3
House and Land	78325.8	112894.4	133060.1	44.3	17.9	56.8	57.4
Miscellaneous	27360.2	27850.5	32939.5	1.8	18.3	14.0	14.2
<b>Total</b>	<b>159323.1</b>	<b>198848.7</b>	<b>231844.7</b>	<b>24.8</b>	<b>16.6</b>	<b>100.0</b>	<b>100.0</b>

### Priority and Deprived Sector Lending of Commercial Banks

**9.19** With a view to providing freedom to commercial banks in the selection of their loan portfolio, the NRB has taken a decision to phase out the Priority Sector-lending program gradually. The priority sector-lending ratio was reduced to 2 percent for 2006/07. It will not be made compulsory from 2007/08 onwards. Compared to Rs 13.00 billion as priority sector credit in 2005/06, it declined to Rs 9.50 billion excluding Rs 17.40 billion of ADB/N in 2006/07. Almost all commercial banks complied with the priority sector lending requirements in 2006/07.

**9.20** The NRB has, however, continued deprived sector lending program in order to provide credit access to marginalized and deprived people. Compared to Rs 5.4 billion disbursements under this program in 2005/06, commercial banks disbursed Rs 6.8 billion in 2006/07.

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## Financial Sector Reform, Regulatory Measures and Supervisory Actions

### **Financial Sector Reform**

*10.1* The financial sector reform program was continued in 2006/07. The second phase of financial sector reform program is currently being implemented with the financial assistance of the World Bank and Department for International Development (DFID). The reform program includes: (a) re-engineering of NRB, (b) restructuring of NBL and RBB, and (c) capacity building of financial sector.

### **Re-engineering of Nepal Rastra Bank**

*10.2* Re-engineering program of the NRB is directed towards creating it as an efficient, independent and capable central bank for discharging its activities assigned in the NRB Act 2002. For this purpose, programs like developing human resource, strengthening its regulatory and supervisory capacity, restructuring its organizational structure based on its functions, standardizing auditing and accounting system of the bank as per international standard and simplifying as well as mechanizing the bank's functions are in implementation.

*10.3* In order to develop professional manpower in the bank, various activities have been carried out relating to recruitment, promotion and retention of the employees at the appropriate level and enhancing their capacity through training. Based on the satisfactory performance and regular receipt of the monthly report of an international human resource advisor from Sri Lanka, his tenure has been extended for further one year to June 2008.

*10.4* As per the terms and conditions of the agreement signed between the NRB and M/S IEF INC in association with KPMG, Sri Lanka, the agency did not perform the activities relating to improvement and development of supervisory capacity of the bank and appointment of seven international consultants. Therefore, the agreement was cancelled on February 1, 2007 with consent of the World Bank.

*10.5* The performance of the group consisting of seven chartered accountants of the bank, formed as per the suggestions of the World Bank for improving auditing system of the bank, has remained satisfactory. The Bank started compilation, storage and dissemination of the information through computerized system. The IT consultant has submitted a bid specification document and necessary actions were taken to finalize the document in the review year.



### **Restructuring of NBL and RBB**

For the restructuring program of NBL and RBB, an expression of interest (EOI) was issued for the appointment of Bank Recruiting Advisor. After the evaluation of EOI, six firms were short-listed and accordingly request for proposal for these firms was prepared.

#### **Nepal Bank Limited**

**10.6** Under the financial sector reform program of the GON, the management of NBL was given in contract to a team of ICC Consulting group from Bank of Scotland (Ireland) since 22 July 2002. The contract has been extended for further two years up to July 21, 2007.

**10.7** Contrary to a loss of billions of rupees since 1999, NBL started realizing net profit since 2003 and such profit of the bank stood at Rs 420 million in the review year. Likewise, the capital fund of the bank improved gradually. The capital fund of the bank (negative balance) declined to Rs 6.06 billion in the review year from Rs 9.8 billion in 2003, Rs 8.9 billion in 2004, Rs 7.16 billion in 2005 and Rs 6.3 billion in 2006.

**10.8** The NPLs level of the bank also improved. The NPLs level of the bank fell to 14.6 percent in the review year from 60.5 percent in 2003, 53.7 percent in 2004, 49.6 percent in 2005 and 18.2 percent in 2006. The credit write-off by the bank in 2006/07 accounted for the lower level of NPL.

**10.9** The management team has completed auditing of the bank up to 2005/06. Financial statements were updated and regularly published on a quarterly basis. The team has introduced and implemented various policies, plans and guidelines for making the bank internally strong and efficient. The bank formulated and implemented credit policy, credit guidelines and asset/liability management guidelines of international standard. The review of loan portfolios of the bank has been accomplished, and the function of loan recovery and restructuring was continued. Credit manuals, credit recovery guideline, budget plan, strategic plan, problematic loan guidelines, HR plan, skill enhancement plan, successor plan, and capital plan were formulated and implemented in order to follow modern system of credit and human resource management. The bank introduced credit write-off by-laws and accordingly, necessary actions were taken to write-off bad loan. Through Voluntary Retirement Scheme (VRS) introduced to keep manpower at an appropriate level, the bank has retrenched the number of staff to 2937 as in mid-July 2007 from a number of 6030 in mid-July 2001.

**10.10** The bank has formulated IT plan for carrying out the banking transactions timely and effectively through the computer system. The bank has computerized its 44 branches and additional 38 branches have been selected for computerization. Similarly, the bank has introduced 'Any Branch Banking System' (ABBS) in 27 branches. The bank has brought 76 and 88 percent of deposits and credit respectively under the computer system.

#### **Rastriya Banijya Bank**

**10.11** Based on the satisfactory performance of the Management Team in the RBB working since January 16, 2003, the contract was extended for further one year effective

from January 16, 2005 to January 15, 2006 for the first time and January 15, 2008 for the second time.

**10.12** Contrary to a loss in 2001/02 and 2002/03, the bank started earning net profit since 2003/04 and the amount of such profit increased substantially. Likewise, the bank started to improve its negative capital fund. The capital fund, which was negative by Rs 22.39 billion in 2002/03, improved to Rs 17.21 billion (negative) in 2006/07. Despite a gradual decrease in the capital fund, the bank was unable to bring the capital fund at a target level of Rs 15.58 billion (negative) in the review year.

**10.13** NPL of RBB has also been declining gradually. The ratio of bad loan to total loans, which was 60.15 percent in mid-July 2003, came down to 57.64 percent, 50.7 percent and 35.24 percent in mid-July 2004, 2005 and 2006 respectively. Likewise, the level of NPLs in mid-July 2007 stood at 26.4 percent.

**10.14** The management team has completed the external auditing of the bank up to 2005/06. Documents relating to audit of the bank has been updated and financial statements of the bank have been regularly published. The team brought various plans, policies and guidelines in place for strengthening the bank internally. Policies and manuals relating to anti-money laundering, investment and treasury operation, revisions of internal audit, and trade finance were implemented and subsequently, credit write-off by-laws was brought into execution. Accordingly, a total of Rs 13.1 billion was written-off in 2006/07.

**10.15** The bank has introduced and implemented Human Resource (HR) information system and development plan in order to recruit, develop and retain the manpower in the bank at an appropriate level. The HR need assessment has been completed and the successor plan has been submitted to the NRB. Subsequently, the bank has implemented performance-based reward system and the VRS has been introduced for the fourth time so as to keep the manpower at an appropriate level. The bank down sized the manpower level from 5583 in 2003 to 3127 in 2007. However, the management team could not achieve the target of maintaining the manpower level to a number of 2854 till the end of the review year.

**10.16** The bank has introduced IT plan and accordingly its central office as well as 40 branches have been furnished with Pumori Plus software for expediting banking transactions and 31 branches of the bank outside Kathmandu Valley have been working with RBBSYS software. More than 83 percent of deposits and credits record have been computerized so far.

### **Capacity Enhancement of Overall Financial Sector**

**10.17** Actions have been put forward for strengthening the Debt Recovery Tribunal by way of promoting expertise of its staff and fulfilling the needed logical support.

**10.18** Various seminars and workshops have been completed on a variety of issues related to the financial sector and its stakeholders. Seven economic journalists were trained on financial journalism conducted by REUTERS FOUNDATION, London. Similarly, seminars and workshops were conducted for improving the efficacy of economic journalism in association with the institutions of economic journalism.

### Regulatory Measures and Directives Issued in 2006/07

**10.19** For maintaining financial stability, the NRB introduced new and revised policies and procedures for the banks and financial institutions in 2006/07. The NRB revised the licensing policy for the establishment of bank and financial institutions in the review year.

**10.20** The paid-up capital required for the establishment of new commercial banks, development banks and finance companies has been increased to Rs 2 billion, Rs 640 million and Rs 200 million from Rs 1 billion, Rs 320 million and Rs 100 million respectively in the review year. Commercial banks and financial institutions currently in operation have to fulfil these capital requirements by mid-July 2013. However, the financial institutions, which are in the pipeline but yet to get the letter of intent from the NRB have to submit capital plan to meet the requirement by mid-July 2010. Further, a provision has been made to take actions against those commercial banks, in case of failure to maintain the required capital in the stipulated time frame. Likewise, a cross holding investment by promoters will not be allowed. Similarly, an investor as a promoter cannot use borrowed funds for opening new corporations. Further, according to new provisions, a market maker or broker in the security market cannot be a bank promoter, and a promoter of one bank or financial institutions cannot invest in promoter share by borrowing from another bank or financial institutions. Similarly, a provision has been made to collect information of the promoters through a public notice. Now, a provision of regional commercial bank has been taken away.

**Table 10.1: Requirements For Establishment of New Financial Institutions**

(Rs in million)

SN	Description	Before March 27, 2007	After March 27, 2007
<b>1</b>	<b>Paid-Up Capital</b>		
	Commercial banks	1000	2000
	Regional commercial banks concept		Eliminated
	Development bank (national level)	320	640
	Development bank (1-3 districts)	50	100
	Development bank (4-10 districts)	100	200
	Development bank (Leasing)	150	300
	Finance company (national level)	100	200
	Finance company (1 district)	50	Eliminated
	Finance company (1-3 districts)		100
	Micro finance development banks		
	National level	100	Same provision continued
	Regional	60	Same provision continued
1-3 districts	10	Same provision continued	
4-10 districts	20	Same provision continued	
<b>2</b>	<b>Deadline for Capital Requirement</b>		
	For existing financial Institutions		Mid-July, 2013
	For new institutions		Mid-July, 2010

		Allowed to use	Not Allowed
3	Use of loan or credit by promoter		
4	Bank with more than 50 percent investment	20 percent share to general public	15 percent to general public
5	Measurement of capital		80 percent paid-up and 20 percent other reserve fund
6	Promoter's investment		Need to be tax cleared
7	Transferring personal or institutional risk		Intention to transfer risk to banking sector is prohibited
8	Financial discipline of promoters		Examined through public notice
9	Prohibited blacklisted/defaulters to open financial institutions		Information will be collected from the Credit Information Centre or financial institutions
10	Cross-holding by promoters		Prohibited
11	Board membership from same family		Not more than one in a single institution
12	Promoters' are not allowed		To invest share from borrowed money
13	Share brokers and market makers are		Not allowed to be promoters.

**10.21** A Grievance Hearing Cell (GHC) was established on April 24, 2005 under the chairmanship of Deputy Governor of the NRB to settle the grievances resulting from misunderstanding and disputes between customers and financial institutions. For making GHC more effective to handle the grievances, a sub-committee has been formed on October 18, 2006 at a central level under the leadership of executive director from Bank and Financial Institution Regulation Department of the NRB comprising representatives from concerned banks, and financial institutions, and Ministry of Finance as members of the sub-committee along with a representative from Federation of Nepalese Chambers and Commerce (FNCCI) as an observer. Similarly, sub-committees have been formed at district level in the district offices of the NRB under the leadership of the chief manager/manager of the offices including the representatives from banks and financial institutions concerned with grievances as members and a representative from FNCCI of the related district as an observer. The GHC at central level under the leadership of the Deputy Governor was restructured by including representatives from Ministry of Finance and Banker's Association as members and representative from FNCCI as an observer on January 4, 2007. Out of 338 total cases filed till mid-July 2007, 263 cases have been settled and circular has been issued to concerned banks and financial institution to look into remaining 75 cases.

### **Other Regulatory Measures**

**10.22** The policy and directives regarding "Know Your Customer" was issued with a view to helping banks and financial institutions to know their customers. According to the directive, 'self declaration' of source of property can be accepted to simplify the procedures.

**10.23** A provision has been made to strictly control the tendency of issuing cheques against an account where stipulated withdrawals are not sufficient or cheques are not eligible for drawing the cash due to various reasons.

**10.24** Following the monetary policy of 2006/07, a provision has been made to expand and facilitate the payments of principal and interest of securities of GON by banks and

financial institutions of 'A', 'B' and 'C' classes licensed by the NRB in addition to market makers.

**10.25** Promoters of any bank and financial institutions listed in the blacklists of Credit Information Bureau (CIB) are prohibited to receive bonus share and purchase right share and securities of that bank and financial institution. If bank and financial institutions with detailed credit report of the defaulter listed in the black list of CIB request to other bank and financial institutions to postpone the payment of dividend against the holding of share as a promoter or whatsoever by such defaulters, dividend payable against the defaulter either as promoter or whatsoever entity should be paid to the requesting bank and financial institutions. Such a provision is also applicable to the same bank and financial institutions where the defaulter has to settle the loan.

**10.26** Any financial institutions licensed from the NRB are required to set up a Capital Revaluation Fund in preparing the financial statements of 2006/07 by contributing a minimum 10 percent of paid-up capital either from profit or from other sources if there is no profit in such a Fund in order to maintain a minimum level of paid-up capital.

**10.27** For the defaulters besides those who have already rescheduled their loan, who are in the pipeline of loan rescheduling and whose loan rescheduling process have begun in co-ordination between the borrower and the bank, a directive was issued to banks and financial institutions to take actions against defaulters with loan volume exceeding Rs 50 million at first. Debit and credit card facility to the defaulters should be annulled. In addition, the commercial banks can ask the NRB for the following actions against the wilful defaulters: (a) seizing passport of wilful defaulters and providing the name of such defaulters to Ministry of Foreign Affairs and Home Ministry for prohibiting to issue new ones, (b) preventing the appointment of such defaulters to the political and high ranking post including consultant in the government and public enterprises. In case of working in such posts, they should be removed from the post immediately, (c) putting off providing state award, reward and any state facilities to these defaulters, (d) preventing them to be the promoter of any company registered under the company act, and to participate in contract or holding of any fixed/movable physical assets by these defaulters except for loan settlement, and (e) seizing the investment of these defaulters on government securities and using this fund for the loan repayment.

**10.28** The banks and financial institutions operating under the license of this Bank have been prevented to maintain deposits and undertake credits with those financial institutions involved in deposit collection and credit mobilization established under other prevailing Nepali laws. Such transactions, if exist, should be settled by mid-July 2008 or after maturity, whichever the earliest.

**10.29** For the first seven days of initial public offering of shares, any bank and financial institutions operating under the license of the NRB are prohibited to provide loan for the purpose of purchasing such shares. In case, initial public offering of shares are not fully subscribed in the first seven days, bank and financial institutions are allowed to provide loans for such purpose on the following conditions:

- a) Issue manager of initial public offering of shares operating under the license of this Bank can not provide loan for such purpose.

- b) A margin of 50 percent should be maintained to provide credit to the investor investing in initial public offering.
- c) The maturity period of such loan will be as per the share allotment period according to Security Act and bylaws. Such loans cannot be rescheduled and restructured.
- d) Loans provided for this purpose must fulfil the process as in other loans.
- e) A 100 percent loan loss provisioning is required unless otherwise such loans are good loans.

**10.30** Banks and financial institutions with inadequate capital fund as per the directives of this Bank are not allowed to involve in credit purchase, discount, SWAP, repurchase and takeover of the credit.

**Supervisory Actions Taken in 2006/07**

**10.31** The NRB has been conducting on-site and off-site supervision and inspection of the commercial banks regularly with a view to maintaining financial stability. In 2006/07, the NRB conducted a corporate level on-site inspection in 18 commercial banks and their 106 branches, including Agriculture Development Bank of Nepal. The following table (10.1) shows the banks and their number of branches inspected in 2006/07.

**Table10.2: Number of Branches Inspected**

S.N.	Bank's Name	Number of Branches
1	Nepal Bank Limited	5
2	Rastriya Banijya Bank	7
3	Agriculture Development Bank Limited	29
4	Nabil Bank Limited	9
5	Nepal Investment Bank Limited	5
6	Standard Chartered Bank Nepal Limited	0
7	Himalayan Bank Limited	8
8	Nepal SBI Bank Limited	5
9	Nepal Bangladesh Bank Limited	3
10	Everest Bank Limited	3
11	Bank of Kathmandu Limited	4
12	Nepal Credit and Commerce Bank Ltd.	6
13	Lumbini Bank Limited	2
14	Nepal Industrial and Commercial Bank Limited	7
15	Machhapuchchhre Bank Limited	6
16	Kumari Bank Limited	4
17	Laxmi Bank Limited	0
18	Siddhartha Bank Limited	3
	Total	106

**10.32** In addition to corporate level inspection of 18 commercial banks, special on-site inspection was completed in 20 branches of 9 commercial banks. Special on-site inspection in the review year was done in the branches of Lumbini Bank Ltd., Nepal Credit and Commerce Bank Ltd., Kumari Bank Ltd., Machhapuchchhre Bank Ltd., Nepal Investment Bank Ltd., Nepal Bank Ltd., Bank of Kathmandu, Nepal Bangladesh Bank Ltd. and Laxmi Bank Ltd.

**10.33** Nepal Bangladesh Bank Ltd., Nepal Credit and Commerce Bank Ltd. and Lumbini Bank Ltd. were kept under micro surveillance of this Bank in the review year. Therefore, these banks were required to take permission from this Bank for sanctioning credit of more than Rs 5 million. For this purpose, a "Credit Consensus Execution Committee" has been formed in the Bank Supervision Department of this Bank.

**10.34** The NRB was asked to take over the management of Nepal Bangladesh Bank Ltd. on November 12, 2006 by the board of directors of the bank, following the liquidity problem in the bank. The NRB had taken over the management of the bank on account of some reasons as; (a) the bank had ignored the directives of the NRB issued after the supervision of the bank for its reform, (b) the bank failed to maintain corporate governance, (c) the bank provided huge amount of credit to its major promoter-the N.B. group, its firms, groups and members by breaching the credit guidelines and did not make efforts to recover the loans from this group, (d) the bank became unable to implement the capital plan for improving negative capital fund to the stipulated limit, (e) the bank classified the credit in a false way against the directives of the NRB and did not maintain adequate loan loss provisioning and (f) the bank did not attempt to bring those credit within the limit exceeding the single borrowing limit.

**10.35** The management of the bank by the NRB's personnel accorded top priority to recover the bad loan and designed the credit policy as per the requirement of the bank. Following the credit policy, the management team recovered the loan of Rs 327.9 million from the NB group and Rs 710.1 million from other borrowers. The loan recovery helped the bank to improve its NPA level and manage the liquidity position. Despite recovering the loan, the management team had made rigorous efforts to regain the lost confidence of the people towards the bank, sell unnecessary property, complete due diligence audit, undertake annual audit of the bank, manage liquidity, improve HR management and revise the policy. Similarly, the management team took necessary actions to merge Sri Lanka Merchant Banking and Finance with Nepal Bangladesh Bank Ltd (NBBL). After four months of take over, the management of NBBL was handed over to a group of professional experts.

**10.36** The NRB prepared quarterly off-site inspection report of the commercial banks based on their financial statements. Inspection of the commercial banks based on the CAELS rating in the report was done and early warning signal (EWS) system has been begun in the review year.

**10.37** The NRB also finalized the self-assessment of core principles for effective banking supervision prepared by the BASEL Committee on banking supervision with the help of IMF consultant. In addition, the NRB has prepared Capital Adequacy Framework 2007 by revising the Capital Adequacy Framework 2006.

**Box 1**  
**25 Basel Core Principles**

**Principle 1 – Objectives, independence, powers, transparency and cooperation:** An effective system of banking supervision will have clear responsibilities and objectives for each authority involved in the supervision of banks. Each such authority should possess operational independence, transparent processes, sound governance and adequate resources, and be accountable for the overall exercise of its duties. A suitable legal framework for banking supervision is also necessary, including provisions relating to authorization of banking establishments and their ongoing supervision; powers to address compliance with laws as well as safety and soundness concerns; and legal protection for supervisors. Arrangements for sharing information between supervisors and protecting the confidentiality of such information should be in place.

**Principle 2 – Permissible activities:** The permissible activities of institutions that are licensed and subject to supervision as banks must be clearly defined and the use of the word “bank” in names should be controlled as far as possible.

**Principle 3 – Licensing criteria:** The licensing authority must have the power to set criteria and reject applications for establishments that do not meet the standards set. The licensing process, at a minimum, should consist of an assessment of the ownership structure and governance of the bank and its wider group, including the fitness and propriety of board members and senior management, its strategic and operating plan, internal controls and risk management, and its projected financial condition, including its capital base. Where the proposed owner or parent organisation is a foreign bank, the prior consent of its home country supervisor should be obtained.

**Principle 4 – Transfer of significant ownership:** The supervisor has the power to review and reject any proposals to transfer significant ownership or controlling interests held directly or indirectly in existing banks to other parties.

**Principle 5 – Major acquisitions:** The supervisor has the power to review major acquisitions or investments by a bank, against prescribed criteria, including the establishment of cross-border operations, and confirming that corporate affiliations or structures do not expose the bank to undue risks or hinder effective supervision.

**Principle 6 – Capital adequacy:** Supervisors must set prudent and appropriate minimum capital adequacy requirements for banks that reflect the risks that the bank undertakes, and must define the components of capital, bearing in mind its ability to absorb losses. At least for internationally active banks, these requirements must not be less than those established in the applicable Basel requirement.

**Principle 7 – Risk management process:** Supervisors must be satisfied that banks and banking groups have in place a comprehensive risk management process (including Board and senior management oversight) to identify, evaluate, monitor and control or mitigate all material risks and to assess their overall capital adequacy in relation to their risk profile. These processes should be commensurate with the size and complexity of the institution.

**Principle 8 – Credit risk:** Supervisors must be satisfied that banks have a credit risk management process that takes into account the risk profile of the institution, with prudent policies and processes to identify, measure, monitor and control credit risk (including counter party risk). This would include the granting of loans and making of investments, the evaluation of the quality of such loans and investments, and the ongoing management of the loan and investment portfolios.



**Principle 9 – Problem assets, provisions and reserves:** Supervisors must be satisfied that banks establish and adhere to adequate policies and processes for managing problem assets and evaluating the adequacy of provisions and reserves.

**Principle 10 – Large exposure limits:** Supervisors must be satisfied that banks have policies and processes that enable management to identify and manage concentrations within the portfolio, and supervisors must set prudential limits to restrict bank exposures to single counter parties or groups of connected counter parties.

**Principle 11 – Exposures to related parties:** In order to prevent abuses arising from exposures (both on balance sheet and off balance sheet) to related parties and to address conflict of interest, supervisors must have in place requirements that Core Principles for Effective Banking Supervision banks extend exposures to related companies and individuals on an arm’s length basis; these exposures are effectively monitored; appropriate steps are taken to control or mitigate the risks; and write-offs of such exposures are made according to standard policies and processes.

**Principle 12 – Country and transfer risks:** Supervisors must be satisfied that banks have adequate policies and processes for identifying, measuring, monitoring and controlling country risk and transfer risk in their international lending and investment activities, and for maintaining adequate provisions and reserves against such risks.

**Principle 13 – Market risks:** Supervisors must be satisfied that banks have in place policies and processes that accurately identify, measure, monitor and control market risks; supervisors should have powers to impose specific limits and/or a specific capital charge on market risk exposures, if warranted.

**Principle 14 – Liquidity risk:** Supervisors must be satisfied that banks have a liquidity management strategy that takes into account the risk profile of the institution, with prudent policies and processes to identify, measure, monitor and control liquidity risk, and to manage liquidity on a day-to-day basis. Supervisors require banks to have contingency plans for handling liquidity problems.

**Principle 15 – Operational risk:** Supervisors must be satisfied that banks have in place risk management policies and processes to identify, assess, monitor and mitigate operational risk. These policies and processes are commensurate with the size and complexity of the bank.

**Principle 16 – Interest rate risk:** Supervisors must be satisfied that banks have effective systems in place to identify, measure, monitor and control interest rate risk in the banking book, including a well defined strategy that has been approved by the Board and implemented by senior management; these should be appropriate to their size and complexity.

**Principle 17 – Internal control and audit:** Supervisors must be satisfied that banks have in place internal controls that are adequate for the size and complexity of their business. These should include clear arrangements for delegating authority and responsibility; separation of the functions that involve committing the bank, paying away its funds, and accounting for its assets and liabilities; reconciliation of these processes; safeguarding the bank’s assets; and appropriate independent internal audit and compliance functions to test adherence to these controls as well as applicable laws and regulations.

**Principle 18 – Abuse of financial services:** Supervisors must be satisfied that banks have adequate policies and processes in place, including strict “know-your customer” rules, that promote high ethical and professional standards in the financial sector and prevent the bank from being used, intentionally or unintentionally, for criminal activities.

**Principle 19 – Supervisory approach:** An effective banking supervisory system requires that supervisors develop and maintain a thorough understanding of the operations of individual banks and banking groups, and also of the banking system as a whole, focusing on safety and soundness, and the stability of the banking system.

**Principle 20 – Supervisory techniques:** An effective banking supervisory system should consist of on-site and off-site supervision and regular contacts with bank management.

**Principle 21 – Supervisory reporting:** Supervisors must have a means of collecting, reviewing and analyzing prudential reports and statistical returns from banks on both a solo and a consolidated basis, and a means of independent verification of these reports, through either on-site examinations or use of external experts.

**Principle 22 – Accounting and disclosure:** Supervisors must be satisfied that each bank maintains adequate records drawn up in accordance with accounting policies and practices that are widely accepted internationally, and publishes, on a regular basis, information that fairly reflects its financial condition and profitability.

**Principle 23 – Corrective and remedial powers of supervisors:** Supervisors must have at their disposal an adequate range of supervisory tools to bring about timely corrective actions. This includes the ability, where appropriate, to revoke the banking licence or to recommend its revocation.

**Principle 24 – Consolidated supervision:** An essential element of banking supervision is that supervisors supervise the banking group on a consolidated basis, adequately monitoring and, as appropriate, applying prudential norms to all aspects of the business conducted by the group worldwide.

**Principle 25 – Home-host relationships:** Cross-border consolidated supervision requires cooperation and information exchange between home supervisors and the various other supervisors involved, primarily host banking supervisors. Banking supervisors must require the local operations of foreign banks to be conducted to the same standards required of domestic institutions.

