



# Nepal Rastra Bank

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## Current Macroeconomic and Financial Situation of Nepal

(Based on Four Months' Data Ending Mid-November, 2022/23)

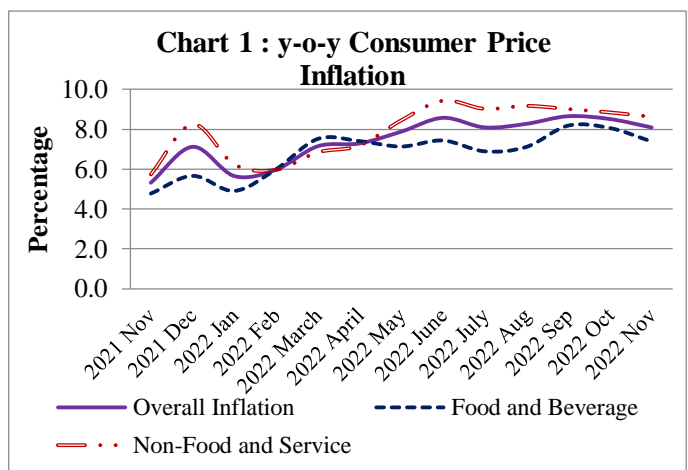
### Major Highlights

- *CPI-based Inflation remained 8.08 percent on y-o-y basis.*
- *Imports decreased 18.1 percent, exports decreased 33.3 percent and trade deficit decreased 15.9 percent.*
- *Remittances increased 20.4 percent in NPR terms and 10.8 percent in USD terms.*
- *Balance of Payments remained at a surplus of Rs.20.03 billion.*
- *Gross foreign exchange reserves stood at NPR 1246.27 and 9.63 billion in USD terms.*
- *Federal Government expenditure amounted to Rs.351 billion and revenue collection Rs.268.07 billion.*
- *Broad money (M2) increased 1.0 percent. On y-o-y basis, M2 increased 6.4 percent.*
- *Deposits at BFIs increased 0.9 percent and private sector credit increased 1.5 percent. On y-o-y basis, deposits increased 8.6 percent and private sector credit increased 5.4 percent.*

## Inflation

### Consumer Price Inflation

1. The y-o-y consumer price inflation remained at 8.08 percent in mid-November 2022 compared to 6.04 percent a year ago. Food and beverage inflation stood at 7.38 percent whereas non-food and service inflation rose to 8.63 percent in the review month.
2. Under the food and beverage category, y-o-y price index of restaurant & hotel sub-category increased 15.97 percent, tobacco products 11.81 percent, milk products & eggs 9.33 percent, cereal grains & their products 9.19 and alcoholic drinks 8.84 percent.
3. Under the non-food and services category, y-o-y price index of transportation sub-category increased 17.71 percent, health



**Table 1: y-o-y Consumer Price Inflation (Percent)**

Mid-Month			
Particulars	Oct/Nov 2021	Sep/Oct 2022	Oct/Nov 2022
<b>Overall Inflation</b>	<b>6.04</b>	<b>8.50</b>	<b>8.08</b>
<i>Food and Beverage</i>	<i>5.44</i>	<i>8.05</i>	<i>7.38</i>
<i>Non-food and Service</i>	<i>6.51</i>	<i>8.85</i>	<i>8.63</i>

11.22 percent, recreation & culture 8.76 percent, housing & utilities 8.49 percent and furnishing & household equipment 8.33 percent.

- In the review month, consumer price inflation in the Kathmandu Valley, Terai, Hill and Mountain remained at 7.56 percent, 8.52 percent, 8.03 percent and 6.68 percent respectively. Inflation in these regions were 6.14 percent, 5.42 percent, 7.14 percent and 5.00 percent respectively a year ago.

### Wholesale Price Inflation

- The y-o-y wholesale price inflation increased 10.02 percent in the review month compared to 6.68 percent a year ago.
- The y-o-y wholesale price of consumption goods, intermediate goods and capital goods increased 5.62 percent, 13.49 percent and 4.69 percent respectively. The wholesale price of construction materials increased 11.89 percent in the review month.

