



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

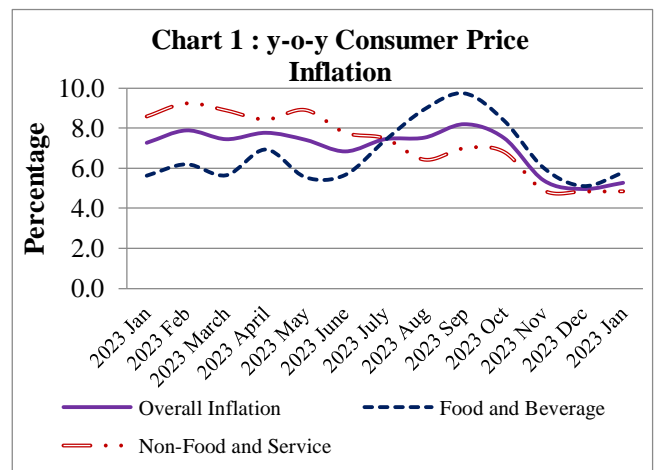
**Major Highlights**

- *CPI-based Inflation remained 5.26 percent on y-o-y basis.*
- *Imports decreased 3.1 percent, exports decreased 7.2 percent and trade deficit decreased 2.6 percent.*
- *Remittances increased 25.3 percent in NPR terms and 22.6 percent in USD terms.*
- *Balance of Payments remained at a surplus of Rs.273.52 billion.*
- *Gross foreign exchange reserves stood at NPR 1816.57 billion and 13.69 billion in USD terms.*
- *Nepal Government expenditure amounted to Rs.566.62 billion and revenue collection Rs.496.50 billion.*
- *Broad money (M2) increased 6.4 percent. On y-o-y basis, M2 expanded 14.3 percent.*
- *Deposits at BFIs increased 6.6 percent and private sector credit increased 4 percent. On y-o-y basis, deposits increased 14.9 percent and private sector credit increased 4.9 percent.*

**Inflation**

**Consumer Price Inflation (CPI)**

1. The y-o-y consumer price inflation moderated to 5.26 percent in mid-January 2024 compared to 7.26 percent a year ago. Food and beverage category inflation stood at 5.77 percent whereas non-food and service category inflation stood at 4.85 percent in the review month.
2. The y-o-y price index of ghee & oil, vegetables, meat & fish and transportation sub-categories exhibited a downward trend in mid-January 2024. Additionally, price index of spices and sugar & sugar products are also moderating. During the review month, the y-o-y import price index, salary and wage rate index and the wholesale price index also moderated. These factors contributed to a moderated 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 13.07 percent, 1.04 percent and 0.06 percent respectively in the review month. The y-o-y price index of spices sub-category increased 35.60 percent, cereal grains & their



products 11.38 percent, pulses & legumes 11.14 percent, milk products & eggs 10.29 percent and fruit 10.15 percent.

4. **Under the Non-Food and Services Category**, y-o-y price index of transportation sub-category decreased 1.62 percent in the review month. The y-o-y price index of recreation & culture sub-category increased 12.84 percent, miscellaneous goods & services 9.73 percent, education 8.92 percent, furnishing & household equipment 5.18 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 5.76 percent, 4.78 percent, 5.40 percent and 6.57 percent respectively in the review month. Such inflation in these regions were 6.93 percent, 7.49 percent, 7.30 percent and 6.69 percent respectively a year ago.

Mid-Month			
Particulars	Dec/Jan 2022/23	Nov/Dec 2023	Dec/Jan 2023/24
<b>Overall Inflation</b>	<b>7.26</b>	<b>4.95</b>	<b>5.26</b>
Food and Beverage	5.62	5.10	5.77
Non-food and Service	8.57	4.84	4.85

### Wholesale Price Inflation (WPI)

6. The y-o-y wholesale price inflation stood at 3.36 percent in mid-January 2024 compared to 9.82 percent a year ago.
7. The y-o-y wholesale price index of consumption goods, intermediate goods and capital goods increased 6.16 percent, 1.99 percent and 2.71 percent respectively. The y-o-y wholesale price index of construction material decreased 1.08 percent in the review month.

