



Nepal Rastra Bank

Economic Research Department, Baluwatar, Kathmandu

Current Macroeconomic and Financial Situation of Nepal

(Based on Two Months Data Ending Mid-September, 2024/25)

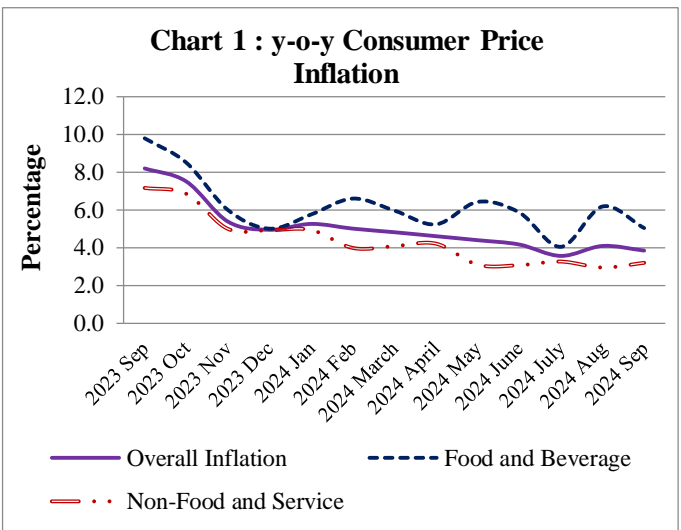
Major Highlights

- *CPI-based inflation remained 3.85 percent on y-o-y basis.*
- *Imports increased 1.1 percent and exports decreased 5.1 percent.*
- *Remittances increased 15.2 percent in NPR terms.*
- *Balance of Payments remained at a surplus of Rs.101.77 billion.*
- *Gross foreign exchange reserves stood at NPR 2152.53 billion and 16.04 billion in USD terms.*
- *Nepal Government expenditure amounted to Rs.137.55 billion and revenue collection Rs.166.39 billion.*
- *Broad money (M2) increased 0.4 percent. On y-o-y basis, M2 expanded 13.9 percent.*
- *Deposits at BFIs increased 0.5 percent and private sector credit increased 1.4 percent. On y-o-y basis, deposits increased 13.8 percent and private sector credit increased 6.6 percent.*

Inflation

Consumer Price Inflation (CPI)

1. The y-o-y consumer price inflation stood at 3.85 percent in mid-September 2024 compared to 8.19 percent a year ago. Food and beverage inflation stood at 5.03 percent whereas non-food and service inflation stood at 3.19 percent in the review month. During the same period in the previous year, the price indices of these groups had increased by 9.77 percent and 7.19 percent, respectively.
2. Under the food and beverage category, y-o-y price index of pulse and legumes sub-category increased 10.80 percent, vegetable 9.84 percent, cereal grains & their products 9.34 percent and fruit 4.94 percent while y-o-y price index of spices sub-category decreased 2.69 percent.
3. Under the non-food and services category, y-o-y price index of miscellaneous goods and services sub-category increased 8.71 percent, alcoholic drinks 6.76 percent, clothes and footwear 6.08



percent and furnishing and household equipment 4.88 percent while y-o-y price index of insurance and financial services sub-category held constant.

4. During the review month, y-o-y price index in rural areas increased by 4.04 percent, while in urban areas, it rose by 3.78 percent.

5. Based on provinces, in the review month, y-o-y consumer price inflation in Koshi Province is 4.66 percent, Madhesh Province 3.82 percent, Bagmati Province 3.29 percent, Gandaki Province 3.50 percent, Lumbini Province 3.53 percent, Karnali Province 3.56 percent, and Sudurpashchim Province 5.90 percent.

6. In the review month, y-o-y consumer price inflation in the Kathmandu Valley, Terai, Hill and Mountain region surged to 3.49 percent, 4.09 percent, 3.61 percent and 4.19 percent respectively. Inflation in these regions were 9.83 percent, 7.03 percent, 8.09 percent and 11.32 percent respectively a year ago.