### Salary and Wage Rate Index

- The y-o-y salary and wage rate index increased 11.47 percent in the review month compared to 5.03 percent a year ago. In the review month, salary index and wage rate index increased by 12.39 and 11.19 percent respectively.

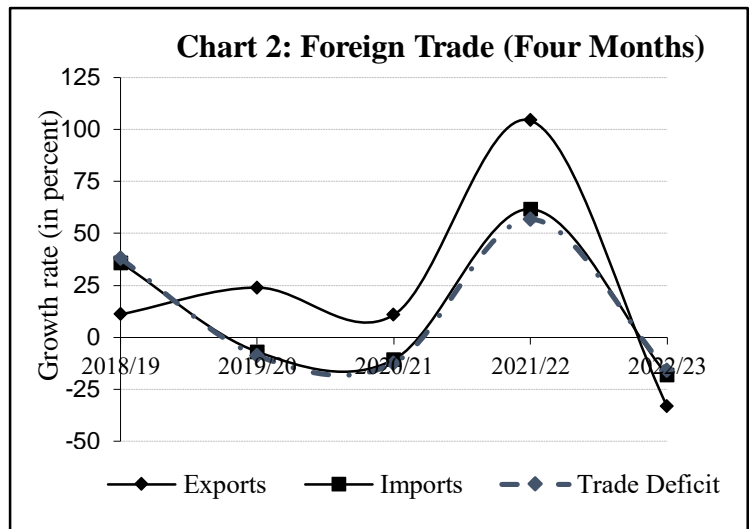
### Consumer Price Inflation in Nepal and India

- The y-o-y consumer price inflation in Nepal remained at 8.08 percent in mid-November 2022. Such inflation in India stood at 5.88 percent in November 2022.

## External Sector

### Merchandise Trade

- During the four months of 2022/23, merchandise exports decreased 33.3 percent amounting Rs.54.77 billion against an increase of 104.3 percent in the same period of the previous year. Destination-wise, exports to India and China decreased 42.3 percent and 34.2 percent respectively whereas exports to other countries increased 7.4 percent. Exports of zinc sheet, particle board, woolen carpets, tea, readymade garments, among others, increased whereas exports of soyabean oil, palm oil, oil cakes, jute goods, textiles, among others, decreased in the review period.



- During the four months of 2022/23, merchandise imports decreased 18.1 percent amounting Rs.532.69 billion against an increase of 61.6 percent a year ago. Destination-wise, imports from India, China and other countries decreased 16.5 percent, 20.9 percent, and 20.1 percent respectively. Imports of petroleum products, chemical fertilizer, sponge iron, gold, aircraft spareparts, among others, increased whereas imports of transport equipment & parts, silver,

telecommunication equipments and parts, M.S. billet, crude soyabean oil, among others, decreased in the review period.

11. Based on customs points, exports from Dry Port, Jaleswor, Kailali, Krishnanagar, Mechi and Tribhuvan Airport Customs Offices increased whereas exports from all the other major customs points decreased in the review period. On the import side, imports from Jaleswor Customs Office increased whereas imports from all the other major customs points decreased in the review period.
12. Total trade deficit decreased 15.9 percent to Rs.477.92 billion during the four months of 2022/23. Such a deficit had increased 56.8 percent in the corresponding period of the previous year. The export-import ratio decreased to 10.3 percent in the review period from 12.6 percent in the corresponding period of the previous year.
13. During the four months of 2022/23, merchandise imports from India by paying convertible foreign currency amounted Rs.42.69 billion. Such amount was Rs.71.40 billion in the same period of the previous year.

### **Composition of Foreign Trade**

14. As per the Broad Economic Categories (BEC), the intermediate and final consumption goods accounted for 54.6 percent and 45.4 percent of the total exports respectively, whereas the ratio of capital goods in total exports remained negligible at 0.02 percent in the review period. In the same period of the previous year, the ratio of intermediate, capital and final consumption goods remained 44.1 percent, 0.02 percent and 55.8 percent of total exports respectively.
15. On the imports side, the share of intermediate goods remained 53.0 percent, capital goods 8.3 percent and final consumption goods remained 38.7 percent in the review period. Such ratios were 53.1 percent, 11.1 percent and 35.8 percent respectively in the same period of the previous year.

