



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

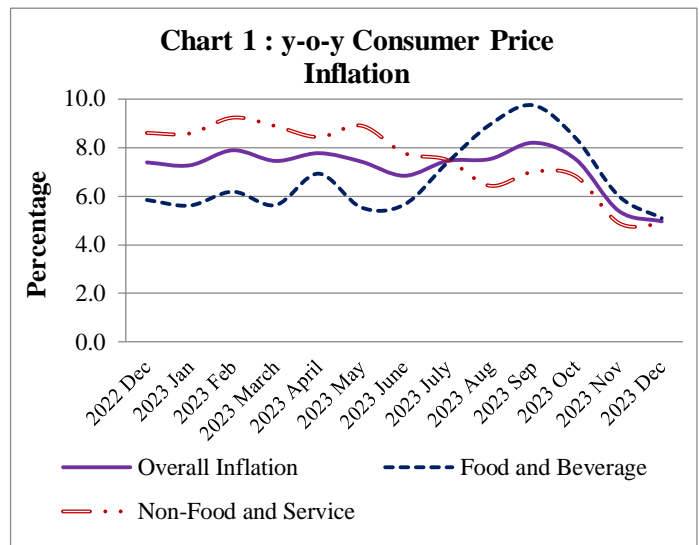
**Major Highlights**

- *CPI-based Inflation remained 4.95 percent on y-o-y basis.*
- *Imports decreased 3.4 percent, exports decreased 6.1 percent and trade deficit decreased 3.1 percent.*
- *Remittances increased 27.6 percent in NPR terms and 24.5 percent in USD terms.*
- *Balance of Payments remained at a surplus of Rs.210.59 billion.*
- *Gross foreign exchange reserves stood at NPR 1767.04 billion and 13.31 billion in USD terms.*
- *Nepal Government expenditure amounted to Rs.453 billion and revenue collection Rs.363.43 billion.*
- *Broad money (M2) increased 4.7 percent. On y-o-y basis, M2 expanded 14.4 percent.*
- *Deposits at BFIs increased 4.6 percent and private sector credit increased 2.3 percent. On y-o-y basis, deposits increased 15 percent and private sector credit increased 4.5 percent.*

**Inflation**

**Consumer Price Inflation (CPI)**

1. The y-o-y consumer price inflation moderated to 4.95 percent in mid-December 2023 compared to 7.38 percent a year ago. Food and beverage category inflation stood at 5.10 percent whereas non-food and service category inflation stood at 4.84 percent in the review month.
2. Moderating y-o-y prices of commodities under ghee & oil, vegetables and meat & fish sub-categories coupled with two downward adjustments of petroleum product prices by Nepal Oil Corporation and decline in prices of vegetables, fruits,



spices and sugar compared to the previous month contributed to the subdued inflationary pressure in the review month. During the review month, the y-o-y import price index declined by 3.3 percent. This was accompanied by moderating growth rates in both the salary and wage rate index and the wholesale price index which also contributed to a decline in consumer price inflation.

3. **Under the Food and Beverage Category**, y-o-y price index of ghee & oil, vegetable and meat & fish sub-category decreased 13.66 percent, 8.37 percent and 0.13 percent respectively in the review month. The y-o-y price index of spices sub-category increased 37.22 percent, fruit 13.37 percent, sugar & sugar products 13.24 percent, cereal grains & their products 11.30 percent, milk products & eggs 10.59 percent and pulses & legumes 10.56 percent.
4. **Under the Non-Food and Services Category**, y-o-y price index of transportation sub-category decreased 2.48 percent in the review month. The y-o-y price index of recreation & culture sub-category increased 12.84 percent, miscellaneous goods & services 11.03 percent, education 8.92 percent, furnishing & household equipment 5.24 percent and clothes & footwear 4.96 percent.
5. The y-o-y consumer price inflation in the Kathmandu Valley, Terai, Hill and Mountain region stood at 5.42 percent, 4.26 percent, 5.42 percent and 7.46 percent respectively in the review month. Such inflation in these regions were 6.56 percent, 8.00 percent, 7.32 percent and 6.48 percent respectively a year ago.