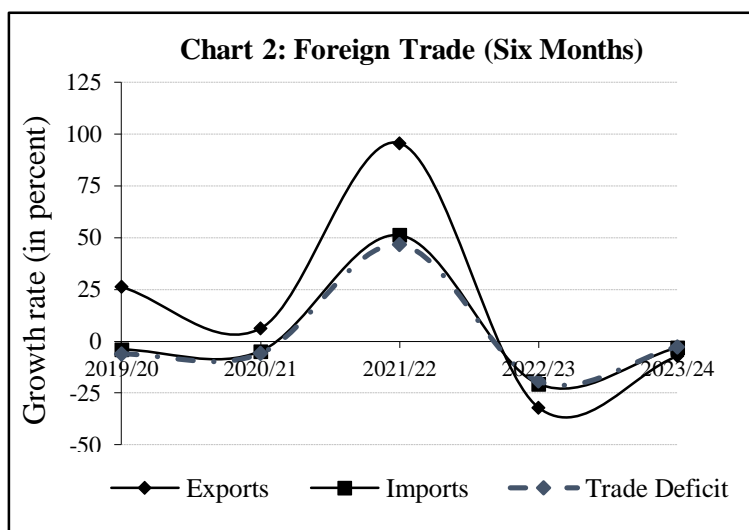
### Salary and Wage Rate Index (SWRI)

8. The y-o-y salary and wage rate index increased 5.56 percent in mid-January 2024 compared to 10.27 percent a year ago. The y-o-y Salary index and Wage rate index increased 1.05 and 6.92 percent respectively in the review month.

## External Sector

### Merchandise Trade

9. During the review period, merchandise exports decreased 7.2 percent to Rs.74.97 billion compared to a decrease of 32 percent in the same period of the previous year. Destination-wise, exports to India decreased 12.8 percent whereas exports to China and other countries increased 370.9 percent and 1.3 percent respectively. Exports of zinc sheet, particle board, juice, readymade garments, ginger 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 3.1 percent to Rs.768.17 billion compared to a decrease of 20.7 percent a year ago. Destination-wise, imports from India and other countries decreased 2.4 percent and 25.7 percent respectively while imports from China increased 34 percent. Imports of readymade garments, electrical equipment, M.S. wire rod, bars, and coils, textiles, transport equipment, vehicle and other vehicle spare parts, among others increased whereas imports of gold, crude soyabean oil, crude palm oil, rice/paddy, petroleum products, among others decreased.
11. Based on customs points, exports from Bhairahawa, Dry Port, Jaleswor, Kanchanpur, Krishnanagar, Mechi, Nepalgunj, 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 2.6 percent to Rs.693.20 billion during the review period. Such a deficit had decreased 19.2 percent in the corresponding period of the previous year. The export-import ratio declined to 9.8 percent in the review period from 10.2 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.76.25 billion. Such amount was Rs.60.56 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 55.9 percent and 43.9 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 54.2 percent, 0.05 percent and 45.8 percent of total exports respectively.
15. On the imports side, the share of intermediate goods remained 49.2 percent, capital goods 8.7 percent and final consumption goods 42.1 percent in the review period. Such ratios were 53.1 percent, 8.8 percent and 38.1 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 5.7 percent whereas the import price index decreased 2.8 percent. As a result, the terms of trade (ToT) index increased 8.7 percent in the review period.

#### **Services**

17. Net services income remained at a deficit of Rs.36.06 billion in the review period compared to a deficit of Rs.36.22 billion in the same period of the previous year.
18. Under the service account, travel income increased 44.4 percent to Rs.39.56 billion in the review period which was Rs.27.40 billion in the same period of the previous year.
19. Under the service account, travel payments increased 60.6 percent to Rs.92.87 billion, including Rs.58.95 billion for education. Such payments were Rs.57.82 billion and Rs.35.36 billion respectively in the same period of the previous year.