Table 1: y-o-y Consumer Price Inflation (Percent)			
Mid-Month			
Particulars	Aug/Sep 2023	July/Aug 2024	Aug/Sep 2024
Overall Inflation	8.19	4.10	3.85
Food and Beverage	9.77	6.17	5.03
Non-food and Service	7.19	2.94	3.19

Wholesale Price Inflation (WPI)

7. The y-o-y wholesale price inflation stood at 2.75 percent in mid-September 2024 compared to 4.78 percent a year ago.

8. The y-o-y wholesale price of consumption goods, intermediate goods and capital goods increased 1.39 percent, 3.56 percent and 2.77 percent respectively. The y-o-y wholesale price of construction material decreased by 4.22 percent in the review month.

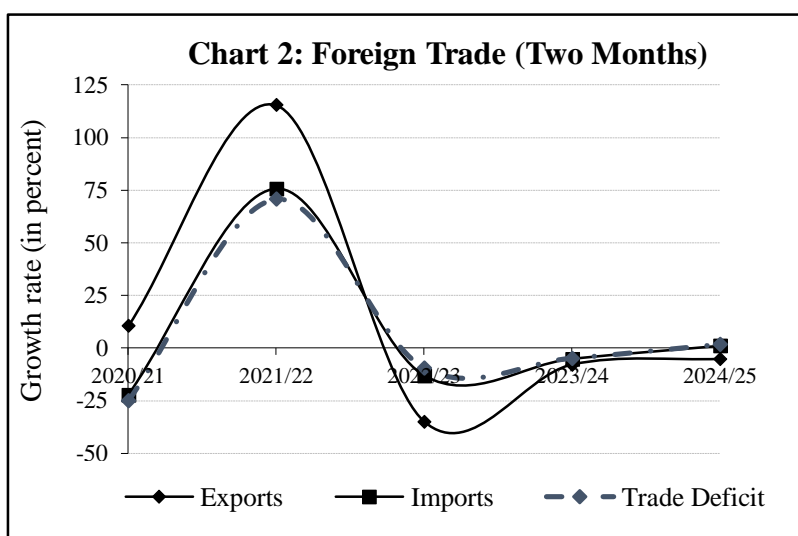
Consumer Price Inflation in Nepal and India

9. The y-o-y consumer price inflation in Nepal remained at 3.85 percent in mid-September 2024. Such inflation in India stood at 5.49 percent in September 2024.

External Sector

Merchandise Trade

10. During the two months of 2024/25, merchandise exports decreased 5.1 percent to Rs.25.09 billion compared to a decrease of 7.8 percent in the same period of the previous year. Destination-wise, exports to India, China and other countries decreased 4.5 percent, 45.3 percent and 3.9 percent respectively. Exports of tea, particle board, oil cakes, shoes and sandals, soyabean oil, among others increased whereas exports



of cardamom, zinc sheet, palm oil, readymade garments, herbs, among others decreased in the review period.

11. During the two months of 2024/25, merchandise imports increased 1.1 percent to Rs.262.54 billion compared to a decrease of 5.1 percent a year ago. Destination-wise, imports from India and other countries decreased 0.1 percent and 5.1 percent respectively while imports from China increased 11.9 percent. Imports of transport equipment, vehicle and other vehicle spare parts, edible oil, chemical fertilizer, telecommunication equipments and parts, garlic, among others increased whereas imports of gold, M.S. billet, rice/paddy, crude palm oil, electrical equipment, among others decreased in the review period.
12. Based on customs points, exports from Bhairahawa, Dry Port, Kailali, Krishnanagar and Nepalgunj Customs Offices increased whereas exports from all the other major customs points decreased in the review period. On the import side, imports from Bhairahawa, Dry Port, Jaleswor, Kailali, Mechi, Rasuwa and Tatopani Customs Offices increased whereas imports from all the other major customs points decreased in the review period.
13. Total trade deficit increased 1.8 percent to Rs.237.45 billion during the two months of 2024/25. Such a deficit had decreased 4.7 percent in the corresponding period of the previous year. The export-import ratio decreased to 9.6 percent in the review period from 10.2 percent in the corresponding period of the previous year.
14. During the two months of 2024/25, merchandise imports from India by paying convertible foreign currency amounted Rs.29.93 billion. Such amount was Rs.32.14 billion in the same period of the previous year.