<b>Table 1: y-o-y Consumer Price Inflation (Percent)</b>			
<b>Mid-Month</b>			
<b>Particulars</b>	<b>Nov/Dec 2022</b>	<b>Oct/Nov 2023</b>	<b>Nov/Dec 2023</b>
<b>Overall Inflation</b>	<b>7.38</b>	<b>5.38</b>	<b>4.95</b>
Food and Beverage	5.85	6.01	5.10
Non-food and Service	8.59	4.89	4.84

#### **Wholesale Price Inflation (WPI)**

6. The y-o-y wholesale price inflation stood at 2.63 percent in mid-December 2023 compared to 9.15 percent a year ago.
7. The y-o-y wholesale price index of consumption goods, intermediate goods and capital goods increased 4.46 percent, 1.68 percent and 2.52 percent respectively. The y-o-y wholesale price index of construction material decreased 0.66 percent in the review month.

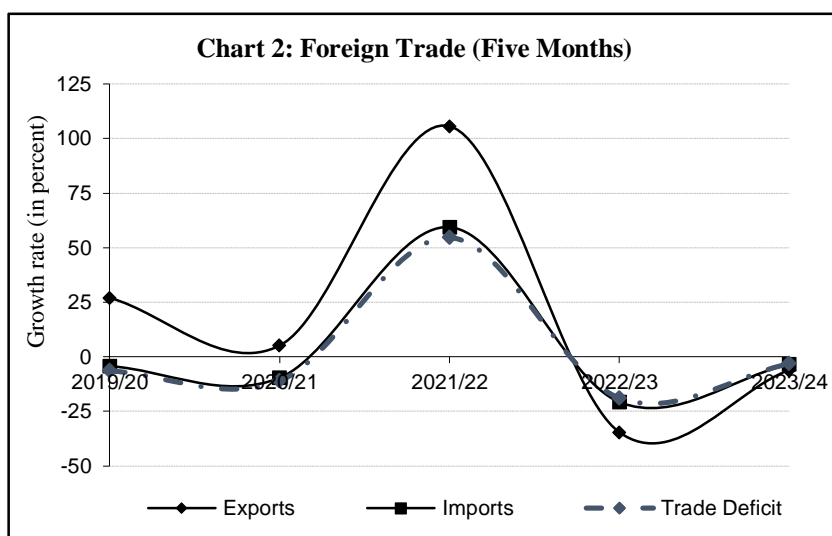
#### **Salary and Wage Rate Index (SWRI)**

8. The y-o-y salary and wage rate index increased 5.65 percent in mid-December 2023 compared to 9.73 percent a year ago. The y-o-y Salary index and Wage rate index increased 1.05 and 7.05 percent respectively in the review month.

## External Sector

### Merchandise Trade

9. During the review period, merchandise exports decreased 6.1 percent to Rs.63.21 billion compared to a decrease of 34.6 percent in the same period of the previous year. Destination-wise, exports to India decreased 11.3 percent whereas exports to China and other countries increased 322.3 percent and 2.3 percent respectively. Exports of zinc sheet, particle



board, juice, polyester yarn & thread, readymade garments, among others increased whereas exports of palm oil, soyabean oil, tea, woolen carpet, rosin, among others decreased.

10. In the review period, merchandise imports decreased 3.4 percent to Rs.642.21 billion compared to a decrease of 20.7 percent a year ago. Destination-wise, imports from India and other countries decreased 1.3 percent and 28.4 percent respectively while imports from China increased 32.8 percent. Imports of readymade garments, M.S. wire rod, bars, and coils, electrical equipment, textiles, aircraft spareparts, among others increased whereas imports of gold, crude soyabean oil, crude palm oil, petroleum products, rice/paddy, among others decreased.