### **Export-Import Price Index**

16. The y-o-y unit value export price index, based on customs data, increased 2.0 percent and the import price index increased 10.3 percent in the fourth month of 2022/23. The terms of trade (ToT) index decreased 7.5 percent in the review month compared to a decrease of 5.3 percent a year ago.

### **Services**

17. Net services income remained at a deficit of Rs.23.30 billion in the review period compared to a deficit of Rs.30.79 billion in the same period of the previous year.
18. Under the service account, travel income increased 137.0 percent to Rs.17.96 billion in the review period which was Rs.7.58 billion in the same period of the previous year.
19. Under the service account, travel payments increased 63.8 percent to Rs.33.06 billion, including Rs.22.61 billion for education. Such payments were Rs.20.19 billion and Rs.10.70 billion respectively in the same period of the previous year.

### **Remittances**

20. Remittance inflows increased 20.4 percent to Rs.378.04 billion in the review period against a decrease of 7.0 percent in the same period of the previous year. In the US Dollar terms, remittance inflows increased 10.8 percent to 2.93 billion in the review period against a decrease of 7.3 percent in the same period of the previous year.

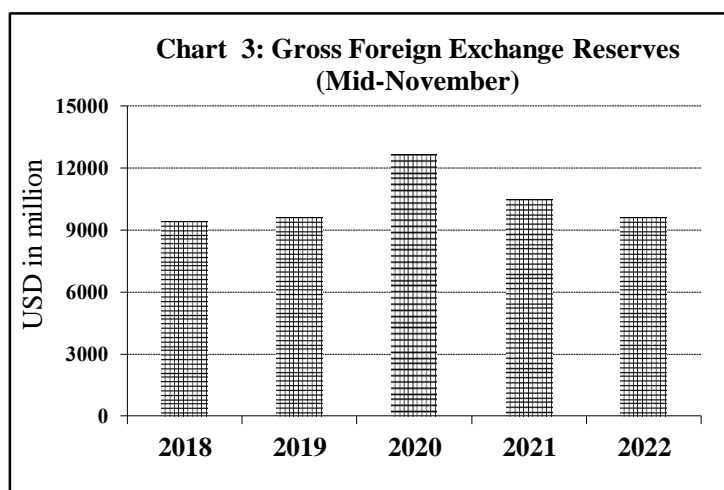
21. Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 102.5 percent to 195,196 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 46.4 percent to 87,428 in the review period. It had increased 249.1 percent in the same period of the previous year.
22. Net transfer increased 20.2 percent to Rs.417.38 billion in the review period. Such a transfer had decreased 6.9 percent in the same period of the previous year.

### **Current Account and Balance of Payments**

23. The current account remained at a deficit of Rs.35.40 billion in the review period compared to a deficit of Rs.220.91 billion in the same period of the previous year. In the US Dollar terms, the current account registered a deficit of 278.0 million in the review period compared to a deficit of 1.86 billion in the same period last year.
24. In the review period, capital transfer increased 18.1 percent to Rs.2.97 billion and net foreign direct investment (FDI) remained Rs.429.2 million. In the same period of the previous year, capital transfer and net FDI amounted to Rs.2.52 billion and Rs.6.63 billion respectively.
25. Balance of Payments (BOP) remained at a surplus of Rs.20.03 billion in the review period compared to a deficit of Rs.150.38 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 149.6 million in the review period compared to a deficit of 1.27 billion in the same period of the previous year.

### **Foreign Exchange Reserves**

26. Gross foreign exchange reserves increased 2.5 percent to Rs.1246.27 billion in mid-November 2022 from Rs.1215.80 billion in mid-July 2022. In the US dollar terms, the gross foreign exchange reserves increased 1.0 percent to 9.63 billion in mid-November 2022 from 9.54 billion in mid-July 2022.



27. Of the total foreign exchange reserves, reserves held by NRB increased 3.3 percent to Rs.1091.22 billion in mid-November 2022 from Rs.1056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) decreased 2.7 percent to Rs.155.05 billion in mid-November 2022 from Rs.159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 23.5 percent in mid-November 2022.