Source: <http://www.bis.org/publ/bcbs123.pdf?noframes=1>

## Microfinance

*11.1* Various micro finance programs are being implemented in the country to reduce poverty by way of expanding micro credit outreach to the rural poor. The NRB has been encouraging to expand the micro finance institutions in the country through various incentives. As of mid-July 2007, altogether 12 micro-credit development banks consisting, 5 regional rural development banks, 5 micro finance development banks and 2 other institutions like Rural Micro Finance Development Centre and Small Farmer Development Bank (SFDB) engaged in wholesale financing for micro credit were operating in Nepal. In addition, 17 cooperatives and 47 financial NGOs were also allowed to operate limited banking activities.

*11.2* With the financial assistance of various donor agencies to run project based micro financing activities in the country, the NRB has been involving in extending credit through various participating financial institutions. Since the projects had already been terminated, the repayment of the disbursed amount is still going on.

### **Community Ground Water Irrigation Sector Project**

*11.3* Under the 20 years Agriculture Perspective Plan, Community Ground Water Irrigation Sector Project (CGISP) came into implementation in 12 districts of Eastern and Mid Terai based on the loan agreement between the GON and ADB on November 17, 1998, with a view to increasing agricultural productivity for raising income of small and marginal farmers. Out of SDR 21.9 million available for this project, SDR 9.9 million was provided for credit to farmers for shallow tube wells installation and crop production. The loan amount has been distributed to the farmers from participating financial institutions through rural self reliance fund (RSRF). A target has been set to install 15000 shallow tube wells (13500 in groups and 1500 in individual basis) within the project period, which would irrigate 45 thousands hectare land. About 657000 individuals (of which 50 percent are below the poverty line) from 110000 marginal families were estimated to have benefited from this project.

*11.4* As of mid July 2007, NBL, Eastern Region Rural Development Bank (ERRDB), Mid-Western Region Rural Development Bank (MWRRDB), Sahara Nepal Savings and Credit Cooperative Ltd., Depros Development Bank, Chhimek Development Bank, Arunodaya Savings and Credit Cooperative, and Krishak Upahar Savings and Credit

Cooperative, Small Farmer Development Bank Ltd. and Chhimek Samaj Sanstha were working as participating financial institutions for this project.

**11.5** Under this project from 2000/01 to 2006/07, the participating financial institutions have invested Rs 217.7 million for the installation of 7020 shallow tube wells comprising 6886 on a group basis and 134 on an individual basis. This has directly benefited 27322 marginal farmers with additional irrigation facilities in 32194-hectare land. ADB has extended the project period from 31 July 2005 to 31 July 2007.

**11.6** A separate unit relating to CGISP has been opened in Biratnagar, Birgunj and Janakpur to facilitate project implementation. Similarly, ADB has opened a separate Imprest Account with the NRB.

### **Rural Self Reliance Fund**

**11.7** RSRF was established in 1991/92 with a view to providing wholesale credit to NGOs/Cooperatives working in rural areas for the development of rural people through income and employment generating activities. The fund made the provision of providing micro credit of Rs 40, Rs 45 and Rs 50 thousands per person in first, second and third installments respectively. The NRB has contributed a total of Rs 343.4 million in the fund. Likewise, the government provided seed capital of Rs 90 million in the fund. The fund has been providing credit to participating agency up to Rs 1.5 million on the first instalment with a condition of not exceeding twenty-fold of its core capital. On the second instalment, credit up to Rs 2 million and on third instalment credit up to Rs 2.5 million can be provided to NGOs/cooperative.

**11.8** The fund provides credit for maximum period of three years to the participating institutions involved in deposit collection and credit mobilization for at least a year from their registration and have regularly collected deposits from 70 percent of its members. The fund also provides credit facility through NGOs and cooperatives to the rural people undertaking micro enterprises with land ownership up to 15 ropani in hilly regions and 1 bigha in terai areas, having no regular sources of income of any family member, and without loans remained to pay.

**11.9** The interest rate charged by the fund is 8 percent but it refunds 75 percent of the interest income to the participating institutions for their institutional development if they repay principal and interest within the scheduled time. Thus, the effective interest rate is just 2 percent. Further, the interest is exempted for a period of 6 months on the first instalment. The fund disbursed total loan of Rs 132.6 million through 52 non-government and 225 cooperatives by mid-July 2007. Out of the loan disbursed, Rs 81.2 was recovered. The program covered 48 districts through 26 NGOs and 44 cooperatives with credit facilities to 12228 households by mid-July 2007.

**Table 11.1 : Financial Activities of the Rural Self Reliance Fund**

(Rs. in million)

Description	Mid-July 2006	Mid-July 2007
Loan Disbursement:		
Number of Districts	47	48
No of Institutions	250	277
No of benefited families	9949	12228
Loan Disbursed	Rs 101.3	Rs 132.6
Recollected Loan	Rs 68.5	Rs 81.2
Outstanding Loan	Rs 32.8	Rs 51.4
Overdue loan (as percentage of the total outstanding loan)	8.4 percent	8.5 percent
Loan Recovery	91.7 percent	91.6 percent

**11.20** The fund has also been providing wholesale credit to micro finance development banks and ADB/N since 2002/03 to support programmes like tea and *cardamom* cultivation, and cold storage construction. The fund provided a total of Rs 40 million line of credit Rs. 10 million each to Eastern Rural Development Bank, Central Rural Development Bank, Mid-western Rural Development Bank and Small Farmer Development Bank as of mid-July 2007. Eastern Rural Development Bank and Central Rural Development Bank paid back the amount whereas Rs 5.0 million and Rs 6.78 million remained to recover from Mid Western Rural Development Bank and Small Farmer Development Bank as of mid-July 2007. Further, ADB/N was also provided Rs. 119.2 million as a long term line of credit.

### **Rural Development Banks (RDBs)**

**11.21** RDBs have been established in each of the five development regions of the country with an objective of providing micro-finance access to the rural poor women under group guarantee without collateral. Mainly established under the capital contribution of the Government of Nepal (GON) and the NRB, the NRB has divested its ownership from two of these banks namely Eastern, and Central Rural Development Banks. Similarly, majority of the NRB's share ownership from Western Rural Development Bank has been handed over to the private sector. But, NRB still holds 63.17 percent and 68.46 percent shares in Mid-Western and Far Western Rural Development Banks respectively. However, the share holding of the GON in Eastern (8.25 percent), Western (16.5 percent), Central (16.5 percent) and Far Western (8.46 percent) Development Banks since the establishment of these banks remains intact.

**11.22** As of mid-July 2007, these banks extended credit of Rs 16.18 billion to 159834 rural women members. Out of this, Rs 14.34 billion was recovered by mid-July 2007. These banks were providing micro finance services through 5223 centres in 1047 village development committees of 47 districts.

### **Other Micro Finance Development Banks**

**11.23** Five of the Grameen Bank replicates Nirdhan, Chhimek, Swabalamban, Deprosc, and Nerude, all established by the private sector are also in the operation.

**11.24** In addition to five rural development banks and five Grameen Bank replicates, two of the micro-finance institutions namely Rural Micro-finance Development Center (RMDC) and Small Farmers' Development Bank (SFDB) have been providing wholesale banking services in the area of micro finance. RMDC was established on 30 October 1998 and has been providing wholesale lending services to development banks, micro finance development banks, cooperatives, non-governmental organization etc. The SFDB, established on 6 July 2001 lends the Small Farmers' Cooperatives Limited (SFCL). The paid up capital of RMDC, established under the share ownership of the NRB, commercial banks, micro finance development banks and Credit Guarantee Corporation, was Rs. 250 million in mid-July 2007. By then, total borrowings and loan investment of this Center were Rs. 1.53 billion and Rs. 1.13 billion respectively.

**11.25** Established under the share ownership of Agricultural Development Bank, the Government of Nepal, Nepal Bank Limited, NABIL Bank and Small Farmers' Cooperatives Limited (SFCLs), the paid up capital of SFDB was Rs. 119.9 million in mid-July 2007. The outstanding loan of the SFDB granted to 219 SFCLs was Rs.1.33 billion and the SFDB's borrowing from commercial banks, mainly from Agricultural Development Bank, was Rs. 1.13 billion in mid-July 2007.

**11.26** Total assets/liabilities of the above mentioned micro finance institutions recorded a growth of 25.4 percent to Rs.10.28 billion as of mid-July 2007 (Table 8.3).

### **NRB Licensed Financial Cooperatives**

**11.27** Cooperatives are established under Cooperatives Act 1992. The NRB has licensed a small number of these cooperatives to undertake limited financial transactions. Currently, there are 17 cooperatives licensed by this bank. These cooperatives operate under the directives issued by this Bank in 2002 (revised in 2003). Total capital fund of these cooperatives was Rs. 355 million in mid-July 2007 compared to Rs. 325 million previous year. Total deposits mobilized by these cooperatives from group members stood at Rs. 2.54 billion and total loans and advances Rs. 2.23 billion. Investments of these cooperatives in government securities, fixed deposits and others stood at Rs 178 million in mid-July 2007 (Table 8.3).

### **NRB Licensed Non-Government Organizations**

**11.28** There are altogether 47 NGOs licensed by the NRB to undertake limited financial transactions. These are registered under Institutions Registration Act 1977 and undertake limited banking transactions in accordance with the provision of the Financial Intermediation Related Institutions Act 1999. Outstanding micro-credit lending of these NGOs was Rs. 775.6 million as of mid-July 2007.

## APPENDIX TABLE

## **Note**

The following months of the Gregorian calendar year are the approximate equivalents of the months of the Nepalese Calendar Year:

<b><u>Gregorian Months</u></b>	<b><u>Nepalese Months</u></b>
Mid-Apr/Mid-May	Baishakh
Mid-May/Mid-June	Jestha
Mid-June/Mid-July	Ashadh
Mid-July/Mid-Aug	Shrawan
Mid-Aug/Mid-Sept	Bhadra
Mid-Sept/Mid-Oct	Ashwin
Mid-Oct/Mid-Nov	Kartik
Mid-Nov/Mid-Dec	Marg
Mid-Dec/Mid-Jan	Paush
Mid-Jan/Mid-Feb	Magh
Mid-Feb/Mid-Mar	Falgun
Mid-Mar/Mid-Apr	Chaitra

The fiscal year in Nepal generally begins on July 16 and ends on July 15.

## **Symbols Used**

e = estimate

p = provisional

r = revised

- = nil or negligible



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**Table 1**  
**GROSS DOMESTIC PRODUCT**  
(at 2000/01 Prices)

Sector	2004/05	2005/06 <sub>R</sub>	2006/07 <sub>P</sub>	2005/06	2006/07
	<i>Rs. in million</i>			<i>Percent change</i>	
<b>Agriculture</b>	<b>179,810</b>	<b>181,811</b>	<b>183,001</b>	<b>1.1</b>	<b>0.7</b>
<i>Agriculture and Forestry</i>	177,304	179,056	180,163	1.0	0.6
<i>Fishery</i>	2,507	2,755	2,838	9.9	3.0
<b>Industry</b>	<b>79,925</b>	<b>83,337</b>	<b>85,145</b>	<b>4.3</b>	<b>2.2</b>
<i>Mining and Quarrying</i>	2,169	2,334	2,474	7.6	6.0
<i>Manufacturing</i>	38,136	38,898	39,737	2.0	2.2
<i>Electricity, Gas and Water</i>	11,117	11,522	11,893	3.6	3.2
<i>Construction</i>	28,503	30,583	31,042	7.3	1.5
<b>Services</b>	<b>218,896</b>	<b>229,236</b>	<b>238,608</b>	<b>4.7</b>	<b>4.1</b>
<i>Wholesale and Retail Trade</i>	65,694	68,099	66,326	3.7	-2.6
<i>Hotels and Restaurant</i>	7,525	7,976	8,200	6.0	2.8
<i>Transport, Storage and Communications</i>	39,272	40,982	44,305	4.4	8.1
<i>Financial Intermediation</i>	15,957	18,594	20,186	16.5	8.6
<i>Real Estate, Renting and Business</i>	34,700	35,071	38,104	1.1	8.6
<i>Public Administration and Defence</i>	8,551	9,140	9,469	6.9	3.6
<i>Education</i>	27,606	28,345	29,929	2.7	5.6
<i>Health and Social Work</i>	6,109	6,539	6,876	7.0	5.2
<i>Other Community, Social and Personal Service</i>	13,483	14,490	15,213	7.5	5.0
GDP at basic price before deduction of FISIM	478,632	494,384	506,754	3.3	2.5
<b>GDP at Basic Price</b>	<b>461,452</b>	<b>475,953</b>	<b>486,842</b>	<b>3.1</b>	<b>2.3</b>
<b>GDP at Producers' Prices</b>	<b>496,026</b>	<b>509,911</b>	<b>522,666</b>	<b>2.8</b>	<b>2.5</b>
<b>Share in GDP (%)</b>					
<i>Agriculture</i>	37.6	36.8	36.1	-2.1	-1.8
<i>Industry</i>	16.7	16.9	16.8	0.9	-0.3
<i>Services</i>	45.7	46.4	47.1	1.4	1.5
<b>GDP Deflator</b>	<b>1.1837</b>	<b>1.2603</b>	<b>1.3647</b>	<b>6.5</b>	<b>8.3</b>
<b>Per capita GDP (in Rs.)</b>	<b>19,683</b>	<b>19,833</b>	<b>19,938</b>	<b>0.8</b>	<b>0.5</b>

*R=Revised estimate, P=Preliminary estimate*  
*Source: Central Bureau of Statistics*

**Table 2**  
**GROSS DOMESTIC PRODUCT**  
(at Current Prices)

Sector	2004/05	2005/06 <sub>R</sub>	2006/07 <sub>P</sub>	2005/06	2006/07
	<i>Rs. in million</i>			<i>Percent change</i>	
<b>Agriculture</b>	<b>199,368</b>	<b>211,010</b>	<b>228,677</b>	<b>5.8</b>	<b>8.4</b>
<i>Agriculture and Forestry</i>	196,686	207,897	225,246	5.7	8.3
<i>Fishery</i>	2,682	3,113	3,431	16.1	10.2
<b>Industry</b>	<b>97,059</b>	<b>104,841</b>	<b>112,909</b>	<b>8.0</b>	<b>7.7</b>
<i>Mining and Quarrying</i>	2,748	3,060	3,306	11.4	8.0
<i>Manufacturing</i>	44,885	47,840	51,887	6.6	8.5
<i>Electricity, Gas and Water</i>	12,782	13,130	13,530	2.7	3.0
<i>Construction</i>	36,644	40,811	44,186	11.4	8.3
<b>Services</b>	<b>270,152</b>	<b>307,232</b>	<b>349,973</b>	<b>13.7</b>	<b>13.9</b>
<i>Wholesale and Retail Trade</i>	79,839	90,214	96,284	13.0	6.7
<i>Hotels and Restaurant</i>	8,895	9,257	9,802	4.1	5.9
<i>Transport, Storage and Communications</i>	51,336	64,711	81,341	26.1	25.7
<i>Financial Intermediation</i>	17,342	20,633	22,686	19.0	10.0
<i>Real Estate, Renting and Business</i>	49,242	51,387	58,546	4.4	13.9
<i>Public Administration and Defence</i>	9,548	10,967	12,500	14.9	14.0
<i>Education</i>	31,671	34,623	39,661	9.3	14.6
<i>Health and Social Work</i>	7,017	7,925	8,890	12.9	12.2
<i>Other Community, Social and Personal Service</i>	15,262	17,515	20,263	14.8	15.7
GDP at basic price before deduction of FISIM	566,579	623,083	691,559	10.0	11.0
<b>GDP at Basic Price</b>	<b>548,485</b>	<b>603,671</b>	<b>670,588</b>	<b>10.1</b>	<b>11.1</b>
<b>GDP at Producers' Prices</b>	<b>589,412</b>	<b>646,469</b>	<b>719,476</b>	<b>9.7</b>	<b>11.3</b>
<b>Share in GDP (%)</b>					
<i>Agriculture</i>	35.2	33.9	33.1	-3.8	-2.4
<i>Industry</i>	17.1	16.8	16.3	-1.8	-3.0
<i>Services</i>	47.7	49.3	50.6	3.4	2.6
<b>Per capita GDP (in Rs.)</b>	<b>23,300</b>	<b>24,996</b>	<b>27,209</b>	<b>7.3</b>	<b>8.9</b>

R=Revised estimate, P=Preliminary estimate

Source: Central Bureau of Statistics

**Table 3**  
**AGGREGATE DEMAND AND SAVINGS**  
(At Current Prices)

Description	2004/05	2005/06 <sub>R</sub>	2006/07 <sub>P</sub>	2005/06	2006/07	2005/06	2006/07
	<i>Rs. in million</i>			<i>Percent change</i>		<i>Percent of GDP</i>	
Nominal GDP at Producers' Prices	589,412	646,471	719,477	9.7	11.3	100.0	100.0
Domestic Demand	677,208	763,347	834,555	12.7	9.3	118.1	116.0
Total Consumption	521,301	595,355	652,170	14.2	9.5	92.1	90.6
Government	52,453	56,822	62,793	8.3	10.5	8.8	8.7
Private	459,530	527,814	576,914	14.9	9.3	81.6	80.2
Non-Profit Institutions	9,319	10,719	12,463	15.0	16.3	1.7	1.7
Gross Capital Formation	155,907	167,991	182,384	7.8	8.6	26.0	25.3
Gross Fixed Capital Formation	117,539	135,375	146,198	15.2	8.0	20.9	20.3
Government	17,213	17,904	19,039	4.0	6.3	2.8	2.6
Private	100,326	117,471	127,159	17.1	8.2	18.2	17.7
Change in Stock	38,368	32,616	36,186	-15.0	10.9	5.0	5.0
Net External Demand	(87,796)	(116,876)	(115,078)	33.1	-1.5	-18.1	-16.0
Export of goods & non factor services	85,958	87,952	89,825	2.3	2.1	13.6	12.5
Import of goods & non factor services	173,754	204,828	204,903	17.9	0.0	31.7	28.5

*R=Revised estimate, P=Preliminary estimate*

*Source: Central Bureau of Statistics*

**Table 4**  
**GROSS NATIONAL DISPOSABLE INCOME AND SAVING**  
**(At Current Prices)**

	2004/05	2005/06 <sub>R</sub>	2006/07 <sub>P</sub>	2005/06	2006/07	2005/06	2006/07
	<i>Rs. in million</i>			<i>Percent change</i>		<i>Percent of GDP</i>	
GDP at producers price	589,412	646,469	719,476	9.7	11.3	100.0	100.0
Net Factor Income	1,637	4,956	4,444	202.8	-10.3	0.8	0.6
Gross National Income	591,049	651,425	723,920	10.2	11.1	100.8	100.6
Net Transfer	97,704	126,146	133,698	29.1	6.0	19.5	18.6
Gross National Disposable Income	688,753	777,572	857,619	12.9	10.3	120.3	119.2
Gross Domestic Savings	68,110	51,115	67,306	-25.0	31.7	7.9	9.4
Gross National Savings	167,451	182,217	205,449	8.8	12.7	28.2	28.6
Gross Capital Formation	155,907	167,991	182,384	7.8	8.6	26.0	25.3
Lending/Borrowing (Resource Gap) (+/-)	11,545	14,225	23,065	23.2	62.1	2.2	3.2

R-Revised estimate

P-Preliminary estimate

Source: Central Bureau of Statistics

Table 5  
AGRICULTURE PRODUCTION INDEX

Agricultural Commodities	Weight	2004/05	2005/06	2006/07	2005/06	2006/07
		<i>Index</i>			<i>Percent change</i>	
<b>Cereals and Other Crops</b>	<b>49.41</b>	<b>109.54</b>	<b>109.50</b>	<b>105.83</b>	<b>0.0</b>	<b>-3.3</b>
Paddy	20.75	101.74	99.83	87.30	-1.9	-12.6
Maize	6.88	115.63	116.87	122.63	1.1	4.9
Wheat	7.14	124.58	120.40	130.86	-3.3	8.7
Millet	1.37	102.47	102.86	100.69	0.4	-2.1
Barley/naked barley	0.22	96.24	91.14	92.80	-5.3	1.8
Potato	4.67	132.36	150.32	147.92	13.6	-1.6
Sugarcane	1.24	107.43	111.34	117.54	3.6	5.6
Jute	0.17	98.87	113.88	102.34	15.2	-10.1
Tobacco	0.06	75.91	68.41	66.65	-9.9	-2.6
Soyabeans	0.19	113.45	111.84	113.12	-1.4	1.1
Pulses	4.42	96.24	91.14	86.31	-5.3	-5.3
Others	2.29	102.19	98.66	95.97	-3.4	-2.7
<b>Vegetables, Horticultural and Nursery Products</b>	<b>9.71</b>	<b>124.93</b>	<b>132.05</b>	<b>140.86</b>	<b>5.7</b>	<b>6.7</b>
Total vegetables	9.70	124.93	132.06	140.89	5.7	6.7
Others	0.01	123.40	120.26	112.40	-2.5	-6.5
<b>Fruit, Nuts Beverage and Spice Crops</b>	<b>7.04</b>	<b>131.87</b>	<b>130.78</b>	<b>137.89</b>	<b>-0.8</b>	<b>5.4</b>
Orange	0.97	130.33	127.20	133.51	-2.4	5.0
Mango	1.56	110.37	107.72	113.06	-2.4	5.0
Banana	0.40	105.46	102.92	108.03	-2.4	5.0
Apple	0.42	110.00	107.36	112.68	-2.4	5.0
Spice Crops	1.79	183.17	186.11	197.53	1.6	6.1
Tea	0.05	189.91	208.90	225.97	10.0	8.2
Coffee	0.004	280.66	337.08	402.25	20.1	19.3
Others	1.85	109.90	107.26	112.58	-2.4	5.0
<b>Farming of Domestic Animals</b>	<b>23.25</b>	<b>111.75</b>	<b>115.14</b>	<b>118.19</b>	<b>3.0</b>	<b>2.6</b>
Buffaloes' Meat	4.42	111.30	113.75	117.77	2.2	3.5
Mutton	3.24	109.40	112.11	117.37	2.5	4.7
Milk	12.36	113.27	116.58	120.05	2.9	3.0
Others	3.23	108.90	114.59	112.48	5.2	-1.8
<b>Other Animals Farming ; Production of Animals Products</b>	<b>2.43</b>	<b>110.51</b>	<b>110.86</b>	<b>114.39</b>	<b>0.3</b>	<b>3.2</b>
Pigs' Meat	0.50	103.18	103.50	105.24	0.3	1.7
Poultry Meat	0.67	115.89	116.96	120.75	0.9	3.2
Eggs	0.81	116.32	117.86	121.19	1.3	2.8
Hides and skins	0.35	103.67	99.82	106.81	-3.7	7.0
Others	0.10	88.78	89.27	89.85	0.6	0.6
<b>Forestry, logging and related services activities</b>	<b>8.07</b>	<b>105.09</b>	<b>102.49</b>	<b>104.26</b>	<b>-2.5</b>	<b>1.7</b>
Timber	1.09	104.22	102.77	105.52	-1.4	2.7
Firewood	4.94	105.41	100.86	100.64	-4.3	-0.2
Medicinal/herbal products	0.02	114.96	121.19	122.51	5.4	1.1
Others	2.03	104.70	106.14	112.22	1.4	5.7
<b>Overall Index</b>	<b>100.00</b>	<b>112.69</b>	<b>113.88</b>	<b>114.36</b>	<b>1.1</b>	<b>0.4</b>

Source: Central Bureau of Statistics

**Table 6**  
**AREA UNDER PRINCIPAL AGRICULTURAL CROPS**

Agricultural Commodities	2004/05	2005/06	2006/07	2005/06	2006/07
	<i>In thousand hectare</i>			<i>Percent Change</i>	
<b>Cereals and Other Crops</b>	<b>4078.0</b>	<b>4090.1</b>	<b>4038.6</b>	<b>0.3</b>	<b>-1.3</b>
Paddy	1541.7	1549.4	1439.0	0.5	-7.1
Maize	849.9	850.9	870.0	0.1	2.2
Wheat	675.8	672.0	703.0	-0.6	4.6
Millet (Kodo)	258.8	261.7	265.0	1.1	1.3
Barley	26.4	26.2	26.0	-0.8	-0.9
Potato	146.8	150.9	153.0	2.8	1.4
Sugarcane	59.1	62.1	64.0	5.0	3.1
Jute	11.8	12.4	12.0	5.5	-3.6
Tobacco	3.0	2.7	3.0	-9.0	9.8
Oil Seeds	187.8	188.1	184.0	0.1	-2.2
Pulses	316.8	313.6	319.6	-1.0	1.9
<b>Vegetables, Fruits and Spice Crops</b>	<b>252.0</b>	<b>262.8</b>	<b>271.7 #</b>	<b>10.6</b>	<b>5.3</b>
Vegetables	181.0	189.8	198.3	4.9	4.5
Fruits	55.0	56.4	56.9	2.6	0.8
Tea	16.0	16.5	16.5	3.1	0.0

*Source : Ministry of Agriculture and Cooperatives*



**Table 7**  
**PRODUCTION OF AGRICULTURE CROPS**

<b>Agricultural Commodities</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2006/07</b>
	<i>In thousand MT</i>			<i>Percent Change</i>	
<b>Cereals and Other Crops</b>					
Paddy	4289.8	4209.3	3,680.8	-1.9	-12.6
Maize	1716.0	1734.4	1819.9	1.1	4.9
Wheat	1442.4	1394.1	1515.1	-3.3	8.7
Millet (Kodo)	289.8	290.9	284.8	0.4	-2.1
Barley	29.3	27.8	28.3	-5.3	1.8
Potato	1738.8	1974.8	1943.2	13.6	-1.6
Sugarcane	2376.1	2462.6	2599.7	3.6	5.6
Jute	17.7	20.3	18.3	15.2	-10.1
Tobacco	3.0	2.7	2.6	-9.9	-2.6
Oil Seeds	142.0	139.3	135.6	-1.9	-2.7
Pulses	271.3	256.9	243.3	-5.3	-5.3
<b>Vegetables, Fruits and Spice Crops</b>					
Vegetables	2065.2	2183.0	2329.0	5.7	6.7
Fruits	548.0	534.9	562.0	-2.4	5.0
Tea	12.6	13.9	15.0	10.0	8.2
<b>Livestock</b>					
Milk	1274.2	1312.1	1351.3	2.9	3.0
Meat	214.8	219.2	227.0	2.0	3.6
Eggs (in million no)	590.1	597.9	614.8	1.3	2.8
Fishery	42.5	45.8	46.8	7.7	2.3

