



NEPAL RASTRA BANK

ECONOMIC REPORT

2008/09

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Acronyms Used

ABBS	Any Branch Banking System
ADB/N	Agricultural Development Bank of Nepal
AGM	Annual General Meeting
ALM	Assets Liability Management
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOP	Balance of Payments
BS	Bikram Sambat
CICL	Credit Information Centre Limited
CALES	Capital Adequacy, Assets Quality , Liquidity Position, Earnings and Sensitivity to Market Risks
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
DCGC	Deposit and Credit Guarantee Corporation
DFID	Department for International Development (UK)
EPF	Employees Provident Fund
F.O.B.	Free on Board
FSTAP	Financial Sector Technical Assistance Project
GATT	General Argument on Tariff and Trade
GDP	Gross Domestic Product
GNDI	Gross National Disposable Income
GON	Government of Nepal
IBIS	Integrated Banking Information System
IC	Indian Currency
IMF	International Monetary Fund
INR	Indian Rupee
INRs	Indian Rupees
IT	Information Technology
L/C	Letter of Credit
L ₁	Broad Measure of Liquidity
LMFF	Liquidity Monitoring and Forecasting Framework
Ltd.	Limited
M ₁	Narrow Money Supply
M ₂	Broad Money Supply
NBL	Nepal Bank Limited
NC	Nepalese Currency
NDA	Net Domestic Assets
NEPSE	Nepal Stock Exchange
NFA	Net Foreign Assets

NGOs	Non-governmental Organizations
NPL	Non-performing Loans
NRB	Nepal Rastra Bank
OMOs	Open Market Operations
PCA	Prompt Corrective Action
PRGF	Poverty Reduction and Growth Facility
RBBL	Rastriya Banijya Bank Limited
RDBs	Rural Development Banks
RMDC	Rural Microfinance Development Centre
Rs.	Rupees
RSRF	Rural Self Reliance Fund
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Agreement
SDRs	Special Drawing Rights
SEBON	Securities Board of Nepal
SFCL	Small Farmers' Cooperative Limited
SFDBL	Small Farmers' Development Bank Limited
SITC	Standard International Trade Classification
SLF	Standing Liquidity Facility
TBs	Treasury Bills
TT	Telegraphic Transfer
UK	United Kingdom
US	United States
US\$	US Dollar
VAT	Value Added Tax
VRS	Voluntary Retirement Scheme
WTO	World Trade Organization
y-o-y	year-on-year

1

World Economic and Financial Development

1.1 According to the World Economic Outlook published by the International Monetary Fund (IMF) in October 2009, the world output growth decelerated at 3.0 percent in 2008 compared to the growth of 5.2 percent in 2007. The Fund projects negative growth of 1.1 percent in 2009. The contraction of the world economy will remain subdued mainly due to the spill over effect of the financial turmoil which started from the sub-prime mortgage in the US and spread to the other advanced economies through trade and financial interlinkages.

1.2 The global economy is expanding gradually again and financial condition is improving to some extent. Banks have raised capital and wholesale funding markets are reopened and risks in emerging market have eased. The major reason for this improving situation is due to the strong public policies that have allayed concerns about systemic financial collapse and supported demand. The global economy has shown signs of recovery but the recovery is not yet self sustaining. Limits on credit availability and increased unemployment rates will also be a key constraint on the pace of recovery. However, consumption and investment are gaining strength though slowly.

1.3 The U.S. economy suffered from lower output during the first half of 2009 and the unemployment rate has risen to a level which was not seen since the early 1980s. Despite these facts, there is increasing sign of stabilization in the U.S. economy. Monetary, financial and fiscal policy interventions are supporting for stabilized consumer spending and housing and financial markets. In April, financial conditions improved by considerably more than anticipated.

1.4 While Asian countries were sharply affected more than even those nations at the epicenter of the crisis and impressive recovery from the global downturn. At the present time, Asia is leading the world as it pulls out of recession. The increasing level of output is attributed to comprehensive policy responses, credible fiscal and monetary policies, strong corporate and bank balance sheet. The rebound in emerging and other developing economies is being led by resurgence in Asia, most notable in China and India, fuelled by policy stimulus and a turn in the global manufacturing cycle.

1.5 Developing Asia registered a growth of 7.6 percent in 2008 which is projected to decelerate to 6.2 percent in 2009. Likewise, emerging and developing countries posted a growth of 6.0 percent in 2008 but this is projected to slow down to 1.7 percent in 2009. The neighboring countries India and China witnessed a growth of 7.3 percent and 9.0

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percent respectively in 2008. The economic growth of India is projected to slow down to at 5.4 percent while that of China 8.5 percent in 2009.

1.6 There are two major challenges in the world economy. Firstly, to ensure that markets and banks support economic recovery by increasing bank capital and repairing bank balance sheets. Secondly, adaptation of financial reforms that forestall a similar crisis in the future. For this second challenge, flexible and broader regulations, effective market discipline, macro prudential framework for banks, and international collaboration and coordination to address cross boarder issues, are major areas of concern.

1.7 The world trade volume increased at the rate of 3.0 percent in 2008 as compared to a growth of 7.3 percent in 2007 and is projected to reduce by 11.9 percent in 2009. The imports registered a growth of 0.5 percent in advanced economies and 9.4 percent in developing economies in 2008. Likewise, exports went up by 1.9 percent in advanced economies and 4.6 percent in developing economies. Imports are projected to decrease by 13.7 percent in advanced economies and 9.5 percent in developing economies and exports are projected to decrease by 13.6 percent and 7.2 percent in the respective economies in 2009.

1.8 The inflation stood at 3.4 percent in the advanced economies and 9.3 percent in the emerging and developing economies in 2008. The inflation in the advanced and developing economies is projected to be 0.1 percent and 5.5 percent respectively in 2009. Most of the economies experienced higher headline inflation this year due to the price rise in the food and energy products on account of the strong demand growth in the emerging and developing economies.

1.9 The net private financial flows to emerging market and developing economies are estimated to decline sharply to US\$ 129.5 billion in 2009, from US\$ 696.5 billion in 2008. But, the IMF estimates that there will be financial outflow of US\$ 52.5 billion in 2009.

1.10 Unemployment rate in the advanced economies remained at 5.8 percent compared to that of 3.4 percent in the newly industrialized Asian economies in 2008. The unemployment rate stood at 5.8 percent in the United States (US), 7.6 percent in the Euro area, 4.0 percent in Japan and 5.5 percent in the United Kingdom (UK) in 2008. The unemployment rate in both the advanced economies and newly industrialized Asian economies is estimated to go up in 2009 at 8.2 percent and 4.5 percent respectively.

1.11 The fiscal imbalances as percent of Gross Domestic Product (GDP) in the US and Japan remained at 5.9 percent and 5.8 percent respectively in 2008. The net debt to GDP ratio stood at 103.6 percent in Italy followed by Japan 88.1 percent, Germany 60.5 percent, France 57.8 percent, the US 47.9 percent, the UK 45.6 percent and Canada 22.2 percent in 2009.

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

S.No.	Particulars	2007	2008	Current Projection	
				2009	2010
1.	World Output	5.2	3.0	-1.1	3.1
	Advanced economics	2.7	0.6	-3.4	1.3
	United States	2.1	0.4	-2.7	1.5
	Euro Area	2.7	0.7	-4.2	0.3
	Japan	2.3	-0.7	-5.4	1.7
	Newly industrialized Asian Economies	5.7	1.5	-2.4	3.6
	Emerging and developing countries	8.3	6.0	1.7	5.1
	Developing Asia	10.6	7.6	6.2	7.3
	China	13.0	9.0	8.5	9.0
	India	9.4	7.3	5.4	6.4
	ASEAN-5*	6.3	4.8	0.7	4.0
	South Asia @				
2.	World Trade Volume (Goods and Services)	7.3	3.0	-11.9	2.5
	Imports				
	Advanced economics	4.7	0.5	-13.7	1.2
	Emerging and developing countries	13.8	9.4	-9.5	4.6
	Exports				
	Advanced economics	6.3	1.9	-13.6	2.0
Emerging and developing countries	9.8	4.6	-7.2	3.6	
3.	Commodity Prices (US dollar)				
	Oil**	10.7	36.4	-36.6	24.3
	Non-fuel (average based on world commodity export weights)	14.1	7.5	-20.3	2.4
4.	Consumer Prices				
	Advanced economics	2.2	3.4	0.1	1.1
	Emerging and developing countries	6.4	9.3	5.5	4.9
	South Asia @				
5.	London inter-bank offered rate (LIBOR, percent)***				
	On U.S. dollar deposits	5.3	3.0	1.2	1.4
	On Euro deposits	4.3	4.6	1.2	1.6
	On Japanese yen deposits	0.9	1.0	0.7	0.6
6.	Private financial flows, net (Emerging and Developing Countries, billions of US\$) @	696.5	129.5	-52.5	28.3
7.	Unemployment (percent of labor force)				
	Advanced economics	5.4	5.8	8.2	9.3
	United States	4.6	5.8	9.3	10.1
	Euro area	7.5	7.6	9.9	11.7
	Japan	3.8	4.0	5.4	6.1
	United Kingdom	5.4	5.5	7.6	9.3
	Newly industrialized Asian economies	3.4	3.4	4.5	4.4

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.

Source: *World Economic Outlook, October 2009.*

2

An Overview of Macroeconomic Situation

2.1 The performance of Nepalese economy in terms of economic growth remained normal in 2008/09. The overall growth of Gross Domestic Growth (GDP) at producer's prices grew by 4.9 percent in 2008/09 compared to a growth of 6.1 percent in the previous year. The growth rates of both agriculture and non-agriculture sector in the review year, remained less than that of the previous year.

2.2 The annual average consumer inflation increased to 13.2 percent in 2008/09 from the level of 7.7 percent in 2007/08. It was mainly driven by the significant rise in the prices of food and beverages items.

2.3 The fiscal situation remained broadly stable in 2008/09, despite the political transition phase of the economy. The fiscal deficit stood at only 1.9 percent of GDP as against the estimate of 3.9 percent in the budget of 2008/09. Such a prudent fiscal situation attributed to impressive revenue mobilization and foreign grants. The government's strong commitment in revenue leakage control, strong implementation of voluntary disclosure of income scheme (VDIS), several reforms in tax administration, growing imports and consumption induced by the significant rise in remittances, the increasing imports of high tax yielding vehicles and spare parts and increase in non-tax revenue are mainly responsible for the encouraging growth of revenue mobilization. The limited foreign borrowing and prudent debt management also helped to reduce public debt to 41.1 percent of GDP in the review year from 44.1 percent in the previous year.

2.4 In 2008/09, the external sector depicted a mixed performance. Although there was an increase in exports, there was a significant growth in trade deficit as the growth rate of imports was relatively much higher. Owing to the sharp rise in remittances, both the current account and the balance of payments posted a surplus in the review year. Consequently, there was a rise in foreign exchange reserves that facilitated the maintenance of exchange rate and external stability.

2.5 The ratio of exports to imports declined to 23.6 percent in 2008/09 from 26.7 percent in the preceding year, this demonstrates the declining import financing capacity of exports. The share of India in Nepal's total trade went down to 58.2 percent in the review year from 64.3 percent in the previous year.

2.6 Total foreign exchange reserves of the banking system amounted to Rs. 279.99 billion as at mid-July 2009, an upsurge by 31.7 percent compared to the figure of the

previous year. This level of reserves was adequate for financing merchandize imports of 12.0 months and merchandize and service imports of 9.8 months.

2.7 Monetary aggregates expanded substantially in 2008/09. Broad money (M2) grew by 27.7 percent compared to an increase of 25.2 percent in the previous year. Likewise, narrow money (M1) registered a growth of 27.3 percent in the review year compared to a growth of 21.6 percent in the previous year. An upsurge in both net foreign assets (NFA) and net domestic assets (NDA) contributed to such a higher expansion in monetary aggregates in the review year.

2.8 In the process of Indian currency management, the NRB purchased 73.4 billion Indian Currency (IC) through the sale of the 1.5 billion US dollar in the review year. The NRB had purchased IC 70.6 billion by selling the US dollar 1.7 billion in the previous year. A depreciation of Indian currency vis-à-vis the US dollar made it possible to purchase higher amount of IC by selling lower amount of US dollar.

2.9 The stock market experienced an impressive growth in 2008/09. The NEPSE recorded 1075.38 points on August 31, 2008, which was a highest recorded during the review period. This index declined to 749.10 points at the end of 2008/09. Likewise, market capitalization to GDP ratio was 53.4 percent in mid-July 2009 compared to 44.6 percent in the previous year. Nepal stock exchange limited started to calculate NEPSE float index and sensitive float index right since FY 2008/09 based on the final transaction as of August 24, 2008, this is used as a base market price.

2.10 Overall, in terms of the macroeconomic performance, the Nepalese economy displayed a mixed performance in 2008/09. Real GDP posted a lower growth compared to the previous year, the annual average inflation remained high. While the trade deficit expanded, the current account and the balance of payments remained in surplus primarily due to the significant remittance inflows.

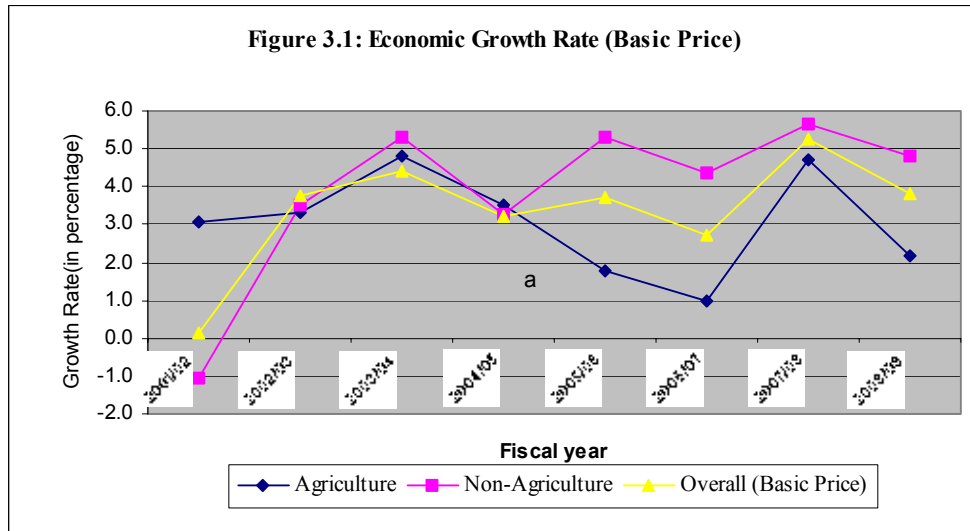
3

Development and Growth

Economic Growth

3.1 In terms of economic growth the performance of Nepalese economy remained normal in 2008/09. The growth rates of both agriculture and non-agriculture sector remained less than that of the previous year. In the review year, the growth rate of real GDP in basic and producer's price increased by 4.0 percent and 4.9 percent respectively. In the previous year, these growth rates were 5.8 percent and 6.1 percent respectively. (Figure 3.1).

3.2 In the review year the growth rate of agriculture sector, which contributes almost one-third in GDP, remained nearly half compared to that of the previous year. In consequence of the substantial decline in the production of wheat, in particular, the overall growth rate of agriculture sector slashed to 3.0 percent in the review year. The growth of agriculture sector was 5.8 percent in the previous year largely due to a significant rise (16.8 percent) in paddy production.



Source: Central Bureau of Statistics.

3.3 The non-agriculture sector recorded a growth of 4.7 percent in the review year compared to a growth of 5.9 percent in the previous year. The slower growth rates in service sector and a negative growth in industry sector contributed to moderate the growth of non-agriculture sector in 2008/09. Compared to the previous year, the growth rate of industrial sector declined marginally by 0.2 percent in the review year.

3.4 In spite of the marginal increase in the production of transport and communication, real estate, renting and business activities, administration and defense and education sectors in the review year, the overall growth rate of the service sector declined by 6.3 percent compared to a growth of 7.3 percent in the previous year. A weak growth of financial intermediation, health and social work sector contributed to slower the growth rate of this sector.

3.5 The ongoing Three Year Interim Plan (2007/08-2009/10) has targeted an annual average economic growth of 5.5 percent with 3.6 percent growth in agriculture and 6.5 percent in non-agriculture. Looking at the trend of the first two-year growth rates, the targeted growth in agriculture, non-agriculture as well as GDP is difficult to be achieved in the plan period. The overall growth including agriculture and non-agriculture sector in 2008/09 remained less than the average targeted growth of the plan. (Table 3.1)

Table 3.1
The Actual and Targeted Sectoral Growth Rate of GDP
(In Basic Price)

Sector	FY 2007/08	FY 2008/09	In percentage
			The Average Target of the Plan
Agriculture	5.8	3.0	3.6
Non-Agriculture	5.9	4.7	6.5
Industries	1.7	-0.2	6.8
Service	7.3	6.3	6.4
Gross Domestic Product	5.8	4.0	5.5

Source: Central Bureau of Statistics.

Sectoral Composition of Gross Domestic Product

3.6 The sectoral composition of the gross domestic product has been gradually changing over the few decades. The contribution of agriculture, industry and services sector in real GDP were 36.6 percent, 17.3 percent and 46.1 percent respectively in 2000/01. Such contribution stood at 35.9 percent, 16.2 percent and 47.9 percent in 2007/08 whereas, such shares were 35.5 percent, 15.5 percent and 49.0 percent in 2008/09 respectively (Table 3.2). While the shares of both the agriculture and industrial sector in GDP have gradually been declining, the contribution of service sector has been increasing continually as a result of a gradual expansion of this sector.

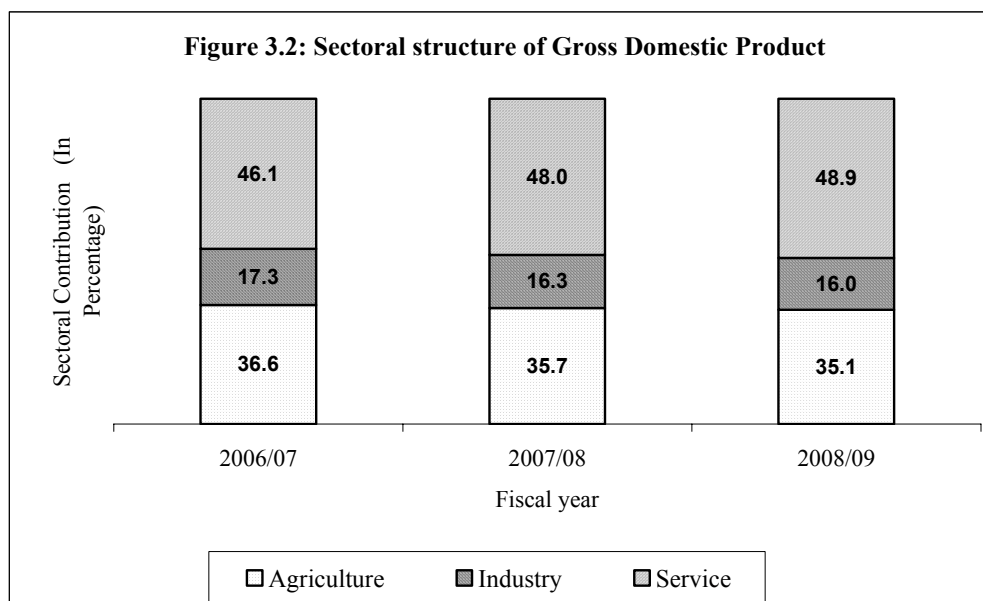
3.7 The Relative contribution of agriculture sector, which stood at 31.6 percent in the previous year, declined to 19.5 percent in 2008/09. Deceleration in the growth rate and thereby declining relative contribution of agriculture sector in the review year was attributed to a slow down in the growth rate of paddy production as well as a decline in

the production of wheat and barley. Despite of the decline in the growth rate of non-agriculture sector, increase in its share in GDP contributed to increase the relative contribution of this sector to 80.5 percent in the review year from 68.4 percent a year ago. This increase is mainly due to the increase in the contribution of service sector in GDP.

Table 3.2
The Sectoral Share and Relative Contribution in GDP
(At 2000/01 price)

Sector	Share in GDP		Growth Rate of GDP		Relative Contribution in Growth	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
Agriculture	35.9	35.5	5.8	3.0	31.6	19.5
Non-Agriculture	64.1	64.5	5.9	4.7	68.4	80.5
Industry	16.2	15.5	1.7	-0.2	5.7	7.2
Service	47.9	49.0	7.3	6.3	62.7	73.3
Total	100.0	100.0	5.8	4.0	100.0	100.0

Source: Central Bureau of Statistics.

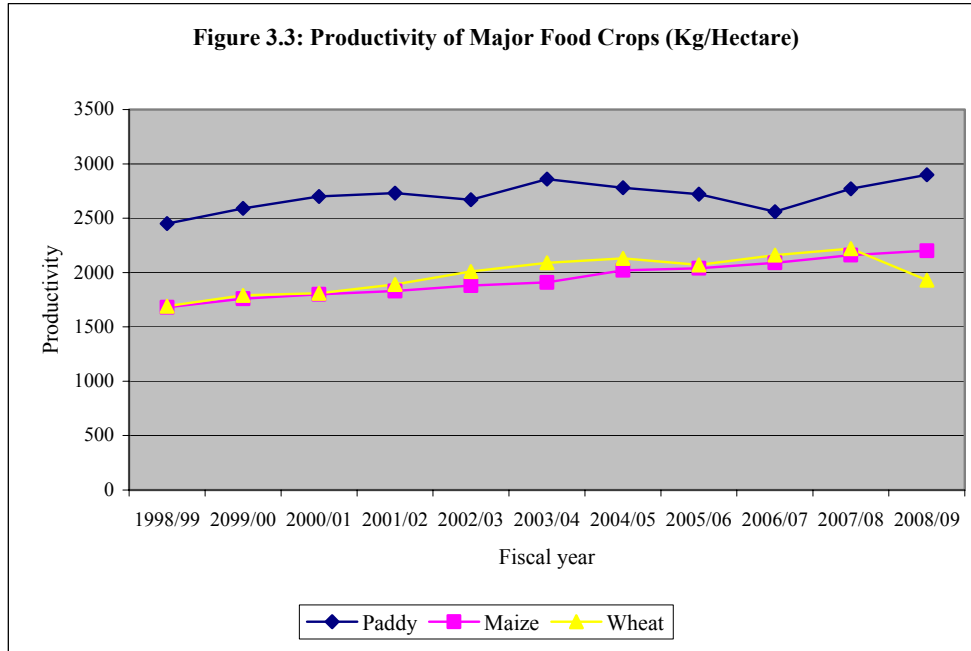


Activities of Economic Sectors

Agriculture

3.8 The agriculture sector, which was expanded by 5.8 percent in 2007/08, grew only by 3.0 percent in the review year. In the review year, the production index of food and other crops group declined by 0.7 percent as against a rise of 7.3 percent in the previous year. In the review year, the production of paddy increased only by 5.2 percent whereas the production of wheat and barley plummeted by 14.5 percent and 17.3 percent

respectively. Moreover, a decline in the production of sugarcane, jute, and pulses added for further slowing down the growth of food and other crops production.



Source: Ministry Of Agriculture and Co-operatives.

Rainfall

3.9 According to the records of the Department of Hydrology and Meteorology, June, July, August and September months of the review year recorded 98 percent, 125 percent, 101 percent and 159 percent of average rainfall respectively. More than average rainfall received in all months (excluding June), in the review year and it had favourable impact on the production of paddy. During the winter season (December, January and February) of the review year, the country recorded very nominal rainfall in 4 stations and no rainfall at all in eleven stations. In the rest of the stations, Okhaldhunga was the single station that registered a more than 50 percent rainfall. This created a negative impact on the production of winter crops.

Irrigation

3.10 Out of total cultivated land of 2.6 million hectare, approximately 1.67 million hectare land was brought under irrigation facility up to the review year.

Agriculture Production

Cereals and other crops

3.11 The production index of cereal and other crops that occupy nearly fifty percent of share in the overall agricultural production declined by 0.7 percent in the review year. Such decline was largely because of a sharp fall in the production of wheat and barley by

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14.5 percent and 17.3 percent respectively. Paddy is an important crop that accounts for nearly 21 percent share in agricultural production and almost 42 percent share in the cereal and other crops group. The cultivated area of cereal and other crops declined by 0.2 percent to 4142.6 thousand hectare in the review year from 4152.2 thousand hectare in the previous year.

3.12 In the review year the production of paddy reported a growth of 5.2 percent and stood at 4,523.7 thousand metric tones compared to a growth of 16.8 percent in the previous year. The increase in the production was attributed to the expansion in the area of cultivation by 0.4 percent, increase in productivity, early arrival of monsoon and sufficient rainfall since mid-June to mid-September. In the review year, the paddy cultivated area increased to 1556 thousand hectare from 1549 thousand hectare in the previous year. This accounts for 45.5 percent of total cultivated land under cereals and other crops group. The production yield of paddy surged by nearly 4.8 percent and reached to 2.91 metric ton per hectare in the review year from 2.78 metric ton per hectare in the previous year.

3.13 The production of maize grew moderately by 2.8 percent in review year compared to a growth of 3.2 percent in the previous year. The cultivated area under maize increased moderately by 0.6 percent and reached to 875 thousand hectare in the review year. The total production of maize increased to 1930 thousand metric tons in the review year from 1878 thousand metric tons in the previous year. The yield of maize increased by 2.2 percent and reached to 2.21 metric tons per hectare in the review year.

3.14 The production of wheat declined by 14.5 percent in the review year compared to a growth of 3.8 percent in the previous year. The quantity of production of wheat dropped to 1344 thousand metric tones in the review year from that of 1572 thousand metric tones in the previous year. The area of cultivation of wheat fell to 695 thousand hectare in the review year compared to 706 thousand hectare in the previous year. The decline in the area of cultivation coupled with the unfavorable weather condition during the winter season accounted for the decline in wheat production. Consequently, the production yield of wheat declined by 13.1 percent and reached to 1.93 metric tones per hector in the review year.

3.15 In the review year, the production of potato increased by 1.4 percent to 2083 thousand metric tones. The area of cultivation of potato expanded by 0.7 percent to 158 thousand hectare in the review year. Compared to the production yield of 13.11 metric tones per hectare in the previous year, the production yield of potato increased by 0.7 percent and reached to 13.20 metric tones per hectare in the review year. The area of cultivation of sugarcane declined by 7.7 percent to 58.10 thousand hectare in the review year from 62.96 thousand hectare in the previous year. Consequently, the production of sugarcane declined by 5.3 percent and stood at to 2354 thousand metric tones in the review year.

3.16 The area of jute cultivation declined by 1.6 percent and reached to 11.40 thousand hectare in the review year compared to that of 11.59 thousand hectare in the previous year. Both the production and the productivity declined by 7.6 percent and 6.1 percent respectively in the review year. The production of tobacco slashed by 4.5 percent in the review year and reached to 2.49 metric tones from 2.61 metric tones in the previous year.

3.17 Decline in the area of cultivation coupled with dry weather in the winter season contributed for a decline in the production of pulses in the review year. The production of pulses declined by 5.3 percent and reached to 255.38 thousand metric tones in the review year compared to the production of 269.78 metric tones in the previous year. Consequently, the production yield of pulses declined from 0.84 metric tones per hectare in the previous year to 0.81 metric tones per hectare in the review year. Due to dry winter, the production of lentil, which comprises the major share in pulses variety, reported a fall in the review year.

Vegetables, Horticultural and Nursery Products

3.18 In the review year, the production index of Vegetable, Horticulture and Nursery group increased by 7.3 percent. In the previous year, such index had increased by 9.0 percent.

3.19 The production of vegetables, which comprises a significant share in the group, increased by 7.3 percent and reached to the extent of 2724.0 thousand metric tones in the review year compared to the growth of 10.5 percent and production of 2538.90 thousand metric tones in the previous year. The area covered by the vegetable increased by 6.4 percent and reached to 221.5 thousand hectare in the review year from 208.1 thousand hectare in the previous year. The production yield of vegetables increased marginally by 0.8 percent and reached to 12.3 metric tones per hectare in the review year from 12.2 metric tones per hectare in the previous year.

Fruits, Nuts, Beverages and Spice Crops

3.20 The production index of "Fruit, Nuts, Beverage and Spice group went up substantially by 20.4 percent in the review year compared to a growth of 4.6 percent in the previous year. The production of fruits increased by 6 percent and reached to 668.0 thousand tones in the review year from that of 630.0 thousand metric tones in the previous year. Similarly, the area of coverage also increased by 3 percent and reached to 65.39 thousand hectare in the review year compared to 63.43 hectare in the previous year. Despite a fall in the production of mango, the production of fruits increased as a whole because of a satisfactory increase in the production of orange and apple and also due to the inclusion of banana farming in the estimation in the review year. The production yield of fruit also increased by 2.9 percent and reached to 10.2 metric tones per hectare in the review year from that of 9.9 metric tones per hectare in the previous year.

3.21 The production index of spice crops, tea and coffee registered a growth of 15.7 percent, 9.8 percent and 12.0 percent respectively in the review year. Increase in the production of spice crops can be attributed to the expansion of the area of coverage on the one hand and a simultaneous increase in their productivity (except pepper, which experienced a negative growth of 1.1 percent in its productivity) on the other. The production of ginger, garlic, turmeric, cardamom and green pepper, increased by 15.4 percent, 11.2 percent, 57.6 percent, 33 percent and 8.9 percent respectively in the review year. Similarly, the production of tea and coffee increased by 9.8 percent and 12.0 percent respectively in the review year. The production of tea increased on account of the increase in both the area of cultivation and its productivity (production per hectare) by 2.9 percent and 6.7 percent respectively. The productivity of coffee increased by 12.0

percent in the review year and reached to 0.386 metric tones per hectare from 0.345 metric tones per hectare in the previous year.

Farming of Domestic Animals

3.22 The production index of farming of domestic animals and dairy farming group registered a growth of 3.4 percent in the review year compared to a growth of 2.6 percent in the previous year. The production of milk (excluding yak milk) increased by 4 percent and stood at 1445 thousand metric tones in the review year. Out of total milk production, 414.0 thousand metric tones was cow milk and 1031.0 thousand metric tones from buffalo. The production of buffalo's meat and mutton surged by 3.9 percent and 3.3 percent respectively in the review year compared to their growth of 2.8 percent 3.4 percent respectively in the previous year.

Other Animal Farming and Production of Animal Products

3.23 In the review year, the production index of other animal farming and related group declined by 1.8 percent as against a growth of 3.3 percent in the previous year. The review year witnessed an increment in the production of pig meat by 2.8 percent whereas the production of poultry meat declined by 0.29 percent.

3.24 The production of eggs declined by 0.21 percent in the review year compared to a growth of 2.7 percent in the previous year. The production of hides and skin increased by 6.1 percent in the review year compared to a growth of 5.2 percent in the previous year.

Forestry, Logging and related Services

3.25 In the review year, the production index of forestry, logging and related service activities group increased merely by 0.7 percent compared to a growth of 0.2 percent in the previous year. The production of firewood sub-group, which accounts a major share in this group, experienced no growth at all. However, the timber sub-group reported a nominal growth of 0.5 percent and 0.1 percent respectively in the review year compared to the growth of 2.2 percent in the previous year.

3.26 The medicinal and herbal products and other commodities in the group reported a growth of 0.1 percent in the review year as against a decline of 1.5 percent in the previous year.

Industry

3.27 The industrial sector, which registered a growth of 1.7 percent in the previous year, declined by 0.2 percent in the review year. The industrial production could not grow as expected due to the problem in labour relation, frequent *bandh* and strikes, load shedding, fragile industrial security and lack of investment friendly environment in the country.

3.28 In the review year, the growth of construction sub-sector of industrial sector, increased by 0.9 percent compared to an increase of 5.1 percent in the previous year. The rapid growth of housing and private residential construction throughout the country, including Kathmandu valley, was out of the key factors for the growth of this sub-sector in the review year.

3.29 In the review year, manufacturing sub-sector experienced a negative growth rate of 1.0 percent. The growth rate of this sector in the previous year was negative by 0.9 percent. The mining and quarrying sector grew by 0.7 percent in the review year compared to a growth of 5.5 percent in the previous year.

3.30 Based on the major group of manufacturing production, the production of grain mill products and prepared animal feeds, beverages, tobacco products, knitted and crocheted fabrics, tanning and dressing of leather, saw milling and planning of wood, paper and paper products, publishing printing and reproducing of recorded music, and plastic products increased. However, there occurred a downfall in the production of vegetable, oils and fats, dairy products, wearing apparel, other chemical products, non-metallic mineral products, other fabricated metal products, casting of metal, and electric machinery apparatus and cable.

3.31 Lack of proper maintenance of the existing electricity generating projects coupled with underutilization of hydro projects due to decline in the water level, led to decline in the production of the electricity, gas and water sub-sector by 0.9 percent in the review year. In the previous year the production of this sector had reported to increase by 1.1 percent.

3.32 According to the department of Industry, the number of registration of foreign investment projects increased by 8.5 percent in the review year whereas the amount of foreign investment went down by 36.4 percent in the review year. In the review year, the Department granted approval for 230 projects worth of Rs 6.3 billion. In the previous year, 212 foreign investment projects with 9.81 billion worth of foreign investment had been granted for approval. Out of total number of foreign investment in the review year, 78 were service related, 69 tourism related, 48 manufacturing related, 17 mining related, 9 power related, 8 agriculture related and 1 was construction related. Based on project cost, India secured the first position followed by United States of America, China, Norway, South Korea and United Kingdom. In the review year, the expected employment generation from the registered projects was 11 thousand and 68, which is more by 3.7 percent than that of the previous year.

Services

3.33 The production of service sector, which had expanded by 7.3 percent in the previous year, increased by 6.3 percent in the review year. Despite the increase in the production of transport, storage and communications, real estate, renting and business activities, public administration and defense, and education sub sectors, the growth rate of overall service sector decreased due to the lower growth rate of wholesale and retail trade, hotel and restaurant, financial intermediation, health and social work, and other community, social and personal activities. Likewise, as a consequence of slide down in the production of tradable agro-products together with decline in the production of manufacturing sector due to a long hour electricity cut, the production of wholesale and retail trade sub-sector increased by 5.9 percent in the review year compared to a growth of 4.2 percent in the previous year. As a result of the fall in the number of tourist arrival, the production of hotel and restaurant sub-sector increased only by 3.0 percent in the review year compared to a growth of 6.9 percent in the previous year.

3.34 The performance of tourism sector remained not much satisfactory in 2008/09. The number of tourists visiting Nepal in the review year dropped by 0.5 percent to 500,277 compared to 526,705 in the previous year. The number of Indian tourists also decline by 5.0 percent to 91,177 compared to an increment of 2.4 percent in the previous year. Similarly, the number of tourist arrivals from third countries declined by 5.0 percent to 409,100 in the review year compared to a growth of 48.4 percent in the previous year. The share of Indian and third countries tourist arrivals remained unchanged and stood at 18.2 percent and 81.8 percent respectively in the review year.

3.35 In the review year, per capita tourist expenditure declined by 5.0 percent to Rs. 33,631 from Rs. 35,415 in the previous year. The average duration of stay of the tourists in the review year also declined by 1.5 percent to 11.78 days compared to 12.0 days in the previous year.

3.36 Under the service sector, the output of transport, storage and communication sub-sector grew by 7.6 percent in the review year compared to a 9.4 percent growth in the previous year. Similarly, the growth of Financial Intermediation sub-sector increased by 1.5 percent compared to a growth of 9.2 percent in the previous year. As a result of increase in the activities of housing and other business, the growth of real estate, renting and business activities increased by 1.8 percent in the review year compared to its growth of 10.4 percent in the previous year. Similarly, the production of public administration and defense, education, health and social work, and other community, social and personal service activities sub-sectors grew by 7.3 percent, 11.3 percent, 11.2 percent and 13.0 percent respectively. In the previous year, the growth rate of these sub-sectors was 0.6 percent, 6.4 percent, 8.5 percent and 9.4 percent respectively.

Aggregate Demand

Domestic Demand

3.37 In terms of current price, the gross domestic demand, which had grown by 13.6 percent in the previous year, grew by 23.2 percent in the review year. The gross capital formation, which had grown by 18.4 percent in the previous year, recorded a substantial growth of 27.8 percent in the review year. Similarly, the total consumption, which had increased by 12.1 percent in the previous year, experienced a high growth of 21.7 percent in the review year. In the review year, the growth rate of export was recorded higher than the growth rate of import. The growth rate of net export (trade deficit) of Nepalese goods and services increased by 31.6 percent in the review year compared to an increment of 21.7 percent in the previous year.

3.38 In current price, the share of total consumption to GDP stood at 90.3 percent in the review year compared to that of 90.2 percent in the previous year. The consumption of government and private sector, which had recorded a growth of 9.9 percent and 78.6 percent respectively in the previous year, increased by 10.7 percent and 78.0 percent respectively in the review year. The share of gross capital formation in GDP stood at 30.3 percent in the previous year. It is registered a growth of 31.9 percent in the review year. Similarly, the gross domestic saving, which was 9.8 percent of GDP in the previous year, recorded to decline to 9.7 percent of GDP in the review year. The gross capital formation,

which was 30.3 percent of GDP in the previous year, estimated to stand at 31.9 percent in the review year.

Net foreign Demand

3.39 The foreign demand of Nepalese goods and services registered a growth of 17.8 percent in the review year compared to a growth of 11.4 percent in the previous year. Likewise, the domestic demand of foreign goods and services grew by 26.3 percent in the review year compared to a growth of 17.5 percent in the previous year. Similarly as in the previous years, the net foreign demand (net export) continued to be negative in the review year. The net export witnessed a negative growth of 31.6 percent in the review year compared to a growth of 21.7 percent in the previous year.

Gross National Disposable Income

3.40 The gross national disposable income, which had grown by 16.5 percent in the previous year, grown by 24.5 percent in the review year. As a result of substantial increase in the net transfer, compared to previous year, the gross disposable income increased substantially in the review year. The GDP in current price (at producer's price) grew by 21.5 percent in the review year, compared to a growth of 12.1 percent in the previous year. Similarly, the ratio of gross disposable income to GDP is registered at 126.4 percent in the review year. In the previous year, such ratio was 123.4 percent. Private sector's remittance has been maintaining a substantial share to the net transfer. In the review year, the remittance increased significantly by 36.5 percent and registered 25.2 percent of GDP (Table 3.3).

Table 3.3
Gross National Disposable Income

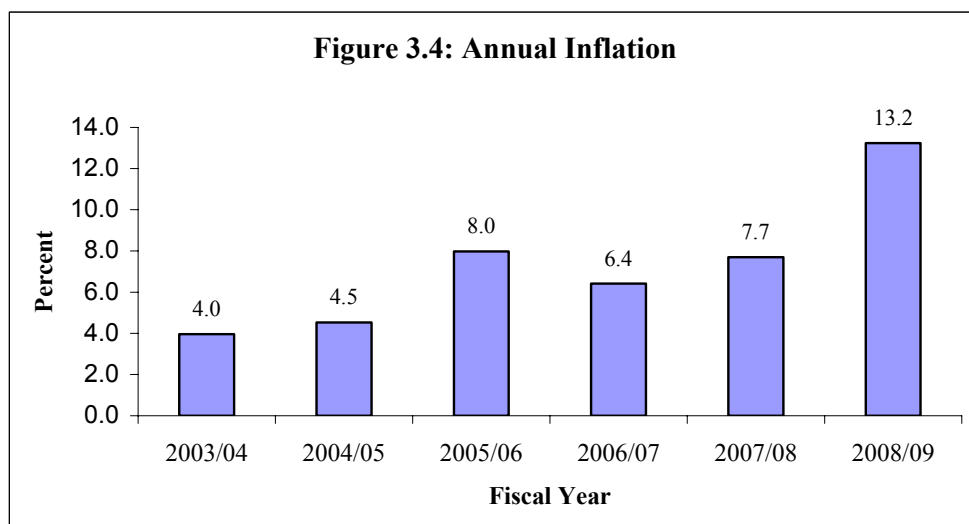
Particulars	2006/07	2007/08	2008/09	2007/08	2008/09
	Rs. in million			Change in Percentage	
Gross Consumption	656374	735470	895018	12.1	21.7
Gross Investment	208779	247277	316097	18.4	27.8
Domestic Demand	865153	982747	1211115	13.6	23.2
Net Exports	-137326	-167084	-219799	21.7	31.6
Gross Domestic Product	727827	815663	991316	12.1	21.5
Net Factor Income	7432	7947	11750	1.0	1.2
Net Transfer	128992	182817	249487	41.7	36.5
Gross National Disposable Income	864251	1006427	1252552	16.5	24.5

Source: Central Bureau of Statistics.

Inflation

Consumer Price Index

3.41 The annual average consumer inflation increased to 13.2 percent in 2008/09 from 7.7 percent in 2007/08 (Figure 3.4). The inflation, in the review period, was mainly driven by the significant rise in the prices of food and beverages items.



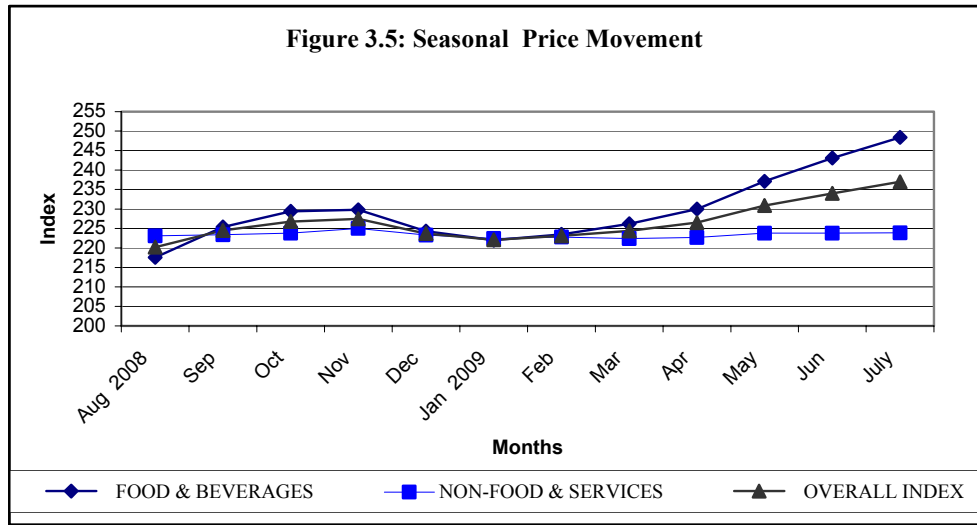
3.42 The annual average food and beverages index rose by 16.7 percent in the review year compared to an increase of 10.1 percent in the previous year. Likewise, the index of non-food and services group increased by 9.5 percent in 2008/09 compared to a growth of 5.1 percent in the previous year.

3.43 On a point-to-point basis, inflation moderated at 11.4 percent in mid-July 2009 compared with 12.1 percent in the corresponding period of last year. During the review period, the indices of food and beverages group and non-food and services group increased by 19.1 percent and 2.9 percent respectively. These rates were 12.9 percent and 11.3 percent in the corresponding period of last year.

3.44 Region-wise, yearly average price level in Kathmandu Valley, Terai and the Hills rose by 14.3 percent, 12.8 percent and 12.7 percent respectively in the review year. The respective rates were 7.2 percent, 8.1 percent and 7.4 percent in the previous year.

Seasonal Price Movement

3.45 The seasonal price fluctuations in the review year showed a higher variation with a comparison of 2007/08. The highest overall price index of 237.0 point was observed in mid-July and the lowest of 220.2 point in mid-August. The indices can be analyzed into three distinct phases as depicted by the monthly price movement (Figure 3.5).



3.46 As shown in the above figure, the overall index rose gradually in the period mid-August to mid-November, reached to 227.5 points from 220.2 points with an increase of 3.3 percent. It declined by 2.4 percent and reached to 222.1 points in Mid-January. However, the index (from mid-January to mid-July) depicts an increase of 6.7 percent from 222.1 points to 237.0 points.