### **Foreign Exchange Adequacy Indicators**

28. Based on the imports of four months of 2022/23, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 9.7 months, and merchandise and services imports of 8.4 months. The ratio of reserves-to-GDP, reserves-to-imports and reserves-to-M2 stood at 25.7 percent, 70.0 percent and 22.4 percent respectively in mid-November 2022. Such ratios were 25.1 percent, 57.8 percent and 22.1 percent respectively in mid-July 2022.

## Price of Oil and Gold

29. The price of oil (Crude Oil Brent) in the international market increased 11.8 percent to US dollar 92.61 per barrel in mid-November 2022 from US dollar 82.85 per barrel a year ago. The price of gold decreased 4.6 percent to US dollar 1773.00 per ounce in mid-November 2022 from US dollar 1859.20 per ounce a year ago.

## Exchange Rate

30. Nepalese currency vis-à-vis the US dollar depreciated 1.51 percent in mid-November 2022 from mid-July 2022. It had appreciated 0.13 percent in the same period of the previous year. The buying exchange rate per US dollar stood at Rs.129.46 in mid-November 2022 compared to Rs.127.51 in mid-July 2022.

# Fiscal Situation

## Federal Government

### Expenditure and Revenue

31. During the four months of 2022/23, total expenditure of the federal government according to data of Financial Comptroller General Office (FCGO), Ministry of Finance, stood at Rs.351.00 billion. The recurrent expenditure, capital expenditure and financial management expenditure amounted to Rs.281.39 billion, Rs.26.30 billion and Rs.43.31 billion respectively in the review period.

Particulars	Amount (Rs. in Billion)		Percentage Change	
	2021/22	2022/23	2021/22	2022/23
<b>Total Expenditure</b>	<b>287.54</b>	<b>351.00</b>	<b>6.9</b>	<b>22.1</b>
<i>Recurrent Expenditure</i>	<i>233.51</i>	<i>281.39</i>	<i>1.5</i>	<i>20.5</i>
<i>Capital Expenditure</i>	<i>20.79</i>	<i>26.30</i>	<i>-29.4</i>	<i>26.5</i>
<i>Financial Management</i>	<i>33.24</i>	<i>43.31</i>	<i>249.9</i>	<i>30.3</i>
<b>Total Revenue</b>	<b>334.32</b>	<b>268.07</b>	<b>39.2</b>	<b>-19.8</b>
<i>Tax Revenue</i>	<i>305.40</i>	<i>245.79</i>	<i>35.1</i>	<i>-19.5</i>
<i>Non-Tax Revenue</i>	<i>28.92</i>	<i>22.28</i>	<i>105.0</i>	<i>-23.0</i>

Source: Financial Comptroller General Office

32. In the review period, total revenue mobilization of Federal Government (including the amount to be transferred to provincial and local governments) stood at Rs.268.07 billion. The tax revenue amounted Rs.245.79 billion and non tax revenue amounted Rs.22.28 billion in the review period (Table 2).

### Cash Balance of Government

33. Cash Balance at various accounts of the GoN maintained with NRB remained Rs.182.84 billion (including Provincial governments and Local Authorities Account) in mid-November 2022. Such balance was Rs.227.69 billion in mid-July 2022.

## Provincial Government

### Expenditure and Revenue

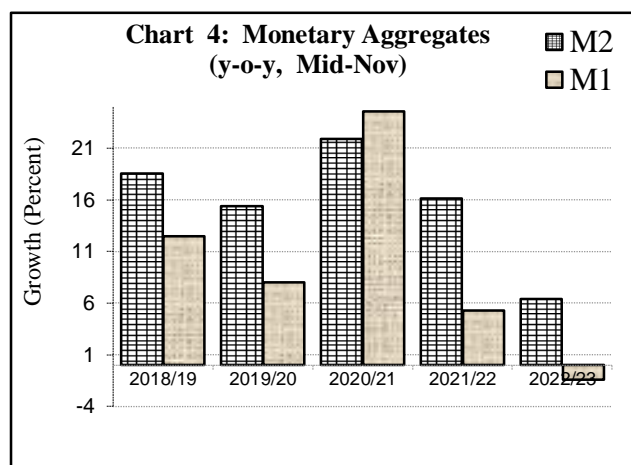
34. In the review period, total expenditure of provincial governments stood at Rs.27.75 billion. In the review period, total resource mobilization of provincial governments remained Rs.43.52 billion, of which the federal government transferred Rs.30.05 billion as grants and revenue from federal divisible fund and the provincial governments mobilized Rs.13.47 billion in terms of revenue and other receipts in the review period.