*Source : Ministry of Agriculture and Cooperatives*

**Table 8**  
**PRODUCTION YIELD OF PRINCIPAL AGRICULTURE CROPS**

Agricultural Commodities	2004/05	2005/06	2006/07	2005/06	2006/07
	<i>Per hectare production in MT</i>			<i>Percent change</i>	
<b>Cereals and Other Crops</b>					
Paddy	2.78	2.72	2.55	-2.4	-6.1
Maize	2.02	2.04	2.09	0.9	2.6
Wheat	2.13	2.07	2.15	-2.8	3.7
Millet (Kodo)	1.12	1.11	1.07	-0.7	-3.8
Barley	1.11	1.06	1.06	-4.6	0.1
Potato	11.85	13.09	12.66	10.5	-3.3
Sugarcane	40.22	39.68	40.61	-1.3	2.3
Jute	1.45	1.50	1.43	3.4	-4.7
Tobacco	1.00	1.00	1.00	-0.9	0.5
Oil Seeds	0.76	0.74	0.74	-2.0	-0.1
Pulses	0.86	0.82	0.76	-4.3	-7.1
<b>Vegetables, Fruits and Spice Crops</b>					
Vegetables	11.41	11.50	11.74	0.8	2.1
Fruits	9.96	9.48	9.87	-4.9	4.2
Tea	0.79	0.84	0.91	6.7	8.2

*Source : Ministry of Agriculture and Cooperatives*

**Table 9**  
**IRRIGATION AND SUPPLY OF AGRICULTURAL INPUTS**

	Unit	2004/05	2005/06	2006/07	2005/06	2006/07
					<i>Percent Change</i>	
<b>Total Irrigated Land*</b>	<b>Thousand Hect.</b>	<b>1013</b>	<b>1031</b>	<b>1060</b>	<b>1.8</b>	<b>2.8</b>
<b>Chemical Fertilizers</b>	<b>MT</b>	<b>122,706</b>	<b>91,553</b>	<b>90,848</b>	<b>-25.4</b>	<b>-0.8</b>
Chemical Fertilizers (AICL)	MT	31,811	13,295	25,169	-58.2	89.3
D.A.P.	„	19,436	10,857	7,437	-44.1	-31.5
Potash	„	2,332	478	0	-79.5	-100.0
Urea	„	10,043	1,960	14,985	-80.5	664.5
Complex	„	0	0	2,747	#DIV/0!	#DIV/0!
Chemical Fertilizers (Private)	„	90,895	78,258	65,679	-13.9	-16.1
<b>Improved Seeds</b>	<b>MT</b>	<b>1,768</b>	<b>3,551</b>	<b>3,158</b>	<b>100.8</b>	<b>-11.1</b>
Paddy	„	546	644	661	17.9	2.7
Maize	„	2	11	6	406.6	-45.7
Wheat	„	1,205	2,859	2,451	137.3	-14.3
Others	„	15	37	40	145.0	6.8

\* includes areas covered by both Department of Irrigation and ADB/N

Source: Ministry of Agriculture & Co-operatives and Department of Irrigation

**Table 10**  
**ANNUAL PRODUCTION INDEX OF MANUFACTURING INDUSTRIES**

Major Industrial Groups	Weight*	2004/05	2005/06	2006/07	2005/06	2006/07
		Index			Percent change	
<b>Overall Index of Manufacturing Production</b>	<b>100.0</b>	<b>102.6</b>	<b>104.7</b>	<b>107.3</b>	<b>2.0</b>	<b>2.4</b>
<b>Manufacture of Vegetable,Oils &amp; Fats</b>	<b>15.8</b>	<b>107.0</b>	<b>108.7</b>	<b>108.2</b>	<b>1.6</b>	<b>-0.5</b>
Vegetable ghee	10.1	108.8	111.9	105.4	2.9	-5.9
Mustard oil	2.0	97.7	93.0	102.2	-4.8	9.8
Soyabean oil	3.7	107.3	108.6	119.5	1.2	10.0
<b>Manufacture of dairy products</b>	<b>2.8</b>	<b>103.4</b>	<b>105.0</b>	<b>106.9</b>	<b>1.6</b>	<b>1.8</b>
Processed Milk	2.8	103.4	105.0	106.9	1.6	1.8
<b>Manufacture of grain mill products, Prepared animal feeds</b>	<b>8.2</b>	<b>105.2</b>	<b>106.5</b>	<b>115.8</b>	<b>1.2</b>	<b>8.8</b>
Rice	4.3	106.2	104.8	112.8	-1.3	7.6
Wheat flour	2.2	106.0	108.4	112.6	2.3	3.8
Animal feed	1.6	102.1	108.8	128.7	6.5	18.3
<b>Manufacture of other food products</b>	<b>7.9</b>	<b>105.4</b>	<b>110.2</b>	<b>117.7</b>	<b>4.6</b>	<b>6.8</b>
Biscuit	1.0	108.1	112.3	115.7	3.8	3.1
Sugar	2.9	103.9	106.2	118.3	2.2	11.3
Noodles	2.7	105.4	112.4	116.7	6.7	3.8
Processed tea	1.3	106.5	113.0	120.4	6.1	6.5
<b>Manufacture of beverages</b>	<b>6.6</b>	<b>102.5</b>	<b>106.9</b>	<b>117.4</b>	<b>4.3</b>	<b>9.8</b>
Liquor rectified	2.4	99.6	105.2	116.5	5.6	10.8
Beer	2.9	104.7	108.2	120.3	3.3	11.2
Soft drink	1.3	102.9	107.2	112.6	4.3	5.0
<b>Manufacture of tobacco products</b>	<b>6.5</b>	<b>100.5</b>	<b>99.7</b>	<b>102.7</b>	<b>-0.8</b>	<b>3.0</b>
Cigarette	6.5	100.5	99.7	102.7	-0.8	3.0
<b>Manufacture of textiles</b>	<b>5.2</b>	<b>105.9</b>	<b>111.8</b>	<b>121.6</b>	<b># 5.6</b>	<b>8.7</b>
Yarn	3.2	108.3	118.1	131.5	9.1	11.3
Cotton clothes	1.3	103.7	103.4	108.1	-0.3	4.5
Synthetic clothes	0.8	99.5	99.6	102.3	0.1	2.8
<b>Manufacture of other Textiles</b>	<b>6.6</b>	<b>106.3</b>	<b>108.7</b>	<b>101.3</b>	<b>2.3</b>	<b>-6.8</b>
Woolen carpet	4.3	105.7	106.9	96.1	1.2	-10.1
Jute goods	2.3	107.6	112.3	111.4	4.3	-0.8
<b>Manufacture of knitted and crocheted fabrics</b>	<b>1.2</b>	<b>100.7</b>	<b>97.1</b>	<b>88.3</b>	<b>-3.6</b>	<b>-9.1</b>
Pashmina	1.2	100.7	97.1	88.3	-3.6	-9.1
<b>Manufacture of wearing apparel</b>	<b>7.1</b>	<b>80.4</b>	<b>68.1</b>	<b>59.4</b>	<b>-15.3</b>	<b>-12.9</b>
Garment	7.1	80.4	68.1	59.4	-15.3	-12.9
<b>Manufacture of tanning and dressing of leather</b>	<b>0.9</b>	<b>106.0</b>	<b>111.0</b>	<b>121.4</b>	<b>4.7</b>	<b>9.4</b>
Processed leather	0.9	106.0	111.0	121.4	4.7	9.4
<b>Manufacture of saw milling and planing of wood</b>	<b>1.0</b>	<b>102.5</b>	<b>99.0</b>	<b>100.6</b>	<b>-3.4</b>	<b>1.6</b>
Wood sawn	1.0	102.5	99.0	100.6	-3.4	1.6
<b>Manufacture of paper &amp; paper products</b>	<b>1.4</b>	<b>105.4</b>	<b>105.9</b>	<b>110.6</b>	<b>0.4</b>	<b>4.4</b>
Paper excluding newsprint	1.4	105.4	105.9	110.6	0.4	4.4
<b>Publishing Printing and reproducing of recorded Media</b>	<b>1.6</b>	<b>103.3</b>	<b>105.7</b>	<b>106.3</b>	<b>2.4</b>	<b>0.5</b>
Newspaper	1.6	103.3	105.7	106.3	2.4	0.5
<b>Manufacture of other chemical products</b>	<b>10.3</b>	<b>105.0</b>	<b>111.7</b>	<b>123.5</b>	<b>6.3</b>	<b>10.6</b>
Medicine	7.0	104.4	108.9	121.9	4.3	11.9
Soap	3.3	106.3	117.5	127.0	10.6	8.1
<b>Manufacture of plastic product</b>	<b>4.8</b>	<b>101.2</b>	<b>103.3</b>	<b>95.9</b>	<b>2.1</b>	<b>-7.2</b>
Plastic product	4.8	101.2	103.3	95.9	2.1	-7.2
<b>Manufacture of non Metallic mineral products n.e.c</b>	<b>5.3</b>	<b>102.6</b>	<b>107.7</b>	<b>103.7</b>	<b>5.0</b>	<b>-3.7</b>
Bricks	2.4	104.2	107.5	94.9	3.1	-11.7
Cement	2.9	101.3	107.9	111.0	6.5	2.9
<b>Manufacture of other fabricated metal product</b>	<b>3.7</b>	<b>101.3</b>	<b>109.8</b>	<b>117.4</b>	<b>8.4</b>	<b>6.9</b>
Iron rod & billets	3.7	101.3	109.8	117.4	8.4	6.9
<b>Manufacture of casting of metal</b>	<b>1.5</b>	<b>102.3</b>	<b>101.6</b>	<b>96.9</b>	<b>-0.7</b>	<b>-4.6</b>
Domestic metal product	1.5	102.3	101.6	96.9	-0.7	-4.6
<b>Manufacture of electric machinery apparatus</b>						
<b>Manufacture of wire &amp; cable</b>	<b>1.7</b>	<b>103.6</b>	<b>108.6</b>	<b>108.1</b>	<b>4.8</b>	<b>-0.4</b>
Electrical wire & cable	1.7	103.6	108.6	108.1	4.8	-0.4

\*Weights are based on Census of Manufacturing Establishments(CME) 2001/2002

Source: Central Bureau of Statistics

**Table 11**  
**TOURISM INDICATORS**

	2004	2005	2006	Percent change	
				2005	2006
Tourist Arrivals (in no. of persons)	385,297	375,398	383,926	-2.6	2.3
India	90,326	96,434	93,722	6.8	-2.8
Third Country	294,971	278,964	290,204	-5.4	4.0
By Air	297,335	277,346	283,819	-6.7	2.3
By Land	87,962	98,052	100,107	11.5	2.1
Tourism Earnings (Rs. in million)*	10,463.8	9,555.8	10,125.3	-8.7	6.0
Average Duration of Stay (in days)	13.5	9.1	10.2	-32.6	12.1
Per Capita Expenditure (in rupees)	27,157.8	25,455.1	26,373.1	-6.3	3.6
Number of Hotel Beds	39,107	39,384	24,260	0.7	-38.4

\* These data represent Nepali fiscal year

Source : Ministry of Tourism and Civil Aviation and Nepal Rastra Bank

**Table 12**  
**GENERATION, IMPORTS AND EXPORTS OF ELECTRICITY (GWH)**

Year	Generation	Imports	Exports	Percent change		
				Generation	Imports	Exports
2004/05	2401.4	241.4	110.7			
2005/06	2514.7	266.2	96.6	4.7	10.3	-12.7
2006/07	2723.0	228.8	78.3	8.3	-14.0	-18.9

*Source: Nepal Electricity Authority*

**Table 13**  
**NATIONAL URBAN CONSUMER PRICE INDEX**  
(1995/96 = 100)  
(Point to Point Annual Changes)

<b>FY 2006/07</b>						
	FOOD & BEVERAGES		NON-FOOD & SERVICES		OVERALL INDEX	
MONTHS	INDEX	% CHANGES	INDEX	% CHANGES	INDEX	% CHANGES
JUL/AUG	175.0	6.1	192.5	8.6	183.1	7.3
AUG/SEP	178.0	6.0	192.7	7.4	184.8	6.6
SEP/OCT	181.9	7.8	192.7	7.2	186.9	7.5
OCT/NOV	181.2	7.0	193.4	7.1	186.9	7.1
NOV/DEC	178.7	7.3	193.6	7.3	185.6	7.3
DEC/JAN	175.0	8.0	193.6	7.1	183.6	7.6
JAN/FEB	175.5	8.8	195.0	7.3	184.5	8.0
FEB/MAR	176.5	9.2	195.0	3.2	185.1	6.2
MAR/APR	177.9	7.9	195.0	3.2	185.9	5.6
APR/MAY	180.2	6.1	195.4	3.0	187.3	4.6
MAY/JUN	180.8	5.8	195.4	3.1	187.6	4.5
JUN/JUL	184.8	6.9	195.4	3.1	189.8	5.1
<b>ANNUAL</b>	<b>178.8</b>	<b>7.2</b>	<b>194.1</b>	<b>5.6</b>	<b>185.9</b>	<b>6.4</b>

**Table 14**  
**NATIONAL URBAN CONSUMER PRICE INDEX**  
**(Base:1995/96 = 100)**

Groups & Sub-groups of the Commodities	Weight %	2059/60	2060/61	2061/62	2062/63	2063/64	column 2	column 3	column 4	column 5
		2002/03	2003/04	2004/05	2005/06	2006/07	column 2 over 1	column 3 over 2	column 4 over 3	column 5 over 4
<b>ALL ITEMS</b>	<b>100.00</b>	<b>148.9</b>	<b>154.8</b>	<b>161.8</b>	<b>174.7</b>	<b>185.9</b>	<b>4.0</b>	<b>4.5</b>	<b>8.0</b>	<b>6.4</b>
<b>Food and Beverages</b>	<b>53.20</b>	<b>144.0</b>	<b>148.8</b>	<b>154.7</b>	<b>166.8</b>	<b>178.8</b>	<b>3.3</b>	<b>4.0</b>	<b>7.8</b>	<b>7.2</b>
Grains and Cereals Products	18.00	138.2	139.8	145.1	164.6	175.1	1.2	3.8	13.4	6.4
Rice and Rice Products	(14.16)	136.6	138.0	142.4	163.6	168.1	1.0	3.2	14.9	2.8
Pulses	2.73	125.3	126.1	131.6	150.4	175.9	0.6	4.4	14.3	17.0
Vegetables, Fruits and Nuts	7.89	135.7	140.3	146.9	153.8	170.8	3.4	4.7	4.7	11.1
Spices	1.85	142.3	148.0	146.5	149.1	182.6	4.0	-1.0	1.8	22.5
Meat, Fish and Eggs	5.21	148.2	158.3	168.5	174.8	186.3	6.8	6.4	3.7	6.6
Milk and Milk Products	4.05	147.8	150.4	151.1	158.1	169.9	1.8	0.5	4.6	7.5
Oil and Ghee	3.07	136.9	153.7	150.8	147.4	157.3	12.3	-1.9	-2.3	6.7
Sugar and Related Products	1.21	124.4	123.9	154.6	163.7	152.0	-0.4	24.8	5.9	-7.1
Beverages	2.28	161.6	162.1	165.0	180.7	188.1	0.3	1.8	9.5	4.1
Restaurant Meals	6.91	174.1	183.2	192.6	204.0	210.7	5.2	5.1	5.9	3.3
<b>Other Goods and Services</b>	<b>46.80</b>	<b>154.6</b>	<b>161.8</b>	<b>170.1</b>	<b>183.9</b>	<b>194.1</b>	<b>4.7</b>	<b>5.1</b>	<b>8.1</b>	<b>5.5</b>
Cloth, Clothing & Sewing Services	8.92	135.7	138.1	141.5	145.4	148.6	1.8	2.5	2.8	2.2
Cloths	(2.28)	124.6	126.3	130.7	133.7	135.6	1.4	3.5	2.3	1.4
Clothings	(5.75)	136.6	138.1	140.5	144.6	147.9	1.1	1.7	2.9	2.3
Footwear	2.20	132.7	133.3	133.9	137.8	143.5	0.5	0.5	2.9	4.1
Housing	14.87	153.0	163.1	178.1	200.9	215.4	6.6	9.2	12.8	7.2
Fuel, Light and Water	(5.92)	182.6	200.8	230.3	277.6	301.5	10.0	14.7	20.5	8.6
Transport and Communication	4.03	172.2	185.2	198.2	232.8	254.8	7.5	7.0	17.5	9.5
Medical and Personal Care	8.03	163.2	169.3	172.1	176.5	181.0	3.7	1.7	2.6	2.5
Education, Reading and Recreation	7.09	174.1	182.1	190.1	200.0	211.8	4.6	4.4	5.2	5.9
Tobacco and Related Products	1.66	150.5	153.2	156.2	163.1	173.1	1.8	2.0	4.4	6.1



**Table 15**  
**CONSUMER PRICE INDEX : KATHMANDU VALLEY**  
(Base:1995/96 = 100)

Groups & Sub-groups of the commodities	2059/60	2060/61	2061/62	2062/63	2063/64	Percentage Change			
	2002/03	2003/04	2004/05	2005/06	2006/07	2003/04	2004/05	2005/06	2006/07
<b>ALL ITEMS</b>	<b>141.7</b>	<b>150.1</b>	<b>157.6</b>	<b>167.8</b>	<b>178.0</b>	<b>5.9</b>	<b>5.0</b>	<b>6.5</b>	<b>6.1</b>
<b>Food and Beverages</b>	<b>137.5</b>	<b>145.6</b>	<b>151.8</b>	<b>159.5</b>	<b>169.4</b>	<b>5.9</b>	<b>4.3</b>	<b>5.1</b>	<b>6.2</b>
Grains and Cereals Products	138.8	146.9	151.7	162.9	172.1	5.8	3.3	7.4	<b>5.6</b>
Rice and Rice Products	140.8	150.6	155.1	167.4	172.4	7.0	3.0	7.9	<b>3.0</b>
Pulses	115.4	114.2	119.6	145.6	171.9	-1.0	4.7	21.7	<b>18.1</b>
Vegetables, Fruits and Nuts	123.4	133.7	135.7	140.2	151.8	8.3	1.5	3.3	<b>8.3</b>
Spices	137.2	141.8	143.6	140.4	167.4	3.4	1.3	-2.2	<b>19.2</b>
Meat, Fish and Eggs	141.6	153.4	169.1	174.2	187.4	8.3	10.2	3.0	<b>7.6</b>
Milk and Milk Products	133.7	134.5	137.2	145.0	155.1	0.6	2.0	5.7	<b>7.0</b>
Oil and Ghee	131.1	149.8	146.6	143.0	153.8	14.3	-2.1	-2.5	<b>7.6</b>
Sugar and Related Products	130.4	127.9	164.3	170.9	159.8	-1.9	28.5	4.0	<b>-6.5</b>
Beverages	136.6	136.6	142.0	147.3	150.2	0.0	4.0	3.7	<b>2.0</b>
Restaurant Meals	159.9	171.2	179.7	187.1	191.5	7.1	5.0	4.1	<b>2.4</b>
<b>Other Goods and Services</b>	<b>146.3</b>	<b>155.0</b>	<b>163.8</b>	<b>176.7</b>	<b>187.2</b>	<b>6.0</b>	<b>5.7</b>	<b>7.9</b>	<b>5.9</b>
Cloth, Clothing & Sewing Services	134.4	139.0	145.5	148.3	152.1	3.4	4.7	1.9	<b>2.6</b>
Cloths	126.4	130.8	140.5	146.1	146.5	3.5	7.4	4.0	<b>0.3</b>
Clothings	133.6	135.5	140.4	142.3	146.5	1.4	3.6	1.4	<b>3.0</b>
Footwear	132.5	133.9	135.1	136.6	143.8	1.1	0.9	1.1	<b>5.3</b>
Housing	147.9	158.4	172.6	192.0	204.7	7.1	9.0	11.2	<b>6.6</b>
Fuel, Light and Water	188.5	208.9	241.8	291.1	313.7	10.8	15.7	20.4	<b>7.8</b>
Transport and Communication	160.4	172.7	190.4	227.6	244.1	7.7	10.2	19.5	<b>7.2</b>
Medical and Personal Care	166.5	172.4	174.1	175.3	179.1	3.5	1.0	0.7	<b>2.2</b>
Education, Reading and Recreation	135.9	150.0	157.4	172.7	189.8	10.4	4.9	9.7	<b>9.9</b>
Tobacco and Related Products	133.5	136.5	138.6	144.4	157.2	2.2	1.5	4.2	<b>8.9</b>
DOMESTIC INDEX	139.5	148.1	154.4	163.3	172.6	6.2	4.3	5.8	<b>5.7</b>
IMPORTED GOODS	151.2	158.9	171.3	187.5	201.6	5.1	7.8	9.5	<b>7.5</b>
TRADABLE INDEX	139.1	146.5	154.1	163.7	174.3	5.3	5.2	6.2	<b>6.5</b>
NONTRADABLE INDEX	147.4	158.1	165.4	177.0	186.3	7.3	4.6	7.0	<b>5.3</b>
GOVT CONTROL INDEX	149.9	160.5	177.6	205.2	221.9	7.1	10.7	15.5	<b>8.1</b>
NON CONTROL INDEX	140.0	148.0	153.5	160.1	169.0	5.7	3.7	4.3	<b>5.6</b>

**Table 16**  
**CONSUMER PRICE INDEX : HILLS**  
**(Base:1995/96 = 100)**

Groups & Sub-groups of the commodities	2059/60	2060/61	2061/62	2062/63	2063/64	Percentage Change			
	2002/03	2003/04	2004/05	2005/06	2006/07	2003/04	2004/05	2005/06	2006/07
<b>ALL ITEMS</b>	<b>151.8</b>	<b>156.6</b>	<b>163.5</b>	<b>177.5</b>	<b>188.2</b>	<b>3.2</b>	<b>4.4</b>	<b>8.6</b>	<b>6.0</b>
<b>Food and Beverages</b>	<b>148.5</b>	<b>153.0</b>	<b>158.8</b>	<b>171.5</b>	<b>183.4</b>	<b>3.0</b>	<b>3.8</b>	<b>8.0</b>	<b>6.9</b>
Grains and Cereals Products	132.5	134.1	139.6	158.6	168.4	1.2	4.1	13.6	6.2
Rice and Rice Products	129.2	130.3	133.7	154.9	161.9	0.9	2.6	15.9	4.5
1.2 Wheat and Wheat Flour	147.9	147.6	164.3	186.7	226.5	-0.2	11.3	13.6	21.3
1.3 Other Grains and Cereal products	142.8	147.5	159.0	165.7	178.4	3.3	7.8	4.2	7.7
Pulses	129.5	127.7	133.4	158.9	190.3	-1.4	4.5	19.1	19.8
Vegetables, Fruits and Nuts	140.1	146.7	152.8	160.0	174.1	4.7	4.2	4.7	8.8
3.1 All Vegetables	135.1	144.5	147.9	156.0	171.7	7.0	2.4	5.5	10.1
3.1.1 Vegetables without Leafy Green	127.8	136.8	139.7	147.9	165.7	7.0	2.1	5.9	12.0
3.1.2 Leafy Green Vegetables	172.8	184.3	190.2	197.5	202.7	6.7	3.2	3.8	2.6
3.2 Fruits and Nuts	157.5	154.2	169.8	174.2	182.4	-2.1	10.1	2.6	4.7
3.2.1 Fruits	158.6	154.2	168.8	172.6	182.0	-2.8	9.5	2.3	5.4
3.2.2 Nuts	120.3	153.9	202.6	224.9	193.4	27.9	31.6	11.0	-14.0
Spices	146.6	153.2	155.4	160.0	187.2	4.5	1.4	3.0	17.0
Meat, Fish and Eggs	151.2	161.9	169.6	176.0	186.8	7.1	4.8	3.8	6.1
Milk and Milk Products	163.2	163.3	164.2	171.5	189.7	0.1	0.6	4.4	10.6
Oil and Ghee	138.5	150.0	152.5	150.2	157.1	8.3	1.7	-1.5	4.6
Sugar and Related Products	125.9	124.0	157.0	166.5	154.2	-1.5	26.6	6.1	-7.4
Beverages	185.0	185.1	187.2	213.2	216.8	0.1	1.1	13.9	1.7
9.1 Non Alcoholic Beverages	117.5	115.0	123.6	129.8	130.5	-2.1	7.5	5.0	0.5
9.2 Alcoholic Beverages	209.0	209.9	209.7	242.9	247.4	0.4	-0.1	15.8	1.9
Restaurant Meals	198.1	206.2	213.9	225.2	235.0	4.1	3.7	5.3	4.4
<b>Other Goods and Services</b>	<b>155.5</b>	<b>160.8</b>	<b>168.8</b>	<b>184.2</b>	<b>193.7</b>	<b>3.4</b>	<b>5.0</b>	<b>9.1</b>	<b>5.2</b>
Cloth, Clothing & Sewing Services	124.5	126.8	129.9	136.4	139.4	1.8	2.4	5.0	2.2
Cloths	104.4	107.0	110.2	109.4	109.1	2.5	3.0	-0.7	-0.3
Clothings	127.2	128.3	130.4	140.7	145.6	0.9	1.6	7.9	3.5
11.3 Sewing Services	165.3	174.4	182.9	186.9	188.3	5.5	4.9	2.2	0.7
Footwear	127.5	129.7	133.4	142.9	147.0	1.7	2.9	7.1	2.9
Housing	154.4	162.4	176.9	199.2	214.5	5.2	8.9	12.6	7.7
13.1 House Furnishing and Household Goods	130.1	131.6	136.7	143.3	154.6	1.2	3.9	4.8	7.9
13.2 House Rent	148.3	153.0	159.2	166.6	175.7	3.2	4.1	4.6	5.5
13.3 Cleaning Supplies	128.3	133.7	135.7	139.2	149.6	4.2	1.5	2.6	7.5
Fuel, Light and Water	180.7	195.6	223.8	268.8	291.2	8.2	14.4	20.1	8.3
Transport and Communication	192.7	206.4	221.6	266.2	298.4	7.1	7.4	20.1	12.1
14.1 Transport	203.7	219.8	237.6	289.3	326.9	7.9	8.1	21.8	13.0
14.1.1 Public Transport	205.7	222.9	241.6	296.6	337.0	8.4	8.4	22.8	13.6
14.1.2 Private Transport	179.9	182.6	188.6	201.9	206.2	1.5	3.3	7.1	2.1
14.2 Communication	127.5	127.1	127.9	130.2	130.2	-0.3	0.6	1.8	0.0
Medical and Personal Care	160.7	163.8	165.9	175.0	179.9	1.9	1.3	5.5	2.8
15.1 Medical Care	162.1	166.0	167.2	177.9	183.8	2.4	0.7	6.4	3.3
15.2 Personal Care	155.0	155.2	161.0	163.6	164.7	0.1	3.7	1.6	0.7
Education, Reading and Recreation	182.0	185.6	192.2	203.1	205.9	2.0	3.6	5.7	1.4
16.1 Education	216.7	220.2	229.3	244.2	248.4	1.6	4.1	6.5	1.7
16.2 Reading and Recreation	118.3	121.6	123.5	127.6	127.1	2.8	1.6	3.3	-0.4
16.3 Religious Activities	151.7	157.1	163.6	167.3	171.8	3.6	4.1	2.3	2.7
Tobacco and Related Products	151.6	155.0	162.0	171.5	181.7	2.2	4.5	5.9	5.9

