



Year 13 | Issue IV | June-July 2019 | Volume 27

Monetary Policy will assist to meet budget target: Governor Dr. Nepal

Governor Dr. Chiranjibi Nepal said that monetary policy will assist to meet economic growth & inflation rate targeted by Government of Nepal (GoN) in budget speech of FY 2019/20. He was

of economic growth of 8.5% and containing inflation rate under 6.0%." He also added monetary policy will promote the interest of the depositors and creditors.

Governor Dr. Nepal expressed that the general

public trust which have been given to BFIs."

Governor Dr. Nepal claimed that NRB has highly prioritized financial technology (FinTech) for the developments of information and



speaking at an interaction program organized by Management Association of Nepal (MAN) in Kathmandu on June 14, 2019.

Governor Dr. Nepal informed that, "Monetary policy will be focused on supporting the achievement

public trust Banks & Financial Institutions (BFIs) which have been licensed by Nepal Rastra Bank (NRB). He added that "BFIs must have to honor the public trust at any cost". To ensure this he stated that "NRB will intervene to protect the

communication technology in banking system. In this regard, Governor Dr. Nepal informed that NRB will facilitate the inflow of foreign direct investment.

On this occasion, former Governor Mr. Deependra Bahadur Kshetry advised that





monetary policy should be directed to controlling the inflation. Economist Dr. Chandra Mani Adhikari also urged the requirement of controlling inflation by monetary policy. Similarly, Chairman of Nepal Bankers' Association, Mr. Gyanendra Prasad Dhungana indicated that the problem is due to the

loanable fund scarcity in banking industry and he expected that it will be solved through upcoming monetary policy.

On this occasion, Chairman of Confederation of Nepalese Industries, Mr. Satish Kumar More; Secretary General of Development Bankers Association of Nepal, Mr.

Manoj Kumar Gyawali; Chairman of Nepal Financial Institutions Association, Mr. Saroj Kaji Tuladhar; President of The Society of Economic Journalists-Nepal Mr. Pushpa Raj Acharya and others expressed views and put forward various other suggestions, for monetary policy formulation. ■

NRB directs for limitation of call deposits

Nepal Rastra Bank (NRB) has issued new directives to Banks and Financial Institutions (BFIs) regarding limitation of call deposits. A circular released by NRB's Banks and Financial Institutions Regulation Department on

May 23, 2019 directed 'A', 'B' & 'C' class BFIs to limit their call deposits in their total deposits. As per the circular, 'A' class bank shall not accept more than 10 percent call deposits of total deposits. Similarly, 'B' & 'C' class financial institutions are directed to limit call

deposits by 15 percent. NRB has also directed to all BFIs who have crossed the limit to bring down the call deposits portion by the end of Asar, 2077. From now onwards, BFIs are restricted to collect call deposits, in addition to prescribed limit. ■

BFIs are restricted to offer gifts on deposit

Nepal Rastra Bank (NRB) has restricted BFIs from offering gold & silver coins and any other kinds of gifts on deposit collection. NRB's Banks and Financial Institutions Regulation Department released a circular on May 9, 2019 in order to maintain healthy competition among the BFIs. ■

Macroeconomic and Financial Situation of Nepal in Fiscal Year 2018/19

(Based on Eleven-Month Data)

Nepal Rastra Bank, Research Department has released current macroeconomic and financial situation of Nepal based on the data of eleven months of FY 2018/19 ([full details on available at www.nrb.org.np](http://www.nrb.org.np)).

According to the report, Balance of Payment (BOP) registered a deficit of Rs. 90.83 billion, which is 86.49 billion higher when compared to the same period of previous fiscal year. Such deficit is primarily due to widening trade deficit.

With the surge in imports of items such as petroleum products, aircraft spare parts, readymade garments, M.S. billet, electrical goods, among others these resulted in an increase of export-import ratio to 6.8 percent, from 6.7 percent in the



corresponding period of the previous fiscal year.