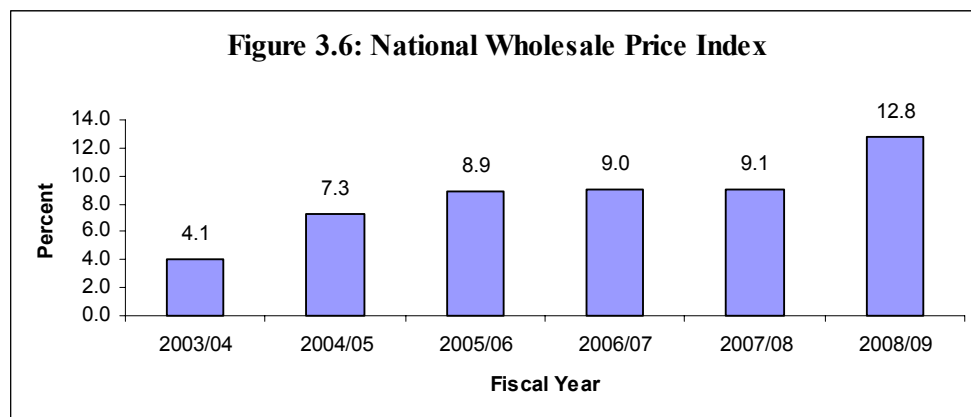
3.47 The above figure shows that the index of food and beverages group increased in the first four months (mid-August to mid-November) from 217.6 points to 229.8 points and declined from mid-November (229.8 points) to mid-January (222.0 points). The index witnessed a high increase again from mid-January to mid-July from 222.0 points to 248.4 points. Although, the index of non-food and services group increased in the first four months (mid-August to mid-November) from 223.1 points to 225.0 points and declined from mid-November (225.0 points) to mid-January (222.4 points). After mid January the index also began to increase from 222.4 to Mid July at 223.9 points. The above scenario shows that the overall price index is affected by the movement in the prices of food and beverages groups more than the non-food and service groups.

Price Movement of Sub-groups of Commodities

3.48 On yearly average price level, the price indices of sugar and related products increased by a whopping rate of 45.9 percent in the review period. This is in sharp contrast to last year's decline of 10.1 percent. Similarly, in the review period, the price indices of some commodities of this group such as pulses, meat, fish and eggs, restaurant meals, oil and ghee as well as milk and milk products increased by 25.0 percent, 23.4 percent, 18.5 percent, 16.3 percent and 15.0 percent respectively compared to an increase of 14.2 percent, 7.7 percent, 7.1 percent, 20.9 percent and 7.6 percent in the same period of last year.

National Wholesale Price Index

3.49 The annual average National Wholesale Price Index (NWPI) increased by 12.8 percent in 2008/09 compared to a rise of 9.1 percent in the previous year (Figure 3.6). Such higher level of inflation was largely attributed to the increase in the prices of agricultural commodities followed by imported commodities and domestic manufactured commodities.



3.50 Group-wise, annual average price index of agricultural commodities rose by 14.0 percent in the review year compared to an increase of 9.5 percent in the previous year. This rise was mainly attributed to the rise in the price indices of livestock production, pulses, fruits and vegetables by 26.3 percent, 21.8 percent and 13.6 percent respectively. The group of imported commodities also observed a significant acceleration in the price index by 12.1 percent in the review year from 8.6 percent in the previous year. This acceleration was largely due to the price rise in transport vehicles and machinery goods as well as textile-related products, which increased by 19.8 percent and 15.6 percent respectively in the review period. Similarly, the price index of domestic manufactured commodities increased by 10.9 percent compared to an increase of 8.8 percent in the previous year. This was mainly due to the significant rise in the price indices of beverages and tobacco, food related products and construction materials by 11.7 percent, 11.4 percent and 11.1 percent respectively.

Wholesale Price Indices of some Important Commodities

Foodgrains

3.51 In 2008/09, the index of foodgrains moderated at 8.5 percent compared to the increase of 12.9 percent in the previous year. In the review year, the price of rice increased due to the international price rise of food articles, however, the price of wheat flour declined in the review year.

Cash Crops

3.52 In the review year, the index of cash crops increased by 4.1 percent in comparison to an increase of 4.8 percent in the preceding year.

Pulses

3.53 In 2008/09, the index of pulses sub-group, surged by 21.8 percent. This had risen by 13.3 percent in the previous year. The low production due to unfavourable weather and rise in international price are the major causes of price hike.

Petroleum Products and Coal

3.54 The price index of petroleum products and coal moderated in the review period to 10.4 percent from the 11.8 percent in the previous year.

Salary and Wage Rate Index

3.55 The annual average National Salary and Wage Rate Index increased by 15.3 percent in 2008/09. It had risen by 9.7 percent in the previous year. The main reason of such an increase in salary index is due to the increase in basic salary by the Government of Nepal (GON), and its effect in the salary of the employee of private sector. In the review year, both salary and wage rate indices rose by 10.5 percent and 16.9 percent respectively compared to the respective increases of 10.9 percent and 9.4 percent in the preceding year. Within the wage rate index, the index of agricultural labourers increased by a higher rate of 23.0 percent, followed by 15.3 percent of construction labourers and 8.3 percent of industrial labourers in the review year.

Wages

3.56 In the review year, the wage rate in the selected four market centres i.e., Kathmandu, Biratnagar, Birgunj and Bhairahawa, showed an increasing trend. The average growth rate in the wages of agricultural labourers for males range between 9.58 (in Kathmandu) to 31.01 percent (in Biratnagar). Following the trend of males, the wage rate related to agriculture for the female ranged between 8.10 (in Kathmandu) to 31.42 percent (in Biratnagar).

3.57 The average growth rate of the wages of construction skilled mason labourer in the selected four market centers; Kathmandu, Biratnagar and Birgunj showed an increasing trend and Bhairahawa showed constant trend, ranges from 0.00 percent (in Bhairahawa) to 25.40 percent (in Birgunj). The wage rate of the mason unskilled labourer also observed ranges from 0.00 (in Bhairahawa) to 27.05 percent (in Biratnagar).

3.58 The wage rate of both skilled and unskilled carpenters in Bhairahawa remained constant to that of the previous year. Despite these rates, the wage rate of skilled carpenter ranges from 4.17 percent in Kathmandu to 11.81 percent in Birgunj. In the review year, the unskilled labourer of such field recorded a growth of 16.03 percent in Kathmandu and 27.05 percent in Biratnagar.

3.59 So far the wages of labourer is concerned; the wages for both male and female in Bhairahawa remains constant to that of the previous year. Other three centers (Kathmandu, Biratnagar and Birgunj) increased significantly ranging between 3.82 percent in Kathmandu to 33.59 percent in Biratnagar for male and between 18.81 percent in Biratnagar to 23.81 percent in Birgunj for female.

4

Fiscal Sector Development

4.1 Nepal is in political transformation position in recent years. Despite the political transition phase of the economy, fiscal situation remained broadly stable in 2008/09. The budget stance has been cautious with a view of maintaining a sustainable fiscal deficit. Deficit stood at 1.9 percent of GDP as against the estimate of 3.9 percent in the budget of 2008/09. Such a prudent fiscal situation was possible mainly on the ground of strong revenue mobilization and foreign grants.

4.2 The government's commitment in revenue leakage control, strong implementation of voluntary disclosure of income scheme (VDIS), several reforms in tax administration, growing imports and consumption induced by the significant rise in remittances, the increasing imports of high tax yielding vehicles and spare parts and increase in non-tax revenue, are mainly responsible for the encouraging growth of revenue mobilization. Limited foreign borrowing and prudent debt management helped reduce public debt to 41.1 percent of GDP.

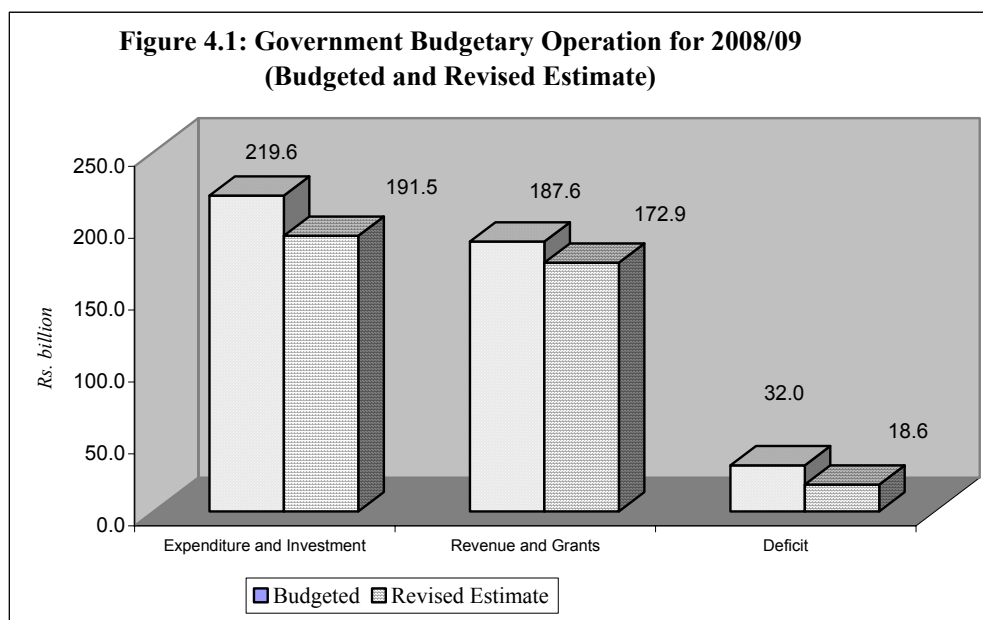
4.3 Also the year 2008/09 witnessed an increase in government expenditure. Recurrent expenditure climbed up mainly due to a rise in the social service expenditure, economic service expenditure, salary of government employees, peace related expenditure, non-budgetary expenses on various items. Capital expenditure also increased in the later months of 2008/09.

4.4 Net domestic financing of the budget deficit remained within the sustainable limit of 1.0 percent (excluding the government cash balance with the NRB), which would not threaten the macro economic stability of the country.

Fiscal Performance (Revised Estimates)

Fiscal Stance

4.5 The budget deficit (after grants) soared only by 9.3 percent to Rs. 18.6 billion compared to a growth of 61.9 percent in the previous year (Figure 4.1). The deficit was estimated to grow by 88.1 percent in budget 2008/09. The budget deficit to GDP ratio declined to 1.9 percent in 2008/09 from 2.0 percent in the previous year.



Source: *Economic Survey, GON.*

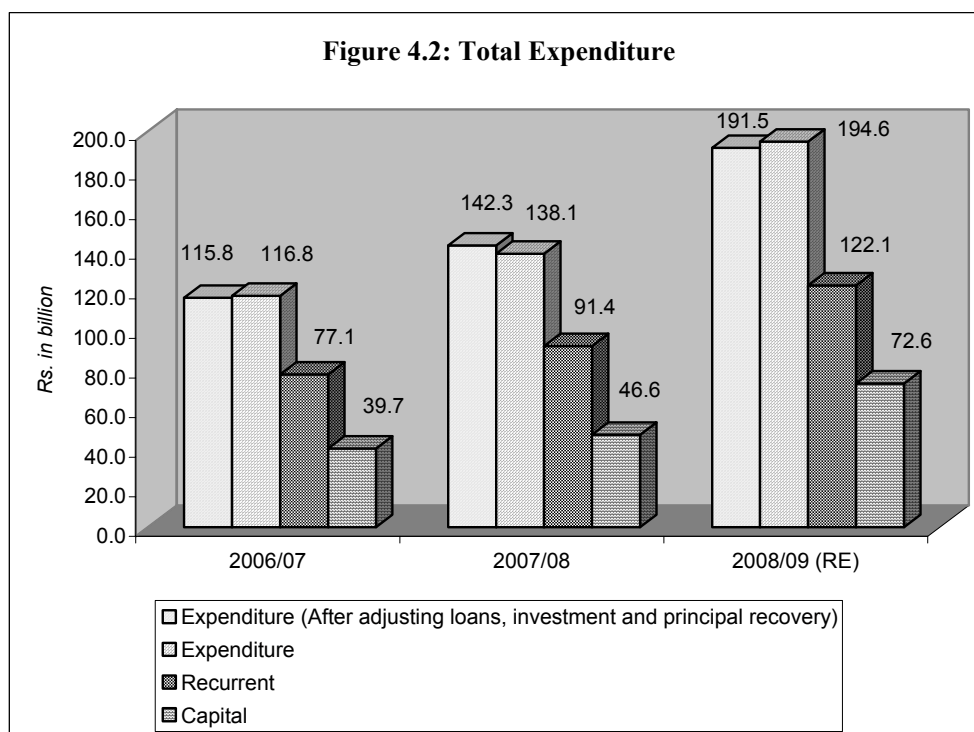
4.6 Of the total budget of 2008/09, the government mobilized Rs. 16.8 billion through net internal borrowings and Rs. 0.5 billion through net external borrowings. Such figures were Rs. 12.0 billion and Rs. 1.1 billion respectively in the previous year.

4.7 In 2008/09, the gross external loan grew by 15.9 percent to Rs. 10.4 billion compared to an increase of 9.3 percent in the previous year. Such loan was Rs. 9.0 billion in 2007/08. Since both the receipt and repayment of external loan went up by higher rates of 15.9 percent and 25.9 percent respectively, the inflows of net external loan decreased at 54.9 percent compared to a decrease of 9.5 percent in the previous year. The gross internal borrowings (excluding overdraft) augmented by 22.0 percent to Rs. 25.0 billion compared to a growth of 73.2 percent in the previous year. The amount of gross internal borrowings was Rs. 20.5 billion in 2007/08. Since the principal repayments on internal loan declined by 2.7 percent and also the gross internal borrowings increased by a lower rate of 22.0 percent, net internal borrowings increased by a lower rate of 39.5 percent compared to an increase of 162.9 percent in 2007/08. The ratio of gross internal and external borrowings to GDP stood at 2.6 percent and 1.1 percent respectively in 2008/09. Such ratios were the 2.5 percent and 1.1 percent respectively in the previous year.

Government Expenditure

4.8 The total government spending including loans and investment recorded a growth of 34.6 percent to Rs. 191.6 billion in 2008/09 compared to a growth of 49.6 percent in 2007/08 (Figure 4.2). A slightly low rate of growth of recurrent expenditure as well as capital expenditure accounted for such a low growth rate of total government expenditure in the review year. The revised estimate of total government expenditure was lower by

12.8 percent than the budget estimate. The ratio of total government expenditure to GDP remained higher at 20.0 percent compared to that of 17.4 percent in the previous year.

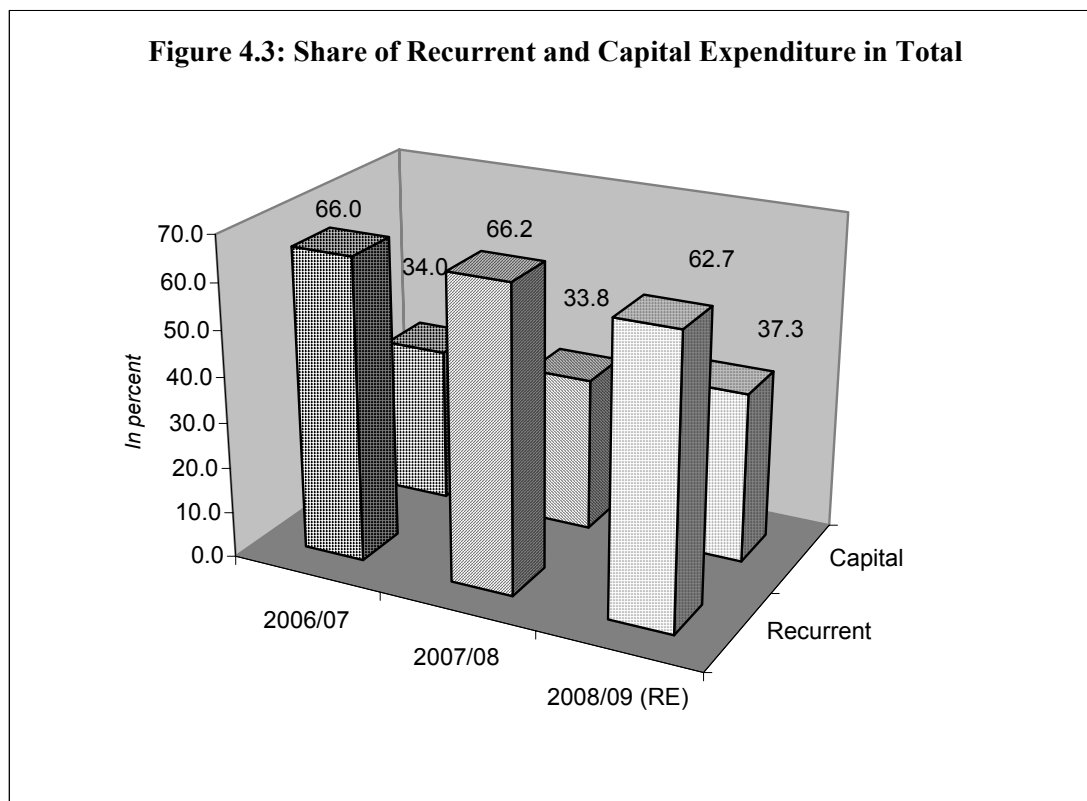


Source: *Economic Survey, GON.*

4.9 Of the total government expenditure, recurrent expenditure registered a growth of 33.5 percent in 2008/09 compared to a growth of 36.5 percent in the previous year. The rise in the salary of government employees, peace and security related expenditure, non-budgetary expenses on different items accounted for such a growth of recurrent expenditure in the review year. The revised estimate of recurrent expenditure was 5.0 percent lower than the budget estimate of 2008/09. The ratio of recurrent expenditure to GDP stood at 12.7 percent in 2008/09.

4.10 Capital expenditure was estimated to grow by 55.7 percent to Rs. 72.7 billion compared to a growth of 65.8 percent in the previous year. The trend of increasing capital expenditure in the later months of the year, payment for the contracts, smoothness in public procurement processes, significant amount of budget release to the local bodies as well as subsidies provided to Small Farmers' debt waiver program contributed to such a growth in the capital expenditure in the review year. The revised estimate of capital expenditure was 20.5 percent lower than the budget estimate. The ratio of capital expenditure to GDP stood at 7.6 percent in 2008/09 compared to that of 5.7 percent in 2007/08.

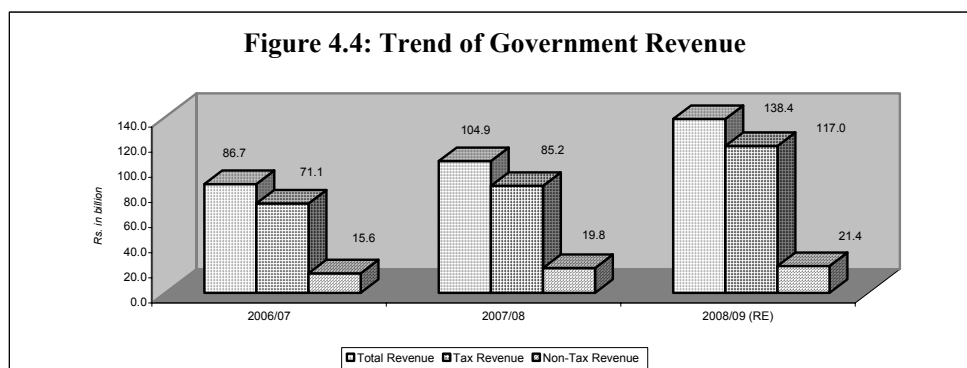
4.11 The ratio of recurrent and capital expenditure in total expenditure stood at 62.7 percent and 37.3 percent respectively in 2008/09. Such ratios were 66.2 percent and 33.8 percent respectively in the previous year (Figure 4.3).



Source: Economic Survey, GON.

Revenue Mobilization

4.12 Revenue mobilization (excluding the principal refund) registered a growth of 31.9 percent to Rs. 138.3 billion in 2008/09 compared to a growth of 48.3 percent in the previous year (Figure 4.4). The Government's firm commitment in revenue leakage control, revenue administration reforms, Voluntary Discloser of Income Scheme (VDIS) and significant growth of non-tax revenue contributed to such an impressive growth of revenue mobilization in the review year. The revised estimate of revenue was lower by 1.5 percent than the budget estimate. The revenue to GDP ratio increased to 14.4 percent in 2008/09 from 12.8 percent in 2007/08. Of the total revenue, the share of tax revenue and non-tax revenue stood at 84.6 percent and 15.4 percent respectively in 2008/09. Such ratios were 81.1 percent and 18.9 percent respectively in 2007/08.



Source: *Economic Survey, GON.*

Box 4.1: Tax Elasticity and Buoyancy

A time series analysis (sample period from 1975-2007) of tax elasticity and buoyancy demonstrates that the tax system in Nepal is inelastic (less than unity) with a more than unitary buoyancy coefficients reflecting a significant revenue collection emanating from the discretionary changes in the tax policy. Total tax revenue, which forms approximately 81 percent of the total revenue mobilization in Nepal, has elasticity co-efficient of 0.50, which is half of the buoyancy co-efficient of 1.10. From these results, it can be easily concluded that there is very low automatic growth of the tax revenue reflecting a very inelastic tax structure.

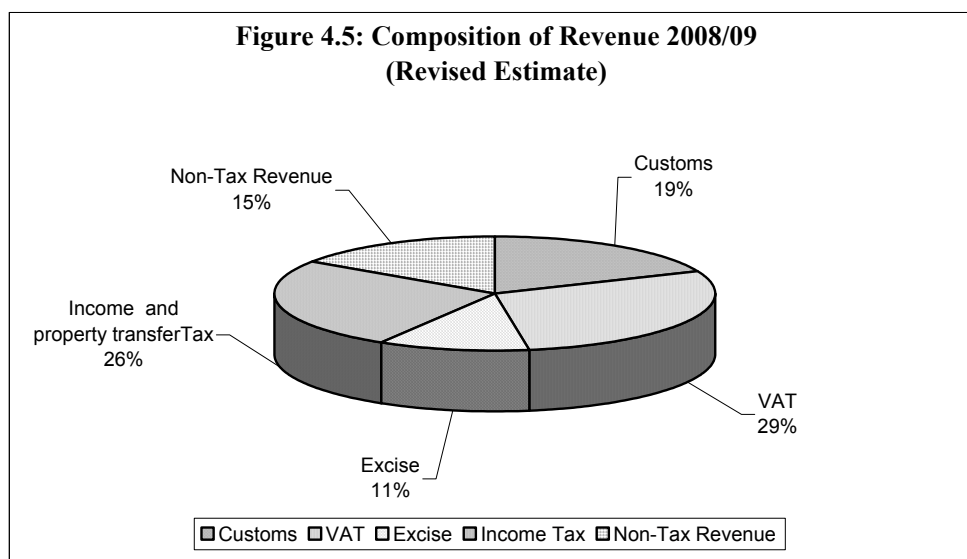
Source: *Timsina Neelam, 2007, Tax Elasticity and Buoyancy in Nepal: A Revisit, Economic Review, No. 19, Nepal Rastra Bank.*

Tax Revenue

4.13 Tax revenue showed a growth of 37.4 percent in 2008/09 compared to a growth of 48.3 percent in the previous year. The revised estimate of tax revenue was 0.4 percent higher than the budget estimate. The ratio of tax revenue to GDP remained at 12.2 percent in 2008/09 compared to that of 10.4 percent in the preceding year. Of the total tax revenue, value added tax (VAT) occupied the highest share followed by income tax. In the review year, the share of direct and indirect tax in total tax revenue stood at 30.6 percent and 69.4 percent respectively. Such ratios were 27.1 percent and 72.9 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 components of indirect tax revenue.

4.14 Of the total tax revenue, VAT constitutes the highest share (28.9 percent), followed by income and property transfer tax (25.9 percent) and customs duties (18.7 percent) in the review year (Figure 4.5). In the previous year also, VAT had the highest share of 28.4 percent followed by income and property transfer tax (22.0 percent) and customs duties (20.1 percent). The revised estimate of VAT revenue registered a growth of 34.0 percent in the review year compared to an increase of 14.3 percent in the previous year and remained lower than the budget estimate by 2.5 percent. Income tax grew by 55.0 percent

compared to a growth of 21.6 percent in the preceding year. The revised estimate of income tax was higher by 1.1 percent than the budget estimate.



Source: Economic Survey, GON.

4.15 In 2008/09, customs duties observed a slower growth of 22.6 percent compared to a growth of 26.1 percent in the previous year. The revised estimate of customs revenue was less than 0.7 percent than the budget estimate.

4.16 Excise duties increased by 37.9 percent in the review year compared to a growth of 19.8 percent in the previous year. The revised estimate of excise revenue was higher by 8.9 percent than the budget estimate.

4.17 The non-tax revenue witnessed a growth of 8.0 percent in 2008/09 compared to a growth of 27.2 percent in 2007/08.

Foreign Grants

4.18 In 2008/09, foreign grants reported a growth of 70.1 percent to Rs. 34.6 billion compared to a growth of 28.4 percent in the previous year. The revised estimate of foreign grants was lower by 26.6 percent than the budget estimate. The foreign grants to GDP ratio stood at 3.6 percent in 2008/09 compared to that of 2.5 percent in 2007/08.

Public Debt

4.19 Total outstanding public debt (both internal and external) stood at Rs.394.5 billion as at mid July 2009, with a growth rate of 9.2 percent. The share of total external and internal debt in total outstanding debt remained at 69.6 percent and 30.4 percent respectively in the review year. Such ratios were 69.2 percent and 30.8 percent respectively in 2007/08. Of the total outstanding debt, internal debt increased by 8.7 percent to Rs. 120.8 billion compared to an increase of 12.0 percent in the previous year. The ratio of internal debt, external debt and total outstanding debt to GDP remained at

12.6 percent, 28.5 percent and 41.1 percent respectively in 2008/09. These ratios were 13.6 percent, 30.5 percent and 44.1 percent respectively in the previous year.

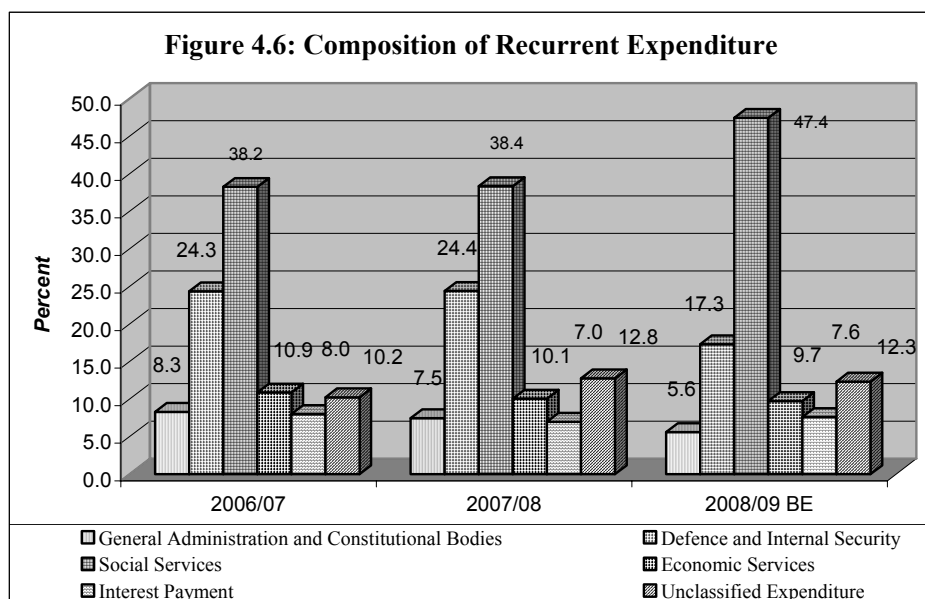
Ownership Pattern of the Government Domestic Debt

4.20 In 2008/09, the government bonds (excluding TBs) in the holdings of the NRB, stood at 4.5 percent of the total bonds. Such ratio was 4.8 percent in the previous year. The government bonds held by commercial banks increased by 4.3 percentage point to 31.7 percent of the total bonds in the review year. The government bonds held by financial institutions declined to 7.8 percent of the total bonds in the review year from 25.6 percent in the previous year. Conversely, Provident Fund Corporation's holdings of government bonds declined to 18.5 percent from 18.9 percent. In the review year, government business enterprises did not hold the government bonds. The government bonds held by private business enterprises is 3.1 percent of the total bonds in the review year. Holding by individuals increased to 26.8 percent from 14.9 percent of the total holdings. But holdings of bonds by non-profit organization declined to 7.6 percent from 8.4 percent in the previous year of total holdings.

4.21 In 2008/09, total outstanding treasury bills increased by 1.7 percent to Rs. 86.5 billion compared to an increase of 14.2 percent in the preceding year. The share of TBs in the NRB holdings in total rose to 26.1 percent in the review year from 20.7 percent in the previous year. However, such share of commercial banks declined from 76.4 percent in the review year from 70.6 percent in the previous year. Financial institutions did not hold the TBs in the review and previous year where as others' share increased from 2.9 percent to 3.4 percent.

Budget 2008/09

4.22 The budget estimate of government expenditure including net loans and investment stood at Rs. 219.6 billion which was 54.3 percent higher compared to that of the previous year. Of the total expenditure, recurrent expenditure was estimated at Rs. 128.5 billion (58.5 percent) and capital expenditure was of Rs. 91.3 billion (41.5 percent) in the budget of 2008/09. Both the recurrent and the capital expenditure were estimated to increase by 40.5 percent and 95.9 percent respectively in 2008/09 compared to that of the previous year. A rise in the allocation in social services expenditures especially in other social services, education, health, miscellaneous items and economic services were mainly responsible for such an increase in the estimate of recurrent expenditure.

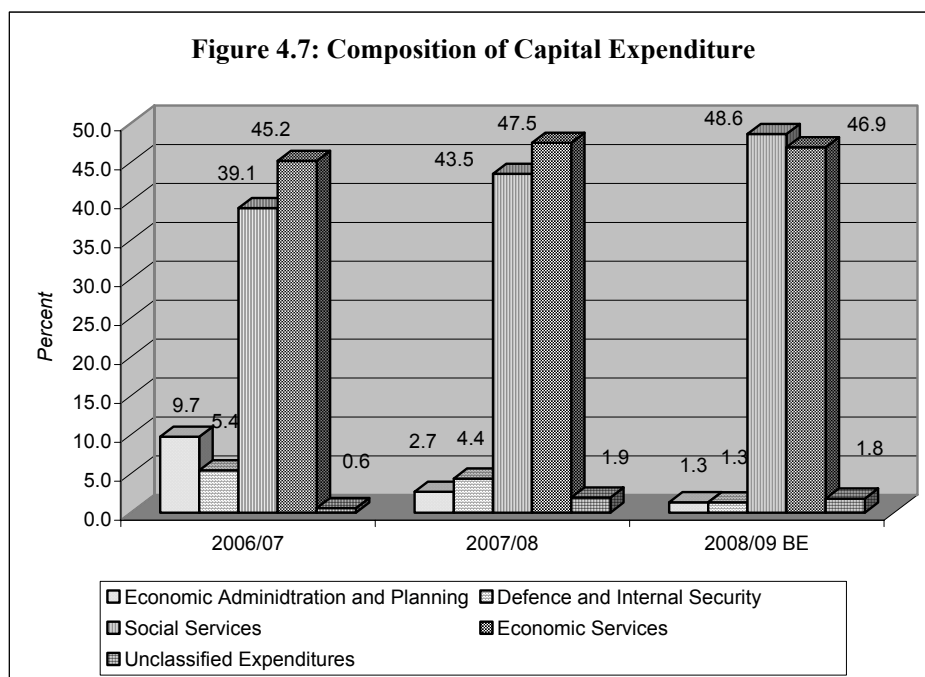


Source: Economic Survey, GON.

4.23 Of the total recurrent expenditure, Rs. 60.9 billion (47.4 percent) was allocated to social services, Rs. 22.2 billion (17.3 percent) to defense and security, Rs. 25.6 billion (19.9 percent) to miscellaneous expenditures, Rs. 12.5 billion (9.7 percent) to economic services and Rs. 7.2 billion (5.6 percent) to general administration and constitutional bodies (Figure 4.6).

4.24 Of the capital expenditure, Rs. 42.8 billion (46.9 percent) was allocated to economic services Rs. 44.4 billion (48.6 percent) to social services, Rs. 1.2 billion (1.3 percent) to defense and security and the rest was allocated to economic administration and planning and unclassified expenditure.

4.25 The budget of 2008/09 estimated to mobilize revenue of Rs. 140.5 billion of which Rs. 116.6 billion (83.0 percent) was estimated to be received from tax revenue and Rs. 23.9 billion (17.0 percent) from non-tax revenue. Of the total tax revenue, Rs. 41.0 billion (29.2 percent) was estimated to be mobilized from VAT, Rs. 26.0 billion (18.5 percent) from customs duties, Rs. 35.4 billion (25.2 percent) from income tax and Rs. 15.4 billion (10.1 percent) from excise duties.



Source: *Economic Survey, GON*.

4.26 Of the total non-tax revenue, miscellaneous (sales of government property, royalty, donation and miscellaneous income) constituted a major portion of Rs. 6.9 billion (4.9 percent). This was followed by dividend of Rs. 5.4 billion (3.9 percent). The rest was estimated to receive from interest, civil administration, departmental receipts and forest sectors.

Major Fiscal Reform Measures

4.27 The major fiscal reform measures were launched controlling mechanism of revenue leakages after identifying the possible leakage areas and increase the revenue mobilization specially the VAT and income tax. The government announced VDIS with a view to give an opportunity to people to correct their past misbehavior of not paying tax. The government is making rigorous efforts in the simplification in checking process, developing transparency, making customs business friendly, increasing automation in the process, managing the valuation database, managing the intra customs information system, collecting information regarding low invoicing, purchasing the goods with low invoicing, lowering the process of checking, developing e-customs, making the custom administration of international standard and developing paperless trade transaction. On the fiscal transparency front, also in this year, the government was effortful 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

4.28 With a view to fulfill the commitments made in regional and international organization and to expand the accessibility to the information and communication, the budget 2008/09 had proposed to zero custom duty on 131 goods. The budget proposed excise duty on some goods to compensate the revenue loss thereof.

4.29 A provision of an increase in capital gain tax from 10 percent to 15 percent was made.

4.30 An additional of 5 percent tax was levied on education services, health services (excluding governmental and community based).

4.31 A substantial increase in the tax levied on vehicle taxes.

4.32 The provision of 5 percent additional fees at the time of registration of houses in Kathmandu valley was made.

4.33 An exemption of interest tax on the annual earnings of the deposits up to Rs.10 thousands deposited in rural micro finance institutions, development banks, postal saving banks, and cooperatives institutions was made.

4.34 An exemption of 10 percent remuneration tax to the women and the deduction of the house registration fees to them.

Tax Rates

4.35 Personal income tax and corporate income tax rates were not changed in the review year. However, the existing provision of income tax exemption limit of Rs 85,000, thereafter the rate is 25 percent i.e. the highest marginal rate of 25 percent plus 1.5 percent that applied in 2007/08, has changed in 25 percent only in 2008/09.

4.36 In the excise front, excise rates of 5, 10, 15, 20, 25, 30, 35 and 45 are prevalent in 2008/09. Such rates were 4, 5, 15, 32, and 53 in 2007/08. In 2008/09, customs rates on imports remained at 5, 10, 15, 20, 25, 30, 40 and 80, which were 5, 10, 15, 20, 25, 30, 40, 55 and 80 in 2007/08. In 2008/09, customs rates on exports remained at 2, 70 and 200, which were 0.5, 1,4, 8, 70 and 200 in the previous year (Table 4.1).

Table 4.1: Tax Rates

	Description	2007/08	2008/09
1	Import Duties (Percent)	5,10,15,20,25,30,40, 55,80	5, 10, 15, 20, 25, 30, 40, 80
2	Export Duties (Percent)	0.5, 1, 4,8, 70, 200	2, 70, 200
3	Excise (Percent)	4, 5, 15, 32, 53	5, 10, 15, 20, 25, 30, 35, 45
4	VAT (Percent)	13	13
5	Income Tax		
	(a) Limit of Exemption		
	(i) Individual	Rs. 115,000	Rs. 115,000
	(ii) Family	Rs. 140,000	Rs. 140,000
	(b) Rate of Tax (Percent)		
	(i) First Rs. 75,000 after Exemption	15 percent (First Rs. 85,000)	15 percent (First Rs. 85,000)
	(ii) After Tax	25+1.5 percent	25 percent
	Corporate Tax		
	(a) Flat Rate at Corporate Net Income		
	(i) Bank and Financial Institutions	30 percent	30 percent
	(ii) Others	25 percent	25 percent
	(b) Partnership Firm	25 percent	25 percent

Source: Finance Bill 2007/08, 2008/09.

Status of the Public Enterprises

4.37 Of the 36 state owned (fully owned /partially owned) enterprises, 17 enterprises had earned profit and 19 enterprises had incurred losses in 2007/08.

4.38 Public Enterprises earned net profit of Rs. 4.9 billion in 2007/08. They had earned net profit of Rs. 7.7 billion in the previous year. Net profit of Rs. 7.9 billion earned by Nepal Telecom and net profit of Rs. 1.8 billion earned by Rastriya Banijya Bank Limited contributed to such an increase in overall net profit of public enterprises in 2007/08. Similarly, an increase in net loss of Nepal Oil Corporation from Rs. 1.9 billion in 2006/07 to Rs. 5.6 billion in 2007/08 contributed to such a decrease in net profit of the public enterprises. However inability to adjust the local price of petroleum products with a decrease in international price was expected to increase the overall net profit of the public enterprises to Rs. 5.3 billion in 2008/09. Likewise, net profit of public enterprises was expected to increase Rs. 18.4 billion in 2008/09.

4.39 Total shareholders' fund of all public enterprises remained Rs. 48.1 billion in 2007/08 which was 39.0 billion in the previous year. In 2007/08, share investment of the GON was 81.9 billion. However, 41 percent of the capital had been eroded. The GON

earned a dividend of Rs. 1.5 billion, which was 1.8 percent of total share investment in 2007/08. Similarly, total outstanding loan investment to the enterprises remained Rs. 73.8 billion in 2007/08. Of this, internal loan was of Rs. 13.2 billion and external loan was of Rs. 60.7 billion.

4.40 Even among the profit earning public enterprises, the economic condition, capacity utilization and employee productivity of most of them did not remain satisfactory. A very low rate of return, lack of regular and updated audit, inadequate professional human resources, lack of funds for the provisions to meet employee-related facilities, political interference, lack of autonomy to determine the price of their product as per the change in market price, lack of clear policy and mechanism for the monitoring and inspection of the enterprises are the main challenges of public enterprises in Nepal. As a result, most of the public enterprises have negative net worth.

Privatization and Dissolution of Public Enterprises

4.41 With the objective of minimizing the administrative and budgetary burden of the GON, strengthening productivity by increasing business skill of the industries and business enterprises, minimizing the possibility of crowding out private investment by the unproductive investment in government enterprises, increasing private sector participation in economic development, the GON had started privatization process since 1994. Up to mid-April, 2009, 30 public enterprises were privatized through liquidation, assets and business sales, share and equity sales, management contract and equity sales and lease. However, privatization is not free of problem. Problems in getting receivables easily by the GON through privatization, problems in settlement of enterprises' obligation and GON's compulsion to pay for such obligation, problems in sale of assets, embezzlement of land given on rent in the process of privatization are the major challenges of privatization.

5

External Sector Development

Policy Developments in 2008/09

5.1 A number of developments took place pertaining to the external sector in 2008/09. Nepal's New Trade Policy was launched (Box 5.1). This Policy accorded priority to targeted strategies—promotion of export and poverty reduction—in the changing scenario of both domestic and global trade. The Policy replaces the old policy formulated sixteen years ago.

Box 5.1: New Trade Policy, 2009

The New Trade Policy was launched to synchronize Nepal's trade policy provisions of World Trade Organization (WTO), South Asian Free Trade Agreement (SAFTA) and Bay of Bengal Initiative for Multi-sectoral, Technical and Economic Cooperation (BIMSTEC).

The policy has given emphasis to tourism, education, health and information technology under the service trade. A separate Service Trade Promotion Council is to be formed for promoting trade in services with the participation of the private sector.

For the first time in history, the Policy has envisioned the provision of initiating legal arrangements for the protection of Nepali goods under Intellectual Property Rights Act. Necessary legal arrangements will be made concerning the Patent Rights, Trade Mark, Geographical Indication and Copy Rights including Industrial Properties Protection Act.

With regard to trade in goods, readymade garments, carpets, pashmina and handicrafts have been given priority as before and have been identified as special focus areas. Likewise, under thrust area development, focus has been given to tea, leather goods, vegetable seeds, cardamoms, lentils/pulses and floriculture, ginger and medicinal herbs, among others. The Policy has envisaged a 23-Member Board of Trade and also indicated that Trade Promotion Institute would be established by integrating the present Trade and Export Promotion Centre for the growth and promotion of Nepali goods. Special emphasis has been accorded to the setting up of special economic zones and export processing zones.

Source: Trade Policy 2009, Ministry of Commerce & Supplies, GON.

5.2 The Committee of Experts (CoE) of South Asian Countries had the first meeting on SAARC Agreement on Trade in Services in November 2008 (Box 5.2). In the second meeting held on January 2009, India presented a paper on “the objectives and principles for services negotiations” as well as on the “timelines for services negotiations” which was approved.

Box 5.2: SAARC Agreement on Trade in Services (SATIS)

As service has been emerging as the most dynamic sector in all economies of the South Asian region and its share in the total trade has been growing, the Declaration of the 13th SAARC Summit held in Dhaka in November 2005 called for a study to examine the extension of SAFTA to cover trade in services. In the 15th SAARC Summit held in August 2008, the heads of state or government welcomed the decision of SAFTA Ministerial Council to commence negotiation on the Framework Agreement on Trade in Services. It was against this background that the draft of SAARC Agreement on Trade in Services (SATIS) was developed. The objectives of SATIS are a) to help countries attain their developmental objectives through expanding trade in services through regional cooperation; b) to be GATS-consistent; and c) to be GATS-plus in commitments. Accordingly, three meetings of the Expert Group on SATIS were held in Kathmandu in 2008/09 to discuss the text of the draft of SATIS. While the First Meeting was held on November 6-7, 2008, the Second Meeting was held on January 20-21, 2009. The Third Meeting that took place on May 21-22, 2009 adopted the General Understanding on Principles and Guidelines for the Negotiations with some modifications. It reiterated the importance of exchange of information on domestic laws, rules and regulations etc. in the field of services and resumed discussion on the draft of SATIS as amended by the earlier meetings.

5.3 The eighteenth meeting of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) was held on June 2009 (Box 5.3).

Box 5.3: Developments under BIMSTEC

The seven member countries of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) finalized an agreement on trade at their 18th meeting in Phuket on June 2-4, 2009. The agreement is to be signed later in 2009. Finalized were the pattern and terms for reducing and waiving tariffs, as well as the rules of origin. More than 5,000 items would be subject to tariff cuts, based on the rates applicable on August 1, 2007. The more rapidly developing member countries—India, Sri Lanka and Thailand—will cut tariffs more quickly than Bangladesh, Bhutan, Burma and Nepal. For the three fast-track nations, 10 percent of the items will see lower tariffs on January 1, 2010. Tariffs on other items will be cut in line with the schedule for the other four members. For the less developed members, 51 percent of the listed items will be subject to tariff cuts to zero on January 1, 2011, and another 20 percent will be reduced to 5 percent at the same time. The other 19 percent of listed items have been put on a negative list, and there is no plan to cut tariffs on them at this juncture.