**Table 17**  
**CONSUMER PRICE INDEX : TERAI**  
(Base:1995/96=100)

Groups & Sub-groups of the commodities	2059/60	2060/61	2061/62	2062/63	2063/64	Percentage Change			
	2002/03	2003/04	2004/05	2005/06	2006/07	2003/04	2004/05	2005/06	2006/07
<b>ALL ITEMS</b>	<b>152.2</b>	<b>156.9</b>	<b>163.8</b>	<b>177.9</b>	<b>189.9</b>	<b>3.1</b>	<b>4.4</b>	<b>8.6</b>	<b>6.7</b>
<b>Food and Beverages</b>	<b>146.4</b>	<b>149.2</b>	<b>155.0</b>	<b>169.5</b>	<b>182.8</b>	<b>1.9</b>	<b>3.9</b>	<b>9.4</b>	<b>7.8</b>
Grains and Cereals Products	140.0	137.7	143.1	168.0	179.4	-1.6	3.9	17.4	6.8
Rice and Rice Products	136.8	133.1	137.9	164.5	167.7	-2.7	3.6	19.3	1.9
Pulses	129.8	132.7	138.3	150.1	173.0	2.2	4.2	8.5	15.3
Vegetables, Fruits and Nuts	141.5	141.9	151.6	159.8	181.2	0.3	6.8	5.4	13.4
Spices	143.7	149.7	145.0	150.5	190.3	4.1	-3.1	3.8	26.4
Meat, Fish and Eggs	151.0	159.9	167.7	174.7	185.5	5.9	4.9	4.2	6.2
Milk and Milk Products	150.6	155.3	154.7	161.1	171.6	3.1	-0.4	4.1	6.5
Oil and Ghee	139.8	157.3	152.7	149.0	159.4	12.5	-2.9	-2.4	7.0
Sugar and Related Products	120.3	121.4	147.8	158.2	146.4	0.9	21.7	7.0	-7.5
Beverages	168.2	169.2	170.8	189.0	200.7	0.6	0.9	10.7	6.2
Restaurant Meals	173.8	181.9	192.5	206.5	213.4	4.6	5.8	7.3	3.3
<b>Other Goods and Services</b>	<b>159.3</b>	<b>166.4</b>	<b>174.5</b>	<b>188.1</b>	<b>198.6</b>	<b>4.5</b>	<b>4.9</b>	<b>7.8</b>	<b>5.6</b>
Cloth, Clothing & Sewing Services	140.6	141.7	143.3	147.0	149.9	0.8	1.1	2.6	2.0
Cloths	131.1	130.8	132.4	135.0	138.8	-0.2	1.2	2.0	2.8
Clothings	142.0	143.4	144.3	147.5	149.5	1.0	0.6	2.2	1.4
Footwear	134.8	134.2	133.3	136.7	141.9	-0.4	-0.7	2.6	3.8
Housing	155.5	166.1	182.0	206.9	222.3	6.8	9.6	13.7	7.4
Fuel, Light and Water	179.7	197.7	225.7	272.6	297.9	10.0	14.2	20.8	9.3
Transport and Communication	171.7	185.0	194.3	223.6	245.2	7.7	5.0	15.1	9.7
Medical and Personal Care	162.0	169.5	173.1	177.8	182.5	4.6	2.1	2.7	2.6
Education, Reading and Recreation	194.5	200.5	209.3	215.5	227.5	3.1	4.4	3.0	5.6
Tobacco and Related Products	160.5	162.7	164.8	171.4	179.5	1.3	1.3	4.0	4.7

**Table 18**  
**NATIONAL WHOLESALE PRICE INDEX**  
 (By Groups and Sub-groups of Commodities)  
 (1999/2000 = 100)

Groups and Sub-groups	Weight %						Percentage Change			
		2002/03 1	2003/04 2	2004/05 3	2005/06 4	2006/07 5	2/1	3/2	4/3	5/4
<b>Overall Index</b>	<b>100.0</b>	<b>110.4</b>	<b>114.9</b>	<b>123.3</b>	<b>134.3</b>	<b>146.4</b>	<b>4.1</b>	<b>7.3</b>	<b>8.9</b>	<b>9.0</b>
<b>Agricultural Commodities</b>	<b>49.6</b>	<b>109.6</b>	<b>111.9</b>	<b>118.5</b>	<b>130.2</b>	<b>145.3</b>	<b>2.1</b>	<b>5.9</b>	<b>9.9</b>	<b>11.6</b>
Foodgrains	16.6	95.3	93.7	102.4	119.0	131.9	-1.7	9.3	16.2	10.9
Cash Crops	6.1	131.7	120.5	147.3	159.4	183.0	-8.5	22.2	8.2	14.8
Pulses	3.8	114.5	115.3	118.7	136.4	164.2	0.7	2.9	14.9	20.4
Fruits and Vegetables	11.2	112.3	121.3	114.7	120.7	131.7	8.0	-5.4	5.2	9.1
Spices	1.9	97.8	106.1	102.0	108.5	132.5	8.5	-3.9	6.4	22.1
Livestock Production	10.0	117.2	126.2	134.8	143.8	155.0	7.7	6.8	6.7	7.8
<b>Domestic Manufactured Commodities</b>	<b>20.4</b>	<b>108.4</b>	<b>114.5</b>	<b>121.6</b>	<b>126.0</b>	<b>136.7</b>	<b>5.6</b>	<b>6.2</b>	<b>3.6</b>	<b>8.5</b>
Food Related Products	6.1	107.2	109.0	112.0	116.4	125.9	1.7	2.8	3.9	8.2
Beverages and Tobacco	5.7	112.1	116.3	122.2	128.2	135.2	3.7	5.1	4.9	5.4
Construction Materials	4.5	109.5	126.4	145.9	149.1	172.3	15.4	15.4	2.2	15.6
Others	4.1	104.0	107.3	108.5	111.9	115.9	3.2	1.1	3.1	3.6
<b>Imported Commodities</b>	<b>30.0</b>	<b>113.1</b>	<b>120.1</b>	<b>132.3</b>	<b>146.5</b>	<b>154.7</b>	<b>6.2</b>	<b>10.2</b>	<b>10.7</b>	<b>5.6</b>
Petroleum Products and Coal	5.4	141.0	158.3	196.2	244.5	267.3	12.3	23.9	24.6	9.3
Chemical Fertilizers and Chemical Goods	2.5	122.9	127.6	143.1	162.1	169.5	3.8	12.1	13.2	4.6
Transport Vehicles and Machinery Goods	7.0	102.9	108.3	117.3	125.3	128.2	5.2	8.3	6.8	2.3
Electric and electronic Goods	1.9	97.6	96.1	96.7	96.2	95.6	-1.5	0.6	-0.6	-0.6
Drugs and Medicine	2.7	103.2	107.0	108.3	111.7	113.5	3.7	1.2	3.2	1.6
Textile related Products	3.1	105.8	110.8	113.2	111.4	110.7	4.7	2.2	-1.6	-0.6
Others	7.4	109.9	115.9	122.2	130.4	141.5	5.5	5.4	6.7	8.5

P : Provisional

**Table 19**  
**NATIONAL URBAN CONSUMER PRICE INDEX**  
**(1995/96 = 100)**  
**(y-o-y change)**

MONTHS	2004/05		2005/06		2006/07	
	INDEX	% CHANGES	INDEX	% CHANGES	INDEX	% CHANGES
JUL/AUG	159.1	2.4	170.7	7.3	183.1	7.3
AUG/SEP	160.2	2.6	173.3	8.2	184.8	6.6
SEP/OCT	161.2	2.6	173.8	7.8	186.9	7.5
OCT/NOV	160.8	2.7	174.5	8.5	186.9	7.1
NOV/DEC	159.0	3.1	173.0	8.8	185.6	7.3
DEC/JAN	159.5	4.6	170.6	7.0	183.6	7.6
JAN/FEB	161.4	5.7	170.8	5.8	184.5	8.0
FEB/MAR	161.9	5.7	174.3	7.7	185.1	6.2
MAR/APR	163.1	5.8	176.0	7.9	185.9	5.6
APR/MAY	164.0	6.4	179.0	9.1	187.3	4.6
MAY/JUN	164.6	6.2	179.6	9.1	187.6	4.5
JUN/JUL	166.8	6.6	180.6	8.3	189.8	5.1
<b>ANNUAL</b>	<b>161.8</b>	<b>4.5</b>	<b>174.7</b>	<b>8.0</b>	<b>185.9</b>	<b>6.4</b>

**Table 20**  
**NATIONAL SALARY AND WAGE RATE INDEX**  
(2004/05 = 100)

S.No.	Groups/Sub-groups	Weight %	2004/05	2005/06	2006/07	Percentage Change	
			Annual	Annual	Annual	5 over 4	6 over 5
1	2	3	4	5	6		
	<b>Overall Index</b>	<b>100.00</b>	<b>100.0</b>	<b>103.9</b>	<b>114.1</b>	<b>3.9</b>	<b>9.8</b>
	<b>1 Salary Index</b>	<b>26.97</b>	<b>100.0</b>	<b>100.3</b>	<b>106.6</b>	<b>0.3</b>	<b>6.3</b>
	Officers	9.80	100.0	100.2	105.8	0.2	5.6
	Non Officers	17.17	100.0	100.3	107.1	0.3	6.8
	<b>1.1 Civil Service</b>	<b>2.82</b>	<b>100.0</b>	<b>100.0</b>	<b>110.0</b>	<b>0.0</b>	<b>10.0</b>
	Officers	0.31	100.0	100.0	110.0	0.0	10.0
	Non Officers	2.51	100.0	100.0	110.0	0.0	10.0
	<b>1.2 Public Corporations</b>	<b>1.14</b>	<b>100.0</b>	<b>102.9</b>	<b>111.0</b>	<b>2.9</b>	<b>7.8</b>
	Officers	0.19	100.0	104.3	113.8	4.3	9.1
	Non Officers	0.95	100.0	102.7	110.5	2.7	7.6
	<b>1.3 Bank &amp; Financial Institutions</b>	<b>0.55</b>	<b>100.0</b>	<b>107.3</b>	<b>113.1</b>	<b>7.3</b>	<b>5.4</b>
	Officers	0.10	100.0	109.4	117.3	9.4	7.2
	Non Officers	0.45	100.0	106.9	112.1	6.8	4.9
	<b>1.4 Army &amp; Police Forces</b>	<b>4.01</b>	<b>100.0</b>	<b>100.0</b>	<b>111.4</b>	<b>0.0</b>	<b>11.4</b>
	Officers	0.17	100.0	100.0	109.9	0.0	9.9
	Non Officers	3.84	100.0	100.0	111.5	0.0	11.5
	<b>1.5 Education</b>	<b>10.55</b>	<b>100.0</b>	<b>100.0</b>	<b>107.0</b>	<b>0.0</b>	<b>7.0</b>
	Officers	6.80	100.0	100.0	106.5	0.0	6.5
	Non Officers	3.75	100.0	100.0	108.0	0.0	8.0
	<b>1.6 Private Organisations</b>	<b>7.90</b>	<b>100.0</b>	<b>100.0</b>	<b>101.3</b>	<b>0.0</b>	<b>1.3</b>
	Officers	2.24	100.0	100.0	101.5	0.0	1.5
	Non Officers	5.66	100.0	100.0	101.3	0.0	1.3
	<b>2 Wage Rate Index</b>	<b>73.03</b>	<b>100.0</b>	<b>105.3</b>	<b>116.8</b>	<b>5.3</b>	<b>10.9</b>
	<b>2.1 Agricultural Labourer</b>	<b>39.49</b>	<b>100.0</b>	<b>106.6</b>	<b>117.6</b>	<b>6.6</b>	<b>10.3</b>
	Male	20.49	100.0	105.8	116.3	5.8	10.0
	Female	19.00	100.0	107.6	119.0	7.6	10.6
	<b>2.2 Industrial Labourer</b>	<b>25.25</b>	<b>100.0</b>	<b>104.6</b>	<b>118.1</b>	<b>4.5</b>	<b>13.0</b>
	Highly Skilled	6.31	100.0	103.0	112.4	3.0	9.1
	Skilled	6.31	100.0	104.4	116.6	4.4	11.6
	Semi Skilled	6.31	100.0	105.3	119.9	5.3	13.9
	Unskilled	6.32	100.0	105.5	123.7	5.5	17.2
	<b>2.3 Construction Labourer</b>	<b>8.29</b>	<b>100.0</b>	<b>101.3</b>	<b>109.1</b>	<b>1.3</b>	<b>7.7</b>
	<b>Mason</b>	<b>2.76</b>	<b>100.0</b>	<b>102.3</b>	<b>109.6</b>	<b>2.3</b>	<b>7.1</b>
	Skilled	1.38	100.0	102.3	109.3	2.3	6.8
	Unskilled	1.38	100.0	102.2	109.8	2.2	7.4
	<b>Carpenter</b>	<b>2.76</b>	<b>100.0</b>	<b>101.1</b>	<b>107.0</b>	<b>1.1</b>	<b>5.8</b>
	Skilled	1.38	100.0	101.2	107.8	1.2	6.5
	Unskilled	1.38	100.0	101.1	106.2	1.1	5.1
	<b>Worker</b>	<b>2.77</b>	<b>100.0</b>	<b>100.4</b>	<b>110.7</b>	<b>0.4</b>	<b>10.2</b>
	Female	1.39	100.0	100.7	111.2	0.7	10.4

**Table 21**  
**NATIONAL WHOLESALE PRICE INDEX**  
**(1999/00 = 100)**  
**2006/07**  
**(y-o-y Change)**

MONTHS	Overall		Agricultural		Domestic Manufactured		Imported	
	Index	% Change	Index	% Change	Index	% Change	Index	% Change
JUL/AUG	142.4	6.7	140.2	4.5	132.6	7.2	152.8	10.0
AUG/SEP	147.1	9.1	149.6	11.8	133.0	7.3	152.4	6.1
SEP/OCT	149.0	10.4	153.5	14.6	132.9	6.7	152.4	6.1
OCT/NOV	150.5	10.3	154.2	13.1	135.5	8.5	154.5	7.1
NOV/DEC	146.3	8.9	145.6	10.2	136.0	9.1	154.5	7.0
DEC/JAN	143.0	10.4	138.5	13.1	136.6	9.7	154.7	7.2
JAN/FEB	145.1	12.6	142.1	17.5	137.2	9.8	155.4	7.3
FEB/MAR	146.7	12.2	145.0	19.9	137.7	8.7	155.5	3.7
MAR/APR	143.2	7.6	137.5	10.0	139.3	9.9	155.3	3.1
APR/MAY	145.4	6.2	141.7	7.5	139.5	8.4	155.4	3.0
MAY/JUN	146.0	5.6	142.1	6.1	140.0	8.2	156.5	3.5
JUN/JUL	151.8	8.5	153.4	11.6	140.5	8.7	157.0	3.9
<b>ANNUAL</b>	<b>146.4</b>	<b>9.0</b>	<b>145.3</b>	<b>11.6</b>	<b>136.7</b>	<b>8.5</b>	<b>154.7</b>	<b>5.6</b>

**Table 22**  
**TOWNWISE AVERAGE WAGE RATE**

S.No.	Groups/Sub-groups	Unit	2004/05				2005/06				2006/07				Percentage Change			
			KTM	BRT	BRJ	BHR	KTM	BRT	BRJ	BHR	KTM	BRT	BRJ	BHR	KTM	BRT	BRJ	BHR
<b>1</b>	<b>Agricultural Labourer</b>																	
	Male	Daily	152.50	90.28	116.67	72.50	176.67	94.58	116.81	80.00	223.33	105.00	116.67	80.83	26.41	11.01	-0.12	1.04
	Female	Daily	90.83	70.00	116.67	72.50	106.67	72.92	116.67	80.00	128.33	81.11	116.67	80.83	20.31	11.24	0.00	1.04
<b>2</b>	<b>Construction Labourer</b>																	
	<b>Mason</b>																	
	Skilled	Daily	331.94	192.78	175.00	216.67	316.67	234.86	175.00	222.22	333.33	270.00	175.00	250.00	5.26	14.96	0.00	12.50
	Unskilled	Daily	241.70	170.83	130.00	175.00	225.00	188.06	132.50	175.00	247.92	190.00	135.83	175.00	10.19	1.03	2.52	0.00
	<b>Carpenter</b>																	
	Skilled	Daily	331.94	193.89	200.00	216.67	316.67	234.86	200.00	222.22	329.17	270.00	200.00	250.00	3.95	14.96	0.00	12.50
	Unskilled	Daily	241.70	160.00	150.00	175.00	225.00	189.44	150.00	175.00	245.00	190.00	150.00	175.00	8.89	0.29	0.00	0.00
<b>3</b>	<b>Labour</b>																	
	Male	Daily	153.06	106.11	100.00	104.44	153.33	133.06	107.50	105.42	165.00	143.33	111.67	119.17	7.61	7.72	3.88	13.04
	Female	Daily	133.33	91.67	100.00	96.11	133.33	112.78	107.50	99.44	140.83	118.33	111.67	118.61	5.62	4.93	3.88	19.27

KTM = Kathmandu    BRT = Biratnagar    BRJ = Birgunj    BHR = Bhairahawa



**Table 23**  
**GOVERNMENT BUDGETARY OPERATION**

	Rs. in million				
	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	
				Budget Estimate	Revised Estimate
<b>Revenue and Grants</b>	<b>71763.9</b>	<b>83266.2</b>	<b>84596.0</b>	<b>108194.4</b>	<b>100836.2</b>
<i>Revenue</i>	<i>60480.5</i>	<i>68875.1</i>	<i>70768.5</i>	<i>84465.8</i>	<i>84890.2</i>
Tax Revenue	48173.0	54104.8	57427.0	69931.5	70046.2
Non-Tax Revenue <sup>1</sup>	12307.5	14770.3	13341.5	14534.3	14844.0
<i>Foreign Grants</i>	<i>11283.4</i>	<i>14391.2</i>	<i>13827.5</i>	<i>23728.6</i>	<i>15946.0</i>
<b>Expenditure and Investment</b>	<b>76797.2</b>	<b>87779.4</b>	<b>95110.6</b>	<b>127834.3</b>	<b>115465.7</b>
<i>Expenditure</i>	<i>78592.7</i>	<i>89027.1</i>	<i>95127.0</i>	<i>128153.4</i>	<i>116416.9</i>
Recurrent	55552.1	61686.4	67017.6	83767.9	80331.1
Capital	23040.6	27340.7	28109.4	44385.5	36085.8
<i>Loans and Investment, Net</i>	<i>-1795.5</i>	<i>-1247.7</i>	<i>-16.4</i>	<i>-319.1</i>	<i>-951.2</i>
Loans and Investment	55.0	0.0	1497.2	590.9	294.1
Principal Recovery	1850.5	1247.7	1513.6	910.0	1245.3
<b>Surplus(+) Deficit(-)</b>	<b>-5033.3</b>	<b>-4513.2</b>	<b>-10514.6</b>	<b>-19639.9</b>	<b>-14629.5</b>
<b>Source of Financing Deficits</b>	<b>5033.3</b>	<b>4513.2</b>	<b>10514.8</b>	<b>19639.9</b>	<b>14629.5</b>
<i>Internal Loans, Net</i>	<i>578.8</i>	<i>1358.0</i>	<i>4556.9</i>	<i>10199.6</i>	<i>10200.0</i>
Loans Received	5607.8	8938.1	11834.2	17900.0	17900.0
Principal Repayment	5029.0	7580.1	7277.3	7700.4	7700.0
<i>External Loans, Net</i>	<i>1863.2</i>	<i>3312.9</i>	<i>1226.8</i>	<i>9440.3</i>	<i>2891.0</i>
Loans Received	7629.0	9266.1	8214.3	16907.9	10331.0
Principal Repayments	5765.8	5953.2	6987.5	7467.6	7440.0
<b>Cash Balance (- Increase)</b>	<b>2591.4</b>	<b>-157.7</b>	<b>4731.1</b>	<b>0.0</b>	<b>1538.5</b>

1 Revenue receipts from principal repayment is not included.

Source: Budget Speeches, Economic Survey and Red Book, Ministry of Finance, GON.

**Table 24**  
**REVENUE \***

Rs. in million

	2003/04	2004/05	2005/06	2006/07 (BE)	2006/07 (RE)
<b>Tax Revenue</b>	<b>48173.0</b>	<b>54104.8</b>	<b>57427.0</b>	<b>69931.5</b>	<b>70046.2</b>
<b>Tax on External Trade</b>	<b>15554.8</b>	<b>15701.6</b>	<b>15343.7</b>	<b>18328.0</b>	<b>16911.2</b>
Import Duty <sup>1</sup>	14954.4	14888.3	14597.7	17537.0	16155.7
Export Duty	527.1	697.9	625.3	700.0	692.8
Others	73.3	115.3	120.7	91.0	62.7
<b>Commodity and Services Tax</b>	<b>20705.6</b>	<b>25331.3</b>	<b>28121.8</b>	<b>35010.5</b>	<b>34741.2</b>
VAT	14478.9	18885.4	21613.0	26423.0	26055.0
Excise Duties	6226.7	6445.9	6508.8	8587.5	8686.2
<b>Income and property Transfer Tax</b>	<b>11912.6</b>	<b>13071.9</b>	<b>13961.5</b>	<b>16593.0</b>	<b>18393.8</b>
Corporate Income Tax	6816.9	7345.0	7576.5	8964.9	9722.3
Government Corporation	2056.6	1332.4	195.8	1582.5	664.5
Non-Government Corporation	4760.2	6012.6	7380.8	7382.4	9057.8
Remuneration Tax	1391.2	1675.9	1771.1	1934.0	2162.9
Investment and other Tax	1306.4	1445.4	1585.9	1783.1	2722.3
House and Land Registration Tax	1697.5	1799.2	2180.3	2905.0	2863.5
House Land and other Property Tax	0.0	0.0	0.0	0.0	0.0
Vehicle Tax	700.6	806.5	847.6	1006.0	922.8
<b>Non-Tax Revenue</b>	<b>12307.5</b>	<b>14770.3</b>	<b>13341.5</b>	<b>14534.3</b>	<b>14844.0</b>
Forest	674.1	553.7	409.9	470.0	436.9
Interest	1656.5	1466.6	1734.6	925.0	1741.4
Dividend	2661.1	4589.9	3394.8	3960.0	4287.8
Departmental Receipts <sup>2</sup>	648.1	712.8	740.8	910.0	703.7
Civil Administration <sup>3</sup>	3377.4	3943.2	4705.5	4719.3	4640.5
Miscellaneous <sup>4</sup>	3290.3	3504.0	2356.0	3550.0	3033.6
<b>Total Revenue</b>	<b>60480.5</b>	<b>68875.1</b>	<b>70768.5</b>	<b>84465.8</b>	<b>84890.2</b>

\* Amount of Principal recovery is not included.

1 Includes imports duties, Indian Excise Refund and agriculture improvement duties.

2 Includes drinking water, irrigation, electricity, postal services, food and agriculture, education, transport and others.

3 Includes duties and fees and penalty, fines and forfeitures.

4 Includes royalty and sales of government property and donation and miscellaneous income.

BE: Budget Estimates, RE: Revised Estimates

Source: Budget Speeches, Economic Survey, Ministry of Finance, GON.

**Table 25**  
**RECURRENT EXPENDITURES\***

	Rs. in million			
	2003/04	2004/05	2005/06	2006/07BE
<b>General Administration and Constitutional Bodies</b>	<b>3958.1</b>	<b>4359.4</b>	<b>4891.2</b>	<b>6260.3</b>
Constitutional Bodies	737.2	813.9	1001.9	2762.6
General Administration	3220.9	3545.5	3889.3	3497.7
<b>Defence and Internal Security</b>	<b>12659.4</b>	<b>15429.4</b>	<b>17415.7</b>	<b>17142.9</b>
Defence	6629.6	8580.3	9706.0	9470.7
Police & Jail	6029.8	6849.1	7709.7	7672.2
<b>Social Services</b>	<b>20808.5</b>	<b>23208.8</b>	<b>25382.6</b>	<b>33558.7</b>
Education	13379.5	15960.2	17729.8	20942.9
Health	3826.4	4273.0	4851.3	7890.6
Drinking Water	351.5	396.1	407.9	613.2
Local Development	1687.2	1509.1	1542.5	1959.1
Other Social Services	1563.9	1070.4	851.1	2152.9
<b>Economic Services</b>	<b>5512.8</b>	<b>7167.8</b>	<b>7529.8</b>	<b>9950.9</b>
Agriculture	1856.0	2117.2	2437.5	3045.9
Irrigation	401.1	410.9	403.7	542.7
Land Reform & Cadastral Survey	336.9	354.9	370.3	710.0
Forest	1323.7	1582.1	1675.2	1797.2
Industry & Mining	498.0	491.8	412.6	531.2
Communication	86.7	1060.2	1123.3	1208.3
Transport	297.1	316.9	333.7	411.2
Electricity	34.3	85.2	105.3	127.6
Other Economic Services	679.0	748.6	668.2	1576.8
<b>Miscellaneous</b>	<b>12613.3</b>	<b>11521.0</b>	<b>11798.3</b>	<b>16855.1</b>
Interest Payments	6543.9	6218.0	6158.7	7859.9
Unclassified Expenditures	6069.4	5303.0	5639.6	8995.1
<b>Total Recurrent Expenditures</b>	<b>55552.1</b>	<b>61686.4</b>	<b>67017.6</b>	<b>83767.9</b>

\* Loans and Investment as well as Principal repayment on external and internal loans is not included.

Source: Budget Speeches, Economic Survey, Ministry of Finance, GON.

**Table 26**  
**CAPITAL EXPENDITURE**

	Rs. in million			
	2003/04	2004/05	2005/06	2006/07 (BE)
<b>Economic Administration and Planning</b>	<b>210.4</b>	<b>389.4</b>	<b>866.7</b>	<b>613.1</b>
Planning and Statistics	8.9	24.2	20.3	4.4
Constitutional Organs	36.9	38.0	100.9	343.5
General Administration	164.6	327.2	745.5	265.2
<b>Defence and Internal Security</b>	<b>2394.0</b>	<b>3180.7</b>	<b>2285.0</b>	<b>1316.7</b>
Defence	1890.4	2412.6	1606.2	889.4
Police & Jail	503.6	768.1	678.8	427.3
<b>Social Services</b>	<b>7135.2</b>	<b>7940.7</b>	<b>10151.8</b>	<b>18314.3</b>
Education	1003.4	1260.4	1609.6	1825.3
Health	142.2	409.3	948.2	1413.3
Drinking Water	2065.8	1440.0	1949.8	5575.6
Local Development	3538.8	4468.6	4682.4	7439.2
Other Social Services	385.0	362.4	961.8	2060.9
<b>Economic Services</b>	<b>13129.0</b>	<b>15394.9</b>	<b>14797.1</b>	<b>23585.3</b>
Agriculture	160.2	217.5	265.4	909.3
Irrigation	2070.9	1921.5	2462.7	3457.1
Land Reform & Cadastral Survey	51.8	88.6	98.9	70.7
Forest	459.8	410.7	148.0	174.9
Industry & Mining	40.5	23.5	31.0	65.3
Communication	356.5	536.8	283.6	437.4
Transport	3958.0	4149.6	4178.1	7337.7
Electricity	4746.2	7219.1	6256.4	8285.7
Other Economic Services	1285.1	827.6	1073.0	2847.3
<b>Unclassified Expenditures</b>	<b>172.0</b>	<b>435.0</b>	<b>8.8</b>	<b>556.1</b>
<b>Capital Expenditure</b>	<b>23040.6</b>	<b>27340.7</b>	<b>28109.4</b>	<b>44385.5</b>

Source: Budget Speeches, Economic Survey, Ministry of Finance, GON.