11. Based on customs points, exports from Bhairahawa, Dry Port, Jaleswor, Krishnanagar, Mechi, Rasuwa, Tatopani and Tribhuvan 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, Krishnanagar, 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 3.1 percent to Rs.579 billion during the review period. Such a deficit had decreased 18.8 percent in the corresponding period of the previous year. The export-import ratio decreased to 9.8 percent in the review period from 10.1 percent in the corresponding period of the previous year.

13. During the review period, merchandise imports from India against payment in convertible foreign currency amounted Rs.63.66 billion. Such amount was Rs.50.20 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 55.5 percent and 44.3 percent of the total exports respectively, whereas the ratio of capital goods in total exports remained negligible at 0.3 percent in the review period. In the same period of the previous year, the ratio of intermediate, capital and final consumption goods remained 53.4 percent, 0.05 percent and 46.5 percent of total exports respectively.

15. On the imports side, the share of intermediate goods remained 49.1 percent, capital goods 8.6 percent and final consumption goods 42.3 percent in the review period. Such ratios were 53.1 percent, 9.0 percent and 38.0 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 4.1 percent whereas the import price index decreased 3.3 percent. As a result, the terms of trade (ToT) index increased 7.6 percent in the review period.

### **Services**

17. Net services income remained at a deficit of Rs.26.93 billion in the review period compared to a deficit of Rs.30.96 billion in the same period of the previous year.
18. Under the service account, travel income increased 47.5 percent to Rs.33.95 billion in the review period which was Rs.23.01 billion in the same period of the previous year.
19. Under the service account, travel payments increased 59.5 percent to Rs.75.73 billion, including Rs.47.35 billion for education. Such payments were Rs.47.48 billion and Rs.28.81 billion respectively in the same period of the previous year.

### **Remittances**

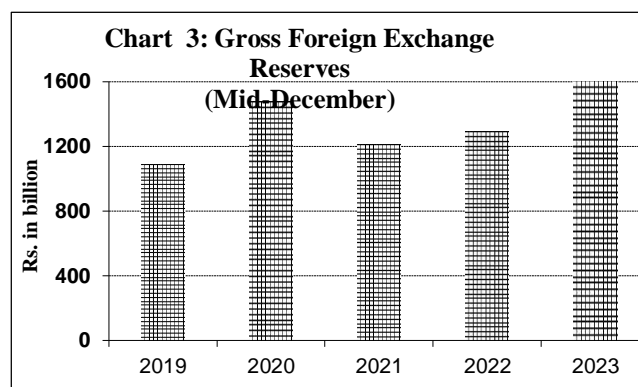
20. Remittance inflows increased 27.6 percent to Rs.613.25 billion in the review period compared to an increase of 23.0 percent in the same period of the previous year. In the US Dollar terms, remittance inflows increased 24.5 percent to 4.62 billion in the review period compared to an increase of 13.1 percent in the same period of the previous year.
21. In the review period, the number of Nepali workers, both institutional and individual, taking first-time approval for foreign employment stands at 173,555 and taking approval for renew entry stands at 104,037. In the previous year, such numbers were 236,779 and 115,948 respectively.
22. Net transfer increased 26.3 percent to Rs.669.74 billion in the review period. Such a transfer had increased 21.6 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.140.23 billion in the review period against a deficit of Rs.41.21 billion in the same period of the previous year. In the US Dollar terms, the current account registered a surplus of 1.05 billion in the review period against a deficit of 322.2 million in the same period last year.
24. In the review period, capital transfer decreased 17.2 percent to Rs.2.87 billion and net foreign direct investment (FDI) remained a positive of Rs.3.92 billion. In the same period of the previous year, capital transfer amounted to Rs.3.47 billion and net FDI amounted to Rs.604.9 million.
25. Balance of Payments (BOP) remained at a surplus of Rs.210.59 billion in the review period against a surplus of Rs.45.87 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 1.58 billion in the review period against a surplus of 346.8 million in the same period of the previous year.

