



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

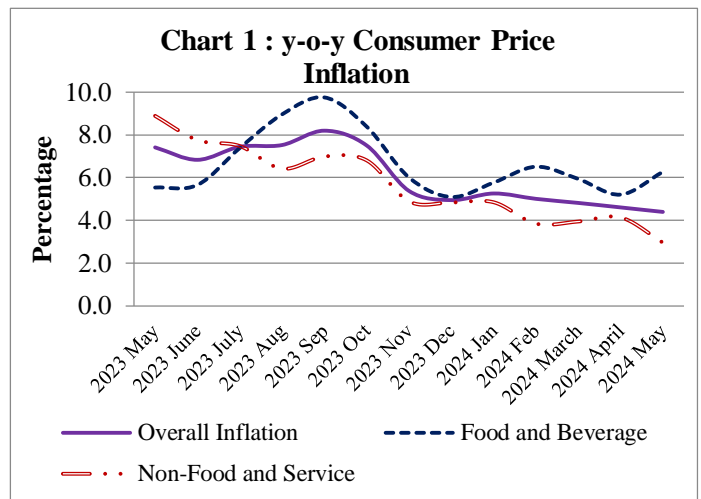
Major Highlights

- *CPI-based Inflation remained 4.40 percent on y-o-y basis.*
- *Imports decreased 2.4 percent, exports decreased 3.6 percent and trade deficit decreased 2.3 percent.*
- *Remittances increased 19.2 percent in NPR terms and 17.1 percent in USD terms.*
- *Balance of Payments remained at a surplus of Rs.392.64 billion.*
- *Gross foreign exchange reserves stood at NPR 1942.40 billion and 14.54 billion in USD terms.*
- *Nepal Government expenditure amounted to Rs.1056.89 billion and revenue collection Rs.831.93 billion.*
- *Broad money (M2) increased 8.1 percent. On y-o-y basis, M2 expanded 12.4 percent.*
- *Deposits at BFIs increased 7.8 percent and private sector credit increased 4.7 percent. On y-o-y basis, deposits increased 12.8 percent and private sector credit increased 5.2 percent.*

Inflation

Consumer Price Inflation (CPI)

1. The y-o-y consumer price inflation moderated to 4.40 percent in mid-May 2024 compared to 7.41 percent a year ago. Food and beverage category inflation stood at 6.27 percent whereas non-food and service category inflation stood at 2.96 percent in the review month.



2. Under the Food and Beverage Category, y-o-y price index of vegetable sub-category increased 23.11 percent, pulses & legumes 10.85 percent, spices 8.98 percent, cereal grains & their products 7.42 percent and sugar & sugar products 7.25 percent in the review month. The y-o-y price index of ghee & oil sub-category decreased 7.13 percent in the review month.

3. Under the Non-Food and Services Category, y-o-y price index of miscellaneous goods & services sub-category increased 12.26 percent, education 5.64 percent and clothes & footwear 3.46 percent

in the review month. The y-o-y price index of communication sub-category decreased 0.48 percent in the review month.

- The y-o-y consumer price inflation in the Kathmandu Valley, Terai, Hill and Mountain region stood at 4.30 percent, 4.32 percent, 4.70 percent and 4.22 percent respectively in the review month. Such inflation in these regions were 7.68 percent, 7.15 percent, 7.57 percent and 7.12 percent respectively a year ago.

Mid-Month			
Particulars	Apr/May 2023	Mar/Apr 2024	Apr/May 2024
Overall Inflation	7.41	4.61	4.40
Food and Beverage	5.54	5.21	6.27
Non-food and Service	8.89	4.14	2.96

Wholesale Price Inflation (WPI)

- The y-o-y wholesale price inflation stood at 5.68 percent in mid-May 2024 compared to 3.31 percent a year ago.
- The y-o-y wholesale price index of consumption goods, intermediate goods and capital goods increased 10.40 percent, 3.71 percent and 1.76 percent respectively. The y-o-y wholesale price index of construction material decreased 5.55 percent in the review month.