**Table 27**  
**FOREIGN AID AND DEBT SERVICING**

	Rs. in million				
	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	
				Budget Estimates	Revised Estimates
<b>Foreign Grants</b>	<b>11283.4</b>	<b>14391.2</b>	<b>13827.5</b>	<b>23728.6</b>	<b>15946.0</b>
Bilateral	8947.2	9104.3	7617.8	13451.2	9039.4
Multilateral	2336.2	5286.9	6209.7	10277.4	6906.6
<b>Foreign Loans, net</b>	<b>1863.2</b>	<b>3312.9</b>	<b>1226.8</b>	<b>9440.3</b>	<b>2891.0</b>
<i>Foreign Loans</i>	<i>7629.0</i>	<i>9266.1</i>	<i>8214.3</i>	<i>16907.9</i>	<i>10331.0</i>
Bilateral	66.0	126.5	40.6	2655.0	1622.3
Multilateral	7563.0	9139.7	8173.7	14252.9	8708.8
<i>Principal Repayments</i>	<i>5765.8</i>	<i>5953.2</i>	<i>6987.5</i>	<i>7467.6</i>	<i>7440.0</i>
<b>Total Foreign Aid, net</b>	<b>13146.6</b>	<b>17704.1</b>	<b>15054.3</b>	<b>33168.9</b>	<b>18837.0</b>
Interest Payment	2141.7	2146.7	2163.9	3165.3	2165.0

Source: Budget Speeches and Economic Survey, Ministry of Finance, GON.

**Table 28**  
**OUTSTANDING INTERNAL AND EXTERNAL DEBT OF GON**

	Rs. in million				
	2003	2004	2005	2006	2007
<b>Internal Debts*</b>	<b>80536.8</b>	<b>81411.4</b>	<b>82842.0</b>	<b>89954.9</b>	<b>99303.9</b>
Central Bank	19514.0	14353.3	12723.4	11049.2	15629.7
Commercial Banks	39469.3	43796.3	48550.7	58461.4	65836.4
Financial Institutions <sup>1</sup>	9587.5	9677.8	10287.5	9301.1	10178.8
Others	11966.0	13583.9	11280.3	11143.2	7658.9
<b>External Debts</b>	<b>223433.2</b>	<b>232779.3</b>	<b>219641.9</b>	<b>233968.6</b>	<b>216628.9</b>
Direct	223430.1	232777.5	219641.4	233968.6	216628.9
Indirect	3.1	1.8	0.5	0.0	0.0
<b>Total Debt</b>	<b>303970.0</b>	<b>314190.7</b>	<b>302483.9</b>	<b>323923.5</b>	<b>315932.8</b>

\* Includes Treasury Bills, Development Certificates, National Saving Certificates, Special Bonds and Citizen Saving Certificates

1 Includes Agricultural Development bank (until 2005), Provident Funds, Citizen Investment Trust, Insurance Companies, Rural Development Banks, Nepal Development Bank and Financial corporation

Source: Nepal Rastra Bank and Economic Survey, Ministry of Finance, GON.

**Table 29**  
**OWNERSHIP PATTERN OF GOVERNMENT BONDS\***

Rs in million

	2005		2006		2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Nepal Rastra Bank	1799.6	5.7	1828.3	6.8	1860.8	7.5
Commercial Banks	9049.1	28.8	7215.6	26.7	7224.9	29.1
Financial Institutions <sup>1</sup>	4998.9	15.9	4672.5	17.3	4649.0	18.7
Provident Fund Corporation	5088.6	16.2	4228.6	15.7	5529.9	22.2
Government Business Enterprises	300.3	1.0	230.0	0.9	0.0	0.0
Private Business Enterprises	358.4	1.1	418.5	1.6	342.5	1.4
Individuals	9376.8	29.8	8148.2	30.2	5204.1	20.9
Non-profit Organisation	487.1	1.5	242.9	0.9	47.3	0.2
<b>Total Debt</b>	<b>31458.9</b>	<b>100.0</b>	<b>26984.6</b>	<b>100.0</b>	<b>24858.5</b>	<b>100.0</b>

\* Includes Development Bonds, National Saving Certificates and Special Bonds

<sup>1</sup> Includes Financial corporations, Insurance Companies, Nepal Development Bank, Gramin Bikas Bank, Citizen Investment Trust and Nepal Telecommunication Corporation

Source : Nepal Rastra Bank.

**Table 30**  
**OWNERSHIP PATTERN OF TREASURY BILLS**

Rs. in million

	<b>Outstanding as at mid-July</b>					
	<b>2005</b>		<b>2006</b>		<b>2007</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Nepal Rastra Bank	10923.8	21.3	9209.3	14.6	13768.8	18.5
Commercial Banks	39501.6	76.9	51245.8	81.4	58611.5	78.7
Financial Institutions	200.0	0.4	400.0	0.6	0.0	0.0
Others	757.7	1.5	2115.2	3.4	2065.0	2.8
<b>Total Debt</b>	<b>51383.1</b>	<b>100.0</b>	<b>62970.3</b>	<b>100.0</b>	<b>74445.3</b>	<b>100.0</b>

Source : Nepal Rastra Bank.



**Table 31**  
**FOREIGN ASSISTANCE**

	Rs in million				
	2004/05	2005/06	2006/07*	% change	
				2005/06	2006/07
<b>A. Foreign Grants</b>	<b>14391.2</b>	<b>13807.9</b>	<b>13827.5</b>	<b>-4.1</b>	<b>0.1</b>
Bilateral	9104.3	8087.4	7617.8	-11.2	-5.8
Multilateral	5286.9	5720.5	6209.7	8.2	8.6
<b>B. Foreign Loans</b>	<b>9266.1</b>	<b>9416.6</b>	<b>8214.3</b>	<b>1.6</b>	<b>-12.8</b>
Bilateral	126.5	65.2	40.6	-48.5	-37.7
Multilateral	9139.7	9351.4	8173.7	2.3	-12.6
<b>Total (A+B)</b>	<b>23657.3</b>	<b>23224.5</b>	<b>22041.8</b>	<b>-1.8</b>	<b>-5.1</b>

\* Revised Estimate.

Source: Budget Speeches, Ministry of Finance, GON

**Table 32**  
**DIRECTION OF FOREIGN TRADE\***

	Rs. in million				
	2004/05	2005/06	2006/07P	% Change	
				2005/06	2006/07
<b>Total Exports</b>	<b>58705.7</b>	<b>60234.1</b>	<b>60795.8</b>	<b>2.6</b>	<b>0.9</b>
To India	38916.9	40714.7	41874.8	4.6	2.8
To Other Countries	19788.8	19519.4	18921.0	-1.4	-3.1
<b>Total Imports</b>	<b>149473.6</b>	<b>173780.3</b>	<b>191708.8</b>	<b>16.3</b>	<b>10.3</b>
From India	88675.5	107143.1	117740.4	20.8	9.9
From Other Countries	60798.1	66637.2	73968.4	9.6	11.0
<b>Total Trade Balance</b>	<b>-90767.9</b>	<b>-113546.2</b>	<b>-130913.0</b>	<b>25.1</b>	<b>15.3</b>
With India	-49758.6	-66428.4	-75865.6	33.5	14.2
With Other Countries	-41009.3	-47117.8	-55047.4	14.9	16.8
<b>Total Foreign Trade</b>	<b>208179.3</b>	<b>234014.4</b>	<b>252504.6</b>	<b>12.4</b>	<b>7.9</b>
With India	127592.4	147857.8	159615.2	15.9	8.0
With Other Countries	80586.9	86156.6	92889.4	6.9	7.8

\* On customs data basis

P = Provisional

**Table 33**  
**FOREIGN TRADE\***  
**(Monthly)**

Rs. in million

Months	2004/05			2005/06			2006/07 <sup>P</sup>		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
Jul/Aug	4,558.5	11,124.2	-6,565.7	5,061.4	13,664.8	-8,603.4	4,927.6	14,634.8	-9,707.2
Aug/Sep	4,421.6	11,311.0	-6,889.4	5,235.1	14,159.8	-8,924.7	5,576.9	15,882.5	-10,305.6
Sep/Oct	4,744.2	12,680.7	-7,936.5	5,257.2	13,863.9	-8,606.7	5,003.0	15,308.2	-10,305.2
Oct/Nov	4,496.7	11,550.5	-7,053.8	5,004.5	14,334.0	-9,329.5	5,332.6	16,267.5	-10,934.9
Nov/Dec	5,691.2	12,846.2	-7,155.0	5,971.6	16,087.9	-10,116.3	5,755.6	17,228.0	-11,472.4
Dec/Jan	4,322.2	12,265.9	-7,943.7	5,703.4	14,703.3	-8,999.9	4,777.4	14,193.2	-9,415.8
Jan/Feb	4,870.5	10,187.3	-5,316.8	4,552.7	14,324.6	-9,771.9	4,304.5	9,277.0	-4,972.5
Feb/Mar	4,663.4	9,909.6	-5,246.2	6,010.2	14,874.4	-8,864.2	4,308.0	11,900.0	-7,592.0
Mar/Apr	4,895.8	13,102.9	-8,209.1	3,759.5	11,008.4	-7,248.9	5,239.4	21,703.3	-16,463.9
Apr/May	5,531.3	15,020.9	-9,489.6	3,231.2	12,139.3	-8,908.1	4,420.7	17,362.3	-12,941.6
May/Jun	5,266.8	13,590.0	-8,323.2	5,240.4	16,546.1	-11,305.7	5,814.2	19,113.0	-13,298.8
Jun/Jul	5,243.5	15,884.4	-10,640.9	5,206.9	18,073.8	-12,866.9	5,335.9	18,839.0	-13,503.1
<b>Annual</b>	<b>58,705.7</b>	<b>149,473.6</b>	<b>-90,767.9</b>	<b>60,234.1</b>	<b>173,780.3</b>	<b>-113,546.2</b>	<b>60,795.8</b>	<b>191,708.8</b>	<b>-130,913.0</b>

\* = On customs data basis

R = Revised

P = Provisional

**Table 34**  
**COMMODITYWISE CLASSIFICATION OF FOREIGN TRADE\***

Rs. in million

Standard International Trade Classification Description	Exports			Imports		
	2004/05	2005/06	2006/07 <sup>P</sup>	2004/05	2005/06	2006/07 <sup>P</sup>
Food and live animals	6,993.5	7,192.0	7,547.6	9,820.7	13,298.7	13,079.3
Tobacco and beverages	31.6	25.0	26.0	1,015.6	1,161.8	1,136.9
Crude materials, inedibles except fuels	881.6	1,223.4	1,376.2	11,207.0	10,562.3	9,707.8
Mineral fuels and lubricants	4.2	3.2	0.0	29,927.3	36,447.0	36,346.5
Animal and vegetable oils and fats	5,070.3	4,284.6	4,542.3	6,016.3	10,196.6	10,937.6
Chemicals and drugs	3,677.6	3,686.9	4,071.7	19,179.7	24,750.2	25,956.5
Manufactured goods classified chiefly						
by materials	28,590.6	28,533.0	31,062.1	37,047.4	40,600.5	47,544.6
Machinery and transport equipments	207.6	1,201.9	1,240.9	26,262.1	26,194.6	35,588.6
Miscellaneous manufactured articles	13,239.6	14,081.6	10,929.0	7,551.8	10,417.8	11,152.7
Commodity and transactions not classified						
according to kind	9.1	2.5	0.0	1,445.7	150.8	258.3
<b>Total</b>	<b>58,705.7</b>	<b>60,234.1</b>	<b>60,795.8</b>	<b>149,473.6</b>	<b>173,780.3</b>	<b>191,708.8</b>

\* On customs data basis

P=Provisional

**Table 35**  
**COMMODITYWISE CLASSIFICATION OF FOREIGN TRADE WITH INDIA \***

Rs. in million

<b>Standard International Trade</b>	<b>Exports</b>			<b>Imports</b>		
	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07<sup>P</sup></b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07<sup>P</sup></b>
<b>Classification Description</b>						
0 Food and live animals	5,389.3	6,306.7	6,148.8	6,750.1	10,108.8	8,507.3
1 Tobacco and beverages	26.5	14.3	14.8	687.5	724.5	885.8
2 Crude materials, inedibles except fuels	736.6	1,163.3	1,295.9	4,670.4	5,437.6	5,499.5
3 Mineral fuels and lubricants	3.9	0.5	0.0	29,551.3	35,665.3	35,597.1
4 Animal and vegetable oils and fats	4,858.8	4,145.7	4,337.2	64.4	152.6	65.6
5 Chemicals and drugs	3,577.7	3,564.7	3,926.3	10,479.4	13,520.8	14,775.9
6 Manufactured goods classified chiefly by materials	21,353.1	21,928.3	23,745.3	22,652.0	25,487.4	29,836.5
7 Machinery and transport equipments	85.7	111.0	185.7	11,073.8	11,974.0	18,678.7
8 Miscellaneous manufactured articles	2,876.2	3,477.7	2,220.8	2,714.8	4,072.1	3,894.0
9 Commodity and transactions not classified according to kind	9.1	2.5	0.0	31.8	0.0	0.0
<b>Total</b>	<b>38,916.9</b>	<b>40,714.7</b>	<b>41,874.8</b>	<b>88,675.5</b>	<b>107,143.1</b>	<b>117,740.4</b>

\* On customs data basis

P=Provisional

**Table 36**  
**COMMODITYWISE CLASSIFICATION OF FOREIGN TRADE WITH**  
**OTHER COUNTRIES\***

Rs. in million

<b>Standard International Trade</b>	<b>Exports</b>			<b>Imports</b>		
	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07<sup>P</sup></b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07<sup>P</sup></b>
<b>Classification Description</b>						
0 Food and live animals	1,604.2	885.3	1,398.8	3,070.6	3,189.9	4,572.0
1 Tobacco and beverages	5.1	10.7	11.2	328.1	437.3	251.1
2 Crude materials, inedibles except fuels	145.0	60.1	80.3	6,536.6	5,124.7	4,208.3
3 Mineral fuels and lubricants	0.3	2.7	0.0	376.0	781.7	749.4
4 Animal and vegetable oils and fats	211.5	138.9	205.1	5,951.9	10,044.0	10,872.0
5 Chemicals and drugs	99.9	122.2	145.4	8,700.3	11,229.4	11,180.6
6 Manufactured goods classified chiefly by materials	7,237.5	6,604.7	7,316.8	14,395.4	15,113.1	17,708.1
7 Machinery and transport equipments	121.9	1,090.9	1,055.2	15,188.3	14,220.6	16,909.9
8 Miscellaneous manufactured articles	10,363.4	10,603.9	8,708.2	4,837.0	6,345.7	7,258.7
9 Commodity and transactions not classified according to kind	0.0	0.0	0.0	1,413.9	150.8	258.3
<b>Total</b>	<b>19,788.8</b>	<b>19,519.4</b>	<b>18,921.0</b>	<b>60,798.1</b>	<b>66,637.2</b>	<b>73,968.4</b>

\* On customs data basis

P=Provisional

**Table 37**  
**EXPORTS OF MAJOR COMMODITIES TO INDIA\***

		Rs. in million		
		2004/05	2005/06	2006/07 <sup>P</sup>
<b>Total</b>		<b>31,112.0</b>	<b>30,707.5</b>	<b>33,693.8</b>
1	Aluminium Section	879.2	893.7	831.5
2	Brans	57.1	105.9	121.3
3	Cardamom	607.0	608.1	848.1
4	Catechue	438.7	382.4	542.8
5	Cattlefeed	547.4	454.6	80.3
6	Chemicals	1,407.5	1,057.5	911.5
7	Copper Wire Rod	530.1	305.8	206.0
8	G.I. pipe	424.0	519.3	127.8
9	Ghee (Vegetable)	4,635.9	3,861.7	4,136.5
10	Ghee(Clarified)	83.1	103.0	81.4
11	Ginger	161.0	275.2	541.3
12	Herbs	132.4	133.5	104.3
13	Juice	1,091.3	1,139.6	1,591.3
14	Jute Goods	2,693.5	2,636.8	2,756.8
15	M.S. Pipe	316.6	105.7	761.9
16	Medicine (Ayurvedic)	205.6	301.1	145.5
17	Noodles	369.3	414.7	237.4
18	Oil Cakes	317.1	291.6	318.1
19	Paper	169.7	95.5	131.6
20	Particle Board	335.3	227.5	206.8
21	Pashmina	341.5	210.7	48.3
25	Plastic Utensils	1,361.6	808.3	415.1
26	Polyster Yarn	1,896.3	3,476.3	2,240.4
27	Pulses	667.1	643.2	306.9
28	Readymade garment	365.9	1,137.3	765.0
29	Ricebran Oil	199.0	112.6	178.3
30	Rosin	256.6	346.5	577.4
31	Shoes and Sandles	235.9	237.8	244.4
32	Skin	338.6	334.8	363.1
33	Soap	368.0	363.6	502.7
34	Stone and Sand	249.1	321.3	248.3
35	Tarperntine	52.7	105.1	154.9
36	Textiles*	2,996.6	2,154.6	3,056.9
37	Thread	2,213.7	1,898.3	4,055.9
38	Tooth Paste	1,283.0	730.8	663.4
39	Wire	1,221.4	1,504.1	1,610.7
40	Zinc sheet	1,663.2	2,409.0	3,579.9

\* Based on customs data

P = Provisional

**Table 38****EXPORTS OF MAJOR COMMODITIES TO OTHER COUNTRIES\***

	Rs. in million		
	2004/05	2005/06	2006/07 <sup>P</sup>
<b>Total</b>	<b>14,824.2</b>	<b>15,241.0</b>	<b>13,486.5</b>
1 Handicraft ( Metal and Wooden )	644.2	430.9	196.1
2 Herbs	54.7	19.0	39.5
3 Nepalese Paper & Paper Products	239.8	257.0	190.6
4 Nigerseed	0.0	7.0	8.8
5 Pashmina	1,049.8	1,577.8	931.0
6 Pulses	106.5	191.7	488.1
7 Readymade Garments	6,124.6	6,204.1	5,205.5
8 Readymade Leather Goods	30.2	14.4	111.1
9 Silverware and Jewelleries	363.2	282.4	325.4
10 Tanned Skin	235.8	310.4	275.5
11 Tea	106.7	107.6	114.7
12 Woolen Carpet	5,868.7	5,838.7	5,600.2

\* = Based on customs data

P = Provisional



**Table 39**  
**IMPORTS OF MAJOR COMMODITIES FROM INDIA\***

		Rs. in million		
		2004/05	2005/06	2006/07 <sup>P</sup>
	<b>Total</b>	<b>71494.7</b>	<b>80589.4</b>	<b>86303.5</b>
1	Agri. Equip.& Parts	431.3	671.6	1,073.1
2	Aluminium Ingot, Billet & Rod	443.2	259.9	424.6
3	Baby Food & Milk Products	492.7	571.9	357.8
4	Books and Magazines	338.3	319.3	318.8
5	Cement	2,457.4	1,933.6	2,327.9
6	Chemical Fertilizer	778.1	1,052.3	624.0
7	Chemicals	2,395.2	3,281.4	2,567.5
8	Coal	1,401.8	1,193.5	940.8
9	Coldrolled Sheet in Coil	4,084.5	797.7	2,079.6
10	Cosmetics	512.2	881.5	520.3
11	Cuminseeds and Peppers	207.4	317.2	157.2
12	Electrical Equipment	1,237.1	1,561.3	2,360.1
13	Enamel & Other Paints	242.4	216.2	291.5
14	Fruits	380.0	759.9	493.9
15	Glass Sheet and G.Wares	617.0	454.9	481.9
16	Hotrolled Sheet in Coil	568.6	1,144.8	2,052.7
17	Insecticides	149.0	283.6	452.6
18	Live Animals	346.0	512.1	187.6
19	M.S. Billet	3,393.8	3,883.4	4,384.2
20	M.S. Wire Rod	1,536.9	1,065.2	1,418.7
21	Medicine	3,435.8	4,389.0	4,442.4
22	Other Machinery & Parts	3,955.6	3,509.4	3,530.5
23	Other Stationary Goods	163.7	381.5	246.2
24	Paper	741.6	603.2	806.9
25	Petroleum Products	26,053.5	33,657.2	33,548.7
26	Pipe and Pipe Fittings	367.6	261.3	246.3
27	Plastic Utensils	495.7	268.2	84.2
28	Radio, TV, Deck & Parts	144.2	504.2	477.7
29	Readymade Garments	809.3	1,083.4	727.8
30	Rice	655.0	2,309.8	1,505.0
31	Salt	113.0	238.1	302.3
32	Sanitaryware	296.9	222.6	214.3
33	Sugar	60.4	226.0	17.4
34	Textiles	2,094.7	2,051.7	1,723.2
35	Thread	2,820.8	2,166.9	3,158.8
36	Tobacco	569.7	599.6	644.2
37	Tyre Tubes,Flapes	374.2	303.9	345.4
38	Vegetables	899.7	1,139.6	834.5
39	Vehicles & Spare Parts	5,357.1	5,213.7	9,794.5
40	Wire Products	73.3	298.8	138.3

\* = Based on customs data

P = Provisional

Table 40

**IMPORTS OF MAJOR COMMODITIES FROM OTHER COUNTRIES\***

		Rs in million		
		2004/05	2005/06	2006/07 <sup>P</sup>
	<b>Total</b>	<b>44,293.3</b>	<b>49,639.9</b>	<b>52,475.7</b>
1	Aircraft Spareparts	1,204.9	1,071.3	1,462.8
2	Betelnut	551.1	806.7	1,418.3
3	Chemical Fertilizer	169.1	389.1	617.3
4	Computer and Parts	1,122.1	1,353.8	2,662.5
5	Copper Wire Rod, Scrapes & Sheets	1,249.2	2,089.1	1,878.6
6	Cosmetic Goods	238.6	343.0	333.3
7	Crude Palm Oil	3,581.9	4,051.1	7,121.5
8	Crude Soyabean Oil	1,925.4	1,572.9	1,924.2
9	Edible Oil	719.3	456.2	635.2
10	Electrical Goods	1,299.7	2,872.7	2,693.7
11	Gold	4.9	2.9	3,519.9
12	M.S. Billet	499.1	916.7	1,123.6
13	M.S. Wire Rod	367.1	545.8	289.4
14	Medical Equip. & Tools	976.2	709.5	845.1
15	Medicine	702.4	1,108.1	1,536.9
16	Office Equip. & Stationary	214.4	221.3	78.7
17	Other Machinery & Parts	2,777.5	2,830.7	2,007.4
18	Other Stationaries	131.3	355.1	328.7
19	P. V. C. Compound	242.8	279.2	141.4
20	Palm Oil	3,035.0	2,788.4	324.7
21	Parafin Wax	39.7	147.0	146.2
22	Petroleum Products *	241.0	548.8	572.2
23	Pipe & Pipe Fittings	4.2	231.0	263.6
24	Polythene Granules	2,206.7	3,696.7	2,959.7
25	Raw Wool	1,841.1	1,511.1	1,184.5
26	Readymade Garments	1,797.2	2,332.1	521.1
27	Shoes and Sandals	1,188.5	728.3	141.4
28	Small Cardamom	229.9	209.5	268.8
29	Steel Rod & Sheet	10.3	158.0	51.9
30	Storage Battery	181.9	137.1	119.9
31	Synthetic Carpet	155.3	141.6	144.5
32	Telecommunication Equip. Parts	2,509.5	1,720.5	2,531.0
33	Tello	207.4	316.0	292.5
34	Textile Dyes	1,328.9	2,095.9	2,344.6
35	Textiles	3,070.8	2,854.3	2,093.5
36	Threads	3,090.5	1,610.8	1,125.6
37	Transport Equip. & Parts	1,907.5	2,155.7	2,660.7
38	Tyre, Tube & Flaps	135.4	158.9	69.8
39	Video Television & Parts	1,481.1	963.9	877.0
40	Writing & Printing Paper	419.3	832.0	791.5
41	Zinc Ingot	1,235.1	2,327.1	2,372.5

\* = Based on customs data

P = Provisional

**Table 41**  
**ITEMS IMPORTED FROM INDIA ON PAYMENT OF**  
**CONVERTIBLE FOREIGN EXCHANGE**

As at mid-July 2007

S. No.	Harmonized Section	Harmonized Code No.	Name of Items
1	13.01	13.01.02.00	Extracts
2	21.06	21.06.90.40	Soft Drink Concentrate
3	27.10	27.10.19.11	Furnace Oil
4	27.13	27.13.20.00	Bitumen
5	28.00	28.00.00.00	All industrial chemicals mentioned in this section (except chemicals used for the production of medicine for human being)
6	28.03	28.03.00.00	Carbon Black
7	29.01	29.01.10.00	L.L.P. (Light Liquid Paraffin )
8	29.02	29.02.20.00	Benzene / Toluene
9	29.05	29.05.11.00	Methanol
10	29.05	29.05.16.00	2-Ethyl Hexanol
11	29.05	29.05.31.00	Ethylene Glycol
12	29.05	29.05.44.00	Sorbitol
13	29.15	29.15.00.00	Methylene Salicylate
14	29.15	29.15.21.00	Acetic Acid
15	29.15	29.15.32.00	Vinyl Acetate Monomer
16	29.16	29.16.12.00	Buty Acrylate Monomer / 2 Etyl Hexyls Acrylate
17	29.17	29.17.34.00	Dibutyl Phthalate
18	29.17	29.17.35.00	Phthalic Anhydride
19	29.17	29.17.36.00	Terephthalic Acid
20	29.22	29.22.00.00	Oxygen Function Amino-Compounds
21	29.24	29.24.00.00	Carboxamide-Function Compounds
22	29.33	29.33.00.00	Heterocyclic compound
23	29.34	29.34.00.00	Nucleic Acids
24	29.41	29.41.00.00	Antibiotics
25	32.15	32.15.00.00	Printing Ink
26	33.02	33.02.90.00	Flavour (raw material used in toothpaste), Odoriferous Substances / Perfume
27	34.02	34.02.90.10	LABSA (raw material used in detergent)
28	38.17	38.17.10.00	Mixed Alkyl benzenes
29	38.23	38.23.11.00	Stearic Acid
30	38.23	38.23.19.00	Palm Stearin DFA / Palm Kernal DFA
31	39.01	39.01.10.00, 39.01.20.00	Polyethylene
32	39.02	39.02.10.00	Polypropylene
33	39.03	39.03.19.00	Polysterence
34	39.05	39.05.30.00	Polyvinyl Alcohol
35	39.07	39.07.60.00	Plastic Pet Chips / Pet Resin
36	39.11	39.11.90.00	PVC Resin
37	39.20	39.20.00.00	Polethylene
38	39.20	39.20.20.00	Polypropylene Films/Noodle Strapper
39	39.20	39.20.59.00	Printed Laminated Web
40	39.20	39.20.59.00	Seasoning Wrapper
41	40.01	40.01.00.00	Natural Rubber
42	40.02	40.02.00.00	Synthetic Rubber
43	48.01	48.01.00.00	News Print Paper
44	48.02	48.02.00.00	Papers
45	48.06	48.06.00.00	Papers
46	48.10	48.10.00.00	Paper
47	50.04	50.04.00.00	Silk Yarn
48	50.05	50.05.00.00	Silk Yarn