5.4 Together with the foregoing developments, some other reforms relating to the external sector in general and foreign exchange sector in particular that were undertaken during the review period comprised the following:

- Projects, entities or other organized firms are permitted to purchase goods or services through global tender from India by making payments in convertible foreign currencies under the prevailing provision.
- With the objective of updating data on remittances obtained from foreign employment, a provision has been made to acquire those statistics on a regular basis and in prescribed format from banks, financial institutions and other licensed firms involved in such transactions.

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- For the purpose of making payments for the purchase of electricity, Nepal Electricity Authority is allowed to purchase foreign convertible currencies from the foreign convertible accounts of entities licensed by NRB that deal with remittance transactions.
- A provision has been made to allow L/C transactions based on FOB through certain procedures as indicated in the previous year's monetary policy.
- The number of goods that can be imported from India by making payment in convertible currency has been raised to 135 from 124. Nepal Rastra Bank has continued its policy of slowly increasing the number of goods in the list as required.
- A provision has been made whereby the limit of importing goods from third countries against the payment of convertible currencies through draft, TT has been raised to US\$ 50,000 from US\$ 30,000.
- The licensed international airlines, their J.S.A., P.S.A. and cargo/courier and travel agencies rendering services in Nepal, need to specify the price of their services in Nepalese currency. No approval is required from NRB to repatriate the sales amount to principal company directly or through other mechanisms. Commercial banks ('A' Class) can approve such repatriation based on specified documents.
- A company dealing with remittance transactions can hold foreign convertible currencies up to a maximum of 15 days from the date of collection instead of the provision of 7 days.
- Foreign embassies or diplomatic missions in Nepal do not require an approval from NRB to repatriate the foreign currencies equivalent to NC collected on account of the visa fees. 'A' Class and national level 'B' Class banks and financial institutions can approve such facility at the official request of the embassies or missions.
- The limit of foreign exchange facility granted to persons or organizations for different purposes from 'A' Class and national level 'B' Class banks and financial institutions has been increased from US\$ 2,500 to US\$ 4,000.
- The number of companies/firms dealing with remittances transaction reached 48 as at mid-July, 2009 from 37 in the previous year. Twelve new companies have started their businesses while one company closed its operation in 2008/09. Because of the joint effort between Reserve Bank of India and NRB to formalize the remittance flows, the inflows of remittances from India through the formal channel increased to Rs. 270 million from Rs. 206 million in 2007/08.
- The number of licensed moneychanger firms/companies reached 382 as of mid-July, 2009. Thirty-two new moneychanger firms/companies obtained licenses while one company closed down in 2008/09. The number of money-changer firms/companies operating in Kathmandu Valley alone reached 175 as at mid-July, 2009.
- In order to meet the growing trade and balance of payments (BOP) deficit with India, NRB purchased IC amounting to Rs. 73.40 billion through the sale of 1.52 billion US

dollar in 2008/09. It had purchased IC amounting to Rs. 70.60 billion through the sale of 1.73 billion US dollar in the previous year.

- With respect to intervention in the foreign exchange market, the NRB intervened 103 times, purchasing US\$ 1.92 billion and selling US\$ 21.45 million.

Overview of External Sector Situation

5.5 In 2008/09, the external sector depicted a mixed performance. Although there was an increase in exports, there was a significant growth in trade deficit as the rate of growth of imports was much higher than that of exports. Owing to the sharp rise in remittances, both the current account and the balance of payments posted a surplus in the review year. Consequently, there was a rise in foreign exchange reserves that facilitated in the maintenance of exchange rate and external stability.

Merchandise Trade

5.6 On the basis of customs data, trade in nominal value increased by 25.1 percent to Rs. 351.82 billion in 2008/09 in comparison to the lower growth of 10.7 percent in the previous year. In proportion to GDP, total trade in the review year stood at 35.5 percent compared to 34.5 percent a year earlier. Similarly, on the basis of US dollars, total trade registered a growth of 5.8 percent which maintained the previous year's growth of 5.8 percent. The composition of total trade revealed that trade with India and other countries formed 58.2 percent and 41.8 percent, respectively, of total trade during the review year. The respective shares in the previous year were 64.3 percent and 35.7 percent, respectively. During the review year, the import sustainability of exports dropped to 23.6 percent from 26.7 percent in the previous year. Import sustainability of export to India went down from 27.1 percent in the previous year to 25.0 percent in the review year; likewise, import sustainability of export to overseas countries fell from 26.0 percent in the previous year to 21.8 percent in the review year.

Figure 5.1: Total Foreign Trade

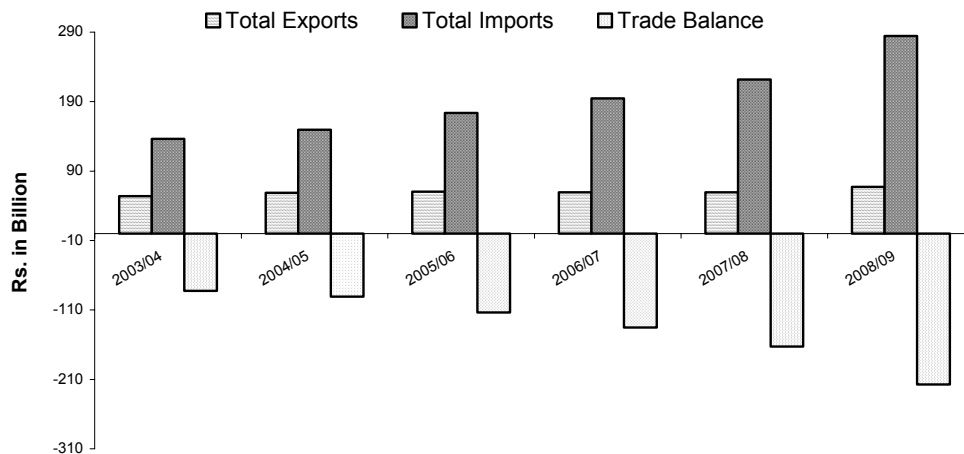


Figure 5.2: Trade With India

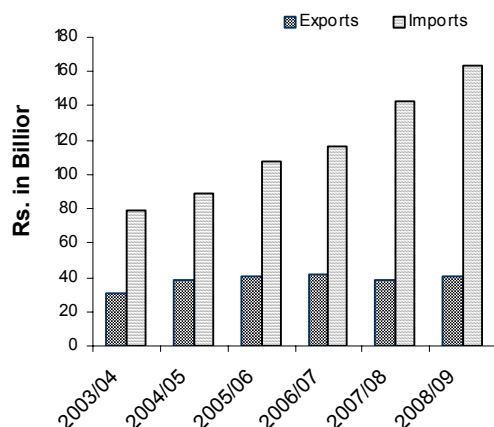
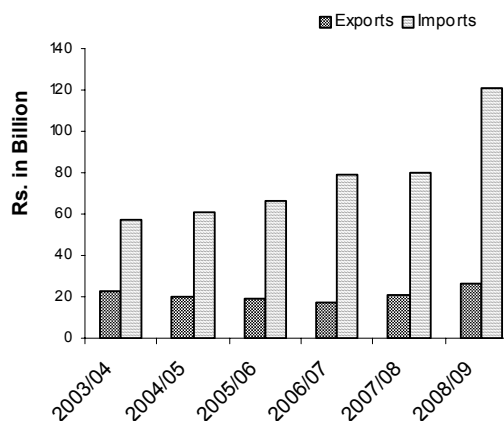


Figure 5.3: Trade With Other Countries



5.7 In 2008/09, total exports increased by 13.5 percent to Rs. 67.25 billion as against a decline of 0.2 percent in the previous year. While exports to India increased by 6.2 percent in the review year in contrast to decline of 7.6 percent in the previous year, exports to other countries surged by 26.9 percent in comparison to an increase of 17.3 percent in the previous year.

5.8 In dollar terms, total exports dropped by 4.0 percent to US\$ 874.7 million in 2008/09 in contrast to a growth of 8.2 percent in the previous year. Exports to India, in dollar terms, declined by 10.1 percent in comparison to a marginal growth of 0.2 percent in the previous year. Exports to other countries, on the other hand, went up by 7.3 percent in the review year in comparison to the growth of 27.2 percent in the previous year.

5.9 As percent of GDP, merchandise exports accounted for 6.8 percent during the review year in comparison to 7.3 percent in the previous year. Of the total merchandise, exports, exports to India and other countries comprised 60.9 percent and 39.1 percent, respectively, in the review year while their respective shares were 65.1 percent and 34.9 percent in the previous year.

5.10 The exports of readymade garments, shoes and sandals, tooth paste, G.I. pipe and noodles to India took an upward trend while the exports of vegetable ghee, thread, zinc sheet, jute goods and wire declined significantly. Similarly, while there was an increase in the exports of pulses followed by pashmina, woolen carpets, handicraft and herbs to other countries, there was a decline in the exports of silverware and jewelleryes and niger seeds.

Figure 5.4: Major Exports to Other Countries



5.11 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 42.1 percent of total exports despite having declined by 4.6 percent. Food and live animals (SITC-0) was placed in second position with a share of 28.3 percent and registering a growth of 44.4 percent. In 2007/08 manufactured goods classified chiefly by materials and food and live animals constituted 50.0 percent and 22.2 percent respectively of total exports. Exports of miscellaneous manufactured articles (SITC-8) comprised 19.8 percent of total exports in comparison to 15.7 percent a year earlier and remained in third position. Chemicals and drugs (SITC-5) comprised 4.6 percent of total exports compared to the share of 4.8 percent in the previous year. The share of crude materials, inedibles except fuels in total exports went up to 2.8 percent in the review year from 2.3 percent a year earlier, while the share of animal and vegetable oil and fats (SITC-4) in total exports declined to 1.0 percent in the review year from 3.5 percent a year earlier. Overall, while primary goods (SITC 0-4) formed 32.6 percent of the total exports in the review year, manufactured and capital goods (SITC 5-9) constituted 67.4 percent. The respective shares of primary and manufactured goods in the previous year were 28.0 percent and 72.0 percent.

5.12 Total imports increased by 28.2 percent to Rs. 284.57 billion in the review year in comparison to the growth of 14.0 percent in the previous year. Of the total imports, imports from India rose by 15.1 percent in the review year to Rs. 163.89 billion as compared to a growth of 22.9 percent in the preceding year. Imports from other countries soared by 51.7 percent to Rs. 120.68 billion in comparison to a meager growth of 0.9 percent in 2007/08.

5.13 In dollar terms, total imports posted a growth of 8.4 percent in the review year as compared to an increase of 23.6 percent in the previous year. Imports from India fell by 2.6 percent in contrast to the previous year's growth of 33.2 percent. Similarly, imports from other countries surged by 28.3 percent in the review year in comparison to an increase of 9.4 percent in the previous year.

5.14 The value of total imports in relation to GDP went up to 28.7 percent in the review year from 27.2 percent a year earlier. The relative share of imports from India in total imports fell to 57.6 percent in the review year from 64.2 percent in the previous year. Correspondingly, the relative share of imports from other countries went up to 42.4 percent in the review year from 35.8 percent in 2007/08.

5.15 Commodity-wise, the principal imports from India that experienced an increase in 2008/09 included vehicles and spare parts, other machinery and parts, cold-rolled sheet in coil, cement and medicine. Likewise, the major imports from India that declined included MS billet, wire products, MS wire rod, vegetables and thread. With regard to imports from third countries, the major goods that posted a rise included gold, electrical goods, crude soybean oil, MS billet and other machinery and parts. The major imports that declined from third countries were crude palm oil, raw wool, telecommunication equipment and parts, textile dye and readymade garments.

5.16 With respect to the composition of imports on the basis of SITC, the major groups were manufactured goods classified chiefly by materials (SITC-6); machinery and transport equipment (SITC-7); and mineral, fuels and lubricants (SITC-3), whose respective shares were 26.8 percent, 24.0 percent and 15.8 percent in total imports respectively. In the previous year, manufactured goods classified chiefly by materials, machinery and transport equipment; and mineral, fuels and lubricants constituted 25.9 percent, 21.6 percent and 19.8 percent of total imports respectively. The share of chemicals and drugs (SITC-5) declined to 10.5 percent in the review year from 12.1 percent in the previous year whereas the share of food and live animals (SITC-0) in total imports rose to 7.4 percent from 7.1 percent. Similarly, the share of miscellaneous manufactured articles rose to 7.0 percent in the review year from 4.8 percent in 2007/08. The share of crude materials, inedibles except fuels (SITC-2) increased to 4.8 percent from 3.8 percent a year earlier. In aggregate, while the share of imports of primary commodities (SITC 0-4) in total imports decreased to 31.7 percent in the review year from 35.5 percent in the previous year, the share of imports of manufactured and capital goods (SITC 5-9) rose to 68.3 percent from 64.5 percent.

5.17 Because of the higher rate of growth of imports relative to exports, the total trade deficit expanded by 33.6 percent to Rs. 217.32 billion. Trade deficit had risen by 20.2 percent a year earlier. In dollar terms, trade deficit soared by 13.0 percent to US\$ 2.83 billion as compared to its growth of 30.3 percent in the previous year.

5.18 Trade deficit with India rose by 18.4 percent as compared to the growth of 40.0 percent in the previous year and trade deficit with other countries expanded by 60.4 percent in contrast to its decline by 3.8 percent in 2007/08. Trade deficit with India and other countries constituted 56.6 percent and 43.4 percent respectively of the total trade deficit in the review year. In the preceding year, the corresponding shares were 63.8 percent and 36.2 percent.

Balance of Payments

5.19 The overall BOP position remained at a significant surplus of Rs. 41.28 billion in 2008/09 as compared to a surplus of Rs. 29.67 billion in the previous year. Although there was a rise in deficit on trade and services front, a surplus was registered in the BOP mainly because of the upsurge in the inflow of remittances.

5.20 In terms of the current account, total exports (at FOB value) increased by 12.8 percent to Rs. 69.91 billion in the review year. Total imports went up by 28.1 percent to Rs. 279.23 billion in comparison to a growth of 14.5 percent in the previous year.

Consequently, trade deficit rose by 34.2 percent to Rs. 209.32 billion in the review year. In the previous year, trade deficit had grown by 21.0 percent.

5.21 On the services front, gross receipts rose by 25.1 percent to Rs. 52.83 billion in the review year in comparison to a rise of 31.7 percent in the previous year. The increase in such receipts was attributed to the rise in income under the two subheads—travel by 49.9 percent and other services by 18.0 percent. On the payments side, there was an increase in the payments on travel services and government services by 50.5 and 54.2 percent respectively while there was a decline in the payments on transportation services and other services by 2.5 percent and 10.0 percent respectively. As a result, total payments rose by 18.7 percent to Rs. 63.31 billion as compared to a growth of 31.8 percent in 2007/08. Ultimately, net services income registered a deficit of Rs. 10.48 billion in the review year. There was a deficit in the balance of goods and services account amounting to Rs. 219.80 billion in comparison to the deficit of Rs. 167.08 billion in the previous year.

5.22 In 2008/09, receipts under income account rose by 22.7 percent to Rs. 16.51 billion while payment decreased by 13.5 percent to Rs. 4.76 billion. As a result, there was a deficit on balance on goods, services and income account amounting to Rs. 208.05 billion in the review year compared to a deficit of Rs. 159.14 billion in the previous year.

5.23 With respect to current transfers, net receipts in the review year rose by 36.5 percent to Rs. 249.49 billion in comparison to a rise of 41.7 percent in 2007/08. Grants went up by 27.6 percent in the review year in comparison to its growth of 15.2 percent in the previous year. Workers' remittances surged by 47.0 percent to Rs. 209.70 billion in the review year as compared to a growth of 42.5 percent in the previous year. Pensions declined by 5.5 percent in contrast to its growth of 45.2 in the preceding year. Other transfers (that is, excise duty refund) went up by 7.1 percent in the review year in comparison to its growth of 58.0 percent in the previous year. Consequently, the current account posted a surplus of Rs. 41.44 billion in the review year in comparison to a surplus of Rs. 23.68 billion in 2007/08. The current account surplus in the review year was about 4.2 percent of the nominal GDP compared to 2.9 percent in the previous year.

5.24 With regard to the capital account, capital transfer of Rs. 6.23 billion was received in the review year in comparison to an inflow of Rs. 7.91 billion in the previous year. Under the financial account, trade credit assets increased by Rs. 3.02 billion and other assets increased by Rs. 14.65 billion. On the liability side, trade credit rose by Rs. 19.55 billion. Government drawing amounted to Rs. 7.29 billion while amortization was recorded at Rs. 10.12 billion. In the previous year, such drawing and amortization were recorded at Rs. 11.33 billion and Rs. 7.87 billion, respectively. Currency and deposit liability went up by Rs. 17.24 billion in comparison to an increase of Rs. 6.26 billion in the previous year. Reserve assets and related items recorded an increase of Rs. 58.52 billion in the review year in comparison to an increase of Rs. 35.93 billion in 2007/08. As a result, in the review year the change in net foreign assets was favorable by Rs. 41.28 billion in comparison to a surplus of Rs. 29.67 billion a year earlier.

Receipts and Payments of Convertible Foreign Exchange

5.25 With respect to the receipts side, total receipts rose by 36.9 percent to Rs. 324.39 billion in 2008/09. This was mainly attributed to the increase in receipts under services (comprising remittances and tourist receipts), merchandise exports, diplomatic mission and foreign aid. In 2007/8, total receipts had risen by 31.7 percent to Rs. 236.93 billion.

5.26 On the payments side, total payments soared by 22.7 percent to Rs. 286.30 billion primarily arising from the upsurge in payments under merchandise imports. In 2007/08, total payments had increased by 41.1 percent to Rs. 233.40 billion. Consequently, a surplus of Rs. 38.09 billion emanated from the transaction on convertible foreign exchange in 2008/09 compared to a surplus of Rs. 3.52 billion in the previous year.

Foreign Assets and Liabilities of the Banking Sector

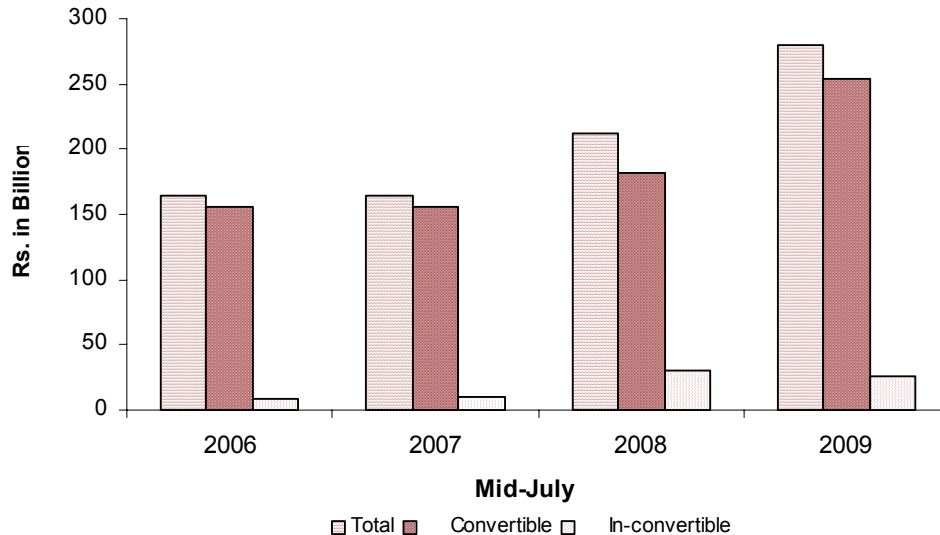
5.27 In the review year, net foreign assets (NFA) of the banking sector registered a rise of 28.9 percent (Rs. 49.63 billion) to Rs. 221.08 billion in comparison to a growth of 30.0 percent (Rs. 39.55 billion) in the previous year. In dollar terms, such assets increased by 13.2 percent (US\$ 329.6 million) to US\$ 2.83 billion in comparison to an increase of 23.1 percent (US\$ 468.9 million) in the previous year. Analogously, gross foreign assets rose by 31.6 percent (Rs. 67.29 billion) to Rs. 280.54 billion in the review year in comparison to a growth of 28.7 percent (Rs. 47.54 billion) in the previous year. In dollar terms, gross foreign assets went up by 15.5 percent (US\$ 481.2 million) to US\$ 3.59 billion in comparison to a higher growth of 21.8 percent (US\$ 557.9 million) in the preceding year.

5.28 The total foreign liabilities of the banking sector went up sharply by 42.2 percent (Rs. 17.66 billion) to Rs. 59.46 billion in the review year in comparison to a growth of 23.7 percent (Rs. 7.99 billion) in the preceding year. Total foreign liabilities, in dollar terms, rose by 24.8 percent (US\$ 151.6 million) to US\$ 761.8 million in comparison to a growth of 17.1 percent (US\$ 88.9 million) in the previous year.

5.29 As at mid-July 2008, the foreign exchange holding of the banking system amounted to Rs. 279.99 billion, constituting 90.7 percent convertible currency and 9.3 percent inconvertible currency. In the previous year, such foreign exchange holding was recorded at Rs. 212.62 billion of which convertible and inconvertible currency formed 85.4 percent and 14.6 percent respectively.

5.30 Agency wise, the NFA of the monetary authorities increased by 32.9 percent (Rs. 54.10 billion) in the review year in comparison to the rise by 30.4 percent (Rs. 38.37 billion) in the preceding year. Similarly, gross foreign assets of the monetary authorities rose by 32.0 percent (Rs. 54.43 billion) to Rs. 224.75 billion in comparison to its growth of 30.8 percent (Rs. 40.10 billion) in the previous year.

Figure 5.5 : Foreign Exchange Reserves



5.31 In US dollar basis, the NFA of the monetary authorities increased by 16.6 percent (US\$ 399.0 million) to US\$ 2.8 billion in comparison to its growth of 23.4 percent (US\$ 456.4 million) in the review year. Likewise, the gross foreign assets of the monetary authorities was equivalent to US\$ 2.9 billion, a growth of 15.8 percent (US\$ 393.2 million) in the review year as compared to a growth of 23.8 percent (US\$ 478.4 million) in the previous year. The gross foreign assets of the monetary authorities formed 80.1 percent of total gross foreign assets of the banking sector in the review year compared to 79.9 percent in the previous year.

5.32 In the review year, while convertible currency holding of the NRB rose by 41.2 percent (Rs. 58.91 billion), inconvertible currency holding of the NRB declined by 16.4 percent (Rs. 4.40 billion). In the previous year, such holdings had risen by 15.4 percent (Rs. 19.09 billion) and 357.1 percent (Rs. 20.96 billion). The SDRs declined by Rs. 75.3 million in contrast to a rise by Rs. 43.1 million in the previous year. With regard to liabilities, foreign liabilities of the NRB went up by 5.9 percent (Rs. 334.2 million) in the review year compared to a rise by 44.0 percent (Rs. 1.73 billion) in 2008/09.

5.33 As at mid-July 2009, foreign assets held by commercial banks stood at Rs. 55.80 billion, a growth of 29.9 percent (Rs. 12.86 billion) as compared to its growth of 21.0 percent (Rs. 7.44 billion) in the previous year. The total liabilities of commercial banks surged by 47.9 percent (Rs. 17.32 billion) to Rs. 53.47 billion in the review year in comparison to its growth of 21.0 percent (Rs. 6.27 billion) a year earlier.

Foreign Aid Agreements

5.34 In 2008/09, foreign grant agreements aggregating Rs. 43.10 billion were signed with ten countries and two donor agencies under bilateral basis and multilateral basis respectively. Bilateral donors committed to provide grant worth Rs. 23.66 billion while

multilateral donors agreed to provide grant amounting Rs 19.44 billion. Under bilateral basis, Japan committed to provide Rs. 13.67 billion (31.7 percent of the total grant) followed by United Kingdom that agreed to provide Rs. 3.48 billion (8.1 percent).

5.35 Among the multilateral agencies, while the World Bank agreed to provide Rs. 10.50 billion (24.4 percent of the total grant), the Asian Development Bank agreed to provide Rs. 8.94 billion (20.7 percent).

5.36 There were two loan agreements aggregating Rs. 4.88 billion signed with the donors in 2008/09. Among these, one was signed with South Korea while the other one was signed with the World Bank.

Transaction with the IMF and IMF Liabilities

5.37 During 2008/09, transaction with the IMF resulted into a net balance of SDR 1,007,675 denoting a net outflow with the total receipts of SDR 99,744 and payments amounting to SDR 1,107,419. The total receipts of SDR 99,744 were the sum of quarterly interest. Similarly, Nepal paid a total of SDR 1,107,419 consisting of allocation charges amounting to SDR 145,002, assessment charge of SDR 605, interest on PRGF amounting to SDR 248,812 and repayment of PRGF first installment amounting to SDR 713,000.

5.38 At the end of 2008/09, the total liabilities to the IMF amounted to Rs. 5.99 billion (SDR 49.2 million). This amount, the liability on the PRGF, exceeded the total liabilities at the end of the preceding year by Rs. 337.7 million. However, on SDR basis, the amount was less than the total liabilities at the end of the preceding year by SDR 0.7 million.

6

Monetary Sector Development

Monetary Policy of 2008/09

6.1 The monetary policy of 2008/09 was announced on September 29, 2008. The policy adopted tight but cautious ex-ante stance with a view to facilitate high growth target (7.0 %) announced by government while limiting the inflation rate within 7.5 percent under the background of expansionary government budget, rising domestic consumers' prices, pressure on the asset prices like land, housing and shares, low interest rate and low export due to global economic recession and its impact on remittance & balance of payments.

6.2 The primary objective of monetary policy for 2008/09 was to anchor the inflationary pressure. Despite the upward revision of petroleum prices and its inflationary effects on transportation and other food items, inflation rate was expected to remain within single digit with anticipation of good harvest of the summer crops and no further price hike in petroleum products. The monetary policy also focused on facilitating the targeted economic growth of 7.0 percent along with confinement of inflation rate within 7.5 percent. However, the industrial activities remained poor, as the investment environment could not improve owing to the continued power shortage, labor disputes, banda and strikes. Similarly, lack of proper adjustment of reduced oil prices in transportation fair bared reduction in supply cost on one hand and increment in minimum salary pushed up the production cost on the other hand. Long winter drought also put adverse impact on supply of food and other agricultural products building additional pressure in prices. On the demand side, voluminous inflow of remittance put some pressure on prices encouraging the domestic demand. Owing to these reasons the inflation rate went far above the expectation and stood at 13.2 percent while economic growth rate fall behind the expectation at 4.7 percent.

6.3 Maintaining an adequate level of foreign exchange reserves was another important objective of the monetary policy. The policy targeted to maintain the foreign exchange reserve to cover at least 6 months imports of goods and services through a BOP surplus of Rs. 12 billion. In the review year, the BOP improved remarkably and recorded a substantial surplus of Rs. 41.3 billion (after the adjustment of foreign exchange profit/loss) because of the notable growth in workers' remittances and foreign grants.

Table 6.1: Inflation and Balance of Payments

	Target	Actual
Inflation (percent)	7.5	13.2
BOP Surplus (Rs. in billion)	12.0	41.3

Strategic and Interim Target

6.4 The strategic target of monetary policy was adopted considering the risk associated with existing pressure on consumer and asset prices. Taking the fixed exchange rate of Nepalese currency and Indian currency as a nominal anchor, the desired money supply targets were set on the basis of projected economic growth rate of 7.0 percent and inflation rate of 7.5 percent. Of the monetary aggregates, the broad money (M_2) and narrow money (M_1) were projected to grow by 18.5 percent and 16.0 percent respectively as compared to 25.2 percent and 21.6 percent respectively in the previous year. The growth of M_2 was set at lower rate relative to previous year so that domestic demand would not cause further pressure on the prices. However, in 2008/09, M_2 grew by 27.7 percent and M_1 grew by 27.3 percent as a result of substantial increase in net foreign assets.

Table 6.2: Evaluation of Ex- post Monetary Policy Stance

	Target	Actual
Broad Money (M_2)	18.5	27.7
Narrow Money (M_1)	16.0	27.3

6.5 In the review year, the total domestic credit was projected to increase by 23.3 percent considering that the private sector credit would expand with the positive political atmosphere after the constitution assembly election. On this basis, private sector credit was projected to expand by 25.0 percent. But, the high expansion of private sector credit towards wholesale and retail trade, consumption and trust credit led to a growth of private sector credit by 28.3 percent. As a result, domestic credit expanded by 26.4 percent. Of the total domestic credit of the monetary sector, the net claim on government was projected to increase by 18.4 percent (Rs. 15.8 billion) in 2008/09. The net claims on government from monetary sector increased by 19.5 percent (Rs. 16.9 billion). In the review year, the claims on Government of Nepal remained high as the government also used the overdraft of Rs. 8.84 billion from Nepal Rastra Bank.

Operating Target

6.6 Under the liquidity rule of monetary transmission mechanism, the NRB has been taking the excess liquidity of commercial banks as an operating target of monetary policy since 2004/05 and was also continued in 2008/09. The Liquidity Monitoring and Forecasting Framework (LMFF), which is based on the weekly balance sheet of the NRB, has been used, to measure, monitor and forecast the excess liquidity of commercial banks.

The open market operations have been conducted on the basis of liquidity position indicated by the LMFF and the objectives set in the monetary policy.

Monetary Instruments

Bank Rate and Refinance Rate

6.7 The bank rate, one of the indicators of signaling ex-ante monetary policy stance, was increased to 6.5 percent in 2008/09 as a signal of tightening monetary policy stance. Though the bank rate is less effective as monetary instrument, the rate is used to impose penalty in case of shortfall in the CRR.

6.8 Considering the problems faced by Nepalese export sector, the refinance rate on export credit in Nepalese currency was reduced by 0.5 percent point to 2.0 percent in 2008/09. The commercial banks were not permitted to charge more than 5.0 percent interest rate on such facility. The refinance rate for export credit in foreign currency was set at *libor* plus 0.25 percent.

6.9 The sick industry refinance facility, which was introduced in 2001/02 for the first time, was also continued in 2008/09. For the review year, the refinance rate kept unchanged at 1.5 percent. The commercial banks and financial institutions were not allowed to charge more than 4.5 percent interest rate to the sick industries under such facility.

Cash Reserve Ratio (CRR)

6.10 In 2008/09, the cash reserve ratio (CRR) increased by 50 basis points to 5.5 percent. The CRR rate was increased to control pressure in domestic prices that may arise from excess liquidity. This provision helped to mop up additional liquidity of Rs.1.92 billion from the system.

Open Market Operations

6.11 The Open Market Operations (OMOs) have been used as primary instruments in monetary management. The existing provision of outright sale and purchase auctions on multiple pricing auction system and repo and reverse repo auction on multiple-interest auction system was continued in 2008/09 too. The OMOs are conducted at the initiatives of the NRB at any working day based on the liquidity situation indicated by liquidity monitoring and forecasting framework (LMFF).

6.12 The OMOs which indicate the ex-post monetary policy stance, had been expansionary in 2008/09 compared to previous year. The net liquidity of Rs. 9.7 billion was mopped up through the OMOs compared to that of Rs. 12.4 billion in the previous year. Total liquidity amounting to Rs. 20.7 billion (Rs. 7.4 billion through outright sale auction and Rs. 13.3 billion through reverse repo auction) was mopped up while a liquidity of Rs. 11.0 billion was injected through the repo auction to manage the shortfall of liquidity in the months of January/February, February/March and May/June particularly due to high cash balance of government with the NRB and increase in currency in circulation.

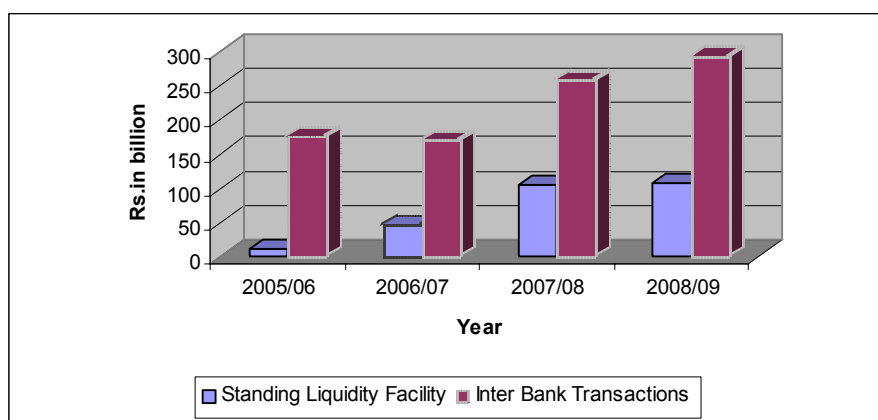
Table 6.3: Secondary Market Operations

(Rs. in million)

	2007/08	2008/09
Total Liquidity Injection	9000.0	11000.0
Outright purchase auction	0.0	0.0
Repo Auction	9000.0	11000.0
Total Liquidity Absorption	21420.0	20720.0
Outright sale auction	14850.0	7460.0
Reverse Repo auction	6570.0	13260.0

Standing Liquidity Facility (SLF)

6.13 The NRB has been providing SLF since 2004/05. The penal rate on SLF was increased to 3 percent in the review year from 2 percent in the previous year while the maturity period and the criteria for calculating interest rate on SLF kept unchanged. The maturity period of such facility is five days and the interest rate is determined by adding penal rate on weighted average interest rate of 91-days treasury bills or latest repo auction rate of past one month, whichever is higher. Commercial Banks used Rs. 107.8 billion under the SLF window in 2008/09 compared to Rs. 103.8 billion in the previous year.

Chart 6.1: Status of Standing Liquidity Facility and Inter Bank Transactions**Inter bank Transactions**

6.14 Inter bank transactions of commercial banks stood at Rs. 293.4 billion in the review year compared to Rs. 258.3 billion in 2007/08. The expansion in the volume of inter bank transaction is due to an increase in currency in circulation and substantial cash deposit of the Government of Nepal with Nepal Rastra Bank for a long time. The weighted average annual inter-bank transaction rate also went up to 5.07 percent compared to the 4.20 percent of the previous year.

Sick Industries Refinancing

6.15 The NRB has been providing refinancing facility to sick industries since 2001/02. From the beginning to 2008/09, the refinance facility amounting Rs. 3.3 billion has been used by 163 hotels and 42 industries. The refinance facility is provided to the banks and financial institutions at the interest rate of 1.5 percent and the banks and financial institutions are not allowed to charge more than 4.5 percent interest rate while lending to sick industries under this facility. In 2008/09, one of the hotels used Rs. 7 million from this facility. Under this facility, 3 hotels used the facility of Rs. 67.7 million in 2007/08.

Liquidity injection through Foreign exchange interventions

6.16 In 2008/09, the NRB injected net liquidity of Rs. 142.5 billion by net purchase of the US dollar 1841.5 million from commercial banks through foreign exchange intervention. In the previous year, the NRB had injected net liquidity of Rs. 102.4 billion by net purchase of the US dollar 1571.5 million. Such a higher amount US dollar purchase through foreign exchange intervention was necessitated due to substantial increase in inflow of remittances.

6.17 In the process of Indian currency management, the NRB purchased INR 73.4 billion through the sale of the US dollar 1.5 billion in the review year. The NRB had purchased INR 70.6 billion by selling the US dollar 1.7 billion in the previous year. A depreciation of Indian currency vis-à-vis the US dollar made it possible to purchase higher amount of INR by selling lower amount of US dollar.

Table 6.4: Net Purchase of the US Dollar from Commercial Banks and IC Purchase from Indian Money Market

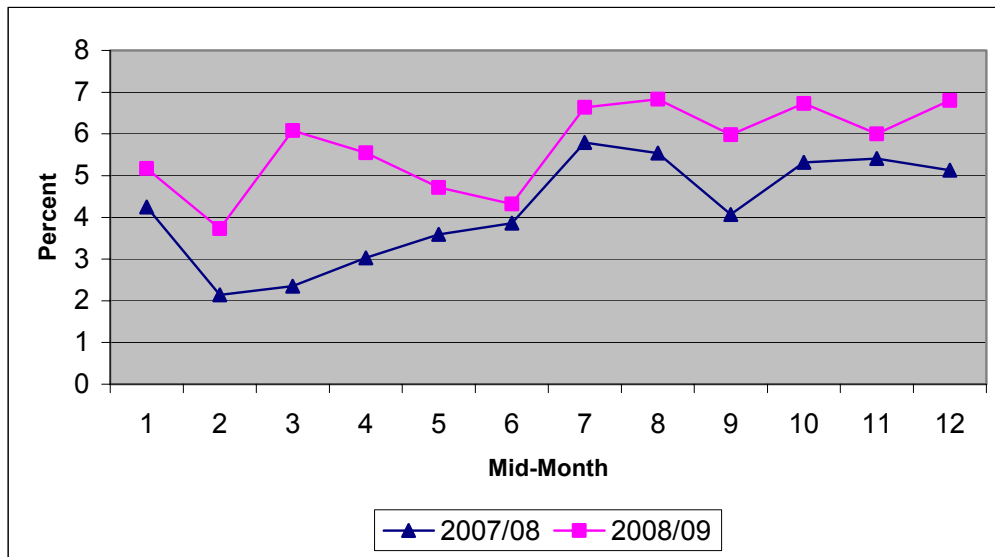
(Rs in billion)

Mid-Months	2007/08		2008/09	
	Net Purchase Of the US Dollar from commercial banks (in NC)	Net Purchase of IC through the Sale of US dollar (in IC)	Net Purchase Of the US Dollar from commercial banks (in NC)	Net Purchase of IC through the Sale of the US dollar (in IC)
Aug	2.25	3.64	5.39	5.97
Sep	4.39	3.68	6.80	2.64
Oct	7.39	5.54	18.47	3.26
Nov	6.60	3.93	11.55	10.66
Dec	9.12	5.53	17.49	6.95
Jan	5.92	3.94	13.49	4.38
Feb	6.48	5.13	12.13	6.35
Mar	12.83	4.78	11.92	7.56
Apr	10.99	5.62	10.79	5.62
May	10.62	6.47	13.46	6.50
Jun	12.50	7.68	8.72	5.30
Jul	13.30	14.63	12.28	8.21
Total	102.41	70.60	142.50	73.40

Short-term Interest Rates

6.18 In the review year, the weighted average annual 91-day treasury bills rate increased to 5.83 percent from 4.22 percent of the previous year. Likewise, weighted average annual inter-bank rate remained at 5.07 percent in the review year compared to 4.20 percent in the previous year. The interest rate on deposits also increased in the review year. The maximum interest rate on saving deposits increased by 1 percent point to 7.5 percent. Likewise, the maximum interest rates on six months, one year and two or more than two years fixed deposit increased by 0.25, 3.0 and 2.5 percentage points respectively to 7.0 percent, 9.0 percent, 9.5 percent. This is believed to have pushed deposit rates upwards. On the other hand, the maximum lending rates on agriculture sector and industrial sector remained same as of previous year of 13 percent and 13.5 percent respectively. But the maximum lending rate on overdraft loan decreased by 1 percent point to 13.5 percent. The increased competition in banking sector helped to move deposit rates in upward direction and change in the spread rate.

Chart 6.2: Average Weighted 91-day Treasury Bill Rate
(in percent)



Monetary Aggregates

6.19 In 2008/09, monetary aggregates expanded substantially as in the previous year. Broad money (M_2) grew by 27.7 percent compared to an increase of 25.2 percent in the previous year. Likewise, narrow money (M_1) registered a growth of 27.3 percent in the review year compared to 21.6 percent a year ago. An upsurge in both net foreign assets (NFA) and net domestic assets (NDA) contributed to such a higher expansion in monetary aggregates in the review year.

6.20 Compared to a growth of 19.9 percent in the previous year, the currency in circulation increased by 25.5 percent in the review year. Such a higher increase of currency in circulation is attributed to increase cash flows in rural areas on account of escalating inflow of remittances. The higher rate of inflation also necessitated higher amount of currency demand for transaction purpose.

6.21 The demand deposits grew by 30.5 percent compared to an increase of 25.0 percent in the previous year on account of a higher growth of private sector credit. Likewise, the time deposits grew substantially by 27.9 percent in the review year due to an elevated level of remittance inflows. Such deposits had increased by 27.0 percent a year ago.

Sources of Monetary Growth

6.22 NFA (after adjusting exchange valuation gain/loss) increased significantly by Rs. 41.3 billion (24.1 percent) in the review year compared to Rs. 29.7 billion (22.5 percent) in the previous year. Higher remittance inflows and expansion in foreign assistances contributed to such a remarkable rise in NFA.

Structure of Domestic Credit

6.23 Domestic credit increased by 26.6 percent in the review year compared to a growth of 21.3 percent a year ago. Such an increase in domestic credit was on account of a higher growth of private sector credit accompanied by claims on financial institutions.

6.24 In the review year, net claims on government increased by 20.4 percent compared to 11.2 percent in the previous year. Net claims on government increased at a higher rate on account of higher amount of internal borrowing in the review year.

6.25 On the other hand, claims on non-financial government enterprises declined by 9.8 percent (Rs. 554.1 million) in the review year against a growth of 10.4 percent (Rs. 531.6 million) in the previous year. A partial repayment of loan by National Trading Ltd., Nepal Food Corporation and Nepal Electricity Authority and full repayment of loan by Nepal Oil Corporation contributed to the decline in the claims on such enterprises.

6.26 Claims on private sector expanded significantly by 28.3 percent in the review year compared to an expansion of 24.3 percent in the previous year. Inclusion of the credit extended by KIST bank also contributed to a higher growth of claims on private sector in 2008/09.

6.27 Claims on financial institutions grew by 60.5 percent (Rs. 2.8 billion) in the review year. Such credit had grown by 30.0 percent (Rs. 1.1 billion) in previous year. Despite a decline in commercial banks' claims on government financial institutions, an increase in a short-term investment of commercial banks to the development banks and other financial institutions, ascribed to a higher growth of claims on financial institutions.

Reserve Money

6.28 The reserve money increased substantially by 35.3 percent in 2008/09 compared to a growth of 21.2 percent in the previous year. Such a high growth in monetary base is attributed to a sharp increase in NFA of monetary authority. On the uses side, currency in circulation increased by 25.5 percent compared to the growth of 19.9 percent in previous year. Likewise, currency held by commercial banks increased by 18.7 percent compared

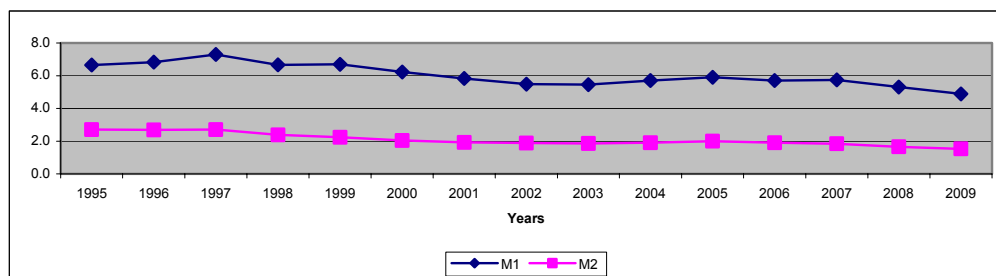
to a growth of 71.9 percent of the previous year. The deposits of commercial banks with the NRB increased by 92.2 percent in 2008/09. It had increased by 5.6 percent in previous year. The deposits of financial institutions with NRB increased by lower rate of 13.2 percent in review year compared to the growth of 37.3 percent in previous year.

Money Multiplier and Income Velocity

6.29 Money multipliers decreased in the review period. Narrow money multiplier, which was 1.07 in the previous year, stood at 1.01 in 2008/09. Likewise, the broad money multiplier reduced from 3.43 in the previous year to 3.24 in 2008/09. Such a downfall in multipliers in the review period was due to a low reserve-deposit ratio of commercial banks and a marginal increase in currency-deposit ratio.