## Remittances

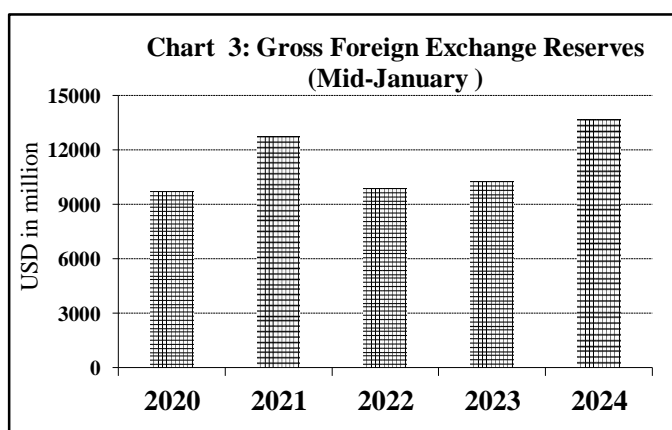
20. Remittance inflows increased 25.3 percent to Rs.733.22 billion in the review period compared to an increase of 24.3 percent in the same period of the previous year. In the US Dollar terms, remittance inflows increased 22.6 percent to 5.52 billion in the review period compared to an increase of 13.9 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 207,970 and taking approval for renew entry stands at 135,435. In the previous year, such numbers were 275,643 and 142,548 respectively.
22. Net transfer increased 24 percent to Rs.799.51 billion in the review period. Such a transfer had increased 22.7 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.161.62 billion in the review period against a deficit of Rs.35.57 billion in the same period of the previous year. In the US Dollar terms, the current account registered a surplus of 1.21 billion in the review period against a deficit of 279.6 million in the same period last year.
24. In the review period, capital transfer decreased 30 percent to Rs.3.11 billion and net foreign direct investment (FDI) remained a positive of Rs.4.53 billion. In the same period of the previous year, capital transfer amounted to Rs.4.43 billion and net FDI amounted to Rs.749.4 million.
25. Balance of Payments (BOP) remained at a surplus of Rs.273.52 billion in the review period against a surplus of Rs.92.15 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 2.06 billion in the review period against a surplus of 697.4 million in the same period of the previous year.

## Foreign Exchange Reserves

26. Gross foreign exchange reserves increased 18.0 percent to Rs.1816.57 billion in mid-January 2024 from Rs.1539.36 billion in mid-July 2023. In the US dollar terms, the gross foreign exchange reserves increased 16.9 percent to 13.69 billion in mid-January 2024 from 11.71 billion in mid-July 2023.



27. Of the total foreign exchange reserves, reserves held by NRB increased 18.9 percent to Rs.1600.23 billion in mid-January 2024 from Rs.1345.78 billion in mid-July 2023. Reserves held by banks and financial institutions (except NRB) increased 11.8 percent to Rs.216.35 billion in mid-January 2024 from Rs.193.59 billion in mid-July 2023. The share of Indian currency in total reserves stood at 22.5 percent in mid- January 2024.

## Foreign Exchange Adequacy Indicators

28. Based on the imports of six months of 2023/24, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 14.5 months, and merchandise and services imports of 12.1 months. The ratio of reserves-to-GDP, reserves-to-imports and reserves-

to-M2 stood at 33.8 percent, 100.9 percent and 27.7 percent respectively in mid-January 2024. Such ratios were 28.6 percent, 83 percent and 25 percent respectively in mid-July 2023.

### Price of Oil and Gold

29. The price of oil (Crude Oil Brent) in the international market decreased 4.2 percent to US dollar 79.89 per barrel in mid-January 2024 from US dollar 83.43 per barrel a year ago. The price of gold increased 5.6 percent to US dollar 2013.20 per ounce in mid-January 2024 from US dollar 1907.15 per ounce a year ago.