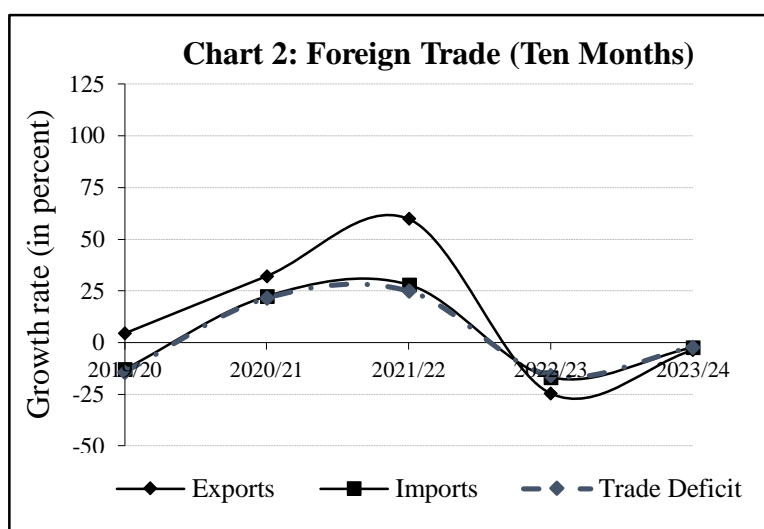
Salary and Wage Rate Index (SWRI)

- The y-o-y salary and wage rate index increased 5.22 percent in mid-May 2024 compared to 7.64 percent a year ago. The y-o-y Salary index and Wage rate index increased 1.05 and 6.48 percent respectively in the review month.

External Sector

Merchandise Trade

- During the review period, merchandise exports decreased 3.6 percent to Rs.126.17 billion compared to a decrease of 24.5 percent in the same period of the previous year. Destination-wise, exports to India and other countries decreased 5.6 percent and 1.4 percent respectively, whereas exports to China increased 68.1 percent. Exports of zinc sheet, particle board, juice, readymade garment, and oil cakes among others increased whereas exports of palm oil, soyabean oil, woolen carpet, tea, brans among others decreased.



- In the review period, merchandise imports decreased 2.4 percent to Rs.1303.36 billion compared to a decrease of 16.8 percent a year ago. Destination-wise, imports from India and other countries decreased 3.4 percent and 20.8 percent respectively while imports from China increased 34.4 percent. Imports of transport equipment, vehicle and other vehicle spare parts, readymade

garments, aircraft spareparts, electrical equipment, textiles among others increased whereas imports of crude soyabean oil, gold, hot rolled sheet in coil, crude palm oil, rice/paddy among others decreased.

10. Based on customs points, exports from Bhairahawa, Dry Port, Jaleswor, Kanchanpur, Krishnanagar, Mechi, Nepalgunj, Rasuwa and Tatopani increased whereas exports from all the other major customs points decreased in the review period. On the import side, imports from Dry Port, Jaleswor, Kanchanpur, Krishnanagar, Nepalgunj, Rasuwa and Tatopani Customs Offices increased whereas imports from all the other major customs points decreased in the review period.
11. Total trade deficit decreased 2.3 percent to Rs.1177.18 billion during the review period. Such deficit had decreased 15.9 percent in the corresponding period of the previous year. The export-import ratio decreased to 9.7 percent in the review period from 9.8 percent in the corresponding period of the previous year.
12. During the review period, merchandise imports from India against payment in convertible foreign currency amounted to Rs.122.02 billion. Such amount was Rs.119.6 billion in the same period of the previous year.

Composition of Foreign Trade

13. As per the Broad Economic Categories (BEC), the intermediate and final consumption goods accounted for 56.6 percent and 42.8 percent of the total exports respectively, whereas the ratio of capital goods in total exports remained negligible at 0.6 percent in the review period. In the same period of the previous year, the ratio of intermediate, capital and final consumption goods remained 54.9 percent, 0.6 percent and 44.5 percent of total exports respectively.
14. On the imports side, the share of intermediate goods remained 48.9 percent, capital goods 9.3 percent and final consumption goods 41.8 percent in the review period. Such ratios were 53.2 percent, 8.4 percent and 38.4 percent respectively in the same period of the previous year.