## Foreign Exchange Reserves

26. Gross foreign exchange reserves increased 14.8 percent to Rs.1767.04 billion in mid-December 2023 from Rs.1539.36 billion in mid-July 2023. In the US dollar terms, the gross foreign exchange reserves increased 13.6 percent to 13.31 billion in mid-December 2023 from 11.71 billion in mid-July 2023.



27. Of the total foreign exchange reserves, reserves held by NRB increased 15.6 percent to Rs.1556.25 billion in mid-December 2023 from Rs.1345.78 billion in mid-July 2023. Reserves held by banks and financial institutions (except NRB) increased 8.9 percent to Rs.210.79 billion in mid-December 2023 from Rs.193.59 billion in mid-July 2023. The share of Indian currency in total reserves stood at 21.6 percent in mid-December 2023.

## Foreign Exchange Adequacy Indicators

28. Based on the imports of five months of 2023/24, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 14.1 months, and merchandise and services imports of 11.8 months. The ratio of reserves-to-GDP, reserves-to-imports and reserves-to-M2 stood at 32.8 percent, 98.3 percent and 27.5 percent respectively in mid-December 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 decreased 6.7 percent to US dollar 76.84 per barrel in mid-December 2023 from US dollar 82.34 per barrel a year ago. The price of gold increased 14.5 percent to US dollar 2041.35 per ounce in mid-December 2023 from US dollar 1783.55 per ounce a year ago.

## Exchange Rate

30. Nepalese currency vis-à-vis the US dollar depreciated 1.01 percent in mid-December 2023 from mid-July 2023. It had depreciated 3.14 percent in the same period of the previous year. The buying exchange rate per US dollar stood at Rs.132.51 in mid-December 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.453 billion during the five months of 2023/24. Compared to the growth of 12.4

Particulars	Amount (Rs. in Billion)			Percentage Change	
	2021/22	2022/23	2023/24	2022/23	2023/24
<b>Total Expenditure</b>	<b>387.03</b>	<b>435.21</b>	<b>453.00</b>	<b>12.4</b>	<b>4.1</b>
Recurrent Expenditure	317.33	354.26	360.00	11.6	1.6
Capital Expenditure	28.40	33.99	36.06	19.7	6.1
Financial Management	41.30	46.96	56.94	13.7	21.2
<b>Total Revenue</b>	<b>412.40</b>	<b>326.89</b>	<b>363.43</b>	<b>-20.7</b>	<b>11.2</b>
Tax Revenue	380.23	301.46	337.19	-20.7	11.8
Non-Tax Revenue	32.17	25.43	26.24	-21.0	3.2

Source: Financial Comptroller General Office

percent in the last fiscal year, government expenditure increased by 4.1 percent only in the review period. The recurrent expenditure, capital expenditure and financial expenditure amounted to Rs.360 billion, Rs.36.06 billion and Rs.56.94 billion respectively in the review period.

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.363.43 billion. Revenue mobilization recorded a growth of 11.2 percent in the review period in contrast to decrease of 20.7 percent in the same period of last fiscal year. The tax revenue amounted Rs.337.19 billion and non tax revenue Rs.26.24 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.187.86 billion (including Provincial Governments and Local Government Account) in mid-December 2023. Such balance was Rs.71.98 billion in mid-July 2023.

## Provincial Government

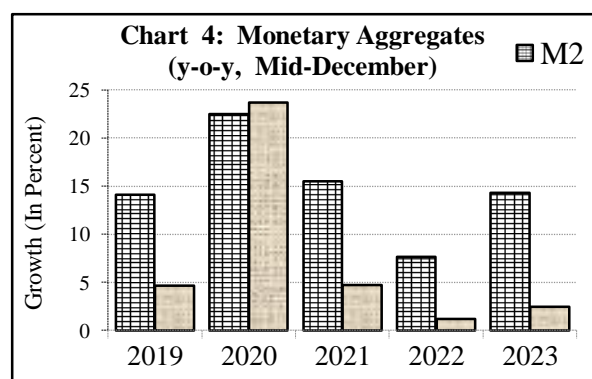
### Expenditure and Revenue

34. In the review period, total expenditure of provincial governments stood Rs.30.74 billion and resource mobilization stood Rs.70.26 billion respectively. The total resource mobilization of provincial governments includes the grants and revenue transferred from the Nepal Government amounting Rs.52.97 billion and revenue and other receipts of the provincial governments amounting Rs.17.29 billion in the review period.