# Monetary Situation

## Money Supply

35. Broad money (M2) increased 1.0 percent in the review period compared to an increase of 1.4 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 6.4 percent in mid-November 2022

36. The net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased Rs.20.03 billion (1.8 percent) in the review period in contrast to a decrease of Rs.150.38 billion (11.3 percent) in the corresponding period of the previous year.



37. Reserve money increased 2.8 percent in the review period in contrast to a decrease of 8.7 percent in the corresponding period of the previous year. On y-o-y basis, reserve money decreased 0.2 percent in mid-November 2022.

## Domestic Credit

38. Domestic credit increased 2.2 percent in the review period compared to an increase of 5.9 percent in the corresponding period of the previous year. On y-o-y basis, domestic credit increased 10.5 percent in mid-November 2022.

39. Monetary Sector's claims on the private sector increased 2.4 percent in the review period compared to an increase of 9.4 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 6.0 percent in mid-November 2022.

## Deposit Mobilization

40. Deposits at Banks and Financial Institutions (BFIs) increased Rs. 46.74 billion (0.9 percent) in the review period compared to an increase of Rs. 62.42 billion (1.3 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 8.6 percent in mid-November 2022.

41. The share of demand, saving, and fixed deposits in total deposits stands at 7.4 percent, 26.0 percent and 58.0 percent respectively in mid-November 2022. Such shares were 7.1 percent, 33.1 percent and 52.3 percent respectively a year ago.

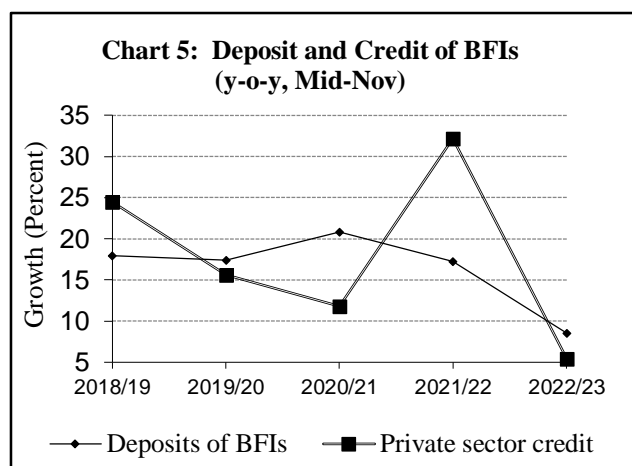
42. The share of institutional deposits in total deposit of BFIs stands at 37.1 percent in mid-November 2022. Such a share was 39.8 percent in mid-November 2021.

Deposits	Mid-July		Mid-November	
	2021	2022	2021	2022
Demand	10.4	8.9	7.1	7.4
Saving	34.2	27.6	33.1	26.0
Fixed	47.0	55.8	52.3	58.0
Other	8.4	7.7	7.5	8.6

## Credit Disbursement

43. Private sector credit from BFIs increased Rs. 68.55 billion (1.5 percent) in the review period compared to an increase of Rs. 364.62 billion (8.9 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 5.4 percent in mid-November 2022.

44. The shares of private sector credit from BFIs to non-financial corporation and household stand at 64.0 percent and 36.0 percent respectively in mid-November 2022. Such shares were 64.1 percent and 35.9 percent a year ago.



45. In the review period, private sector credit from commercial banks, development banks and finance companies increased 1.3 percent, 3.4 percent and 0.1 percent respectively.

46. In the review period, out of the total outstanding credit of the BFIs, 66.8 percent is against the collateral of land and building and 12.3 percent against the collateral of current assets (such as agricultural and non-agricultural products). Such ratios were 66.5 percent and 12.3 percent respectively a year ago.