Export-Import Price Index

15. The y-o-y unit value export price index, based on customs data, increased 3.9 percent whereas the import price index decreased 0.3 percent. As a result, the terms of trade (ToT) index increased 4.2 percent in the review period.

Services

16. Net services income remained at a deficit of Rs.51.92 billion in the review period compared to a deficit of Rs.65.88 billion in the same period of the previous year.
17. Under the service account, travel income increased 35.1 percent to Rs.69.41 billion in the review period which was Rs.51.37 billion in the same period of the previous year.
18. Under the service account, travel payments increased 39.5 percent to Rs.156.95 billion, including Rs.104.25 billion for education. Such payments were Rs.112.52 billion and Rs.75.14 billion respectively in the same period of the previous year.

Remittances

19. Remittance inflows increased 19.2 percent to Rs.1198.6 billion in the review period compared to an increase of 23.4 percent in the same period of the previous year. In the US Dollar terms, remittance inflows increased 17.1 percent to 9.02 billion in the review period compared to an increase of 13.4 percent in the same period of the previous year.

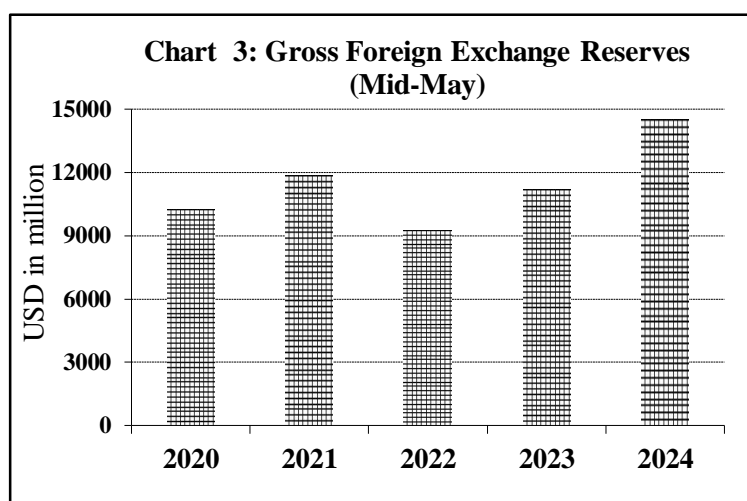
20. In the review period, the number of Nepali workers, both institutional and individual, taking first-time approval for foreign employment stands at 374,887 and taking approval for renew entry stands at 237,893. In the previous year, such numbers were 421,279 and 238,976 respectively.
21. Net transfer increased 17.2 percent to Rs.1301.72 billion in the review period. Such a transfer had increased 22.5 percent in the same period of the previous year.

Current Account and Balance of Payments

22. The current account remained at a surplus of Rs.193.25 billion in the review period against a deficit of Rs.63.74 billion in the same period of the previous year. In the US Dollar terms, the current account registered a surplus of 1.45 billion in the review period against a deficit of 493.6 million in the same period last year.
23. In the review period, capital transfer decreased 17.2 percent to Rs.5.26 billion and net foreign direct investment (FDI) remained a positive of Rs.6.98 billion. In the same period of the previous year, capital transfer amounted to Rs.6.36 billion and net FDI amounted to Rs.4.36 billion.
24. Balance of Payments (BOP) remained at a surplus of Rs.392.64 billion in the review period against a surplus of Rs.209.49 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 2.95 billion in the review period against a surplus of 1.59 billion in the same period of the previous year.

Foreign Exchange Reserves

25. Gross foreign exchange reserves increased 26.2 percent to Rs.1942.4 billion in mid-May 2024 from Rs.1539.36 billion in mid-July 2023. In the US dollar terms, the gross foreign exchange reserves increased 24.2 percent to 14.54 billion in mid-May 2024 from 11.71 billion in mid-July 2023.