Composition of Foreign Trade

15. As per the Broad Economic Categories (BEC), the intermediate and final consumption goods accounted for 53.2 percent and 45.6 percent of the total exports respectively, whereas the ratio of capital goods in total exports remained negligible at 1.2 percent in the review period. In the same period of the previous year, the ratio of intermediate, capital and final consumption goods remained 54.1 percent, 0.23 percent and 45.6 percent of total exports respectively.
16. On the imports side, the share of intermediate goods remained 49.7 percent, capital goods 8.6 percent and final consumption goods 41.8 percent in the review period. Such ratios were 52.8 percent, 9.1 percent and 38.1 percent respectively in the same period of the previous year.

Export-Import Price Index

17. The y-o-y unit value export price index, based on customs data, increased 0.1 percent and the import price index decreased 0.5 percent in the two months of 2024/25. The terms of trade (ToT) index increased 0.6 percent in the review period.

Services

18. Net services income remained at a deficit of Rs.28.20 billion in the review period compared to a deficit of Rs.25.23 billion in the same period of the previous year.

19. Under the service account, travel income increased 12.1 percent to Rs.10.53 billion in the review period which was Rs.9.40 billion in the same period of the previous year.

Table 2: BOP related Indicators during the review period

Particulars	Values (in Billion)		Percentage Change	
	2023/2024 ^R	2024/2025 ^P	2023/2024 ^R	2024/2025 ^P
Travel income	9.40	10.53	48.1	12.1
Travel payment	35.59	43.49	76.5	22.2
Remittance inflows	228.40	263.14	18.7	15.2
Direct Investment Inflows (Equity only)	3.00	2.71	200.5	-9.6
<i>R=Revised P=Provisional</i>				

20. Under the service account, travel payments increased 22.2 percent

to Rs.43.49 billion, including Rs.28.16 billion for education. Such payments were Rs.35.59 billion and Rs.23.33 billion respectively in the same period of the previous year.

Remittances

21. Remittance inflows increased 15.2 percent to Rs.263.14 billion in the review period compared to an increase of 18.7 percent in the same period of the previous year. In the US Dollar terms, remittance inflows reached 1.96 billion in the review period which was 1.73 billion in the same period of the previous year.

22. The number of Nepali workers, both institutional and individual, taking first-time approval for foreign employment stands at 76,485 and taking approval for renew entry stands at 40,583. In the previous year, such numbers were 74,455 and 32,004 respectively.

23. Net secondary income (net transfer) reached Rs.286.45 billion in the review period compared to Rs.251.65 billion in the same period of the previous year.

Current Account and Balance of Payments

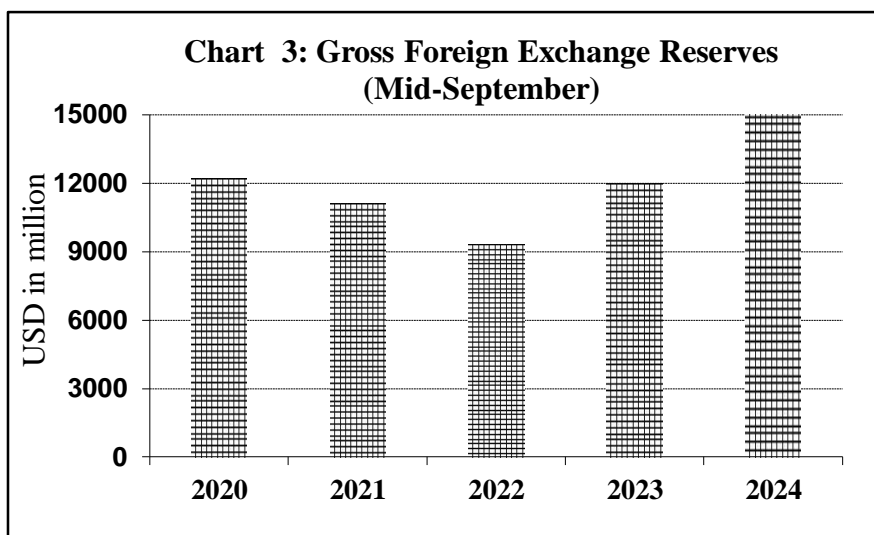
24. The current account remained at a surplus of Rs.49.69 billion in the review period compared to a surplus of Rs.23.97 billion in the same period of the previous year. In the US Dollar terms, the current account registered a surplus of 370.1 million in the review period against a surplus of 181.3 million in the same period last year.