S. No.	Harmonized Section	Harmonized Code No.	Name of Items
49	51.06	51.06.00.00	Woolen yarn (yarn of carded wool, except hosiery)
50	51.07	51.07.00.00	Woolen yarn (yarn of Combed wool, except hosiery)
51	51.08	51.08.00.00	Woolen yarn (yarn of fine animal hair, except hosiery)
52	52.01	52.01.00.00	Cotton
53	52.05 and 52.06	52.05.11.00 to 52.05.14.00 and 52.06.11.00 to 52.06.14.00	Cotton yarn
54	54.02	54.02.42.00	Partially oriented Polyester yarn (except partially-oriented Polyester Yarn as per section 54.02.42.00 and Synthetic Filament Yarn as per section 54.02.49)
55	54.02	54.02.49.00	Synthetic Filament Yarn
56	54.03, 55.9, 55.10	54.03.00.00, 55.9.00.00 and 55.10.00.00	Artificial yarn (except hosiery)
57	55.01, 55.02, 55.03, 55.04, 55.06 and 55.07	55.01.00.00, 55.02.00.00, 55.03.00.00, 55.04.00.00, 55.06.00.00 and 55.07.00.00	Artificial fiber (human made)
58	55.03	55.03.20.00	Polyester fiber
59	55.04	55.04.10.00	Viscose Rayon (fiber)
60	59.02	59.02.00.00	Tyre cord fabric
61	70.10	70.10.90.00	Carboys, Bottles, Plasks, Jar, Pots.
62	72.03	72.03.90.00	Sponge Iron
63	72.04	72.04.49.00	M. S. Scrap
64	72.06	72.06.00.00	Iron Ingots
65	72.07	72.07.00.00	Mild steel billet
66	36.00, 37.00, 38.00, 39.00, 51.00 and 72.08	36.00.00.00, 37.00.00.00, 38.00.00.00, 39.00.00.00, 51.00.00.00, 72.08.52.00, 72.08.51.00 and 72.08.52.00	Hot rolled sheet in coil and not in coil
67	16.00, 17.00 and 72.09	16.00.00.00, 17.00.00.00 and 72.09.18.00	Cold roll sheet in coil
68	72.10	72.10.12.00	Tin plate
69	72.11	72.11.14.00	Hot rolled sheet in coil
70	72.11	72.11.19.00	Hot rolled sheet in coil
71	72.13	72.13.91.10	M.S. wire rod in coil
72	72.17	72.17.20.00, 72.17.30.00 and 72.17.90.00	Bead Wire (copper coated)
73	72.18	72.18.99.00	Steel byume
74	72.19	72.19.00.00	Steel plate
75	72.26	72.26.11.00	Silicon Steel
76	74.04	74.04.00.00	Aluminum Copper/Brass Scraps Re-Melted Ingots (as per the notice of Ministry of Environment, Science and Technology)
77	74.07	74.07.10.00	Copper Rods
78	74.08	74.08.11.0	Copper Wire
79	76.01	76.01.00.00	Aluminium ingot billet
80	76.04 and 76.05	76.04.00.00 and 76.05.00.00	Aluminium rod in coil
81	76.12	76.12.10.00	Tubes
82	79.01	79.01.11.00	Zinc
83	79.01	79.01.20.00	Zinc Alloy
84	83.09	83.09.10.00	Metal Crown Corks
85	84.00	84.00.00.00	All machinery equipment (except parts)

S. No.	Harmonized Section	Harmonized Code No.	Name of Items
86	85.01 and 85.02	85.01.00.00 and 85.02.00.00	Electric motor, generating set
87	85.04	85.04.90.00	Amorphous Metalcores
88	85.07	85.07.90.00	PP Battery Container & Battery Separator
89	85.29	85.29.90.00	TV PictureTube
90	85.40	85.40.11.00	Spare Parts for TV Receiver
91	Others, section not specified		Fabrics imported as raw materials by readymade garment exporting industries (under the provision of spending foreign exchange up to 50 percent of their export earnings)
92	17.02	17.02.30	Dextrose Anhydrous I.P.
93	25.23	25.23.10.00	Clinker
94	27.10	27.10.19.16	M.T.O. (Mineral Turpentile Oil)
95	27.10	27.10.19.90	Petrosole
96	29.16	29.16	Unsaturated Acycline Monocarboxylic Acid
97	29.35	29.35.00	Sulphonamides: Sulphamethoxazole, Sulphafurazole, Sulphadiazine, Sulphadimidine, Sulphacetamide
98	29.35	29.35.11	Sulphamethoxazole
99	29.35	29.35.12	Sulphafurazole
100	29.35	29.35.13	Sulphadiazine
101	29.35	29.35.14	Sulphadimidine
102	29.35	29.35.15	Sulphacetamide Sulphamethoxy, Pyridarine, Sulphamethiazole, Sulphamoxole, Sulphamide
103	29.35	29.35.21	Sulphamethoxy, Pyridarine
104	29.35	29.35.22	Sulphamethiazole
105	29.35	29.35.23	Sulphamoxole
106	29.35	29.35.24	Sulphamide
107	29.42	29.42	Other Organic Compounds
108	32.12	32.12.90.00	Ziline, Light Solvent Neptha
109	33.02	33.02.10	Essence Flavor
110	35.03	35.03	Geltain Capsules
111	39.05	39.05.42.00	Penta Aerithritole
112	39.20	39.2	Film of Polyester, Polythelyne, BOPP, Pvc, OPP, CPP
113	39.21	39.21.19	Printed Wrapper
114	39.23	39.23.90	Plastic Lolyop Stick
115	48.23	48.23.90 (76.07.20)	Chewing gum Wrapper
116	70.10	70.10.20	Stoppers, Lids and Other Closures
117	72.01	72.01.10.00	Pig Iron
118	72.11	72.11.23	CRCA Strips (76.20 MM)
119	76.07	76.07	Aluminum foils
120	79.01	79.01.12.00	Zinc
121	85.04	85.04.22.00	3000 KVA Transformer

**Table 42**  
**SUMMARY BALANCE OF PAYMENTS**

	Rs. in million		
Particulars	2004/05	2005/06	2006/07P
<b>A. Current Account</b>	<b>11,544.6</b>	<b>14,224.5</b>	<b>3,496.0</b>
Goods: Exports f.o.b.	59,956.1	61,482.4	62,900.8
Oil	0.0	0.0	0.0
Other	59,956.1	61,482.4	62,900.8
Goods: Imports f.o.b.	-145,718.2	-171,540.8	-187,451.3
Oil	-26,653.6	-33,657.2	-33,548.7
Other	-119,064.6	-137,883.6	-153,902.6
<b>Balance on Goods</b>	<b>-85,762.1</b>	<b>-110,058.4</b>	<b>-124,550.5</b>
<b>Services: Net</b>	<b>-2,034.2</b>	<b>-6,818.3</b>	<b>-8,377.3</b>
Services: credit	26,001.9	26,469.7	32,078.9
Travel	10,463.8	9,555.8	10,125.3
Government n.I.e.	6,804.9	7,441.5	12,336.4
Other	8,733.2	9,472.4	9,617.2
Services: debit	-28,036.1	-33,288.0	-40,456.2
Transportation	-10,602.2	-12,592.3	-14,557.4
Travel	-9,691.9	-11,960.8	-15,785.0
Other	-7,742.0	-8,734.9	-10,113.8
<b>Balance on Goods and Services</b>	<b>-87,796.3</b>	<b>-116,876.7</b>	<b>-132,927.8</b>
<b>Income: Net</b>	<b>1,636.5</b>	<b>4,955.5</b>	<b>7,431.8</b>
Income: credit	7,751.6	11,432.3	14,500.8
Income: debit	-6,115.1	-6,476.8	-7,069.0
<b>Balance on Goods, Services and Income</b>	<b>-86,159.8</b>	<b>-111,921.2</b>	<b>-125,496.0</b>
<b>Transfers: Net</b>	<b>97,704.4</b>	<b>126,145.7</b>	<b>128,992.0</b>
Current transfers: credit	101,310.1	130,861.7	133,196.8
Grants	21,071.9	18,851.1	18,218.2
Workers' remittances	65,541.2	97,688.5	100,144.8
Pensions	12,502.2	12,007.6	12,937.0
Other	2,194.8	2,314.5	1,896.8
Current transfers: debit	-3,605.7	-4,716.0	-4,204.8
<b>B. Capital Account (Capital Transfer)</b>	<b>1,573.6</b>	<b>3,107.0</b>	<b>4,449.9</b>
<b>Total, Groups A plus B</b>	<b>13,118.2</b>	<b>17,331.5</b>	<b>7,945.9</b>
<b>C. Financial Account (Excluding Group E)</b>	<b>-25,536.9</b>	<b>-1,324.5</b>	<b>-2,362.1</b>
Direct investment in Nepal	136.0	-469.7	362.3
Portfolio Investment	0.0	0.0	0.0
Other investment: assets	-21,863.2	-14,008.8	-10,690.0
Trade credits	-323.8	-1,629.5	-5,127.6
Other	-21,539.4	-12,379.3	-5,562.4
Other investment: liabilities	-3,809.7	13,154.0	7,965.6
Trade credits	-4,489.0	9,232.5	1,727.8
Loans	744.4	526.9	1,455.6
General Government	1,300.4	703.7	2,150.7
Drawings	7,253.7	7,691.0	9,689.7
Repayments	-5,953.3	-6,987.3	-7,539.0
Other sectors	-556.0	-176.8	-695.1
Currency and deposits	-65.1	3,394.6	4,782.2
Nepal Rastra Bank	46.2	-116.5	2.4
Deposit money banks	-111.3	3,511.1	4,779.8
Other liabilities	0.0	0.0	0.0
<b>Total, Group A through C</b>	<b>-12,418.7</b>	<b>16,007.0</b>	<b>5,583.8</b>
<b>D. Miscellaneous Items, Net</b>	<b>18,095.7</b>	<b>12,985.4</b>	<b>5,082.3</b>
<b>Total, Group A through D</b>	<b>5,677.0</b>	<b>28,992.4</b>	<b>10,666.1</b>
<b>E. Reserves and Related Items</b>	<b>-5,677.0</b>	<b>-28,992.4</b>	<b>-10,666.1</b>
Reserve assets	-6,462.2	-28,992.3	-13,389.8
Nepal Rastra Bank	-3,251.3	-21,297.1	-10,942.8
Deposit money banks	-3,210.9	-7,695.2	-2,447.0
Use of Fund Credit and Loans	785.2	-0.1	2,723.7
<b>Changes in reserve net (- increase)</b>	<b>-5,742.1</b>	<b>-25,597.8</b>	<b>-5,883.9</b>

P=Provisional

**Table 43**  
**RECEIPTS AND EXPENDITURE OF CONVERTIBLE**  
**FOREIGN EXCHANGE\***

	Rs in million		
	2004/05	2005/06	2006/07
<b>Income</b>	<b>123,268.4</b>	<b>157,297.3</b>	<b>179,967.3</b>
Services	77,493.8	109,764.3	127,693.0
Remittances	61,784.7	92,748.7	107,417.4
Gorkha Remittances	5,012.8	5,231.2	5,856.3
Tourist Expenditure	11,814.9	11,710.9	12,645.8
Interest Receipts	3,284.2	4,814.9	6,872.6
Others	610.1	489.8	757.2
Merchandise Exports	20,851.9	21,738.5	22,366.8
Diplomatic Mission	3,505.2	5,281.5	7,794.0
Foreign Aid	20,397.5	17,117.7	16,622.2
Loan	6,020.5	7,351.8	8,289.6
Miscellaneous	1,020.0	3,395.3	5,491.3
<b>Expenditures</b>	<b>108,931.7</b>	<b>135,184.9</b>	<b>165,471.4</b>
Services	14,449.7	16,544.5	19,492.1
Interest Payments	2,089.3	1,879.8	1,960.9
Others	12,360.3	14,664.7	17,531.2
Amortization	5,285.3	5,244.5	6,520.5
Merchandise Imports	63,086.7	67,684.3	74,881.8
Diplomatic Mission	621.5	649.8	403.4
Miscellaneous	25,488.5	45,061.9	64,173.6
<b>Surplus (+) Deficit(-)</b>	<b>14,336.7</b>	<b>22,112.3</b>	<b>14,495.9</b>

\* Data based on foreign exchange record of Nepal Rastra Bank

Note: Figures of some heads, sub-heads may not tally with the published figures in previous year due to some changes made in composition of respective heads and sub-heads

**Table 44**  
**FOREIGN ASSETS AND LIABILITIES OF THE BANKING SYSTEM**

	Rs. in million		
	Mid-July		
	2005	2006	2007
<b>A. Monetary Authorities</b>			
A.1. Foreign Assets	105,444.2	133,036.3	130,193.5
Gold	383.4	405.0	0.0
IMF Gold Tranche	0.0	0.0	0.0
SDRs	637.1	663.7	587.5
Foreign Exchange	104,423.7	131,967.6	129,606.0
Convertible	100,823.6	124,147.2	123,734.9
In-convertible	3,600.1	7,820.4	5,871.1
A.2. Foreign Liabilities	1,590.0	1,566.6	3,928.3
A.3. Net Foreign Assets (A1-A2)	103,854.2	131,469.7	126,265.2
<b>B. Commercial Banks</b>			
B.1. Foreign Exchange	25,472.7	33,065.4	35,499.6
Convertible	23,154.9	31,790.7	31,681.0
In-convertible	2,317.8	1,274.7	3,818.6
B.2. Total Liabilities	21,584.8	25,095.9	29,875.7
B.3. Net Foreign Assets	3,887.9	7,969.5	5,623.9
<b>C. Banking System (Total)</b>			
C.1. Foreign Assets	130,916.9	166,101.7	165,693.1
Gold, IMF Gold Tranche, SDRs	1,020.5	1,068.7	587.5
Foreign Exchange	129,896.4	165,033.0	165,105.6
Convertible	123,978.5	155,937.9	155,415.9
In-convertible	5,917.9	9,095.1	9,689.7
C.2. Foreign Liabilities	23,174.8	26,662.5	33,804.0
C.3. Net Foreign Assets	107,742.1	139,439.2	131,889.1



**Table 45**  
**GROSS OFFICIAL FOREIGN ASSETS\***  
(Monthly)

	Rs in Million		
<b>Mid-month</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
August	105,877.5	105,729.1	137,521.3
September	106,012.6	104,725.4	132,982.5
October	108,573.5	104,920.1	131,783.2
November	108,293.3	110,477.2	130,443.8
December	105,439.0	111,411.3	137,622.7
January	108,861.0	112,848.9	138,067.1
February	105,652.5	113,640.6	137,553.6
March	106,974.2	114,444.1	142,696.7
April	108,930.9	116,116.1	137,918.1
May	108,313.6	122,580.5	130,326.5
June	106,833.2	129,056.9	126,858.6
July	105,444.2	133,036.3	130,193.5

\* Include gold bullion and coins, IMF Reserve Tranche, SDRs and foreign exchange of Monetary Authority

Source: Nepal Rastra Bank.

**Table 46**  
**INTERVENTION IN FOREIGN EXCHANGE MARKET**  
**(Amount in million US dollar)**

<b>Date</b>	<b>Purchased</b>			<b>Sold</b>	
	<b>Rate</b>	<b>Amount</b>		<b>Rate</b>	<b>Amount</b>
Jul 20, 2006	74.91	1.9	Jan 22, 2007	71.04	7.2
Jul 21, 2006	75.01	18.4			
Jul 26, 2006	75.16	23			
Jul 31, 2006	74.66	7.8			
Aug 7, 2006	74.57	10.1			
Aug 8, 2006	74.41	1.4			
Aug 15, 2006	74.61	24.9			
Aug 18, 2006	74.59	23.1			
Aug 25, 2006	74.51	3.6			
Aug 30, 2006	74.46	7.6			
Sep 7, 2006	74.13	11.1			
Sep 14, 2006	74.06	18.45			
Sep 19, 2006	73.86	9.75			
Sep 22, 2006	73.46	17.4			
Sep 28, 2006	73.56	9.7			
Oct 12, 2006	73.31	23.6			
Oct 17, 2006	72.86	15.8			
Oct 20, 2006	72.56	13.4			
Oct 27, 2006	72.56	12.2			
Oct 31, 2006	72.22	15.5			
Nov 8, 2006	71.81	17.5			
Nov 15, 2006	72.36	12.45			
Nov 20, 2006	72.16	21			
Nov 24, 2006	71.58	15			
Nov 28, 2006	71.46	0.55			
Dec 1, 2006	71.64	15.8			
Dec 6, 2006	71.31	8.9			
Dec 13, 2006	71.71	7.1			
Dec 15, 2006	71.71	27.5			
Dec 26, 2006	71.46	14			
Jan 5, 2007	71.10	5			
Jan 9, 2007	71.07	3.2			
Jan 12, 2007	71.39	53.75			
Jan 25, 2007	70.86	7.6			
Jan 31, 2007	70.96	12.8			
Feb 5, 2007	70.62	15.9			
Feb 7, 2007	70.61	4.85			
Feb 12, 2007	70.61	6.4			

Date	Purchased		Sold	
	Rate	Amount	Rate	Amount
Feb 14, 2007	70.73	15.9		
Feb 20, 2007	70.62	9.3		
Feb 21, 2007	70.66	2.9		
Feb 26, 2007	70.86	12.1		
Feb 28, 2007	70.76	13.4		
Mar 5, 2007	70.86	9.6		
Mar 7, 2007	71.24	1.6		
Mar 12, 2007	70.96	32.5		
Mar 14, 2007	70.76	5.2		
Mar 20, 2007	70.72	9.35		
Mar 22, 2007	69.85	7.6		
Mar 28, 2007	69.91	3.9		
Mar 29, 2007	69.11	7.8		
Apr 4, 2007	68.96	1.3		
Apr 10, 2007	68.66	9.85		
Apr 11, 2007	68.66	11.1		
Apr 16, 2007	68.47	20.2		
Apr 18, 2007	66.86	14.3		
Apr 26, 2007	65.71	8.8		
Apr 30, 2007	65.66	2.3		
May 7, 2007	65.48	11.3		
May 9, 2007	65.26	10.6		
May 16, 2007	65.36	3.3		
May 21, 2007	65.46	21.15		
May 23, 2007	64.96	2.6		
May 29, 2007	64.96	6		
May 30, 2007	64.76	2		
Jun 4, 2007	64.91	9.9		
Jun 6, 2007	64.91	8.1		
Jun 11, 2007	65.51	6.1		
Jun 13, 2007	65.22	23.6		
Jun 18, 2007	65.56	4.4		
Jun 20, 2007	65.21	6.7		
Jun 25, 2007	65.16	7.3		
Jun 27, 2007	65.57	6		
Jul 2, 2007	65.26	5		
Jul 9, 2007	64.86	12.45		
Jul 11, 2007	64.86	17.25		
Jul 16, 2007	65.14	42.2		
		<b>923.0</b>		<b>7.2</b>
<b>Net</b>		<b>-915.8</b>		

Table 47  
**FOREIGN LOAN AGREEMENTS**  
**IN 2006/07**  
**(Date and Purpose/Projectwise)**

(Rs in Million)

S.No.	Date of Agreement Signed	Donor Agency/Govt.	Amount	Name of the Project/Purpose
1	November 1, 2006	ADB	4038.7	Rural Finance Sector Development Cluster Program
2	December 28, 2006	ADB	2124.0	Education Sector Program 1 (ESP)
<b>Total Amount</b>			<b>6162.7</b>	

Source: Ministry of Finance, GON

Table 48  
**FOREIGN GRANT AGREEMENTS**  
**In 2006/07**  
**(Date and Purpose / Projectwise)**

S. N.	Date of agreement signed	Donar Agency / Government	Amount	Name of Project / Purpose
1	July 27, 2006	China	900.0	Economic and Technical Cooperation
2	August 15, 2006	Japan	1067.5	Debt Relief Fund
3	August 28, 2006	USA	787.3	Enhance Stability and Security (Conflict Program)
4	August 28, 2006	USA	429.9	Strengthen Governance and Protect Human Rights (Democracy and Governance Program)
5	August 28, 2006	USA	52.0	Develop Capacity of Critical Institution (Rule of Law Program)
6	August 28, 2006	USA	677.2	Build Capacity of Critical Institutions (Health Program)
7	August 28, 2006	USA	495.6	Enhance Stability and Security (HIV/AIDS Program)
8	September 1, 2006	Finland	1087.7	Rural Village Water Resources Management Project
9	September 11, 2006	ADB	4121.2	Road Connectivity Sector
	September 11, 2006	India	1600.0	Budgetary Support
10	September 13, 2006	Japan	588.4	Improvement of Short Wave and Medium Wave Radio Broadcasting Stations
11	November 1, 2006	ADB	627.4	Rural Finance Sector Development Cluster Program
12	November 9, 2006	Switzerland	500.0	District Roads Support Program (DRSP) Phase III
13	December 14, 2006	Denmark	231.0	Kailali Kanchanpur Rural Electrification Project
14	December 15, 2006	Japan	668.8	Non Project Grant Assistance Scheme
15	December 28, 2006	ADB	141.6	Capacity Development Project
16	January 8, 2007	Canada	46.1	Consolidating Capacities of Gender Resource Organizations (CCGRO) Project
17	January 17, 2007	South Korea	82.0	Nepal-Korea Friendship Hospital, Thimi
18	February 15, 2007	Switzerland	627.2	Trail Bridge Sub Sector Programme (TBSSP) Phase II
19	February 15, 2007	Switzerland	53.8	Raising the Impact of National Skill Testing System in Nepal Programme Phase I
20	February 23, 2007	ADB	1270.8	Commercial Agriculture Development Project in the Eastern Development Region
17	March 2, 2007	Switzerland	53.6	Local Infrastructure for Livelihood Improvement (LILI) Phase I Project
18	March 2, 2007	Switzerland	86.9	Support to Peace Process in Nepal
19	March 5, 2007	Japan	180.0	Increase of Food Production (2KR) Programme
20	March 7, 2007	Norway	130.0	Nepal Peace Trust Fund
21	March 9, 2007	World Bank	1776.0	Poverty Alleviation Fund Project
22	March 9, 2007	World Bank	1293.0	Avian Influenza Control Project
23	March 15, 2007	Denmark	1833.0	Energy Sector Assistance Program II (ESAP II)
24	March 15, 2007	Norway	1250.0	Energy Sector Assistance Program II (ESAP II)
25	March 15, 2007	Japan	180.0	Food Aid Program (Food Aid - KR)
26	March 16, 2007	Japan	16.0	Improvement of TV Programs of Nepal Television Corporation (Cultural Grant)
27	April 4, 2007	Denmark	123.0	Nepal Peace Trust Fund
28	April 27, 2007	India	N/A	Nepal-Bharat Maitri Bhaktawari-Hari Eye Hospital in Krishnanagar
29	April 30, 2007	World Bank	3924.0	Second Higher Education Project
30	May 28, 2007	Finland	261.2	Nepal Peace Trust Fund
31	June 8, 2007	Japan	452.3	Construction of New Kawasoti Sub-station
32	June 22, 2007	Germany	871.1	Sector Programme Health and Family Planning
33	June 22, 2007	Germany	1045.3	Middle Marsyangdi Hydroelectric Project
34	July 5, 2007	Japan	869.2	Debt Relief Fund
<b>Total Amount</b>			<b>30400.1</b>	

Source : Ministry of Finance, GON

**Table 49**  
**COMMITMENT OF FOREIGN AID IN**  
**2006/07**  
**(Donorwise Classification)**

				Rs in million
S.No.	Sector	Grant	Loan	Total
<b>A. Bilateral</b>				
1	Canada	46.1	0.0	46.1
2	China	900.0	0.0	900.0
3	Denmark	2,187.0	0.0	2,187.0
4	Finland	1,348.9	0.0	1,348.9
5	Germany	1,916.4	0.0	1,916.4
6	India	1,600.0	0.0	1,600.0
7	Japan	4,022.2	0.0	4,022.2
8	Norway	1,380.0	0.0	1,380.0
9	Switzerland	1,321.4	0.0	1,321.4
10	South Korea	82.0	0.0	82.0
11	USA	2,441.9	0.0	2,441.9
<b>Sub Total (A)</b>		<b>17,246.0</b>	<b>0.0</b>	<b>17,246.0</b>
<b>B. Mulilateral</b>				
1	ADB	6,161.0	6,162.7	12,323.8
2	World Bank	6,993.0	0.0	6,993.0
<b>Sub Total (B)</b>		<b>13,154.0</b>	<b>6,162.7</b>	<b>19,316.8</b>
<b>Grand Total (A+B)</b>		<b>30,400.1</b>	<b>6,162.7</b>	<b>36,562.8</b>

*Source: Ministry of Finance, GON*

**Table 50**  
**SDR HOLDING TRANSACTIONS WITH THE IMF**  
**As at mid-July 2007**

		In SDRs	
Date	Description	Debit	Credit
Aug 13, 2006	Quarterly Interest	56383.0	-
Aug 13, 2006	Allocation Charges	-	74884.0
Nov 9, 2006	Quarterly Interest	59545.0	-
Nov 9, 2006	Allocation Charges	-	79623.0
Jan 1, 2007	Interest on PRGF	-	43756.0
Feb 8, 2007	Quarterly Interest	61956.0	-
Feb 8, 2007	Allocation Charges	-	83353.0
May 8, 2007	Assesment charge	-	391.0
May 13, 2007	Allocation Charges	-	83488.0
May 13, 2007	Quarterly Interest	61556.0	-
Jul 4, 2007	Interest on PRGF	-	71104.0
	<b>Total</b>	<b>239440.0</b>	<b>436599.0</b>
	<b>Opening Balance</b>	<b>6079490.0</b>	<b>-</b>
	<b>Closing Balance</b>	<b>-</b>	<b>5882331.0</b>
		<b>6318930.0</b>	<b>6318930.0</b>

Source: Foreign Exchange Management Department, NRB.

**Table 51**  
**LIABILITY TO IMF**

	Rs in million (In Million SDR)		
	2004/05	2005/06	2006/07
1. Standby Credit	Nil	Nil	Nil
2. IMF Trust Fund	Nil	Nil	Nil
3. SAF	Nil	Nil	Nil
4. ESAF	Nil	Nil	Nil
5. PRGF	1463.6 (14.3)	1561.2 (14.3)	3916.0 (39.2)
<b>Total</b>	1463.6 (14.3)	1561.2 (14.3)	3916.0 (39.2)

Source: Foreign Exchange Management Department, NRB.



