Unofficial Translation

Monetary Policy for 2015/16

Nepal Rastra Bank
Central Office
Baluwatar, Kathmandu

Monetary Policy for
2015/16

Delivered by Governor Dr. Chiranjibi Nepal
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ACRONYMS

BFIs	=	Banks and Financial Institutions
BOP	=	Balance of Payments
CBS	=	Central Bureau of Statistics
CPI	=	Consumer Price Index
CRR	=	Cash Reserve Ratio
EWS	=	Early Warning System
FSDS	=	Financial Sector Development Strategy
FY	=	Fiscal Year
GDP	=	Gross Domestic Product
GoN	=	Government of Nepal
IMF	=	International Monetary Fund
INR	=	Indian Rupee
LC	=	Letter of Credit
LMFF	=	Liquidity Monitoring and Forecasting Framework
M1	=	Narrow Money Supply
M2	=	Broad Money Supply
MFIs	=	Microfinance Institutions
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange
NFRS	=	Nepal Financial Reporting Standard
NPL	=	Non Performing Loan
NRB	=	Nepal Rastra Bank
OMO	=	Open Market Operation
PCA	=	Prompt Corrective Action
PDNA	=	Post Disaster Need Assessment
RBB	=	Rastriya Banijya Bank
RTGS	=	Real Time Gross Settlement
SLF	=	Standing Liquidity Facility
SLR	=	Statutory Liquidity Ratio
USD	=	US Dollar
VAT	=	Value Added Tax
y-o-y	=	year on year

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Background

1. The devastating earthquake of 25 April 2015 and the subsequent aftershocks have caused an enormous loss of lives and properties. More than 8,800 people lost their lives and more than 22,000 were injured in the earthquake. According to the Post Disaster Needs Assessment (PDNA) report by the Government of Nepal (GoN), the earthquake has caused a total loss of Rs. 706 billion. Nepal Rastra Bank (NRB) pays deep tributes to those losing lives in the natural disaster and wishes for the speedy recovery of injured sisters and brothers.

2. The NRB, keeping in view the risk of the banking service disruption, made necessary provisions for smooth operation immediately after the earthquake. A number of situation easing measures such as the simplified provision of computing the reserve requirement, interest free refinancing facility to banks and financial institutions (BFIs) aimed at promoting the housing loan at a 2 percent concessional interest to the earthquake affected families, and the transfer of money only to the Prime Minister's Disaster Relief Fund by earmarking the funds collected in the accounts opened for the relief of the earthquake victims were introduced. This last provision was intended to provide the relief amount, given by individuals and organization from home and abroad, to the real victims. Additional provisions were also made for restructuring and rescheduling the loans of the earthquake affected borrowers, and allowing victims to open bank account with their earthquake victim identity card in case they have lost their citizenship certificate in the disaster.

3. The April 25 earthquake has posed challenges in maintaining macroeconomic stability as envisaged in the Nepal Rastra Bank Act, 2002. The monetary policy for 2015/16 aims at maintaining price as well as financial stability along with achieving balance of payments surplus so as to support the overall economic development of the country. The monetary policy focuses on supporting the economy and buttress the post-earthquake reconstruction process through a competitive, inclusive and production oriented financial development.

4. Though the macroeconomic indicators relating to price, credit disbursement, deposit collection and external sector remained in good shape, the economy saw a growth squeeze in 2014/15. The growth contraction is attributed to the fall in the production of major crops owing to unfavorable weather, and a slowdown in the production and service sector activities in the aftermath of the earthquake.

5. Inflation remained moderate in the review year due to the decline in the price of the petroleum products, improvement in the neighboring country's price level, and the efforts of this bank to keep the monetary aggregates at the desired level. The external sector showed a mixed trend. Despite the widening trade deficit, the balance of payments (BOP) surplus stood at a higher level than expected. The efforts to channelize remittance inflow through formal channels as well as the

increased inflow of remittances after the earthquake have attributed to the BOP surplus. Though the banking system experienced an excess liquidity in the review year, stock market and real estate performed normal. The Nepalese currency remained slightly weaker against the USD and other convertible currencies in the later part of the year.

6. The fiscal year 2015/16 is considered to be important in devising the long-term development course of the country. This is followed by the expectations of the promulgation of new constitution along with the efforts to rejuvenate the earthquake embattled economy. The investment climate is expected to be favorable due to the ease in the political transition as well as the implementation of the timely announced government’s budget. These along with the expected improvement in agriculture output citing the opportune monsoon are assumed to be supportive in attaining the government’s targeted economic growth of 6 percent in 2015/16.

7. The monetary management needs to consider the effect of the reconstruction oriented government budget and the private sector investment on the price and the external sector stability. Likewise, it is necessary to appropriately manage the existing excess liquidity in the banking system in order to support the reconstruction and the investment promotion. Equally important is to consider the potential negative impacts on the financial stability arising from the damage of the BFIs’ loan projects due to the earthquake. Hence, this monetary policy aims at supporting the recovery of the earthquake beleaguered economy and facilitating the targeted economic growth by keeping the fundamental objective of maintaining macroeconomic stability at the center.

8. This policy is formulated on the basis of the analysis of the overall economic and financial situation, internal and external economic outlook, economic challenges emanating from the earthquake, implementation status of the previous monetary policy, and priorities of the government's budget for 2015/16. In addition, this policy duly considers suggestions from Nepal Bankers’ Association, Development Bankers’ Association, Finance Company Association, Microfinance Bankers’ Association, industrialists, business community, and other stakeholders.

World Economic Outlook

9. The economic activities are expected to improve in the advanced economies and to contract in the emerging and developing economies in 2015. According to the July edition of the World Economic Outlook published by the International Monetary Fund (IMF), world output growth is projected 3.3 percent in 2015 compared to 3.4 percent last year. The economic growth of the United States is projected at 2.5 percent in 2015 compared to a 2.4 percent in 2014. Similarly, Euro area and Japanese economy are projected to grow at the rate of 1.5 percent and 0.8 percent respectively in 2015. Euro economy expanded by 0.8 percent, whereas the Japanese economy contracted by 0.1 percent in 2014.

10. According to the IMF, the emerging and developing economies are projected to expand by 4.2 percent in 2015 compared to 4.6 percent in 2014. Similarly, economic growth rate in low income countries is projected to contract in 2015. The

economy of these countries is projected to expand by 5.1 percent in 2015 compared to 6.0 percent in 2014. Economic growth rates in the neighboring countries, India and China, are projected to be at 7.5 percent and 6.8 percent respectively in 2015. These countries had attained growth of 7.3 percent and 7.4 percent respectively in 2014. World trade volume, which increased by 3.2 percent in 2014, is projected to grow by 4.1 percent in 2015.

11. The advanced economies are expected to experience zero inflation in 2015 owing to the fall in oil price and weak domestic demand. Inflation rate in such countries was 1.4 percent in 2014. The inflation in emerging and developing countries is projected to be 5.5 percent in 2015 compared to 5.1 percent in 2014. According to the projections made by the IMF in April 2015, inflation rate of India and China is expected to remain at 6.1 percent and 1.2 percent respectively.

Domestic Economic Situation

12. The GDP growth remained lower in 2014/15 compared to the previous year because of the contraction in the growth rate of agriculture sector due to delayed monsoon and the negative impact of the April 25 earthquake and subsequent aftershocks. According to the preliminary estimates of the Central Bureau of Statistics, the real GDP grew by 3.0 percent at basic price and 3.4 percent at producers' price in the review year. Such growth rates were 5.1 percent and 5.4 percent respectively in the previous year. In the review year, the growth rate estimates for agriculture and non-agriculture sectors are 1.9 percent and 3.6 percent respectively. Such growth rates were 2.9 percent and 6.3 percent respectively in the previous year. In the review year, the growth rate estimates for industry and service sub-sectors are 2.6 percent and 3.9 percent respectively. In the previous year, the growth rate estimates for industry and service sub-sectors were 6.2 percent and 6.4 percent respectively.

13. In the eleven months of 2014/15, the CPI (consumer price index based) average inflation rate stood at 7.2 percent. The year on year (y-o-y) CPI inflation rate increased by 7.4 percent in mid-June 2015. Such inflation had stood 9.5 percent in the corresponding month of the previous year. The indices of food and beverage group, and non-food and services group increased by 9.5 percent and 5.5 percent respectively in the review period. These indices had increased by 12.2 percent and 7.0 percent respectively in the corresponding period of the previous year. As monetary expansion has been at the expected level, price of petroleum products has fallen and inflation is contained in the neighboring economy; the annual inflation is estimated to have remained around 7.5 percent in 2014/15, lower than the target.

14. On the basis of the cash flow data available as of 11 July 2015, total government spending increased by 18.9 percent to Rs. 440.99 billion. In the corresponding period of the previous year, such expenditure had increased by 9.6 percent. Out of the total expenditure, recurrent expenditure stood at Rs. 300.42 billion, capital expenditure at Rs 56.63 billion and financing expenditure at Rs. 83.94 billion. Likewise, total resource mobilization of the government increased by 10.2 percent to Rs. 433.98 billion in the review year compared to an increase of 19.5 percent in the previous year. Out of the total resources, revenue collection increased by 12.8

percent to Rs. 380.64 billion. Since the government budget remained at surplus due to low government expenditure relative to resource mobilization in the review period, the cash balance of the government at the NRB stood at Rs 72.04 billion.

15. The overall BoP was in a surplus of Rs. 127.20 billion in the eleven months of 2014/15. The BoP surplus had stood at Rs. 109.56 billion in the corresponding period of the previous year. Despite high trade deficit, current account recorded a surplus of Rs. 95.29 billion in the review period on the back of a significant surplus in service and transfer accounts. Under the current account, net service income accumulated a surplus of Rs. 24.32 billion and remittance inflow increased by 12.4 percent to Rs. 551.74 billion. In USD terms, remittance inflow increased by 11.2 percent to USD 5.55 billion in this period.

16. In the review period, total merchandise exports decreased by 4.8 percent while total merchandise imports increased by 7.0 percent. Of the total exports, exports to India, China, and other countries decreased by 6.3 percent, 0.8 percent and 1.8 percent respectively. Similarly imports from India, China and other countries increased by 1.4 percent, 41.1 percent and 8.0 percent respectively.

17. In the review period, total trade deficit expanded by 8.7 percent to Rs. 612.87 billion. Such deficit had increased by 28.6 percent during the same period of the previous year. Of the total trade deficit, trade deficit with India, China and other countries increased by 2.5 percent, 42.8 percent and 10.0 percent respectively in the review period. Such deficit with India, China and other countries had increased by 30.3 percent, 13.1 percent and 32.2 percent respectively in the corresponding period of the previous year.

18. The gross foreign exchange reserves increased by 21.7 percent to Rs. 809.48 billion in mid-June 2015 from Rs. 665.41 billion in mid-July 2014. In USD terms, foreign exchange reserves increased by 14.2 percent to USD 7.92 billion in mid-June 2015 compared to mid-July 2014. Based on the trend of imports during the eleven months of the review year, the existing level of reserves is sufficient for financing merchandise imports of 13.1 months, and merchandise and services imports of 11.3 months.

19. Nepalese currency vis-à-vis the USD depreciated by 5.2 percent in mid-July 2015 from the level of mid-July 2014. It had depreciated by 0.9 percent in the corresponding period of the previous year. The exchange rate per USD stood at Rs. 101.14 in mid-July 2015 compared to Rs. 95.90 in mid-July 2014.

Financial Market

20. The total number of BFIs stood at 195 including 30 commercial banks ("A" Class), 79 development banks ("B" Class), 50 finance companies ("C" Class), and 36 microfinance institutions ("D" Class) in mid-June 2015. Likewise, the number of branches stood at 3,824 including 1,669 branches of "A" Class, 803 of "B" Class, 241 of "C" Class and 1,111 of "D" Class as of mid-June 2015. As a result of this, on average, 7,232 people obtained banking services from each branch of BFIs compared to 7,666 a year ago.

21. Despite the decline in the number of BFIs due to merger and acquisition, financial access has been widened due to branch expansion as well as an expansion of some products such as mobile banking and branchless banking. As of mid-April 2015, the number of branchless banking counters reached 501, customer of mobile banking 913 thousands and card holders 4.36 million. As of mid-June 2015, the number of deposit accounts and credit accounts in "A", "B" and "C" category institutions were 14.33 million and 1.08 million respectively.

22. The short-term interest remained at low level in 2014/15, albeit slightly higher than that of a year ago. In the last month of 2014/15, the weighted average 91-day treasury bills rate remained at 0.1739 percent compared to 0.02 percent a year ago. Similarly, the weighted average inter-bank rate among commercial banks remained at 1.01 percent in the review month compared to 0.16 percent a year ago. The weighted average inter-bank rate among other financial institutions reached 3.89 percent in the review month from the level of 2.40 percent a year ago. The weighted average interest rate of reverse repo remained at 0.02 percent in the review month compared to 0.0184 percent a year ago.

23. The NRB has been monitoring the provision of maintaining 5 percent spread rate on an average in loan and deposit for "A" Class, "B" Class and "C" Class BFIs. In line with this, the interest rate spread of the commercial banks was 4.79 percent in mid-June 2015. Under the provision of publishing the base rate for making lending rate more transparent and competitive, a continuous monitoring of such rate has been conducted. The average base rate of commercial banks stood at 7.69 percent in mid-June 2015, which was 8.36 percent in mid-July 2014. Likewise, base rate of "B" Class financial institutions is also monitored.