25. In the review period, net capital transfer amounted to Rs.1.20 billion and foreign direct investment inflow (Equity only) remained at Rs.2.71 billion. In the same period of the previous year, net capital transfer amounted to Rs.850.8 million and foreign direct investment inflows (Equity only) amounted to Rs.3.0 billion.

26. Balance of Payments (BOP) remained at a surplus of Rs. 101.77 billion in the review period compared to a surplus of Rs. 55.1 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 757.9 million in the review period compared to a surplus of 417 million in the same period of the previous year.

Foreign Exchange Reserves

27. Gross foreign exchange reserves increased 5.5 percent to Rs.2152.53 billion in mid-September 2024 from Rs.2041.10 billion in mid-July 2024. In the US dollar terms, the gross foreign exchange reserves increased 5.0 percent to 16.04 billion in mid-September 2024 from 15.27 billion in mid-July 2024.



28. Of the total foreign exchange reserves, reserves held by NRB increased 4.4 percent to Rs.1928.99 billion in mid-September 2024 from Rs.1848.55 billion in mid-July 2024. Reserves held by banks and financial institutions (except NRB) increased 16.1 percent to Rs.223.53 billion in mid-September 2024 from Rs.192.55 billion in mid-July 2024. The share of Indian currency in total reserves stood at 22.1 percent in mid-September 2024.

Foreign Exchange Adequacy Indicators

29. Based on the imports of two months of 2024/25, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 16.8 months, and merchandise and services imports of 13.7 months. The ratio of reserves-to-GDP, reserves-to-imports and reserves-to-M2 stood at 37.7 percent, 114.4 percent and 30.8 percent respectively in mid-September 2024. Such ratios were 35.8 percent, 108.6 percent and 29.3 percent respectively in mid-July 2024.

Price of Oil and Gold

30. The price of oil (Crude Oil Brent) in the international market decreased 22.6 percent to US dollar 73.96 per barrel in mid-September 2024 from US dollar 95.55 per barrel a year ago. The price of gold increased 34.0 percent to US dollar 2584 per ounce in mid-September 2024 from US dollar 1927.70 per ounce a year ago.

Exchange Rate

31. Nepalese currency vis-à-vis the US dollar depreciated 0.4 percent in mid-September 2024 from mid-July 2024. It had depreciated 1.2 percent in the same period of the previous year. The buying exchange rate per US dollar stood at Rs.133.93 in mid-September 2024 compared to Rs.133.36 in mid-July 2024.

Fiscal Situation

Nepal Government

Expenditure and Revenue

32. According to Ministry of Finance, Financial Comptroller General Office (FCGO), the total expenditure of the Nepal Government stood at Rs.137.55 billion during the second month of FY 2024/25. The recurrent expenditure, capital expenditure and financial expenditure amounted to 82.99 billion, Rs.14.89 billion and Rs.39.67 billion respectively in the review period.

Particulars	Amount (Rs. in Billion)			Percentage Change	
	2022/23	2023/24	2024/25	2023/24	2024/25
Total Expenditure	134.34	131.14	137.55	-2.4	4.9
<i>Recurrent Expenditure</i>	<i>108.73</i>	<i>87.66</i>	<i>82.99</i>	<i>-19.4</i>	<i>-5.3</i>
<i>Capital Expenditure</i>	<i>5.86</i>	<i>8.16</i>	<i>14.89</i>	<i>39.3</i>	<i>82.4</i>
<i>Financial Management</i>	<i>19.75</i>	<i>35.31</i>	<i>39.67</i>	<i>78.8</i>	<i>12.3</i>
Total Revenue	143.81	141.08	166.39	-1.9	17.9
<i>Tax Revenue</i>	<i>130.70</i>	<i>127.96</i>	<i>145.19</i>	<i>-2.1</i>	<i>13.5</i>
<i>Non-Tax Revenue</i>	<i>13.11</i>	<i>13.12</i>	<i>21.19</i>	<i>0.1</i>	<i>61.5</i>

Source: Financial Comptroller General Office

33. In the review period, total revenue mobilization of Nepal Government (including the amount to be transferred to provincial and local governments) stood at Rs.166.39 billion. The tax revenue amounted Rs.145.19 billion and non tax revenue Rs.21.19 billion in the review period (Table 3).