6.30 The velocity of money is an average frequency with which a unit of money is spent for buying goods and services in a specific period of time. Velocity affects the amount of economic activities associated with a given money supply. Income velocity witnessed a declining trend for both narrow and broad money. The income velocity of M_1 and M_2 stood at 4.89 and 1.53 respectively for 2008/09 compared to respective number of 5.30 and 1.65 in the previous year. The slight decline in income velocity of both monetary aggregates shows the increasing preference of the Nepalese people to hold more proportion of income in money as an asset due to a low interest rate and high inflationary pressure.

Chart 6.3: Trend of Income Velocity of Monetary Aggregates



Banking Survey

6.31 Banking survey, or the depository corporation survey, gives the broad measure of liquidity derived through consolidating the sectoral balance sheet of central bank, commercial banks, development banks and finance companies. So, it has expanded coverage than that of the monetary survey. According to the banking survey, the measure of liquidity (L_1) expanded by 32.7 percent in 2008/09 compared to an expansion of 24.6 percent in 2007/08. Expansion in foreign as well as domestic assets contributed to the substantial expansion in liquidity in the economy in 2008/09. Of the components of L_1 , time and saving deposits of other banking institutions (OBI) registered a muted growth of 35.7 percent in 2008/09 compared to a growth of 64.5 percent in 2007/08.

6.32 NFA (after adjusting foreign exchange valuation gain/loss) including that of OBI increased by Rs. 41.1 billion in 2008/09 compared to an increase of 28.3 billion in 2007/08 on account of an elevated inflows of workers' remittances. Likewise, net

domestic assets including that of OBI increased by 36.5 percent in the review year compared to a growth of 25.9 percent a year ago. Increase in claims on private sector and net claims on government are two major contributors to a substantial growth of net domestic assets in 2008/09.

6.33 Claims on government including that of OBI witnessed a growth of 20.4 percent in 2008/09 compared to a growth of 10.6 percent in 2007/08, whereas the private sector credit expanded by 29.9 percent in the review year compared to a growth of 30.4 percent in the previous year. The credit to the private sector from OBI increased by 36.2 percent in 2008/09 compared to a growth of 63.1 percent in 2007/08.

6.34 The monetary sector's claims on non-bank financial institutions increased by Rs 3.1 billion in 2008/09 compared to an increase of Rs 1.1 billion in 2007/08. However, the credit to non-financial government enterprises declined by 9.8 percent in 2008/09 against a growth of 10.4 percent in 2007/08, mainly due to a part of credit repayment by some government enterprises.

7

Banking, Financial Market and Financial Sector Reform Programme

Financial Institutions

Growth of Financial Institutions

7.1 There has been a significant growth in the number of banks and financial institutions in the review period. The total number of commercial banks ('A' class financial institutions) reached 26 in mid-July 2009. Similarly, the number of development banks ('B' class financial institutions), finance companies ('C' class financial institutions) and micro-finance institutions ('D' class financial institutions including Rural Development Banks) reached 63, 77, and 15 respectively (Table 7.1). The number of cooperatives licensed by the NRB to undertake limited financial transactions stood as same in number 16 and the number of Non-Government Organizations (NGOs) licensed by the NRB to undertake micro-finance transactions decreased in comparison to the previous year and stood at 46. In total, the number of financial institutions as at mid-July 2009 stood at 270 including 25 insurance companies, Employees Provident Fund, Citizen Investment Trust and Postal Savings Bank. In addition to the NRB licensed financial institutions, a number of other institutions represent the Nepalese financial system.

Table 7.1: Number of Financial Institutions

Banks and Financial Institutions	2008	2009
NRB Licensed Financial Institutions		
Commercial Banks	25	26
Development Banks	58	63
Finance Companies	78	77
Micro-Finance Institutions	12	15
Cooperatives (Licensed by NRB to undertake limited financial transactions)	16	16
Non-Governmental Organizations (NGOs) (Licensed by NRB to undertake micro-finance transactions)	46	45
Money Transfer Firms	37	48
Money Changers	350	389
Institutions Other than NRB Licensed		
Insurance Companies	25	25
Employees Provident Fund	1	1
Citizen Investment Trust	1	1
Postal Savings Bank	1	1
Total Number of Savings and Credit Cooperatives (Licensed by the Department of Cooperatives, GON)*	4448**	5162**
Deposit and Credit Guarantee Corporation	1	1
Credit Information Bureau	1	1
Nepal Stock Exchange Ltd.	1	1

*These also include the NRB-licensed Cooperatives.

** Source: Department of Cooperatives based on mid-April.

Financial Structure

7.2 The ratio of total assets/liabilities of financial institutions including that of contractual saving institutions to GDP was 145.8 percent in mid-July 2009. Including the market capitalization of the shares listed in the Nepal Stock Exchange, this ratio stood at 199.2 percent.

7.3 The share of commercial banks in the total assets/liabilities of the financial institutions was 58 percent. Such shares of the Nepal Rastra Bank, finance companies, Employees Provident Fund, development banks and insurance companies were 19.6 percent, 6.2 percent, 5.7 percent, 4.9 percent and 2.6 percent respectively (Table 7.2).

Table 7.2: Structure of Nepalese Financial System

(Rs. in million)

	Mid-July 2008			Mid-July 2009		
	Total assets/liabilities	Percentage share in total	Ratio of total assets to nominal GDP (in percentage)	Total assets/liabilities	Percentage share in total	Ratio of total assets to nominal GDP (in percentage)
Financial institutions	882830.3	88.3	107.9	1262098.8	90.2	131.5
Nepal Rastra Bank	212449.8	21.3	26.0	274119.0	19.6	28.6
Commercial Banks	549090.2	54.9	67.1	812165.9	58.0	84.6
Finance Companies	65034.8	6.5	7.9	87430	6.2	9.1
Development Banks*	40014.7	4.0	4.9	69134.9	4.9	7.2
Cooperatives	4241.9	0.4	0.5	4965.1	0.4	0.5
Micro-credit Financial Institutions	11998.9	1.2	1.5	14283.9	1.0	1.5
Micro-credit Non-financial Institutions	2382.6	0.2	0.3	2382.6	0.2	0.2
Contractual Savings Institutions	115615.9	11.6	14.1	136298.5	9.7	14.2
Employees Provident Fund	68338.1	6.8	8.4	79150.9	5.7	8.2
Citizen Investment Trust	15688.4	1.6	1.9	20133.3	1.4	2.1
Insurance Companies	31589.4	3.2	3.9	37014.3	2.6	3.9
Postal Saving Bank	827	0.1	0.1	1025	0.1	0.1
Total	999273.2	100.0	122.1	1399422.3	100.0	145.8
Nominal GDP (Rs. million)	818400			960010		
Market Capitalization of Stock Exchange (Rs. million)	366248			512939		
Ratio of Stock Market Capitalization to GDP (in percentage)	44.8			53.4		

Source: NRB and Nepal Stock Exchange Limited.

Commercial Banking

Number of Commercial Banks and their Branches

7.4 One new commercial bank came into operation by upgrading from “C” Class financial institutions in 2008/09. So, the total number of commercial banks reached to 26 as in mid-July 2009 from 25 of the previous year.

7.5 The expansion of commercial banks branches accelerated in 2008/09. The number of bank branches increased from 555 in mid-July 2008 to 752 in mid-July 2009. The end of domestic conflict following the people’s movement II in April 2006, the directive of

NRB in regard to opening up of bank branches¹ in Kathmandu valley, and the increasing competition among the banks and financial institutions to attract new customers have helped to increase the number of bank branches across the nation.

7.6 In 2008/09, the number of bank branches increased by 52 percent in Kathmandu valley followed by Hills (32 percent) and Terai (27 percent)². This shows that although Kathmandu valley is the first choice for new bank branches, the banking sector has started to search for new potential areas in Hills compared to Terai. Looking at the distribution of bank branches as of mid-July 2009, 41 percent bank branches are located in Terai followed by 32 percent in Kathmandu valley and 27 percent in Hills.

Table 7.3: Distribution of Commercial Bank Branches in Nepal

Region/Zone	2007 ³		2008		2009	
	No.	Share (%)	No.	Share (%)	No.	Share (%)
Eastern	90	20	111	20	135	18
Central	220	49	265	48	379	50
Western	88	19	107	19	147	20
Mid-Western	32	7	46	8	57	8
Far-Western	22	5	26	5	34	5
Total	452	100	555	100	752	100
Kathmandu Valley	126	28	157	28	239	32
Terai	197	44	242	44	307	41
Hills	129	29	156	28	206	27

Assets/liabilities of Commercial Banks

7.7 Assets/ liabilities of commercial banks increased by 28.6 percent in the review year amounting to Rs 705.9 billion as in mid-July 2009 compared to a growth of 24.9 percent in the previous year. The primary issue of shares by some of the companies and expansion in deposit mobilization and credit flow driven by remittance inflows, contributed to such a growth in assets/liabilities of commercial banks. As a result, the ratio of assets/liabilities of commercial banks to GDP has reached to 73.5 percent compared to 67.1 percent in the previous year.

7.8 Among the total liability, public deposit has occupied a dominant share followed by other liabilities. The share of public deposit on liabilities reached to 77.9 percent in the

¹ According to directive, any commercial bank to open a branch in Kathmandu valley requires to open at least one branch outside the Kathmandu Valley.

² For the name of particular districts included in Hills and Terai region, see the Quarterly Economic Bulletin, Vol 43, No. 3&4, Table 38, Mid July 2009.

http://red.nrb.org.np/publica.php?tp=economic_bulletin&&vw=5

³ Excluding one hundred bank branches of ADB/N involved in non-banking transactions.

review year from 76.8 percent in the previous year. Similarly, the share of other liabilities of commercial banks to total liabilities slightly declined to 21.9 percent in the review year compared to 22.8 percent in the previous year.

7.9 In the review year, other liabilities of commercial banks increased by 23.5 percent compared to a growth of 22.8 percent in the previous year. This growth is mainly due to the increase in general reserve (278.5 percent) followed by paid-up capital (28.3 percent) through issuance of bonus and right shares by existing banks.

Deposit Growth and Composition

7.10 Public deposits of commercial banks witnessed a significant growth in 2008/09 compared to that of the previous year on account of an elevated level of remittance inflows. Total deposit increased by 30.4 percent in the review year amounting to Rs 549.8 billion compared to a growth of 26.0 percent in the previous year. Of the components of total deposit, the saving deposit occupies the highest share. However, the share of saving deposit to total deposit has been gradually declining. Such share was 52.3 percent as in mid-July 2006, which marginally declined to 52.2 percent in mid-July 2007, 50.2 percent in mid-July 2008, and finally stood at 47.3 percent in mid-July 2009. The saving deposits, which had grown by 21.1 percent in the previous year, grew by 22.9 percent in the review year. The share of fixed deposits to total deposits has been in an increasing trend, being 34.1 percent in mid-July 2007, 36.1 percent in mid-July 2008, and 39.3 percent in mid-July 2009. The fixed deposit witnessed a growth of 41.8 percent as in the review year compared to a growth of 33.6 percent in the previous year. The share of demand deposits in total deposits remained marginally declined to 12.6 percent in the review year compared 12.8 percent in the previous year.

Paid-up Capital and General Reserve

7.11 Another source of fund of the commercial banks, the paid-up capital, increased by 28.3 percent (8.99 billion) amounting to Rs 40.7 billion in the review year following a new provision of the NRB to increase paid-up capital by commercial banks to Rs 2 billion by 2013. In the previous year, it had increased 58.6 percent due to entry of five new commercial banks in the market along with the primary share issue. Likewise, general reserves of commercial banks increased by 278.5 percent in the review year against a decline of 18.5 percent in the previous year.

Loans and Advances

7.12 In the uses side, loans and advances of commercial banks occupies a major share in the total assets. It increased by 23.4 percent in the review year compared to a growth of 23.5 percent in the previous year. However, the share of loans and advances in total assets declined to 73.5 percent from 76.5 percent in the previous year.

7.13 Of the credit aggregates, the credit to the private sector has occupied a major share. Such a credit stands at 45.1 percent of gross domestic product and 61.3 percent of total assets and liabilities of commercial banks as in mid-July 2009. Compared to a growth of 26.9 percent in the previous year, private sector credit grew by 28.5 percent in the review year amounting to Rs 432.7 billion as in mid-July 2009 on account of a higher credit demand in the private sector.

7.14 The total holding of government securities by commercial banks marginally declined by 0.2 percent to Rs 71.9 billion as in mid-July 2009 from a growth of 9.5 percent in the previous year. Similarly, commercial banks' claims on non-financial government enterprises declined by 9.8 percent in the review year against a growth of 10.4 percent in the previous year. Such a decline in commercial banks' claim on non-financial government enterprises is attributed to the partial repayment of loan by Nepal Oil Corporation, National Trading Ltd, Nepal Food Corporation and Nepal Airlines Corporation.

7.15 Claims on financial institutions increased by Rs 3.1 billion in the review year compared to an increase of Rs 1.3 billion in the previous year on account of a substantial growth of claims on non-government financial institutions. An increase in short-term investment to development banks and finance companies by commercial banks contributed to such increase in the claims on financial institutions.

7.16 Liquid funds of commercial banks increased by 47 percent in the review year compared to a growth of 21.7 percent in the previous year. An increase in foreign assets of commercial banks owing to an elevated level of remittance inflows and capital expansion contributed to raise the growth of liquid funds of commercial banks.

7.17 Of the components of liquid funds, balance held abroad registered a growth of 29.9 percent in the review year compared to a growth of 21.1 percent in the previous year. But, the growth of commercial banks' cash in hand slowed down to 18.7 percent in the review year compared to a growth by 71.9 percent in the previous year. Contrary to a growth of 5.6 percent last year, deposits of commercial banks with the NRB increased by 92.2 percent in the review year.

Non-performing Loans

7.18 After the execution of financial sector reform program, the ratio of non-performing loan (NPL) is improving. The NPL ratio, which was 6.3 percent at mid-July 2008, declined to 3.6 percent as of mid-July 2009. The ratio of NPL to the total loan of three government-owned commercial banks has been improving after the adoption of financial sector reform program. For instance, the NPL of Nepal Bank Limited (NBL) has sharply decreased from 49.6 percent in the mid-July 2005, to 12.4 percent last year, and further to 5.4 percent as of mid-July 2009. The NPL of these banks improved on account of the stern measures taken to recover bad loan along with the credit write-off of Rs 27.7 billion while undergoing the restructuring process.

7.19 Though the share of non-performing loan is falling, the recovery of the written-off loan is still challenging. Besides the government owned NBL, Rastriya Banijya Bank Limited (RBBL) and ADB/N, other commercial banks like Nepal Bangladesh Bank Ltd. and Lumbini Bank Ltd. run by private sector also have relatively high ratio of NPL.

**Table 7.4: Non-Performing Loans of the Commercial Banks
(in percentage of total loans and advances as at mid-July)**

Commercial Banks	2005	2006	2007	2008	2009*
Nepal Bank Ltd.	49.6	25.1	13.5	12.4	5.4
Rastriya Banijya Bank Ltd.	53.0	45.3	27.6	21.7	15.7
Nabil Bank Ltd.	1.3	1.3	1.1	0.7	0.8
Nepal Investment Bank Ltd.	2.7	2.3	2.4	1.1	0.6
Standard Chartered Bank, Nepal Ltd.	2.7	2.1	1.8	0.9	0.7
Himalayan Bank Ltd.	7.4	6.1	3.6	2.4	2.2
Nepal SBI Bank Ltd.	6.5	6.3	4.6	3.8	2.0
Nepal Bangladesh Bank Ltd.	19.0	12.3	39.8	31.7	19.3
Everest Bank Ltd.	1.6	1.2	0.8	0.7	0.5
Bank of Katmandu Ltd.	5.0	2.5	2.5	1.7	1.3
Nepal Credit & Commerce Bank Ltd.	8.6	11.1	31.4	16.4	2.7
Lumbini Bank Ltd.	15.2	31.9	20.4	14.9	9.1
Nepal Industrial & Commercial Bank Ltd.	3.8	2.6	1.1	0.7	0.9
Machapurhhre Bank Ltd.	0.4	0.3	1.2	1.0	2.3
Kumari Bank Ltd.	1.0	0.9	0.7	1.3	0.4
Laxmi Bank Ltd.	1.6	0.7	0.4	0.1	0.1
Siddartha Bank Ltd.	2.6	1.3	0.3	0.7	0.4
Agricultural Development Bank Ltd.		21.2	18.0	11.7	8.9
Global Bank Ltd.				0.2	0.1
Citizen Bank International Ltd.					-
Prime Bank Ltd.					-
Sunrise Bank Ltd.					0.2
Bank of Asia Nepal Ltd.					0.1
Development Credit Bank Ltd.				-	1.6
NMB Bank Ltd.				-	0.5
Total	18.9	14.2	10.3	6.3	3.6

* Based on unaudited balance sheet of mid-July 2009.

Profitability

7.20 In the review year, the net profit of the commercial banks (based on unaudited balance sheet of the respective commercial banks) increased by 36.4 percent amounting to Rs 15.1 billion from a net profit of Rs 11.1 billion in the previous year. Among the 26 commercial banks, no bank went into net operating loss in the review year. The net profit of government-owned three banks namely NBL, RBBL and ADB/N stood at Rs 1.0 billion, Rs. 2.0 billion, and Rs. 1.2 billion respectively in mid-July 2009 compared to

respective profit of Rs. 845.2 million, Rs. 1.0 billion, and Rs. 1.6 billion in mid July-2008.

Sectorwise and Securitywise Credit Flows

7.21 In 2008/09, outstanding credit of commercial banks increased by 31.1 percent amounting to Rs 401.8 billion compared to a growth of 32.2 percent in the previous year. The outstanding commercial banks' credit to agriculture sector has been in decreasing order since 2007. It decreased by 3.6 percent in the review year and had not seen any growth in the previous year. The outstanding credit to production sector increased by 17.3 percent and stood at Rs 87.9 billion in mid-July 2009 compared to a growth of 20.1 percent to Rs 74.9 billion in mid-July 2008. Among the different components of production sector credit, the share of food production comprises 20.3 percent followed by iron and steel based industries with 15.2 percent share. The credit to the food production increased by Rs 2.5 billion in the review year which had increased by the same amount in the previous year as well. However, the credit to construction, machinery and electrical tool, and services industries grew at a lower rate in the review year compared to the previous year.

Table 7.5: Sector-wise Outstanding Credit of Commercial Banks (Mid-July)

Heads	Outstanding Credit (Rs in million)			Percentage Change	
	2007	2008	2009	2008	2009
1 Agriculture	13882.0	13880.2	13376.3	-0.01	-3.6
2 Mines	1315.0	1954.9	1709.4	48.7	-12.6
3 About Productions	62369.6	74889.7	87878.0	20.1	17.3
4 Construction	19770.6	32368.8	44867.0	63.7	38.6
5 Metal Productions, Machinery & Electrical Tools & fitting	2919.4	5069.4	6534.6	73.6	28.9
6 Transportation Equipment	3243.2	4340.2	6977.7	33.8	60.8
7 Transportation, Communications & Public Services	13130.8	16129.4	18432.8	22.8	14.3
8 Wholesaler & Retailers	45635.7	55732.9	68808.3	22.1	23.5
9 Finance, Insurance & Fixed Assets	13917.5	24913.5	38882.7	79.0	56.1
10 Service Industries	18367.4	21163.3	23357.8	15.2	10.4
11 Consumable Loan	8120.1	9437.2	14716.2	16.2	55.9
13 Others	29149.3	46656.3	74264.8	60.1	59.2
Total	231845	306536	401778	32.2	31.1

*Including the condensed data of ADB/N.

7.22 Credit against the security of land and house has occupied a dominant share in the outstanding credit of commercial banks. The share of such credit in total outstanding credit stood at 61.4 percent in mid-July 2009 and 60.2 percent in mid-July 2008. The outstanding credit against the collateral of house and land stood at Rs 246.8 billion in mid-July 2009 compared to Rs 184.6 billion as in mid-July 2008, registering a growth of 33.7 percent in 2009 compared to a growth of 38.7 percent in 2008. The growth rate of outstanding credit against the collateral of non-government securities slowed down to 8.0 percent compared to a growth of 82.5 percent in the previous year. Likewise, the outstanding credit against the collateral of government securities increased by 3.2 percent in contrast to a decline of 20.7 percent in the previous year. The outstanding credit against the security of gold and silver registered a higher growth of 57.2 percent amounting to Rs 6.4 billion in the review year compared to a growth of 41.5 percent in the previous year. Similarly, such credit against the security of rice and paddy products rose by 22.1 percent in the review year compared to a growth of 2.6 percent in the previous year.

Table 7.6: Securitywise Outstanding Credit of Commercial Banks

Types of Security	Outstanding Credit			Growth		Share in total outstanding credit	
	(Rs in million)			2008	2009	2008	2009
	2007	2008	2009				
Gold & Silver	2875.2	4069.5	6396.0	41.5	57.2	1.3	1.6
Government Securities	3602.6	2857.1	2949.3	-20.7	3.2	0.9	0.7
Non-Govt. Securities	2749.4	5017.7	5420.5	82.5	8.0	1.6	1.3
Jute and Hessians	119.3	118.5	204.3	-0.7	72.4	0.0	0.1
Rice and Paddy	1307.2	1341.5	1637.6	2.6	22.1	0.4	0.4
Other Agricultural Products	1717.0	1730.2	1842.1	0.8	6.5	0.6	0.5
Cloth and Yarn	860.2	1590.7	1357.9	84.9	-14.6	0.5	0.3
Machinery	4321.9	5169.5	7933.0	19.6	53.5	1.7	2.0
Other Goods	30850.1	39256.6	48142.9	27.2	22.6	12.8	12.0
Export Bills Purchased	492.8	1018.3	784.5	106.6	-23.0	0.3	0.2
Loans Against Export Bills	207.4	244.5	402.7	17.9	64.7	0.1	0.1
Import Bills and L/c	6425.3	5206.7	4859.8	-19	-6.7	1.7	1.2
Other Foreign Bills Purchased	161.9	208.4	630.5	28.7	202.5	0.1	0.2
Domestic Bills Purchased	272.4	506.1	717.0	85.8	41.7	0.2	0.2
Overdrafts and Guarantee	9882.3	8959.7	7648.7	-9.3	-14.6	2.9	1.9
House and Land	133060.0	184555.7	246825.2	38.7	33.7	60.2	61.4
Miscellaneous	32939.9	44685.0	64025.6	35.7	43.3	14.6	15.9
Total	231845	306536	401778	32.2	31.1	100.0	100.0

Priority Sector and Deprived Sector Lending of Commercial Banks

7.23 With a view to provide freedom to commercial banks in the selection of their loan portfolio, NRB phased out the priority sector-lending program since 2007/08. However, the NRB has continued deprived sector lending program in order to outreach credit access to the marginalized, backward, minorities, dalit, scheduled caste and deprived people.

Compared to the commercial banks' outstanding disbursements of Rs 7.7 billion under this program in 2007/08, such disbursement increased by 76.6 percent to Rs.13.6 billion in 2008/09. Out of the total outstanding credit to the deprived sector, direct credit has stood Rs 3.5 billion and indirect credit through other institutions stood at Rs 10.1 billion as in mid-July 2009.

Development Banks

7.24 Many development banks have been set up with active participation of private sector after the Development Bank Act 1996 came into effect. The main objectives of this Act are enhancing agriculture, industry and commerce by extending credit facility to the public. Prior to this Act, there were only two development banks, namely, Agricultural Development Bank (which has already been converted into a commercial bank in 2006) and Nepal Industrial Development Corporation, both owned by the government. At present, development banks are operating under Bank and Financial Institutions Act 2006 and how acquired the status of "B" class financial institutions. The NRB issues the necessary directives for the effective regulation of these banks. During the review year, total financial resources of these banks increased by 72.8 percent to Rs. 69.1 billion. Total deposit mobilization, the major source of fund for these banks, increased by 90 percent to Rs. 48.9 billion. Similarly, capital fund and borrowing increased by 66.2 percent and 51.1 percent respectively. On the uses side of the fund, loan and advance, the major component, increased by 81.8 percent to Rs.43.1 billion in mid-July 2009.

7.25 The NPL of development banks in mid-July 2009 was 1.5 percent of the total loan and advances amounting to Rs. 598.77 million. The total volume of NPL amount decreased by 25.99 percent in comparison to the previous year. As a ratio to GDP, the NPL stood at .06 percent.

Finance Companies

7.26 The number of finance companies in Nepal expanded significantly 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 financial resources of these companies increased by 34.4 percent to Rs. 87.4 billion in 2008/09 compared to an increase of 21.6 percent in the preceding year. Out of the total financial resources, 74.6 percent or Rs. 65.23 billion was concentrated within Kathmandu Valley only. Such concentration was 79 percent in the preceding year as per data provided by the Banks and Financial Institutions Regulation Department. Total deposit increased by 33.3 percent and stood at Rs. 57.1 billion. Capital fund and borrowing reached Rs. 10.5 billion and Rs. 5.2 billion respectively in mid-July 2009. On the assets side, loan and advances increased by 38.5 percent and stood at Rs. 60.1 billion. Investment of these companies decreased by 27.3 percent to Rs. 3.3 billion. The liquid asset of finance companies stood at Rs. 16.4 billion as at mid-July 2009. Such liquid assets were Rs. 12.9 billion in the preceding year.

7.27 The total NPL of finance companies was 1.89 percent of the total loan amounting to Rs. 1104.75 million in the review year. The total volume of NPL amount of finance

companies increased by 421.6 percent in comparison to the previous year. The NPL to GDP ratio stood at 0.12 percent in the review year.

NRB Licensed Financial Cooperatives

7.28 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 16 cooperatives licensed by this bank. These cooperatives operate under the directives issued by the NRB in 2002 (revised in 2003). Total capital fund of these cooperatives was Rs. 447.4 million in mid-July 2009. Total deposits and total loans and advances mobilized by these cooperatives from group members stood at Rs. 3.51 billion and Rs. 3.12 billion respectively. Similarly, the total investment on government securities, fixed deposits and others amounted to Rs. 276.1 million.

NRB Licensed Non-Government Organizations

7.29 There are altogether 45 NGOs licensed by this bank 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. The total financial sources of these NGOs were Rs. 2.38 billion as of mid-July 2009.

Money Transfer Firms

7.30 With a view to channel inflow of foreign currency, particularly earned by Nepalese workers working abroad, through formal channel, the NRB started to grant license to money transfer firms since 2001. The money transfer firms are licensed by this bank under Foreign Exchange Regulations Act 2019 B.S. The NRB has adopted very simple licensing procedures for those who are interested to undertake remittance business. Remitting firms can work as an agent of other established firms or may establish their own offices abroad. There were 48 money transfer firms as of mid-July 2009.

Money Changers

7.31 The NRB started granting license to moneychangers since 1995 to facilitate the general public in the exchange of foreign currencies. The moneychangers are licensed under Foreign Exchange Regulations Act 2019 B.S. The NRB had issued directives under "Money Changers Directives" in 1995 A.D. in order to regulate the licensed moneychangers. It made the provision of two types of licenses - one for Indian currency and another for convertible currencies. A license holder of the convertible currency is only permitted for the buying transaction and should surrender its foreign currency to the bank in which it has a bank account whereas a license holder of IC is allowed to engage in both buying and selling of the IC. As of mid-July 2009, there were 389 moneychangers operating throughout the country.

7.32 The NRB has granted licenses to some agencies, whose businesses, by nature, are involved in foreign currency related transaction. These agencies include travel agencies, airlines companies, trekking agencies, hotels and cargo companies. The number of hotels, trekking agencies, travel agencies, cargo agencies and airlines companies licensed by this bank was 268, 961, 1173, 283 and 49 respectively as of mid-July 2009.

Insurance Companies

7.33 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 insurance sector was opened to the private sector in 1990. Until mid-July 2009, there were altogether 25 insurance companies operating in Nepal, which were established under Insurance Act 1992. Among them 17 insurance companies were listed in the NEPSE. The Insurance Board is the apex regulatory authority for insurance companies. Among the total insurance companies, the number of life, non-life and composite (both life and non-life) insurance companies were 8, 16 and 1 respectively. According to the ownership structure, 1 insurance company is government owned, 18 are owned by the private sector, 3 are foreign joint ventures, and 3 are foreign branches (Table 7.7). The total assets of these companies increased by 17.17 percent from the previous year and reached Rs. 37 billion in mid-July 2009. Likewise, the total premium collection of these companies was Rs. 10.9 billion in mid-July 2009 compared to Rs. 8.54 billion in the preceding year.

**Table 7.7: Ownership Structure of Insurance Companies
Mid-July 2009**

Ownership	Nature of the Company			Total
	General	Life	Composite	Number
Government Owned	-	-	1	1
Private Sector	13	5	-	18
Foreign	2	1	-	3
Joint Venture	1	2	-	3
Total number	16	8	1	25

Source: Insurance Board.

Employees Provident Fund

7.34 The Employees Provident Fund (EPF) is an autonomous entity, established on September 16, 1962 under the Employees Provident Fund Act 1962. The EPF mobilizes the savings collected through the provident fund of the government employees, army, police, teachers, government corporations and some private companies. In the review year, the total assets/liabilities of the EPF increased by 15.8 percent and stood at Rs. 79.1 billion. This figure was Rs. 68.3 billion in the preceding year. The provident fund collection, the major item in the liabilities side, which increased by 15.7 percent and stood at Rs. 72.7 billion in mid-July 2009 compared to Rs. 62.8 billion a year ago (Box 7.1).

Box 7.1 Highlights of Employees Provident Fund Mid-July 2009	
Total Contributors	: 440,000
Total Contributing Offices	: 28,000
Provident Fund	: Rs. 72.7 billion*
Reserve Fund	: Rs. 4.38 billion *
Investment	: Rs. 72.46 billion*
*Estimated figures.	
<i>Source: Employees Provident Fund.</i>	

Citizen Investment Trust

7.35 The Citizen Investment Trust (CIT) was established on March 18, 1991 under the Citizen Investment Trust Act 1991. This Trust mobilizes private as well as institutional savings, extends loans and advances, and works as an issue manager. The CIT is regulated by the Ministry of Finance. The total assets/liabilities of the CIT increased by 28.3 percent in comparison to the previous year and stood at Rs. 20.1 billion in mid-July 2009. The total assets/liabilities had stood at Rs. 15.7 billion a year ago. The fund collection, the major component in the liabilities side, soared by 27.8 percent and stood at Rs.16.5 billion in mid-July 2009. It was Rs. 12.9 billion in the previous year. Investments, the major item in the assets side, increased by 36.5 percent and reached Rs. 16.1 billion in the review year from Rs. 11.8 billion a year ago.

Postal Savings Bank

7.36 The Postal Savings Bank, established under the Postal Service Department, 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. 980 million in mid-July 2009. Total number of accounts of this bank was 43059 in mid-July 2009. The total investment (which is distributed from the 57 local postal offices) of the bank was Rs. 314.5 million in mid-July 2009.

Deposit and Credit Guarantee Corporation

7.37 The Deposit and Credit Guarantee Corporation (DCGC) was established on September 20, 1974 to encourage commercial banks to extend loan to priority sector so as to serve remote areas and poor families. The DCGC guarantees a number of loans including priority sector loans, livestock loan, vegetable farming loan, foreign employment loan, micro and deprived sector credit, and credit for small and medium industries. Total loan guaranteed by DCGC was Rs. 289.4 million as of mid-July 2009.

Credit Information Bureau

7.38 The Credit Information Bureau (CIB) was established in 1989 under the initiation of the Nepal Rastra Bank. It was registered as a company in September 2004 and started its operation as a company from March 2005. The CIB is the prime organization in the country acting as the repository of credit information of the consumers 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 other banks and financial institutions have invested their capital in the CIB. The NRB holds 10 percent share, while commercial banks, development banks and finance companies hold 60 percent, 15 percent and 15 percent respectively. As of mid-July 2009, according to the centre, there were 51 borrowers added and 134 borrowers were removed from the blacklist during the review period. The total number of blacklisted borrowers as at Mid July was 2051.

Regulatory Measures

7.39 Following the 'Bank and Financial Institution Act, 2063', the promoters of "D" class licensed institutions (Micro Credit Development Banks), in addition to "A", "B" and "C" class institutions, holding more than 51 percent share of promoter group are also allowed to convert such shares into the general public category through the secondary market as per the circular 24/064/065 issued in 2064/10/08. However, the holding of shares by the promoters should not be less than 51 percent.

7.40 Banks and financial institutions while issuing right shares can themselves renounce the right of those promoters who wish to do so fully or partially and hold promoter shares less than one percent of paid-up capital by amending memorandum as well as article of association as per prevailing laws subject to the following conditions; (a) the proposed promoter must go through the "Fit and Proper Test" criteria as outlined by the directives issued by this bank, (b) must not be in the blacklist of the CICL, (c) must submit the documents explaining the source of investment and (d) banks and financial institutions can themselves transfer the rights of the shares among the promoters within the institutions as per the directives. However, banks, while transferring the rights, are required to obtain prior approval from NRB in case of those promoters who own promoter shares more than one percent of the paid-up capital.

7.41 Banks and financial institutions following the circular 16/065/066 must divest their cross holding of promoter shares of other banks and financial institutions by mid-July 2008 and commit right renounce by mid-March 2008. Banks and financial institutions, which did not commit the right renounce by mid-March 2008, are directed to abide by the following provisions.

- a) Banks and financial institutions unable to implement the policy of divesting cross holding of shares are not allowed to purchase right shares and receive bonus shares and cash dividend. They are allowed to receive cash dividend only after divesting all cross holding including postponed bonus shares.
- b) Right renounce is permitted by mid-March 2008 only for those licensed institutions that have created investment adjustment fund to the extent of the amount of cross holding. Even right renounce is not allowed after mid-March 2008.

- c) Banks and financial institutions, which are unable to divest cross holding of shares by mid-march 2008, are subject to actions as per section 74 of Bank and Financial Institution Act, 2063.

7.42 Banks and financial institutions are not allowed to deposit and involve in credit transactions with other institutions involved in credit and deposit transactions as per other prevailing laws except to the "Bank and Financial Institution Act-2063". However, this provision will not be applicable to those institutions, which are involved in wholesale micro credit. Likewise, banks and financial institutions except their own certificate of fixed deposits, are not allowed to provide loans against the certificate of deposits issued by other banks and financial institutions. Renewal of such loans against the certificate of deposits issued by other banks and financial institutions, if already are in existent, are not allowed after the maturity date. Further, Banks and financial institutions, while accepting deposits from individuals, firms and other institutions are not allowed to provide other facilities such as fees and commissions besides the interest payment on such deposits and are required to pay interest on deposits quarterly if they are charging interest on loans on quarterly basis.

7.43 Borrowings of banks and financial institutions should not exceed one-third of total deposit mobilization. However, this provision will not be applicable to 'D' class licensed institutions.

7.44 "A", "B" and "C" class banks and financial institutions, which have already provided loans to the deprived sector as per the requirement of 3, 2 and 1 percent respectively, can deposit 0.25 percent, 0.5 percent, 0.75 percent and remaining balances of one-third amount of deprived sector loan by mid-May 2009, mid-July 2009, mid-Oct 2009 and mid-Jan 2010 respectively to the account opened in its own institution under the name of "Youth and Small Enterprises Self-Employment Fund of the Ministry of Finance, GON". However, this provision will not restrict the banks and financial institutions to deposit the amount exceeding this requirement. The amount deposited under the fund will be eligible to count under deprived sector. Moreover, the loan under the fund will be counted as a good loan and banks can classify the loan as claims on the government as per BASEL II. "B" and "C" class licensed institutions can assign zero risk weight to such loans.

7.45 Loans up to Rs 0.2 million provided by banks and financial institutions to the youth and small entrepreneurs as per "Youth and Small Enterprise Self-Employment Fund" bylaw will be counted as a loan under the deprived sector. The following provisions will be applicable while providing such loans; (a) the maturity date of the loan will be up to five years according to the objective of the enterprises and banks and financial institutions will themselves determine the installments as per their guidelines. The grace period for the settlement of the loans and interest will be determined by the Fund; (b) Fixed/variable assets of the self-employing project will remain as collateral of the bank and financial institutions until the full amount of the principal and interest are paid; (c) banks and financial institutions will have full right to accept or reject loans and; (d) the respective banks and financial institutions will bear the risks as well as the responsibility to recover the loan.

7.46 Banks and financial institutions are required to comply with the capital adequacy requirement at any time. Distribution of dividend and issue of bonus share are not allowed to those banks and financial institutions which are unable to meet the capital adequacy requirement at the end of each month. Likewise, banks and financial institutions should show the borrowing from and investment in other banks and financial institutions under the head of inter-bank transactions or borrowing or investment instead of regular credit facility.

7.47 Banks and financial institutions complying the capital adequacy requirement in line with the NRB directives are required to automatically abrogate that part of right issue, which are not subscribed by the shareholder or for which renounce has not been transferred to others. However, if this provision adversely affects the share ownership structure as determined by the existing rules and regulation, the bank and financial institution can sell the part of automatically cancelled right issue on public auction basis by quoting the minimum price level of Rs 100 per share. Any amount received in excess of Rs 100 per share under such auction sale should be shown in the head of 'Share Premium'. Further, bank and financial institution can adjust the extent of cancelled right issue in paid-up capital for the next year for meeting the NRB requirement of increasing the capital each year proportionally. Likewise, existing promoters can purchase the extent of right issue to promoter/promoters' groups that are not subscribed. However, a prior approval from the NRB is required to sell such shares to new persons eligible for purchase of shares as per existing laws.

7.48 According to the NRB directives, holding of promoter shares of 'A', 'B' and 'C' class licensed institutions by any individuals, firms and company is limited to 15 percent of paid-up capital. The distribution of dividend and bonus shares as well as purchase of right shares has not been allowed to such shareholders till their holdings comes to the limit.

7.49 Banks and financial institutions while providing margin lending to the concerned borrowers on the security of shares of the listed companies in the Nepal Stock Exchange Ltd. are required to abide by the following provisions;

- a) The amount of margin lending against the security of shares must be within the limit of fifty percent of the average of closing share price of 180 working days or fifty percent of the current market price, whichever is the lower. The amount of margin lending, once accepted, cannot be further extended through revaluation of the shares pledged as collateral. If value of the shares in collateral falls below 50 percent of the limit due to the changes in price of the shares, banks should make a margin call to the concerned borrowers so as to bring up the margin lending to the directed limit. If the borrowers are unable to deposit the margin in the given period, banks and financial institutions should initiate to sell such shares to recover the loan within seven days after the given period. If shares are not sold through the secondary market, banks and financial institutions must maintain 100 percent loan loss provision for such lending.
- b) The maturity period of the margin lending should not be more than a year and such lending is not allowed to renew, reschedule and restructure. However, this provision will not be applicable in case of the loans provided to other sectors with

shares as additional collateral. Further, banks and financial institutions are required to update the loan file of the borrower with necessary information relating to the project. However, shares pledged as additional collateral for the loan are not allowed to renew, reschedule and restructure if the loan is provided against institutional and personal guarantee.

- c) Banks and financial institutions are not allowed to extend margin lending type loan against the shares of those banks and financial institutions which have not maintained required capital fund, have negative net worth, are delisted by Nepal Stock Exchange Ltd, and are unable to complete annual audit even within one year after the end of operating fiscal year.
- d) Margin lending can be provided to the limit of the core capital of banks and financial institutions. However, margin lending on the security of listed shares of an institution should not cross the limit of 25 percent of the core capital.
- e) Banks and financial institutions, which provide margin lending more than their core capital are not allowed to provide additional margin lending until they comply with the limit within the stipulated limit.

7.50 While providing the margin lending, banks and financial institutions need to keep the original certificate of shares. If margin lending has been provided against the securities relating to shares but other than original certificate, the concerned banks and financial institutions are required to maintain the original certificate for such lending till mid-February 2007.

7.51 As per the 'Banks and Financial Institution Act, 2063', licensed financial institutions wishing to upgrade from lower class to upper class or wishing to consolidate by means of merger and acquisition between two or more than two institutions and wishing upgrade into upper class institution after merger and acquisition are required to abide by the following provisions; (a) financial institutions must have the paid up capital equal to the limit stipulated for the institution to which the applicant institution applies for upgrade, (b) the applicant must have operated in profit continuously for the last five years, (c) the NPL of the institution must be within the limit fixed by the NRB, (d) copy of decision taken by the AGM of the institution for upgrade, (e) business plan and projection of the institution for at least upcoming 5 years, (f) promoters' profile, (g) tax clearance certificate of last fiscal year by the promoters and institution, (h) self-declaration of the promoters relating to the information on credit default, blacklist in Credit Information Centre Ltd. and loan from the concerned institution, (i) explicit information on the holding of shares by promoters not exceeding more than 15 percent of paid-up capital and fully paid the amount of share capital, (j) documents showing the proof of full amortization of all pre-operating expenses.

7.52 For the purpose of maintaining capital adequacy requirement by banks and financial institutions licensed by the NRB, the promoters can make pre-investment in right shares by fulfilling the following requirements;

7.53 For the purpose of maintaining capital adequacy requirement by banks and financial institutions licensed by the NRB, the promoters can make pre-investment in right shares by fulfilling the following requirements; (a) The AGM of the institutions must have endorsed the capital plan; (b) the amount collected from the promoters for

capital increment purpose should be shown under the head 'Calls in Advance' and accordingly be adjusted at the time of subsequent right issue. Likewise, any amount collected from the shareholders (promoters/general public) of banks and financial institutions for the purpose of right issue on pro-rata basis as per capital plan of the concerned institutions in line with the NRB directives but not allotted to them could be shown under 'Calls in Advance'. Such amount shown under calls in advance can be treated as paid-up capital while calculating capital fund of the concerned bank or financial institution, (c) Such calls in advance shall not be eligible for collateral to obtain loan and other facilities. Subsequently, such calls in advance should not be eligible for any interest payments, divestment or redemption and dividend payments thereon. d) Such calls in advance can equally be treated as paid-up capital for the purpose of meeting additional capital requirement to open bank branches. All the terms and conditions are to be fulfilled for such calls in advance on right issue.

7.54 The housing and real estate credit disbursed on the following conditions to the persons eligible for deprived class will be treated as deprived sector credit: (a) credit upto Rs 0.4 million provided directly or indirectly to group or person with a secured collateral; (b) clear statement of the provision relating to housing and real estate loan to the people of deprived class in bank and financial institution's credit manual, (c) all necessary processes are to be followed while providing such loan, (d) the deprived class refers to the low income and socially deprived women, minorities and indigenous, physically handicapped, marginalized small farmers, artisans, workers and landless families as defined by the NRB directive no 17.

Supervisory Actions

7.55 In the year 2008/09, the corporate level on-site inspection of 25 commercial banks including the Agriculture Development Bank Ltd. was conducted. In this process, on-site supervision of 140 branches of the following commercial banks was completed (Table 7.8).

Table 7.8: Branches of Commercial Banks Inspected in Corporate Level

S.N.	Name of Inspected Banks	No. of branches inspected
1	Nepal Bank Limited	7
2	Rastriya Banijya Bank Limited	16
3	Agriculture Development Bank Limited	14
4	Nabil Bank Limited	8
5	Nepal Investment Bank Limited	6
6	Standard Chartered Bank Limited	3
7	Himalayan Bank Limited	9
8	Nepal SBI Bank Limited	4
9	Nepal Bangladesh Bank Limited	7
10	Everest Bank Limited	8
11	Bank of Kathmandu Limited	6
12	Nepal Credit and Commerce Bank Limited	5
13	Lumbini Bank Limited	3
14	Nepal Industrial and Commercial Bank Limited	5
15	Machapuchhre Bank Limited	6
16	Kumari Bank Limited	6
17	Laxmi Bank limited	4
18	Siddhartha Bank Limited	5
19	Global Bank Limited	3
20	Citizen Bank International Limited	3
21	Bank of Asia Limited	3
22	Sunrise Bank Limited	4
23	Prime Bank Limited	2
24	NMB Bank Limited	1
25	Development Credit Bank Limited	2
	Total	140

7.56 In addition to the corporate level onsite inspection, the special onsite inspection of 13 banks was carried out for 20 times. The banks inspected through special onsite inspection are, Nepal Bangladesh Bank Limited, Nepal Credit and Commerce Bank Limited, NMB Bank Limited, Lumbini Bank Limited, Nepal Bank Limited, Kumari Bank Limited, Bank of Kathmandu Limited, Siddhartha Bank Limited, Rastriya Banijya Bank Limited, Development Credit Bank Limited, Global Bank Limited, Himalayan Bank Limited and Agriculture Development Bank Limited.