### Exchange Rate

30. Nepalese currency vis-à-vis the US dollar depreciated 0.91 percent in mid-January 2024 from mid-July 2023. It had depreciated 1.79 percent in the same period of the previous year. The buying exchange rate per US dollar stood at Rs.132.38 in mid-January 2024 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.566.62 billion during the six months of 2023/24. Compared to the growth of 13.7 percent

Particulars	Amount (Rs. in Billion)			Percentage Change	
	2021/22	2022/23	2023/24	2022/23	2023/24
<b>Total Expenditure</b>	<b>506.69</b>	<b>576.35</b>	<b>566.62</b>	<b>13.7</b>	<b>-1.7</b>
<i>Recurrent Expenditure</i>	406.41	455.13	437.38	12.0	-3.9
<i>Capital Expenditure</i>	50.81	53.46	49.24	5.2	-7.9
<i>Financial Management</i>	49.47	67.77	80.00	37.0	18.1
<b>Total Revenue</b>	<b>542.05</b>	<b>458.99</b>	<b>496.50</b>	<b>-15.3</b>	<b>8.2</b>
<i>Tax Revenue</i>	493.99	405.27	443.55	-18.0	9.4
<i>Non-Tax Revenue</i>	48.06	53.72	52.95	11.8	-1.4

Source: Financial Comptroller General Office

in the last fiscal year, government expenditure decreased by 1.7 percent in the review period. The recurrent expenditure, capital expenditure and financial expenditure amounted to Rs.437.38 billion, Rs.49.24 billion and Rs.80 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.496.50 billion. Revenue mobilization recorded a growth of 8.2 percent in the review period in contrast to decrease of 15.3 percent in the same period of last fiscal year. The tax revenue amounted Rs.443.55 billion and non tax revenue Rs.52.95 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.236.71 billion (including Provincial Governments and Local Government Account) in mid-January 2024. Such balance was Rs.65.36 billion in mid-July 2023.

## Provincial Government

### Expenditure and Revenue

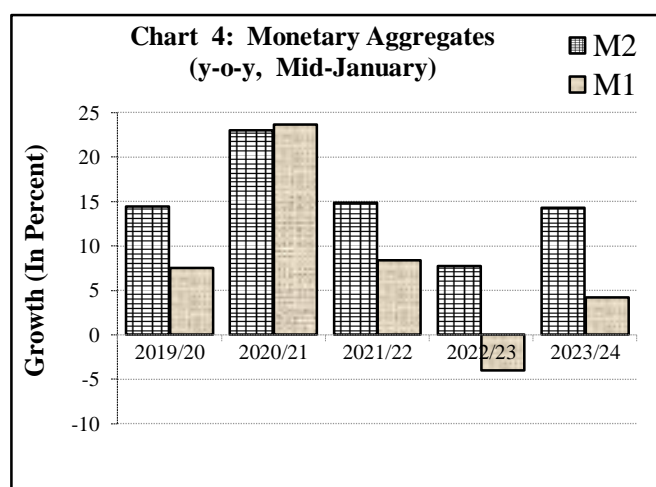
34. In the review period, total expenditure of provincial governments stood Rs.40.88 billion and resource mobilization stood Rs.86.05 billion respectively. The total resource mobilization of provincial governments includes the grants and revenue transferred from the Nepal Government amounting Rs.64.41 billion and revenue and other receipts of the provincial governments amounting Rs.21.64 billion in the review period.

### Monetary Situation

#### Money Supply

35. Broad money (M2) increased 6.4 percent in the review period compared to an increase of 3.5 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 14.3 percent in mid-January 2024.

36. The net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased Rs.273.52 billion (18.8 percent) in the review period compared to an increase of Rs.92.15 billion (8.0 percent) in the corresponding period of the previous year.



37. Reserve money increased 1.2 percent in the review period compared to an increase of 2.8 percent in the corresponding period of the previous year. On y-o-y basis, reserve money increased 8.6 percent in mid-January 2024.

### Domestic Credit

38. Domestic credit increased 2.6 percent in the review period compared to an increase of 2.8 percent in the corresponding period of the previous year. On y-o-y basis, domestic credit increased 8.6 percent in mid-January 2024.

39. Monetary Sector's net claims on government decreased 8.4 percent in the review period in contrast to an increment of 1.6 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 22.1 percent in mid-January 2024.

40. Monetary Sector's claims on the private sector increased 4.5 percent in the review period compared to an increase of 3.3 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 5.8 percent in mid-January 2024.