Cash Balance of Government

34. Cash Balance at various accounts of the GoN maintained with NRB remained Rs.269.53 billion (including Provincial Governments and Local Government Account) in mid-September 2024. Such balance was Rs.91.78 billion in mid-July 2024.

Provincial Government

Expenditure and Revenue

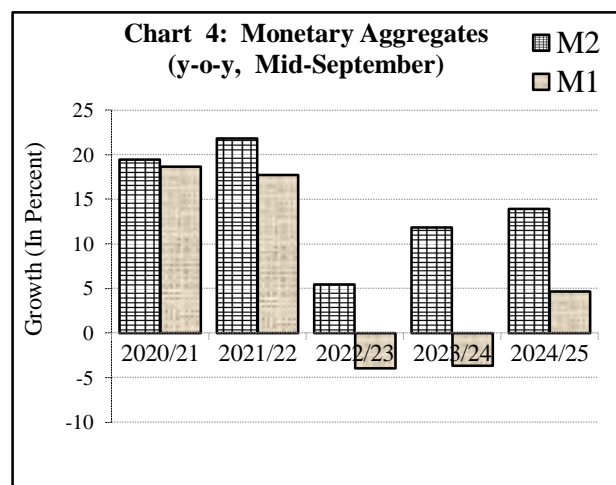
35. In the review period, total expenditure of provincial governments stood Rs.5.55 billion and resource mobilization stood Rs.22.23 billion respectively. The total resource mobilization of provincial governments includes the grants and revenue transferred from the Nepal Government amounting Rs.17.47 billion and revenue and other receipts of the provincial governments amounting Rs.4.76 billion in the review period.

Monetary Situation

Money Supply

36. Broad money (M2) increased 0.4 percent in the review period in contrast to a decrease of 0.5 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 13.9 percent in mid-September 2024.

37. The net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased Rs.101.77 billion (5.1 percent) in the review period compared to an increase of Rs.55.10 billion (3.8 percent) in the corresponding period of the previous year.



38. Reserve money increased 0.05 percent in the review period in contrast to a decrease of 7.6 percent in the corresponding period of the previous year. On y-o-y basis, reserve money increased 17.3 percent in mid-September 2024.

Domestic Credit

39. Domestic credit decreased 0.2 percent in the review period compared to a decrease of 0.4 percent in the corresponding period of the previous year. On y-o-y basis, domestic credit increased 6.3 percent in mid-September 2024.

40. Monetary Sector's net claims on government decreased 10.9 percent in the review period compared to a decrease of 10.4 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 3.4 percent in mid-September 2024.

41. Monetary Sector's claims on the private sector increased 2.3 percent in the review period compared to an increase of 1.7 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 6.8 percent in mid-September 2024.

Deposit Mobilization

42. Deposits at Banks and Financial Institutions (BFIs) increased Rs.35.03 billion (0.5 percent) in the review period in contrast to a decrease of Rs.7.56 billion (0.1 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 13.8 percent in mid-September 2024.

Deposits	Mid-July		Mid-September	
	2023	2024	2023	2024
Demand	7.7	5.8	6.2	5.2
Saving	26.6	30.3	25.9	30.9
Fixed	58.8	56.4	61.1	56.7
Other	6.8	7.5	6.8	7.2

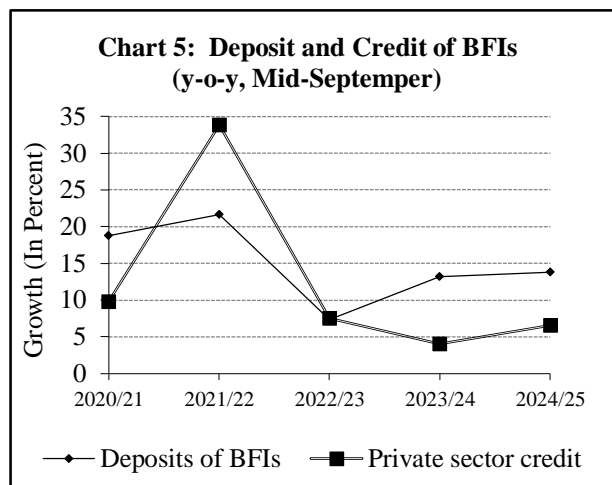
43. The share of demand, saving and fixed deposits in total deposits stood at 5.2 percent, 30.9 percent and 56.7 percent respectively in mid-September 2024. Such shares were 6.2 percent, 25.9 percent and 61.1 percent respectively a year ago (Table 4).