7.57 Different directives were issued on the basis of corporate level inspection, special inspection, target inspection and off-site supervision to resolve the shortcomings regarding the compliance of the policy and directives issued by NRB.

7.58 A policy is adopted to implement the international banking practices continuously. In this regard, the new standard of capital fund, Basel II was developed and as per the standard Capital Adequacy Framework, 2007 was embraced parallelly from 2007/08 and has been implemented in full-fledged from 2008/09.

7.59 NRB has adopted the policy of surveillance for the banks and financial institutions whose financial status as revealed by financial indicators found to be deteriorating. As per the policy, the supervision of the problematic banks like Nepal Bangladesh Bank Limited,

Nepal Credit and Commerce Bank Limited and Lumbini Bank Limited has been continued in the fiscal year through 'Problematic Bank Unit' formed in the concern department.

7.60 The CALES rating prepared on the basis of information from off-site supervision, preparing early warning signals and the timely warning to the banks and financial institutions as per warning indicators are also continued.

7.61 The Prompt Corrective Action (PCA) manual has been prepared and enforced as new instrument from October 17, 2008 for timely rectification of the shortcoming of the banks and financial institutions.

7.62 The daily liquidity supervision of banking sector by liquidity supervision desk in off-site division is continued in order to identify the liquidity risk and to assist in appropriate policy decision.

7.63 The supervision regarding the compliance of the deprive sector lending requirement has been continued and the banks which failed to comply with were penalized.

7.64 To signal out the sectoral credit risk of banking sector (specially credit on land and housing, share, credit card and other consumable sector) and assist them to put on the right track, the offsite division has developed a new format of monthly report to supervise from 2008/09.

7.65 All the commercial banks have been instructed to prepare the statistical database regarding big borrowers and the banking facility they have been using.

Microfinance

7.66 The NRB has been conducting various micro finance programs in order to uplift the economic conditions of the poor, marginalized, minorities and backward people. Micro finance institutions have been encouraged to expand their activities in the backward regions through availing credit at a concessionary rate in addition to supervising the micro finance related projects. As of mid-July 2009, there were 5 regional Rural Development Bank, 8 private sectors Rural Development Bank replicates. Two national level institutions (Rural Micro finance Development Centre and Small Farmer Development Bank) have been engaged in wholesale financing for micro credit in Nepal. In addition, 16 cooperatives and 45 NGOs have been allowed to undertake the limited banking activities.

Rural Self Reliance Fund

7.67 RSRF was established in 1991 with a view to provide wholesale credit through NGOs/Cooperatives working in rural areas to rural people of the deprived classes, who are out of access to institutional credit, to undertake income generating self-employed business. With joint contribution of Rs. 190 million by the GON and Rs. 253.4 million by the NRB in different phases, the total seed capital of the Fund reached Rs. 443.4 million as of mid-July 2009. From this capital, the Fund can provide credit up to Rs. 1.5 million on the first instalment with a condition of not exceeding twenty-fold of its primary capital (share capital, general reserves and profits). On the second instalment, credit up to Rs. 2

million and on third instalment credit up to Rs. 2.5 million can be provided. For improving their living status, the deprived classes can receive loan of Rs. 40,000, Rs. 50,000 and Rs. 60,000 in first, second and third instalments respectively from the Fund for micro enterprise business.

7.68 The Fund can provide credit to those institutions, which are involved in deposit collection and credit mobilization for at least a year from their registration and have regularly collected deposits from at least 70 percent of its members. For undertaking income-generating self-employment projects, the Fund has been providing credit facility through NGOs and Cooperatives to the rural people who own land up to 15 *ropanis* in hilly regions and 1 *bigaha* in terai, and have no regular sources of income of any family member to meet their basic needs, and have no outstanding credit received under income generating programs from banks and financial institutions.

7.69 The Fund provides wholesale credit to the NGOs/cooperatives at the interest rate of 8.0 percent. However, 75 percent of the interest rate charged by the Fund is paid back to the respective institution for its development provided that the borrowing institutions repay the principal and interest timely. Thus, the net interest rate stands at only 2 percent for the Fund. Further, of the total sanctioned credit, interest payment is exempted for 6 months on the first installment of the credit.

7.70 Arrangements have been made to provide wholesale credit from the NRB through ADB/N and micro credit development banks to provide long-term capital to enterprises especially those pertaining to tea and big cardamom cultivation, and cold storage since 2002/03. The Fund provided total credit of Rs. 50 million with Rs. 10 million each to Eastern Rural Development Bank, Central Rural Development Bank, Mid-western Rural Development Bank and Rs. 20 million to Small Farmer Development Bank as of mid-July 2009. The Eastern Rural Development Bank and Central Rural Development Bank have repaid the entire amount whereas the credit amount of Rs. 3.3 million of Mid Western Rural Development Bank and Rs. 8.3 million of SFDBL remained outstanding as at mid-July 2009. Further, credit amount of Rs. 119.2 million provided to ADB/N, out of which Rs.5.7 million has already been recovered and Rs.113.5 has remained outstanding as of mid-July 2009.

7.71 As of mid-July 2009, credit disbursement of 53 NGOs and 351 cooperatives stood at Rs. 270 million benefiting 17990 households of 51 districts. Out of this amount Rs.141.9 million is already recovered and Rs.128.1 million is remained as outstanding loan in the review period. Total investment in micro finance enterprises by 18 NGOs and 221 cooperatives remained at Rs. 128.0 million as of mid-July 2009 (Table 7.9)

Table 7.9: Status of Microcredit Disbursement in 51 Districts as of Mid-July, 2009

Particulars	NGOs	Cooperatives	Total
Credit Disbursement			
a) No. of districts	27	51	51
b) Institutions	53	351	404
c) Credit amount (Rs. in thousand)	21196	248764	269960
Loan Recovery			
a) Institutions	35	130	165
b) Principal (Rs. in thousand)	18609	123330	141939
c) Interest (Rs. in thousand)	2501	16839	19340
d) Loan recovery (In percent)	–	–	92.5
Investment			
a) Institutions	18	221	239
b) Principal/Outstanding loan (Rs. in thousand)	2587	125434	128021
c) No. of districts	17	45	46
Overdue loan			
a) Institutions	17	66	83
b) Principal (Rs. in thousand)	2109	9365	11474
No. of benefitted families	-	-	17990

Microfinance Institutions

7.72 Micro-finance institutions consist of five Rural Development Banks (RDBs), eight private sector rural bank replicates and two wholesale lending institutions. The 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. The RDBs have been primarily established under the capital contribution of the GON and the NRB. Out of them, Eastern, Central and Western Rural Development Banks have already been privatized. NRB has dis-invested its 379000 Kitta shares of Mid-Western Rural Development Bank to Peoples Investment Company, Kathmandu in 25 March 2009. By the end of the FY 2008/09, NRB has 10 percent ownership in the share capital of Western Rural Development Bank and 68.46 percent in Far-Western Rural Development Bank.

7.73 Eight of the Grameen Bank replicates, established by the private sector include Nirdhan Utthan Bank Limited, Chhimek Bikas Bank Limited, Swabalamban Bikas Bank Ltd, Deprosc Bikas Bank Limited, Nerude Bittiya Sanstha Limited, Naya Nepal Laghu Bitta Bikas Bank Limited, Mithila Laghu Bitta Bikas Bank Limited and Summit Micro Finance Development Bank Limited. In addition to five rural development banks and eight Grameen Bank replicates, two of the micro-finance institutions namely Rural Micro-finance Development Center (RMDC) and Small Farmers' Development Bank Limited (SFDBL) have been providing wholesale banking services in the area of micro finance. The RMDC was established on October 30, 1998 and has been providing wholesale lending services to development banks, micro finance development banks, cooperatives, and non-governmental organizations among others. 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. 320 million in

mid-July 2009. Total borrowings and loan investment of this Center were Rs. 2.16 billion and Rs. 1.50 billion respectively.

7.74 The SFDBL was established on July 6, 2001 under the share ownership of ADB/N, the GON, NBL, Nabil Bank and Small Farmers Cooperatives Limited (SFCL). The paid up capital of SFDBL was Rs. 123.13 million as of mid-July 2009. The SFDBL makes wholesale lending to SFCL. The outstanding loan of the SFDBL granted to 225 SFCLs was Rs752.7 million. The SFDBL borrowed from ADB/N and other commercial banks (Himalayan Bank Ltd. and Nabil Bank Ltd.) amounting to Rs. 523.0 million and Rs. 106.9 million respectively. Similarly, the borrowing from the NRB stood at Rs. 17.5 million during the review period. This amount also included the amount for Community Ground Irrigation Supply Project (CGISP).

7.75 The total assets/liabilities of the above mentioned micro finance institutions recorded a growth of 13.5 percent to Rs.14.28 billion as at mid-July 2009.

Activities of Rural Development Banks and their Share Divestment

7.76 With a view to enhance the economic condition of rural people, especially women, the Rural Development Banks established in the five development regions of the country have extended the credit of Rs. 20.8 billion to 144768 rural women members as of mid-July 2009. Of the total credit disbursed, Rs. 18.5 billion has been recovered while Rs. 2.4 billion has remained outstanding. As of mid-July 2009, these banks have provided microfinance services in 1124 Village Development Committees of 49 districts through 5531 centres. These banks have played an instrumental role in reducing rampant poverty by increasing income-earning activities through micro-enterprises.

Financial Market

Overall Development

7.77 The capital market has shown downward trend during the year. The problem of global economic recession, the increase in capital gain tax and the increase a number of listed companies and it's share. Hence, there was a significant growth in primary and secondary market activities in 2008/09.

7.78 In 2008/09, the Security Board of Nepal (SEBON), the regulatory body of the securities market, granted the approval of Rs.14.57 billion to issue ordinary shares (11), right shares (50) & debentures (2) for 63 companies. Among those companies were 11 commercial banks, 16 development banks, 32 finance companies, 2 insurance companies and 2 hydro companies. In the previous year, the SEBON had granted such permission amounting to Rs. 11.57 billion for 72 companies.

Secondary Market

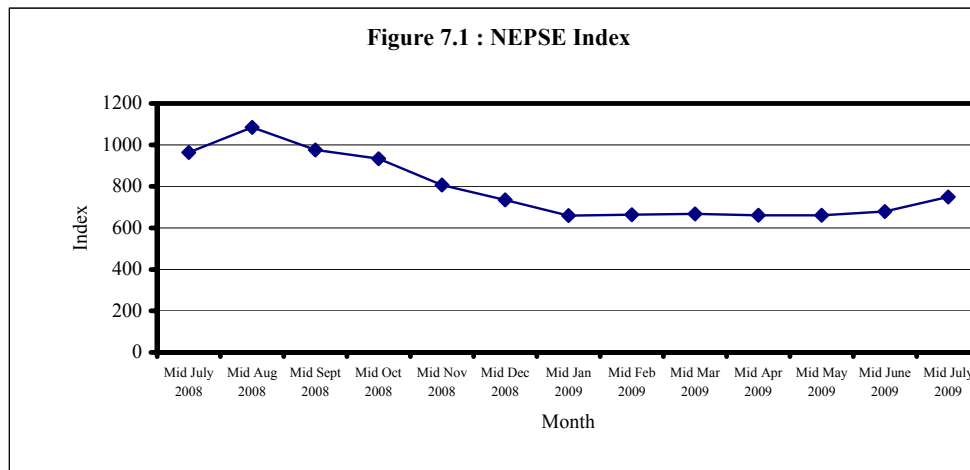
7.79 Analogous to 2007/08, the Nepalese stock market expanded in 2008/09. The NEPSE recorded 1075.38 points on August 31, 2008, which was a highest recorded during the review period. This index was 749.10 points at the end of 2008/09. Nepal stock exchange limited started to calculate NEPSE float index and sensitive float index right from FY 2008/09 based on the final transaction as of August 24, 2008 as a base market price. While calculating the NEPSE index, the float index excludes the share of

promoters, staffs and strategic shares and thus the float index solely represents the transaction in the market price of the public shares. Likewise, the rules regarding the market halt also changed from August 25, 2008.

7.80 The NEPSE listed ordinary shares amounting to Rs. 19.48 billion of 17 new companies comprising 3 commercial banks, 6 development banks, 7 finance companies and 1 other (Nepal Doorsanchar Company Limited). In the previous year, the NEPSE had listed the ordinary shares of 13 companies amounting to Rs. 7.49 billion. The NEPSE listed additional 124 securities of listed companies amounting to Rs. 36.03 billion comprising of primary shares, right shares, bonus shares and debentures. This amount was Rs. 30.68 billion of 78 companies in the preceding year.

7.81 The NEPSE listed one government bond Bikas Rinpatra 2071 "ka" amounting to Rs. 2 billion in the review period. The total government bond listed has reached Rs. 15.15 billion with 13 different maturity periods as at mid-July 2009. The government bonds were not traded in the secondary market during the review period.

7.82 The Nepalese stock market has expanded for a short period during the review period making a record of highest NEPSE index (1075.38 points) on August 31, 2008. The year on year (y-o-y) NEPSE market started with NEPSE 963.36 points and ended with 749.10 points (Figure 7.1). The NEPSE decrease by 20 percent in the review year. Because of the problem of recession, increase in capital gain tax and increase in the number of listed companies and it's share.



7.83 The y-o-y, market capitalization increased by 40.05 percent to Rs. 512.94 billion in mid-July, 2009. The market capitalization to GDP ratio was 53.4 percent in mid-July, 2009, this figure was 44.6 in the preceding year. With regard to the stock market performance, the financial sector occupied the highest share in the total market capitalization with 74.65 percent, followed by hydropower sector share is just 4.17 percent.

7.84 During 2008/09, the transactions of 149 companies amounting to Rs. 21.68 billion took place in a period of 234 days. Among the total number of listed shares, 30.55 million shares were traded valued 636.87 million listed shares at the NEPSE during the review year. Some major developments that took place at the Nepal Stock Exchange Limited in 2008/09 are examined in Box 7.2.

Box 7.2: Recent Developments in NEPSE in 2008/09

The rules regarding the market halt has changed. According to new rule, the stock market will be halted for fifteen minutes, thirty minutes and remaining transaction time of the day, if NEPSE index is changed by 3percent, 4 percent and 5 percent respectively in contrast to the precious system of the index points by 15, 20, & 25 minutes respectively.

NEPSE introduced float index from August 24,2008, the float index excludes the share of promoters, staffs and strategic shares and thus the float index solely represents the transaction in the market price of the public shares.

7.85 Five corporate bonds amounting to Rs. 1.8 billion were listed in the review period. The total listed corporate bonds and debentures stood at Rs. 5.08 billion as of mid-July 2009 (Table 7.10).

Table 7.10: Listed Corporate Bond, Debenture and Mutual Fund

SN	Issuer	Listing Date	Issue Amount (Rs. in Million)	Coupon Rate
1	Nepal Investment Bank Ltd., 2011	April 6,2004	300	7.5%
2	Everest Bank Ltd., 2012	Aug.23,2004	300	6%
3	Bank of Kathmandu Ltd., 2012	Mar.21,2006	200	6%
4	Nepal Investment Bank Ltd., 2013	Nov.27, 2006	250	6%
5	Nepal Industrial and Commercial Bank Ltd., Bond 2013	Feb.22, 2007	200	6%
6	Nepal SBI Bank Ltd., Debenture 2013	Feb.20, 2007	200	6%
7	Nepal Investment Bank Ltd., Bond 2014	Sept.3, 2007	225	6.5%
8	NCM Mutual fund, 2012	Sept.10, 2003	100	5%
10	Nepal Electricity Authority, Debenture 2012	Jun.5, 2008	1500	8%
11	Himalayan Bank Ltd., Debenture 2015	Aug.6,2008	500	8%
12	Kumari Bank Ltd., Bond, 2013	Aug.6,2008	400	8%
9	Nepal Investment Bank Ltd., Bond 2015	Aug.6, 2008	250	8%
13	Nabil Bank Ltd., Bond 2018	Nov.19, 2008	300	8.5%
14	Laxmi Bank Ltd., Debenture 2015	Jan.11, 2009	350	8.5%
	Total		5075	

Source: Nepal Stock Exchange Ltd.

Financial Sector Reform Program

7.86 The financial sector reform program has remained one of the major components of economic reform program of the GON. A financial sector reform strategy paper issued by the GON on October 23, 2000 guides the reform program. The NRB has been handling the reform program as an implementing agency. In this regard, the tenure of Financial Sector Technical Assistance Project (FSTAP) under financial sector reform is extended to

December 31, 2011. The ongoing reform program is supported by the loan and grants assistance from World Bank, Department for International Development (DFID) of UK, and the GON. The reform program has the following three major components: (a) re-engineering of Nepal Rastra Bank, (b) restructuring of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd., and (c) capacity enhancement of the overall financial sector.

Re-engineering of Nepal Rastra Bank

7.87 Re-engineering program of the NRB has been continued to develop it as a capable central bank so that it can work efficiently in the context of increasing complexity of the financial sector development. Human resource development, strengthening and streamlining regulatory and supervisory capacity, restructuring organizational structure on functional basis, computerization, upgrading auditing and accounting system to international standard and simplifying its functions have been continued under this program. The second phase of the re-engineering program under the financial sector reform program is presently being implemented after the completion of the first phase of the program. Regarding human resource development, 136 staffs of the NRB attended foreign trainings and seminars from the project's cost under the financial sector reform program.

Restructuring of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd.

7.88 For the purpose of restructuring NBL as outlined in the financial sector reform program, the management of the NBL has been taken over by the NRB under sub-article 1 (O) of article 86 (C) of the NRB Act, 2002 and the tenure of control has been extended to mid-March 2009. The tenure of the contract with the foreign consulting firm, ICC Consulting, Bank of Scotland (Ireland) Ltd., terminated on 21 July 2007. The NRB has constituted a three-member committee on July 27, 2007 to run the management of the bank until an alternative management team is put in place. At present, the management of NBL is being run by one of the members of the same committee. The efforts to recruit new chief executive officer of NBL through open competition failed for three times. Therefore, the selection procedure, in line with the provision of Procurement Guidelines of the WB, has already been commenced to continue the restructuring process of the bank. Likewise, the tenure of the consultants of management committee of RBBL has been extended several times from initial contract on January 16, 2003 to January 15, 2010. The management team comprising of Chief Executive Officer and Chief Information Technology Officer of the bank has been continuing in the restructuring process.

7.89 Though the progress on recovery of the overdue loans of these two banks has not been as expected, the review of their overall progress so far indicates some improvements are seen in these banks such as operating in net profit since 2003/04; reducing negative capital fund; and issuing and implementing different manuals, policies and internal regulations compatible with international standards, internationally accepted systems and techniques in stabilizing the bank.

7.90 NBL, which had incurred a net loss of Rs 250.0 million in 2002/03, has been continuously earning net profit since 2003/04 and such profit stood at Rs 530 million in 2007/08 and Rs. 790 million in 2008/09. Likewise, RBBL, which incurred a net loss of

Rs 4.9 billion in 2002/03, also succeeded to earn net profits continuously since 2003/04 and such net profit stood at Rs 1.8 billion in 2007/08 and Rs. 2.03 billion in 2008/09.

7.91 The negative capital fund of both of these banks has been gradually improving. The capital fund of NBL, which was negative by Rs 9.8 billion in mid-July 2003, came down to Rs 5.72 billion in mid-July 2008 and further declined to Rs. 5.21 billion in mid-July 2009. The negative capital fund of the RBBL has improved from Rs 22.39 billion as in mid-July 2003 to Rs 15.50 billion in mid-July 2008 and Rs. 13.48 billion in mid-July 2009.

7.92 The NPL level of these two banks has also been improving gradually. The level of NPL of the NBL fell down to 12.4 percent in mid-July 2008 and 5.4 percent in mid-July 2009 from 60.5 percent in mid-July 2003. Such ratio of the RBBL came down to 21.7 percent as of mid-July 2008 and 15.7 percent in mid-July 2009 from 60.2 percent as in mid-July 2003.

7.93 The audit of accounts in the NBL from 1999/00 to 2007/08 has been completed which was pending for years. The audited financial statements are updated. Accordingly, financial statements are published regularly on quarterly basis. After the introduction of new management team in the RBBL, the external audit has been completed up to 2006/07 and preliminary audit report for the year 2007/08 is also received by the NRB. The audited financial statements are updated and published regularly on quarterly basis. Internal audit of the banks has been regularly undertaken as per the target assigned to the management team.

7.94 Both banks have prepared and implemented management plan, human resource development plan and skill enhancement plan so as to ensure planned development and right size the banks' human resources. The staff need assessment has been completed. Likewise, these banks have submitted their capital and successor plans to the NRB. The NBL introduced voluntary retirement scheme (VRS) for the fourth time to keep the size of staff at optimum level. The number of staff in the NBL was reduced to 2442 by mid-July 2009 from 2885 as in mid-July 2008 and 6030 as in mid-July 2001. The policy of reducing the over-staffs through the introduction of 30-year service period and 58-year age limit has been re-introduced through the revision in employees service bylaw. The RBBL introduced the Human Resource Information System and Human Resource Development Plan for planned development of human resource and keeping the size at appropriate level. The human resource need assessment has already been completed. The Successor Plan is submitted to NRB and performance-based rewarding system has also been introduced. The VRS is implemented for fifth time to bring the number of staffs at optimum level. Through the scheme, the RBBL is able to bring down the number of its staff to 2697 by mid July 2009 from 3002 as in mid-July 2008 and 5583 as in mid-July 2002.

7.95 The management team of the banks introduced and implemented various policies, plans and guidelines for internal strengthening and efficiency. Specifically, the banks have introduced credit policy and guidelines, introduced the ALM guidelines for managing assets and liabilities, and formed an Asset Liability Management Committee. Similarly, new Audit Manual, Internal Audit Manual, Account Head Classification Manual, HR Plan, Skill Enhancement Plan, Portfolio Status and Plan, Budget Plan and

Strategic Plan have also been prepared and implemented. NBL has formed a loan written-off bylaw and started to write-off the loan in accordance with it. RBBL has initiated the performance based reward system. Different policies, manuals and guidelines such as Anti-Money Laundering Policy, Investment and Treasury Operation Manual, Revision of Internal Audit Manual, Trade Finance Manual, and Loan written-off bylaw are introduced to improve in credit management.

7.96 The NBL has formulated IT plan for timely and effective handling of banking transactions through computerization. Accordingly, it has already computerized its 44 branches and additional 38 branches have been identified and the computerization process is ongoing. Similarly, the bank has introduced 'Any Branch Banking System' (ABBS) in 27 branches. By the mid-July 2009, the bank brought 82 percent deposits and 90 percent of its credit transactions under computer system. Likewise, the RBBL has also introduced IT plan for timely and effective handling of banking transactions through computerization. It has already introduced Pumori Plus in its 40 branches and two departments within the central office. Similarly, a total of 70 branches have been operating with RBBSYS software. The IBIS is fully implemented. By mid-July 2009, 95 percent deposits and 98 percent credits records of the bank are computerized.

Capacity Enhancement of Overall Financial Sector

7.97 Mechanization of Credit Information Centre Ltd. (CICL) has already been initiated. Under this, the evaluation of bid documents presented by CICL to the Financial Sector Reform Project is in progress. The staffs of the Center have also participated in foreign trainings under the capacity enhancement program. The staffs of Debt Recovery Tribunal were also provided computer and service trainings as well as study/observation trip for skill enhancement. There is also a program of mechanization of the Tribunal. One of the NRB staffs from Public Relation Division and 7 economic journalists participated in a training related to economic journalism organized by 'Reuters Foundation' with a view to enhance the capability of economic journalists and the NRB staff working in Public Relation Division.

APPENDIX TABLE

Note

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

<u>Gregorian Months</u>	<u>Nepalese Months</u>
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	2006/07	2007/08R	2008/09P	2007/08	2008/09
	<i>Rs. in million</i>			<i>Percent change</i>	
Agriculture	184,796	195,559	201,500	5.8	3.0
<i>Agriculture and Forestry</i>	181,958	192,514	198,282	5.8	3.0
<i>Fishery</i>	2,838	3,045	3,218	7.3	5.7
Non-agriculture	330,331	349,743	366,110	5.9	4.7
Industry	86,792	88,305	88,088	1.7	-0.2
<i>Mining and Quarrying</i>	2,383	2,513	2,531	5.5	0.7
<i>Manufacturing</i>	39,891	39,545	39,132	-0.9	-1.0
<i>Electricity, Gas and Water</i>	13,065	13,204	13,084	1.1	-0.9
<i>Construction</i>	31,453	33,043	33,341	5.1	0.9
Service	243,539	261,438	278,022	7.3	6.3
<i>Wholesale and Retail Trade</i>	64,292	66,962	70,905	4.2	5.9
<i>Hotels and Restaurant</i>	8,278	8,851	9,113	6.9	3.0
<i>Transport, Storage and Communications</i>	44,094	48,226	51,883	9.4	7.6
<i>Financial Intermediation</i>	22,103	24,142	24,502	9.2	1.5
<i>Real Estate, Renting and Business</i>	41,240	45,544	46,343	10.4	1.8
<i>Public Administration and Defence</i>	9,262	9,319	9,999	0.6	7.3
<i>Education</i>	30,738	32,716	36,399	6.4	11.3
<i>Health and Social Work</i>	6,888	7,474	8,308	8.5	11.2
<i>Other Community, Social and Personal Service</i>	16,643	18,204	20,570	9.4	13.0
GDP at basic price before deduction of FISIM	515,127	545,302	567,610	5.9	4.1
GDP at Basic Prices	493651	522260	542903	5.8	4.0
GDP at Producers' Prices	532038	564517	591933	6.1	4.9
Share in GDP (%)					
Agriculture	35.9	35.9	35.5	0.0	-1.0
Non-agriculture	64.1	64.1	64.5	0.0	0.6
<i>Industry</i>	16.8	16.2	15.5	-3.9	-4.2
<i>Service</i>	47.3	47.9	49.0	1.4	2.2
GDP Deflator	135,3772	142,9384	165,5226	5.6	15.8
Per capita GDP (in Rs.)	20,332	21,108	21,416	3.8	1.5

R=Revised estimate, P=Preliminary estimate

Source: Central Bureau of Statistics

Table 2
GROSS DOMESTIC PRODUCT
(at Current Prices)

Sector	2006/07	2006/07	2006/07	2006/07	2006/07
	<i>Rupees in million</i>			<i>Percent change</i>	
Agriculture	226,823	247,191	306,714	9.0	24.1
<i>Agriculture and Forestry</i>	223,536	243,323	301,567	8.9	23.9
<i>Fishery</i>	3,287	3,868	5,147	17.7	33.1
Non-agriculture	470,541	532,256	632,808	13.1	18.9
Industry	115,529	130,913	148,054	13.3	13.1
<i>Mining and Quarrying</i>	3,417	4,375	5,084	28.0	16.2
<i>Manufacturing</i>	52,172	57,185	64,165	9.6	12.2
<i>Electricity, Gas and Water</i>	14,841	15,219	15,122	2.5	-0.6
<i>Construction</i>	45,099	54,134	63,683	20.0	17.6
Service	355,012	401,343	484,754	13.1	20.8
<i>Wholesale and Retail Trade</i>	92,648	105,306	125,885	13.7	19.5
<i>Hotels and Restaurant</i>	10,043	11,503	14,031	14.5	22.0
<i>Transport, Storage and Communications</i>	69,555	76,818	93,261	10.4	21.4
<i>Financial Intermediation</i>	28,467	33,539	38,545	17.8	14.9
<i>Real Estate, Renting and Business</i>	70,791	73,636	82,541	4.0	12.1
<i>Public Administration and Defence</i>	12,227	14,352	18,532	17.4	29.1
<i>Education</i>	40,939	48,722	62,875	19.0	29.0
<i>Health and Social Work</i>	8,568	10,963	13,959	28.0	27.3
<i>Other Community, Social and Personal Service</i>	21,774	26,505	35,125	21.7	32.5
GDP at basic price before deduction of FISIM	697,715	781,261	910,523	12.0	16.5
GDP at Basic Prices	675859	755262	910160	11.7	20.5
GDP at Producers' Prices	727827	815663	991316	12.1	21.5
Share in GDP (%)					
Agriculture	32.5	31.7	32.6	-2.5	2.9
Non-agriculture	67.5	68.3	67.4	1.2	-1.4
<i>Industry</i>	16.6	16.8	15.8	1.4	-6.2
<i>Service</i>	50.9	51.5	51.6	1.1	0.2
Per Capita GDP (in Rs.)	27525	30171	35865	9.6	18.9
Per Capita GDP (in USD)	390	464	467	18.8	0.5

R=Revised estimate, P=Preliminary estimate.

Source: Central Bureau of Statistics.

Table 3
AGGREGATE DEMAND
(At Current Prices)

Description	2006/07	2007/08R	2008/09P	2007/08	2008/09	2007/08	2008/09
	Rs. in million			Percent change		Percent of GDP	
Nominal GDP at Producers' Prices	727,827	815,663	991,316	12.1	21.5	100.0	100.0
Domestic Demand	865,153	982,747	1,211,115	13.6	23.2	120.5	122.2
Total Consumption	656,374	735,470	895,018	12.1	21.7	90.2	90.3
Government	66,949	80,663	106,503	20.5	32.0	9.9	10.7
Private	576,911	641,085	772,762	11.1	20.5	78.6	78.0
Non-Profit Institutions	12,515	13,721	15,753	9.6	14.8	1.7	1.6
Gross Capital Formation	208,779	247,277	316,097	18.4	27.8	30.3	31.9
Gross Fixed Capital Formation	153,337	178,446	211,039	16.4	18.3	21.9	21.3
Government	24,645	32,993	44,278	33.9	34.2	4.0	4.5
Private	128,692	145,453	166,761	13.0	14.6	17.8	16.8
Change in Stock	55,442	68,831	105,058	24.2	52.6	8.4	10.6
Net External Demand	(137,326)	(167,084)	(219,799)	21.7	31.6	-20.5	-22.2
Export of goods & non factor services	93,567	104,207	122,737	11.4	17.8	12.8	12.4
Import of goods & non factor services	230,893	271,291	342,536	17.5	26.3	33.3	34.6

R=Revised estimate, P=Preliminary estimate

Source: Central Bureau of Statistics

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

	2006/07	2007/08R	2008/09P	2007/08	2008/09	2007/08	2008/09
	<i>Rs. In million</i>			<i>Percent change</i>		<i>Percent of GDP</i>	
GDP at producers price	727,827	815,663	991,316	12.1	21.5	100.0	100.0
Net Factor Income	7,432	7,947	11,750	6.9	47.9	1.0	1.2
Gross National Income	735,259	823,610	1,003,066	12.0	21.8	101.0	101.2
Net Transfer	128992	182817	249487	41.7	36.5	22.4	25.2
Gross National Disposable Income	864,251	1,006,427	1,252,552	16.5	24.5	123.4	126.4
Gross Domestic Savings	71,453	80,193	96,298	12.2	20.1	9.8	9.7
Gross National Savings	207,876	270,957	357,534	30.3	32.0	33.2	36.1
Gross Capital Formation	208,779	247,277	316,097	18.4	27.8	30.3	31.9
Lending/Borrowing (Resource Gap) (+/-)	(902)	23,680	41,437	-2724.7	75.0	2.9	4.2

R-Revised estimate, P-Preliminary estimate

Source: Central Bureau of Statistics

Table 5
AGRICULTURAL PRODUCTION INDEX

Agricultural Commodities	Weight	2006/07	2007/08	2008/09	2007/08	2008/09
		<i>Index</i>			<i>Percent change</i>	
Cereals and Other Crops	49.41	108.13	116.01	115.22	7.3	-0.7
Paddy	20.75	87.30	101.96	107.29	16.8	5.2
Maize	6.88	122.63	126.58	130.09	3.2	2.8
Wheat	7.14	130.86	135.77	116.06	3.8	-14.5
Millet	1.37	100.69	102.92	103.48	2.2	0.5
Barley/naked barley	0.22	92.80	92.11	76.17	-0.7	-17.3
Potato	4.67	147.92	156.41	158.58	5.7	1.4
Sugarcane	1.24	117.54	112.37	106.45	-4.4	-5.3
Jute	0.17	93.74	103.64	95.74	10.6	-7.6
Tobacco	0.06	66.65	65.79	62.85	-1.3	-4.5
Soyabeans	0.19	119.98	117.97	120.78	-1.7	2.4
Pulses	4.42	112.18	110.29	104.41	-1.7	-5.3
Others	2.29	95.97	93.59	90.96	-2.5	-2.8
Vegetables, Horticultural and Nursery Products	9.71	140.89	153.58	164.76	9.0	7.3
Total vegetables	9.70	140.89	153.61	164.80	9.0	7.3
Others	0.01	118.01	123.91	121.60	5.0	-1.9
Fruit, Nuts Beverage and Spice Crops	7.04	138.42	144.77	174.37	4.6	20.4
Orange	0.97	146.10	157.63	167.16	7.9	6.0
Mango	1.56	113.51	110.79	117.49	-2.4	6.0
Banana	0.40	108.86	117.45	124.56	7.9	6.1
Apple	0.42	108.62	117.19	124.28	7.9	6.1
Spice Crops	1.79	193.35	200.56	232.08	3.7	15.7
Tea	0.05	225.97	243.45	267.25	7.7	9.8
Coffee	0.004	402.25	561.80	629.21	39.7	12.0
Others	1.85	112.36	121.22	188.86	7.9	55.8
Farming of Domestic Animals	23.25	118.13	121.18	125.34	2.6	3.4
Buffaloes' Meat	4.42	117.77	121.11	125.84	2.8	3.9
Mutton	3.24	117.37	121.34	125.33	3.4	3.3
Milk	12.36	119.96	123.18	128.17	2.7	4.0
Others	3.23	112.40	113.83	113.83	1.3	0.0
Other Animals Farming; Production of Animals Products	2.43	119.69	123.63	121.38	3.3	-1.8
Pigs' Meat	0.50	105.24	107.97	110.11	2.6	2.0
Poultry Meat	0.67	120.77	125.06	124.72	3.6	-0.3
Eggs	0.81	121.19	124.43	124.17	2.7	-0.21
Hides and skins	0.35	144.01	151.57	160.85	5.2	6.1
Others	0.10	89.48	89.59	88.84	0.1	-0.8
Forestry, Logging and Related Services	8.07	104.24	104.45	105.16	0.2	0.7
Activities	8.07	104.24	104.45	105.16	0.2	0.7
Timber	1.09	105.52	107.80	108.37	2.2	0.5
Firewood	4.94	100.64	99.43	99.40	-1.2	0.0
Medicinal/herbal products	0.02	114.26	112.53	112.61	-1.5	0.1
Others	2.03	112.22	114.77	117.38	2.3	2.3
Overall Index	100.00	115.72	122.13	125.87	5.5	3.1

Source: Central Bureau of Statistics

Table 6
PRODUCTION OF MAJOR AGRICULTURAL COMMODITIES

Agricultural Commodities	2006/07	2007/08	2008/09	2007/08	2008/09
	<i>In thousand MT</i>			<i>Percent Change</i>	
Cereals and Other Crops					
Paddy	3680.8	4,299.2	4,523.7	16.8	5.2
Maize	1819.9	1878.6	1,930.7	3.2	2.8
Wheat	1515.1	1572.1	1,343.8	3.8	-14.5
Millet (Kodo)	284.8	291.1	292.7	2.2	0.6
Barley	28.3	28.1	23.2	-0.7	-17.4
Potato	1943.2	2054.8	2,083.2	5.7	1.4
Sugarcane	2599.8	2485.4	2,354.4	-4.4	-5.3
Jute	18.3	17.0	15.7	-7.1	-7.6
Tobacco	2.6	2.6	2.5	-1.3	-4.3
Oil Seeds	135.7	134.3	135.4	-1.0	0.8
Pulses	263.6	269.8	255.3	2.3	-5.4
Vegetables, Fruits and Spice Crops					
Vegetables	2320.5	2939.0	2,724.0	26.7	-7.3
Fruits	562.0	630.5	668.7	12.2	6.1
Tea	15.0	16.2	17.7	7.7	9.5
Livestock					
Milk	1350.2	1388.7	1,445.4	2.9	4.1
Meat	227.1	233.9	241.6	3.0	3.3
Eggs (in million no)	611.7	631.2	630.0	3.2	-0.2
Fishery	46.8	48.7	46.8	4.1	-3.9

Source : Ministry of Agriculture and Cooperatives

Table 7
AREA UNDER MAJOR AGRICULTURAL COMMODITIES

Agricultural Commodities	2006/07	2007/08	2008/09	2007/08	2008/09
	<i>In thousand hectare</i>			<i>Percent Change</i>	
Cereals and Other Crops	4040.0	4152.2	4142.6	2.8	-0.2
Paddy	1439.5	1549.3	1556.0	7.6	0.4
Maize	870.4	870.2	875.4	0.0	0.6
Wheat	702.7	706.5	695.0	0.5	-1.6
Millet (Kodo)	265.2	265.5	266.0	0.1	0.2
Barley	26.6	26.1	25.9	-1.8	-0.8
Potato	153.5	156.7	157.8	2.1	0.7
Sugarcane	64.0	63.0	58.1	-1.7	-7.7
Jute	11.7	11.6	11.4	-0.8	-1.6
Tobacco	2.7	2.7	2.5	-1.5	-6.7
Oil Seeds	184.2	180.3	181.3	-2.1	0.5
Pulses	319.6	320.4	313.2	0.3	-2.3
Vegetables, Fruits and Spice Crops	271.7	289.0	304.7	6.4	5.4
Vegetables	198.3	208.1	221.4	4.9	6.4
Fruits	56.9	63.4	65.3	11.4	3.0
Tea	16.5	17.5	18.0	6.1	2.9

Source : Ministry of Agriculture and Cooperatives

Table 8
PRODUCTION YIELD OF MAJOR AGRICULTURAL COMMODITIES

Agricultural Commodities	2006/07	2007/08	2008/09	2007/08	2008/09
	<i>Per hectare production in MT</i>			<i>Percent change</i>	
Cereals and Other Crops					
Paddy	2.56	2.78	2.91	8.5	4.8
Maize	2.09	2.16	2.21	3.3	2.2
Wheat	2.16	2.23	1.93	3.2	-13.1
Millet (Kodo)	1.07	1.10	1.10	2.1	0.4
Barley	1.06	1.08	0.90	1.1	-16.7
Potato	12.66	13.11	13.20	3.6	0.7
Sugarcane	40.61	39.48	40.52	-2.8	2.7
Jute	1.57	1.47	1.38	-6.3	-6.1
Tobacco	0.97	0.97	1.00	0.2	2.6
Oil Seeds	0.74	0.74	0.75	1.1	0.3
Pulses	0.82	0.84	0.82	2.1	-3.2
Vegetables, Fruits and Spice Crops					
Vegetables	8.54	10.17	8.94	19.1	-12.1
Fruits	2.83	3.03	3.02	6.9	-0.3
Tea	0.26	0.25	0.27	-3.3	6.3

Source : Ministry of Agriculture and Cooperatives

Table 9
ANNUAL MANUFACTURING PRODUCTION INDEX
(2003/04=100)

Description	Weight *	2005/06	2006/07	2007/08**	2006/07	2007/08
		Index			% Change	
Overall Index of Manufacturing Production	100.00	104.7	107.4	106.4	2.6	-0.9
Vegetable,Oils & Fats	15.78	108.7	108.4	93.1	-0.3	-14.1
Vegetable ghee	10.08	111.9	104.7	81.0	-6.5	-22.6
Mustard oil	1.95	93.0	104.0	100.7	11.7	-3.1
Soyabean oil	3.74	108.6	121.1	122.1	11.5	0.8
Dairy products	2.77	105.0	107.4	108.5	2.3	1.0
Processed Milk	2.77	105.0	107.4	108.5	2.3	1.0
Grain mill products, prepared animal feeds	8.16	106.5	115.0	119.0	8.0	3.5
Rice	4.33	104.8	111.8	116.7	6.6	4.5
Wheat flour	2.19	108.4	111.5	114.9	2.8	3.0
Animal feed	1.63	108.8	129.0	131.3	18.6	1.8
Other food products	7.93	110.2	118.2	125.0	7.2	5.8
Biscuit	1.04	112.3	116.5	123.9	3.8	6.3
Sugar	2.92	106.2	118.3	123.9	11.3	4.8
Noodles	2.72	112.4	117.7	122.8	4.7	4.3
Processed tea	1.25	113.0	120.3	133.5	6.4	11.0
Beverages	6.59	106.9	118.6	123.7	11.0	4.2
Liquor rectified	2.39	105.2	117.2	120.6	11.4	2.9
Beer	2.92	108.2	122.0	127.4	12.8	4.4
Soft drink	1.28	107.2	113.4	120.8	5.8	6.5
Tobacco products	6.53	99.7	102.7	105.5	3.1	2.7
Cigarette	6.53	99.7	102.7	105.5	3.1	2.7
Textiles	5.2	111.8	121.1	121.4	8.3	0.3
Yarn	3.18	118.1	130.9	131.4	10.8	0.4
Cotton clothes	1.27	103.4	107.6	106.1	4.1	-1.4
Synthetic clothes	0.75	99.6	102.3	105.1	2.8	2.7
Other Textiles	6.59	108.7	101.9	99.7	-6.3	-2.1
Woolen carpet	4.32	106.9	96.6	90.2	-9.6	-6.6
Jute goods	2.27	112.2	111.9	117.8	-0.3	5.3
Knitted and crocheted fabrics	1.18	97.1	88.2	90.4	-9.2	2.5
Pashmina	1.18	97.1	88.2	90.4	-9.2	2.5
Wearing apparel	7.14	68.1	59.4	50.5	-12.8	-15.0
Garment	7.14	68.1	59.4	50.5	-12.8	-15.0
Tanning and dressing of leather	0.92	111.0	121.0	122.1	9.0	0.9
Processed leather	0.92	111.0	121.0	122.1	9.0	0.9
Saw milling and planning of wood	0.95	99.0	101.9	104.2	2.9	2.3
Wood sawn	0.95	99.0	101.9	104.2	2.9	2.3
Paper & paper products	1.42	105.9	110.6	112.2	4.5	1.5
Paper excluding newsprint	1.42	105.9	110.6	112.2	4.5	1.5
Publishing printing and reproducing of recorded media	1.58	105.7	106.1	109.4	0.3	3.1
Newspaper	1.58	105.7	106.1	109.4	0.3	3.1
Other chemical products	10.34	111.7	122.5	126.5	9.7	3.2
Medicine	7.01	108.9	120.3	125.2	10.5	4.1
Soap	3.33	117.5	127.2	129.3	8.2	1.6
Plastic product	4.75	103.3	96.2	87.7	-6.9	-8.7
Plastic product	4.75	103.3	96.2	87.7	-6.9	-8.7
Non-metallic mineral products	5.34	107.7	104.1	103.5	-3.3	-0.5
Bricks	2.42	107.5	95.6	101.7	-11.1	6.4
Cement	2.92	107.9	111.1	105.1	3.0	-5.4
Other fabricated metal product	3.7	109.8	118.5	137.3	7.9	15.9
Iron rod & billets	3.7	109.8	118.5	137.3	7.9	15.9
Casting of metal	1.45	101.6	99.5	95.0	-2.0	-4.6
Domestic metal product	1.45	101.6	99.5	95.0	-2.0	-4.6
Electric machinery apparatus, wire and cable	1.68	108.6	108.5	108.5	0.0	0.0
Electrical wire & cable	1.68	108.6	108.5	108.5	0.0	0.0