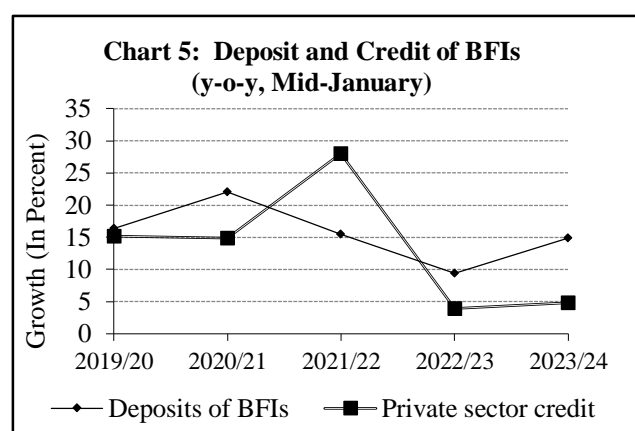
Deposits	Mid-July		Mid-January	
	2022	2023	2023	2024
Demand	8.9	7.7	7.8	6.8
Saving	27.6	26.6	25.6	26.8
Fixed	55.7	58.8	60.3	59.9
Other	7.8	6.8	6.3	6.6

## Deposit Mobilization

41. Deposits at Banks and Financial Institutions (BFIs) increased Rs.377.07 billion (6.6 percent) in the review period compared to an increase of Rs.215.14 billion (4.2 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 14.9 percent in mid-January 2024.
42. The share of demand, saving and fixed deposits in total deposits stood at 6.8 percent, 26.8 percent and 59.9 percent respectively in mid-January 2024. Such shares were 7.8 percent, 25.6 percent and 60.3 percent respectively a year ago.
43. The share of institutional deposits in total deposit of BFIs stood at 36.6 percent in mid-January 2024. Such a share was 36.6 percent also in mid-January 2023.

## Credit Disbursements

44. Private sector credit from BFIs increased Rs.192.64 billion (4.0 percent) in the review period compared to an increment of Rs.137.33 billion (3.0 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 4.9 percent in mid-January 2024.



45. The shares of private sector credit from BFIs to non-financial corporation and household stand at 63.2 percent and 36.8 percent respectively in mid-January 2024. Such shares were 64.9 percent and 35.1 percent a year ago.
46. In the review period, private sector credit from commercial banks, development banks and finance companies increased 4.0 percent, 4.4 percent and 2.4 percent respectively.
47. In the review period, out of the total outstanding credit of the BFIs, 11.4 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 12.2 percent and 67.2 percent respectively a year ago.
48. In the review period, outstanding loan of BFIs to the agriculture sector loan increased 1.1 percent, production sector 8.0 percent, construction sector 4.1 percent, transportation, communication and public sector 10.6 percent, wholesale and retail sector 2.0 percent, service industry sector 4.5 percent and consumable sector 7.0 percent .
49. In the review period, term loan extended by BFIs increased 13.2 percent, cash credit loan 27.5 percent, trust receipt (import) loan 5.8 percent, real estate loan (including residential personal home loan) 4.7 percent, and margin nature loan 10.5 percent whereas overdraft loan decreased 41.0 percent (mainly due to reclassification of loan from the last year) and hire purchase loan decreased 19.9 percent.

## **Liquidity Management**

50. In the review period, NRB provided a total liquidity of Rs.515.11 billion to the BFIs on a turnover basis, of which, Rs.1.20 billion was availed through standing liquidity facility (SLF) and Rs.513.91 billion through Overnight Liquidity Facility (OLF); whereas a total liquidity of Rs.315.55 billion was absorbed through deposit collection auction. In the corresponding period of the previous year, Rs.3099.46 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.366.14 billion through the net purchase of USD 2.76 billion from foreign exchange market. Liquidity of Rs.358.90 billion was injected through the net purchase of USD 2.76 billion in the corresponding period of the previous year.
52. The NRB purchased Indian currency (INR) equivalent to Rs.242.08 billion through the sale of USD 1.82 billion in the review period. INR equivalent to Rs.296.22 billion was purchased through the sale of USD 2.28 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.948.5 million in mid-January 2024.
54. As of mid-January 2024, the outstanding concessional loan remained Rs.155.40 billion extended to 133,174 borrowers. Of which, Rs.104.73 billion has been extended to 52,872 borrowers for selected commercial agriculture and livestock businesses. Likewise, Rs.48.60 billion loan has been extended to 77,918 women entrepreneurs. Total 2,384 borrowers have availed Rs.2.07 billion concessional loan in other specified sectors.
55. Business continuity loan was 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'. No outstanding loan extended under this provision as of mid-January 2024.