24. As per the provision of insuring deposits up to Rs. 200 thousand of small and medium size depositors for enhancing the public confidence towards BFIs, total deposits of Rs. 284.25 billion of 164 BFIs have been guaranteed as of mid-June 2015. Total deposit amounting to Rs. 252.76 billion was guaranteed in mid-July 2014. Similarly, under the credit guarantee provision, credit of Rs. 1.05 billion has been guaranteed under the micro and deprived sector credit guarantee program and Rs. 168.4 million has been guaranteed for small and medium business in mid-June 2015. In these sectors, Rs. 781.1 million and Rs. 99.5 million had been guaranteed in mid-June 2014. In this regard, premium of Rs. 561.6 million has been collected from deposit guarantee and Rs. 2.95 million from credit guarantee.

25. Credit-to-deposit ratio (including capital fund) of commercial banks, development banks and finance companies stood at 75.21 percent, 75.36 percent and 73.38 percent respectively in mid-April 2015. The credit-to-deposit ratios of such BFIs had remained at 71.61 percent, 71.02 percent and 76.55 percent respectively in mid-July 2014.

26. There has been some improvement in the non-performing loans (NPL) of the BFIs. In mid-June 2015, the average NPL ratio of commercial banks stood at 2.67 percent and of development banks at 3.76 percent whereas such ratios of commercial bank and development banks had remained at 2.92 percent and 4.16

percent respectively in mid-July 2014. Likewise, NPL of finance companies decreased to 13.85 percent in mid-June 2015 from 14.33 percent in mid-July 2014.

27. Among the government-owned commercial banks, the NPL ratio of Nepal Bank Ltd. stood at 4.64 percent in mid-April 2015. Such ratio had been 5.82 percent in mid-July 2014. Likewise, NPL ratio of Rastriya Banijya Bank remained at 3.95 percent in mid-April 2015, the same level as in mid-July 2014. Similarly, NPL ratio of Agriculture Development Bank stood at 5.62 percent in mid-April 2015 compared to 5.34 percent in mid-July 2014.

28. As per the data from the Credit Information Center Ltd., altogether 6,416 borrowers from different BFIs remained blacklisted as of mid-May 2015. Such number was 5,691 in mid-July 2014.

29. The number of BFIs opting for merger has been increasing after the introduction of merger policy for strengthening the financial stability. After the issuance of the "Bank and Financial Institutions Merger By-law, 2011", 78 BFIs have merged with each other forming 30 BFIs as of mid-July 2015. During 2014/15, one commercial bank, 10 development banks and 4 finance companies have been merged into one commercial bank, 4 development banks and one finance company. Nepal Rural Development Bank Ltd., a bank formed after the merger of 5 rural development banks, has started its integrated operation. Likewise, during the review period, as per the provision of Acquisition Bylaw, 2070, 2 finance companies were acquired by a commercial bank and one development bank was acquired by another development bank.

30. With an objective of enhancing productive sector lending and contributing to growth in exports, this bank had made procedural simplifications and decreased the refinance rates in 2013/14. In 2014/15, general refinance of Rs. 5.99 billion and export refinance of Rs. 2.92 billion against the collateral of good loans were provided to BFIs. These refinances were Rs. 4.78 billion and Rs. 2.93 billion respectively in the previous year.

31. As of mid-June 2015, the number of listed companies in Nepal Stock Exchange Ltd. was 232. The NEPSE index, on y-o-y basis, decreased by 7.2 percent to 961.2 points in mid-July 2015 from the level of 1036.1 points a year ago. The stock market capitalization decreased by 6.4 percent on y-o-y basis to Rs. 989.40 billion in mid-July 2015. The ratio of market capitalization to GDP stood at 46.6 percent in mid-July 2015 compared to 54.4 percent a year ago.

32. The GoN has deposited Rs. 500 million at this bank to provide the interest subsidy for "Procedure of Interest Subsidies on Commercial Agriculture Credit to the Youths, 2071" program which was implemented after the cabinet approval. According to the procedure, BFIs have disbursed credit of Rs. 432.9 million into the specified agriculture and small businesses, as of mid-June 2015.

33. Altogether 26 insurance companies established under the Insurance Act, 2049 are in operation as of mid-April, 2015. Of these, 9 companies are life insurance and 17 are non-life. According to the ownership structure, 3 are in foreign investment, 3 are in foreign joint-venture investment, 18 are in domestic private ownership, and 2

in the Government ownership. Total assets/liabilities of these companies increased by 15.3 percent to Rs. 116.58 billion in mid-April 2015 from Rs. 101.01 billion in mid-July 2014.

34. During the review period, resource mobilization of Employees Provident Fund and Citizen Investment Trust has increased. Asset/liabilities of the Fund, which had stood at Rs. 169.69 billion in mid-July 2014, further increased to Rs. 189.14 billion in mid-April 2015. Provident fund of the depositors has reached Rs. 182.30 billion. Asset/liabilities of the Trust, which had stood at Rs. 54.62 billion in mid-July 2014, reached Rs. 63.68 billion in mid-April 2015. Fund collection, a major component of the liabilities of the Trust, reached Rs. 60.43 billion in mid-April 2015.

35. As per the data from the Department of Cooperatives, the number of saving and credit cooperatives reached 13,413 in mid-June 2015. These institutions have mobilized deposits of Rs. 131.29 billion and disbursed credit of Rs. 121.69 billion.

Monetary Situation

36. Broad money supply (M2) increased by 15.1 percent in the eleven months of 2014/15 compared to an increase of 13.5 percent in the corresponding period of the previous year. Narrow money supply (M1) grew by 11.9 percent in the review period compared to a growth of 11.6 percent in the same period of the previous year. The y-o-y growth in M2 and M1 was 20.6 percent and 18.0 percent respectively in mid-June 2015.

37. Domestic credit increased by 10.6 percent in the eleven months of 2014/15 compared to a growth of 6.8 percent in the same period of the previous year. On y-o-y basis, domestic credit increased by 16.7 percent in mid-June 2015. Claims on the private sector increased by 18.5 percent (Rs. 212.41 billion) to Rs. 1363.24 billion in the review period compared to a growth of 16.5 percent (Rs. 160.53 billion) in the corresponding period of the previous year.

38. Deposits at BFIs increased by 15.4 percent (Rs. 216.41 billion) to Rs. 1623.18 billion in the review period compared to an increase of 12.5 percent (Rs. 148.23 billion) in the corresponding period of the previous year. Deposits at commercial banks, development banks and finance companies increased by 17.0 percent, 5.0 percent and 3.0 percent respectively in the review period. On y-o-y basis, deposits at BFIs expanded by 21.5 percent in mid-June 2015.

39. Loans and advances of BFIs increased by 15.3 percent (Rs. 200.78 billion) to Rs. 1514.11 billion in the eleven months of 2014/15 compared to a growth of 13.2 percent (Rs. 151.15 billion) in the corresponding period of the previous year. In the review period, loans and advances of commercial banks, development banks and finance companies increased by 16.7 percent, 6.8 percent and 5.9 percent respectively.

40. Credit to the private sector from BFIs increased by 17.8 percent (Rs. 198.47 billion) in the review period compared to an increase of 15.7 percent (Rs. 147.42 billion) in the same period of the previous year. Private sector credit from commercial banks, development banks and finance companies increased by 20.0

percent, 10.3 percent and 6.5 percent respectively. On y-o-y basis, the credit to the private sector from BFIs increased by 20.9 percent in mid-June 2015.

41. BFIs' credit exposure to the industrial production, construction, wholesale and retail trade shows a remarkable growth in the review period. Credit to the industrial production sector increased by Rs. 30.62 billion (13.7 percent) in the review period. Likewise, credit to the wholesale and retail trade sector increased by Rs. 46.17 billion (18.9 percent); construction sector by Rs. 32.72 billion (27.4 percent) and the transportation, communication and public service sector by Rs. 10.55 billion (22.3 percent) during the review period. In the review period, credit to the agriculture sector increased by Rs. 11.71 billion (23.0 percent).

Liquidity Management

42. The NRB has been using Open Market Operations (OMOs) as a major instrument for maintaining monetary aggregates and interest rates at a desired level. In 2014/15, the NRB absorbed liquidity of Rs. 155.0 billion through deposit auction, Rs. 315.80 billion through reverse repo auction and Rs. 6.0 billion through outright sale auction on cumulative basis. In the previous year, Rs.602.50 billion was mopped up through reverse repo and Rs. 8.50 billion through outright sale auction.

43. In 2014/15, BFIs managed short-term liquidity through interbank transactions and standing liquidity facility (SLF) provided by this bank. In the review period, inter-bank transactions of commercial banks stood at Rs. 374.70 billion and those of other financial institutions (excluding transactions among commercial banks) amounted to Rs. 226.91 billion. These were Rs. 200.76 billion and Rs. 171.06 billion respectively in the previous year. The BFIs used SLF of Rs. 10.31 billion in the review period.

44. In 2014/15, the NRB injected net liquidity of Rs. 396.72 billion through the net purchase of USD 4.03 billion from foreign exchange market (commercial banks). Net liquidity of Rs. 343.46 billion was injected through the net purchase of USD 3.52 billion in the previous year. The NRB purchased Indian currency (INR) equivalent to Rs. 348.09 billion through the sale of USD 3.50 billion in the review period. INR equivalent to Rs. 307.98 billion was purchased through the sale of USD 3.14 billion in the previous year.

Monetary Policy and Financial Sector Programs for 2015/16

45. The economy is in need of mobilizing huge resources for reconstruction and rehabilitation to recover human and physical losses caused by the earthquake. Equally important is to consider the possible effect emanating from the expansion of loans and advances along with the increased government spending on macroeconomic stability. In addition, challenges such as managing excess liquidity in the banking sector, expanding credit to the productive sector, promoting access to finance and financial inclusion, among others are still there. The monetary policy and financial sector programs for 2015/16 are designed taking the existing needs and challenges of the economy into account.

Stance of Monetary Policy

46. The monetary policy stance is designed considering the effect of possible excess demand on price, external and financial sector stability arising from reconstruction driven private investment and the implementation of fiscal policy. The situation warrants that accommodative monetary policy will have difficulty in attaining its primary objectives and the tighter one will not be able to contribute to reconstruction and growth. Thus, the monetary policy takes cautious and balanced stance.

47. The price situation has improved compared to the previous years. This is attributed to the decline in the price of the petroleum products, improvement in the neighboring country's price level, and the efforts of this bank to keep the monetary aggregates at the desired level. However, there is a challenge in containing inflation due to the likely pressure on aggregate demand and other supply side constraints. Therefore, monetary policy will focus on maintaining monetary aggregates at a desired level to arrest the inflationary pressure arising from the demand side.

48. The external sector remained in balance for the last couple of years mainly due to the significant inflow of remittance. However, there is a possibility of further widening trade deficit due to higher imports for reconstruction. Therefore, the monetary management will be made considering the likely impact of higher imports on external sector stability.

49. Stabilizing interest rate has been a challenging task due to volatility in the inflow of remittance as well as weak monetary transmission. In order to support economic growth by encouraging saving mobilization and credit expansion, the interest rate should be maintained at an appropriate level. Therefore, the monetary policy is oriented towards maintaining interest rate stability by effectively utilizing appropriate monetary instruments.

50. Excess liquidity, lower interest rate and interest rate differential with the neighboring economy are some challenges facing the economy. If the situation of this kind prevails for long, there is a risk of informal capital flight, dominance of imports along with luxurious consumption and increasing speculative businesses. Considering the likely impact of such situation on financial stability, monetary policy will focus on managing liquidity and interest rate at appropriate level and channeling the financial resources towards productive sector.

51. In the context of lower level of financial inclusion, limited access to financial services, and low level of financial literacy among the general public in remote rural and high poverty areas; utmost priority will be given to address these concerns.

Economic and Monetary Targets

52. Monetary policy for 2015/16 aims at containing annual average CPI inflation at 8.5 percent and maintaining foreign exchange reserves sufficient to cover the imports of goods and services at least for 8 months. Likewise, the monetary policy is geared to facilitating the economic growth of 6 percent.

53. Given the existing exchange rate regime, monetary management will be carried out taking the economic and financial situation and their outlook into account. In line with the above mentioned economic targets; the broad money, as an intermediate target of monetary policy, is projected to increase by 18 percent in 2015/16. Giving continuity to the excess liquidity of BFIs as an operating target of monetary policy, the liquidity management will be made more effective.

54. The private sector credit is projected to grow by 20 percent considering the targeted economic growth and inflation for 2015/16. Credit disbursement will be encouraged towards productive sector to support the targeted growth, without any adverse upshot on price and external stability.

Operating Instruments

55. Though the economic growth contracted due to the earthquake effects, the price, financial sector and the external sector situation remained satisfactory in 2014/15. The existing excess liquidity in the banking sector has not only posed the challenge, but also offers opportunities by availing resources required for economic resurrection and investment expansion. Thus, the monetary policy instruments are chosen by considering both opportunities and challenges of expected economic expansion.