26. Of the total foreign exchange reserves, reserves held by NRB increased 28 percent to Rs.1722.02 billion in mid-May 2024 from Rs.1345.78 billion in mid-July 2023. Reserves held by banks and financial institutions (except NRB) increased 13.8 percent to Rs.220.38 billion in mid-May 2024 from Rs.193.59 billion in mid-July 2023. The share of Indian currency in total reserves stood at 22.1 percent in mid-May 2024.

Foreign Exchange Adequacy Indicators

27. Based on the imports of ten months of 2023/24, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 15.1 months, and merchandise and services imports of 12.6 months. The ratio of reserves-to-GDP, reserves-to-imports and reserves-to-M2 stood at 34 percent, 105.3 percent and 29.2 percent respectively in mid-May 2024. Such ratios were 28.8 percent, 83.0 percent and 25.0 percent respectively in mid-July 2023.

Price of Oil and Gold

28. The price of oil (Crude Oil Brent) in the international market increased 11.6 percent to US dollar 83.18 per barrel in mid-May 2024 from US dollar 74.54 per barrel a year ago. The price of gold increased 16 percent to US dollar 2343.80 per ounce in mid-May 2024 from US dollar 2019.90 per ounce a year ago.

Exchange Rate

29. Nepalese currency vis-à-vis the US dollar depreciated 1.61 percent in mid-May 2024 from mid-July 2023. It had depreciated 2.79 percent in the same period of the previous year. The buying exchange rate per US dollar stood at Rs.133.31 in mid-May 2024 compared to Rs.131.17 in mid-July 2023.

Fiscal Situation

Nepal Government Expenditure and Revenue

30. According to Ministry of Finance, Financial Comptroller General Office (FCGO), the total expenditure of the Nepal Government stood at Rs.1056.89 billion during the ten months of 2023/24. Compared to a growth of 15.3 percent in the

Particulars	Amount (Rs. in Billion)			Percentage Change	
	2021/22	2022/23	2023/24	2022/23	2023/24
Total Expenditure	908.86	1047.76	1056.89	15.3	0.9
<i>Recurrent Expenditure</i>	716.87	786.74	752.56	9.7	-4.3
<i>Capital Expenditure</i>	118.27	125.68	111.88	6.3	-11.0
<i>Financial Management</i>	73.71	135.34	192.45	83.6	42.2
Total Revenue	865.70	756.25	831.93	-12.6	10.0
<i>Tax Revenue</i>	799.66	684.63	746.83	-14.4	9.1
<i>Non-Tax Revenue</i>	66.04	71.62	85.10	8.4	18.8

Source: Financial Comptroller General Office

last fiscal year, government expenditure increased by 0.9 percent in the review period. The recurrent expenditure, capital expenditure and financial expenditure amounted to Rs.752.56 billion, Rs.111.88 billion and Rs.192.45 billion respectively in the review period.

31. In the review period, total revenue mobilization of Nepal Government (including the amount to be transferred to provincial and local governments) stood at Rs.831.93 billion. Revenue mobilization recorded a growth of 10.0 percent in the review period in contrast to decrease of 12.6 percent in the same period of last fiscal year. The tax revenue amounted Rs.746.83 billion and non tax revenue Rs.85.10 billion in the review period (Table 2).

Cash Balance of Government

32. Cash Balance at various accounts of the GoN maintained with NRB remained Rs.279.74 billion (including Provincial Governments and Local Government Account) in mid-May 2024. Such balance was Rs.65.36 billion in mid-July 2023.

Provincial Government

Expenditure and Revenue

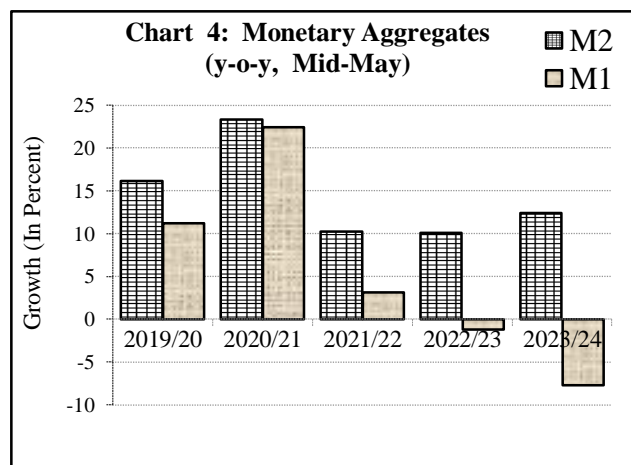
33. In the review period, total expenditure of provincial governments stood Rs.98.34 billion and resource mobilization stood Rs.150.67 billion respectively. The total resource mobilization of

