



Nepal Rastra Bank
Economic Research Department, Baluwatar, Kathmandu
Current Macroeconomic and Financial Situation of Nepal
(Based on Two Months Data Ending Mid-September, 2023/24)

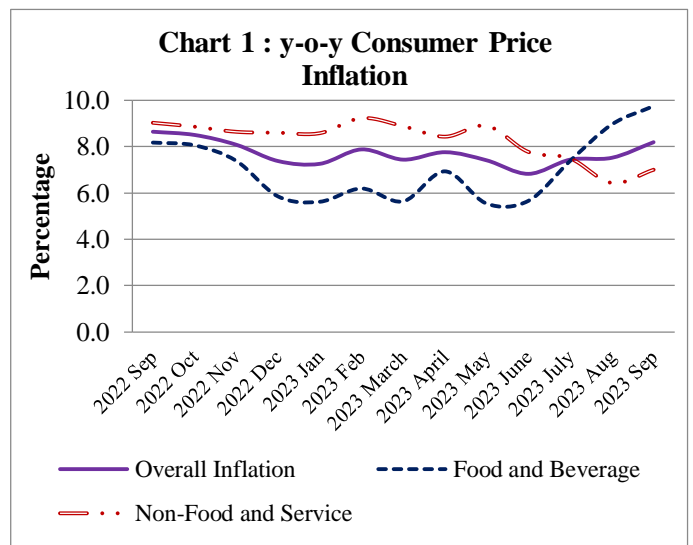
Major Highlights

- *CPI-based Inflation remained 8.19 percent on y-o-y basis.*
- *Imports decreased 5.1 percent, exports decreased 7.8 percent and trade deficit decreased 4.7 percent.*
- *Remittances increased 22.1 percent in NPR terms and 17.7 percent in USD terms.*
- *Balance of Payments remained at a surplus of Rs.53.61 billion.*
- *Gross foreign exchange reserves stood at NPR 1598.90 billion and 12.01 billion in USD terms.*
- *Nepal Government expenditure amounted to Rs.131.14 billion and revenue collection Rs.141.08 billion.*
- *Broad money (M2) decreased 0.5 percent. On y-o-y basis, M2 increased 12.0 percent.*
- *Deposits at BFIs decreased 0.1 percent and private sector credit increased 0.7 percent. On y-o-y basis, deposits increased 13.2 percent and private sector credit increased 4.0 percent.*

Inflation

Consumer Price Inflation (CPI)

1. On y-o-y basis, consumer price inflation stood at 8.19 percent in mid-September 2023 compared to 8.64 percent a year ago. Food and beverage inflation stood at 9.74 percent whereas non-food and service inflation stood at 6.99 percent in the review month.
2. Under the food and beverage category, on y-o-y basis, the price index of spices sub-category increased 45.46 percent, sugar & sugar products 17.86 percent, vegetable 14.51 percent, cereal grains & their products 13.38 percent, milk products & eggs 12.60 percent and restaurant & hotel 10.97 percent. In the review month, the y-o-y price index of ghee & oil sub-category decreased 13.08 percent.



3. Under the non-food and services category, the y-o-y price index of recreation & culture sub-category increased 15.55 percent, miscellaneous goods & services 12.21 percent, education 9.10 percent, housing & utilities 8.11 percent and furnishing & household equipment 6.59 percent. In the review month, the y-o-y price index of transportation sub-category decreased 0.18 percent.

Table 1: y-o-y Consumer Price Inflation (Percent)			
Mid-Month			
Particulars	Aug/Sep 2022	July/Aug 2023	Aug/Sep 2023
Overall Inflation	8.64	7.52	8.19
Food and Beverage	8.17	8.95	9.74
Non-food and Service	9.02	6.42	6.99

4. In the review month, y-o-y consumer price inflation in the Kathmandu Valley, Terai, Hill and Mountain region recorded 9.83 percent, 7.03 percent, 8.09 percent and 11.32 percent respectively. Inflation in these regions were 7.62 percent, 9.33 percent, 8.82 percent and 6.68 percent respectively a year ago.