## Monetary Situation

### Money Supply

35. Broad money (M2) increased 4.7 percent in the review period compared to an increase of 1.9 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 14.4 percent in mid-December 2023, compared to growth of 7.4 percent in the corresponding period of the previous year.



36. The net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased Rs.210.59 billion (14.8 percent) in the review period compared to an increase of Rs.45.87 billion (4.1 percent) in the corresponding period of the previous year.
37. Reserve money increased 1.6 percent in the review period compared to an increase of 2.1 percent in the corresponding period of the previous year. On y-o-y basis, reserve money increased 10.0 percent in mid-December 2023.

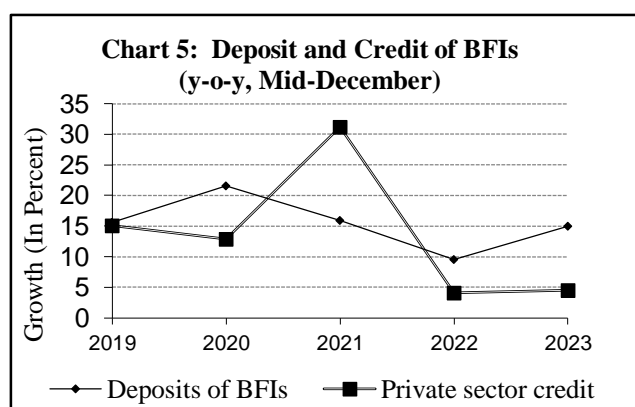
## Domestic Credit

38. Domestic credit increased 2.8 percent in the review period compared to an increase of 3.0 percent in the corresponding period of the previous year. On y-o-y basis, domestic credit increased 8.5 percent in mid-December 2023.
39. Monetary Sector's net claims on government decreased 3.2 percent in the review period in contrast to an increment of 3.2 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 26.4 percent in mid-December 2023.
40. Monetary Sector's claims on the private sector increased 3.8 percent in the review period compared to an increase of 3.1 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 5.3 percent in mid-December 2023.

## Deposit Mobilization

41. Deposits at Banks and Financial Institutions (BFIs) increased Rs.263.72 billion (4.6 percent) in the review period compared to an increase of Rs.111.15 billion (2.2 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 15.0 percent in mid-December 2023.
42. The share of demand, saving and fixed deposits in total deposits stood at 6.3 percent, 26.3 percent and 60.7 percent respectively in mid-December 2023. Such shares were 7.6 percent, 25.7 percent and 60.3 percent respectively a year ago.
43. The share of institutional deposits in total deposit of BFIs stood at 36.7 percent in mid-December 2023. Such a share was 37.2 percent in mid-December 2022.

Deposits	Mid-July		Mid-December	
	2022	2023	2022	2023
Demand	8.9	7.7	7.6	6.3
Saving	27.6	26.6	25.7	26.3
Fixed	55.8	58.9	60.3	60.7
Other	7.7	6.8	6.4	6.9



## Credit Disbursements

44. Private sector credit from BFIs increased Rs.110.06 billion (2.3 percent) in the review period compared to an increment of Rs.73.30 billion (1.6 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 4.5 percent in mid-December 2023.
45. The shares of private sector credit from BFIs to non-financial corporation and household stand at 63.1 percent and 36.9 percent respectively in mid-December 2023. Such shares were 64.1 percent and 35.9 percent a year ago.