47. In the review period, outstanding loan of BFIs to industrial production sector credit increased 6.8 percent, service industry sector 3.8 percent, transportation, communication and public sector 2.9 percent, construction sector 2.5 percent, agriculture sector 2.4 percent, and wholesale & retail sector 2.1 percent.

48. In the review period, term loan extended by BFIs increased 4.9 percent, overdraft 9.7 percent, trust receipt (import) loan 4.6 percent, demand and working capital loan 3.6 percent, real estate loan (including residential personal home loan) 2.8 percent whereas hire purchase loan and margin nature loan decreased by 3.3 percent and 5.6 percent respectively.

## Liquidity Management

49. In the review period, NRB injected Rs. 2833.11 billion liquidity of which Rs.203.87 billion was through repo, Rs.72.20 billion through outright purchase auction and Rs.2557.04 billion through standing liquidity facility (SLF). In the corresponding period of the previous year, Rs.1736.84 billion net amount of liquidity was injected through various instruments.

50. In the review period, NRB injected liquidity of Rs.195.86 billion through the net purchase of USD 1.52 billion from foreign exchange market. Liquidity of Rs.49.59 billion was injected through the net purchase of USD 413.4 million in the corresponding period of the previous year.

51. The NRB purchased Indian currency (INR) equivalent to Rs.175.16 billion through the sale of USD 1.36 billion in the review period. INR equivalent to Rs.161.84 billion was purchased through the sale of USD 1.36 billion in the corresponding period of previous year.

## Refinance, Concessional Loan and Business Continuity Loan

52. The outstanding amount of refinance provided by NRB remained Rs.102.60 billion in mid-November 2022.

53. As of mid-November 2022, the outstanding concessional loan is Rs.210.12 billion extended to 148,433 borrowers. Of which, Rs.138.69 billion has been extended to 60,461 borrowers for selected commercial agriculture and livestock businesses. Likewise, Rs. 68.06 billion loan has been extended to 85,138 women entrepreneurs. Total 2,834 borrowers have availed Rs.3.37 billion concessional loan in other specified sectors.
54. Business continuity loan has been extended to the Covid-19 affected tourism, cottage, small and medium industries for payment of salaries to workers and employees in line with 'Business Continuity Loan Procedure, 2020'. The outstanding loan extended under this provision is Rs.859.4 million as of mid-November 2022.

### **Inter-bank Transaction**

55. In the review period, BFIs interbank transactions amounted Rs.1267.22 billion including Rs.1148.27 billion inter-bank transactions among commercial banks and Rs.118.95 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions was Rs.1201.62 billion including Rs.1043.22 billion among commercial banks and Rs. 158.40 billion among other financial institutions (excluding transactions among commercial banks).

### **Interest Rates**

56. The weighted average 91-days treasury bills rate remained at 10.88 percent in the fourth month of 2022/23, which was 4.81 percent in the corresponding month a year ago. The weighted average inter-bank transaction rate among commercial banks, which was 4.96 percent a year ago, increased to 8.50 percent in the review month. The average inter-bank rate of BFIs which is considered as operating target of monetary policy, stood 8.50 percent in the review month. Such a rate was 4.96 percent a year ago.

Types	Mid-November 2021	Mid-November 2022
91-days treasury bills rate	4.81	10.88
Inter-bank rate	4.96	8.50
Base rate	7.82	10.60
Deposit rate	5.80	8.32
Lending rate	9.02	12.65

57. The average base rate of commercial banks increased to 10.60 percent in the fourth month of 2022/23 from 7.82 percent a year ago. Weighted average deposit rate and lending rate of commercial banks stood at 8.32 percent and 12.65 percent respectively in the review month. Such rates were 5.80 percent and 9.02 percent respectively a year ago.

### **Merger and Acquisition**

58. After introduction of merger and acquisition policy aimed at strengthening financial stability, the number of BFIs involved in this process reached 247 as of mid-November 2022. Out of which, the license of 179 BFIs was revoked thereby forming 68 BFIs.