Wholesale Price Inflation (WPI)

- On y-o-y basis, wholesale price inflation stood at 4.78 percent in mid-September 2023 compared to 14.0 percent a year ago.
- The y-o-y wholesale price of consumption goods, intermediate goods and capital goods increased 8.23 percent, 3.14 percent and 2.80 percent respectively. The y-o-y wholesale price of construction material decreased by 0.03 percent in the review month.

Salary and Wage Rate Index (SWRI)

- The y-o-y salary and wage rate index increased 5.25 percent in mid-September 2023 compared to 11.68 percent a year ago. In the review month, salary index and wage rate index increased 1.05 and 6.53 percent respectively.

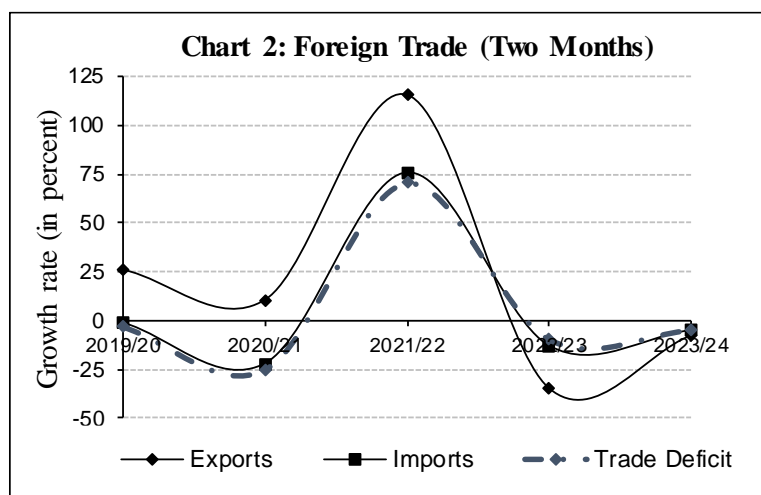
Consumer Price Inflation in Nepal and India

- The y-o-y consumer price inflation in Nepal remained at 8.19 percent in mid-September 2023. Such inflation in India stood at 5.02 percent in September 2023.

External Sector

Merchandise Trade

9. During the two month of 2023/24, merchandise exports decreased 7.8 percent to Rs.26.45 billion compared to a decrease of 34.9 percent in the same period of the previous year. Destination-wise, exports to India decreased 15.6 percent whereas exports to China and other countries increased 338.5 percent and 5.1 percent respectively. Exports of zinc sheet, cardamom, particle board, polyester yarn & thread, juice, among



others increased whereas exports of palm oil, soyabean oil, jute goods, woolen carpet, medicine (ayurvedic), among others decreased in the review period.

10. During the two month of 2023/24, merchandise imports decreased 5.1 percent to Rs.259.75 billion compared to a decrease of 13.0 percent a year ago. Destination-wise, imports from India and other countries decreased 5.2 percent and 21.5 percent respectively while imports from China increased 25.4 percent. Imports of M.S. wire rod, bars, coils and others, readymade garments, electrical equipment, textiles, electrical goods, among others increased whereas imports of petroleum products, crude soyabean oil, crude palm oil, medicine, M.S. billet, among others decreased in the review period.
11. Based on customs points, exports from Bhairahawa, Dry Port, Jaleswor, Kanchanpur, Krishnagar, Mechi, Nepalgunj, Rasuwa and Tribhuwan Airport Customs Offices increased whereas exports from all the other major customs points decreased in the review period. On the import side, imports from Bhairahawa, Dry Port, Jaleswor, Kanchanpur, Nepalgunj, Rasuwa and Tatopani Customs Offices increased whereas imports from all the other major customs points decreased in the review period.
12. Total trade deficit decreased 4.7 percent to Rs.233.30 billion during the two month of 2023/24. Such a deficit had decreased 9.4 percent in the corresponding period of the previous year. The export-import ratio decreased to 10.2 percent in the review period from 10.5 percent in the corresponding period of the previous year.
13. During the two month of 2023/24, merchandise imports from India by paying convertible foreign currency amounted Rs.32.14 billion. Such amount was Rs.26.23 billion in the same period of the previous year.