## **Inter-bank Transaction**

56. In the review period, BFIs inter-bank transactions amounted Rs.2574.20 billion on a turnover basis including Rs.2316.98 billion inter-bank transactions among commercial banks and Rs.257.22 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions was Rs.2025.12 billion including Rs. 1843.08 billion among commercial banks and Rs.182.04 billion among other financial institutions (excluding transactions among commercial banks).



## Interest Rates

57. The weighted average 91-days treasury bills rate remained at 3.37 percent in the sixth month of 2023/24, which was 10.89 percent in the corresponding month a year ago. The weighted average inter-bank transaction rate among BFIs, which was 7.53 percent a year ago, decreased to 2.86 percent in the review month.

58. The average base rates of commercial banks, development banks and finance companies stood 9.35 percent, 11.49 percent and 12.77 percent respectively in the sixth month of 2023/24. The average base rate of commercial banks was 10.91 percent in the corresponding month a year ago.

59. Weighted average deposit rates of commercial banks, development banks and finance companies stood 7.32 percent, 8.55 percent and 9.62 percent respectively in the review month. Weighted average deposit rate of commercial banks was 8.51 percent a year ago. Likewise, the weighted average lending rate of commercial banks, development banks and finance companies stood 11.38 percent, 13.14 percent and 14.09 percent respectively in the review month. Such a rate of commercial banks was 12.79 percent in the corresponding month a year ago.

Types	Mid-January 2023	Mid-January 2024
91-days treasury bills rate	10.89	3.37
Inter-bank rate of BFIs	7.53	2.86
<b>Base rate</b>		
Commercial banks	10.91	9.35
Development banks	-	11.49
Finance companies	-	12.77
<b>Deposit rate</b>		
Commercial banks	8.51	7.32
Development banks	-	8.55
Finance companies	-	9.62
<b>Lending Rate</b>		
Commercial banks	12.79	11.38
Development banks	-	13.14
Finance companies	-	14.09

## Financial Access

60. The total number of BFIs licensed by NRB remained 112 in mid-January 2024 (Table 5). As of mid-January 2024, 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-January 2024 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-January 2024	mid-July 2022	mid-July 2023	mid-January 2024
Commercial Banks	26	20	20	5009	5049	5019
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>11567</b>

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

## Capital Market

61. NEPSE index stood 2120.62 in mid-January 2024 compared to 2149.39 in mid-January 2023.

62. Stock market capitalization in mid-January 2024 stood Rs.3330.75 billion compared to Rs.3103.16 billion in mid-January 2023.

63. Number of companies listed at NEPSE reached 271 in mid-January 2024. Out of the total listing, 134 are Bank and Financial Institutions (BFIs) and insurance companies, 91 hydropower companies, 21 manufacturing and processing industries, 7 hotels, 7 investment companies, 4 trading companies and 7 others. The number of companies listed at NEPSE were 249 in mid-January 2023.

64. Share of BFIs and insurance companies in stock market capitalization is 58.6 percent in mid-January 2024. Such a share for hydropower companies is 15.3 percent, investment companies 7.7 percent, manufacturing and processing industries 5.4 percent, hotels 3.1 percent, trading companies 0.5 percent and the share of other companies is 9.5 percent.

65. The paid-up value of 8.17 billion shares listed at NEPSE stood Rs.809.83 billion in mid-January 2024.

66. Securities worth Rs.80.61 billion were listed at NEPSE during the six month of FY 2023/24. Such securities comprise ordinary share worth Rs.64.95 billion, bonus shares worth Rs.9.53 billion, right share worth Rs.6.10 billion, and FPO worth Rs.30.23 million.

67. Securities Board of Nepal approved the total public issuance of securities worth Rs.24.78 billion in the review period which includes ordinary share worth Rs.9.80 billion, debenture worth Rs.6.02 billion, right share worth Rs.5.46 billion and mutual fund worth Rs.3.50 billion.