56. Despite the significant mop-up drive through open market operations, the liquidity remained higher than expected in 2014/15. Considering the adverse effects from prevailing excess liquidity and higher demand arising from post-disaster reconstruction efforts, the existing provision of mandatory cash reserve ratio of 6 percent for "A" class, 5 percent for "B" class and 4 percent for "C " class, is kept unchanged.

57. The statutory liquidity ratios (SLR) for BFIs are also kept unchanged at 12 percent for "A" class; and 9 percent and 8 percent respectively for "B" and "C" class institutions, which accept current and call deposits.

58. The bank rate, the policy rate for the purpose of the lender of last resort as well as for the discount of securities, is reduced by 1 percentage point to 7 percent. This is in consideration of the monetary policy stance adopted to achieve the specified objectives and the special situation of the country in the aftermath of the earthquake. In addition, the provision of providing SLF at the bank rate is continued.

59. A provision for extending concessional housing loan to earthquake victims has already come into effect. Under this provision, a loan up to Rs. 2.5 million to inside Kathmandu valley residents and up to Rs. 1.5 million to outside valley residents at a 2 percent concessional interest rate for constructing or repairing houses is to be granted by the BFIs. BFIs can get refinance of such loans at a zero percent interest from the NRB. Emphasis will be given on the effective implementation of this provision in order to provide relief to the earthquake victims.

60. Both general refinance and special refinance rates are kept unchanged in order to support the overall economic growth through the credit expansion. The general refinance rate for agriculture, hydropower, animals and fisheries, and other

productive businesses is kept unchanged at 4 percent. Similarly, the special refinance rate is also kept unchanged at 1 percent. This is to support sick industries, cottage and small industries, foreign employment, Dalits, indigenous people, women, persons with disabilities, disadvantaged and minority communities who run small businesses. A concessional refinance to encourage exports in foreign currency is also kept unchanged at 0.25 percentage point added to LIBOR. Both credit demand and supply will be made effective in order to extend the utilization of these facilities.

61. With a view to encouraging BFIs to extend loans to agriculture and small business based income generating activities in poverty stricken areas of the country, a provision of special refinance facility at 1 percent interest has been made. Areas include the districts with high poverty incidence, namely, Bajura, Kalikot, Bajhang, Humla, Darchula, Jumla, Doti, Achham, Mugu and Baitadi. This facility also covers 114 Village Development Committees and 4 Municipalities of Parsa, Bara, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha and Saptari located in the southern border with relatively higher intensity of poverty, as mentioned in the budget statement of the GoN.

62. The regular, fine-tuning, and structural OMOs will be conducted as per the nature of the liquidity to make OMO, the principal instrument of monetary policy, more active and effective. The deposit auction for a maximum period of three-months introduced in the last year will be continued.

63. If the BFIs invest in bonds issued by international financial institutions in the Nepali currency, such bonds will be put under the list of eligible assets for open market operations and SLF borrowing. In addition, these securities will also be made eligible for maintaining the SLR. It is expected that this provision will facilitate the resource mobilization through the issue of local currency bonds and help in developing the bond market.

64. The OMOs will be conducted on the basis of treasury bills, development bonds of GoN and other specified securities. Since the prevailing excess liquidity seems to be of medium-term nature, the Nepal Rastra Bank bonds can be issued if the government bonds held by this bank become insufficient to mop up the high volume of liquidity.

65. As the excess liquidity of the banking sector is used as an operating target of the monetary policy, the existing Liquidity Monitoring and Forecasting Framework (LMFF) will be made effective to make liquidity measurement and forecasting more realistic.

Financial Sector Reform, Regulation and Supervision

66. The programs specified in the Financial Sector Development Strategy (FSDS), after its approval, will be implemented in a sequential manner. This will be helpful in attaining financial stability, expanding financial access and inclusion, enhancing competition and promoting corporate governance. The objective of the financial sector program is to maintain overall financial stability and subsequently assist economic prosperity through effective regulation and supervision of the financial

sector including self-regulation, market monitoring and financial literacy. The financial sector policy is formulated also considering the important role that the BFIs play in the effective transmission of monetary policy.

67. The licensing policy for opening BFIs will be reviewed as necessary after the study of the existing policy.

68. A special policy provision will be made in order to provide the license for the establishment of a national level infrastructure bank, as mentioned in the government's budget speech. In addition to other provisions specified by this bank, the infrastructure bank can be established entirely with domestic investment or jointly with foreign investors, and the minimum paid up capital of such bank will be Rs. 20 billion.

69. BFIs will be required to increase the minimum paid up capital in order to promote the financial stability and mobilize the resources needed for the long-term development. Commercial banks will be required to increase paid-up capital to Rs. 8 billion, national level development banks Rs. 2.5 billion, development banks operating in 4 to 10 districts Rs. 1.20 billion and the development banks operating in 1 to 3 districts Rs. 0.50 billion. Similarly, national level finance companies and finance companies operating in 4 to 10 districts will require Rs. 0.80 billion paid-up capital and those operating in 1 to 3 districts Rs. 0.40 billion paid up capital. BFIs are required to meet this provision by mid-July 2017. In addition, BFIs will be further encouraged for merger and acquisition.

70. BFIs will not require the prior approval of this bank to open branches in certain areas of the country. These areas include 114 Village Development Committees and 4 municipalities of Parsa, Bara, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha and Saptari districts adjoining the southern border having relatively high severity of poverty; 10 previously specified districts with higher level of poverty in the hilly region; and districts severely affected by the earthquake, except Kathmandu Valley. It is believed that this provision will support the households in high severity of poverty and affected by earthquake to engage in the local resource and skill-based income generating activities.

71. The coverage of the productive sector loan has been expanded by including the loans granted to the organized institutions should they operate public city transport services in the major cities namely Biratnagar, Janakpur, Birgunj, Pokhara, Bhairawa, Nepalgunj, Dhangadhi and the Kathmandu Valley.

72. In order to assist the campaign of opening 'at least one bank account for each household' announced in the government's budget and the provision of cash transfer by the state through the bank account, the mapping of the financial access situation will be carried out. The establishment of the microfinance institutions, the branch expansion of the existing institutions, the branchless banking and the mobile banking services will be encouraged in the geographical region with low financial access.

73. As announced in the government's budget speech, Economic Rehabilitation Fund will be operated by this bank. This fund will be utilized to provide refinance

facility and interest subsidy to the earthquake affected residential homes, agricultural occupation, and tourism among others.

74. The provision of subsidized loan to the agriculture sector introduced in the budget of 2014/15 will be continued and the lending process of such loan will be further simplified in order to enhance the access of small and medium farmers.
75. A provision will be made whereby the BFIs on the basis of repayment capacity of borrowers can extend loan up to Rs. 1 million against the collateral of arable land that is not linked to roads. This is expected to encourage the commercial farming and livestock, small and medium size enterprises as well as the income generating activities in the earthquake affected areas.
76. BFIs will be required to allocate certain percent of their profit for corporate social responsibilities as well as to engage more actively in their human resource development.
77. The existing limit of deposit guarantee will be increased for securing the deposit of small depositors. In addition, necessary initiative will be taken to review the existing charges to be paid by the BFIs while guaranteeing the deposit.
78. Establishment of the Real Time Gross Settlement (RTGS) system will be pushed ahead with an objective of rendering effective service to customers and making BFIs' liquidity management easier.
79. Institutions and mechanisms operating payment and settlement services but not under the regulatory and supervisory purview of this bank will be licensed by implementing the Payment and Settlement Bylaw 2015. There will be a continuous regulation and supervision of instruments and services issued by such agencies.
80. Contingency Management Framework will be required for BFIs to support the business continuity process in the times of the natural disaster and similar other events.
81. In line with the plan of implementing Nepal Financial Reporting Standard (NFRS) gradually in BFIs, the 'NFRS Migration Guidelines to BFIs has already been issued. The required financial statements and the draft of new directive will be finalized and implemented accordingly.
82. The provisions relating to the capital fund will be implemented in commercial banks in accordance with the schedule of gradually implementing provisions relating to BASEL-III.
83. Prompt Corrective Action (PCA) will be implemented on the basis of liquidity in commercial banks in addition to issuing necessary directive to implement BASEL-III based liquidity monitoring system.
84. The Early Warning System (EWS) aimed at making bank supervision forward looking, strengthening off-site supervision, and identifying risks in a timely manner will be made more effective.

85. Loan project including the borrowers of consortium loan above certain amount will be credit rated to minimize the credit risk. In addition, multi-bank borrowing above certain amount will be converted into consortium loan.

86. The deprived sector lending requirement for BFIs has been increased by 0.5 percentage point. The new provision requires commercial banks to disburse 5 percent, development banks 4.5 percent and finance companies 4.0 percent of their total loan in the deprived sector. In addition, the deprived sector lending will be redefined by including the commercial agriculture lending.

87. The existing 'Magnetic Strip Card' such as debt, credit and prepaid cards will be replaced by the 'Chip Based Card' by mid-October, 2015. This is expected to ensure security on the usage of banking services by minimizing the operational risk.

88. Banks will be defined systematically important (SIBs) on the basis of their effect on the overall financial system. Additional standards will be set to regulate and supervise such banks.

89. Credit information dissemination by the BFIs to the Credit Information Bureau will be made more effective.

90. The goAML Software installed to strengthen the information mechanism relating to financial information in order to make anti-money laundering effective will be made accessible to the 'Informant Institutions'.

Micro Finance and Financial Literacy

91. Initiatives will be taken to avoid the duplication of micro-finance services. New micro finance institutions (MFIs) will be licensed only in the financial service deficient areas. Similarly, MFIs will be permitted to expand their branches only in the areas where presence of such institutions is low.

92. The limit for microfinance loan will be increased. Group members who have been using deprived sector lending from the MFIs for the last two years and categorized as good borrowers will be entitled to borrow up to Rs. 300,000, up from the existing limit of Rs. 200,000. Similarly, the limit of collateral based micro enterprise credit will be increased from Rs. 500,000 to Rs. 700,000.

93. MFIs will be required to establish a separate fund by allocating a certain percent of their profit for the group welfare of the borrowers, and institutional development.

94. The paid up capital of the MFIs will be increased and they will be asked to maintain a spread between their cost of fund and lending rates. Likewise, the MFIs will be encouraged to go for merger and acquisition.

95. A draft of the Act for the establishment of a strong institution regulating and supervising the increasing number of saving and credit cooperatives, and micro credit institutions will be submitted to the government, as announced in the budget speech of the government.

96. Considering the difficult time after earthquake, the deadline for converting financial non-government institutions licensed by this bank into to "D class" MFIs has been extended until mid-January 2016.

97. National financial literacy policy will be formulated and implemented to promote the use of financial services, protect the right of financial customers and widen the financial inclusion.

98. In context of the large number of illiterate people residing in rural areas and having low financial literacy, necessary coordination will be made with GoN and other stakeholders to gradually include the content of financial literacy in informal education, vocational training and school level curriculum.

Foreign Exchange Management

99. The process of transferring remittance from India will be made simple and easier by solving the existing difficulties.

100. In order to broaden the area and scope of the foreign exchange investment, the diversification and expansion of such investment will be made after studying the possibilities of the foreign exchange investment in SAARC countries.

101. The high level mechanism formed recently under the initiation of this bank for controlling the illegal transactions of foreign exchange and silver/gold will be mobilized effectively.

102. In order to make the gold/silver imports and distribution effective, necessary revisions will be made on the existing policy provisions after conducting a study.

103. Additional measures relating to capital account convertibility will be undertaken after amendment in the Foreign Exchange Regulation Act and the Act Restricting Investment Abroad. This will provide timely revisions in the capital account convertibility in context of the increasing integration of the national economy into the global financial market.

104. The foreign investors desiring to operate business fully under their own investment will be allowed to bring the registration fee and other reasonable preliminary expenses through banking channel. This amount will be counted as investment along with other investment inflow after the completion of the firm registration at the Company Registrar's Office.

105. The provision of making payment for imports from third country (except India) through draft/TT will be increased from a maximum amount of USD 35,000 to USD 40,000 each time.

106. Indian tourist travelling to Mansarobar Kailash through Nepalese tour operators will be given exchange facilities of convertible foreign currencies. The tour operator can request up to USD 500 for such exchange facilities to make payment in Tibet by incorporating the VAT invoice of certain expenses made by the tourists in the Nepalese hotel and the proof of the transfer of Indian currency through the banking channel.

107. INR exchange facility required for a week will be provided to commercial banks based on their monthly transactions to maintain the stock of Indian currency for making payment of commercial and card transactions.

108. The list of products that can be imported from India by making the payment at the convertible foreign currency will be updated by including additional commodities in consultation with the stakeholders.

109. The purchase/sale of the USD and the market intervention process by this bank will be automated.

110. A prior approval from this bank will be required for the foreign exchange facility if the Nepalese companies take consulting services of more than USD 50,000 in a year from foreign companies. This is in case of the absence of the regulatory agencies or unavailability of recommendations from such agencies.

111. The existing provision of providing license of foreign exchange transactions to the hotels and travel-tours operators located in the remote areas will be further simplified.

112. The limit of the exchange facility in INR to the Indian transport companies, which transport goods from India to Nepal or from Nepal to India and third countries, will be increased to INR 75,000; from the existing INR 50,000.