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

**Revised.

Source: Central Bureau of Statistics

Table 10
TOURISM INDICATORS

	2006	2007	2008	2007	2008
				<i>Percent change</i>	
Tourist Arrivals (in no. of persons)	383,926	526,705	500,277	37.2	-5.0
India	93,722	96,010	91,177	2.4	-5.0
Third Country	290,204	430,695	409,100	48.4	-5.0
By Air	283,819	360,713	374,661	27.1	3.9
By Land	100,107	165,992	125,616	65.8	-24.3
Tourism Earnings (Rs. in million)*	10,125.3	18,653.1	16,825.0	84.2	-9.8
Average Duration of Stay (in days)	10.2	12.0	11.8	17.3	-1.5
Per Capita Expenditure (in rupees)	26,373.1	35,414.7	33,631.4	34.3	-5.0
Number of Hotel Beds	24,260	24,681	26,063	1.7	5.6

* These data correspond to Nepali fiscal year

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

Table 11
NATIONAL URBAN CONSUMER PRICE INDEX
(1995/96 = 100)
(Point to Point Annual Changes)

MONTHS	FY 2008/09					
	FOOD & BEVERAGES		NON-FOOD & SERVICES		OVERALL INDEX	
	INDEX	%CHANGES	INDEX	% CHANGES	INDEX	% CHANGES
JUL/AUG	217.6	13.4	223.1	12.7	220.2	13.1
AUG/SEP	225.4	14.2	223.4	12.8	224.5	13.5
SEP/OCT	229.4	15.2	223.8	12.9	226.8	14.1
OCT/NOV	229.8	17.0	225.0	11.7	227.5	14.5
NOV/DEC	224.3	17.2	223.3	10.8	223.7	14.1
DEC/JAN	222.0	18.3	222.4	10.3	222.1	14.4
JAN/FEB	223.5	18.1	222.8	9.1	223.1	13.7
FEB/MAR	226.2	17.1	222.4	8.8	224.4	13.1
MAR/APR	230.0	14.8	222.7	8.8	226.5	11.9
APR/MAY	237.1	16.5	223.8	8.8	230.9	12.9
MAY/JUN	243.1	19.0	223.8	5.1	234.0	12.3
JUN/JUL	248.4	19.1	223.9	2.9	237.0	11.4
ANNUAL	229.7	16.7	223.4	9.5	226.7	13.2

Table 12
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	2064/65	2065/66	column 2 over 1	column 3 over 2	column 4 over 3	column 5 over 4	column 6 over 5	column 7 over 6
	%	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09						
		1	2	3	4	5	6	7						
ALL ITEMS	100.00	148.9	154.8	161.8	174.7	185.9	200.2	226.7	4.0	4.5	8.0	6.4	7.7	13.2
Food and Beverages	53.20	144.0	148.8	154.7	166.8	178.8	196.9	229.7	3.3	4.0	7.8	7.2	10.1	16.7
Grains and Cereals Products	18.00	138.2	139.8	145.1	164.6	175.1	200.7	229.5	1.2	3.8	13.4	6.4	14.6	14.3
Rice and Rice Products	(14.16)	136.6	138.0	142.4	163.6	168.1	197.2	231.1	1.0	3.2	14.9	2.8	17.3	17.2
Pulses	2.73	125.3	126.1	131.6	150.4	175.9	200.8	250.9	0.6	4.4	14.3	17.0	14.2	25.0
Vegetables, Fruits and Nuts	7.89	135.7	140.3	146.9	153.8	170.8	181.7	204.8	3.4	4.7	4.7	11.1	6.4	12.7
Spices	1.85	142.3	148.0	146.5	149.1	182.6	189.2	212.4	4.0	-1.0	1.8	22.5	3.6	12.3
Meat, Fish and Eggs	5.21	148.2	158.3	168.5	174.8	186.3	200.7	247.6	6.8	6.4	3.7	6.6	7.7	23.4
Milk and Milk Products	4.05	147.8	150.4	151.1	158.1	169.9	182.8	210.3	1.8	0.5	4.6	7.5	7.6	15.0
Oil and Ghee	3.07	136.9	153.7	150.8	147.4	157.3	190.1	221.1	12.3	-1.9	-2.3	6.7	20.9	16.3
Sugar and Related Products	1.21	124.4	123.9	154.6	163.7	152.0	136.7	199.5	-0.4	24.8	5.9	-7.1	-10.1	45.9
Beverages	2.28	161.6	162.1	165.0	180.7	188.1	192.5	216.9	0.3	1.8	9.5	4.1	2.3	12.7
Restaurant Meals	6.91	174.1	183.2	192.6	204.0	210.7	225.7	267.4	5.2	5.1	5.9	3.3	7.1	18.5
Other Goods and Services	46.80	154.6	161.8	170.1	183.9	194.1	204.0	223.4	4.7	5.1	8.1	5.5	5.1	9.5
Cloth, Clothing & Sewing Services	8.92	135.7	138.1	141.5	145.4	148.6	152.2	163.9	1.8	2.5	2.8	2.2	2.4	7.7
Cloths	(2.28)	124.6	126.3	130.7	133.7	135.6	136.0	146.5	1.4	3.5	2.3	1.4	0.3	7.7
Clothings	(5.75)	136.6	138.1	140.5	144.6	147.9	151.8	162.3	1.1	1.7	2.9	2.3	2.6	6.9
Footwear	2.20	132.7	133.3	133.9	137.8	143.5	151.9	163.2	0.5	0.5	2.9	4.1	5.9	7.4
Housing	14.87	153.0	163.1	178.1	200.9	215.4	230.4	253.8	6.6	9.2	12.8	7.2	7.0	10.2
Fuel, Light and Water	(5.92)	182.6	200.8	230.3	277.6	301.5	326.9	361.4	10.0	14.7	20.5	8.6	8.4	10.6
Transport and Communication	4.03	172.2	185.2	198.2	232.8	254.8	260.6	301.9	7.5	7.0	17.5	9.5	2.3	15.8
Medical and Personal Care	8.03	163.2	169.3	172.1	176.5	181.0	190.0	199.9	3.7	1.7	2.6	2.5	5.0	5.2
Education, Reading and Recreation	7.09	174.1	182.1	190.1	200.0	211.8	222.0	241.7	4.6	4.4	5.2	5.9	4.8	8.9
Tobacco and Related Products	1.66	150.5	153.2	156.2	163.1	173.1	185.9	214.6	1.8	2.0	4.4	6.1	7.4	15.4

Table 13
CONSUMER PRICE INDEX: KATHMANDY VALLEY
Base:1995/96=100

Groups & Sub-groups of the commodities	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66	Percentage Change				
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2004/05	2005/06	2006/07	2007/08	2008/09
ALL ITEMS	150.1	157.6	167.8	178.0	190.9	218.2	5.0	6.5	6.1	7.2	14.3
Food and Beverages	145.6	151.8	159.5	169.4	185.9	222.7	4.3	5.1	6.2	9.7	19.8
Grains and Cereals Products	146.9	151.7	162.9	172.1	192.4	234.9	3.3	7.4	5.6	11.8	22.1
Rice and Rice Products	150.6	155.1	167.4	172.4	196.2	243.4	3.0	7.9	3.0	13.8	24.1
Pulses	114.2	119.6	145.6	171.9	186.1	230.2	4.7	21.7	18.1	8.3	23.7
Vegetables, Fruits and Nuts	133.7	135.7	140.2	151.8	167.8	187.2	1.5	3.3	8.3	10.5	11.6
Spices	141.8	143.6	140.4	167.4	176.0	196.9	1.3	-2.2	19.2	5.1	11.9
Meat, Fish and Eggs	153.4	169.1	174.2	187.4	202.8	248.4	10.2	3.0	7.6	8.2	22.5
Milk and Milk Products	134.5	137.2	145.0	155.1	173.3	200.8	2.0	5.7	7.0	11.7	15.9
Oil and Ghee	149.8	146.6	143.0	153.8	188.5	222.5	-2.1	-2.5	7.6	22.6	18.0
Sugar and Related Products	127.9	164.3	170.9	159.8	145.5	217.0	28.5	4.0	-6.5	-8.9	49.1
Beverages	136.6	142.0	147.3	150.2	155.5	181.1	4.0	3.7	2.0	3.5	16.5
Restaurant Meals	171.2	179.7	187.1	191.5	205.1	247.4	5.0	4.1	2.4	7.1	20.6
Other Goods and Services	155.0	163.8	176.7	187.2	196.1	213.5	5.7	7.9	5.9	4.8	8.9
Cloth, Clothing & Sewing Services	139.0	145.5	148.3	152.1	155.4	161.6	4.7	1.9	2.6	2.2	4.0
Cloths	130.8	140.5	146.1	146.5	146.2	151.5	7.4	4.0	0.3	-0.2	3.6
Clothings	135.5	140.4	142.3	146.5	150.1	155.6	3.6	1.4	3.0	2.5	3.7
Footwear	133.9	135.1	136.6	143.8	151.6	155.5	0.9	1.1	5.3	5.4	2.6
Housing	158.4	172.6	192.0	204.7	217.5	236.3	9.0	11.2	6.6	6.3	8.6
Fuel, Light and Water	208.9	241.8	291.1	313.7	340.5	374.2	15.7	20.4	7.8	8.5	9.9
Transport and Communication	172.7	190.4	227.6	244.1	254.3	298.3	10.2	19.5	7.2	4.2	17.3
Medical and Personal Care	172.4	174.1	175.3	179.1	185.8	196.2	1.0	0.7	2.2	3.7	5.6
Education, Reading and Recreation	150.0	157.4	172.7	189.8	197.9	216.2	4.9	9.7	9.9	4.3	9.2
Tobacco and Related Products	136.5	138.6	144.4	157.2	173.3	212.4	1.5	4.2	8.9	10.2	22.6
DOMESTIC INDEX	148.1	154.4	163.3	172.6	184.7	214.1	4.3	5.8	5.7	7.0	15.9
IMPORTED GOODS	158.9	171.3	187.5	201.6	217.4	236.2	7.8	9.5	7.5	7.8	8.6
TRADABLE INDEX	146.5	154.1	163.7	174.3	189.4	218.6	5.2	6.2	6.5	8.7	15.4
NONTRADABLE INDEX	158.1	165.4	177.0	186.3	194.1	217.4	4.6	7.0	5.3	4.2	12.0
GOVT CONTROL INDEX	160.5	177.6	205.2	221.9	237.6	269.4	10.7	15.5	8.1	7.1	13.4
NON CONTROL INDEX	148.0	153.5	160.1	169.0	181.2	207.7	3.7	4.3	5.6	7.2	14.6

Table 14
CONSUMER PRICE INDEX: HILLS
Base:1995/96=100

Groups & Sub-groups of the commodities	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66	Percentage Change				
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2004/05	2005/06	2006/07	2007/08	2008/09
ALL ITEMS	156.6	163.5	177.5	188.2	202.2	227.8	4.4	8.6	6.0	7.4	12.7
Food and Beverages	153.0	158.8	171.5	183.4	201.7	233.0	3.8	8.0	6.9	10.0	15.5
Grains and Cereals Products	134.1	139.6	158.6	168.4	194.4	219.9	4.1	13.6	6.2	15.4	13.1
Rice and Rice Products	130.3	133.7	154.9	161.9	190.9	217.7	2.6	15.9	4.5	17.9	14.0
1.2 Wheat and Wheat Flour	147.6	164.3	186.7	226.5	236.7	241.3	11.3	13.6	21.3	4.5	1.9
1.3 Other Grains and Cereal products	147.5	159.0	165.7	178.4	195.6	222.8	7.8	4.2	7.7	9.6	13.9
Pulses	127.7	133.4	158.9	190.3	213.1	256.7	4.5	19.1	19.8	12.0	20.5
Vegetables, Fruits and Nuts	146.7	152.8	160.0	174.1	183.2	202.2	4.2	4.7	8.8	5.2	10.4
3.1 All Vegetables	144.5	147.9	156.0	171.7	182.0	199.3	2.4	5.5	10.1	6.0	9.5
3.1.1 Vegetables without Leafy Green	136.8	139.7	147.9	165.7	175.6	195.2	2.1	5.9	12.0	6.0	11.2
3.1.2 Leafy Green Vegetables	184.3	190.2	197.5	202.7	214.2	220.5	3.2	3.8	2.6	5.7	2.9
3.2 Fruits and Nuts	154.2	169.8	174.2	182.4	187.5	212.5	10.1	2.6	4.7	2.8	13.3
3.2.1 Fruits	154.2	168.8	172.6	182.0	188.8	213.9	9.5	2.3	5.4	3.7	13.3
3.2.2 Nuts	153.9	202.6	224.9	193.4	144.9	165.6	31.6	11.0	-14.0	-25.1	14.3
Spices	153.2	155.4	160.0	187.2	197.8	220.1	1.4	3.0	17.0	5.7	11.3
Meat, Fish and Eggs	161.9	169.6	176.0	186.8	203.1	252.0	4.8	3.8	6.1	8.7	24.1
Milk and Milk Products	163.3	164.2	171.5	189.7	203.1	223.4	0.6	4.4	10.6	7.1	10.0
Oil and Ghee	150.0	152.5	150.2	157.1	188.9	221.0	1.7	-1.5	4.6	20.2	17.0
Sugar and Related Products	124.0	157.0	166.5	154.2	138.9	207.2	26.6	6.1	-7.4	-9.9	49.2
Beverages	185.1	187.2	213.2	216.8	225.4	255.3	1.1	13.9	1.7	4.0	13.3
9.1 Non Alcoholic Beverages	115.0	123.6	129.8	130.5	134.3	172.1	7.5	5.0	0.5	2.9	28.1
9.2 Alcoholic Beverages	209.9	209.7	242.9	247.4	257.8	284.8	-0.1	15.8	1.9	4.2	10.5
Restaurant Meals	206.2	213.9	225.2	235.0	250.0	296.0	3.7	5.3	4.4	6.4	18.4
Other Goods and Services	160.8	168.8	184.2	193.7	202.9	221.9	5.0	9.1	5.2	4.7	9.4
Cloth, Clothing & Sewing Services	126.8	129.9	136.4	139.4	142.6	161.5	2.4	5.0	2.2	2.3	13.3
Cloths	107.0	110.2	109.4	109.1	109.6	133.1	3.0	-0.7	-0.3	0.5	21.4
Clothings	128.3	130.4	140.7	145.6	147.9	164.8	1.6	7.9	3.5	1.6	11.4
11.3 Sewing Services	174.4	182.9	186.9	188.3	205.0	222.6	4.9	2.2	0.7	8.9	8.6
Footwear	129.7	133.4	142.9	147.0	151.0	162.3	2.9	7.1	2.9	2.7	7.5
Housing	162.4	176.9	199.2	214.5	227.7	251.5	8.9	12.6	7.7	6.2	10.5
13.1 House Furnishing and Household Goods	131.6	136.7	143.3	154.6	160.7	182.7	3.9	4.8	7.9	3.9	13.7
13.2 House Rent	153.0	159.2	166.6	175.7	184.3	191.9	4.1	4.6	5.5	4.9	4.1
13.3 Cleaning Supplies	133.7	135.7	139.2	149.6	168.6	204.3	1.5	2.6	7.5	12.7	21.2
Fuel, Light and Water	195.6	223.8	268.8	291.2	310.5	341.0	14.4	20.1	8.3	6.6	9.8
Transport and Communication	206.4	221.6	266.2	298.4	299.4	341.9	7.4	20.1	12.1	0.3	14.2
14.1 Transport	219.8	237.6	289.3	326.9	328.1	377.6	8.1	21.8	13.0	0.4	15.1
14.1.1 Public Transport	222.9	241.6	296.6	337.0	336.8	389.7	8.4	22.8	13.6	-0.1	15.7
14.1.2 Private Transport	182.6	188.6	201.9	206.2	224.2	233.0	3.3	7.1	2.1	8.7	3.9
14.2 Communication	127.1	127.9	130.2	130.2	130.2	130.8	0.6	1.8	0.0	0.0	0.5
Medical and Personal Care	163.8	165.9	175.0	179.9	189.9	200.6	1.3	5.5	2.8	5.6	5.6
15.1 Medical Care	166.0	167.2	177.9	183.8	196.0	208.0	0.7	6.4	3.3	6.6	6.1
15.2 Personal Care	155.2	161.0	163.6	164.7	166.0	171.5	3.7	1.6	0.7	0.8	3.3
Education, Reading and Recreation	185.6	192.2	203.1	205.9	217.9	228.7	3.6	5.7	1.4	5.8	5.0
16.1 Education	220.2	229.3	244.2	248.4	266.9	279.4	4.1	6.5	1.7	7.4	4.7
16.2 Reading and Recreation	121.6	123.5	127.6	127.1	127.4	135.0	1.6	3.3	-0.4	0.2	6.0
16.3 Religious Activities	157.1	163.6	167.3	171.8	176.4	187.3	4.1	2.3	2.7	2.7	6.2
Tobacco and Related Products	155.0	162.0	171.5	181.7	195.7	222.0	4.5	5.9	5.9	7.7	13.4

Table 15
CONSUMER PRICE INDEX: TERAI
Base:1995/96=100

Groups & Sub-groups of the commodities	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66	Percentage Change				
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2004/05	2005/06	2006/07	2007/08	2008/09
ALL ITEMS	156.9	163.8	177.9	189.9	205.2	231.5	4.4	8.6	6.7	8.1	12.8
Food and Beverages	149.2	155.0	169.5	182.8	201.9	232.8	3.9	9.4	7.8	10.4	15.3
Grains and Cereals Products	137.7	143.1	168.0	179.4	208.0	229.8	3.9	17.4	6.8	15.9	10.5
Rice and Rice Products	133.1	137.9	164.5	167.7	200.1	228.5	3.6	19.3	1.9	19.3	14.2
Pulses	132.7	138.3	150.1	173.0	205.3	261.3	4.2	8.5	15.3	18.7	27.3
Vegetables, Fruits and Nuts	141.9	151.6	159.8	181.2	189.7	216.5	6.8	5.4	13.4	4.7	14.1
Spices	149.7	145.0	150.5	190.3	194.2	219.1	-3.1	3.8	26.4	2.0	12.8
Meat, Fish and Eggs	159.9	167.7	174.7	185.5	198.5	245.5	4.9	4.2	6.2	7.0	23.7
Milk and Milk Products	155.3	154.7	161.1	171.6	181.1	211.1	-0.4	4.1	6.5	5.5	16.6
Oil and Ghee	157.3	152.7	149.0	159.4	191.5	220.3	-2.9	-2.4	7.0	20.1	15.0
Sugar and Related Products	121.4	147.8	158.2	146.4	130.5	185.9	21.7	7.0	-7.5	-10.9	42.5
Beverages	169.2	170.8	189.0	200.7	202.9	224.5	0.9	10.7	6.2	1.1	10.6
Restaurant Meals	181.9	192.5	206.5	213.4	229.3	269.0	5.8	7.3	3.3	7.5	17.3
Other Goods and Services	166.4	174.5	188.1	198.6	209.3	230.0	4.9	7.8	5.6	5.4	9.9
Cloth, Clothing & Sewing Services	141.7	143.3	147.0	149.9	153.9	166.2	1.1	2.6	2.0	2.7	8.0
Cloths	130.8	132.4	135.0	138.8	139.6	148.3	1.2	2.0	2.8	0.6	6.2
Clothings	143.4	144.3	147.5	149.5	154.2	165.4	0.6	2.2	1.4	3.1	7.3
Footwear	134.2	133.3	136.7	141.9	152.5	168.3	-0.7	2.6	3.8	7.5	10.4
Housing	166.1	182.0	206.9	222.3	239.2	265.2	9.6	13.7	7.4	7.6	10.9
Fuel, Light and Water	197.7	225.7	272.6	297.9	324.6	361.1	14.2	20.8	9.3	9.0	11.2
Transport and Communication	185.0	194.3	223.6	245.2	249.9	289.2	5.0	15.1	9.7	1.9	15.7
Medical and Personal Care	169.5	173.1	177.8	182.5	192.5	201.9	2.1	2.7	2.6	5.5	4.9
Education, Reading and Recreation	200.5	209.3	215.5	227.5	238.4	262.0	4.4	3.0	5.6	4.8	9.9
Tobacco and Related Products	162.7	164.8	171.4	179.5	189.9	213.2	1.3	4.0	4.7	5.8	12.3

Table 16
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	2007/08 6	2008/09 7	2/1	3/2	4/3	5/4	6/5	7/6
Overall Index	100.0	110.4	114.9	123.3	134.3	146.4	159.7	180.1	4.1	7.3	8.9	9.0	9.1	12.8
Agricultural Commodities	49.6	109.6	111.9	118.5	130.2	145.3	159.1	181.3	2.1	5.9	9.9	11.6	9.5	14.0
Foodgrains	16.6	95.3	93.7	102.4	119.0	131.9	148.9	161.5	-1.7	9.3	16.2	10.9	12.9	8.5
Cash Crops	6.1	131.7	120.5	147.3	159.4	183.0	191.8	199.6	-8.5	22.2	8.2	14.8	4.8	4.1
Pulses	3.8	114.5	115.3	118.7	136.4	164.2	186.1	226.6	0.7	2.9	14.9	20.4	13.3	21.8
Fruits and Vegetables	11.2	112.3	121.3	114.7	120.7	131.7	146.7	166.7	8.0	-5.4	5.2	9.1	11.4	13.6
Spices	1.9	97.8	106.1	102.0	108.5	132.5	129.2	143.9	8.5	-3.9	6.4	22.1	-2.5	11.4
Livestock Production	10.0	117.2	126.2	134.8	143.8	155.0	165.9	209.6	7.7	6.8	6.7	7.8	7.0	26.3
Domestic Manufactured Commodities	20.4	108.4	114.5	121.6	126.0	136.7	148.7	164.9	5.6	6.2	3.6	8.5	8.8	10.9
Food Related Products	6.1	107.2	109.0	112.0	116.4	125.9	138.0	153.8	1.7	2.8	3.9	8.2	9.6	11.4
Beverages and Tobacco	5.7	112.1	116.3	122.2	128.2	135.2	143.3	160.0	3.7	5.1	4.9	5.4	6.0	11.7
Construction Materials	4.5	109.5	126.4	145.9	149.1	172.3	196.1	217.9	15.4	15.4	2.2	15.6	13.8	11.1
Others	4.1	104.0	107.3	108.5	111.9	115.9	120.2	129.9	3.2	1.1	3.1	3.6	3.7	8.1
Imported Commodities	30.0	113.1	120.1	132.3	146.5	154.7	168.0	188.4	6.2	10.2	10.7	5.6	8.6	12.1
Petroleum Products and Coal	5.4	141.0	158.3	196.2	244.5	267.3	298.9	330.0	12.3	23.9	24.6	9.3	11.8	10.4
Chemical Fertilizers and Chemical Goods	2.5	122.9	127.6	143.1	162.1	169.5	194.6	209.9	3.8	12.1	13.2	4.6	14.8	7.9
Transport Vehicles and Machinery Goods	7.0	102.9	108.3	117.3	125.3	128.2	138.1	165.4	5.2	8.3	6.8	2.3	7.7	19.8
Electric and electronic Goods	1.9	97.6	96.1	96.7	96.2	95.6	95.2	100.1	-1.5	0.6	-0.6	-0.6	-0.4	5.1
Drugs and Medicine	2.7	103.2	107.0	108.3	111.7	113.5	116.2	123.0	3.7	1.2	3.2	1.6	2.4	5.9
Textile related Products	3.1	105.8	110.8	113.2	111.4	110.7	108.1	125.0	4.7	2.2	-1.6	-0.6	-2.3	15.6
Others	7.4	109.9	115.9	122.2	130.4	141.5	154.6	173.0	5.5	5.4	6.7	8.5	9.3	11.9

Table 17
NATIONAL URBAN CONSUMER PRICE INDEX
(1995/96 = 100)
(Point to Point Annual Changes)

Months	2004/05		2005/06		2006/07		2007/08		2008/09P	
	Index	%Changes	Index	%Changes	Index	%Changes	Index	%Changes	Index	% Changes
Jul/Aug	159.1	2.4	170.7	7.3	183.1	7.3	194.7	6.3	220.2	13.1
Aug/Sep	160.2	2.6	173.3	8.2	184.8	6.6	197.8	7.0	224.5	13.5
Sep/Oct	161.2	2.6	173.8	7.8	186.9	7.5	198.7	6.3	226.8	14.1
Oct/Nov	160.8	2.7	174.5	8.5	186.9	7.1	198.7	6.3	227.5	14.5
Nov/Dec	159.0	3.1	173.0	8.8	185.6	7.3	196.1	5.7	223.7	14.1
Dec/Jan	159.5	4.6	170.6	7.0	183.6	7.6	194.3	5.8	222.1	14.4
Jan/Feb	161.4	5.7	170.8	5.8	184.5	8.0	196.3	6.4	223.1	13.7
Feb/Mar	161.9	5.7	174.3	7.7	185.1	6.2	198.4	7.2	224.4	13.1
Mar/Apr	163.1	5.8	176.0	7.9	185.9	5.6	202.4	8.9	226.5	11.9
Apr/May	164.0	6.4	179.0	9.1	187.3	4.6	204.6	9.2	230.9	12.9
May/Jun	164.6	6.2	179.6	9.1	187.6	4.5	208.3	11.0	234.0	12.3
Jun/Jul	166.8	6.6	180.6	8.3	189.8	5.1	212.7	12.1	237.0	11.4
Annual	161.8	4.5	174.7	8.0	185.9	6.4	200.2	7.7	226.7	13.2

Table 18
NATIONAL SALARY AND WAGE RATE INDEX
(2004/05=100)

S.No.	Groups/Sub-groups	Weight %	2005/06 Annual	2006/07 Annual	2007/08 Annual	2008/09 Annual	Percentage Change		
							5 over 4	6 over 5	7 over 6
1	2	3	4	5	6	7			
	Overall Index	100.00	103.9	114.1	125.2	144.4	9.8	9.7	15.3
1	Salary Index	26.97	100.3	106.6	118.2	130.6	6.3	10.9	10.5
	Officers	9.80	100.2	105.8	121.0	129.2	5.6	14.4	6.8
	Non Officers	17.17	100.3	107.1	116.6	131.4	6.8	8.9	12.7
1.1	Civil Service	2.82	100.0	110.0	135.8	161.2	10.0	23.5	18.7
	Officers	0.31	100.0	110.0	137.3	148.1	10.0	24.8	7.9
	Non Officers	2.51	100.0	110.0	135.6	162.7	10.0	23.3	20.0
1.2	Public Corporations	1.14	102.9	111.0	121.2	138.4	7.8	9.2	14.2
	Officers	0.19	104.3	113.8	132.1	140.2	9.1	16.1	6.1
	Non Officers	0.95	102.7	110.5	119.0	138.1	7.6	7.7	16.1
1.3	Bank & Financial Institutions	0.55	107.3	113.1	170.5	186.0	5.4	50.8	9.1
	Officers	0.10	109.4	117.3	167.7	173.8	7.2	43.0	3.6
	Non Officers	0.45	106.9	112.1	171.2	188.8	4.9	52.7	10.3
1.4	Army & Police Forces	4.01	100.0	111.4	121.8	146.9	11.4	9.3	20.6
	Officers	0.17	100.0	109.9	127.5	137.5	9.9	16.0	7.8
	Non Officers	3.84	100.0	111.5	121.5	147.3	11.5	9.0	21.2
1.5	Education	10.55	100.0	107.0	122.8	134.5	7.0	14.8	9.5
	Officers	6.80	100.0	106.5	125.7	136.4	6.5	18.0	8.5
	Non Officers	3.75	100.0	108.0	117.6	131.2	8.0	8.9	11.6
1.6	Private Organisations	7.90	100.0	101.3	99.8	101.2	1.3	-1.5	1.4
	Officers	2.24	100.0	101.5	100.5	101.0	1.5	-1.0	0.5
	Non Officers	5.66	100.0	101.3	99.5	101.2	1.3	-1.8	1.7
2	Wage Rate Index	73.03	105.3	116.8	127.8	149.4	10.9	9.4	16.9
2.1	Agricultural Labourer	39.49	106.6	117.6	126.7	155.9	10.3	7.7	23.0
	Male	20.49	105.8	116.3	125.1	155.6	10.0	7.6	24.4
	Female	19.00	107.6	119.0	128.6	156.3	10.6	8.1	21.5
2.2	Industrial Labourer	25.25	104.6	118.1	131.8	142.8	13.0	11.6	8.3
	Highly Skilled	6.31	103.0	112.4	122.4	131.4	9.1	8.9	7.4
	Skilled	6.31	104.4	116.6	129.3	140.1	11.6	10.9	8.4
	Semi Skilled	6.31	105.3	119.9	133.5	145.6	13.9	11.3	9.1
	Unskilled	6.32	105.5	123.7	142.2	154.2	17.2	15.0	8.4
2.3	Construction Labourer	8.29	101.3	109.1	120.2	138.6	7.7	10.2	15.3
	Mason	2.76	102.3	109.6	119.3	134.4	7.1	8.9	12.7
	Skilled	1.38	102.3	109.3	118.2	132.2	6.8	8.1	11.8
	Unskilled	1.38	102.2	109.8	120.4	136.6	7.4	9.7	13.5
	Carpenter	2.76	101.1	107.0	114.9	130.1	5.8	7.4	13.2
	Skilled	1.38	101.2	107.8	114.7	126.7	6.5	6.4	10.5
	Unskilled	1.38	101.1	106.2	115.1	133.4	5.1	8.4	15.9
	worker	2.77	100.4	110.7	126.5	151.3	10.2	14.3	19.6
	Male	1.38	100.2	110.3	124.2	149.7	10.1	12.6	20.5
	Female	1.39	100.7	111.2	128.8	152.9	10.4	15.8	18.7

Table 19
NATIONAL WHOLESALE PRICE INDEX
(1999/00 = 100)
2008/09
(Point to Point Annual Changes)

Months	Overall		Agricultural		Domestic Manufactured		Imported	
	Index	% Change	Index	% Change	Index	% Change	Index	% Change
Jul/Aug	177.9	11.2	171.5	2.0	164.8	15.4	197.4	24.9
Aug/Sep	180.3	10.3	175.7	0.7	166.0	15.8	197.5	24.0
Sep/Oct	179.6	9.3	174.4	-0.5	166.1	15.7	197.5	23.3
Oct/Nov	176.1	9.2	171.8	2.7	161.6	13.4	192.9	17.5
Nov/Dec	170.9	10.1	162.7	6.1	162.4	12.3	190.1	14.9
Dec/Jan	172.9	14.7	168.6	17.0	161.8	11.8	187.5	13.0
Jan/Feb	174.0	15.0	171.6	18.8	162.6	11.2	185.7	11.8
Feb/Mar	175.6	12.3	175.3	15.3	163.3	8.8	184.5	10.0
Mar/Apr	178.1	13.7	180.6	19.0	164.8	9.1	182.9	8.7
Apr/May	184.9	15.5	192.9	23.4	167.8	7.7	183.4	8.4
May/June	193.0	17.0	210.0	33.4	168.9	6.0	181.3	0.2
June/July	198.0	15.3	220.8	33.8	168.5	4.8	180.4	-5.2
Annual	180.1	12.8	181.3	14.0	164.9	10.9	188.4	12.1

Table 20
TOWN-WISE AVERAGE WAGE RATE (in Rs.)

S.No.	Groups/Sub-groups	Unit	FY 2007/08				FY 2008/09				Percentage Change			
			KTM	BRT	BRJ	BHR	KTM	BRT	BRJ	BHR	KTM	BRT	BRJ	BHR
1	Agricultural Labourer													
	Male	Daily	223.33	115.56	116.67	95.83	244.72	151.39	130.56	111.67	9.58	31.01	11.90	16.52
	Female	Daily	130.28	91.94	116.67	95.83	140.83	120.83	130.56	111.67	8.10	31.42	11.90	16.52
2	Construction Labourer													
	Mason													
	Skilled	Daily	383.33	274.58	175.00	250.00	390.97	302.08	219.44	250.00	1.99	10.02	25.40	0.00
	Unskilled	Daily	316.67	193.06	143.33	175.00	324.31	245.28	173.89	175.00	2.41	27.05	21.32	0.00
	Carpenter													
	Skilled	Daily	366.67	274.58	200.00	250.00	381.94	297.92	223.61	250.00	4.17	8.50	11.81	0.00
	Unskilled	Daily	305.00	193.06	150.00	175.00	353.89	245.28	175.00	175.00	16.03	27.05	16.67	0.00
	Labour													
	Male	Daily	200.00	146.39	116.67	120.00	207.64	195.56	144.44	120.00	3.82	33.59	23.81	0.00
	Female	Daily	170.14	133.61	116.67	120.00	205.56	158.75	144.44	120.00	20.82	18.81	23.81	0.00

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

Table 21
GOVERNMENT BUDGETARY OPERATION

	2005/06	2006/07	2007/08	2008/09	
				Budget Estimate	Revised Estimate
Revenue and Grants	84596.0	102486.9	125260.0	187558.3	172942.4
<i>Revenue</i>	<i>70768.5</i>	<i>86686.0</i>	<i>104939.3</i>	<i>140465.1</i>	<i>138372.0</i>
Tax Revenue	57427.0	71126.7	85155.5	116560.0	116996.7
Non-Tax Revenue ¹	13341.5	15559.3	19783.8	23905.1	21375.3
<i>Foreign Grants</i>	<i>13827.5</i>	<i>15800.8</i>	<i>20320.7</i>	<i>47093.2</i>	<i>34570.4</i>
Expenditure and Investment	95110.6	115826.2	142279.7	219569.6	191549.7
<i>Expenditure</i>	<i>95127.0</i>	<i>116832.3</i>	<i>138059.6</i>	<i>219826.6</i>	<i>194648.9</i>
Recurrent	67017.6	77122.4	91446.8	128516.5	122079.5
Capital	28109.4	39709.9	46612.8	91310.1	72569.4
<i>Loans and Investment, Net</i>	<i>-16.4</i>	<i>-1006.1</i>	<i>4220.1</i>	<i>-257.0</i>	<i>-3099.2</i>
Loans and Investment	1497.2	20.0	6903.3	1000.0	740.2
Principal Recovery	1513.6	1026.1	2683.2	1257.0	3839.4
Surplus(+) Deficit(-)	-10514.6	-13339.4	-17019.7	-32011.3	-18607.3
Source of Financing Deficits	10514.8	13339.4	17019.8	27511.3	18607.3
<i>Internal Loans, Net</i>	<i>4556.9</i>	<i>8678.8</i>	<i>11978.9</i>	<i>18715.5</i>	<i>16715.5</i>
Loans Received	11834.2	17892.3	20496.4	25000.0	25000.0
Principal Repayment	7277.3	9213.5	8517.5	6284.5	8284.5
<i>External Loans, Net</i>	<i>1226.8</i>	<i>2514.7</i>	<i>1110.5</i>	<i>8795.7</i>	<i>500.6</i>
Loans Received	8214.3	10053.5	8979.9	18700.6	10405.4
Principal Repayments	6987.5	7538.8	7869.4	9904.8	9904.8
Cash Balance (- Increase)	4731.1	2145.9	3930.4	0.0	1391.2

1 Revenue receipts from principal repayment is not included.

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

Table 22
REVENUE *

	Rs. in million				
	2005/06	2006/07	2007/08	2008/09 (BE)	2008/09 (RE)
Tax Revenue	57427.0	71126.7	85155.5	116560.0	116996.7
Tax on External Trade	15343.7	16707.6	21062.4	26000.0	25829.2
Import Duty ¹	14597.7	15928.7	20515.5	25590.0	24863.0
Export Duty	625.3	698.6	445.6	250.0	774.5
Others	120.7	80.3	101.3	160.0	191.7
Commodity and Services Tax	28121.8	35438.8	41005.3	55173.0	55379.9
VAT	21613.0	26095.6	29815.7	41000.0	39947.5
Excise Duties	6508.8	9343.2	11189.6	14173.0	15432.5
Income and Property Transfer Tax	13961.5	18980.3	23087.8	35387.0	35787.5
Corporate Income Tax	7576.5	11605.6	13268.8	18733.2	18980.6
Government Corporation	195.8	1019.7	204.6	326.5	321.0
Non-Government Corporation	7380.8	10585.9	13064.2	18406.7	18659.6
Remuneration Tax	1771.1	2007.9	2451.0	3270.6	3270.6
Investment and Other Tax	1585.9	2118.3	3358.0	5083.2	5296.6
House and Land Registration Tax	2180.3	2253.5	2940.7	4800.0	6263.5
House Land and Other Property Tax	0.0	0.0	0.0	0.0	0.0
Vehicle Tax	847.6	995.0	1069.2	3500.0	1976.2
Non-Tax Revenue	13341.5	15559.3	19783.8	23905.1	21375.3
Forest	409.9	510.3	549.2	750.0	469.3
Interest	1734.6	1059.6	756.9	1293.0	990.5
Dividend	3394.8	4937.7	5025.9	5545.5	6390.0
Departmental Receipts ²	740.8	787.3	737.8	955.1	865.9
Civil Administration ³	4705.5	5424.5	6165.5	8421.2	9311.8
Miscellaneous ⁴	2356.0	2839.9	6548.5	6940.3	3347.9
Total Revenue	70768.5	86686.0	104939.3	140465.1	138372.0

* 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 23
RECURRENT EXPENDITURES*

	Rs. in million			
	2005/06	2006/07	2007/08	2008/09BE
General Administration and Constitutional Bodies	4891.2	6397.7	6814.0	7192.5
Constitutional Bodies	1001.9	876.1	1642.9	2236.5
General Administration	3889.3	5521.6	5171.1	4956.0
Defence and Internal Security	17415.7	18777.7	22307.6	22225.4
Defence	9706.0	10128.9	10564.9	11349.6
Police & Jail	7709.7	8648.8	11742.7	10875.8
Social Services	25382.6	29497.6	35073.2	60975.6
Education	17729.8	19976.0	24097.4	35516.4
Health	4851.3	6218.5	7435.9	12588.9
Drinking Water	407.9	463.0	444.9	584.6
Local Development	1542.5	1904.8	2137.4	3159.1
Other Social Services	851.1	935.3	957.6	9126.6
Economic Services	7529.8	8384.9	9200.3	12512.1
Agriculture	2437.5	2766.2	3057.9	4664.5
Irrigation	403.7	451.3	484.0	651.1
Land Reform & Cadastral Survey	370.3	394.3	444.0	952.3
Forest	1675.2	1712.7	1909.5	2350.0
Industry & Mining	412.6	499.4	557.7	598.6
Communication	1123.3	1189.3	1341.8	1618.6
Transport	333.7	333.8	398.5	570.0
Electricity	105.3	102.8	101.3	173.1
Other Economic Services	668.2	935.1	905.6	933.9
Miscellaneous	11798.3	14064.5	18051.7	25610.9
Interest Payments	6158.7	6164.0	6373.7	9774.4
Unclassified Expenditures	5639.6	7900.5	11678.0	15836.5
Total Recurrent Expenditures	67017.6	77122.4	91446.8	128516.5

* Loans and investment as well as principal repayment on external and internal loans are not included.

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

Table 24
CAPITAL EXPENDITURE

	Rs. in million			
	2005/06	2006/07	2006/07 (BE)	2008/09 (BE)
Economic Administration and Planning	866.7	3864.1	613.1	1219.7
Planning and Statistics	20.3	26.2	4.4	54.1
Constitutional Organs	100.9	45.3	343.5	478.7
General Administration	745.5	3792.6	265.2	686.9
Defence and Internal Security	2285.0	2154.8	1317.7	1209.7
Defence	1606.2	1000.8	890.4	685.0
Police & Jail	678.8	1154.0	427.3	524.7
Social Services	10151.8	15529.3	18314.3	44400.1
Education	1609.6	1604.9	1825.3	3460.9
Health	948.2	1185.5	1413.3	2989.4
Drinking Water	1949.8	3182.7	5575.6	7371.8
Local Development	4682.4	7671.6	7439.2	17268.3
Other Social Services	961.8	1884.6	2060.9	13309.7
Economic Services	14797.1	17938.6	23585.3	42838.6
Agriculture	265.4	1374.2	909.3	1243.6
Irrigation	2462.7	3012.6	3457.1	5152.0
Land Reform & Cadastral Survey	98.9	66.1	70.7	303.3
Forest	148.0	152.5	174.9	347.3
Industry & Mining	31.0	91.2	65.3	923.4
Communication	283.6	251.0	437.4	473.9
Transport	4178.1	6382.1	7337.7	14298.8
Electricity	6256.4	5450.0	8285.7	12515.8
Other Economic Services	1073.0	1158.9	2847.3	7580.4
Unclassified Expenditures	8.8	223.1	556.1	1642.0
Capital Expenditure	28109.4	39709.9	44386.5	91310.1

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

Table 25
FOREIGN AID AND DEBT SERVICING

	Rs. in million				
	2005/06	2006/07	2007/08	2008/09	
				Budget Estimates	Revised Estimates
Foreign Grants	13827.5	15800.8	20320.7	47093.2	34570.4
Bilateral	7617.8	8399.0	9575.6	19129.7	14395.8
Multilateral	6209.7	7401.8	10745.1	27963.6	20174.7
Foreign Loans, net	1226.8	2514.7	1110.5	8795.7	500.6
<i>Foreign Loans</i>	<i>8214.3</i>	<i>10053.5</i>	<i>8979.9</i>	<i>18700.6</i>	<i>10405.4</i>
Bilateral	40.6	1048.9	632.1	4804.6	740.0
Multilateral	8173.7	9004.6	8347.8	13896.0	9665.4
<i>Principal Repayments</i>	<i>6987.5</i>	<i>7538.8</i>	<i>7869.4</i>	<i>9904.8</i>	<i>9904.8</i>
Total Foreign Aid, net	15054.3	18315.6	21431.2	55889.0	35071.0
Interest Payment	2163.9	2055.7	2145.3	3028.2	2797.8

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

Table 26
OUTSTANDING INTERNAL AND EXTERNAL DEBT OF GON

	Rs. in Million				
	2005	2006	2007	2008	2009
Internal Debts*	82842.0	89954.9	99303.9	111239.1	120873.8
Central Bank	12723.4	11049.2	15629.7	18849.8	24082.8
Commercial Banks	48550.7	58461.4	65836.4	72140.6	71949.1
Financial Institutions ¹	10287.5	9301.1	10178.8	11573.5	21397.6
Others	11280.3	11143.2	7658.9	8675.2	3444.2
External Debts	219641.9	233968.6	216628.9	249965.4	273607.3
Direct	219641.4	233968.6	216628.9	249965.4	273607.3
Indirect	0.5	0.0	0.0	0.0	0.0
Total Debt	302483.9	323923.5	315932.8	361204.5	394481.1

* Includes Treasury Bills, Development Bonds, 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, Development Banks and Financial Corporation.

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

Table 27
OWNERSHIP PATTERN OF GOVERNMENT BONDS*

Rs in million

	2007		2008		2009	
	Amount	Percent	Amount	Percent	Amount	Percent
Nepal Rastra Bank	1860.8	7.5	1270.8	4.8	1534.3	4.5
Commercial Banks	7224.9	29.1	7174.3	27.4	10894.3	31.7
Financial Institutions ¹	4649.0	18.7	6699.1	25.6	2693.9	7.8
Provident Fund Corporation	5529.9	22.2	4965.4	18.9	6365.2	18.5
Government Business Enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Private Business Enterprises	342.5	1.4	0.0	0.0	1060.6	3.1
Individuals	2278.2	9.2	3906.8	14.9	9207.7	26.8
Non-profit Organisation	2973.3	12.0	2189.8	8.4	2602.8	7.6
Total Debt	24858.6	100.0	26206.1	100.0	34358.7	100.0

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

¹ Includes Financial corporations, Insurance Companies, Nepal Development Bank, Gramin Bikas Bank, Citizen Investment Trust and Nepal Telecommunication Corporation.