### **Financial Access**

59. Of the total 753 local levels, commercial banks extended their branches at 752 levels as of mid-November 2022. The number of local levels having commercial bank branches was 750 a year ago .
60. The total number of BFIs licensed by NRB remained 125 in mid-November 2022 (Table 5). As of mid-November 2022, 26 commercial banks, 17 development banks, 17 finance companies, 64 microfinance financial institutions and 1 infrastructure development bank are in operation. The



number of BFIs branches reached 11,632 in mid-November 2022 from 11,528 in mid-July 2022 (Table 5).

<b>Table 5: Number of BFIs and their Branches*</b>						
<b>Bank and Financial Institutions</b>	<b>Number of BFIs</b>			<b>Branches of BFIs</b>		
	<b>mid-July 2021</b>	<b>mid- July 2022</b>	<b>mid-November 2022</b>	<b>mid-July 2021</b>	<b>mid-July 2022</b>	<b>mid-November 2022</b>
Commercial Banks	27	26	26	4753	5009	5090
Development Banks	18	17	17	1023	1118	1123
Finance Companies	17	17	17	222	267	275
Microfinance Financial Institutions	70	65	64	4685	5134	5144
Infrastructure Development Bank	1	1	1	-	-	-
<b>Total</b>	<b>133</b>	<b>126</b>	<b>125</b>	<b>10683</b>	<b>11528</b>	<b>11632</b>

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

## Electronic Payment Transaction

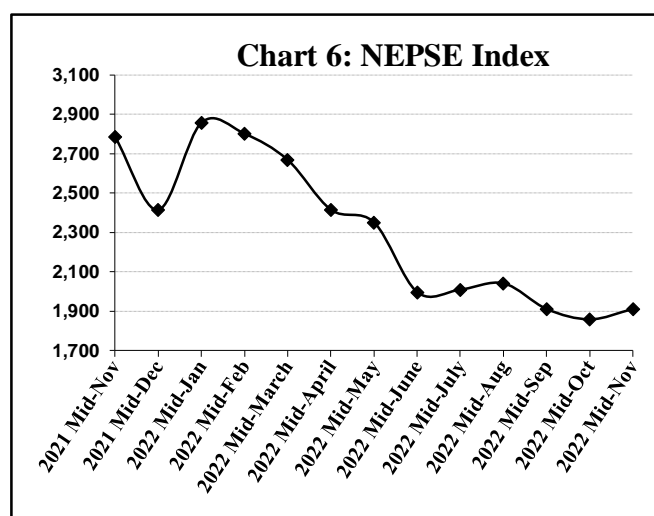
61. Electronic payment transaction has increased significantly due to the development of payment infrastructure, policy of encouraging electronic payments and gradual adoption of electronic payment instruments .

## Capital Market

62. NEPSE index stood 1911.3 in mid-November 2022 compared to 2784.6 in mid-November 2021.

63. Stock market capitalization in mid-November 2022 stood Rs.2749.24 billion compared to Rs.3916.45 billion in mid-November 2021.

64. Number of companies listed at NEPSE reached 245 in mid-November 2022, out of which 148 are Bank and Financial Institutions (BFIs) and insurance companies, 60 hydropower companies, 19 manufacturing and processing industries, 6 investment companies, 5 hotels, 4 trading companies and 3 others. The number of companies listed at NEPSE was 222 in mid-November 2021.



65. Share of BFIs and insurance companies in stock market capitalization is 68.1 percent. Such a share for hydropower companies is 10.3 percent, investment companies 6.4 percent, manufacturing and processing industries 4.4 percent, hotels 1.7 percent, trading companies 0.4 percent and the share of other companies is 8.7 percent.

66. The paid-up value of 6.83 billion shares listed at NEPSE stood Rs.673.39 billion in mid- November 2022.

67. Securities worth Rs.87.17 billion were listed at NEPSE during the first four month of 2022/23. Such securities comprise government's development bond worth Rs.35 billion, debenture worth

Rs.28.44 billion, bonus shares worth Rs.9.29 billion, ordinary share worth Rs.7.58 billion, mutual fund worth Rs.4.49 billion and right share worth Rs.2.37 billion.

68. Securities Board of Nepal approved the total public issuance of securities worth Rs.11.63 billion in the review period which includes debenture worth Rs.6.24 billion, mutual fund worth Rs.3.15 billion, ordinary share worth Rs.1.28 billion and right share worth Rs.950 million.