Finally

113. The April 25 earthquake, happened at a time when the major macroeconomic indicators were in positive note, has posed challenges in maintaining macroeconomic stability. This situation demands a collaborative effort for the long term development by fostering dynamism in the economy. Though the price, balance of payments and financial sector indicators were in good shape, the economy experienced a lower growth in 2014/15. The growth contraction is attributed to the damages caused by the earthquake and unfavorable weather.

114. Along with the excess liquidity in the banking system, the government spending is to pick up ahead. This necessitates keeping monetary aggregates at a desired level in order to maintain price as well as overall economic stability. In addition, challenges relating to expanding credit to the productive sector as well as promoting access to finance and enhancing financial inclusion are still there. Given this, the monetary policy for 2015/16 is directed at maintaining macroeconomic stability and supporting the revival of the earthquake devastated economy. Cooperation from the BFIs as well as other concerned stakeholders will be important in the successful implementation of this policy.

115. The NRB would like to thank all the concerned stakeholders including the GoN and its various agencies, BFIs, professional associations of industrial and trade sectors, donor agencies, academicians and media for their cooperation in formulating this policy. The NRB expects continued cooperation from all the stakeholders in implementing policy programs as envisioned in the monetary policy statement.

Appendix I

Progress Matrix of Policy Targets outlined in Monetary Policy for 2014/15

S.N.	Point No.	Objectives/Programs	Implementation Status
1.	**43**	Containing annual average CPI inflation rate at 8 percent in 2014/15.	Annual average inflation rate is estimated to remain at around 7.5 percent based on the average inflation rate of 7.2 percent as of mid-June 2015.
2.	**43**	Maintaining foreign exchange reserves sufficient to cover the import of goods and services for at least 8 months.	Foreign exchange reserve is estimated to cover 11.2 months of goods and services import due to the remarkable expansion of net foreign assets.
3.	**43**	Managing necessary liquidity to support the economic growth of 6 percent as mentioned in the budget, for 2014/15.	Domestic credit is estimated to increase by 14.4 percent.
4.	**44**	The growth rate of broad money to be contained within 16 percent.	Broad money supply growth is estimated to be 17.5 percent due to the higher growth of net foreign assets.
5.	**45**	The growth rate of private sector credit is projected to be 18 percent in 2014/15.	Credit to the private sector is estimated to increase by 18.7 percent.

Appendix II

Progress Matrix of Policies and Programs Pertaining to Financial Sector, Microfinance and Foreign Exchange outlined in Monetary Policy for 2014/15

S.N.	Point No.	Objectives/Programs	Implementation Status
1.	**48**	The CRR to be maintained by BFIs has been fixed at 6 percent for "A" class, 5 percent for "B" class and 4 percent for "C" class financial institutions.	Circular issued on July 20, 2014.
2.	**50**	The refinance rate for agriculture, hydropower, livestock and fishery and other specified productive sectors to be reduced from 5 percent to 4 percent.	Circular issued on July 31, 2014. As of mid-July 2015, the general refinance of Rs. 5.99 billion loan has been provided.
3.	**51**	Necessary arrangement to be made to ensure the availability of credit at 6 percent interest rate from commercial banks for livestock, herbs, horticulture, dairy, fishery, mushroom farming, agriculture storage, animal slaughterhouse and meat related businesses, as mentioned in the budget statement of 2014/15 and if resources needed for such credit flows, refinance to be made available from NRB.	Circular issued on October 27, 2014. Altogether 356 loans amounting to Rs. 467.9 million were approved by mid-June, 2015.
4.	**52**	As per the new provisions of "Nepal Rastra Bank Open Market Operations By-law, 2014", (a) regular (b) fine tuning and (c) structural OMOs to be implemented gradually as necessary.	Nepal Rastra Bank Open Market Operations By-laws, 2014 is fully implemented. As per the provisions of such by-law; regular, fine tuning and structural OMOs are being conducted.
5.	**53**	Regular OMOs to be conducted for seven days to manage general types of shortage/excess of liquidity seen in the financial market.	Under the provision of regular OMOs, the excess liquidity is being mopped-up every Wednesday by using reverse repo instrument. In 2014/15, excess liquidity of Rs. 315.8 billion was mopped-up through reverse repo.
6.	**54**	Fine tuning operation to be conducted in any day of the week if it necessitates. For such operation, repo/reverse repo and deposit collection auction will be used.	Liquidity is mopped-up using 3 months deposit auction as a fine tuning operation since August 2014. In 2014/15, Rs. 155 billion absorbed through deposit collection auction.

S.N.	Point No.	Objectives/Programs	Implementation Status
7.	**55**	Conducting structural OMOs using outright sale/purchase auctions and repo/reverse repo auctions of maximum of 6 months as per necessity. Issuing NRB bond if need arises.	In 2014/15, Rs. 6 billion liquidity was mopped-up from two outright sale auctions.
8.	**57**	Conducting OMOs like outright sale, outright purchase, repo and reverse repo auction based on treasury bills and development bond of the GoN, NRB bond and other securities specified by this bank.	Outright sale auction and reverse repo auction are being conducted. Treasury bills held by this bank are used as collateral for these operations.
9.	**58**	Conducting OMOs focusing on the overall liquidity situation of the banking sector indicated by the report of Liquidity Monitoring and Forecasting Framework (LMFF) prepared on the basis of this bank's balance sheet and other financial indicators	OMO instruments are being used on need basis after monitoring and forecasting the liquidity.
10.	**60**	In order to make primary and secondary market transactions of the government securities more manageable, "Primary and Secondary Market Management Bylaws, 2061" to be revised and submitted to the GoN for the approval.	The Debt Management Office (DMO) is going to be established under the Ministry of Finance and this by-law will be revised after the establishment of such office.
11.	**60**	Implementing online bidding system for the auction of treasury bills and development bonds.	The auction of OMO instruments was conducted in parallel with manual and Online Bidding System Software, and the expected result was achieved. Likewise, training about this system is provided to the concerned BFIs; and the online bidding system is in operation since July 2015.
12.	**61**	Considering the possibility of negative effect of unexpected volatility of share market on financial stability, additional provisions to be made on lending against the collateral of shares.	Circular issued on August 20 and August 23, 2014. As per the circular, BFIs can now extend margin lending only up to 1 percent of their core capital and those BFIs whose investment exceeds the limit should bring within the limit by mid-July 2015.
13.	**62**	In the context of high liquidity situation prevailing in the banking sector at present, with a view to facilitating liquidity management, provisions to be made in allowing BFIs carrying out foreign exchange transactions to invest a certain portion of their foreign exchange reserve in foreign financial instruments.	Circular issued on August 21, 2014. Because of this provision, the convertible foreign currencies held abroad by commercial banks increased by 26.5 percent to Rs. 112.21 billion in mid-June 2015 compared to mid-July 2014.

S.N.	Point No.	Objectives/Programs	Implementation Status
14.	**63**	Making provision such that commercial banks can invest up to 40 percent of their foreign exchange reserve balance without affecting requirement of daily liquidity adversely on call deposit, certificate of deposit or similar type of other safe instruments of up to 2 years maturity.	Circular issued on August 21, 2014. Because of this, foreign bills purchased and discounted by commercial banks increased by 40.4 percent to Rs. 4.95 billion in mid-June 2015 compared to mid-July 2014.
15.	**64**	Formulating and starting to implement the Financial Sector Development Strategy (FSDS) in 2014/15.	Financial Sector Development Strategy (FSDS) is in the process to be approved by the cabinet.
16.	**65**	After the introduction of Payment System Development Strategy, necessary provisions to be made to facilitate the adoption of Real Time Gross Settlement (RTGS) system. Likewise, Payment and Settlement Act to be formulated and implemented.	Payment System Development Strategy is formulated and introduced on July 20, 2014. To carry out this activity, it is decided to establish a separate "Payment and Settlement Department". Similarly, Payment and Settlement By-law, 2014 is implemented.
17.	**67**	RBB, which is in the process of structural reform, to be developed as an efficient bank of the government sector after maintaining the specified capital adequacy ratio in 2014/15.	The capital adequacy ratio of RBB is 10.19 percent as of mid-April 2015.
18.	**68**	NBL, which is in the process of structural reform, to be removed from the management control of NRB ensuring that its capital adequacy ratio is maintained at a prescribed level in 2014/15.	This bank handed over the management of NBL on December 14, 2014. The capital-adequacy action plan is in process of implementation and as of mid-April 2015, the capital adequacy ratio is maintained 4.58 percent.
19.	**69**	Provision to be made to reopen the branches which were closed during the conflict by the end of this fiscal year.	Work plan already received from all three commercial banks. As per this, up to mid-July 2015, ADBL re-opened 54 branches and 13 in process to re-establish; RBB re-opened 47 branched and 50 branches in process to re-establish; and 26 branches of NBL already re-opened and 94 branches are yet to be re-established.

S.N.	Point No.	Objectives/Programs	Implementation Status
20.	**70**	Along with the programs put forward by the NRB for enhancing financial access and inclusion, rural branches of BFIs also be encouraged to undertake tasks of promoting financial literacy and awareness.	As per the request by Child & Youth Finance International, Global Money Week was celebrated with the participation of BFIs. Likewise, the story book, "Paisako Bot (The Tree of Money), is being distributed; and initiatives are in process to incorporate the financial literacy in school-level curriculum. Besides these, "Remittance Guideline, 2014" is prepared under the coordination of Microfinance Promotion and Supervision Department and published by IOM Development Fund.
21.	**71**	In condition that BFIs fulfill the criteria specified by this bank, existing procedures for opening new branches, and merging and relocating branches to be simplified.	Upon fulfillment of given criterion, the procedure for opening new branches, merging and relocating branches of BFIs is in the process of simplification.
22.	**72**	Existing provision of categorizing the promoters of BFIs into different groups to be ended by bringing all promoters into one single group	Circular issued on 23 September 2014. If this provision is not in enforcement, annual general meeting needs to pass a proposal on the related issue and amend the memorandum and bylaws.
23.	**73**	A provision to be made requiring commercial banks to lend 20.0 percent of total credit to the productive sector by mid-July 2015. Under this, the provision requiring to lend at least 12.0 percent to the agriculture and energy sector.	Of total credit provided, commercial banks extended 10.1 percent credit to agriculture and energy sectors, and 16.3 percent into the total productive sector as of mid-June 2015.
24.	**74**	A provision to be made for the implementation of the action plan submitted by the development banks and finance companies to this bank, to lend 15 percent and 10 percent of total credit respectively to the productive sector by mid-July 2016.	The monitoring of productive sector lending by development banks is initiated on quarterly basis from mid-October 2014. Development banks have extended 14.97 percent of their total credit to the productive sector by mid-January 2015. Finance companies are yet to submit action plan on such lending.
25.	**74**	Credit rating by rating agency to be gradually implemented while approving/advancing loan and facilities beyond a certain limit in the context of implementing Advanced Approach of Basel-2 in commercial banks.	ICRA Nepal, which is established for rating of credit, presented a paper on 11 November 2014 at the NRB, and the study is going on for phase-wise implementation of credit rating.

S.N.	Point No.	Objectives/Programs	Implementation Status
26.	**75**	Since the preparation of capital fund framework has been completed for the gradual implementation of provisions of BASEL-III in commercial banks, such provisions to be gradually implemented.	With the discussion in the "Basel-III Implementation Task Force" formed by Bank Supervision Department along with Bank and Financial Institutions Regulation Department and the representative of Nepal Bankers Association, the new capital adequacy framework is under the process of formulation.
27.	**76**	In addition to issuing directives to implement liquidity monitoring system based on BASEL-III for commercial banks, Prompt Corrective Action (PCA) also be implemented on the basis of liquidity.	The concept paper is prepared and is under the process of discussion.
28.	**77**	Among the tasks identified by the report of Financial Sector Assessment Program, recently conducted with the assistance of the IMF and the World Bank (WB), a number of tasks such as reforming the financial sector laws and regulation, ensuring adequate resources for the management of the financial sector in the event of the financial crisis, developing a crisis management system and implementing international best practices adopted on the banking system to be gradually implemented.	The task force is formed to implement the best practices indicated by the report and its review is underway.
29.	**78**	Based on the Self- Assessment of Basel Core Principles, the work plan by incorporating appropriate principles to be prepared and gradually implemented.	A task force has been formed with the coordination of Banks and Financial Institutions Regulation Department to implement the suggestions received from the IMF. On the basis of rationale and the need, suggestions will be implemented by preparing a work schedule.
30.	**79**	The draft of "Negotiable Bill Instruments, 1977" to be submitted to the GoN for appropriate amendment through the parliament.	The revision committee formed by the management committee of this bank discussed the issues for contemporary amendment of the act; the draft of the act is in the process to submit to the Management Committee.