Composition of Foreign Trade

14. As per the Broad Economic Categories (BEC), the intermediate and final consumption goods accounted for 54.1 percent and 45.6 percent of the total exports respectively, whereas the ratio of capital goods in total exports remained negligible at 0.2 percent in the review period. In the same period of the previous year, the ratio of intermediate, capital and final consumption goods remained 57.8 percent, 0.03 percent and 42.2 percent of total exports respectively.
15. On the imports side, the share of intermediate goods remained 52.8 percent, capital goods 9.1 percent and final consumption goods 38.1 percent in the review period. Such ratios were 53.7 percent, 8.7 percent and 37.7 percent respectively in the same period of the previous year.

Export-Import Price Index

16. The y-o-y unit value export price index, based on customs data, increased 3.0 percent and the import price index decreased 6.0 percent in the second month of 2023/24. The terms of trade (ToT) index increased 9.6 percent in the review month.

Services

17. Net services income remained at a deficit of Rs.25.34 billion in the review period compared to a deficit of Rs.19.26 billion in the same period of the previous year.
18. Under the service account, travel income increased 53.9 percent to Rs.9.34 billion in the review period which was Rs.6.07 billion in the same period of the previous year.

19. Under the service account, travel payments increased 76.5 percent to Rs.35.60 billion, including Rs.23.33 billion for education. Such payments were Rs.20.16 billion and Rs.12.76 billion respectively in the same period of the previous year.

Remittances

20. Remittance inflows increased 22.1 percent to Rs.228.37 billion in the review period compared to an increase of 19.8 percent in the same period of the previous year. In the US Dollar terms, remittance inflows increased 17.7 percent to 1.73 billion in the review period compared to an increase of 11.3 percent in the same period of the previous year.

21. Number of Nepali workers (institutional and individual-new) taking approval for foreign employment decreased 28.3 percent to 74455 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment decreased 18.3 percent to 32004 in the review period. It had increased 70.6 percent in the same period of the previous year.

22. Net transfer increased 21.9 percent to Rs.251.61 billion in the review period. Such a transfer had increased 19.5 percent in the same period of the previous year.

Current Account and Balance of Payments

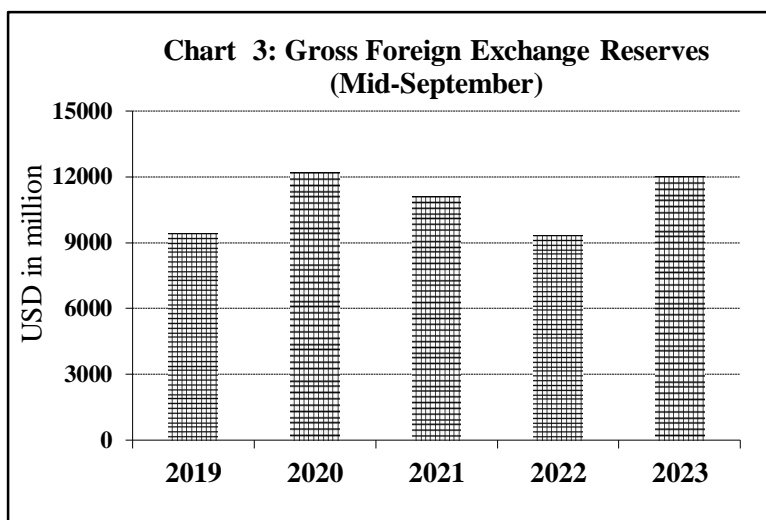
23. The current account remained at a surplus of Rs.23.50 billion in the review period against a deficit of Rs.36.84 billion in the same period of the previous year. In the US Dollar terms, the current account registered a surplus of 177.7 million in the review period against a deficit of 289 million in the same period last year.

24. In the review period, capital transfer decreased 41.7 percent to Rs.850.8 million and net foreign direct investment (FDI) remained a positive of Rs.3 billion. In the same period of the previous year, capital transfer amounted to Rs.1.46 billion and net FDI registered a negative of Rs.809.7 million.

25. Balance of Payments (BOP) remained at a surplus of Rs.53.61 billion in the review period against a deficit of Rs.20.81 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 405.6 million in the review period against a deficit of 163.4 million in the same period of the previous year.

Foreign Exchange Reserves

26. Gross foreign exchange reserves increased 3.9 percent to Rs.1598.9 billion in mid-September 2023 from Rs.1539.36 billion in mid-July 2023. In the US dollar terms, the gross foreign exchange reserves increased 2.6 percent to 12.01 billion in mid-September 2023 from 11.71 billion in mid-July 2023.