provincial governments includes the grants and revenue transferred from the Nepal Government amounting Rs.113.13 billion and revenue and other receipts of the provincial governments amounting Rs.37.54 billion in the review period.

Monetary Situation

Money Supply

34. Broad money (M2) increased 8.1 percent in the review period compared to an increase of 6.9 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 12.4 percent in mid-May 2024.
35. The net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased Rs.392.64 billion (26.9 percent) in the review period compared to an increase of Rs.209.49 billion (18.2 percent) in the corresponding period of the previous year.



36. Reserve money increased 2.8 percent in the review period compared to an increment of 2.5 percent in the corresponding period of the previous year. On y-o-y basis, reserve money increased 10.7 percent in mid-May 2024.

Domestic Credit

37. Domestic credit increased 2.8 percent in the review period compared to an increase of 5.7 percent in the corresponding period of the previous year. On y-o-y basis, domestic credit increased 5.9 percent in mid-May 2024.
38. Monetary Sector's net claims on government decreased 12.0 percent in the review period in contrast to an increment of 13.1 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 5.4 percent in mid-May 2024.
39. Monetary Sector's claims on the private sector increased 5.7 percent in the review period compared to an increase of 4.7 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 5.6 percent in mid-May 2024.

Deposit Mobilization

40. Deposits at Banks and Financial Institutions (BFIs) increased Rs.443.08 billion (7.8 percent) in the review period compared to an increase of Rs.370.78 billion (7.3 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 12.8 percent in mid-May 2024.

41. The share of demand, saving and fixed deposits in total deposits stood at 5.0 percent, 29.1 percent and 59.0 percent respectively in mid-May 2024. Such shares were 7.7 percent, 25.8 percent and 59.9 percent respectively a year ago (Table 3).

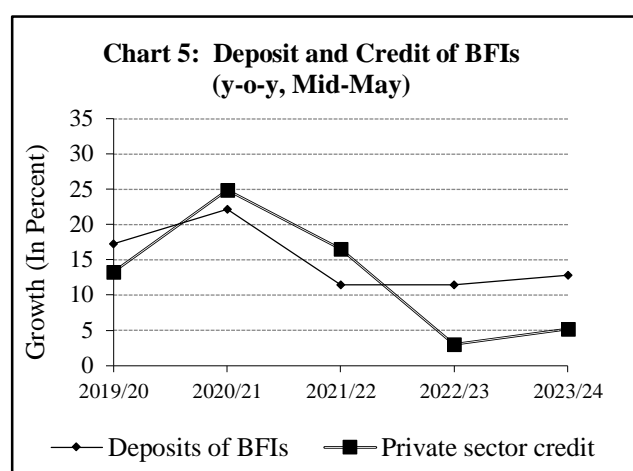
Deposits	Mid-July		Mid-May	
	2022	2023	2023	2024
Demand	8.9	7.7	7.7	5.0
Saving	27.6	26.6	25.8	29.1
Fixed	55.7	58.8	59.9	59.0
Other	7.8	6.8	6.6	7.0

42. The share of institutional deposits in total deposit of BFIs stood at 35.7 percent in mid-May 2024. Such a share was 36.3 percent in mid-May 2023.

Credit Disbursements

43. Private sector credit from BFIs increased Rs.225.24 billion (4.7 percent) in the review period compared to an increment of Rs.153.17 billion (3.3 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 5.2 percent in mid-May 2024.

44. The shares of private sector credit from BFIs to non-financial corporation and household stand at 63.7 percent and 36.3 percent respectively in mid-May 2024. Such shares were 63.9 percent and 36.1 percent a year ago.