44. The share of institutional deposits in total deposit of BFIs stood at 36.0 percent in mid-September 2024. Such a share was 36.1 percent a year ago.

Credit Disbursement

45. Private sector credit from BFIs increased Rs.73.39 billion (1.4 percent) in the review period compared to an increase of Rs.33.60 billion (0.7 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 6.6 percent in mid-September 2024.

46. 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-September 2024. Such shares were 63.0 percent and 37.0 percent a year ago.



47. In the review period, private sector credit from commercial banks, development banks and finance companies increased by 1.5 percent, 1.1 percent and 3.0 percent respectively.

48. Out of the total outstanding credit of the BFIs as of mid-September 2024, 13.2 percent is against the collateral of current assets (such as agricultural and non-agricultural products) and 66.2 percent against land and building. Such ratios were 12.1 percent and 67.2 percent respectively a year ago.

49. In the review period, outstanding loan of BFIs to the agriculture sector increased 0.2 percent, production sector 0.9 percent, construction sector 1.2 percent, wholesale and retail sector 1.2 percent, transportation, communication and public sector 2.2 percent, service industry sector 1.7 percent and consumable sector 1.1 percent.

50. In the review period, term loan extended by BFIs increased 1.8 percent, margin nature loan 10.7, trust receipt (import) loan 17.0 percent, hire purchase loan 0.8 percent, real estate loan (including residential personal home loan) 0.2 percent, cash credit loan 1.1 percent whereas overdraft loan decreased 4.9 percent.

Liquidity Management

51. In the review period, NRB absorbed, on transaction basis, a total liquidity of Rs.6695.15 billion, including Rs.424.75 billion through deposit collection auction and Rs.6270.40 billion through standing deposit facility (SDF). In the corresponding period of the previous year, Rs.362.36 billion net amount of liquidity was injected through various instruments of open market operations including SLF and OLF.

52. In the review period, NRB injected liquidity of Rs.111.97 billion through the net purchase of USD 834.7 million from foreign exchange market. Liquidity of Rs.102.87 billion was injected through the net purchase of USD 777.8 million in the corresponding period of the previous year.

53. The NRB purchased Indian currency (INR) equivalent to Rs.75.39 billion through the sale of USD 562 million in the review period. INR equivalent to Rs.58.26 billion was purchased through the sale of USD 440 million in the corresponding period of previous year.

Inter-bank Transaction

54. In the review period, BFIs inter-bank transactions amounted Rs.193.70 billion on a turnover basis, including Rs.190.10 billion inter-bank transactions among commercial banks, and Rs.3.60 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions was Rs.1080.80 billion, including Rs. 924.42 billion among commercial banks, and Rs.156.38 billion among other financial institutions (excluding transactions among commercial banks).

Interest Rate

55. The weighted average 91-days treasury bills rate remained at 2.89 percent in the second month of 2024/25, which was 5.95 percent in the corresponding month a year ago. The weighted average inter-bank rate among BFIs, which was 5.88 percent a year ago, decreased to 3.00 percent in the review month (Table 5).

56. The average base rates of commercial banks, development banks and finance companies stood 7.49 percent, 9.15 percent and 10.65 percent respectively in the second month of 2024/25. The average base rate of commercial banks, development banks and finance companies were 10.14 percent, 12.12 percent and 13.52 percent respectively in the corresponding month a year ago.