27. Of the total foreign exchange reserves, reserves held by NRB increased 4.5 percent to Rs.1406.52 billion in mid-September 2023 from Rs.1345.78 billion in mid-July 2023. Reserves held by banks and financial institutions (except NRB) decreased 0.6 percent to Rs.192.38 billion in mid-

September 2023 from Rs.193.59 billion in mid-July 2023. The share of Indian currency in total reserves stood at 21.7 percent in mid- September 2023.

Foreign Exchange Adequacy Indicators

28. Based on the imports of two month of 2023/24, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 12.6 months, and merchandise and services imports of 10.3 months. The ratio of reserves-to-GDP, reserves-to-imports and reserves-to-M2 stood at 29.7 percent, 86 percent and 26.2 percent respectively in mid-September 2023. Such ratios were 28.6 percent, 83.0 percent and 25.1 percent respectively in mid-July 2023.

Price of Oil and Gold

29. The price of oil (Crude Oil Brent) in the international market increased 6.8 percent to US dollar 95.55 per barrel in mid-September 2023 from US dollar 89.43 per barrel a year ago. The price of gold increased 15.8 percent to US dollar 1927.70 per ounce in mid-September 2023 from US dollar 1664.65 per ounce a year ago.

Exchange Rate

30. Nepalese currency vis-à-vis the US dollar depreciated 1.2 percent in mid-September 2023 from mid-July 2023. It had appreciated 0.23 percent in the same period of the previous year. The buying exchange rate per US dollar stood at Rs.132.80 in mid-September 2023 compared to Rs.131.17 in mid-July 2023.

Fiscal Situation

Nepal Government

Expenditure and Revenue

31. According to Ministry of Finance, Financial Comptroller General Office (FCGO), the total expenditure of the Nepal Government stood at Rs.131.14 billion during the two months of 2023/24. The recurrent expenditure, capital expenditure and financial expenditure amounted to Rs.87.66 billion, Rs.8.16 billion and Rs.35.31 billion respectively in the review period.

Particulars	Amount (Rs. in Billion)			Percentage Change	
	2021/22	2022/23	2023/24	2022/23	2023/24
Total Expenditure	89.94	134.34	131.14	49.4	-2.4
<i>Recurrent Expenditure</i>	58.59	108.73	87.66	85.6	-19.4
<i>Capital Expenditure</i>	2.61	5.86	8.16	124.7	39.3
<i>Financial Management</i>	28.73	19.75	35.31	-	-
Total Revenue	168.58	143.81	141.08	-14.7	-1.9
<i>Tax Revenue</i>	148.56	130.70	127.96	-12.0	-2.1
<i>Non-Tax Revenue</i>	20.02	13.11	13.12	-34.5	0.1

Source: Financial Comptroller General Office

32. In the review period, total revenue mobilization of Nepal Government (including the amount to be transferred to provincial and local governments) stood at Rs.141.08 billion. The tax revenue amounted Rs.127.96 billion and non tax revenue Rs.13.12 billion in the review period (Table 2).

Cash Balance of Government

33. Cash Balance at various accounts of the GoN maintained with NRB remained Rs.192.05 billion (including Provincial Governments and Local Government Account) in mid-September 2023. Such balance was Rs.71.98 billion in mid-July 2023.

Provincial Government

Expenditure and Revenue

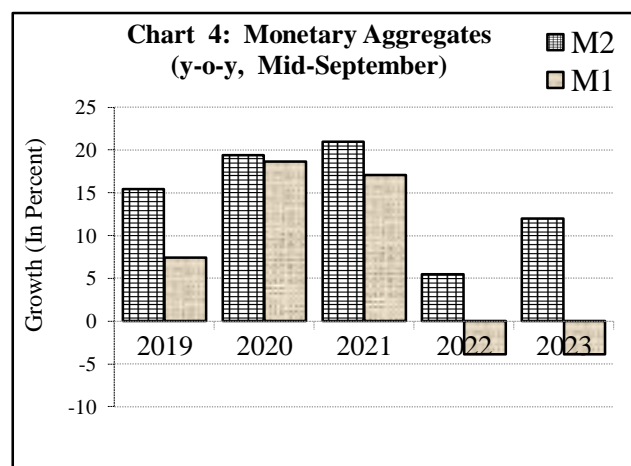
34. In the review period, total expenditure and resource mobilization of provincial governments stood Rs.4.77 billion and Rs.21.16 billion respectively. The total resource mobilization of provincial governments includes the grants and revenue transferred from the Nepal Government amounting Rs.15.15 billion and revenue and other receipts of the provincial governments amounting Rs.6.01 billion in the review period.