Table 28
OWNERSHIP PATTERN OF TREASURY BILLS

Rs. in million

	Outstanding as at mid-July					
	2007		2008		2009	
	Amount	Percent	Amount	Percent	Amount	Percent
Nepal Rastra Bank	13768.8	18.5	17579.0	20.7	22548.6	26.1
Commercial Banks	58611.5	78.7	64966.3	76.4	61054.8	70.6
Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0
Others	2065.0	2.8	2487.7	2.9	2911.7	3.4
Total Debt	74445.3	100.0	85033.0	100.0	86515.1	100.0

Table 29
FOREIGN ASSISTANCE

	Rs in million				
	2006/07	2007/08	2008/09*	% change	
				2007/08	2008/09
A. Foreign Grants	15800.8	20320.7	27.5	28.6	70.1
Bilateral	8399.0	9575.6	1.8	14.0	50.3
Multilateral	7401.8	10745.1	126.3	45.2	87.8
B. Foreign Loans	10053.5	8979.9	21.5	-10.7	15.9
Bilateral	1048.9	632.1	91.6	-39.7	17.1
Multilateral	9004.6	8347.8	20.8	-7.3	15.8
Total (A+B)	25854.4	29300.6	25.1	13.3	53.5

* Revised Estimate.

Source: Budget Speeches, Ministry of Finance, GON.

Table 30
DIRECTION OF FOREIGN TRADE*

	Rs. in million				
	2006/07	2007/08R	2008/09P	Percent Change	
				2007/08	2008/09
Total Exports	59383.1	59266.5	67247.1	-0.2	13.5
To India	41728.8	38555.7	40964.1	-7.6	6.2
To Other Countries	17654.3	20710.8	26283.0	17.3	26.9
Total Imports	194694.6	221937.7	284571.0	14.0	28.2
From India	115872.3	142376.5	163892.4	22.9	15.1
From Other Countries	78822.3	79561.2	120678.6	0.9	51.7
Total Trade Balance	-135311.5	-162671.2	-217323.9	20.2	33.6
With India	-74143.5	-103820.8	-122928.3	40.0	18.4
With Other Countries	-61168.0	-58850.4	-94395.6	-3.8	60.4
Total Foreign Trade	254077.7	281204.2	351818.1	10.7	25.1
With India	157601.1	180932.2	204856.5	14.8	13.2
With Other Countries	96476.6	100272.0	146961.6	3.9	46.6

* Based on customs data.

R = Revised, P = Provisional

Table 31
FOREIGN TRADE*
(Monthly)

Rs. in million

Months	2006/07			2007/08R			2008/09P		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
Jul/Aug	4781.5	14971.6	-10190.1	5295.1	16470.7	-11175.6	5533.9	21961.3	-16427.4
Aug/Sep	5428.3	16162.5	-10734.2	4349.1	16666.8	-12317.7	7550.9	26266.2	-18715.3
Sep/Oct	4809.1	15446.2	-10637.1	5569.8	18656.8	-13087.0	6068.9	20575.2	-14506.3
Oct/Nov	5184.5	16457.4	-11272.9	3743.1	14131.8	-10388.7	7029.3	24242	-17212.7
Nov/Dec	5696.2	17415.5	-11719.3	5113.8	19666.1	-14552.3	4708.2	22426.3	-17718.1
Dec/Jan	4623.8	14517.0	-9893.2	4584.2	20915.7	-16331.5	4141.5	18613.6	-14472.1
Jan/Feb	4190	9775.1	-5585.1	4897.7	17659.7	-12762.0	5056.5	21694.6	-16638.1
Feb/Mar	4228.9	12329.7	-8100.8	4261.1	15391.7	-11130.6	4206.4	20243.6	-16037.2
Mar/Apr	5161	21542.5	-16381.5	4555.1	20975.1	-16420.0	6951.9	24854.6	-17902.7
Apr/May	4356.2	17422.0	-13065.8	4931.3	21736.9	-16805.6	5401	27763.3	-22362.3
May/Jun	5712.9	19502.2	-13789.3	5738.1	18406.0	-12667.9	4566.5	24879.8	-20313.3
Jun/Jul	5210.7	19152.9	-13942.2	6228.1	21260.4	-15032.3	6032.1	31050.5	-25018.4
Annual	59383.1	194694.6	-135311.5	59266.5	221937.7	-162671.2	67247.1	284571.0	-217323.9

* Based on customs data.

R = Revised, P = Provisional

Table 32
COMMODITY WISE CLASSIFICATION OF FOREIGN TRADE*

Rs. in million

Standard International Trade Classification Description	Exports			Imports		
	2006/07	2007/08R	2008/09P	2006/07	2007/08R	2008/09P
0 Food and live animals	7055.8	13164.9	19012.3	12895.9	15838.3	21143.8
1 Tobacco and beverages	23.3	24.3	354.2	957.9	1238.3	1411.1
2 Crude materials, inedibles except fuels	1368.0	1350.7	1861.5	8829.3	8365.1	13594.0
3 Mineral fuels and lubricants	0.0	0.0	41.7	36362.0	43968.5	45093.6
4 Animal and vegetable oils and fats	4454.9	2062.0	660.5	12137.6	9399.1	9004.3
5 Chemicals and drugs	4091.6	2823.5	3090.5	26995.9	26863.3	29831.1
6 Manufactured goods classified chiefly by materials	30412.2	29643.3	28284.5	48145.3	57448.4	76128.0
7 Machinery and transport equipments	1240.9	912.9	625.3	36357.4	48006.4	68213.6
8 Miscellaneous manufactured articles	10736.5	9281.7	13310.2	11755.0	10726.2	20043.5
9 Commodity and transactions not classified according to kind	0.0	3.2	6.4	258.3	84.2	108.0
Total	59383.2	59266.5	67247.1	194694.6	221937.8	284571.0

* Based on customs data.

R = Revised, P = Provisional

Table 33
COMMODITY WISE CLASSIFICATION OF FOREIGN TRADE WITH INDIA *

Rs. in million

Standard International Trade Classification (SITC) Description	Exports			Imports		
	2006/07	2007/08R	2008/09P	2006/07	2007/08R	2008/09P
0 Food and live animals	5944.3	7617.4	10166.1	8220.4	9757.0	13293.7
1 Tobacco and beverages	12.1	10.7	329.5	712.6	877.1	1340.6
2 Crude materials, inedibles except fuels	1291.6	1181.4	1473.0	4764.6	4700.4	8615.1
3 Mineral fuels and lubricants	0.0	0.0	40.6	35612.6	43146.4	43860.4
4 Animal and vegetable oils and fats	4337.2	2023.6	319.6	65.6	229.7	35.7
5 Chemicals and drugs	3977.4	2696.3	2957.3	14647.7	15356.4	14918.4
6 Manufactured goods classified chiefly by materials	23763.4	22942.2	20969.5	29627.5	40950.9	40408.7
7 Machinery and transport equipments	185.7	300.4	490.6	18513.3	23064.8	33198.7
8 Miscellaneous manufactured articles	2217.2	1783.7	4217.9	3708.0	4219.7	8113.8
9 Commodity and transactions not classified according to kind	0.0	0.0	0.0	0.0	74.1	107.3
Total	41728.9	38555.7	40964.1	115872.3	142376.5	163892.4

* Based on customs data.

R = Revised, P = Provisional

Table 34
COMMODITY WISE CLASSIFICATION OF FOREIGN TRADE WITH OTHER COUNTRIES*

Rs. in million

Standard International Trade Classification (SITC) Description	Exports			Imports		
	2006/07	2007/08R	2008/09P	2006/07	2007/08R	2008/09P
0 Food and live animals	1111.5	5547.5	8846.2	4675.5	6081.3	7850.1
1 Tobacco and beverages	11.2	13.6	24.7	245.3	361.2	70.5
2 Crude materials, inedibles except fuels	76.4	169.3	388.5	4064.7	3664.7	4978.9
3 Mineral fuels and lubricants	0.0	0.0	1.1	749.4	822.1	1233.2
4 Animal and vegetable oils and fats	117.7	38.4	340.9	12072.0	9169.4	8968.6
5 Chemicals and drugs	114.2	127.2	133.2	12348.2	11506.9	14912.7
6 Manufactured goods classified chiefly by materials	6648.8	6701.1	7315.0	18517.8	16497.5	35719.3
7 Machinery and transport equipments	1055.2	612.5	134.7	17844.1	24941.6	35014.9
8 Miscellaneous manufactured articles	8519.3	7498.0	9092.3	8047.0	6506.5	11929.7
9 Commodity and transactions not classified according to kind	0.0	3.2	6.4	258.3	10.1	0.7
Total	17654.3	20710.8	26283.0	78822.3	79561.3	120678.6

* Based on customs data.

R = Revised, P = Provisional

Table 35
EXPORTS OF MAJOR COMMODITIES TO INDIA*

		Rs. in million			Percent Change	
		Fiscal Year			2007/08	2008/09
		2006/07	2007/08R	2008/09P		
A.	Major Commodities	34294.6	32759.2	30002.9	-4.5	-8.4
1	Aluminium Section	831.5	894.5	482.9	7.6	-46.0
2	Batica Hair Oil	7.5	0.6	22.7	-92.0	-
3	Biscuits	0.7	0.5	151.2	-28.6	-
4	Brans	121.3	264.5	152.2	118.1	-42.5
5	Brooms	43.9	56.8	35.8	29.4	-37.0
6	Cardamom	848.1	1034.8	1216.0	22.0	17.5
7	Catechue	542.8	543.7	1217.1	0.2	123.9
8	Cattlefeed	80.9	176.9	347.5	118.7	96.4
9	Chemicals	950.2	275.7	166.9	-71.0	-39.5
10	Cinnamon	16.0	24.3	21.3	51.9	-12.3
11	Copper Wire Rod	206.0	617.4	571.8	199.7	-7.4
12	Dried Ginger	49.6	54.0	68.0	8.9	25.9
13	Fruits	0.1	0.1	69.7	0.0	-
14	G.I. pipe	127.8	242.7	1098.4	89.9	352.6
15	Ghee (Vegetable)	4136.5	2132.3	9.1	-48.5	-99.6
16	Ghee (Clarified)	110.9	101.7	91.6	-8.3	-9.9
17	Ginger	541.3	543.2	335.1	0.4	-38.3
18	Handicraft Goods	20.0	21.8	52.9	9.0	142.7
19	Herbs	105.6	148.6	202.7	40.7	36.4
20	Juice	1591.3	1836.4	1952.2	15.4	6.3
21	Jute Goods	2756.8	2582.5	1282.5	-6.3	-50.3
	(a) <i>Hessian</i>	375.1	528.8	207.1	41.0	-60.8
	(b) <i>Sackings</i>	1408.6	1219.9	458.8	-13.4	-62.4
	(c) <i>Twines</i>	973.1	833.8	616.6	-14.3	-26.0
22	Live Animals	21.7	52.2	24.4	140.6	-53.3
23	M.S. Pipe	761.9	979.5	571.2	28.6	-41.7
24	Marble Slab	113.2	147.6	175.4	30.4	18.8
25	Medicine (Ayurvedic)	156.3	132.1	157.7	-15.5	19.4
26	Mustard & Linseed	23.3	35.1	77.2	50.6	119.9
27	Noodles	237.4	532.9	803.2	124.5	50.7
28	Oil Cakes	318.1	405.0	532.2	27.3	31.4
29	Paper	131.6	120.2	93.1	-8.7	-22.5
30	Particle Board	206.8	157.6	117.0	-23.8	-25.8
31	Pashmina	48.3	44.0	65.9	-8.9	49.8
32	Plastic Utensils	415.1	302.6	513.4	-27.1	69.7
33	Polyster Yarn	2241.0	2618.0	2499.2	16.8	-4.5
34	Pulses	306.9	314.8	381.6	2.6	21.2
35	Raw Jute	1.6	31.1	146.3	-	370.4
36	Readymade garment	765.0	478.1	1715.1	-37.5	258.7
37	Ricebran Oil	178.3	196.5	143.3	10.2	-27.1
38	Rosin	577.4	355.6	346.6	-38.4	-2.5
39	Shoes and Sandles	244.4	348.6	750.1	42.6	115.2
40	Skin	363.1	346.0	167.5	-4.7	-51.6
41	Soap	502.7	424.2	591.0	-15.6	39.3
42	Stone and Sand	425.6	395.4	171.0	-7.1	-56.8
43	Tarpetine	179.2	81.4	98.8	-54.6	21.4
44	Textiles**	3056.9	2114.8	3191.5	-30.8	50.9
45	Thread	4055.9	4134.8	2525.4	1.9	-38.9
46	Tooth Paste	663.4	475.6	813.2	-28.3	71.0
47	Turmeric	9.1	1.4	0.5	-84.6	-64.3
48	Vegetable	11.0	17.5	66.8	59.1	281.7
49	Wire	1610.7	1546.7	895.0	-4.0	-42.1
50	Zinc Oxide	0.0	0.0	0.0	-	-
51	Zinc sheet	3579.9	4416.9	2821.7	23.4	-36.1
B.	Others	7434.2	5796.5	10961.2	-22.0	89.1
	Total (A+B)	41728.8	38555.7	40964.1	-7.6	6.2

* Based on customs data.

** includes P.P. Fabric

R = Revised, P = Provisional

Table 36
IMPORTS OF MAJOR COMMODITIES FROM INDIA *

		Fiscal Year			Percent Change	
		2006/07	2007/08R	2008/09P	2007/08	2008/09
		Rs. in million				
A.	Major Commodities	88356.2	111802.9	123894.6	26.5	10.8
1	Agri. Equip. & Parts	1073.1	1483.8	2481.5	38.3	67.2
2	Aluminium Ingot, Billet & Rod	424.6	654.7	461.5	54.2	-29.5
3	Baby Food & Milk Products	357.8	445.3	859.7	24.5	93.1
4	Bitumen	399.8	252.4	212.9	-36.9	-15.6
5	Books and Magazines	318.8	439.7	561.0	37.9	27.6
6	Cement	2519.9	2337.0	4032.1	-7.3	72.5
7	Chemical Fertilizer	624.0	315.7	130.2	-49.4	-58.8
8	Chemicals	2590.9	2719.8	2764.6	5.0	1.6
9	Coal	950.7	910.1	1517.8	-4.3	66.8
10	Coldrolled Sheet Incoil	2079.6	4005.8	6146.9	92.6	53.5
11	Cooking Stoves	54.7	52.2	69.1	-4.6	32.4
12	Cosmetics	523.3	568.8	872.2	8.7	53.3
13	Cuminseeds and Peppers	161.4	230.3	309.0	42.7	34.2
14	Dry Cell Battery	128.9	110.7	134.5	-14.1	21.5
15	Electrical Equipment	2365.2	3587.3	3879.8	51.7	8.2
16	Enamel & Other Paints	294.1	349.5	534.1	18.8	52.8
17	Fruits	714.7	675.0	349.4	-5.6	-48.2
18	Glass Sheet and G.Wares	481.9	1075.8	976.4	123.2	-9.2
19	Hotrolled Sheet Incoil	2052.7	3575.9	3550.1	74.2	-0.7
20	Incense Sticks	171.2	322.0	121.2	88.1	-62.4
21	Insecticides	452.9	510.4	300.4	12.7	-41.1
22	Live Animals	376.0	393.0	171.3	4.5	-56.4
23	M.S. Billet	4384.2	8145.4	5513.7	85.8	-32.3
24	M.S. Wire Rod	1418.7	2595.3	2061.0	82.9	-20.6
25	Medicine	4442.5	5434.1	6558.1	22.3	20.7
26	Molasses Sugar	36.5	74.1	12.6	103.0	-83.0
27	Other Machinery & Parts	3556.3	4682.0	7263.8	31.7	55.1
28	Other Stationary Goods	248.0	262.1	254.1	5.7	-3.1
29	Paper	806.9	729.3	1139.1	-9.6	56.2
30	Petroleum Products	33567.6	40815.7	41356.7	21.6	1.3
31	Pipe and Pipe Fittings	246.3	1033.5	685.2	319.6	-33.7
32	Plastic Utensils	86.0	157.0	140.3	82.6	-10.6
33	Radio, TV, Deck & Parts	479.2	469.4	642.5	-2.0	36.9
34	Raw Cotton	68.8	58.7	57.3	-14.7	-2.4
35	Readymade Garments	737.4	869.5	1167.5	17.9	34.3
36	Rice	1614.2	835.5	1134.2	-48.2	35.8
37	Salt	302.3	187.1	322.6	-38.1	72.4
38	Sanitaryware	215.5	195.7	247.7	-9.2	26.6
39	Shoes & Sandles	108.9	81.8	129.7	-24.9	58.6
40	Steel Sheet	2.6	0.1	15.5	-97.5	-
41	Sugar	17.4	12.1	662.3	-30.5	-
42	Tea	19.0	18.9	26.1	-0.5	38.1
43	Textiles	1753.8	1663.6	2441.8	-5.1	46.8
44	Thread	3158.8	3056.3	2597.1	-3.2	-15.0
45	Tobacco	646.3	732.2	1058.8	13.3	44.6
46	Tyre, Tubes & Flapes	345.4	454.7	622.3	31.6	36.9
47	Vegetables	1035.8	1457.3	928.8	40.7	-36.3
48	Vehicles & Spare Parts	9798.7	11874.6	16157.8	21.2	36.1
49	Wire Products	142.8	891.8	262.4	524.5	-70.6
B.	Others	27516.1	30573.6	39997.8	11.1	30.8
	Total (A+B)	115872.3	142376.5	163892.4	22.9	15.1

* Based on customs data

R = Revised, P = Provisional

Table 37
EXPORTS OF MAJOR COMMODITIES TO
OTHER COUNTRIES*

	Rs. in million				
	Fiscal Year			Percent Change	
	2006/07	2007/08R	2008/09P	2007/08	2008/09
A. Major Commodities	13563.8	13144.0	20346.5	-3.1	54.8
1 Handicraft (Metal and Wooden)	250.2	194.0	738.6	-22.5	280.7
2 Herbs	43.5	97.9	295.0	125.1	201.3
3 Nepalese Paper & Paper Products	190.6	347.1	361.2	82.1	4.1
4 Nigerseed	8.8	1.2	1.0	-86.4	-16.7
5 Pashmina	931.0	643.4	1526.9	-30.9	137.3
6 Pulses	488.5	1458.4	6247.1	198.5	328.4
7 Readymade Garments	5212.9	4755.8	4813.3	-8.8	1.2
8 Readymade Leather Goods	111.1	22.9	58.2	-79.4	154.1
9 Silverware and Jewelleries	325.4	269.4	262.4	-17.2	-2.6
10 Tanned Skin	279.1	248.7	305.4	-10.9	22.8
11 Tea	122.5	57.0	61.1	-53.5	7.2
12 Woolen Carpet	5600.2	5048.2	5676.3	-9.9	12.4
B. Others	4090.5	7566.8	5936.5	85.0	-21.5
Total (A+B)	17654.3	20710.8	26283.0	17.3	26.9

* Based on customs data; Other countries mean other than India.

R = Revised, P = Provisional

Table 38
IMPORTS OF MAJOR COMMODITIES FROM
OTHER COUNTRIES*

	Rs. in million				
	Fiscal Year			Percent Change	
	2006/07	2007/08R	2008/09P	2007/08	2008/09
A. Major Commodities	56248.9	61473.4	88209.1	9.3	43.5
1 Aircraft Spareparts	1462.8	1049.9	2020.4	-28.2	92.4
2 Bags	124.7	78.3	124.3	-37.2	58.7
3 Betelnut	1418.3	1857.0	2922.5	30.9	57.4
4 Button	22.9	13.6	3.6	-40.6	-73.5
5 Camera	220.5	96.9	129.0	-56.1	33.1
6 Chemical Fertilizer	617.3	19.6	79.8	-96.8	307.1
7 Cigarette Paper	15.5	33.9	31.9	118.7	-5.9
8 Clove	98.1	112.3	22.5	14.5	-80.0
9 Coconut Oil	50.2	9.0	99.9	-82.1	-
10 Computer and Parts	2701.0	2269.7	3711.4	-16.0	63.5
11 Copper Wire Rod, Scrapes & Sheets	1878.8	1941.1	1813.6	3.3	-6.6
12 Cosmetic Goods	368.2	456.6	756.2	24.0	65.6
13 Crude Coconut Oil	81.2	68.6	61.7	-15.5	-10.1
14 Crude Palm Oil	7121.5	5746.8	2949.3	-19.3	-48.7
15 Crude Soyabean Oil	1924.2	1600.0	3658.6	-16.8	128.7
16 Cuminseed	0.6	0.0	0.0	-100.0	-
17 Door Locks	24.4	9.6	81.7	-60.7	751.0
18 Drycell Battery	151.1	433.4	150.5	186.8	-65.3
19 Edible Oil	635.2	407.1	941.4	-35.9	131.2
20 Electrical Goods	2965.8	3945.2	7771.8	33.0	97.0
21 Fastener	57.1	52.7	41.2	-7.7	-21.8
22 Flash Light	8.3	13.8	21.6	66.3	56.5
23 G.I. Wire	3.8	6.0	61.2	57.9	920.0
24 Glasswares	188.4	213.1	166.3	13.1	-22.0
25 Gold	3519.9	3750.5	16574.6	6.6	341.9
26 Insecticides	19.7	36.8	122.7	86.8	233.4
27 M.S. Billet	1123.6	904.3	2946.4	-19.5	225.8
28 M.S. Wire Rod	289.4	169.5	280.1	-41.4	65.3
29 Medical Equip. & Tools	847.5	1374.8	1795.8	62.2	30.6
30 Medicine	1536.9	1263.0	3111.1	-17.8	146.3
31 Office Equip. & Stationary	104.5	106.2	153.0	1.6	44.1
32 Other Machinery & Parts	2007.4	3902.0	5875.0	94.4	50.6
33 Other Stationaries	328.7	337.3	522.8	2.6	55.0
34 P.V.C. Compound	141.4	868.1	1273.6	513.9	46.7
35 Palm Oil	324.7	279.6	416.9	-13.9	49.1
36 Parafin Wax	146.2	125.8	148.9	-14.0	18.4
37 Petroleum Products	572.2	523.0	852.5	-8.6	63.0
38 Pipe & Pipe Fittings	273.8	280.2	167.7	2.3	-40.1
39 Polythene Granules	2959.7	3718.9	3616.5	25.7	-2.8
40 Powder Milk	54.1	37.1	143.0	-31.4	285.4
41 Raw Silk	25.4	5.5	41.0	-78.3	645.5
42 Raw Wool	1630.8	1394.8	355.9	-14.5	-74.5
43 Readymade Garments	1828.3	1778.4	1476.7	-2.7	-17.0
44 Shoes and Sandals	826.1	691.3	452.7	-16.3	-34.5
45 Silver	1.2	446.7	1175.4	-	163.1
46 Small Cardamom	268.8	255.1	180.2	-5.1	-29.4
47 Steel Rod & Sheet	51.9	2.4	218.4	-95.4	-
48 Storage Battery	121.2	86.7	280.8	-28.5	223.9
49 Synthetic & Natural Rubber	200.9	233.9	161.1	16.4	-31.1
50 Synthetic Carpet	144.5	117.8	142.8	-18.5	21.2
51 Telecommunication Equip. Parts	954.1	4979.4	4064.4	421.9	-18.4
52 Tello	292.5	375.8	165.7	28.5	-55.9
53 Textile Dyes	2344.6	1376.1	775.5	-41.3	-43.6
54 Textiles	2455.7	1966.6	2253.0	-19.9	14.6
55 Threads	1256.8	1395.8	1407.3	11.1	0.8
56 Toys	155.2	74.9	183.9	-51.7	145.5
57 Transport Equipment & Parts	2705.0	4391.8	5459.6	62.4	24.3
58 Tyre, Tube & Flaps	70.7	51.6	261.0	-27.0	405.8
59 Umbrella and Parts	123.6	126.8	138.7	2.6	9.4
60 Video Television & Parts	954.1	1819.0	1812.1	90.7	-0.4
61 Watches & Bands	179.6	121.4	188.4	-32.4	55.2
62 Writing & Printing Paper	792.6	1039.7	1019.7	31.2	-1.9
63 X-Ray Film	103.2	172.2	90.0	66.9	-47.7
64 Zinc Ingot	2372.5	458.4	283.8	-80.7	-38.1
B. Others	22573.4	18087.8	32469.5	-19.9	79.5
Total (A+B)	78822.3	79561.2	120678.6	0.9	51.7

* Based on customs data; Other countries mean other than India.
R = Revised, P = Provisional

Table 39
SUMMARY OF BALANCE OF PAYMENTS

Particulars	Rs. in million			Percent Change	
	2006/07	2007/08R	2008/09P	2007/08	2007/09
A. Current Account	-902.2	23679.6	41437.3	-	75.0
Goods: Exports f.o.b.	61488.4	61971.1	69906.8	0.8	12.8
Oil	0.0	0.0	0.0	-	-
Other	61488.4	61971.1	69906.8	0.8	12.8
Goods: Imports f.o.b.	-190437.1	-217962.8	-279227.8	14.5	28.1
Oil	-33567.6	-40815.7	-41356.7	21.6	1.3
Other	-156869.5	-177147.1	-237871.1	12.9	34.3
Balance on Goods	-128948.7	-155991.7	-209321.0	21.0	34.2
Services: Net	-8377.3	-11092.0	-10478.0	32.4	-5.5
Services: credit	32078.9	42236.1	52830.1	31.7	25.1
Travel	10125.3	18653.1	27959.8	84.2	49.9
Government n.i.e.	12336.4	13301.8	12734.4	7.8	-4.3
Other	9617.2	10281.2	12135.9	6.9	18.0
Services: debit	-40456.2	-53328.1	-63308.1	31.8	18.7
Transportation	-14557.4	-22675.9	-22116.2	55.8	-2.5
Travel	-15785.0	-20862.0	-31396.3	32.2	50.5
O/W Education	-6336.6	-7373.0	-12126.0	16.4	64.5
Government services	-189.4	-635.7	-980.4	235.6	54.2
Other	-10113.8	-9790.2	-8815.2	-3.2	-10.0
Balance on Goods and Services	-137326.0	-167083.7	-219799.0	21.7	31.6
Income: Net	7431.8	7946.8	11749.5	6.9	47.9
Income: credit	14500.8	13447.7	16506.6	-7.3	22.7
Income: debit	-7069.0	-5500.9	-4757.1	-22.2	-13.5
Balance on Goods, Services and Income	-129894.2	-159136.9	-208049.5	22.5	30.7
Transfers: Net	128992.0	182816.5	249486.8	41.7	36.5
Current transfers: credit	133196.8	185462.9	257461.3	39.2	38.8
Grants	18218.2	20993.2	26796.2	15.2	27.6
Workers' remittances	100144.8	142682.7	209698.5	42.5	47.0
Pensions	12937.0	18789.9	17755.4	45.2	-5.5
Other	1896.8	2997.1	3211.2	58.0	7.1
Current transfers: debit	-4204.8	-2646.4	-7974.5	-37.1	201.3
B. Capital Account (Capital Transfer)	4449.9	7912.5	6231.0	77.8	-21.3
Total, Group A plus B	3547.7	31592.1	47668.3	79.5	50.9
C. Financial Account (Excluding Group E)	-2362.1	11032.6	18049.8	-567.1	63.6
Direct investment in Nepal	362.3	293.9	1829.2	-	522.4
Portfolio Investment	0.0	0.0	0.0	-	-
Other investment: assets	-10690.0	-11396.1	-17675.1	6.6	55.1
Trade credits	-5127.6	853.2	-3024.2	-116.6	-454.5
Other	-5562.4	-12249.3	-14650.9	120.2	19.6
Other investment: liabilities	7965.6	22134.8	33895.7	177.9	53.1
Trade credits	1727.8	12483.6	19554.6	622.5	56.6
Loans	1455.6	3391.5	-2899.0	133.0	-185.5
General Government	2150.7	3455.9	-2832.4	60.7	-182.0
Drawings	9689.7	11325.5	7287.9	16.9	-35.7
Repayments	-7539.0	-7869.6	-10120.3	4.4	28.6
Other sectors	-695.1	-64.4	-66.6	-90.7	3.4
Currency and deposits	4782.2	6259.7	17240.1	30.9	175.4
Nepal Rastra Bank	2.4	-5.6	-84.1	-333.3	1401.8
Deposit money banks	4779.8	6265.3	17324.2	31.1	176.5
Other liabilities	0.0	0.0	0.0	-	-
Total, Group A through C	1185.6	42624.7	65718.1	-	54.2
D. Miscellaneous Items, Net	9500.9	-6690.3	-7198.3	-170.4	7.6
Total, Group A through D	10686.5	35934.4	58519.8	236.3	62.9
E. Reserves and Related Items	-10686.5	-35934.4	-58519.8	236.3	62.9
Reserve assets	-13410.2	-37002.0	-58519.8	175.9	58.2
Nepal Rastra Bank	-10963.2	-29636.8	-45751.3	170.3	54.4
Deposit money banks	-2447.0	-7365.2	-12768.5	201.0	73.4
Use of Fund Credit and Loans	2723.7	1067.6	0.0	-60.8	-100.0
Changes in reserve net (- increase)	-5904.3	-29674.7	-41279.7	402.6	39.1

Table 40
RECEIPTS AND PAYMENTS OF CONVERTIBLE
FOREIGN CURRENCY

	Rs. in million				
	Rs. in million			Percent Change	
	2006/07	2007/08R	2008/09P	2007/08	2008/09
Receipts	179967.3	236927.2	324391.9	31.7	36.9
Services	127693.0	167634.3	236052.9	31.3	40.8
Remittances	107417.4	139421.4	194215.6	29.8	39.3
Gorkha Remittances	5856.3	7071.4	2753.1	20.7	-61.1
Tourist Receipts	12645.8	20339.9	34589.8	60.8	70.1
Interest Receipts	6872.6	7032.0	5649.5	2.3	-19.7
Others	757.2	841.0	1598.0	11.1	90.0
Merchandise Exports	22366.8	28663.2	40496.5	28.2	41.3
Diplomatic Mission	7794.0	10726.3	13188.2	37.6	23.0
Foreign Aid	16622.2	23642.5	28197.9	42.2	19.3
Loan	8289.6	6695.8	4008.5	-19.2	-40.1
Miscellaneous	5491.3	6260.9	6456.5	14.0	3.1
Payments	165471.4	233402.7	286304.7	41.1	22.7
Services	19492.1	18241.3	23391.1	-6.4	28.2
Interest Payments	1960.9	2071.0	2271.6	5.6	9.7
Others	17531.2	16170.3	21119.4	-7.8	30.6
Amortization	6520.5	7046.2	8977.1	8.1	27.4
Merchandise Imports	74881.8	93727.2	132931.2	25.2	41.8
Diplomatic Mission	403.4	600.8	964.7	48.9	60.6
Miscellaneous	64173.6	113787.2	120040.7	77.3	5.5
Surplus (+) Deficit(-)	14495.9	3524.5	38087.2	-75.7	980.6

Note: Figures of some heads and 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 41
FOREIGN ASSETS AND LIABILITIES OF THE BANKING SYSTEM

	Rs. in million						
	Mid-July			Change in amount		Change in percent	
	2007	2008	2009	2008	2009	2008	2009
A. <u>Monetary Authorities</u>							
1. Foreign Assets	130213.9	170314.2	224745.6	40100.3	54431.4	30.8	32.0
Gold	0	0	0	0	0.0	-	-
IMF Gold Tranche	0	0	0	0	0.0	-	-
SDRs	587.5	630.6	555.3	43.1	-75.3	7.3	-11.9
Foreign Exchange	129626.4	169683.6	224190.3	40057.2	54506.7	30.9	32.1
<i>Convertible</i>	123755.26	142848.83	201756.01	19093.564	58907.2	15.4	41.2
<i>Inconvertible</i>	5871.136	26834.772	22434.287	20963.636	-4400.5	357.1	-16.4
2. Foreign Liabilities	3928.3	5657.6	5991.8	1729.3	334.2	44.0	5.9
3. Net Foreign Assets	126285.6	164656.6	218753.8	38371	54097.2	30.4	32.9
B. <u>Commercial Banks</u>							
1. Foreign Exchange	35499.6	42939.9	55795.3	7440.3	12855.4	21.0	29.9
Convertible	31681	38827.1	52200.4	7146.1	13373.3	22.6	34.4
Inconvertible	3818.6	4112.8	3594.9	294.2	-517.9	7.7	-12.6
2. Foreign Liabilities	29875.7	36141.1	53465.6	6265.4	17324.5	21.0	47.9
3. Net Foreign Assets	5623.9	6798.8	2329.7	1174.9	-4469.1	20.9	-65.7
C. <u>Banking System (Total)</u>							
1. Foreign Assets	165713.5	213254.1	280540.9	47540.6	67286.8	28.7	31.6
Gold, IMF Gold Tranche, SDRs	587.5	630.6	555.3	43.1	-75.3	7.3	-11.9
Foreign Exchange	165126	212623.5	279985.6	47497.5	67362.1	28.8	31.7
<i>Convertible</i>	155436.26	181675.93	253956.41	26239.664	72280.5	16.9	39.8
<i>Inconvertible</i>	9689.736	30947.572	26029.187	21257.836	-4918.4	219.4	-15.9
2. Foreign Liabilities	33804	41798.7	59457.4	7994.7	17658.7	23.7	42.2
3. Net Foreign Assets	131909.5	171455.4	221083.5	39545.9	49628.1	30.0	28.9

Table 42
GROSS OFFICIAL FOREIGN ASSETS*

Mid-month	Rs in million					
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
	Rs. in million			US dollar in million		
August	137521.3	127091.3	164591.3	1849.6	1929.4	2401.0
September	132982.5	126322.3	170948.7	1806.8	1943.4	2333.8
October	131783.2	122244.5	184938.2	1815.4	1934.2	2389.4
November	130443.8	125912.1	182390.4	1804.2	1997.0	2317.5
December	137622.7	127999.3	190863.9	1926.1	2023.7	2469.1
January	138067.1	129139	199872.7	1941.9	2053.1	2570.7
February	137553.6	130372.4	202654	1955.3	2058.0	2608.2
March	142696.7	144900.7	219119.8	2024.1	2246.9	2654.4
April	137918.1	145564.3	219690.2	2016.3	2279.8	2758.2
May	130326.5	156689.7	224433.1	1983.7	2338.7	2835.5
June	126858.6	162443.2	217171.3	1939.7	2373.2	2872.6
July	130213.9	170314.2	224745.6	2007.9	2486.3	2879.5

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

Table 43
INTERVENTION IN FOREIGN EXCHANGE MARKET
IN 2008/09

Month	Purchase		Sale		US \$ Million
	Times	Amount	Times	Amount	Cumulative Difference
July/Aug	7.0	81.8	1	2.7	79.1
Aug/Sept	8.0	109.6	1	13.8	174.9
Sept/Oct	8.0	245.2	-	-	420.1
Oct/Nov	8.0	149.5	-	-	569.6
Nov/Dec	8.0	219.5	-	-	789.1
Dec/Jan	9.0	174.5	-	-	963.6
Jan/Feb	9.0	155.2	-	-	1,118.7
Feb/Mar	8.0	197.2	-	-	1,315.9
Mar/Apr	8.0	140.5	-	-	1,456.4
Apr/May	10.0	167.6	-	-	1,624.0
May/Jun	7.0	119.5	1	5	1,738.5
Jun/Jul	10.0	159.1	-	-	1,897.6
Total	100.0	1919.0	3	21.45	1,897.6

Table 44
FOREIGN LOAN AGREEMENTS
IN 2008/09

Rs. in Million				
S.N.	Date of Agreement	Donor	Amount	Name of the Project
1	October 23, 2008	South Korea	3541.5	Chameliya Hydroelectric Project
2	November 2, 2008	WB/IDA	211.0	Social Safety Nets Project
3	November 2, 2008	WB/IDA	1127.0	Additional Financing for Irrigation and Water Resources Management Project
Total Amount			4879.5	

Source: Ministry of Finance, GON.

Table 45
FOREIGN GRANT AGREEMENTS
IN 2008/09

Rs. in million

S.N.	Date of Agreement	Donor	Amount	Name of the Project
1	July 17, 2008	Japan	1774.7	Kathmandu - Bhaktapur Road
2	July 29, 2008	Denmark	-	Business-to-Business (B2B)
3	July 29, 2008	Denmark	-	Public-Private Partnership (PPP)
4	August 6, 2008	India	-	Indian Grant Assistance for the implementation of small development projects through local bodies and non-governmental organizations
5	August 7, 2008	Japan	7225.3	Debt Relief Measures (DRF)
6	August 26, 2008	WB/IDA	3487.5	Emergency Peace Support Project
7	August 26, 2008	WB/IDA	3487.5	Health Sector Program
8	August 26, 2008	WB/IDA	1883.3	Second Rural Water Supply and Sanitation Project (RWSSP II)
9	September 5, 2008	South Korea	353.5	Korean - Nepal Institute of Technology in Butwal
10	September 16, 2008	Japan	602.9	Project for Construction of Primary Schools in Support of Education For All, Phase II
11	October 21, 2008	China	115.1	Banepa Polytechnic Extension Project
13	October 27, 2008	Norway	390.0	Integrated Pest Management Program (IPM)
14	November 2, 2008	WB/IDA	1102.0	Social Safety Nets Project
17	November 2, 2008	WB/IDA	394.0	Food Price Crisis Response Trust Fund
18	November 14, 2008	UK-DFID	1290.0	Rural Reconstruction and Rehabilitation Sector Development Program
19	November 14, 2008	UK-DFID	2190.0	Rural Access Programme II
20	November 18, 2008	Switzerland-SDC	90.0	Employment for Youth Through Franchising Skill (Phase III)
21	December 4, 2008	Switzerland-SDC	210.0	Nepal Swiss Community Forestry Project Phase VI
22	December 4, 2008	China	1158.0	Economic and Technical Cooperation
23	December 15, 2008	ADB	8241.0	Governance Support Program Cluster (Subprogram I or GSP I) under the Local Governance and Community Development Program (LGCDP)
24	December 29, 2008	Denmark	2380.0	Human Rights and Good Governance Programme Phase III
25	January 2, 2009	WB/IDA	146.7	Pro-poor Targeted Secondary School Stipend Project
26	January 23, 2009	USA	200.7	Law Enforcement
27	February 9, 2009	ADB	698.9	SASEC Information Highway Project - Nepal Component
28	February 12, 2009	Japan	43.1	Banepa Sindhuli Road (Section III) (Detailed Design)
29	February 17, 2009	Switzerland-SDC	248.0	Local Governance and Community Development Programme Phase I
30	February 25, 2009	Japan	542.8	Food Aid Programme (Food Aid - KR)
31	May 26, 2009	Germany	789.9	Town Development Fund Project, Phase III
32	June 10, 2009	Australia	419.8	Nepal Health Sector Programme - Implementation Plan I (NHSP - IP I)
33	June 23, 2009	Japan	3483.7	Banepa Sindhuli Road (Section III)
34	June 24, 2009	Switzerland-SDC	28.6	Social Responsiveness Programme in Fixed Chimney Brick Industries of Kathmandu and Bhaktapur Districts Phase I
35	July 1, 2009	Germany	118.9	Federalism Support Programme Phase II
Total Amount			•43095.7	

Source : Ministry of Finance, GON.

Table 46
COMMITMENT OF FOREIGN AID
IN 2008/09
(Donorwise Classification)

		Rs. in Million		
S.No.	Sector	Grant	Loan	Total
A Bilateral				
1	Australia	419.8		419.8
2	China	1273.1		1273.1
3	Denmark	2380.0		2380.0
4	Germany	908.8		908.8
5	Japan	13672.5		13672.5
6	Norway	390.0		390.0
7	South Korea	353.5	3541.5	3895.0
8	Switzerland	576.6		576.6
9	United Kingdom	3480.0		3480.0
10	USA	200.7		200.7
Sub Total		23655.0	3541.5	27196.5
B Multilateral				
1	ADB	8939.9		8939.9
2	World Bank	10500.9	1338.0	11838.9
Sub Total		19440.8	1338.0	20778.8
Grand Total (A+B)		43095.7	4879.5	47975.2

Source: Ministry of Finance, GON.

Table 47
SDR HOLDING TRANSACTIONS WITH THE IMF
As at Mid-July, 2008

Date	Description	In SDRs	
		Debit	Credit
August 1, 2008	Quarterly Interest	42218.0	
	Allocation charges		60553.0
November 1, 2008	Quarterly Interest	36908.0	
	Allocation charges		53891.0
December 31, 2008	PRGF Interest		125431.0
February 1, 2009	Quarterly Interest	13934.0	
	Allocation charges		20528.0
April 30, 2009	Assessment Charge		605.0
May 1, 2009	Quarterly Interest	6684.0	
	Allocation charges		10030.0
May 26, 2009	PRGF 1st Instalment		713000.0
	Repayment		
June 30, 2009	PRGF Interest		123381.0
	Total	99744.0	1107419.0
	Opening Balance	5568948.00	
	Closing Balance	4561273	
	SDR Allocation Balance		-8104800

Table 48
MONETARY SURVEY

Monetary aggregates	Rs. in million							
	2002 Oct	2007 Jul	2008 Jul	2009 Jul (e)	Changes During the Fiscal Year			
					2007/08		2008/09	
				Amount	Percent	Amount	Percent	
1. Foreign Assets, Net	87163.1	131909.5	171455.5	221083.7	29674.7 ^{1/}	22.5	41279.7 ^{2/}	24.1
1.1. Foreign Assets	105173.7	165713.5	213254.1	280540.9	47540.6	28.7	67286.8	31.6
1.2 Foreign Currency Deposits	17269.7	28247.2	34229.1	51794.7	5981.8	21.2	17565.7	51.3
1.3 Other Foreign Liabilities	740.9	5556.8	7569.6	7662.5	2012.7	36.2	93.0	1.2
2. Net Domestic Assets	140502.3	263608.7	323921.6	411661.6	70184.3 ^{1/}	26.6	96088.4 ^{2/}	29.7
2.1. Domestic Credit	211205.1	360558.1	437269.8	552784.2	76711.7	21.3	115514.4	26.4
a. Net Claims on Govt.	58362.7	78343.6	87079.6	104019.4	8736.0	11.2	16939.8	19.5
i. Claims on Govt.	58362.7	81466.1	91026.0	104019.4	9559.9	11.7	12993.4	14.3
ii. Govt. Deposits	0.0	3122.5	3946.4	0.0	823.9		-3946.4	-100.0
b. Claims on Non-Financial Govt. En	3438.8	5114.9	5646.5	5092.4	531.6	10.4	-554.1	-9.8
c. Claims on Financial Institutions	11614.4	3622.2	4709.5	7559.2	1087.3	30.0	2849.7	60.5
i. Government	11582.4	1713.0	1670.5	1376.1	-42.5	-2.5	-294.4	-17.6
ii. Non-government	32.0	1909.2	3039.1	6183.1	1129.8	59.2	3144.0	103.5
d. Claims on Private Sector	137789.2	273477.4	339834.2	436113.2	66356.8	24.3	96279.0	28.3
2.2. Net Non-monetary Liabilities	70702.8	96949.4	113348.2	141122.6	6527.4 ^{1/}	6.7	19426.1 ^{2/}	17.1
3. Broad Money (M2)	227665.4	395518.2	495377.1	632745.2	99859.0	25.2	137368.1	27.7
3.1. Money Supply (M1)	77082.4	126887.9	154343.9	196460.8	27456.0	21.6	42116.8	27.3
a. Currency	57168.2	83553.3	100175.2	125760.0	16622.0	19.9	25584.8	25.5
b. Demand Deposits	19914.2	43334.4	54168.7	70700.8	10834.4	25.0	16532.1	30.5
3.2. Time Deposits	150583.0	268630.2	341033.2	436284.5	72403.0	27.0	95251.3	27.9
4. Broad Money Liquidity (M3)	244935.1	423765.4	529606.2	684540.0	105840.8	25.0	154933.8	29.3

1/ Adjusting the exchange valuation gain of Rs. 9871.4 million.