Types	Mid-September 2023	Mid-September 2024
91-days treasury bills rate	5.95	2.89
Inter-bank rate of BFIs	5.88	3.00
Base rate		
Commercial banks	10.14	7.49
Development banks	12.12	9.15
Finance companies	13.52	10.65
Deposit rate		
Commercial banks	8.06	5.53
Development banks	9.43	6.31
Finance companies	10.27	7.55
Lending Rate		
Commercial banks	12.23	9.52
Development banks	13.99	10.89
Finance companies	14.68	12.14

57. Weighted average deposit rates of commercial banks, development banks and finance companies stood 5.53 percent, 6.31 percent and 7.55 percent respectively in the review month. Weighted average deposit rate of commercial banks, development banks and finance companies were 8.06 percent, 9.43 percent and 10.27 percent respectively in the corresponding month a year ago. Likewise, the weighted average lending rate of commercial banks, development banks and finance companies stood 9.52 percent, 10.89 percent and 12.14 percent respectively in the review month. Such rate of commercial banks, development banks and finance companies were 12.23 percent, 13.99 percent and 14.68 percent respectively in the corresponding month a year ago.

Financial Access

58. The total number of BFIs licensed by NRB remained 107 in mid-September 2024 (Table 6). As of mid-September 2024, 20 commercial banks, 17 development banks, 17 finance companies, 52 microfinance financial institutions and 1 infrastructure development bank are in operation. The number of BFIs branches remained 11,533 in mid-September 2024 compared to 11,530 in mid-July 2024.

Table 6: Number of BFIs and their Branches*						
Bank and Financial Institutions	Number of BFIs			Branches of BFIs		
	mid-July 2023	mid-July 2024	mid-September 2024	mid-July 2023	mid-July 2024	mid-September 2024
Commercial Banks	20	20	20	5049	5056	5064
Development Banks	17	17	17	1128	1135	1136
Finance Companies	17	17	17	284	288	288
Microfinance Financial Institutions	57	52	52	5128	5051	5045
Infrastructure Development Bank	1	1	1	-	-	-
Total	112	107	107	11589	11530	11533

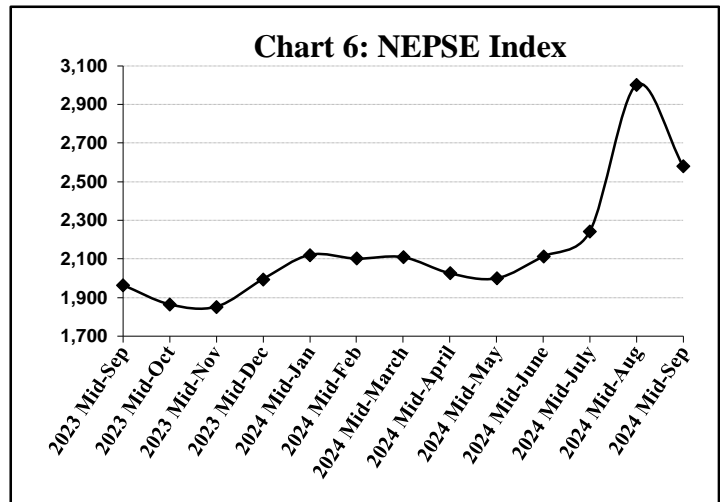
*Updated information is available at <http://emap.nrb.org.np/>

Capital Market

59. NEPSE index stood 2580.76 in mid-September 2024 compared to 1964.92 in mid-September 2023.

60. Stock market capitalization in mid-September 2024 stood Rs.4103.62 billion compared to Rs.2961.34 billion in mid-September 2023.

61. Number of companies listed at NEPSE reached 267 in mid-September 2024. Out of the total listing, 129 are Bank and Financial Institutions (BFIs) and insurance companies, 91 hydropower companies, 22 manufacturing and processing industries, 7 hotels, 7 investment companies, 4 trading companies and 7 others. The number of companies listed at NEPSE were 255 in mid-September 2023.



62. Share of BFIs and insurance companies in stock market capitalization is 58.5 percent in mid-September 2024. Such a share for hydropower companies is 15.1 percent, investment companies 8.1 percent, manufacturing and processing industries 5.7 percent, hotels 2.8 percent, trading companies 0.5 percent and the share of other companies is 9.3 percent.

63. The paid-up value of 8.35 billion shares listed at NEPSE stood Rs.828.24 billion in mid-September 2024.

64. Securities worth Rs.4.26 billion were listed at NEPSE during the two months of FY 2024/25. Such securities comprise bonus shares worth Rs.2.54 billion, right shares worth Rs.1.72 billion, and FPO worth Rs.4.67 million.