Monetary Situation

Money Supply

35. Broad money (M2) decreased 0.5 percent in the review period compared to a decrease of 1.1 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 12.0 percent in mid-September 2023.

36. The net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased Rs.53.61 billion (3.8 percent) in the review period in contrast to a decrease of Rs.20.81 billion (1.9 percent) in the corresponding period of the previous year.



37. Reserve money decreased 7.6 percent in the review period compared to a decrease of 0.9 percent in the corresponding period of the previous year. On y-o-y basis, reserve money increased 2.9 percent in mid-September 2023.

Domestic Credit

38. Domestic credit decreased 0.4 percent in the review period compared to an increase of 0.6 percent in the corresponding period of the previous year. On y-o-y basis, domestic credit increased 7.6 percent in mid-September 2023.

39. Monetary Sector's net claims on government decreased 10.7 percent in the review period compared to a decline of 7.0 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 29.5 percent in mid-September 2023.

40. Monetary Sector's claims on the private sector increased 1.7 percent in the review period same as in the corresponding period of the previous year. On y-o-y basis, such claims increased 4.5 percent in mid-September 2023.

Deposit Mobilization

41. Deposits at Banks and Financial Institutions (BFIs) decreased Rs.7.56 billion (0.1 percent) in the review period compared to a decline of Rs.43.66 billion (0.9 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 13.2 percent in mid-September 2023.

Table 3: Deposits at Banks and Financial Institutions (Percentage Share)

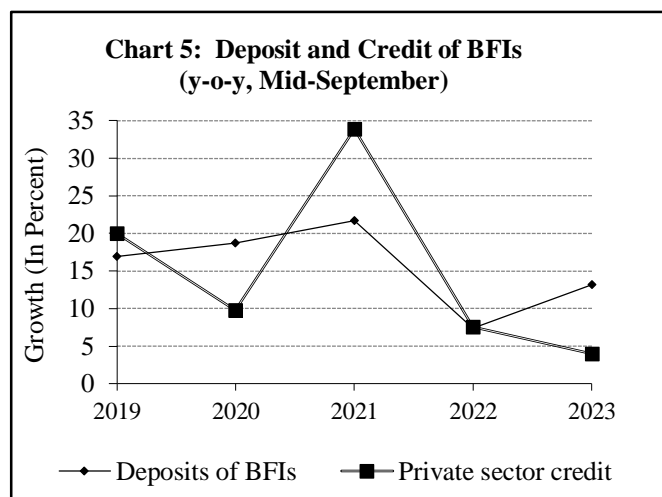
Deposits	Mid-July		Mid-September	
	2022	2023	2022	2023
Demand	8.9	7.7	7.7	6.2
Saving	27.6	26.6	26.5	25.9
Fixed	55.8	58.9	58.8	61.2
Other	7.7	6.8	7.0	6.7

42. The share of demand, saving and fixed deposits in total deposits stood at 6.2 percent, 25.9 percent and 61.2 percent respectively in mid-September 2023. Such shares were 7.7 percent, 26.5 percent and 58.8 percent respectively a year ago.

43. The share of institutional deposits in total deposit of BFIs stood at 36.1 percent in mid-September 2023. Such a share was 37.2 percent in mid-September 2022.

Credit Disbursements

44. Private sector credit from BFIs increased Rs.33.60 billion (0.7 percent) in the review period compared to an increment of Rs.24.13 billion (0.5 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 4.0 percent in mid-September 2023.



45. The shares of private sector credit from BFIs to non-financial corporation and household stand at 63.0 percent and 37.0 percent respectively in mid-September 2023. Such shares were 63.8 percent and 36.2 percent a year ago.