S.N.	Point No.	Objectives/Programs	Implementation Status
31.	**80**	To formulate a policy to protect the rights of consumers of financial services, a draft related to protection of financial services customers and financial literacy to be prepared and based on the stakeholders' suggestions, arrangements to be made for the protection of financial service customers.	Circular issued on December 26, 2014. As per the provision, licensed institutions are required to provide leaflet/booklet to their customers and general public incorporating the information regarding all the financial services, all kinds of accounts and credit, and financial instruments.
32.	**81**	To consolidate the financial system, along with the merger process among the BFIs, acquisition activities also be encouraged as per the provision of Acquisition Bylaw, 2070.	After the introduction of "Bank and Financial Institutions Merger By-law, 2011", 78 banks and financial institutions have merged to become 30 institutions till mid-July 2015. In 2014/15, one commercial bank, 10 development banks and 4 finance companies have merged to become one commercial bank, 4 development banks and one finance company. Likewise, 7 institutions comprising 2 commercial banks, 4 development banks and one finance company, have received letter of intent to merge into 2 commercial banks and the merger process is in final stage. After the issuance of "Acquisition Bylaw, 2070", one commercial bank has acquired 2 finance companies and one development bank has acquired one development bank till mid-July 2015. Besides, one commercial bank has received letter of intent to acquire another one commercial bank.
33.	**82**	a) Risk Based Supervision to be fully implemented at all commercial banks by 2015/16. b) The task of establishing Supervisory Information Management System to be forwarded to make off-site supervision based on Risk Based Supervision approach. c) Necessary provision to be made for the consolidated supervision of BFIs.	In accordance with the Risk Based Supervision Onsite Manual, the risk based supervision of 5 commercial banks is concluded and onsite supervision of 3 banks is in progress. The task force has been formed to carry-out the preliminary works in establishing Supervisory Management Information System; and with the support of IMF Resident Advisor, the task of preparing RBS Offsite Manual is initiated along with the development of such information system.

S.N.	Point No.	Objectives/Programs	Implementation Status
34.	**83**	a) To strengthen the Risk Management System in banks, directives on the risk management system to be issued. b) A system of evaluation and analysis to be made to examine whether the banks are making adequate provision for risk management and control or not during inspections	After the completion of risk based supervision, preparation of risk profile is underway and directives for risk management will be issued later.
35.	**84**	Monitoring mechanism to be developed to discourage the multiple banking transactions undertaken for credit purposes.	The system of online reporting of large borrower is implemented.
36.	**84**	A provision to be developed to ensure that credit flows from BFIs for working capital are based on the specific criteria.	As the task force was formed with the representation from Bank and Financial Institutions Regulation Department and various supervision departments, a discussion on the draft is over and is in process for final approval.
37.	**85**	A provision to be introduced by the BFIs so that the same person cannot be elected, nominated or appointed in the post of chairman, managing director, CEO alike continuously for more than two terms. This need to be informed to this bank within 2014/15.	Circular issued on 16 February 2015.
38.	**86**	For maintaining good governance by making demarcation between bankers and entrepreneurs/ borrowers, a provision to be made so that directors and CEOs of BFIs cannot take bank loans for company/firm where they have majority share.	Circular issued on 16 February 2015.
39.	**87**	With the aim of maintaining check and balance between higher management and directors of BFIs, and ensuring that the higher management staffs give full-time service to the institutions, a provision to be made to bar the person having share ownership higher than a certain percent of paid-up capital to be in executive position of such institutions.	Circular issued on 16 February 2015.

S.N.	Point No.	Objectives/Programs	Implementation Status
40.	**88**	International Financial Reporting Standard (IFRS) to be fully implemented in the financial sector institutions by 2017.	NFRS Migration Guidelines to BFIs issued on December 14, 2014. Besides, since banks were directed to submit NFRS implementation plan by mid-January 2015, such plans have been received. To enhance effectiveness in implementation, the KPMG Portugal, which is involved in special inspection of banks, has been assigned the task to submit the report analyzing gap between NFRS and present accounting standards.
41.	**89**	Provision for the approval and flow of credit to institutional borrowers on the basis of real financial situation.	Draft of directive is being prepared by the task force formed under bank supervision department.
42.	**90**	In addition to commercial banks, arrangement to be made for monitoring spread rate and base rate of development banks, finance companies, and microfinance institutions on a monthly basis. The regular monitoring of such spread rate and base rate is to be undertaken.	A provision of reporting the spread rate and the base rate of development banks and finance companies on a monthly basis has been incorporated in the unified directives, in addition to commercial banks. Likewise, based on the monthly offsite monitoring report, quarterly report of the development banks is being prepared. In case of the microfinance institutions, discussion is underway to implement such provision.
43.	**91**	As the time limit of mid-July 2014 was given for “A”, “B” and “C” class institutions to meet minimum paid-up capital requirements, for those BFIs, which do not fulfill such requirement to be restricted on branch expansion, distribution of cash dividend; and cap on deposit collection and loan flows is to be imposed.	Circular was issued on August 15, 2014 and paid up capital of all commercial banks reached Rs. 2 billion by mid-January 2015. In case of development banks, a circular is issued to restrict distribution of cash dividend, cap on deposit collection and loan flows for those institutions not meeting minimum paid-up capital criterion, and monitoring is being done.
44.	**93**	Bringing goAML Software in use in order to enhance the capacity of Financial Information Unit (FIU) and implementation of bylaws related to the unit as mentioned in the Money Laundering Prevention Act.	To install and bring goAML software into use, customization work is being done in some informant institutions and Financial Information Unit (FIU). The draft of bylaws related to the unit is prepared and at the phase of discussion with stakeholders.
45.	**94**	Encouraging BFIs to increase their credit flow to cottage and small enterprises for the development of this sector.	Circular issued on August 25, 2014.

S.N.	Point No.	Objectives/Programs	Implementation Status
46.	**94**	To make the credit guarantee and insurance process more flexible and effective, necessary provisions to be made in providing additional discount on guarantee limit, guarantee fees and the loan loss provisioning at loans extended for cottage and small enterprises. Likewise, the service delivery to this sector will be made effective by making SME desks of commercial banks proactive.	The necessary provision for providing additional discount on guarantee limit, guarantee fees and the loan loss provisioning is being made in coordination with Deposit and Credit Guarantee Corporation, as discussed in the management committee.
47.	**95**	To provide incentives to the cottage and small enterprise, a provision to be made in providing up to Rs. 1,000,000 credit to the existing enterprises based on their annual turnover, and new enterprises with credit of Rs. 500,000 for starting a business	Implemented by issuing circular related credit flows in personal/institutional guarantee on August 25, 2014.
48.	**96**	In the context of provision of establishing Start Up Fund in the budget statement for 2014/15 in order to encourage small and medium enterprises, investors and industrialists with innovative ideas but lacking investable resources by providing a seed money, a provision to be made to extend credit through BFIs for those who have started businesses by using the Start Up Fund.	Start Up Fund remains to be established by the GoN
49.	**97**	A provision to be made to provide loans up to Rs. 500,000 from MFIs against eligible collateral to all, whether associated with group or not, at the place where other BFIs do not exist.	Circular issued on September 23, 2014.
50.	**98**	a. At areas with low financial access due to the low presence of BFIs, priority to be given to provide wholesale credit from Rural Self Reliance Fund (RSRF) by mobilizing cooperatives operating in these areas. b. Providing wholesale credit from RSRF to microfinance institutions, if required.	Since November 2014, a provision is made to flow credit from RSRF to co-operatives located in municipality areas outside Kathmandu Valley. In addition, the requirement of rural office location of cooperatives for providing RSRF credit is removed in case of those operated by handicapped people. A proposal to provide wholesale credit to microfinance institutions too from the RSRF is submitted to Board of Directors of RSRF.

S.N.	Point No.	Objectives/Programs	Implementation Status
51.	**99**	A directive to be issued to non-government organizations authorized for financial intermediation by this bank to convert into "D" class MFIs by mid-July 2015 following the specified process. To encourage this process, the limit on promoter share ownership in such organization to be increased from existing 25 percent to 51 percent.	Reviewing of license is in progress since December 18, 2014.
52.	**100**	A provision to be made to increase paid up capital necessary for establishing MFIs from 2014/15, for those districts other than specified as 'districts with low financial access'.	As the e-mapping is needed for this, the process of e-mapping has been initiated.
53.	**101**	The loan limit being provided at zero interest for a certain period to "D" class MFIs that open new branch in the districts specified as having low financial access to be increased from Rs. 2.0 million to Rs. 3.0 million.	Circular issued on August 15, 2014.
54.	**102**	For those group members who have used deprived sector lending from BFIs for last two years and are categorized as good borrowers, the limit for loan provided against group guarantee to be increased from Rs. 150,000 to Rs. 200,000 and the limit of micro-enterprise credit provided against collateral to be increased from Rs. 400,000 to Rs. 500,000.	Circular issued on August 15, 2014.
55.	**103**	Project loan up to Rs. 700,000 provided by BFIs to micro-enterprises promoted by women to be included in the deprived sector lending and provision to be made to provide guarantee for such credit.	Circular issued on August 15, 2014.
56.	**105**	Strategy for Financial Literacy to be formulated and implemented for expansion of financial access to the general public and for the effective use of financial instruments.	As it is desirable to design financial literacy policy before the preparation of Financial Literacy Strategy, preparing the draft of Financial Literacy Policy is in final stage.
57.	**105**	Programs such as NRB with students, other public awareness oriented programs, interactions, and information and communication media to be utilized effectively.	Programs were conducted in nine schools of various districts in 2014/15.
58.	**106**	An arrangement to be made to gradually link the microfinance institutions with the Credit Information Center	Circular issued on March 18, 2015.

S.N.	Point No.	Objectives/Programs	Implementation Status
59.	**107**	Necessary arrangement to be made to strengthen the institutional capacity of the Nepal Rural Development Bank which was established after merger, by operating it professionally.	Business plan has been prepared for this.
60.	**108**	Coordination to be done to assist the concerned regulatory body in bringing saving and credit co-operatives into strong supervisory net for maintaining financial stability	Training has been provided to staff of the GoN, Cooperative Department and Division Cooperatives.
61.	**109**	In order to make the provisions of capital account convertibility timely in the context of increasing integration of Nepalese economy with the global financial market, draft proposals for amending the Foreign Exchange Regulation Act and Act Restricting Investment Abroad to be prepared and submitted to the GoN	New draft of the Act has been submitted to the GoN.
62.	**110**	Gold import and distribution system to be changed to reflect the changing context of market situation. The existing provision of imports of raw materials for gold-silver business to be revised to facilitate the smooth supply of such raw materials. A provision to be made to allow purchase of even small quantity of gold and to sell gold by commercial banks even outside Kathmandu Valley.	Discussion ongoing with gold traders on this issue.
63.	**111**	Additional items to be added, as necessary, to the list of goods that can be imported from India by paying convertible foreign currency.	Items are being added in the list as per the need.
64.	**112**	A provision to be made to allow licensed BFIs to provide exchange facility of up to USD 10,000 annually to Nepalese citizens, if they meet the specified conditions, for health checkup in foreign hospitals and purchase of medicine from abroad.	Circular issued on August 4, 2014.
65.	**113**	As trade points are expanding along with the increasing trade with China, a provision to be made to allow the imports of goods through Letter of Credit (LC) from Rasuwaghadi customs point	Circular issued on January 8, 2015.

S.N.	Point No.	Objectives/Programs	Implementation Status
66.	**114**	Foreign exchange facility, based on invoice, up to certain amount, to be provided to Nepalese travel/tour companies who sell, by themselves or through foreign agency, tour packages services to Nepalese citizens.	Circular issued on August 20, 2014.
67.	**115**	A provision to be made for allowing exchange facility of up to INR 1 million from commercial banks for paying rent money while hiring machinery and equipment from India.	Circular issued on August 20, 2014.
68.	**116**	The existing limit of one-time foreign exchange conversion facility of USD 1,000 or equivalent convertible currency by Nepalese citizens providing valid identity to be increased to USD 3,000.	Circular issued on August 4, 2014.
69.	**117**	For Nepalese organizations and firms purchasing software from India paying in USD, a provision to be made to allow import of such software worth up to certain amount by opening LC.	Circular issued on October 12, 2014.
70.	**118**	Remittance inflow process from India to be simplified and made easy by addressing existing difficulties at diplomatic and central bank level.	Discussion underway with Reserve Bank of India (RBI) and at government level as well. For the purpose of necessary work with detailed study, a process has been initiated of forming a mechanism between RBI and this bank.
71.	**119**	In the context of increasing online payments for different services in Nepal from abroad, appropriate policy to be implemented to make such a payment systematic. In addition, the provision of online purchase of foreign goods and services up to USD 2,000 per annum to be made in addition to relaxing the provision of issuing the debit and credit cards.	As per the policy of allowing banks for online transactions, permission is given to a commercial bank. Likewise, circular issued on August 30 for allowing the online purchase.
72.	**120**	A provision to be made to allow the Nepalese airlines, on recommendation of respective regulatory agency, to make an advance payment of up to USD 100,000 through commercial banks.	Circular issued on August 4, 2014.