46. In the review period, private sector credit from commercial banks, development banks and finance companies increased 2.3 percent, 2.2 percent and 0.9 percent respectively.
47. In the review period, out of the total outstanding credit of the BFIs, 11.6 percent is against the collateral of current assets (such as agricultural and non-agricultural products) and 67.7 percent against land and building. Such ratios were 12.3 percent and 66.8 percent respectively a year ago.
48. In the review period, outstanding loan of BFIs to the industrial production sector increased 6.3 percent, construction sector 8.1 percent, transportation, communication and public sector 4.5 percent, wholesale and retail sector 1.5 percent, service industry sector 3.3 percent and consumable sector 2.2 percent whereas agriculture sector loan decreased marginally by 0.1 percent .
49. In the review period, term loan extended by BFIs increased 10.3 percent, cash credit loan 14.5 percent, trust receipt (import) loan 14.5 percent, real estate loan (including residential personal home loan) 4.1 percent, and margin nature loan 6.4 percent whereas overdraft loan decreased 40.6 percent (mainly due to reclassification of loan from the last year) and hire purchase loan decreased 19.0 percent.

### **Liquidity Management**

50. In the review period, NRB availed total liquidity of Rs.290.71 billion to the BFIs on turnover basis, of which, Rs.1.20 billion was through standing liquidity facility (SLF) and Rs.289.51 billion through Overnight Liquidity Facility (OLF); whereas total liquidity of Rs.127.25 billion was absorbed through deposit collection auction. In the corresponding period of the previous year, Rs.3007.75 billion net amount of liquidity was injected through various instruments of open market operations including SLF.
51. In the review period, NRB injected liquidity of Rs.302.89 billion through the net purchase of USD 2.28 billion from foreign exchange market. Liquidity of Rs.274.35 billion was injected through the net purchase of USD 2.12 billion in the corresponding period of the previous year.
52. The NRB purchased Indian currency (INR) equivalent to Rs.180.86 billion through the sale of USD 1.36 billion in the review period. INR equivalent to Rs.235.34 billion was purchased through the sale of USD 1.82 billion 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-December 2023.
54. As of mid-December 2023, the outstanding concessional loan remained Rs.180.53 billion extended to 140,158 borrowers. Of which, Rs.126.25 billion has been extended to 57,416 borrowers for selected commercial agriculture and livestock businesses. Likewise, Rs.51.77 billion loan has been extended to 80,227 women entrepreneurs. Total 2,515 borrowers have availed Rs.2.50 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.211.8 million as of mid-December 2023.



## Inter-bank Transaction

56. In the review period, BFIs inter-bank transactions amounted Rs.2318.53 billion on turnover basis including Rs.2081.67 billion inter-bank transactions among commercial banks and Rs.236.86 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions was Rs.1653.86 billion including Rs. 1500.26 billion among commercial banks and Rs.153.60 billion among other financial institutions (excluding transactions among commercial banks).

## Interest Rates

57. The weighted average 91-days treasury bills rate remained at 3.53 percent in the Fifth month of 2023/24, which was 10.67 percent in the corresponding month a year ago. The weighted average inter-bank transaction rate among BFIs, which was 8.00 percent a year ago, decreased to 2.06 percent in the review month.

58. The average base rates of commercial banks, development banks and finance companies stood 9.64 percent, 11.64 percent and 13.14 percent respectively in the fifth month of 2023/24. The average base rate of commercial banks was 10.69 percent in the corresponding month a year ago.

59. Weighted average deposit rates of commercial banks, development banks and finance companies stood 7.62 percent, 8.79 percent and 9.85 percent respectively in the review month. Weighted average deposit rate of commercial banks was 8.46 percent a year ago. Likewise, the weighted average lending rate of commercial banks, development banks and finance companies stood 11.85 percent, 13.39 percent and 14.30 percent respectively in the review month. Such a rate of commercial banks was 12.74 percent in the corresponding month a year ago.