46. In the review period, private sector credit from commercial banks, development banks and finance companies increased by 0.8 percent, 0.1 percent and 0.3 percent respectively.

47. In the review period, out of the total outstanding credit of the BFIs, 12.1 percent is against the collateral of current assets (such as agricultural and non-agricultural products) and 67.2 percent against land and building. Such ratios were 12.5 percent and 66.6 percent respectively a year ago.

48. In the review period, outstanding loan of BFIs to the industrial production sector increased 3.2 percent, construction sector 1.6 percent, transportation, communication and public sector 1.9 percent, wholesale and retail sector 0.4 percent, service industry sector 1.4 percent and consumable sector 1.5 percent while that of agriculture sector loan decreased 1.2 percent.

49. In the review period, term loan extended by BFIs increased 4.7 percent, cash credit loan 11.4 percent, trust receipt (import) loan 12.7 percent, real estate loan (including residential personal home loan) 1.5 percent, and margin nature loan 1.8 percent whereas overdraft loan decreased 39.1 percent (mainly due to reclassification of loan from the recent year), and hire purchase loan decreased 17.3 percent.

Liquidity Management

50. In the review period, NRB availed total liquidity of Rs.238.39 billion on turnover basis, of which, Rs.1.20 billion was through standing liquidity facility (SLF) and Rs.237.19 billion through Overnight Liquidity Facility (OLF). In the corresponding period of the previous year, Rs.1780.02 billion net amount of liquidity was availed through various instruments of open market operations including SLF.

51. In the review period, NRB injected liquidity of Rs.102.87 billion through the net purchase of USD 777.8 million from foreign exchange market. Liquidity of Rs.100.46 billion was injected through the net purchase of USD 789.4 million in the corresponding period of the previous year.
52. The NRB purchased Indian currency (INR) equivalent to Rs.58.26 billion through the sale of USD 440 million in the review period. INR equivalent to Rs.117.23 billion was purchased through the sale of USD 920 million in the corresponding period of previous year.

Refinance, Concessional Loan and Business Continuity Loan

53. The outstanding amount of refinance provided by NRB remained Rs.1.20 billion in mid-September 2023.
54. As of mid-September 2023, the outstanding concessional loan remained Rs.195.62 billion extended to 144,758 borrowers. Of which, Rs.136.03 billion has been extended to 59,780 borrowers for selected commercial agriculture and livestock businesses. Likewise, Rs.56.58 billion loan has been extended to 82,323 women entrepreneurs. Total 2,655 borrowers have availed Rs.3.01 billion concessional loan in other specified sectors.
55. Business continuity loan has been extended to the Covid-19 affected tourism, cottage, small and medium industries for payment of salaries to workers and employees in line with 'Business Continuity Loan Procedure, 2020'. The outstanding loan extended under this provision remained Rs.584.5 million as of mid-September 2023.

Inter-bank Transaction

56. In the review period, BFIs interbank transactions amounted Rs.1080.80 billion on turnover basis including Rs. 924.42 billion inter-bank transactions among commercial banks and Rs.156.38 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions was Rs.647.58 billion including Rs.580.52 billion among commercial banks and Rs.67.06 billion among other financial institutions (excluding transactions among commercial banks).

Interest Rates

57. The weighted average 91-days treasury bills rate remained at 5.95 percent in the second month of 2023/24, which was 9.09 percent in the corresponding month a year ago. The weighted average inter-bank transaction rate among BFIs, which was 8.50 percent a year ago, decreased to 5.88 percent in the review month.
58. The average base rates of commercial banks, development banks and finance companies stood 10.14 percent, 12.12 percent and 13.52 percent respectively in the second month of 2023/24. The average base rate of commercial banks was 10.01 percent in the corresponding month a year ago.

Types	Mid-September 2022	Mid-September 2023
91-days treasury bills rate	9.09	5.95
Inter-bank rate of BFIs	8.50	5.88
Base rate		
Commercial banks	10.01	10.14
Development banks	-	12.12
Finance companies	-	13.52
Deposit rate		
Commercial banks	7.81	8.06
Development banks	-	9.43
Finance companies	-	10.27
Lending Rate		
Commercial banks	12.06	12.23
Development banks	-	13.99
Finance companies	-	14.68

59. Weighted average deposit rates of commercial banks, development banks and finance companies stood 8.06 percent, 9.43 percent and 10.27 percent respectively in the review month. Weighted average deposit rate of commercial banks was 7.81 percent a year ago. Likewise, the weighted average lending rate of commercial banks, development banks and finance companies stood 12.23 percent, 13.99 percent and 14.68 percent respectively in the review month. Such a rate of commercial banks was 12.06 percent in the corresponding month a year ago.