S.N.	Point No.	Objectives/Programs	Implementation Status
73.	**121**	A provision to be made to allow telecommunication related Nepali service provider companies, on recommendation of the respective regulatory agency, to make rental payment of up to USD 100,000 through commercial banks for hiring or using satellite services by making agreement with foreign companies.	Circular issued on August 4, 2014.
74.	**122**	If INGOs working in Nepal are receiving foreign currency to carry out programs in Nepal as well as in other countries, a provision to be made to allow these INGOs to send the money to other countries through commercial banks after deducting the amount received for Nepal on the basis of proof of foreign exchange received.	Circular issued on September 9, 2014.
75.	**123**	A provision to be made to allow Nepalese citizens having convertible currency account to pay up to USD 10,000 per annum for the purchase of goods and services from their foreign currency account.	Circular issued on September 9, 2014.
76.	**124**	In order to diversify investment for safety and optimum return, investment diversification work to be moved further by studying the possibility of extending scope and areas for investing foreign exchange in SAARC region.	Preparation of detailed study proposal is in final stage.
77.	**125**	In order to manage the payment system through commercial banks for exports/imports with China, a provision to be made to allow banking transactions through commercial banks situated in different parts of China.	Circular issued on December 29, 2014.
78.	**126**	A provision to be made to enable the commercial banks to earn appropriate returns on their foreign exchange reserve held abroad by allowing them to invest, without creating adverse impact on daily liquidity, on call deposit, certificate of deposit and other similar secured instruments of Nepal's major trading countries.	Circular issued on December 29, 2014
79.	**127**	The one-time maximum limit of USD 30,000 for the payment of imports of goods from third countries except India through draft and TT to be increased to USD 35,000.	Circular issued on August 4, 2014.

Appendix III

Projection of Monetary Survey

(Rs. in million)

Monetary Aggregates	2013 Jul	2014 Jul	2015 Jul [P]	2016 Jul [Proj]	Annual change 2013/14 Amount	2013/14 Percent	2014/15 Amount	2014/15 Percent	2015/16 Amount	2015/16 Percent
1. Foreign Assets, Net	**468238.00**	**599219.71**	**737302.74**	**772302.73**	**127127.1** [1/]	**27.2**	**133000.0** [2/]	**22.2**	**35000.0**	**4.7**
1.1 Foreign Assets	554093.55	686759.02	839610.07	891184.55	132665.5	23.9	152851.1	22.3	51574.5	6.1
1.2 Foreign Liabilities	85855.55	87539.31	102307.33	118881.82	1683.8	2.0	14768.0	16.9	16574.5	16.2
a. Deposits	74332.31	80052.69	95948.38	110929.77	5720.4	7.7	15895.7	19.9	14981.4	15.6
b. Other	11523.24	7486.62	6358.95	7952.05	-4036.6	-35.0	-1127.7	-15.1	1593.1	25.1
2. Net Domestic Assets	**847138.28**	**966747.45**	**1102708.58**	**1398910.69**	**123463.8** [1/]	**14.6**	**141044.1** [2/]	**14.6**	**296202.1**	**26.9**
2.1 Domestic Credit	1165866.28	1314304.96	1503335.97	1855762.27	148438.7	12.7	189031.0	14.4	352426.3	23.4
a. Net Claims on Government	167788.26	141989.49	110820.30	186734.80	-25798.8	-15.4	-31169.2	-22.0	75914.5	68.5
Claims on Government	*167972.77*	*165490.34*	*159380.30*	*186734.80*	*-2482.4*	*-1.5*	*-6110.0*	*-3.7*	*27354.5*	*17.2*
Government Deposits	*184.52*	*23500.85*	*48560.00*	*0.00*	*23316.3*	*12636.5*	*25059.2*	*106.6*	*-48560.0*	*-100.0*
b. Claims on Non-Financial Government Enterprises	11389.10	10417.33	11267.55	12385.21	-971.8	-8.5	850.2	8.2	1117.7	9.9
c. Claims on Financial Institutions	13662.84	11073.53	15195.59	17722.81	-2589.3	-19.0	4122.1	37.2	2527.2	16.6
Government	*1317.39*	*1487.62*	*2600.00*	*2800.00*	*170.2*	*12.9*	*1112.4*	*74.8*	*200.0*	*7.7*
Non-government	*12345.46*	*9585.91*	*12595.59*	*14922.81*	*-2759.5*	*-22.4*	*3009.7*	*31.4*	*2327.2*	*18.5*
d. Claims on Private Sector	973026.08	1150824.61	1366052.53	1638919.45	177798.5	18.3	215227.9	18.7	272866.9	20.0
2.2 Net Non-Monetary Liabilities	318728.00	347557.52	400627.39	456851.58	24974.9 [1/]	7.8	47986.9 [2/]	13.8	56224.2	14.0
3. Broad Money (M2)	**1315376.28**	**1565967.16**	**1840011.34**	**2171213.39**	**250590.9**	**19.1**	**274044.2**	**17.5**	**331202.0**	**18.0**
3.1 Money Supply (M1+)	925469.13	1130173.71	1345563.48	1581537.64	204704.6	22.1	215389.8	19.1	235974.2	17.5
a. Money Supply (M1)	301590.19	354830.03	415151.07	483650.99	53239.8	17.7	60321.0	17.0	68499.9	16.5
Currency	*195874.24*	*227537.39*	*263943.37*	*307494.03*	*31663.2*	*16.2*	*36406.0*	*16.0*	*43550.7*	*16.5*
Demand Deposits	*105715.94*	*127292.65*	*151207.69*	*176156.96*	*21576.7*	*20.4*	*23915.0*	*18.8*	*24949.3*	*16.5*
b. Saving and Call Deposits	623878.94	775343.68	930412.41	1097886.65	151464.7	24.3	155068.7	20.0	167474.2	18.0
3.2 Time Deposits	389907.15	435793.45	494447.86	589675.75	45886.3	11.8	58654.4	13.5	95227.9	19.3
4. Broad Money Liquidity (M3)	**1389708.59**	**1646019.85**	**1935959.72**	**2282143.16**	**256311.3**	**18.4**	**289939.9**	**17.6**	**346183.4**	**17.9**

P : Provisional

Proj : Projection

1/ Adjusting the exchange valuation gain of Rs. 3854.6 million

2/ Adjusting the exchange valuation gain of Rs. 5083.1 million

List of Statistical Tables

Table 1

Gross Domestic Product

(at 2000/01 prices)

Sectors	Rs. in million						Percentage change				
	2009/10	2010/11	2011/12	2012/13	2013/14[R]	2014/15[P]	2010/11	2011/12	2012/13	2013/14[R]	2014/15[P]
Agriculture	**205517.00**	**214787.00**	**224731.00**	**227193.00**	**233717.00**	**238077.00**	**4.5**	**4.6**	**1.1**	**2.9**	**1.9**
Agriculture and Forestry	202196.00	211271.00	220950.00	223310.00	229643.00	233746.00	4.5	4.6	1.1	2.8	1.8
Fishery	3321.00	3516.00	3781.00	3883.00	4074.00	4331.00	5.9	7.5	2.7	4.9	6.3
Non-Agriculture	**384570.00**	**398569.00**	**416632.00**	**437497.00**	**465092.00**	**481744.00**	**3.6**	**4.5**	**5.0**	**6.3**	**3.6**
Industry	**91295.00**	**95250.00**	**98112.00**	**100734.00**	**106949.00**	**109735.00**	**4.3**	**3.0**	**2.7**	**6.2**	**2.6**
Mining and Quarrying	2585.00	2637.00	2770.00	2825.00	2976.00	3002.00	2.0	5.0	2.0	5.3	0.9
Manufacturing	40291.00	41923.00	43445.00	45059.00	47888.00	49015.00	4.1	3.6	3.7	6.3	2.4
Electricity, Gas and Water	12989.00	13564.00	14690.00	14731.00	15248.00	15425.00	4.4	8.3	0.3	3.5	1.2
Construction	35430.00	37126.00	37207.00	38119.00	40837.00	42293.00	4.8	0.2	2.5	7.1	3.6
Service	**293275.00**	**303319.00**	**318520.00**	**336763.00**	**358143.00**	**372009.00**	**3.4**	**5.0**	**5.7**	**6.3**	**3.9**
Wholesale and Retail Trade	75237.00	76298.00	78967.00	84693.00	92327.00	95491.00	1.4	3.5	7.3	9.0	3.4
Hotels and Restaurant	9646.00	10244.00	11000.00	11605.00	12391.00	12884.00	6.2	7.4	5.5	6.8	4.0
Transport, Storage and Communications	54657.00	57504.00	62160.00	66915.00	72460.00	76251.00	5.2	8.1	7.6	8.3	5.2
Financial Intermediation	25327.00	26163.00	27071.00	26825.00	27818.00	28198.00	3.3	3.5	-0.9	3.7	1.4
Real Estate, Renting and Business	47818.00	48894.00	50346.00	52961.00	54889.00	55313.00	2.3	3.0	5.2	3.6	0.8
Public Administration and Defence	10405.00	10806.00	11203.00	11822.00	12418.00	13134.00	3.9	3.7	5.5	5.0	5.8
Education	38638.00	39799.00	42019.00	44505.00	46646.00	48963.00	3.0	5.6	5.9	4.8	5.0
Health and Social Work	8581.00	9012.00	9591.00	10021.00	10472.00	11523.00	5.0	6.4	4.5	4.5	10.0
Other Community, Social and Personal Service	22966.00	24599.00	26163.00	27416.00	28722.00	30252.00	7.1	6.4	4.8	4.8	5.3
Total GVA including FISIM	**590087.00**	**613356.00**	**641363.00**	**664690.00**	**698809.00**	**719821.00**	**3.9**	**4.6**	**3.6**	**5.1**	**3.0**
Financial Intermediation Indirectly Measured (FISIM)	24327.00	25821.00	26725.00	26919.00	28830.00	29474.00	6.1	3.5	0.7	7.1	2.2
GDP at basic prices	**565760.00**	**587535.00**	**614638.00**	**637771.00**	**669979.00**	**690347.00**	**3.8**	**4.6**	**3.8**	**5.1**	**3.0**
Taxes less subsidies on products	52770.00	52160.00	55643.00	60183.00	65528.00	69894.00	-1.2	6.7	8.2	8.9	6.7
GDP at producers price	**618530.00**	**639695.00**	**670281.00**	**697954.00**	**735507.00**	**760241.00**	**3.4**	**4.8**	**4.1**	**5.4**	**3.4**

R : Revised Estimate of CBS

P : Preliminary Estimate of CBS

Source: Central Bureau of Statistics

Table 2

Gross Domestic Product

(at current prices)

Sectors	*Rs. in million*						Percentage change				
	2009/10	2010/11	2011/12	2012/13	2013/14[R]	2014/15[P]	2010/11	2011/12	2012/13	2013/14[R]	2014/15[P]
Agriculture	**395755.00**	**478149.00**	**506284.00**	**534515.00**	**584939.00**	**620966.00**	**20.8**	**5.9**	**5.6**	**9.4**	**6.2**
Agriculture and Forestry	391519.00	473270.00	500465.00	527869.00	576280.00	611705.00	20.9	5.7	5.5	9.2	6.1
Fishery	4236.00	4879.00	5819.00	6646.00	8659.00	9261.00	15.2	19.3	14.2	30.3	7.0
Non-Agriculture	**722815.00**	**811992.00**	**931190.00**	**1045910.00**	**1214517.00**	**1337889.00**	**12.3**	**14.7**	**12.3**	**16.1**	**10.2**
Industry	**169383.00**	**192845.00**	**215387.00**	**239922.00**	**271254.00**	**296664.00**	**13.9**	**11.7**	**11.4**	**13.1**	**9.4**
Mining and Quarrying	5926.00	6956.00	8166.00	9569.00	11003.00	11961.00	17.4	17.4	17.2	15.0	8.7
Manufacturing	70924.00	80531.00	91164.00	100312.00	112995.00	123302.00	13.5	13.2	10.0	12.6	9.1
Electricity, Gas and Water	15244.00	16002.00	17518.00	20553.00	21410.00	21700.00	5.0	9.5	17.3	4.2	1.4
Construction	77289.00	89356.00	98539.00	109488.00	125846.00	139701.00	15.6	10.3	11.1	14.9	11.0
Service	**553432.00**	**619147.00**	**715803.00**	**805988.00**	**943263.00**	**1041225.00**	**11.9**	**15.6**	**12.6**	**17.0**	**10.4**
Wholesale and Retail Trade	161067.00	179306.00	198164.00	229872.00	266999.00	290368.00	11.3	10.5	16.0	16.2	8.8
Hotels and Restaurant	17347.00	21057.00	25307.00	29886.00	35309.00	40595.00	21.4	20.2	18.1	18.1	15.0
Transport, Storage and Communications	95304.00	105834.00	122354.00	140735.00	158851.00	167421.00	11.0	15.6	15.0	12.9	5.4
Financial Intermediation	46083.00	50111.00	58529.00	62183.00	68276.00	72728.00	8.7	16.8	6.2	9.8	6.5
Real Estate, Renting and Business	93747.00	106236.00	123213.00	139157.00	152984.00	173973.00	13.3	16.0	12.9	9.9	13.7
Public Administration and Defence	21695.00	24830.00	30547.00	32236.00	44324.00	51593.00	14.5	23.0	5.5	37.5	16.4
Education	61384.00	67739.00	81797.00	91566.00	115254.00	131207.00	10.4	20.8	11.9	25.9	13.8
Health and Social Work	15382.00	17087.00	20431.00	22327.00	27725.00	33386.00	11.1	19.6	9.3	24.2	20.4
Other Community, Social and Personal Service	41423.00	46947.00	55461.00	58026.00	73541.00	79954.00	13.3	18.1	4.6	26.7	8.7
Total GVA including FISIM	**1118570.00**	**1290141.00**	**1437474.00**	**1580425.00**	**1799456.00**	**1958855.00**	**15.3**	**11.4**	**9.9**	**13.9**	**8.9**
Financial Intermediation Indirectly Measured (FISIM)	35156.00	41660.00	49992.00	55205.00	63435.00	64861.00	18.5	20.0	10.4	14.9	2.2
GDP at basic prices	**1083414.00**	**1248481.00**	**1387482.00**	**1525220.00**	**1736021.00**	**1893994.00**	**15.2**	**11.1**	**9.9**	**13.8**	**9.1**
Taxes less subsidies on products	109358.00	118472.00	139862.00	169790.00	205602.00	230656.00	8.3	18.1	21.4	21.1	12.2
GDP at producers price	**1192772.00**	**1366953.00**	**1527344.00**	**1695010.00**	**1941623.00**	**2124650.00**	**14.6**	**11.7**	**11.0**	**14.5**	**9.4**