Types	Mid-December 2022	Mid-December 2023
91-days treasury bills rate	10.67	3.53
Inter-bank rate of BFIs	8.00	2.06
<b>Base rate</b>		
Commercial banks	10.69	9.64
Development banks	-	11.64
Finance companies	-	13.14
<b>Deposit rate</b>		
Commercial banks	8.46	7.62
Development banks	-	8.79
Finance companies	-	9.85
<b>Lending Rate</b>		
Commercial banks	12.74	11.85
Development banks	-	13.39
Finance companies	-	14.30

## Financial Access

60. The total number of BFIs licensed by NRB remained 112 in mid-December 2023 (Table 5). As of mid-December 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 11,570 in mid-December 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-December 2023	mid-July 2022	mid-July 2023	mid-December 2023
Commercial Banks	26	20	20	5009	5049	5022
Development Banks	17	17	17	1118	1128	1134
Finance Companies	17	17	17	267	284	288
Microfinance Financial Institutions	65	57	57	5134	5128	5126
Infrastructure Development Bank	1	1	1	-	-	-
<b>Total</b>	<b>126</b>	<b>112</b>	<b>112</b>	<b>11528</b>	<b>11589</b>	<b>11570</b>

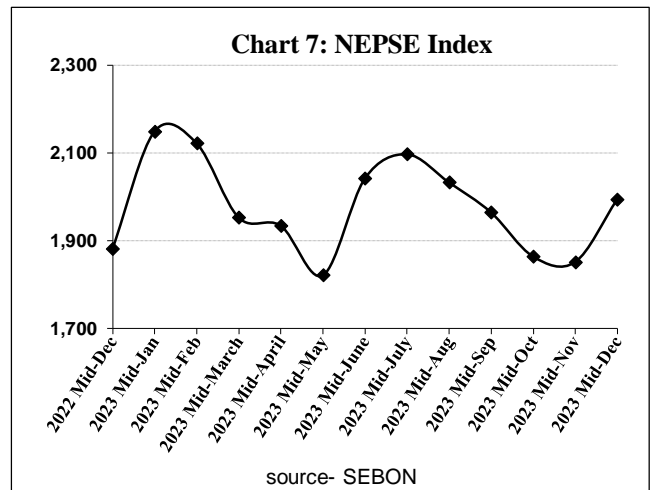
\*Updated information is available at <http://emap.nrb.org.np/>

## Capital Market

61. NEPSE index stood 1994.60 in mid-December 2023 compared to 1882.61 in mid-December 2022.

62. Stock market capitalization in mid-December 2023 stood Rs.3076.52 billion compared to Rs.2721.11 billion in mid-December 2022.

63. Number of companies listed at NEPSE reached 267 in mid-December 2023. Out of the total listing, 134 are Bank and Financial Institutions (BFIs) and insurance companies, 89 hydropower companies, 21 manufacturing and processing industries, 7 hotels, 7 investment companies, 4 trading companies and 5 others. The number of companies listed at NEPSE were 247 in mid-December 2022.



64. Share of BFIs and insurance companies in stock market capitalization is 62.3 percent in mid-December 2023. Such a share for hydropower companies is 13.5 percent, investment companies 7.2 percent, manufacturing and processing industries 5.0 percent, hotels 3.2 percent, trading companies 0.5 percent and the share of other companies is 8.3 percent.

65. The paid-up value of 7.93 billion shares listed at NEPSE stood Rs.786.25 billion in mid-December 2023.

66. Securities worth Rs.54.76 billion were listed at NEPSE during the five month of FY 2023/24. Such securities comprise ordinary share worth Rs.44.65 billion, right share worth Rs.6.10 billion, bonus shares worth Rs.3.98 billion and FPO worth Rs.30.23 million.

67. Securities Board of Nepal approved the total public issuance of securities worth Rs.16.51 billion in the review period which includes ordinary share worth Rs.8.51 billion, debenture worth Rs.4.40 billion, mutual fund worth Rs.2.50 billion, and right share worth Rs.1.10 billion.