2/ Adjusting the exchange valuation gain of Rs 8348.4 million.

e = Estimates.

*Adjusting credit write-off of Rs 2869.3 million (Rs 821.7 million principal and Rs 2047.6 million interest) as at mid Oct-2006 by Nepal Bank Ltd. and Rs 13.2 billion (Rs 4055.2 million principal and Rs 9099.3 million interest) by RBB as at mid Dec-2006.

Table 49
MONETARY AUTHORITIES ACCOUNT

	Rs in million							
	2002	2007	2008	2009	Changes During the Fiscal Year			
					2007/08		2008/09	
Oct	Jul	Jul	Jul (e)	Amount	Percent	Amount	Percent	
1. Foreign Assets	79467.9	130213.9	170314.2	224745.6	40100.4	30.8	54431.4	32.0
1.1 Gold	503.2	0.0	0.0	0.0	0.0	#DIV/0!	0.0	#DIV/0!
1.2 SDR Holdings	3.0	587.5	630.6	555.3	43.2	7.3	-75.3	-11.9
1.3 Reserve Position in the Fund	589.2	0.0	0.0	0.0	0.0		0.0	0.0
1.4 Foreign Exchange	78372.5	129626.4	169683.6	224190.3	40057.2	30.9	54506.7	32.1
2. Claims on Government	26832.0	15616.1	18925.8	32443.0	3309.6	21.2	13517.2	71.4
2.1 Treasury Bills	15573.5	13755.6	17555.9	22546.2	3800.4	27.6	4990.3	28.4
2.2 Development Bonds	2457.9	1518.6	6.9	0.0	-1511.7	-99.5	-6.9	-100.0
2.3 Other Govt. Papers	2273.0	342.0	1362.9	1909.3	1020.9	298.5	546.3	40.1
2.4 Loans and Advances	6527.6	0.0	0.0	7987.5	0.0	#DIV/0!	7987.5	#DIV/0!
3. Claims on Non-Financial Govt. Ent.	7.5	8.5	11.0	11.4	2.5	29.4	0.4	4.1
4. Claims on Financial Institutions	1661.2	696.9	464.1	230.4	-232.8	-33.4	-233.7	-50.4
(of which development banks)	0.0	7.0	0.0	0.0	-7.0	-100.0	0.0	#DIV/0!
4.1 Government	1629.2	657.9	432.1	198.4	-225.8	-34.3	-233.7	-54.1
4.2 Non-government	32.0	39.0	32.0	32.0	-7.0	-17.9	0.0	0.0
5. Claims on Banks	1074.2	1870.8	660.7	0.0	-1210.2	-64.7	-660.7	-100.0
5.1 Refinance	1074.2	80.8	60.7	0.0	-20.2	-24.9	-60.7	-100.0
5.2 Repo Lending/SLF	0.0	1790.0	600.0	0.0	-1190.0	-66.5	-600.0	-100.0
6. Claims on Private Sector	3060.3	8116.8	3053.2	3441.7	-5063.6	-62.4	388.5	12.7
7. Other Assets	14338.7	16285.4	19020.8	20608.0	2735.5	16.8	1587.1	8.3
Assets = Liabilities	126441.8	172808.4	212449.8	281480.2	39641.4	22.9	69030.4	32.5
8. Reserve Money	76704.8	119269.3	144591.6	195574.8	25322.3	21.2	50983.2	35.3
8.1 Currency Outside Banks	57168.2	83553.3	100175.2	125760.0	16622.0	19.9	25584.8	25.5
8.2 Currency Held by Commercial Bank	3888.5	7359.8	12651.9	15014.6	5292.1	71.9	2362.7	18.7
8.3 Deposits of Commercial Banks	13389.4	22597.7	23857.3	45848.7	1259.5	5.6	21991.4	92.2
8.4 Other Deposits	2258.7	5758.5	7907.3	8951.6	2148.7	37.3	1044.3	13.2
9. Govt. Deposits	0.0	3122.5	3946.4	0.0	823.9		-3946.4	-100.0
10. Foreign Liabilities	533.0	3928.3	5657.6	5991.8	1729.2	44.0	334.2	5.9
10.1 Foreign Deposits	78.6	12.3	6.7	3.3	-5.6	-45.2	-3.5	-51.7
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	404.3	0.0	0.0	0.0	0.0		0.0	
10.6 PRGF		3916.0	5650.8	5988.5	1734.8	44.3	337.7	6.0
10.7 CSI	50.1	0.0	0.0	0.0	0.0		0.0	
11. Capital and Reserve	31242.5	25234.3	35730.6	46708.2	10496.3	41.6	10977.6	30.7
12. Other Liabilities	17961.5	21253.7	22523.6	33205.4	1269.8	6.0	10681.9	47.4

p = provisional.

Table 50
CONDENSED ASSETS AND LIABILITIES OF COMMERCIAL BANKS

Rs. in Million

	2003	2007	2008	2009	Changes During the Fiscal Year			
					2007/08		2008/09	
					Jul	Jul	Jul	Jul (e)
1. Total Deposits	185508.2	334453.3	421523.7	549828.5	87070.4	26.0	128304.7	30.4
1.1. Demand Deposits	22154.5	42692.2	54124.4	69489.5	11432.1	26.8	15365.2	28.4
a. Domestic Deposits	17655.5	37575.8	46261.5	61749.3	8685.6	23.1	15487.8	33.5
b. Foreign Deposits	4499.0	5116.4	7862.9	7740.3	2746.5	53.7	-122.6	-1.6
1.2. Saving Deposits	85301.0	174633.9	211406.4	259872.4	36772.6	21.1	48466.0	22.9
a. Domestic Deposits	81347.3	168320.4	203771.0	250300.9	35450.6	21.1	46530.0	22.8
b. Foreign Deposits	3953.7	6313.5	7635.5	9571.5	1322.0	20.9	1936.0	25.4
1.3. Fixed Deposits	76093.4	114032.5	152364.3	216006.1	38331.8	33.6	63641.8	41.8
a. Domestic Deposits	67276.4	97215.1	133633.6	181523.1	36418.5	37.5	47889.6	35.8
b. Foreign Deposits	8817.0	16817.3	18730.7	34483.0	1913.4	11.4	15752.3	84.1
1.4. Margin Deposits	1959.3	3094.7	3628.6	4460.4	533.9	17.3	831.7	22.9
2. Borrowings from Rastra Bank	1074.2	1870.8	660.7	0.0	-1210.2	-64.7	-660.7	-100.0
3. Foreign Liabilities	207.9	1628.5	1912.0	1670.8	283.5	17.4	-241.2	-12.6
4. Other Liabilities	76977.3	101782.9	124993.9	154367.2	23211.0	22.8	29373.4	23.5
4.1 Paid-up Capital	0.0	20017.1	31750.3	40738.3	11733.2	58.6	8988.0	28.3
4.2 General Reserves	0.0	4330.7	3529.9	13359.5	-800.7	-18.5	9829.5	278.5
4.3 Other Liabilities	0.0	77435.1	89713.7	100269.5	12278.6	15.9	10555.8	11.8
Assets = Liabilities	263767.6	439735.4	549090.2	705866.5	109354.8	24.9	156776.2	28.6
6. Liquid Funds	43144.4	64930.3	79010.5	116107.5	14080.2	21.7	37097.0	47.0
6.1. Cash in Hand	3888.5	7359.8	12651.9	15014.6	5292.1	71.9	2362.7	18.7
6.2. Balance with Rastra Bank	13389.4	22597.7	23857.3	45848.7	1259.5	5.6	21991.4	92.2
6.3. Foreign Currency in Hand	719.0	454.0	358.8	824.8	-95.2	-21.0	466.0	129.9
6.4. Balance Held Abroad	23143.1	33933.0	41100.6	53409.3	7167.6	21.1	12308.7	29.9
6.5. Cash in Transit	2004.4	585.8	1042.0	1010.2	456.1	77.9	-31.8	-3.1
7. Loans and Advances	181487.8	340354.9	420242.6	518218.8	79887.7	23.5	97976.2	23.3
7.1. Claims on Government	31530.7	65850.0	72100.2	71576.4	6250.2	9.5	-523.8	-0.7
7.2. Claims on Non-Financial Govt. Ent	3431.3	5106.4	5635.5	5080.9	529.1	10.4	-554.5	-9.8
7.3. Claims on Financial Ent	9953.2	2925.3	4245.4	7328.8	1320.1	45.1	3083.4	72.6
Government		1055.1	1238.4	1177.7	183.3	17.4	-60.7	-4.9
Non-government		1870.2	3007.1	6151.1	1136.8	60.8	3144.0	104.6
7.4. Claims on Private Sector	134728.9	265360.6	336781.0	432671.5	71420.4	26.9	95890.5	28.5
a. Principal	0.0	231949.1	307272.1	404432.0	75323.0	32.5	97159.9	31.6
b. Interest Accrued	0.0	33411.5	29508.9	28239.5	-3902.6	-11.7	-1269.4	-4.3
7.5. Foreign Bills Purchased & Discounted	1843.7	1112.6	1480.5	1561.2	367.8	33.1	80.7	5.5
8. NRB Bonds	0.0	0.0	0.0	0.0	0.0		0.0	
9. Other Assets	39135.4	34450.3	49837.1	71540.1	15386.8	44.7	21703.0	43.5

e = Estimated

Table 51
BANKING SURVEY

Rs. in Million

Particulars	2007.00 July	2008 July	2009 July	Change			
				2007/08		2008/09	
				Amount	Percent	Amount	Percent
1. Foreign Assets, Net	131911.5	170094.0	219507.0	28311.1	21.5	41064.6	24.1
Net Foreign Assets(MS)	131909.5	171455.5	221083.6	29674.6	1/ 22.5	41279.7	2/ 24.1
Foreign Assets	165713.5	213254.1	280540.9	47540.6	28.7	67286.8	31.6
Foreign Liabilities	33804.0	41798.6	59457.3	7994.6	23.6	17658.7	42.2
Net Foreign Assets(OBI)	2.0	-1361.5	-1576.6	-1363.5	#####	-215.1	15.8
Foreign Assets	2.0	1.0	1.0			0.0	
Foreign Liabilities	0.0	1362.5	1577.6	1362.5	#DIV/0!	215.1	15.8
2. Net Domestic Assets	308793.4	378808.0	508685.5	79886.1	1/ 25.9	138225.8	2/ 36.5
A. Domestic Credit	411534.1	520471.9	667668.0	108937.8	26.5	147196.0	28.3
i. Claims on Government	79617.3	88093.7	106075.7	8476.4	10.6	17982.0	20.4
Claims on Govt(net)(MS)	78343.7	87096.0	104867.7	8752.3	11.2	17771.7	20.4
Claims on Govt(MS)	81466.2	91025.9	104867.7	9559.7	11.7	13841.8	15.2
Govt Deposits (MS)	3122.5	3929.9	0.0				
Claims on Govt (OBI)	1273.6	997.7	1208.0	-275.9	-21.7	210.3	21.1
ii. Claims on NBFI	1925.7	3061.7	6205.7	1136.1	59.0	3144.0	102.7
Claims on NBFI(MS)	1925.7	3061.7	6205.7	1136.1	59.0	3144.0	102.7
Claims on NBFI(OBI)							
iii. Claims on Nonfinancial Govt. Enter.	5114.9	5646.5	5092.3	531.6	10.4	-554.2	-9.8
Claims on Non-Fin. Govt. Ent.(MS)	5114.9	5646.5	5092.3	531.6	10.4	-554.2	-9.8
Claims on Non-Fin. Govt. Ent.(OBI)							
iv. Claims on Private Sector	324876.3	423670.0	550294.2	98793.7	30.4	126624.2	29.9
Claims on Private Sector(MS)	273477.4	339834.2	436113.2	66356.8	24.3	96279.0	28.3
Claims on Private Sector(OBI)	51398.9	83835.8	114181.0	32436.9	63.1	30345.2	36.2
B. Capital and Other Items(net)	102740.8	141663.9	158982.5	29051.7	1/ 28.3	8970.2	2/ 6.3
Capital and Other Items(net)(MS)	96949.4	113365.4	141970.7	16416.0	16.9	28605.4	25.2
Less Claims on OBI (MS)	-1696.5	-1647.9	-1353.5	48.7	-2.9	294.4	-17.9
Time and Saving Deposits of OBI at MS	4836.7	28755.2	16209.9	23918.5	494.5	-12545.3	-43.6
Capital and Other Items(net)(OBI)	2651.2	1191.2	2155.3	-1460.0	-55.1	964.1	80.9
3. Liquid Liabilities (L1)	440702.5	548901.5	728191.5	108199.0	24.6	179290.0	32.7
A. Broad Money (M2)	395517.8	495377.2	632745.3	99859.4	25.2	137368.1	27.7
Money Supply (M1)	126887.6	154344.0	196460.8	27456.4	21.6	42116.8	27.3
- Currency	83553.3	100175.2	125760.0	16621.9	19.9	25584.8	25.5
- Demand Deposits	43334.3	54168.8	70700.8	10834.5	25.0	16532.0	30.5
Time Deposits (MS)	268630.2	341033.2	436284.5	72403.0	27.0	95251.3	27.9
B. Less Time and Saving Deposits of OBI (at MS)	4836.7	28755.2	16209.9	23918.5	494.5	-12545.3	-43.6
C. Time and Saving Deposits (OBI)	50021.4	82279.5	111656.2	32258.1	64.5	29376.7	35.7

Note: In this table, MS refers to those items that are derived from the Monetary Survey; OBI to Other Banking Institutions and NBFI 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. 9871.4 million

2/ Adjusting the exchange valuation gain of Rs. 8348.4 million

Table 52
INTEREST RATE STRUCTURE OF
COMMERCIAL BANKS*
(Percent per Annum)

	2007	2008	2009
	Jul	July	July
1. Deposit Rates			
Savings Deposits	2.0-5.0	2.0-6.50	2.0-7.5
1 Year Fixed Deposits	2.25-5.0	2.5-6.0	2.5-9.0
2 Years and Above	2.5-5.5	2.75-6.75	2.75-9.5
2 Lending Rates			
Industry	8.0-13.5	7.0-13.0	8.0-13.5
Agriculture	9.5-13	9.5-12	9.5-12.0
Export Bills	5.0-11.5	5.0-11.5	6.5-11.0
Commercial Loans	8.0-14.0	8.0-13.5	8.0-14.0
Overdrafts	6.0-14.5	6.50-13.5	6.5-13.5

* Unweighted.

Table 53
CREDIT-DEPOSIT AND LIQUIDITY-DEPOSITS RATIOS OF
COMMERCIAL BANKS
(Monthly)

2008/09	Rs in million					
	Total Deposits	Total Credit	Liquid Fund	Liquidity	Credit-Deposit Ratio	Liquidity-Deposit
August	434071.9	359356.8	78199.9	150175.3	82.79	34.60
September	441064.9	372493.2	78972.9	146792.1	84.45	33.28
October	447171.4	380115.3	93131.7	159210.6	85.00	35.60
November	448764.1	382276.7	88564.8	154884.2	85.18	34.51
December	456170.9	384099.2	86661.6	155034.5	84.20	33.99
January	476124.8	389511.2	90821.4	164379.8	81.81	34.52
February	472828.8	393335.4	88306.3	156272.1	83.19	33.05
March	481698.5	401328.6	90777.4	160720.6	83.32	33.37
April	492806.7	411930.6	96015.0	165723.1	83.59	33.63
May	503654.8	425415.9	111951.2	180129.0	84.47	35.76
June	509780.1	435685.2	95188.0	163083.6	85.47	31.99
July	549828.5	446642.4	116107.5	188056.7	81.23	34.20

1. Excludes inter-bank deposits and government deposits, but includes foreign deposits.

2. Excludes investment in government securities and includes foreign bills purchased and discounted.

3. Includes cash in hand, balance with Nepal Rastra Bank, foreign currency in hand, balance held abroad, cash in transit and government securities.

Table 54
STOCK MARKET INDICATORS

Details	Mid-July				% Change		
	2006	2007	2008	2009	2007	2008	2009
1. No. of Listed Companies	135	135	142	159	-	5	12
2. Paid-up capital of the listed companies (Rs.in million)	19958	21746	29465	61140	9	35	108
3. Total Market capitalization (Rs.in million)	96763	186300	366248	512939	93	97	40
4. Annual turnover (Rs.in million)	3452	8360	22821	21681	142	173	(5)
5. Market days	228	232	235	234	2	1	(0)
6. No.of companies traded	110	116	136	116	5	17	(15)
7. No. of transactions	97374	120510	150800	209091	24	25	39
8. No. of listed shares (in '000)	226540	243504	321131	637868	7	32	99
9. No.of shares traded (in '000)	12222	18147	28600	30547	48	58	7
10. The ratio of paid-up capital to GDP (%)	3.1	3.0	3.6	6.4			
11 The ratio of turnover to market capitalization (%)	3.6	4.5	6.2	4.2			
12 The ratio of market capitalization to GDP (%)	15.0	25.9	44.6	53.4			
13 NEPSE index (closing)*	386.80	683.95	963.36	749.10	76.8	41	(22)
14 NEPSE Sensitive index (closing)**		175.80	253.72	198.77		44	(22)

Source:-Nepal Stock Exchange Ltd.

*Base: 12 Feb 1994

**Base: 1 Jan 2007

Table 55
CONSOLIDATED SOURCES AND USES OF FUND OF OTHER FINANCIAL INSTITUTIONS

	Rs. in Million						
	Mid-July			Amount Change		Percentage Change	
	2006/07	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
Sources of Funds							
1. Capital Fund	10,913.7	15,627.2	23,487.5	4,713.5	7,860.3	43.2	50.3
2. Deposits	73,995.2	82,591.7	111,226.8	8,596.5	28,635.1	11.6	34.7
3. Borrowing	12,785.4	15,591.3	18,353.6	2,805.9	2,762.3	21.9	17.7
4. Other Liabilities	11952.4	21671.4	19217.1	9,719.0	(2,454.3)	81.3	(11.3)
5. P/L Account	812.31	1860.05	3528.31	1,047.7	1,668.3	129.0	89.7
Sources = Uses	110,458.9	137,341.6	175,813.3	26,882.7	38,471.7	24.3	28.0
Uses of Funds							
1. Liquid Fund	13507.2	29594.2	35721.4	16,087.0	6,127.2	119.1	20.7
2. Investment	8,347.4	11,419.4	10,829.6	3,072.1	(589.9)	36.8	(5.2)
3. Loans and Advances	79,463.5	84,957.3	113,950.3	5,493.8	28,992.9	6.9	34.1
4. Other Assets	7279.6	9897.37	13476.37	2,617.8	3,579.0	36.0	36.2
5. P/L Account	1861.28	1473.25	1835.7	(388.0)	362.5	(20.8)	24.6

Note: Figures in parenthesis indicate a decline.

Table 56
SOURCES AND USES OF FUND OF DEVELOPMENT BANKS

	Rs. in Million						
	Mid-July			Amount Change		Percent Change	
	2006/07	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
Sources of Funds							
1. Capital Funds	4,060.0	6,524.0	10,844.0	2,464.0	4,320.0	60.7	66.2
a. Paid-up Capital	2,860.6	5,419.9	9,293.6	2,559.3	3,873.7	89.5	71.5
b. General Reserve	137.5	192.6	253.9	55.1	61.3	40.1	31.8
c. Retain Earning	(39.2)	(188.3)	(250.8)	(149.1)	(62.5)	380.4	33.2
d. Other Reserve	1,101.1	1,099.8	1,547.3	(1.3)	447.5	(0.1)	40.7
2. Deposits	35,832.7	25,751.0	48,936.0	(10,081.7)	23,185.0	(28.1)	90.0
a. Current	157.8	514.2	520.1	356.4	5.9	225.9	1.1
b. Saving	6,002.7	12,370.8	26,579.8	6,368.1	14,209.0	106.1	114.9
c. Fixed	7,132.5	8,592.6	14,547.8	1,460.1	5,955.2	20.5	69.3
d. Call	1,407.9	3,456.9	6,160.7	2,049.0	2,703.8	145.5	78.2
e. Others	669.1	816.5	1,127.6	147.4	311.1	22.0	38.1
3. Borrowings	2,231.9	2,619.0	3,957.0	387.1	1,338.0	17.3	51.1
a. NRB	796.5	778.5	478.0	(18.0)	(300.5)	(2.3)	(38.6)
b. Commercial Banks	596.7	728.9	1,969.6	132.2	1,240.7	22.2	170.2
c. Others	838.7	1,111.6	1,509.4	272.9	397.8	32.5	35.8
4. Others Liabilities	1,666.1	5,656.0	4,994.0	3,989.9	(662.0)	239.5	(11.7)
5. Profit & Loss A/C	(669.8)	(535.0)	403.0	134.8	938.0	(20.1)	(175.3)
Sources =Uses	43,121.0	40,015.0	69,134.0	(3,240.8)	29,119.0	(7.5)	72.8
Sources =Uses							
1. Liquid Funds	3,731.4	9,929.0	15,943.0	6,197.6	6,014.0	166.1	60.6
a. Cash in Hand	237.2	603.0	1,309.4	365.8	706.4	154.2	117.1
b. Bal.with NRB	522.3	2,260.6	2,441.6	1,738.3	181.0	332.8	8.0
c. Bal.with Dom. Bank	2,971.9	7,065.5	12,192.0	4,093.6	5,126.5	137.7	72.6
2. Investments	1,536.6	3,385.0	5,044.0	1,848.4	1,659.0	120.3	49.0
a. Share and Debenture	1,399.2	3,206.8	4,787.2	1,807.6	1,580.4	129.2	49.3
b. Govt.Securities	137.4	178.2	256.8	40.8	78.6	29.7	44.1
3. Loans and Advances	35,836.6	23,700.0	43,078.0	(12,136.6)	19,378.0	(33.9)	81.8
4. Others	1,260.6	2,184.0	4,102.0	923.4	1,918.0	73.3	87.8
5. Profit & Loss A/C	755.8	817.0	967.0				

Note: Figures in parenthesis indicate a decline.

Data of NIDC is based on 2003 and data of Nepal Development Bank and United Development Bank is based on Dec.2008.

Table 57
SOURCES AND USES OF FUND OF FINANCE COMPANIES

		Rs. in Million						
		Mid - July		Amount Change		Percentage Change		
		2006/07	200708	2008/09	2007/08	2008/09	2007/08	2008/09
Sources of Funds								
1	Capital Funds	5,379.9	7,444.4	10,541.0	2,064.6	3,096.5	38.4	41.6
	a. Paid-up Capital	4,439.9	6,910.7	9,321.1	2,470.9	2,410.4	55.7	34.9
	b. General Reserve	711.5	787.7	1,009.5	76.2	221.8	10.7	28.2
	c. Retain Earning	72.2	(455.3)	(297.6)				
	d. Other Reserve	156.4	201.3	507.9	45.0	306.6	28.8	152.3
2	Deposits	34,514.7	52,282.6	57,073.4	17,767.9	4,790.9	51.5	9.2
	a. Current	0.1	103.6	491.9	103.5	388.3	86,216.7	374.9
	b. Saving	11,665.2	22,907.0	27,536.9	11,241.8	4,629.9	96.4	20.2
	c. Fixed	22,240.8	28,269.7	27,378.5	6,028.9	(891.2)	27.1	-3.2
	d. Call	517.5	829.2	978.2	311.7	149.0	60.2	18.0
	e. Others	91.2	173.1	688.0	82.0	514.9	89.9	297.4
3	Borrowings	3,469.6	4,365.0	5,193.7	895.4	828.8	25.8	19.0
	a. Commercial Banks	2,707.9	3,577.3	4,008.1	869.4	430.8	32.1	12.0
	b. Others	761.7	787.7	1,185.6	25.9	398.0	3.4	50.5
4	Others Liabilities	8,762.9	14,052.3	11,671.4	5,289.4	(2,380.9)	60.4	-16.9
5	P/L Account	1,339.3	2,239.1	2,950.6	899.8	711.4	67.2	31.8
Sources =Uses		53,466.4	80,383.3	87,430.1	26,917.0	7,046.8	50.3	8.8
1	Liquid of Funds	7,513.4	17,741.7	16,406.5	10,228.3	(1,335.2)	136.1	-7.5
	a. Cash in Hand	256.1	588.4	605.5	332.3	17.1	129.7	2.9
	b. Bal.with NRB	922.9	3,852.6	2,267.0	2,929.7	(1,585.6)	317.4	-41.2
	c. Bal.with Dom. Bank	6,334.4	13,300.8	13,534.1	6,966.4	233.4	110.0	1.8
2	Investments	4,635.7	4,307.4	3,265.5	(328.3)	(1,041.9)	(7.1)	-24.2
	a. Govt.Securities	1,222.1	717.5	785.7	(504.6)	68.2	(41.3)	9.5
	b. Others	3,413.6	3,589.9	2,479.8	176.3	(1,110.1)	5.2	-30.9
3	Loans and Advances	35,616.5	51,516.9	60,078.1	15,900.4	8,561.2	44.6	16.6
4	Others	4,844.7	6,317.7	7,018.8	1,473.0	701.1	30.4	11.1
5	Profit & Loss A/C	856.1	499.6	661.1	(356.5)	161.6	(41.6)	32.3

Note: Figures in parenthesis indicate a decline

Table 58
STATUS OF NON PERFORMING LOAN OF DEVELOPMENT BANKS AND
FINANCE COMPANIES

Rs. in Million

Institution	Mid July											
	2006/07			2007/08				2008/09			2008/09	2008/09
	Total NPL	Total Loan	% of Total Loan	Total NPL	Total Loan	% of Total Loan	Total NPL	Total Loan	% of Total Loan	Amount Change in Total NPL	Percentage Change in Total NPL	
Development Bank	652.4	13163	4.96	809	21332.3	3.79	598.77	39684.39	1.51	-210.23	-25.99	
Finance Companies	204.1	3242.5	6.29	211.8	5149.4	4.11	1104.8	58544.26	1.89	892.95	421.60	

Table 59
SOURCES AND USES OF FUND OF
RURAL DEVELOPMENT BANKS*

Rs. in Million

	Mid - July			Amount Change		Percentage Change	
	2006/07	2007/08	2008/09**	2007/08	2008/09	2007/08	2008/09
Sources of Funds							
1. Capital Funds	338.4	307.7	336.3	(30.7)	28.6	(9.1)	9.3
a. Paid-up Capital	298.5	308.5	308.5	10.0	-	3.4	0.0
b. General Reserve	21.8	25.5	9.8	3.7	(15.7)	17.0	-61.6
c. Other Reserve	18.1	27.4	18.0	9.3	(9.4)	51.4	-34.3
Retained Earning		-53.7		(53.7)		#DIV/0!	
2. Deposits	517.9	591.6	609.1	73.7	17.5	14.2	3.0
a. Current			2.9	-	2.9	#DIV/0!	#DIV/0!
b. Saving	513.6	591.6	601.5	78.0	9.9	15.2	1.7
c. Fixed	1.5		4.7	(1.5)	4.7	(100.0)	#DIV/0!
d. Call							
e. Others	2.8						
3. Borrowings	2780.6	3071.6	3120.2	291.0	48.6	10.5	1.6
a. Domestic Institution	807.9			(807.9)	-	(100.0)	#DIV/0!
b. NRB	97.6	36.4	35.1	(61.2)	(1.3)	(62.7)	-3.6
c. Others	1875.1	3035.2	3085.1	1,160.1	49.9	61.9	1.6
4. Others Liabilities	321.1	386.4	493.4	65.3	107.0	20.3	27.7
5 Profit & Loss A/C	7.5	0	2.2				
Sources =Uses	3,965.5	4,357.3	4,561.2	391.8	203.9	9.9	4.7
5. Liquid of Funds	197.5	206.4	352.2	8.9	145.8	4.5	70.6
a. Cash in Hand	18.1	28.7	23.4	10.6	(5.3)	58.6	-18.5
b. Bal.with NRB	14.4	12.4	15	(2.0)	2.6	(13.9)	21.0
c. Bal.with Dom. Bank	165	165.3	313.8	0.3	148.5	0.2	89.8
6. Investments	1541.8	1713.5	1575.3	171.7	(138.2)	11.1	-8.1
7. Loans and Advances	1771	1968.7	2058.5	197.7	89.8	11.2	4.6
8. Others	205.8	315.6	398	109.8	82.4	53.4	26.1
9 Profit & Loss A/C	249.4	153.1	177.2	(96.3)	24.1	(38.6)	15.7

Note: Figures in parenthesis indicate a decline.

* Number of RDBs: 5.

** Data is based on Jan. 2009.

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

Rs. in Million

	Mid - July			Amount Change		Percentage Change	
	2006/07	2007/08	2008/09**	2007/08	2008/09	2007/08	2008/09
Sources of Funds							
1. Capital Funds	780.1	950.2	1,318.8	170.1	368.6	21.8	38.8
a. Paid-up Capital	477.2	634.6	655.7	157.4	21.1	33.0	3.3
b. General Reserve	40.8	61.5	76.3	20.7	14.8	50.7	24.1
c. Other Reserve	210.9	194.6	507.2	(16.3)	312.6	(7.7)	160.6
d. Retained Earning	51.2	59.5	79.6	8.3	20.1	16.2	33.8
2. Deposits	585.2	948.4	1,095.2	363.2	146.8	62.1	15.5
a. Current				-	-	#DIV/0!	#DIV/0!
b. Saving	585.2	948.4	1,095.2	363.2	146.8	62.1	15.5
c. Fixed				-	-	#DIV/0!	#DIV/0!
d. Call				-	-	#DIV/0!	#DIV/0!
e. Others				-	-	#DIV/0!	#DIV/0!
3. Borrowings	4,163.6	5,329.0	5,824.7	1,165.4	495.7	28.0	9.3
a. NRB	48.6	57.5	58.8	8.9	1.3	18.3	2.3
b. Commercial Banks	2557.4	3403.1	3748.2	845.7	345.1	33.1	10.1
c. Others	1557.6	1868.4	2017.7	310.8	149.3	20.0	8.0
4. P/L Account	65.8	101.3	92.1	35.5	(9.2)	54.0	(9.1)
5. Others	721.2	896.5	1391.9	175.3	495.4	24.3	55.3
Sources =Uses	6,315.9	8,225.4	9,722.7	1,909.5	1,497.3	30.2	18.2
1. Liquid Funds	1,575.3	956.7	2,243.8	(618.6)	1,287.1	(39.3)	134.5
a. Cash in Hand	4.2	8.7	7.3	4.5	(1.4)	107.1	(16.1)
b. Bal.with NRB	55.0	58.8	59.9	3.8	1.1	6.9	1.9
c. Bal.with Dom. Bank	1516.1	889.2	2176.6	(626.9)	1,287.4	(41.3)	144.8
2. Investments	455.6	1,790.5	668.6	1,334.9	(1,121.9)	293.0	(62.7)
a. Share and Debenture	-	1,694.3	572.4	1,694.3	(1,121.9)	#DIV/0!	(66.2)
b. Govt. Securities	57	51.2	51.2	(5.8)	-	(10.2)	-
c. Others	398.6	45	45.0	(353.6)	-	(88.7)	-
3. Loans and Advances	4009.6	5109.5	5608	1,099.9	498.5	27.4	9.8
4. Others	275.4	365.1	1171.9	89.7	806.8	32.6	221.0
5 P/L Account		3.6	30.4	3.6	26.8	#DIV/0!	744.4

Note: Figures in parenthesis indicate a decline.

* Micro-finance institutions other than 5 RRDBs

** Data is based on Jan. 2009.

Table 61
SOURCES AND USES OF FUND OF COOPERATIVE
SOCIETIES (WITH LIMITED BANKING TRANSACTION)

Rs. in Million

	Mid - July			Amount Change		Percentage Change	
	2006/07	2007/08	2008/09*	2007/08	2008/09	2007/08	2008/09
Sources of Funds							
1. Capital Funds	355.3	400.9	447.4	45.6	46.6	12.8	11.6
a. Paid-up Capital	250.5	293.6	329.6	43.1	36.0	17.2	12.3
b. General Reserve	47.9	57.7	62.0	9.8	4.3	20.4	7.4
c. Other Reserve	56.9	49.6	55.9	(7.3)	6.3	(12.8)	12.7
2. Deposits	2,544.6	3,018.1	3,513.0	473.5	494.9	18.6	16.4
a. Saving	1633.9	2008.9	2778.0	375.0	769.1	23.0	38.3
b. Fixed	685.2	717.9	687.0	32.7	(30.9)	4.8	-4.3
c. Others	225.5	291.4	48.0	65.9	(243.4)	29.2	-83.5
3. Borrowings	139.7	206.7	258.0	67.0	51.3	48.0	24.8
a. Commercial Banks	67.6	73.46	56.3	5.9	(17.2)	8.7	-23.4
b. Other Financial Institution	72.1	133.24	201.7	61.1	68.5	84.8	51.4
4 Others Liabilities	481.1	680.2	666.38	199.1	(13.8)	41.4	-2.0
5 P/L Account	69.5	54.63	80.45	(14.9)	25.8	(21.4)	47.3
Sources =Uses	3,590.2	4,360.5	4,965.3	770.3	604.7	21.5	13.9
5. Liquid of Funds	489.6	760.3	775.9	270.7	15.5	55.3	2.0
a. Cash in Hand	41.2	49.1	88.4	7.8	39.4	19.1	80.3
b. Bal.with NRB	45.3	635.9	29.0	590.6	(606.9)	1,303.8	-95.4
c. Bal.with Dom. Bank	403.1	75.3	658.4	(327.8)	583.0	(81.3)	773.9
6. Investments	177.7	223.1	276.1	45.4	53.1	25.5	23.8
a. Govt.Securitis	3.9	3.9	3.9	(0.0)	(0.0)	(0.5)	-0.3
b. Others	173.8	219.2	272.3	45.4	53.1	26.1	24.2
7. Loans and Advances	2,229.8	2,662.2	3,127.6	432.4	465.5	19.4	17.5
a. Commercial Loan	914.2	989.1	1209.6	74.9	220.5	8.2	22.3
b. Production Loan	38.1	57.1	56.4	19.0	(0.8)	49.9	-1.3
c. Loan on FDR and Securities	105.3	125.1	177.6	19.8	52.5	18.8	41.9
d. Others	1172.2	1490.8	1684.1	318.6	193.3	27.2	13.0
8. Others	693.1	715	785.67	21.9	70.7	3.2	9.9

Note: Figures in parenthesis indicate a decline.

* Data is based on Jan 2009.

Table 62
STRUCTURE OF NEPALESE FINANCIAL SYSTEM

Rs. in million

	Mid-July 2006			Mid-July 2007			Mid-July 2008			Mid-July 2009		
	Total assets/liabilities	Percentage share in total	Ratio of total assets to nominal GDP (in percentage)	Total assets/liabilities	Percentage share in total	Ratio of total assets to nominal GDP (in percentage)	Total assets/liabilities	Percentage share in total	Ratio of total assets to nominal GDP (in percentage)	Total assets/liabilities	Percentage share in total	Ratio of total assets to nominal GDP (in percentage)
Financial institutions	580498.0	89.3	88.8	706421.0	87.6	97.2	882830.3	88.3	107.9	1262098.8	90.187129	131.467256
Nepal Rastra Bank	167974.4	25.9	25.7	174209.0	21.6	24.0	212449.8	21.3	26.0	274119	19.588011	28.5537651
Commercial banks	395695.1	60.9	60.5	439735.0	54.5	60.5	549090.2	54.9	67.1	812165.9	58.035798	84.5997333
Finance companies	38841.0	6.0	5.9	53035.0	6.6	7.3	65034.8	6.5	7.9	87430	6.247578	9.1071968
Development Banks	14036.0	2.2	2.1	25293.0	3.1	3.5	40014.7	4.0	4.9	69134.9	4.9402457	7.20147707
Cooperatives	2877.0	0.4	0.4	3590.0	0.4	0.5	4241.9	0.4	0.5	4965.1	0.3547964	0.51719253
Microcredit financial institutions	8196.0	1.3	1.3	10559.0	1.3	1.5	11998.9	1.2	1.5	14283.9	1.0206998	1.48789075
Microcredit non- financial institutions	894.3	0.1	0.1	1842.2	0.2	0.3	2382.6	0.2	0.3	2382.6	0.170256	0.24818491
Contractual Savings institutions	69210.0	10.7	10.6	100131.2	12.4	13.8	115615.9	11.6	14.1	136298.5	9.7396261	14.1976125
Employees Provident Fund	52330.6	8.1	8.0	59225.9	7.3	8.1	68338.1	6.8	8.4	79150.9	5.6559696	8.24479953
Citizen Investment Trust	7257.8	1.1	1.1	9541.2	1.2	1.3	15688.4	1.6	1.9	20133.3	1.4386865	2.0971969
Insurance companies	25219.5	3.9	3.9	31364.0	3.9	4.3	31589.4	3.2	3.9	37014.3	2.64497	3.85561609
Postal Saving Bank	448.0	0.1	0.1	700.0	0.1	0.1	827.0	0.1	0.1	1025	0.0732445	0.10676972
Total	649708.0	100.0	99.3	806552.2	100.0	110.9	999273.2	100.0	122.1	1399422.3	100	145.771638
Nominal GDP (Rs Million)		654054				727088			818400			960010
Market capitalization of Stock Exchange (Rs Million)		96763.74				186301.28			366248			512939
Ratio of stock Market capitalization to GDP (in percentage)		15.0				25.8			44.8			53.4

** Data is based on Jan 2009.

*** Data is based on Jul. 2008.

Table 63
SOURCES AND USES OF FUND OF MICRO FINANCE NGOs
(Liscensed by NRB)

	Rs. inThousand						
	Mid - July			Amount Change		Percentage Change	
	2005/06	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
Sources of Funds							
1. Funds	45561	136851	162031	91,290	25,180	200.4	18.4
2. Staff Welfare Fund	26,209	32,815	42,447	6,606	9,632	25.2	29.4
a. Staff Welfare Fund	1876	1855	3636	(21)	1,781	(1.1)	96.0
b. Staff Provident Fund	4251	6307	8144	2,056	1,837	48.4	29.1
c. Others	20082	24653	30667	4,571	6,014	22.8	24.4
3. Risk Bearing Fund	13068	16044	26768	2,976	10,724	22.8	66.8
4. P/L Account (Net)	59861	76140	96610	16,279	20,470	27.2	26.9
5. Borrowings	541,756	1,168,088	1,494,220	626,332	326,132	115.6	27.9
a. Domestic Institution	534045	1153474	1478422	619,429	324,948	116.0	28.2
b. Foreign Institution	7711	14614	15798	6,903	1,184	89.5	8.1
6. Others	207813	412317	560620	204,504	148,303	98.4	36.0
Sources =Uses	894,268	1,842,255	2,382,696	947,987	540,441	106.0	29.3
1. Liquid of Funds	131,980	467,234	428,839	335,254	(38,395)	254.0	(8.2)
a. Cash in Hand	10652	11320	12454	668	1,134	6.3	10.0
c. Bal.with Dom. Bank	121328	455914	416385	334,586	(39,529)	275.8	(8.7)
2. Investment	48563	10173	20115	(38,390)	9,942	(79.1)	97.7
3. Micro Credit	439819	775688	982478	335,869	206,790	76.4	26.7
4. Others	273906	589160	951264	315,254	362,104	115.1	61.5

Note: Figures in parenthesis indicate a decline.

Table 64
AGGREGATE SOURCES AND USES OF FUND OF INSURANCE COMPANIES

Particulars	Rs. in Million						
	Mid-July			Amount Change		% Change	
	2006/07	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
Sources							
1. Capital Fund	2021	2918.00	2,918.0	897.00	0.0	44.4	0.0
2. Reserve Funds	19748	24,041.0	28,809.0	4293.00	4768.0	21.7	19.8
3. Other Liabilities	4677	4,630.0	5,287.0	-47.00	657.0	-1.0	14.2
Sources =Uses	26446	31,589.0	37,014.0	5143.00	5425.0	19.4	17.2
Uses							
					0.0		
1. Bank and Cash Balances	1,971.0	1,457.0	1,737.0	-514.00	280.0	-26.1	19.2
2. Investment	20,800.00	25,864.0	31,030.0	5064.00	5166.0	24.3	20.0
3. Fixed Assets	609.00	819.0	1,088.0	210.00	269.0	34.5	32.8
4. Other Assets	3,066.00	3,449.0	3,159.0	383.00	-290.0	12.5	-8.4

P=Provisional

Source: Insurance Board.

Table 65
SOURCES AND USES OF FUND OF
EMPLOYEES PROVIDENT FUND

Particulars	Rs. in Million						
	Mid-July			Amount Change		% Change	
	2006/07	2007/08	2008/09 P	2007/08	2008/09	2007/08	2008/09
Sources							
1. Provident Fund	54501.0	62794.0	72670.0	8293.0	9876.0	15.2	15.7
2. Reserve Fund	3194.0	3715.0	4378.0	521.0	663.0	16.3	17.8
3. Other Liabilities	1531.0	1825.0	2103.0	294.0	278.0	19.2	15.2
Sources =Uses	59226.0	68334.0	79151.0	9108.0	10817.0	15.4	15.8
Uses							
1. Cash and bank balance	1380.0	1863.0	3454.0	483.0	1591.0	35.0	85.4
2. Investment	2784.0	3346.0	3543.0	562.0	197.0	20.2	5.9
3. Loan	25178.0	29787.0	35571.0	4609.0	5784.0	18.3	19.4
4. Fixed Deposits	20895.0	24144.0	25780.0	3249.0	1636.0	15.5	6.8
5. GON Securities	5509.0	4965.0	6649.0	-544.0	1684.0	-9.9	33.9
6. Project Loans	4.0	3.0	2.0	-1.0	-1.0	-25.0	-33.3
7. Share Investment	434.0	870.0	918.0	436.0	48.0	100.5	5.5
8. Other Assets	3042.0	3356.0	3234.0	314.0	-122.0	10.3	-3.6

P=Provisional

Source: Employees' Provident Fund.

Table 66
SOURCES AND USES OF FUND OF
CITIZEN INVESTMENT TRUST

Rs. in Million

	Mid - July			Amount Change		Percentage Change	
	2006/07	2007/08	2008/09P	2007/08	2008/09	2007/08	2008/09
Sources of Funds							
1. Paid-up Capital	39.99	39.99	59.99		20.0		50.0
2. Reserve Fund	69.02	95.7	100.0	26.7	4.3	38.7	4.4
3. Fund Collection	6716.25	8573.6	12366.2	1,857.3	3,792.6	27.7	44.2
4. Other Liabilities	432.57	831.9	1149.3	399.4	317.4	92.3	38.2
Sources = Uses	7257.8	9541.2	13675.5	2,283.4	4,134.2	31.5	43.3
Uses of Fund							
1. Cash and Bank Balance	866.08	1043.4	457.0	177.4	(586.4)	20.5	(56.2)
2. Investment	5136.0	6600.6	9586.0	1,464.6	2,985.4	28.5	45.2
3. Loans & Advances	743.34	1015.5	2592.5	272.2	1,577.0	36.6	155.3
4. Fixed Assets	54.08	54.3	55.0	0.3	0.7	0.5	1.2
5. Other Assets	458.34	827.4	985.0	369.0	157.6	80.5	19.1

P = Provisional.

Note: Figures in parenthesis indicate a decline.

Source: Citizen Investment Fund.