R : Revised Estimate of CBS

P : Preliminary Estimate of CBS

Source: Central Bureau of Statistics

Table 3

National Consumer Price Index

(1995/96 = 100)

Mid- Months	2011/12		2012/13		2013/14		2014/15	
	Index	% Change	Index	% Change	Index	% Change	Index	% Change
August	160.3	7.7	179.3	11.9	193.4	7.9	207.9	7.5
September	161.9	8.5	180.1	11.2	194.4	8.0	209.1	7.6
October	163.6	8.9	180.8	10.5	196.0	8.4	210.7	7.5
November	163.4	8.5	180.5	10.5	198.5	10.0	212.7	7.2
December	163.0	7.5	179.9	10.4	198.4	10.3	212.4	7.0
January	164.0	6.8	180.1	9.8	197.6	9.7	211.2	6.8
February	163.8	7.0	180.3	10.1	196.1	8.8	209.8	7.0
March	164.1	7.0	180.9	10.2	196.9	8.9	210.7	7.0
April	166.0	7.5	181.7	9.5	198.9	9.4	212.5	6.9
May	168.0	8.7	182.6	8.7	200.4	9.7	214.6	7.1
June	170.2	9.9	184.2	8.2	201.6	9.5	216.5	7.4
July	176.8	11.5	190.5	7.8	205.9	8.1		
Average	**165.4**	**8.3**	**181.7**	**9.9**	**198.2**	**9.1**	**211.6***	**7.2***

* Average of Eleven Months

Table 4
Monetary Survey

(Rs. in million)

Monetary Aggregates	2013 Jul	2014 Jun	2014 Jul	2015 Jun (e)	Changes during eleven months 2013/14 Amount	2013/14 Percent	2014/15 Amount	2014/15 Percent
1. Foreign Assets, Net	**468238.00**	**579345.38**	**599219.71**	**731506.23**	**109560.49** 1/	**23.4**	**127203.41** 2/	**21.2**
1.1 Foreign Assets	554093.55	667113.69	686759.02	832768.26	113020.15	20.4	146009.24	21.3
1.2 Foreign Liabilities	85855.55	87768.31	87539.31	101262.03	1912.76	2.2	13722.72	15.7
a. Deposits	74332.31	77825.71	80052.69	94917.18	3493.39	4.7	14864.49	18.6
b. Other	11523.24	9942.60	7486.62	6344.85	-1580.64	-13.7	-1141.77	-15.3
2. Net Domestic Assets	**847138.28**	**914147.27**	**966747.45**	**1070233.48**	**68555.89** 1/	**8.1**	**108569.13** 2/	**11.2**
2.1 Domestic Credit	1165866.28	1245708.78	1314304.96	1453375.08	79842.50	6.8	139070.12	10.6
a. Net Claims on Government	167788.26	89133.55	141989.49	65987.59	-78654.71	-46.9	-76001.91	-53.5
Claims on Government	167972.77	168657.20	165490.34	146872.36	684.43	0.4	-18617.98	-11.3
Government Deposits	184.52	79523.65	23500.85	80884.78	79339.13		57383.93	
b. Claims on Non-Financial Government Enterprises	11389.10	11986.48	10417.33	9796.55	597.39	5.2	-620.78	-6.0
c. Claims on Financial Institutions	13662.84	11029.22	11073.53	14351.63	-2633.62	-19.3	3278.10	29.6
Government	1317.39	1566.89	1487.62	2668.38	249.50	18.9	1180.76	79.4
Non-government	12345.46	9462.33	9585.91	11683.25	-2883.12	-23.4	2097.34	21.9
d. Claims on Private Sector	973026.08	1133559.52	1150824.61	1363239.31	160533.44	16.5	212414.70	18.5
2.2 Net Non-Monetary Liabilities	318728.00	331561.51	347557.52	383141.60	11286.62 1/	3.5	30500.98 2/	8.8
3. Broad Money (M2)	**1315376.28**	**1493492.65**	**1565967.16**	**1801739.70**	**178116.37**	**13.5**	**235772.55**	**15.1**
3.1 Money Supply (M1+)	925469.13	1067541.61	1130173.71	1309073.03	142072.48	15.4	178899.33	15.8
a. Money Supply (M1)	301590.19	336540.47	354830.03	397168.68	34950.28	11.6	42338.65	11.9
Currency	195874.24	223417.99	227537.39	260844.05	27543.75	14.1	33306.66	14.6
Demand Deposits	105715.94	113122.54	127292.65	136324.59	7406.59	7.0	9031.95	7.1
b. Saving and Call Deposits	623878.94	731001.14	775343.68	911904.36	107122.20	17.2	136560.68	17.6
3.2 Time Deposits	389907.15	425951.04	435793.45	492666.67	36043.89	9.2	56873.22	13.1
4. Broad Money Liquidity (M3)	**1389708.59**	**1571318.36**	**1646019.85**	**1896656.89**	**181609.77**	**13.1**	**250637.04**	**15.2**

1/ Adjusting the exchange valuation gain of Rs. 1546.9 million

2/ Adjusting the exchange valuation gain of Rs. 5083.1 million

e : estimates

Table 5
Structure of Interest Rates
(percent per annum)

Year Mid-month	2013 Jul	2014 Jul	2014 Oct	2015 Jan	2015 Apr	2015 Jul
A. Policy Rates						
CRR						
Commercial Banks	6.0	5.0	6.0	6.0	6.0	6.0
Development Banks	5.5	4.5	5.0	5.0	5.0	5.0
Finance Companies	5.0	4.0	4.0	4.0	4.0	4.0
Bank Rate	8.0	8.0	8.0	8.0	8.0	8.0
Refinance Rates Against Loans to:						
Special Refinance	1.5	1	1	1	1.0	1.0
General Refinance	6.0	5.0	4.0	4.0	4.0	4.0
Export Credit in Foreign Currency	LIBOR + 0.25	LIBOR + 0.25	LIBOR + 0.25	LIBOR + 0.25	LIBOR + 0.25	LIBOR + 0.25
Standing Liquidity Facility (SLF) Rate ^	8.0	8.0	8.0	8.0	8.0	8.0
B. Government Securities						
T-bills* (28 days)	0.55	0.01	0.33	-	-	-
T-bills* (91 days)	1.19	0.02	0.93	0.16	0.69	0.17
T-bills* (182 days)	1.60	0.42	0.90	0.23	0.87	0.56
T-bills* (364 days)	2.71	0.72	0.93	0.37	1.16	0.76
Development Bonds	5.0-9.5	3.25-9.5	3.25-9.5	3.25-9.5	3.25-9.5	2.65 -9.5
National/Citizen SCs	6.0-10.0	6.0-10.0	6.0-10.0	6.0-10.0	6.0-10.0	6.0-10.0
C. Interbank Rate of Commercial Banks	**0.86**	**0.16**	**1.03**	**0.15**	**0.64**	**1.01**
D. Weighted Average Deposit Rate (Commercial Banks)	**5.25**	**4.09**	**3.79**	**3.75**	**4.07**	**4.05****
E. Weighted Average Lending Rate (Commercial Banks)	**12.09**	**10.55**	**10.14**	**9.82**	**9.64**	**9.59****
F. Base Rate (Commercial Banks)$^{\$}$	**9.83**	**8.36**	**7.73**	**7.49**	**7.68**	**7.69****

^ The SLF is provided at bank rate effective from August 16, 2012

* Weighted average interest rate.

** Mid-Jun 2015

Table 6
Government Budgetary Operation+
(On Cash Basis)

(As of 10 July, 2015)

(Rs. in million)

Heads	Amount			Percent Change	
	2012/13	2013/14	2014/15P	2013/14	2014/15
Sanctioned Expenditure	**326568.5**	**370648.2**	**440997.3**	**13.5**	**19.0**
Recurrent	235146.4	280331.5	300428.0	19.2	7.2
Capital	42587.4	46366.2	56629.9	8.9	22.1
a. Domestic Resources & Loans	37442.4	40636.6	53456.0	8.5	31.5
b. Foreign Grants	5145.0	5729.6	3173.9	*11.4*	*-44.6*
Financial	48834.7	43950.5	83939.4	-10.0	91.0
a. Domestic Resources & Loans	48305.3	43390.9	82542.4	-10.2	90.2
b. Foreign Grants	529.4	559.6	1397.0	*5.7*	*149.6*
Unspent Government Balance	**220.9**	**0.0**	**0.0**	**-100.0**	-
Recurrent	49.0	0.0	0.0	-100.0	-
Capital	171.9	0.0	0.0	-100.0	-
Financial	0.0	0.0	0.0	-	-
Actual Expenditure of Budget	**326347.6**	**370648.2**	**440997.3**	**13.6**	**19.0**
Recurrent	235097.4	280331.5	300428.0	19.2	7.2
Capital	42415.5	46366.2	56629.9	9.3	22.1
Financial	48834.7	43950.5	83939.4	-10.0	91.0
Expenditure from Freeze Accounts	**12115.6**	**138.4**	**0.0**	**-98.9**	**-100.0**
Freeze-1 Recurrent	3421.0	9.2	0.0	-99.7	-100.0
Freeze-2 Capital	2976.8	129.2	0.0	-95.7	-100.0
Freeze-3 Financial	5717.8	0.0	0.0	-100.0	-
Total Expenditure	**338463.2**	**370786.6**	**440997.3**	**9.6**	**18.9**
Total Resources	**329551.5**	**393680.3**	**433980.7**	**19.5**	**10.2**
Revenue and Grants	**322605.6**	**374779.7**	**409824.2**	**16.2**	**9.4**
Revenue	296011.4	337515.2	380643.5	14.0	12.8
Foreign Grants	26594.2	37264.5	29180.7	40.1	-21.7
Non-Budgetary Receipts, net	6367.7	7468.9	8601.3	17.3	15.2
Others	78.9	-53.8	4.3	-168.2	-108.0
V. A. T.	-13.5	2359.0	1644.9	-17574.1	-30.3
Customs	258.1	913.4	1563.8	253.9	71.2
Local Authorities' Account (LAA)#	254.7	8213.1	12342.2	3124.6	50.3
Deficits(-) Surplus(+)	**-8911.7**	**22893.7**	**-7016.6**	**-356.9**	**-130.6**
Sources of Financing	**8911.7**	**-22893.7**	**7016.6**	**-356.9**	**-130.6**
Internal Loans	-1708.1	-38328.6	-6175.6	2143.9	-83.9
Domestic Borrowings	19042.8	9982.8	42423.1	-47.6	325.0
(i) Treasury Bills	19000.0	0.0	10000.0	-100.0	
(ii) Development Bond	0.0	9000.0	30000.0	-	*233.3*
(iii) National Saving Bond	0.0	906.4	0.0	-	*-100.0*
(iv) Citizen Saving Bond	0.0	0.0	2339.4	-	-
(v) Foreign Employment Bond	42.8	76.4	83.7	78.5	*9.5*
Overdrafts++	-20443.0	-49743.0	-48535.7	143.3	-2.4
Others@	-307.9	1431.6	-63.0	-565.0	-104.4
Principal Refund and Share Divestment	755.3	425.7	7806.6	-43.6	1733.8
Foreign Loans	9864.5	15009.2	5385.6	52.2	-64.1

\+ Based on data reported by 8 offices of NRB, 66 branches of Rastriya Banijya Bank Limited, 43 out of 44 branches of Nepal Bank Limited, 9 branches of Everest Bank Limited, 4 branches of Global IME Bank Limited and 1 branch each from NMB Bank Limited and Bank of Kathmandu Limited conducting government transactions and release report from 79 DTCOs and payment centres.

\# Change in outstanding amount disbursed to VDC/DDC remaining unspent.

++ Minus (-) indicates surplus.

@ Interest from Government Treasury transactions and others.

P : Provisional.