**Table 52**  
**MONETARY SURVEY**

(Rs. in million)

Monetary aggregates	2005	2006	2006	2007	Changes during the Fiscal Year			
					2005/06		2006/07	
					Jul	Jul	Jul (ADB)	Jul (e)
1. Foreign Assets, Net	107742.1	139439.1	139439.2	131889.1	25597.6 <sup>1/</sup>	23.8	5883.9 <sup>2/</sup>	4.2
1.1. Foreign Assets	130916.8	166101.6	166101.7	165693.1	35184.8	26.9	-408.6	-0.2
1.2 Foreign Currency Deposits	21557.2	25088.2	25088.1	28247.2	3531.0	16.4	3159.1	12.6
1.3 Other Foreign Liabilities	1617.6	1574.4	1574.4	5556.8	-43.2	-2.7	3982.5	253.0
2. Net Domestic Assets	192697.9	207982.5	207384.8	263431.5	21384.0 <sup>1/</sup>	11.1	42612.7 <sup>2/</sup>	20.5
2.1. Domestic Credit	280240.4	302069.9	322683.8	360558.1	21829.5	7.8	37874.4	11.7
<i>Domestic Credit*</i>	<i>280240.4</i>	<i>313116.5</i>	<i>322683.8</i>	<i>376581.9</i>	<i>32876.1</i>	<i>11.7</i>	<i>53898.2</i>	<i>16.7</i>
a. Net Claims on Govt.	63894.5	70568.0	70970.6	78343.6	6673.5	10.4	7373.1	10.4
i. Claims on Govt.	63894.5	70568.0	70970.6	81466.2	6673.5	10.4	10495.6	14.8
ii. Govt. Deposits	0.0	0.0	0.0	3122.5	0.0		3122.5	
b. Claims on Non-Financial Govt. Ent.	6566.2	4460.9	4560.9	5114.9	-2105.3	-32.1	554.0	12.1
c. Claims on Financial Institutions	12762.8	12719.8	3581.9	3622.2	-43.1	-0.3	40.3	1.1
i. Government	12730.8	12660.5	1808.3	1713.0	-70.3	-0.6	-95.3	-5.3
ii. Non-government	32.0	59.3	1773.6	1909.2	27.3	85.2	135.6	7.6
d. Claims on Private Sector	197016.9	214321.3	243570.4	273477.4	17304.4	8.8	29907.0	12.3
<i>Claims on Private Sector*</i>	<i>197016.9</i>	<i>225367.9</i>	<i>243570.4</i>	<i>289501.2</i>	<i>28351.0</i>	<i>14.4</i>	<i>45930.8</i>	<i>18.9</i>
2.2. Net Non-monetary Liabilities	87542.5	94087.3	115298.9	97126.6	445.5 <sup>1/</sup>	0.5	-4738.3 <sup>2/</sup>	-4.1
<i>Net Non-Monetary Liabilities*</i>	<i>87542.5</i>	<i>105133.9</i>	<i>115298.9</i>	<i>113150.4</i>	<i>11492.1</i> <sup>1/</sup>	<i>13.1</i>	<i>11285.5</i> <sup>2/</sup>	<i>9.8</i>
3. Broad Money (M2)	300439.9	347421.6	346824.0	395320.5	46981.7	15.6	48496.5	14.0
3.1. Money Supply (M1)	100205.7	114388.6	113060.7	126690.3	14182.9	14.2	13629.6	12.1
a. Currency	68784.1	77926.3	77780.4	83515.8	9142.2	13.3	5735.4	7.4
b. Demand Deposits	31421.6	36462.3	35280.3	43174.3	5040.7	16.0	7894.0	22.4
3.2. Time Deposits	200234.2	233033.0	233763.3	268630.2	32798.8	16.4	34866.9	14.9
4. Broad Money Liquidity (M3)	321997.1	372509.8	371912.2	423567.8	50512.7	15.7	51655.6	13.9

<sup>1/</sup> Adjusting the exchange valuation gain of Rs. 6099.38 million.

<sup>2/</sup> Adjusting the exchange valuation loss of Rs 13433.95 million.

e = estimates.

\*Adjusting credit write off of Rs11.05 billion (Rs 3629.2 million in principal and Rs 7417.4 in interest) by NBL at mid-July 2006 in the series of July

**Table 53**  
**MONETARY AUTHORITIES' ACCOUNT**

Rs in million

	2005 Jul	2006 Jul	2006 Jul (ADB)	2007 Jul (e)	Changes during the Fiscal Year			
					2005/06		2006/07	
					Amount	Percent	Amount	Percent
<b>1. Foreign Assets</b>	<b>105444.2</b>	<b>133036.3</b>	<b>133036.3</b>	<b>130193.5</b>	<b>27592.1</b>	<b>26.2</b>	<b>-2842.8</b>	<b>-2.1</b>
1.1 Gold	383.4	405.0	405.0	0.0	21.6	5.6	-405.0	-100.0
1.2 SDR Holdings	637.1	663.7	663.7	587.5	26.6	4.2	-76.2	-11.5
1.3 Reserve Position in the Fund	0.0	0.0	0.0	0.0	0.0		0.0	
1.4 Foreign Exchange	104423.7	131967.6	131967.6	129606.0	27543.8	26.4	-2361.6	-1.8
<b>2. Claims on Government</b>	<b>15343.8</b>	<b>12108.7</b>	<b>12108.7</b>	<b>15616.2</b>	<b>-3235.1</b>	<b>-21.1</b>	<b>3507.5</b>	<b>29.0</b>
2.1 Treasury Bills	10921.2	9209.3	9209.3	13749.5	-1711.8	-15.7	4540.1	49.3
2.2 Development Bonds	1518.7	1518.6	1518.6	1518.6	-0.1	0.0	0.0	0.0
2.3 Other Govt. Papers	280.9	309.7	309.7	348.1	28.8	10.2	38.4	12.4
2.4 Loans and Advances	2623.0	1071.0	1071.0	0.0	-1552.0	-59.2	-1071.0	-100.0
<b>3. Claims on Non-Financial Govt. Ent.</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>4. Claims on Financial Institutions</b>	<b>1326.7</b>	<b>1038.5</b>	<b>1038.5</b>	<b>696.9</b>	<b>-288.2</b>	<b>-21.7</b>	<b>-341.5</b>	<b>-32.9</b>
(of which development banks)	0.0	27.3	27.3	7.0	27.3	0.0	-20.3	-74.3
4.1 Government	1294.7	979.2	979.2	657.9	-315.5	-24.4	-321.3	-32.8
4.2 Non-government	32.0	59.3	59.3	39.0	27.3	85.2	-20.3	-34.2
<b>5. Claims on Banks</b>	<b>1724.0</b>	<b>329.2</b>	<b>329.2</b>	<b>1870.8</b>	<b>-1394.8</b>	<b>-80.9</b>	<b>1541.6</b>	<b>468.4</b>
5.1 Refinance	222.9	329.2	329.2	80.8	106.3	47.7	-248.4	-75.5
5.2 Repo Lending	1501.1	0.0	0.0	1790.0	-1501.1	-100.0	1790.0	
<b>6. Claims on Private Sector</b>	<b>3746.9</b>	<b>3208.5</b>	<b>3208.5</b>	<b>8116.8</b>	<b>-538.3</b>	<b>-14.4</b>	<b>4908.3</b>	<b>153.0</b>
<b>7. Other Assets</b>	<b>15230.5</b>	<b>18244.8</b>	<b>18244.8</b>	<b>17706.5</b>	<b>3014.3</b>	<b>19.8</b>	<b>-538.3</b>	<b>-3.0</b>
Assets = Liabilities	142824.5	167974.4	167974.4	174209.1	25149.9	17.6	6234.8	3.7
<b>8. Reserve Money</b>	<b>96539.2</b>	<b>110898.1</b>	<b>110898.1</b>	<b>119342.4</b>	<b>14358.8</b>	<b>14.9</b>	<b>8444.4</b>	<b>7.6</b>
8.1 Currency Outside Banks	68784.1	77926.3	77780.4	83515.8	9142.2	13.3	5735.4	7.4
8.2 Currency Held by Commercial Banks	4773.0	5908.6	6054.4	7359.8	1135.6	23.8	1305.3	21.6
8.3 Deposits of Commercial Banks	20234.0	22907.3	22907.3	22868.3	2673.3	13.2	-39.0	-0.2
8.4 Other Deposits	2748.1	4155.9	4155.9	5598.5	1407.8	51.2	1442.6	34.7
<b>9. Govt. Deposits</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3122.5</b>	<b>0.0</b>		<b>3122.5</b>	
<b>10. Foreign Liabilities</b>	<b>1590.0</b>	<b>1566.6</b>	<b>1566.6</b>	<b>3928.3</b>	<b>-23.3</b>	<b>-1.5</b>	<b>2361.7</b>	<b>150.7</b>
10.1 Foreign Deposits	126.4	9.9	9.9	12.3	-116.5	-92.2	2.4	24.3
10.2 IMF Trust Fund	0.0	0.0	0.0	0.0	0.0		0.0	
10.3 Use of Fund Resources	0.0	0.0	0.0	0.0	0.0		0.0	
10.4 SAF	0.0	0.0	0.0	0.0	0.0		0.0	
10.5 ESAF	0.0	0.0	0.0	0.0	0.0		0.0	
10.6 PRGF	1463.6	1556.7	1556.7	3916.0	93.2	6.4	2359.3	151.6
10.7 CSI	0.0	0.0	0.0	0.0	0.0		0.0	
<b>11. Capital and Reserve</b>	<b>28004.1</b>	<b>36261.4</b>	<b>36261.4</b>	<b>22857.7</b>	<b>8257.3</b>	<b>29.5</b>	<b>-13403.8</b>	<b>-37.0</b>
<b>12. Other Liabilities</b>	<b>16691.2</b>	<b>19248.3</b>	<b>19248.3</b>	<b>24958.2</b>	<b>2557.1</b>	<b>15.3</b>	<b>5709.9</b>	<b>29.7</b>

p = provisional.

**Table 54**  
**CONDENSED ASSETS AND LIABILITIES OF COMMERCIAL BANKS**

Rs. in million

	2005	2006	2006	2007	Changes during the Fiscal Year			
					2005/06		2006/07	
					Jul	Jul	Jul (ADB)	Jul (e)
<b>1. Total Deposits</b>	<b>250464.9</b>	<b>290427.6</b>	<b>289975.9</b>	<b>334453.3</b>	<b>39962.7</b>	<b>16.0</b>	<b>44477.4</b>	<b>15.3</b>
1.1. Demand Deposits	34120.0	36898.2	35716.1	42692.2	2778.2	8.1	6976.1	19.5
a. Domestic Deposits	28673.5	32306.4	31124.4	37575.8	3632.9	12.7	6451.4	20.7
b. Foreign Deposits	5446.5	4591.8	4591.7	5116.4	-854.7	-15.7	524.7	11.4
1.2. Saving Deposits	130013.6	151573.2	151710.7	174633.9	21559.6	16.6	22923.1	15.1
a. Domestic Deposits	123917.8	145639.2	145776.8	168320.4	21721.4	17.5	22543.6	15.5
b. Foreign Deposits	6095.8	5934.0	5934.0	6313.5	-161.8	-2.7	379.5	6.4
1.3. Fixed Deposits	84137.4	99475.4	100068.2	114032.5	15338.0	18.2	13964.3	14.0
a. Domestic Deposits	74122.5	84912.9	85505.7	97215.1	10790.4	14.6	11709.4	13.7
b. Foreign Deposits	10014.9	14562.5	14562.5	16817.3	4547.6	45.4	2254.9	15.5
1.4. Margin Deposits	2194.0	2480.9	2480.9	3094.7	286.9	13.1	613.9	24.7
<b>2. Borrowings from Rastra Bank</b>	<b>1724.0</b>	<b>329.2</b>	<b>329.2</b>	<b>1870.8</b>	<b>-1394.8</b>	<b>-80.9</b>	<b>1541.6</b>	<b>468.4</b>
<b>3. Foreign Liabilities</b>	<b>27.6</b>	<b>7.7</b>	<b>7.7</b>	<b>1628.5</b>	<b>-19.9</b>	<b>-72.1</b>	<b>1620.8</b>	<b>21035.2</b>
<b>4. Other Liabilities</b>	<b>88416.0</b>	<b>86951.8</b>	<b>105652.3</b>	<b>101782.9</b>	<b>-1464.3</b>	<b>-1.7</b>	<b>-3869.4</b>	<b>-3.7</b>
4.1 Paid-up Capital	9723.9	10571.7	17049.7	20017.1	847.9	8.7	2967.3	17.4
4.2 General Reserves	14777.4	9466.6	9746.2	4330.7	-5310.8	-35.9	-5415.6	-55.6
4.3 Other Liabilities	63914.7	66913.4	78856.3	77435.1	2998.6	4.7	-1421.2	-1.8
<i>Other Liabilities*</i>	<i>88416.0</i>	<i>95621.3</i>	<i>105652.3</i>	<i>117806.7</i>	<i>7205.2</i>	<i>8.1</i>	<i>12154.4</i>	<i>11.5</i>
<b>Assets = Liabilities</b>	<b>340632.5</b>	<b>377716.3</b>	<b>395965.1</b>	<b>439735.4</b>	<b>37083.7</b>	<b>10.9</b>	<b>43770.4</b>	<b>11.1</b>
<b>5. Liquid Funds</b>	<b>50222.8</b>	<b>61671.4</b>	<b>61817.3</b>	<b>65200.9</b>	<b>11448.6</b>	<b>22.8</b>	<b>3383.6</b>	<b>5.5</b>
5.1. Cash in Hand	4773.0	5908.6	6054.4	7359.8	1135.6	23.8	1305.3	21.6
5.2. Balance with Rastra Bank	20234.0	22907.3	22907.3	22868.3	2673.3	13.2	-39.0	-0.2
5.3. Foreign Currency in Hand	374.8	399.2	399.2	454.0	24.4	6.5	54.8	13.7
5.4. Balance Held Abroad	24045.1	31401.9	31401.9	33933.0	7356.8	30.6	2531.1	8.1
5.5. Cash in Transit	795.9	1054.5	1054.5	585.8	258.6	32.5	-468.7	-44.4
<b>6. Loans and Advances</b>	<b>260867.3</b>	<b>286970.1</b>	<b>307583.9</b>	<b>340354.9</b>	<b>26102.7</b>	<b>10.0</b>	<b>32771.0</b>	<b>10.7</b>
<i>Loans and Advances</i>	<i>260867.3</i>	<i>286970.1</i>	<i>307583.9</i>	<i>356378.7</i>	<i>26102.7</i>	<i>10.0</i>	<i>48794.8</i>	<i>15.9</i>
6.1. Claims on Government	48550.7	58459.3	58861.9	65850.0	9908.6	20.4	6988.1	11.9
6.2. Claims on Non-Financial Govt. Ent.	6557.7	4452.4	4552.4	5106.4	-2105.3	-32.1	554.0	12.2
6.3. Claims on Financial Ent.	11436.2	11681.3	2543.5	2925.3	245.2	2.1	381.8	15.0
Government	11436.2	11681.3	829.1	1055.1	245.2		225.9	27.3
Non-government	0.0	0.0	1714.4	1870.2	0.0		155.9	9.1
6.4. Claims on Private Sector	193270.0	211112.7	240361.9	265360.6	17842.7	9.2	24998.8	10.4
<i>Claims on Private Sector*</i>	<i>193270.0</i>	<i>222159.3</i>	<i>240361.9</i>	<i>281384.4</i>	<i>28889.3</i>	<i>14.9</i>	<i>41022.6</i>	<i>17.1</i>
a. Principal	154803.4	175021.4	198215.2	231949.1	20218.0	13.1	33733.9	17.0
Principal*	<i>154803.4</i>	<i>178650.6</i>	<i>198215.2</i>	<i>236826.0</i>	<i>23847.2</i>	<i>15.4</i>	<i>38610.8</i>	<i>19.5</i>
b. Interest Accrued	38466.6	36091.3	42146.6	33411.5	-2375.3	-6.2	-8735.1	-20.7
Interest Accrued*	<i>38466.6</i>	<i>43508.7</i>	<i>42146.6</i>	<i>44558.4</i>	<i>5042.1</i>	<i>13.1</i>	<i>2411.8</i>	<i>5.7</i>
6.5. Foreign Bills Purchased & Discounted	1052.8	1264.3	1264.3	1112.6	211.6	20.1	-151.7	-12.0
<b>7. NRB Bonds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>	
<b>8. Other Assets</b>	<b>29542.4</b>	<b>29074.8</b>	<b>26563.8</b>	<b>34179.7</b>	<b>-467.6</b>	<b>-1.6</b>	<b>7615.9</b>	<b>28.7</b>

e=estimated

**Table 55**  
**BANKING SURVEY**

Particulars	Rs. in million						
	2005	2006	2007	2005/06		2006/07	
	Jul	Jul	Jul	Amount	Percent	Amount	Percent
<b>1. Foreign Assets, Net</b>	<b>104825.1</b>	<b>138640.6</b>	<b>130619.1</b>	<b>27716.1</b>	<b>26.4</b>	<b>5412.5</b>	<b>3.9</b>
<i>Net Foreign Assets(MS)</i>	<i>107742.1</i>	<i>139439.2</i>	<i>131889.1</i>	<i>25597.7</i> <sup>1/</sup>	<i>23.8</i>	<i>5883.9</i> <sup>2/</sup>	<i>4.2</i>
Foreign Assets	130916.9	166101.7	165693.1	35184.8	26.9	-408.6	-0.2
Foreign Liabilities	23174.8	26662.5	33804.0	3487.7	15.0	7141.5	26.8
<i>Net Foreign Assets(OBI)</i>	<i>-2917.0</i>	<i>-798.6</i>	<i>-1270.0</i>	<i>2118.4</i>	<i>-72.6</i>	<i>-471.4</i>	<i>59.0</i>
Foreign Assets	0.0	0.0	0.0				
Foreign Liabilities	2917.0	798.6	1270.0	-2118.4	-72.6	471.4	59.0
<b>2. Net Domestic Assets</b>	<b>222344.9</b>	<b>242425.1</b>	<b>313183.9</b>	<b>26179.6</b> <sup>1/</sup>	<b>11.8</b>	<b>57324.9</b> <sup>2/</sup>	<b>23.6</b>
<i>A. Domestic Credit</i>	<i>325327.7</i>	<i>360964.4</i>	<i>418862.8</i>	<i>35636.7</i>	<i>11.0</i>	<i>57898.4</i>	<i>16.0</i>
i. Claims on Government	64770.7	72336.6	79784.7	7565.9	11.7	7448.1	10.3
Claims on Govt(net)(MS)	63894.6	70970.6	78343.7	7076.0	11.1	7373.1	10.4
Claims on Govt(MS)	63894.6	70970.6	81466.2	7076.0	11.1	10495.6	14.8
Govt Deposits (MS)	0.0	0.0	3122.5				
Claims on Govt (OBI)	876.1	1366.0	1441.0	489.9	55.9	75.0	5.5
ii. Claims on NBF1	10829.1	13644.3	1373.8	2815.2	26.0	-12270.5	-89.9
Claims on NBF1(MS)	10829.1	13644.3	1373.8	2815.2	26.0	-12270.5	-89.9
Claims on NBF1(OBI)							
iii. Claims on Nonfinancial Govt. Enter.	6566.2	4560.9	5114.9	-2005.3	-30.5	554.0	12.1
Claims on Non-Fin. Govt. Ent.(MS)	6566.2	4560.9	5114.9	-2005.3	-30.5	554.0	12.1
Claims on Non-Fin. Govt. Ent.(OBI)							
iv. Claims on Private Sector	243161.7	270422.6	332589.4	27260.9	11.2	62166.8	23.0
Claims on Private Sector(MS)	186556.7	230345.5	272813.0	43788.8	23.5	42467.5	18.4
Claims on Private Sector(OBI)	56605.0	40077.1	59776.4	-16527.9	-29.2	19699.3	49.2
<i>B. Capital and Other Items(net)</i>	<i>102982.8</i>	<i>118539.3</i>	<i>105678.9</i>	<i>9457.1</i> <sup>1/</sup>	<i>9.2</i>	<i>573.6</i> <sup>2/</sup>	<i>0.5</i>
Capital and Other Items(net)(MS)	87840.0	115646.9	97764.8	27806.9	31.7	-17882.1	-15.5
Less Claims on OBI (MS)	-12691.5	-3510.6	-3550.8	9180.9	-72.3	-40.2	1.1
Time and Saving Deposits of OBI at MS	4943.4	4295.6	5170.7	-647.8	-13.1	875.1	20.4
Capital and Other Items(net)(OBI)	22890.9	2107.4	6294.2	-20783.5	-90.8	4186.8	198.7
<b>3. Liquid Liabilities (L1)</b>	<b>327169.8</b>	<b>381065.3</b>	<b>443805.1</b>	<b>53895.5</b>	<b>16.5</b>	<b>62739.8</b>	<b>16.5</b>
<i>A. Broad Money (M2)</i>	<i>300440.0</i>	<i>346824.1</i>	<i>395320.3</i>	<i>46384.1</i>	<i>15.4</i>	<i>48496.2</i>	<i>14.0</i>
Money Supply (M1)	100205.7	113060.7	126690.1	12855.0	12.8	13629.4	12.1
- Currency	68784.1	77780.4	83515.8	8996.3	13.1	5735.4	7.4
- Demand Deposits	31421.6	35280.3	43174.3	3858.7	12.3	7894.0	22.4
Time Deposits (MS)	200234.3	233763.4	268630.2	33529.1	16.7	34866.8	14.9
<i>B. Less Time and Saving Deposits of OBI (at MS)</i>	<i>4943.4</i>	<i>4295.6</i>	<i>5170.7</i>	<i>-647.8</i>	<i>-13.1</i>	<i>875.1</i>	<i>20.4</i>
<i>C. Time and Saving Deposits (OBI)</i>	<i>31673.2</i>	<i>38536.8</i>	<i>53655.5</i>	<i>6863.6</i>	<i>21.7</i>	<i>15118.7</i>	<i>39.2</i>

Note: In this table, MS refers to those items that are derived from the Monetary Survey; OBI to Other Banking Institutions and NBF1 to Non-bank Financial Institutions.

Since mid-July 2006, MS includes the consolidated balance sheet of ADB/N and OBI excludes it.

1/ Adjusting the exchange valuation gain of Rs. 6099.38 million

2/ Adjusting the exchange valuation loss of Rs. 13433.95 million

**Table 56**  
**INTEREST RATE STRUCTURE OF**  
**COMMERCIAL BANKS\***

Particular	Percent per annum		
	2005	2006	2007
<b>1 Deposits Rates</b>			
Saving Deposits	1.75-5.0	2.0-5.0	2.0-5.0
One Year Fixed Deposits	2.25-5.0	2.25-5.0	2.25-5.0
<b>2 Lending Rates</b>			
Industrial	8.25-13.5	8.0-13.5	8.0-13.5
Commercial	8.0-14.0	8.0-14.0	8.0-14.0
Priority Sector	10.0-13.0	9.5-13.0	9.5-13.0
Export	4.0-12.0	5.0-11.0	5.0-11.5
Overdraft	5.0-14.5	6.5-14.5	6.0-14.5

\* Unweighted

Table 57  
**CREDIT-DEPOSIT AND LIQUIDITY-DEPOSIT RATIOS OF  
 COMMERCIAL BANKS**  
 (Monthly)

Rs. in million

<b>2006/07</b>	<b>Total Deposit</b>	<b>Total Credit</b>	<b>Liquidity</b>	<b>Credit/ Deposit Ratio (Percent)</b>	<b>Liquidity/ Deposit Ratio (Percent)</b>
August	292,283.5	247,296.1	118,002.2	84.6	40.4
September	298,381.7	252,814.5	119,476.9	84.7	40.0
October	302,448.0	253,971.6	119,482.7	84.0	39.5
November	301,104.4	258,071.6	119,980.4	85.7	39.8
December	302,974.1	247,092.2	118,336.6	81.6	39.1
January	310,032.7	253,424.7	115,831.2	81.7	37.4
February	319,857.9	252,032.2	119,306.1	78.8	37.3
March	325,774.2	255,681.2	122,326.3	78.5	37.5
April	319,969.9	266,701.9	121,501.4	83.4	38.0
May	322,657.2	271,435.1	116,015.9	84.1	36.0
June	325,035.5	273,263.8	120,924.2	84.1	37.2
July	334,453.3	272,634.7	131,050.9	81.5	39.2

**Table 58**  
**STOCK MARKET INDICATORS**

Details	Mid-July			% Change	
	2005	2006	2007	2006	2007
1. No. of Listed Companies	125	135	135	8	-
2. Paid-up capital of the listed companies (Rs.in million)	16671	19958	21746	20	9
3. Total Market capitalization (Rs.in million)	61366	96763	186300	58	93
4. Annual turnover (Rs.in million)	4508	3452	8360	(23)	142
5. Market days	236	228	232	(3)	2
6. No.of companies traded	102	110	116	8	5
7. No. of transactions	106246	97374	120510	(8)	24
8. No. of listed shares (in '000)	194673	226540	243504	16	7
9. No.of shares traded (in '000)	18433.5	12221.9	18147	(34)	48
10. The ratio of paid-up capital to GDP (%)	2.8	3.1	3.0		
11 The ratio of turnover to market capitalization (%)	7.3	3.6	4.5		
12 The ratio of market capitalization to GDP (%)	10.4	15.0	25.9		
13 NEPSE index (closing)*	286.6	386.8	683.95	35	77

Source:-Nepal Stock Exchange Ltd.

\* Base: 12 February 1994.