Merchandise Trade

In eleven months of 2018/19, merchandise exports increased 18.7 percent to Rs. 87.83 billion compared to an increase of 10 percent a year ago. Destination-wise, exports to India and other countries increased 33.3 percent and 1.5 percent respectively, whereas exports to China decreased 27.1 percent. The exports of polyester yarn, jute goods, noodles, pulses, woolen

carpet, among others, increased whereas exports of cardamom, readymade garment, shoes and sandals, skin, pashmina, among others, decreased in the review period. In eleven months of 2018/19, merchandise imports increased 17.3 percent to Rs.1299.80 billion compared to an increase of 23.6 percent in the same period of the previous year. Destination-wise, imports from India, China and other countries increased 15.1 percent, 30.7 percent and 16.1 percent respectively. Commodity-wise, import of petroleum products, aircraft spare parts, readymade garment, M.S. billet, electrical goods, among others, increased whereas imports of cement, transportation equipment and parts, telecommunication equipment and parts, medical equipment and tools, crude soybean oil,

among others, decreased in the review period. The total trade deficit widened 17.2 percent to Rs.1211.96 billion in eleven months of 2018/19. The export-import ratio increased marginally to 6.8 percent in the review period, from 6.7 percent in the corresponding period of the previous year.

Foreign Exchange Reserve

Gross foreign exchange reserves decreased to Rs.1030.88 billion as of mid-June 2019 from Rs.1102.59 billion as of mid-July 2018.

Major Highlights

- Inflation remained 6.2 percent on y-o-y basis and 4.5 percent on average during eleven months.
- Import expanded 17.3 percent and export 18.7 percent.
- Remittances increased 17.5 percent in NPR and 8.1 percent in USD.
- Balance of Payments remained at a deficit of Rs.90.83 billion.
- Gross foreign exchange reserves stood at Rs.1030.88 billion. This level of reserve is sufficient to cover the prospective merchandise and services imports of 7.7 months.
- Federal Government spending based on banking transactions amounted to Rs.792.63 billion and revenue collection Rs.745.59 billion.
- Broad money (M2) expanded 11.2 percent. On y-o-y basis, M2 expanded 16.7 percent.
- Deposits at Banks and Financial Institutions increased 13.3 percent and bank credit to the private sector 18.2 percent. On y-o-y basis, deposits increased 19.0 percent and credit 20.8 percent.

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Remittances

Remittance inflows increased 17.5 percent to Rs.799.02

In US Dollar terms, the gross foreign exchange reserves remained 9.25 billion as of mid-June 2019 from 10.08 billion as of mid-July 2018.

Money Supply

Broad money (M2) increased 11.2 percent in the review period compared to a rise of 13.7 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 16.7 percent in mid-June 2019. Net foreign



assets (NFA after adjusting foreign exchange valuation gain/loss) decreased Rs.90.83 billion (8.6 percent) in the review period compared to a decrease of Rs.4.34 billion (0.4 percent) in the corresponding period of the previous year.

Merger and Acquisition

After introduction of merger and acquisition policy which was aimed at strengthening financial stability, the

number of BFIs involved in this process reached 165. Out of which, the license of 123 BFIs was revoked thereby forming 42 newly licenced BFIs.

Financial Access

Of the total 753 local levels, commercial banks extended their branches to 730 levels as of mid-June 2019. The total number of BFIs licensed by NRB increased to 176 in mid-June 2019

from 151 in mid-July 2018. As of mid-June 2019, there are 28 commercial banks, 32 development banks, 24 finance companies, 91 microfinance financial institutions and one infrastructure development bank are in operation. The number of branches of BFIs reached 8564 in mid-June 2019 from 6651 in mid-July 2018. ■

Governor Dr.Nepal meets with IMF representatives

Governor Dr. Chiranjibi Nepal met with Ms. Laura Isabel Jaramillo Mayor, Deputy Division Chief, Asia and Pacific Department of International Monetary Fund

On the occasion of meeting, they discussed about macroeconomic situation of Nepal including the status of government capital expenditure, trade deficit and foreign exchange reserve,

upcoming IMF missions.

During the meeting, Governor Dr. Nepal also highlighted on the current status of domestic financial inclusion. He also mentioned that it is difficult to handle monetary and fiscal policy simultaneously in the same direction in the situation of high interest rate and higher growth targets.

On this meeting, Deputy Governor Mr. Shiba Raj Shrestha emphasized on requirement of technical assistance in the area of business continuity plan, risk management, IT payment system and SWIFT. Senior Resident Representative of IMF, Mr. Andreas Bauer was also present in the meeting. ■



(IMF), on May 15, 2019 when she had requested for a courtesy call at Office of the Governor, NRB.

which are major factors of internal and external sectors stability. They also had discussed on the schedule for

Publisher

Nepal Rastra Bank
Office of the Governor
Baluwatar, Kathmandu

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