45. In the review period, private sector credit from commercial banks, development banks and finance companies increased 4.7 percent, 3.9 percent and 6.3 percent respectively.

46. In the review period, out of the total outstanding credit of the BFIs, 12.1 percent is against the collateral of current assets (such as agricultural and non-agricultural products) and 68.5 percent against land and building. Such ratios were 12.1 percent and 67.3 percent respectively a year ago.

47. In the review period, outstanding loan of BFIs to the agriculture sector increased 0.4 percent, production sector 8.1 percent, construction sector 9.8 percent, transportation, communication and public sector 12.0 percent, wholesale and retail sector 3.1 percent, service industry sector 5.0 percent and consumable sector 5.6 percent.

48. In the review period, term loan extended by BFIs increased 18.8 percent, cash credit loan 25.6 percent, real estate loan (including residential personal home loan) 6.8 percent, and margin nature loan 12.6 percent whereas overdraft loan decreased 44.7 percent (mainly due to reclassification of loan from the last year), trust receipt (import) loan decreased 0.5 percent and hire purchase loan decreased 21.8 percent.

Liquidity Management

49. In the review period, NRB provided a total liquidity of Rs.804.71 billion to the BFIs on a turnover basis, of which, Rs.1.20 billion was availed through standing liquidity facility (SLF) and Rs.803.51

billion through Overnight Liquidity Facility (OLF); whereas a total liquidity of Rs.2132.05 billion was absorbed including Rs.744.20 billion through deposit collection auction and Rs.1387.85 billion through standing deposit facility (SDF). In the corresponding period of the previous year, Rs.4944.22 billion net amount of liquidity was injected through various instruments of open market operations including SLF.

50. In the review period, NRB injected liquidity of Rs.632.72 billion through the net purchase of USD 4.76 billion from foreign exchange market. Liquidity of Rs.619.76 billion was injected through the net purchase of USD 4.74 billion in the corresponding period of the previous year.

51. The NRB purchased Indian currency (INR) equivalent to Rs.428.41 billion through the sale of USD 3.22 billion in the review period. INR equivalent to Rs.504.11 billion was purchased through the sale of USD 3.86 billion in the corresponding period of previous year.

Concessional Loan

52. As of mid-May 2024, the outstanding concessional loan remained Rs.138.71 billion extended to 126,191 borrowers. Of which, Rs.94.04 billion has been extended to 49,063 borrowers for selected commercial agriculture and livestock businesses. Likewise, Rs.42.87 billion loan has been extended to 74,942 women entrepreneurs. Total 2,186 borrowers have availed Rs.1.80 billion concessional loan in other specified sectors.

Inter-bank Transaction

53. In the review period, BFIs inter-bank transactions amounted Rs.3821.09 billion on a turnover basis including Rs.3477.04 billion inter-bank transactions among commercial banks and Rs.344.05 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions was Rs.3441.97 billion including Rs. 3150.95 billion among commercial banks and Rs.291.02 billion among other financial institutions (excluding transactions among commercial banks).

Interest Rates

54. The weighted average 91-days treasury bills rate remained at 3.02 percent in the tenth month of 2023/24, which was 9.66 percent in the corresponding month a year ago. The weighted average inter-bank transaction rate among BFIs, which was 7.00 percent a year ago, decreased to 2.88 percent in the review month (Table 4).

55. The average base rates of commercial banks, development banks and finance companies stood 8.34 percent, 10.15 percent and 11.61 percent respectively in the tenth month of 2023/24. The average base rate of commercial banks was 10.27 percent in the corresponding month a year ago.

Types	Mid-May 2023	Mid-May 2024
91-days treasury bills rate	9.66	3.02
Inter-bank rate of BFIs	7.00	2.88
Base rate		
Commercial banks	10.27	8.34
Development banks	-	10.15
Finance companies	-	11.61
Deposit rate		
Commercial banks	8.08	6.35
Development banks	-	7.31
Finance companies	-	8.55
Lending Rate		
Commercial banks	12.65	10.34
Development banks	-	11.89
Finance companies	-	13.11

56. Weighted average deposit rates of commercial banks, development banks and finance companies stood 6.35 percent, 7.31 percent and 8.55 percent respectively in the review month. Weighted average deposit rate of commercial banks was 8.08 percent a year ago. Likewise, the weighted average lending rate of commercial banks, development banks and finance companies stood 10.34 percent, 11.89 percent and 13.11 percent respectively in the review month. Such a rate of commercial banks was 12.65 percent in the corresponding month a year ago.