Financial Access

60. The total number of BFIs licensed by NRB remained 112 in mid-September 2023 (Table 5). As of mid-September 2023, 20 commercial banks, 17 development banks, 17 finance companies, 57 microfinance financial institutions and 1 infrastructure development bank are in operation. The number of BFIs branches remained 11,567 in mid-September 2023 compared to 11,589 in mid-July 2023.

Bank and Financial Institutions	Number of BFIs			Branches of BFIs		
	mid-July 2022	mid-July 2023	mid-September 2023	mid-July 2022	mid-July 2023	mid-September 2023
Commercial Banks	26	20	20	5009	5049	5016
Development Banks	17	17	17	1118	1128	1131
Finance Companies	17	17	17	267	284	288
Microfinance Financial Institutions	65	57	57	5134	5128	5132
Infrastructure Development Bank	1	1	1	-	-	-
Total	126	112	112	11528	11589	11567

*Updated information is available at <http://emap.nrb.org.np/>

Capital Market

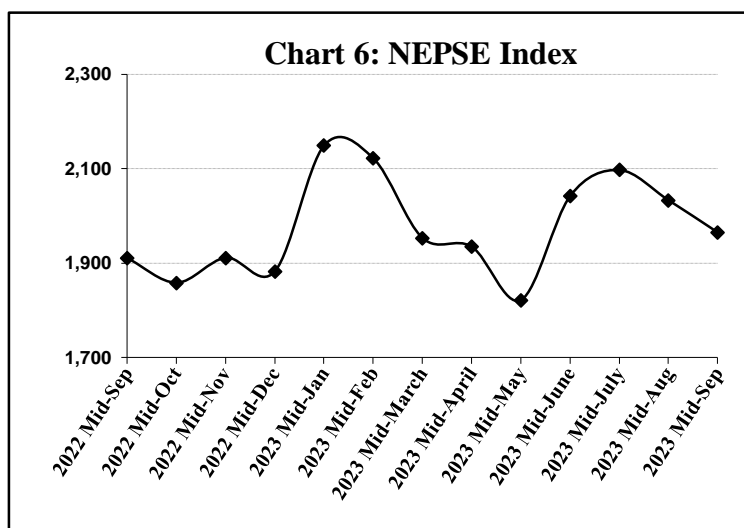
61. NEPSE index stood 1964.9 in mid-September 2023 compared to 1910.4 in mid-September 2022.

62. Stock market capitalization in mid-September 2023 stood Rs.2961.34 billion compared to Rs.2744.88 billion in mid-September 2022.

63. Number of companies listed at

NEPSE reached 255 in mid-September 2023. Out of the total listing, 132 are Bank and Financial Institutions (BFIs) and insurance companies, 82 hydropower companies, 20 manufacturing and processing industries, 7 hotels, 6 investment companies, 4 trading companies and 4 others. The number of companies listed at NEPSE were 239 in mid-September 2022.

64. Share of BFIs and insurance companies in stock market capitalization is 64.2 percent in mid-September 2023. Such a share of hydropower companies is 11.9 percent, investment companies 7.0 percent, manufacturing and processing industries 4.8 percent, hotels 3.3 percent, trading companies 0.6 percent and the share of other companies is 8.2 percent.



65. The paid-up value of 7.63 billion number of shares listed at NEPSE stood Rs.753.36 billion in mid-September 2023.
66. Securities worth Rs.19.35 billion were listed at NEPSE during the second month of 2023/24. Such securities comprise ordinary share worth Rs.17.32 billion, right share worth Rs.1.20 and bonus shares worth Rs.826.05 million.
67. Securities Board of Nepal approved the total public issuance of securities worth Rs.4.75 billion in the review period which includes ordinary share worth Rs.2.05 billion, mutual fund worth Rs.1.50 billion, and debenture worth Rs.1.20 billion.