**Table 59**  
**Consolidated SOURCES AND USES OF FUND OF OTHER FINANCIAL INSTITUTIONS \***

	Rs. in Million						
	Mid-July			Amount Change		Percentage Change	
	2005	2006	2007	2005/06	2006/07	2005/06	2006/07
<b>Sources of Funds</b>							
1. Capital Fund	10010.8	9503.397	13082.7	(507.4)	3,579.3	(5.1)	37.7
3. Deposits	58,813.7	39,051.1	53,532.4	(19,762.6)	14,481.3	(33.6)	37.1
4. Borrowing	9,557.1	8,184.1	12,785.4	2,709.2	4,601.3	(14.4)	56.2
5. Other Liabilities	18713.1	6253.8	10525.3	(12,459.3)	4,271.5	(66.6)	68.3
<b>Sources = Uses</b>	<b>97,094.7</b>	<b>62,992.4</b>	<b>89,925.8</b>	<b>(34,102.3)</b>	<b>26,933.4</b>	<b>(35.1)</b>	<b>42.8</b>
<b>Uses of Funds</b>							
1. Cash & Bank Balance	9564.3	9593.8	13507.2	29.5	3,913.4	0.3	40.8
2. Investment	6,060.4	5,263.7	8,347.4	(796.7)	3,083.7	(13.1)	58.6
3. Loans and Advances	56,095.3	41,684.1	58,986.6	(14,411.2)	17,302.5	(25.7)	41.5
4. Other Assets	25374.7	6450.8	9084.6	(18,923.9)	2,633.8	(74.6)	40.8

\* Consists of 38 Development Banks, 74 Finance Companies, 12 Micro-finance Institutions;  
17 Cooperative Societies (with limited banking transactions)

Note: Figures in parenthesis indicate a decline



**Table 60**  
**SOURCES AND USES OF FUND OF DEVELOPMENT BANKS**

	Mid-July			Amount Change	Percent Change
	2005*	2006**	2007***	2006/07	2006/07
<b>Sources of Funds</b>					
<b>1. Capital Funds</b>	<b>4,754.8</b>	<b>2,793.7</b>	<b>4,060.0</b>	<b>1,266.3</b>	<b>45.3</b>
a. Paid-up Capital	3152.7	1558.7	2860.6	1,301.9	83.5
b. General Reserve	230.2	113.4	137.5	24.1	21.3
c. Other Reserve	1371.9	1121.6	1061.9	(59.7)	-5.3
<b>2. Deposits</b>	<b>33,957.8</b>	<b>8,790.8</b>	<b>15,370.0</b>	<b>6,579.2</b>	<b>74.8</b>
<b>3. Borrowings</b>	<b>5,117.7</b>	<b>1,633.7</b>	<b>2,231.9</b>	<b>598.2</b>	<b>36.6</b>
a. NRB	1142.8	827.9	796.5	(31.4)	-3.8
b. Commercial Banks	683	216.3	596.7	380.4	175.9
c. Others	3291.9	589.5	838.7	249.2	42.3
<b>4. Others</b>	<b>13984.5</b>	<b>-141.6</b>	<b>996.3</b>	<b>1,137.9</b>	<b>-803.6</b>
<b>Sources =Uses</b>	<b>57,814.8</b>	<b>13,076.6</b>	<b>22,658.2</b>	<b>9,581.6</b>	<b>73.3</b>
<b>Uses</b>					
<b>1. Liquid Funds</b>	<b>4,562.7</b>	<b>2,385.1</b>	<b>3,731.4</b>	<b>1,346.3</b>	<b>56.4</b>
a. Cash in Hand	657.2	128.4	237.2	108.8	84.7
b. Bal.with NRB	1253.4	271.2	522.3	251.1	92.6
c. Bal.with Dom. Bank	2652.1	1985.5	2971.9	986.4	49.7
<b>2. Investments</b>	<b>1,991.0</b>	<b>684.6</b>	<b>1,536.6</b>	<b>852.0</b>	<b>124.5</b>
a. Share and Debenture	1516.2	575.6	1388.7	813.1	141.3
b. Govt.Securities	474.8	109	147.9	38.9	35.7
<b>3. Loans and Advances</b>	<b>29,893.7</b>	<b>8,659.2</b>	<b>15,359.7</b>	<b>6,700.5</b>	<b>77.4</b>
<b>4. Others</b>	<b>21367.4</b>	<b>1347.7</b>	<b>2030.5</b>	<b>682.8</b>	<b>50.7</b>

Note: Figures in parenthesis indicate a decline

\* Number of Development Banks 24

\* Number of Development Banks 28

\*\*\* Number of Development Banks 38

**Table 61**  
**SOURCES AND USES OF FUND OF FINANCE COMPANIES**

	Rs. in Million						
	Mid - July			Amount Change		Percentage Change	
	2005*	2006**	2007***	2005/06	2006/07	2005/06	2006/07
<b>Sources of Funds</b>							
<b>1. Capital Funds</b>	<b>4,250.0</b>	<b>5,554.5</b>	<b>7,548.9</b>	<b>1,304.5</b>	<b>1,994.4</b>	<b>30.7</b>	<b>35.9</b>
a. Paid-up Capital	2411.5	3,349.1	4,439.7	937.6	1,090.6	38.9	32.6
b. General Reserve	481.1	889.6	711.5	408.5	(178.1)	84.9	-20.0
c. Other Reserve	129.6	71.8	228.4	(57.8)	156.6	-44.6	218.1
d. Loan Loss Prov.	1227.8	1,244.0	2,169.3	16.2	925.3	1.3	74.4
<b>2. Deposits</b>	<b>22338.1</b>	<b>27,316.2</b>	<b>34,514.7</b>	<b>4,978.1</b>	<b>7,198.5</b>	<b>22.3</b>	<b>26.4</b>
<b>3. Borrowings</b>	<b>990.8</b>	<b>1,154.8</b>	<b>3,469.6</b>	<b>164.0</b>	<b>2,314.8</b>	<b>0.4</b>	<b>172.2</b>
b. Commercial Banks	990.8	995.0	2,707.9	4.2	1,712.9	0.4	172.2
c. Others	-	159.8	761.7	159.8	601.9	0.0	-
<b>4. P/L Account</b>	<b>990.4</b>	<b>568.2</b>	<b>1,339.7</b>	<b>(422.2)</b>	<b>771.5</b>	<b>-42.6</b>	<b>135.8</b>
<b>5. Others</b>	<b>1949.1</b>	<b>4,247.5</b>	<b>6,523.0</b>	<b>2,298.4</b>	<b>2,275.5</b>	<b>117.9</b>	<b>53.6</b>
<b>Sources =Uses</b>	<b>30,518.4</b>	<b>38,841.2</b>	<b>53,395.9</b>	<b>8,322.8</b>	<b>14,554.8</b>	<b>27.3</b>	<b>37.5</b>
<b>5. Liquid of Funds</b>	<b>3,904.9</b>	<b>5,394.1</b>	<b>7,513.4</b>	<b>1,489.2</b>	<b>2,119.3</b>	<b>38.1</b>	<b>39.3</b>
a. Cash in Hand	125.9	199.5	256.1	73.6	56.6	58.5	28.4
b. Bal.with NRB	440.9	783.4	922.9	342.5	139.5	77.7	17.8
c. Bal.with Dom. Bank	3338.1	4,411.2	6,334.4	1,073.1	1,923.2	32.1	43.6
<b>6. Investments</b>	<b>2,411.2</b>	<b>2,745.0</b>	<b>4,635.7</b>	<b>333.8</b>	<b>1,890.7</b>	<b>13.8</b>	<b>68.9</b>
a. Govt.Securities	567.5	963.2	1,222.1	395.7	258.9	69.7	26.9
c. Others	1843.7	1,781.7	3,413.6	(62.0)	1,631.9	-3.4	91.6
<b>7. Loans and Advances</b>	<b>21,223.3</b>	<b>27,056.6</b>	<b>35,616.5</b>	<b>5,833.3</b>	<b>8,560.0</b>	<b>27.5</b>	<b>31.6</b>
a. Hire Purchases	3591.0			(3,591.0)		-100.0	
b. Housing	6807.5			(6,807.5)		-100.0	
c. Term Loan	9448.9			(9,448.9)		-100.0	
d. Leasing	247.2			(247.2)		-100.0	
e. Others	1128.7			(1,128.7)		-100.0	
<b>8. Others</b>	<b>2979.0</b>	<b>3,645.5</b>	<b>5,630.3</b>	<b>666.5</b>	<b>1,984.8</b>	<b>22.4</b>	<b>54.4</b>

Note: Figures in parenthesis indicate a decline

\* Number of Finance Companies 59

\*\* Number of Finance Companies 70

\*\*\* Number of Finance Companies 74

**Table 62**  
**SOURCES AND USES OF FUND OF**  
**RURAL DEVELOPMENT BANKS\***

	Rs. in Million						
	Mid - July			Amount Change		Percentage Change	
	2005	2006	2007	2005/06	2006/07	2005/06	2006/07
<b>Sources of Funds</b>							
<b>1. Capital Funds</b>	<b>303.9</b>	<b>316.3</b>	<b>338.4</b>	<b>12.4</b>	<b>22.1</b>	<b>4.1</b>	<b>7.0</b>
a. Paid-up Capital	298.5	298.5	298.5	-	-	0.0	0.0
b. General Reserve	3.0	17.1	21.8	14.1	4.7	470.0	27.5
c. Other Reserve	2.4	0.7	18.1	(1.7)	17.4	-70.8	2485.7
<b>2. Deposits</b>	<b>439.8</b>	<b>499.8</b>	<b>517.9</b>	<b>60.0</b>	<b>18.1</b>	<b>13.6</b>	<b>3.6</b>
a. Personal Savings	8.6	21	83.5	12.4	62.5	(71.1)	50.1
b. Other Savings	431.2	478.8	434.4	47.6	(44.4)	(386.8)	(92.0)
<b>3. Borrowings</b>	<b>1,675.8</b>	<b>2303.7</b>	<b>2780.6</b>	<b>627.9</b>	<b>476.9</b>	<b>37.5</b>	<b>20.7</b>
a. Domestic Institution		939.6	807.9	939.6	(131.7)		
b. NRB		28	97.6	28.0	69.6		
c. Others		1336.1	1875.1	1,336.1	539.0		
<b>4. Others</b>	<b>425.6</b>	<b>499.5</b>	<b>328.7</b>	<b>73.9</b>	<b>(170.8)</b>	<b>17.4</b>	<b>-34.2</b>
<b>Sources =Uses</b>	<b>2,845.1</b>	<b>3,619.3</b>	<b>3,965.6</b>	<b>774.2</b>	<b>346.3</b>	<b>27.2</b>	<b>9.6</b>
<b>5. Liquid of Funds</b>	<b>294.3</b>	<b>300.2</b>	<b>197.5</b>	<b>5.9</b>	<b>(102.7)</b>	<b>2.0</b>	<b>-34.2</b>
a. Cash in Hand	10.8	16.7	18.1	5.9	1.4	54.6	8.4
b. Bal.with NRB	83.5	10.9	14.4	(72.6)	3.5	-86.9	32.1
c. Bal.with Dom. Bank	200	272.6	165	72.6	(107.6)	36.3	-39.5
<b>6. Investments</b>	<b>660.6</b>	<b>1148.6</b>	<b>1541.8</b>	<b>488.0</b>	<b>393.2</b>	<b>73.9</b>	<b>34.2</b>
<b>7. Loans and Advances</b>	<b>1466</b>	<b>1616.5</b>	<b>1771</b>	<b>150.5</b>	<b>154.5</b>	<b>10.3</b>	<b>9.6</b>
a. Group Lending	-			-	-	-	-
b. Personal Loan	-			-	-	-	-
c. Staff Loan	-			-	-	-	-
d. Others	-	1616.5	1771	1,616.5	154.5	-	-
<b>8. Others</b>	<b>424.2</b>	<b>554</b>	<b>455.3</b>	<b>129.8</b>	<b>(98.7)</b>	<b>30.6</b>	<b>-17.8</b>

Note: Figures in parenthesis indicate a decline

\* Number of RDB- 5

Source:- Bank & Financial Institution Regulation Department, NRB.

**Table 63**  
**SOURCES AND USES OF FUND**  
**OF MICRO-FINANCE DEVELOPMENT BANKS\***

	Rs. in million						
	Mid - July			Amount Change		Percentage Change	
	2005	2006	2007	2005/06	2006/07	2005/06	2006/07
<b>Sources of Funds</b>							
<b>1. Capital Funds</b>	<b>435.8</b>	<b>514.1</b>	<b>780.1</b>	<b>78.3</b>	<b>266.0</b>	<b>18.0</b>	<b>51.7</b>
a. Paid-up Capital	249.7	272.4	477.2	22.7	204.8	9.1	75.2
b. General Reserve	100.1	151.7	40.8	51.6	(110.9)	51.5	(73.1)
c. Other Reserve	86	90	262.1	4.0	172.1	4.7	191.2
<b>2. Deposits</b>	<b>309.0</b>	<b>432.7</b>	<b>585.2</b>	<b>123.7</b>	<b>152.5</b>	<b>40.0</b>	<b>35.2</b>
a. Term Deposit	14.1	-	-	(14.1)	-	-	-
b. Other Deposit	294.9	432.7	585.2	137.8	152.5	46.7	35.2
<b>3. Borrowings</b>	<b>1,726.6</b>	<b>3,021.2</b>	<b>4,163.6</b>	<b>1,294.6</b>	<b>1,142.4</b>	<b>75.0</b>	<b>37.8</b>
a. NRB	10.3	9.7	48.6	(0.6)	38.9	(5.8)	401.0
b. Commercial Banks	671.4	1149.6	2557.4	478.2	1,407.8	71.2	122.5
c. Others	1044.9	1861.9	1557.6	817.0	(304.3)	78.2	(16.3)
<b>4. P/L Account</b>	<b>68.1</b>	<b>76.6</b>	<b>65.8</b>	<b>8.5</b>	<b>(10.8)</b>	<b>12.5</b>	<b>(14.1)</b>
<b>5. Others</b>	<b>915.3</b>	<b>533.5</b>	<b>721.2</b>	<b>(381.8)</b>	<b>187.7</b>	<b>(41.7)</b>	<b>35.2</b>
<b>Sources =Uses</b>	<b>3,454.8</b>	<b>4,578.1</b>	<b>6,315.9</b>	<b>1,123.3</b>	<b>1,737.8</b>	<b>32.5</b>	<b>38.0</b>
<b>Sources =Uses</b>							
<b>1. Liquid Funds</b>	<b>353.8</b>	<b>1,021.2</b>	<b>1,575.3</b>	<b>667.4</b>	<b>554.1</b>	<b>188.6</b>	<b>54.3</b>
a. Cash in Hand	3.1	3.0	4.2	(0.1)	1.2	(3.2)	40.0
b. Bal.with NRB	106.9	125.2	55.0	18.3	(70.2)	17.1	(56.1)
c. Bal.with Dom. Bank	243.8	893.0	1516.1	649.2	623.1	266.3	69.8
<b>2. Investments</b>	<b>855.5</b>	<b>524.0</b>	<b>455.6</b>	<b>(331.5)</b>	<b>(68.4)</b>	<b>(38.7)</b>	<b>(13.1)</b>
a. Share and Debenture	6.6	-	-	(6.6)	-	-	-
b. Govt.Securities	162.5	162.5	57	-	(105.5)	-	(64.9)
c. Others	686.4	361.5	398.6	(324.9)	37.1	(47.3)	10.3
<b>3. Loans and Advances</b>	<b>2,071.6</b>	<b>2686.5</b>	<b>4009.6</b>	<b>614.9</b>	<b>1,323.1</b>	<b>29.7</b>	<b>49.2</b>
a. Staff	-	-	-	-	-	-	-
b. Others	2071.6	-	4,009.6	(2,071.6)	4,009.6	(100.0)	-
<b>4. Others</b>	<b>173.9</b>	<b>346.4</b>	<b>275.4</b>	<b>172.5</b>	<b>(71.0)</b>	<b>99.2</b>	<b>(20.5)</b>

Note: Figures in parenthesis indicate a decline.

Source: Bank and Financial Institutions Regulation Department, NRB.

\* Micro-finance institutions other than 5 RRDBs

**Table 64**  
**SOURCES AND USES OF FUND OF SAVING AND CREDIT COOPERATIVES**  
**(NRB LICENSED)**

	Rs. in Million						
	Mid - July			Amount Change		Percentage Change	
	2005*	2006**	2007***	2005/06	2006/07	2005/06	2006/07
<b>Sources of Funds</b>							
<b>1. Capital Funds</b>	<b>266.3</b>	<b>324.8</b>	<b>355.3</b>	<b>58.5</b>	<b>30.5</b>	<b>22.0</b>	<b>9.4</b>
a. Paid-up Capital	203.9	228.4	250.5	24.5	22.1	12.0	9.7
b. General Reserve	34	40.6	47.9	6.6	7.3	19.4	18.0
c. Other Reserve	28.4	55.8	56.9	27.4	1.1	96.5	2.0
<b>2. Deposits</b>	<b>1,769.0</b>	<b>2,011.6</b>	<b>2,544.6</b>	<b>242.6</b>	<b>533.0</b>	<b>13.7</b>	<b>26.5</b>
a. Saving	976	1206.5	1633.9	230.5	427.4	23.6	35.4
b. Fixed	576.1	569.5	685.2	(6.6)	115.7	-1.1	20.3
c. Others	216.9	235.6	225.5	18.7	(10.1)	8.6	-4.3
<b>3. Borrowings</b>	<b>46.2</b>	<b>70.7</b>	<b>139.7</b>	<b>24.5</b>	<b>69.0</b>	<b>177.0</b>	<b>235.5</b>
a. Commercial Banks	36.2	45.6	67.6	9.4	22.0	26.0	48.2
b. Other Financial Institution	10	25.1	72.1	15.1	47.0	151.0	187.3
<b>4. P/L Account</b>	<b>(4.5)</b>	<b>62.8</b>	<b>69.5</b>	<b>67.3</b>	<b>6.7</b>	<b>-1495.6</b>	<b>10.7</b>
<b>5. Others</b>	<b>384.6</b>	<b>407.3</b>	<b>481.1</b>	<b>22.7</b>	<b>73.8</b>	<b>5.9</b>	<b>18.1</b>
<b>Sources =Uses</b>	<b>2,461.6</b>	<b>2,877.2</b>	<b>3,590.2</b>	<b>415.6</b>	<b>713.0</b>	<b>16.9</b>	<b>24.8</b>
<b>5. Liquid of Funds</b>	<b>448.6</b>	<b>493.2</b>	<b>489.6</b>	<b>44.6</b>	<b>(3.6)</b>	<b>9.9</b>	<b>-0.7</b>
a. Cash in Hand	35.8	43.6	41.2	7.8	(2.4)	21.7	-5.4
b. Bal.with NRB	20.2	12.8	45.3	(7.4)	32.5	-36.6	253.7
c. Bal.with Dom. Bank	392.6	436.8	403.1	44.2	(33.7)	11.3	-7.7
<b>6. Investments</b>	<b>142.1</b>	<b>161.5</b>	<b>177.7</b>	<b>19.4</b>	<b>16.2</b>	<b>13.7</b>	<b>10.0</b>
a. Govt.Securities	32.7	32.7	3.9	(0.0)	(28.8)	-0.1	-88.1
b. Fixed Deposits	87.3	50.0		(37.3)	(50.0)	-42.7	
c. Others	22.1	78.9	173.8	56.8	94.9	256.9	120.4
<b>7. Loans and Advances</b>	<b>1,440.7</b>	<b>1,665.4</b>	<b>2,229.8</b>	<b>224.7</b>	<b>564.4</b>	<b>15.6</b>	<b>33.9</b>
a. Commercial Loan	635	741.2	914.2	106.2	173.0	16.7	23.3
b. Production Loan	73	32.8	38.1	(40.2)	5.3	-55.1	16.2
c. Loan on FDR and Securities	73.3	85.0	105.3	11.7	20.3	16.0	23.9
d. Others	659.4	806.4	1172.2	147.0	365.8	22.3	45.4
<b>8. Others</b>	<b>430.2</b>	<b>557.2</b>	<b>693.1</b>	<b>127.0</b>	<b>135.9</b>	<b>29.5</b>	<b>24.4</b>

\* Number of Cooperatives 20

\*\* Number of Cooperatives 19

\*\*\* Number of Cooperatives 17

Source:- Bank and Financial Institutions Regulation Department, NRB.

Note:- Figures in parenthesis indicate a decline.

**Table 65**  
**SOURCES AND USES OF FUND OF MICRO FINANCE NGOs**  
(Licensed by NRB)

	Rs. in thousand						
	Mid - July			Amount Change		Percentage Change	
	2005*	2006**	2007**	2005/06	2006/07	2005/06	2006/07
<b>Sources of Funds</b>							
<b>1. Funds</b>	<b>27526</b>	<b>45561</b>	<b>136851</b>	<b>18,035</b>	<b>91,290</b>	<b>65.5</b>	<b>200.4</b>
<b>2. Staff Welfare Fund</b>	<b>18,899</b>	<b>26,209</b>	<b>32,815</b>	<b>7,310</b>	<b>6,606</b>	<b>38.7</b>	<b>25.2</b>
a. Staff Welfare Fund	748	1876	1855	1,128	(21)	150.8	(1.1)
b. Staff Provident Fund	5128	4251	6307	(877)	2,056	(17.1)	48.4
c. Others	13023	20082	24653	7,059	4,571	54.2	22.8
<b>3. Risk Bearing Fund</b>	<b>30874</b>	<b>13068</b>	<b>16044</b>	<b>(17,806)</b>	<b>2,976</b>	<b>(57.7)</b>	<b>22.8</b>
<b>4. P/L Account (Net)</b>	<b>9710</b>	<b>59861</b>	<b>76140</b>	<b>50,151</b>	<b>16,279</b>	<b>516.5</b>	<b>27.2</b>
<b>5. Borrowings</b>	<b>437,474</b>	<b>541,756</b>	<b>1,168,088</b>	<b>104,282</b>	<b>626,332</b>	<b>23.8</b>	<b>115.6</b>
a. Domestic Institution	424912	534045	1153474	109,133	619,429	25.7	116.0
b. Foreign Institution	12562	7711	14614	(4,851)	6,903	(38.6)	89.5
<b>6. Others</b>	<b>116862</b>	<b>207813</b>	<b>412317</b>	<b>90,951</b>	<b>204,504</b>	<b>77.8</b>	<b>98.4</b>
<b>Sources =Uses</b>	<b>641,345</b>	<b>894,268</b>	<b>1,842,255</b>	<b>252,923</b>	<b>947,987</b>	<b>39.4</b>	<b>106.0</b>
<b>1. Liquid of Funds</b>	<b>168,767</b>	<b>131,980</b>	<b>467,234</b>	<b>(36,787)</b>	<b>335,254</b>	<b>(21.8)</b>	<b>254.0</b>
a. Cash in Hand	12298	10652	11320	(1,646)	668	(13.4)	6.3
c. Bal. with Dom. Bank	156469	121328	455914	(35,141)	334,586	(22.5)	275.8
<b>2. Investment</b>	<b>56423</b>	<b>48563</b>	<b>10173</b>	<b>(7,860)</b>	<b>(38,390)</b>	<b>(13.9)</b>	<b>(79.1)</b>
<b>3. Micro Credit</b>	<b>259395</b>	<b>439819</b>	<b>775688</b>	<b>180,424</b>	<b>335,869</b>	<b>69.6</b>	<b>76.4</b>
<b>4. Others</b>	<b>156760</b>	<b>273906</b>	<b>589160</b>	<b>117,146</b>	<b>315,254</b>	<b>74.7</b>	<b>115.1</b>

Note: Figures in parenthesis indicate a decline

\* Number of NGO<sup>s</sup> 24

\*\* Number of NGO<sup>s</sup> 44

\*\*\* Number of NGO<sup>s</sup> 47

Source:- Bank and Financial Institutions Regulation Department

**Table 66**  
**AGGREGATE SOURCES AND USES OF FUND OF INSURANCE COMPANIES**

Particulars	(Rs. in million)						
	Mid-July			Amount Change		% Change	
	2005*	2006**	2007P***	2005/06	2006/07	2005/06	2006/07
<b>Sources</b>							
1. Capital Fund	1409.3	1680.00	1680.00	270.70	0.0	19.2	0.0
2. Reserve Funds	15841	19,192.0	24690.00	3351.00	5498.0	21.2	28.6
3. Other Liabilities	3752.3	4,346.0	5,612.0	593.70	1266.0	15.8	29.1
<b>Sources =Uses</b>	<b>21002.6</b>	<b>25,218.0</b>	<b>31,982.0</b>	4215.40	<b>6764.0</b>	20.1	<b>26.8</b>
<b>Uses</b>							
					0.0		
1. Bank and Cash Balances	800	2,125.0	2,256.0	1325.00	131.0	165.6	6.2
2. Investment	16412.7	19,318.0	24,629.0	2905.30	5311.0	17.7	27.5
3. Fixed Assets	836	1,400.0	1,864.0	564.00	464.0	67.5	33.1
4. Other Assets	2953.9	2,375.0	3,233.0	-578.90	858.0	-19.6	36.1

P = Provisional

\*Number of Companies - 19

\*\*Number of Companies - 21

\*\*\* Number of Companies - 21

Source: Insurance Board

**Table 67**  
**SOURCES AND USES OF FUND OF**  
**EMPLOYEES PROVIDENT FUND**

		(Rs. in million)						
Particulars	Mid-July			Amount Change		% Change		
	2005	2006	2007 P	2005/06	2006/07 P	2005/06	2006/07	
<b>Sources</b>								
1.	Provident Fund	42511.0	48140.0	54380.0	5629.0	6240.0	13.2	13.0
2.	Reserve Fund	2620.0	2940.0	3160.0	320.0	220.0	12.2	7.5
3.	Other Liabilities		2550.0	2430.0				-4.7
<b>Sources =Uses</b>		<b>45131.0</b>	<b>53630.0</b>	<b>59970.0</b>	<b>8499.0</b>	<b>6340.0</b>	<b>18.8</b>	<b>11.8</b>
<b>Uses</b>								
1.	Employees' Borrowings	17743.0	21420.0	24920.0	3677.0	3500.0	20.7	16.3
2.	Fixed Deposits	15630.0	18520.0	20636.0	2890.0	2116.0	18.5	11.4
3.	GON Securities	5088.5	4231.0	5443.0	-857.5	1212.0	-16.9	28.6
4.	Project Loans	5273.0	4979.0	4575.0	-294.0	-404.0	-5.6	-8.1
5.	Share Investment	311.0	391.0	426.0	80.0	35.0	25.7	9.0
6.	Other Assets	1085.5	4090.0	3970.0	3004.5	-120.0	276.8	-2.9

P=Provisional

Source: Employees' Provident Fund



**Table 68**  
**SOURCES AND USES OF FUND OF**  
**CITIZEN INVESTMENT TRUST**

	Rs. in Million						
	Mid - July			Amount Change		Percentage Change	
	2005	2006	2007P	2005/06	2006/07	2005/06	2006/07
<b>Sources of Funds</b>							
1. Paidup Capital	40.0	40.0	40.0	-	-	-	-
2. Reserve Fund	40.6	75.0	75.0	34.4	-	84.7	-
3. Fund Collection	5269	6716.0	7710.0	1,447.0	994.0	27.5	14.8
4. Other Liabilities	477	417.0	600.0	(60.0)	183.0	(12.6)	43.9
<b>Sources = Uses</b>	<b>5826.6</b>	<b>7248.0</b>	<b>8425.0</b>	<b>1,421.4</b>	<b>1,177.0</b>	<b>24.4</b>	<b>16.2</b>
<b>Uses of Fund</b>							
1. Cash and Bank Balance	692	864.0	1330.0	172.0	466.0	24.9	53.9
2. Investment	3616.0	5136.0	5510.0	1,520.0	374.0	42.0	7.3
3. Loans & Advances	1014	734.0	990.0	(280.0)	256.0	(27.6)	34.9
4. Fixed Assets	3.4	55.2	55.2	51.8	-	1,523.2	-
5. Other Assets	501.2	458.8	539.8	(42.4)	81.0	(8.5)	17.7

Note: Figures in parenthesis indicate a decline

Source:-Citizen Investment Fund

P = Provisional