Financial Access

57. The total number of BFIs licensed by NRB remained 110 in mid-May 2024 (Table 5). As of mid-May 2024, 20 commercial banks, 17 development banks, 17 finance companies, 55 microfinance financial institutions and 1 infrastructure development bank are in operation. The number of BFIs branches remained 11,566 in mid-May 2024 compared to 11,589 in mid-July 2023.

Bank and Financial Institutions	Number of BFIs			Branches of BFIs		
	mid-July 2022	mid-July 2023	mid-May 2024	mid-July 2022	mid-July 2023	mid-May 2024
Commercial Banks	26	20	20	5009	5049	5032
Development Banks	17	17	17	1118	1128	1135
Finance Companies	17	17	17	267	284	288
Microfinance Financial Institutions	65	57	55	5134	5128	5111
Infrastructure Development Bank	1	1	1	-	-	-
Total	126	112	110	11528	11589	11566

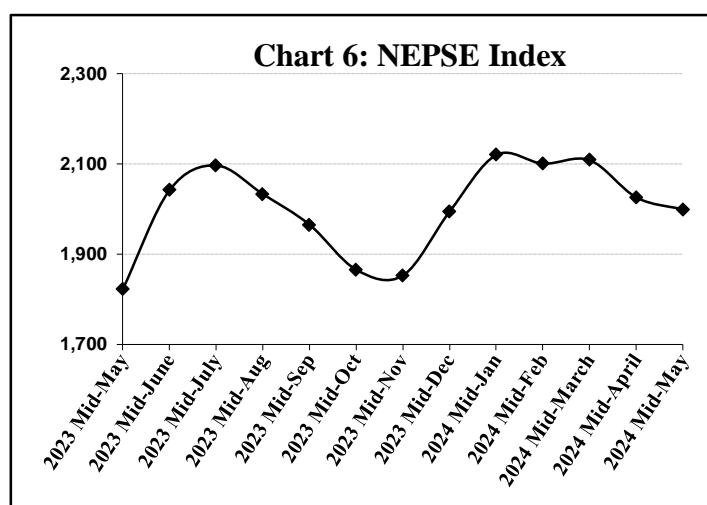
*Updated information is available at <http://emap.nrb.org.np/>

Capital Market

58. NEPSE index stood 1998.89 in mid-May 2024 compared to 1821.65 in mid-May 2023.

59. Stock market capitalization in mid-May 2024 stood Rs.3169.48 billion compared to Rs.2657.76 billion in mid-May 2023.

60. Number of companies listed at NEPSE reached 272 in mid-May 2024. Out of the total listing, 134 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 253 in mid-May 2023.



61. Share of BFIs and insurance companies in stock market capitalization is 58.4 percent in mid-May 2024. Such a share for hydropower companies is 14.4 percent, investment companies 7.3 percent,

manufacturing and processing industries 6.8 percent, hotels 2.9 percent, trading companies 0.5 percent and the share of other companies is 9.8 percent.

62. The paid-up value of 8.28 billion shares listed at NEPSE stood Rs.820.93 billion in mid-May 2024.
63. Securities worth Rs.125.44 billion were listed at NEPSE during the ten month of 2023/24. Such securities comprise ordinary share worth Rs.84.99 billion, bonus shares worth Rs.20.40 billion, right share worth Rs.20.01 billion, and FPO worth Rs.30.23 million.
64. Securities Board of Nepal approved the total public issuance of securities worth Rs.24.78 billion in the review period which includes ordinary share worth Rs.9.80 billion, debenture worth Rs.6.02 billion, right share worth Rs.5.46 billion and mutual fund worth Rs.3.50 billion.