Table 7

Direction of Foreign Trade+

(Rs. in million)

	2011/12 Annual	2012/13 Annual	2013/14 Annual	2012/13*	2013/14*	2014/15*	Percent change 2013/14*	Percent change 2014/15*
Total Exports	**74261.00**	**76917.20**	**91991.30**	**69926.75**	**81730.52**	**77831.12**	**16.9**	**-4.8**
To India	49616.3	50999.80	59613.70	46434.90	54540.87	51108.01	17.5	-6.3
To China	-	2085.80	2840.70	1905.21	2175.26	2157.74	14.2	-0.8
To Other Countries	24644.7	23831.60	29536.90	21586.64	25014.38	24565.37	15.9	-1.8
Total Imports	**461667.70**	**556740.30**	**714365.89**	**508600.06**	**645703.61**	**690696.84**	**27.0**	**7.0**
From India	299389.6	367031.20	477947.00	335731.15	431621.15	437728.58	28.6	1.4
From China	-	62451.30	73318.65	57607.96	65197.12	92171.38	13.2	41.4
From Other Countries	162278.1	127257.80	163100.25	115260.96	148885.35	160796.88	29.2	8.0
Total Trade Balance	**-387406.70**	**-479823.10**	**-622374.59**	**-438673.32**	**-563973.09**	**-612865.72**	**28.6**	**8.7**
With India	-249773.3	-316031.40	-418333.30	-289296.25	-377080.27	-386620.57	30.3	2.5
With China	-	-60365.50	-70477.95	-55702.75	-63021.85	-90013.64	13.1	42.8
With Other Countries	-137633.4	-103426.20	-133563.35	-93674.32	-123870.97	-136231.51	32.2	10.0
Total Foreign Trade	**535928.70**	**633657.50**	**806357.19**	**578526.81**	**727434.13**	**768527.96**	**25.7**	**5.6**
With India	349005.90	418031.00	537560.70	382166.04	486162.02	488836.59	27.2	0.6
With China	-	64537.10	76159.35	59513.16	67372.38	94329.12	13.2	40.0
With Other Countries	186922.80	151089.40	192637.15	136847.60	173899.73	185362.25	27.1	6.6
1. Export / Import Ratio	**16.1**	**13.8**	**12.9**	**13.7**	**12.7**	**11.3**		
India	16.6	13.9	12.5	13.8	12.6	11.7		
China	-	3.3	3.9	3.3	3.3	2.3		
Other Countries	15.2	18.7	18.1	18.7	16.8	15.3		
2. Share in Total Export								
India	66.8	66.3	64.8	66.4	66.7	65.7		
China	-	2.7	3.1	2.7	2.7	2.8		
Other Countries	33.2	31.0	32.1	30.9	30.6	31.6		
3. Share in Total Import								
India	64.8	65.9	66.9	66.0	66.8	63.4		
China	-	11.2	10.3	11.3	10.1	13.3		
Other Countries	35.2	22.9	22.8	22.7	23.1	23.3		
4. Share in Trade Balance								
India	64.5	65.9	67.2	65.9	66.9	63.1		
China	-	12.6	11.3	12.7	11.2	14.7		
Other Countries	35.5	21.6	21.5	21.4	22.0	22.2		
5. Share in Total Trade								
India	65.1	66.0	66.7	66.1	66.8	63.6		
China	-	10.2	9.4	10.3	9.3	12.3		
Other Countries	34.9	23.8	23.9	23.7	23.9	24.1		
6. Share of Export and Import in Total Trade								
Export	13.9	12.1	11.4	12.1	11.2	10.1		
Import	86.1	87.9	88.6	87.9	88.8	89.9		

\+ On customs data basis

* Eleven months

Table 8
Balance of Payments Situation

(Rs. in million)

Particulars	2012/13		2013/14		2014/15 P	Percent change During eleven months	
	11 months	Annual	11 months	Annual	11 months	2013/14	2014/15
A. Current Account	**41555.34**	**57060.74**	**77839.80**	**89721.50**	**95285.40**	**87.3**	**22.4**
Goods: Exports f.o.b.	78115.80	85989.80	91491.30	100960.60	89536.10	17.1	-2.1
Oil	0.00	0.00	0.00	0.00	0.00	0.0	0.0
Other	78115.80	85989.80	91491.30	100960.60	89536.10	17.1	-2.1
Goods: Imports f.o.b.	-499904.90	-547294.30	-634701.60	-696373.30	-678921.00	27.0	7.0
Oil	-98055.50	-107138.90	-122698.20	-132976.40	-101232.40	25.1	-17.5
Other	-401849.40	-440155.40	-512003.40	-563396.90	-577688.60	27.4	12.8
Balance on Goods	**-421789.10**	**-461304.50**	**-543210.30**	**-595412.70**	**-589384.90**	**28.8**	**8.5**
Services: Net	**7151.60**	**7585.80**	**19726.30**	**20882.20**	**24317.40**	**175.8**	**23.3**
Services: credit	86708.70	95190.80	114408.40	125061.20	134461.00	31.9	17.5
Travel	31563.30	34210.60	43206.00	46374.90	50048.30	36.9	15.8
Government n.i.e.	16920.60	18389.70	21659.60	24352.80	27947.70	28.0	29.0
Other	38224.80	42590.50	49542.80	54333.50	56465.00	29.6	14.0
Services: debit	-79557.10	-87605.00	-94682.10	-104179.00	-110143.60	19.0	16.3
Transportation	-30312.30	-33276.70	-36461.80	-39822.00	-40762.70	20.3	11.8
Travel	-36199.10	-39611.90	-37643.40	-42175.60	-48465.50	4.0	28.7
O/W Education	-8599.50	-9508.50	-13328.40	-15121.30	-15681.80	55.0	17.7
Government services:debit	-1062.60	-1177.90	-1417.70	-1625.70	-1949.50	33.4	37.5
Others	-11983.10	-13538.50	-19159.20	-20555.70	-18965.90	59.9	-1.0
Balance on Goods and Services	**-414637.50**	**-453718.70**	**-523484.00**	**-574530.50**	**-565067.50**	**26.3**	**7.9**
Income: Net	**9693.94**	**13078.84**	**29348.30**	**32751.70**	**29021.30**	**202.7**	**-1.1**
Income: credit	19483.24	23320.14	35510.70	39539.80	37075.50	82.3	4.4
Income: debit	-9789.30	-10241.30	-6162.40	-6788.10	-8054.20	-37.0	30.7
Balance on Goods, Services and Income	**-404943.56**	**-440639.86**	**-494135.70**	**-541778.80**	**-536046.20**	**22.0**	**8.5**
Transfers: Net	**446498.90**	**497700.60**	**571975.50**	**631500.30**	**631331.60**	**28.1**	**10.4**
Current transfers: credit	453551.20	505068.20	574909.50	634854.80	633585.60	26.8	10.2
Grants	31211.00	34180.50	44074.00	48519.80	42165.30	41.2	-4.3
Workers' remittances	388462.30	434581.70	490952.80	543294.10	551742.20	26.4	12.4
Pensions	32898.60	35326.70	38214.90	41373.10	39678.10	16.2	3.8
Other (Indian Excise Refund)	979.30	979.30	1667.80	1667.80	0.00	70.3	-100.0
Current transfers: debit	-7052.30	-7367.60	-2934.00	-3354.50	-2254.00	-58.4	-23.2
B **Capital Account (Capital Transfer)**	**9238.90**	**10348.30**	**15735.50**	**17063.50**	**11890.50**	**70.3**	**-24.4**
Total, Groups A plus B	**50794.24**	**67409.04**	**93575.30**	**106785.00**	**107175.90**	**84.2**	**14.5**
C Financial Account (Excluding Group E)	**10100.40**	**12496.32**	**11020.32**	**11147.97**	**16194.83**	**9.1**	**47.0**
Direct investment in Nepal	6689.80	9081.90	3159.70	3194.60	3701.00	-52.8	17.1
Portfolio Investment	0.00	0.00	0.00	0.00	0.00	0.0	0.0
Other investment: assets	-20301.70	-22846.40	-19857.90	-21331.60	-30997.60	-2.2	56.1
Trade credits	-4560.50	-5147.40	-2370.20	-1620.00	-1932.90	-48.0	-18.4
Other	-15741.20	-17699.00	-17487.70	-19711.60	-29064.70	11.1	66.2
Other investment: liabilities	23712.30	26260.82	27718.52	29284.97	43491.43	16.9	56.9
Trade credits	13439.70	14434.60	22445.10	23686.10	21815.80	67.0	-2.8
Loans	-187.70	-1281.80	3523.60	4192.40	7766.80	-1977.3	120.4
General Government	-128.80	-1218.90	3722.80	4407.80	7810.00	-2990.4	109.8
Drawings	13249.30	13701.00	16803.00	21132.40	24180.00	26.8	43.9
Repayments	-13378.10	-14919.90	-13080.20	-16724.60	-16370.00	-2.2	25.2
Other sectors	-58.90	-62.90	-199.20	-215.40	-43.20	238.2	-78.3
Currency and deposits	11510.30	14301.10	2923.90	2733.40	14915.80	-74.6	410.1
Nepal Rastra Bank	-63.80	-11.70	-27.40	-36.70	55.40	-57.1	-302.2
Deposit money banks	11574.10	14312.80	2951.30	2770.10	14860.40	-74.5	403.5
Other liabalities	-1050.00	-1193.08	-1174.08	-1326.93	-1006.97	11.8	-14.2
Total, Group A through C	**60894.64**	**79905.36**	**104595.62**	**117932.97**	**123370.73**	**71.8**	**18.0**
D. **Miscellaneous Items, Net**	**3302.16**	**3335.36**	**7888.75**	**11927.56**	**18748.47**	**138.9**	**137.7**
Total, Group A through D	**64196.80**	**83240.72**	**112484.37**	**129860.53**	**142119.20**	**75.2**	**26.3**
E. Reserves and Related Items	**-64196.80**	**-83240.72**	**-112484.37**	**-129860.53**	**-142119.20**	**75.2**	**26.3**
Reserve assets	-63148.20	-82049.02	-111312.97	-128536.33	-141115.20	76.3	26.8
Nepal Rastra Bank	-37986.40	-65763.42	-98838.07	-115992.23	-114934.80	160.2	16.3
Deposit money banks	-25161.80	-16285.60	-12474.90	-12544.10	-26180.40	-50.4	109.9
Use of IMF's Credit and Loans	**-1048.60**	**-1191.70**	**-1171.40**	**-1324.20**	**-1004.00**	11.7	-14.3
Changes in reserve, net (- increase)*	**-52686.50**	**-68939.62**	**-109560.47**	**-127127.13**	**-127203.40**	**107.9**	**16.1**

P : Povisional

Table 9
Gross Foreign Exchange Holding of the Banking Sector

(Rs. in million)

Particulars	2012 Mid-Jul	2013 Mid-Jun	2013 Mid-Jul	2014 Mid-Jun	2014 Mid-Jul	2015 Mid-Jun[E]	Percent Change Mid-Jul to Mid-Jun 2013/14	Percent Change Mid-Jul to Mid-Jun 2014/15
Nepal Rastra Bank	**375524.50**	**422517.70**	**452994.50**	**554708.40**	**572400.90**	**690211.50**	**22.5**	**20.6**
Convertible	285681.86	314960.51	339940.04	416704.41	426132.87	510678.79	22.6	19.8
Inconvertible	89842.64	107557.19	113054.46	138003.99	146268.03	179532.71	22.1	22.7
Banks and Financial Institutions	**63932.20**	**89175.60**	**80302.50**	**92933.80**	**93006.10**	**119268.60**	**15.7**	**28.2**
Convertible	57144.00	83127.30	74079.90	87592.63	87372.34	112244.12	18.2	28.5
Inconvertible	6788.20	6048.30	6222.60	5341.17	5633.76	7024.48	-14.2	24.7
Total Foreign Exchange Reserve	**439456.70**	**511693.30**	**533297.00**	**647642.20**	**665407.00**	**809480.10**	**21.4**	**21.7**
Convertible	342825.86	398087.81	414019.94	504297.04	513505.21	622922.91	21.8	21.3
Share in total (in percent)	780.11	777.98	776.34	778.67	771.72	769.53	-	-
Inconvertible	96630.84	113605.49	119277.06	143345.16	151901.79	186557.19	20.2	22.8
Share in total (in percent)	219.89	222.02	223.66	221.33	228.28	230.47	-	-
Import Capacity (Equivalent Months)	0.00	0.00	0.00	0.00	0.00	0.00		
Merchandise	115.99	112.59	116.93	112.24	114.66	131.15	-	-
Merchandise and Services	102.81	97.14	100.80	97.67	99.74	112.85	-	-
1. Gross Foreign Exchange Reserve	439456.70	511693.30	533297.00	647642.20	665407.00	809480.10	21.4	21.7
2. Gold, SDR, IMF Gold Tranche	16520.18	19111.00	20796.60	19471.50	21352.10	23288.20	-6.4	9.1
3. Gross Foreign Assets(1+2)	455976.88	530804.30	554093.60	667113.70	686759.10	832768.30	20.4	21.3
4. Foreign Liabilities	72204.60	83154.20	85855.40	87768.70	87539.20	101261.90	2.2	15.7
5. Net Foreign Assets(3-4)	383772.28	447650.10	468238.20	579345.00	599219.90	731506.40	23.7	22.1
6. Change in NFA (before adj. ex. val.)*	-162506.65	-63877.82	-84465.92	-111107.40	-130981.70	-132286.50	-	-
7. Exchange Valuation (- loss)	30880.00	11191.30	15526.30	1546.90	3854.60	5083.10	-	-
8. Change in NFA (- increase) (6+7)**	**-131626.65**	**-52686.52**	**-68939.62**	**-109560.50**	**-127127.10**	**-127203.40**	**-**	**-**
Period end buying rate (Rs/US$):	**88.60**	**92.72**	**95.00**	**95.32**	**95.90**	**102.20**	**-**	**-**

E : Estimated

* Change in NFA is derived by taking mid-July as the base and minus (-) sign indicates an increase.

** After adjusting exchange valuation gain/loss.