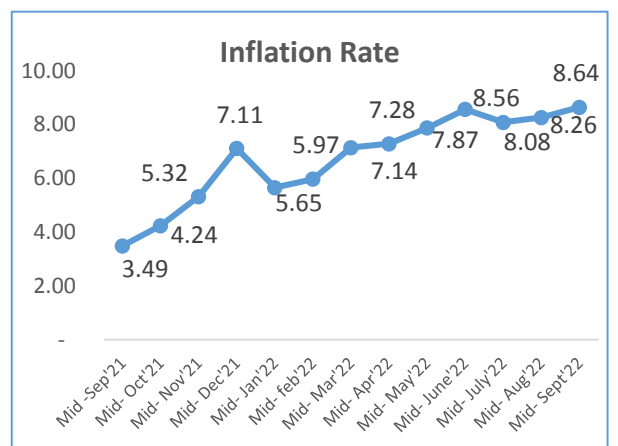
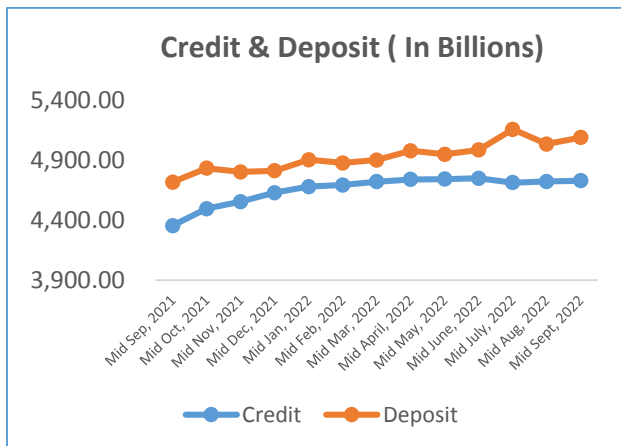
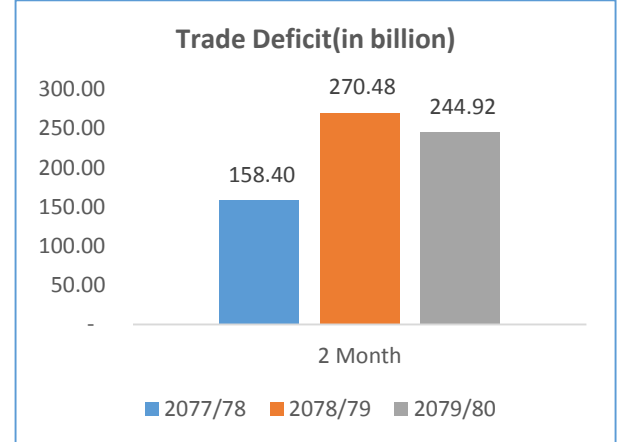
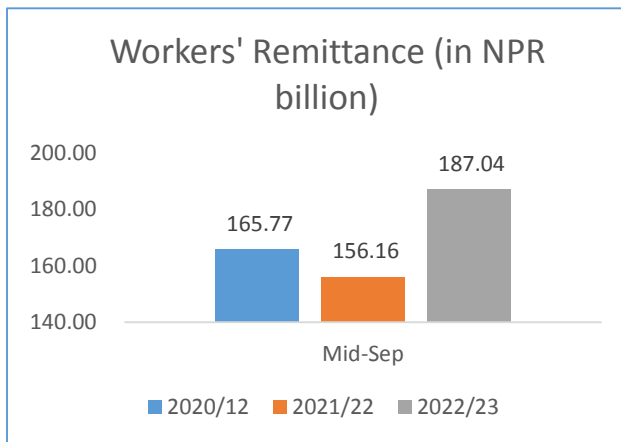
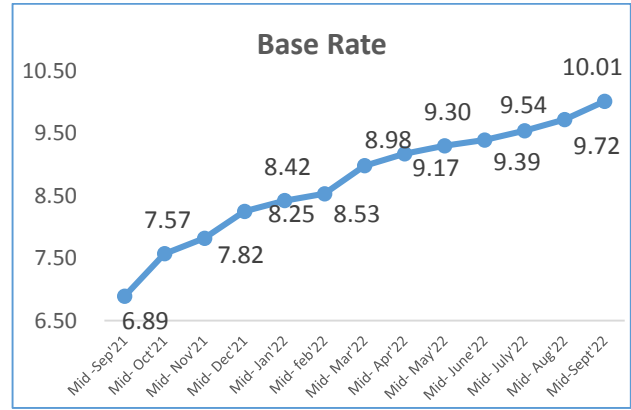
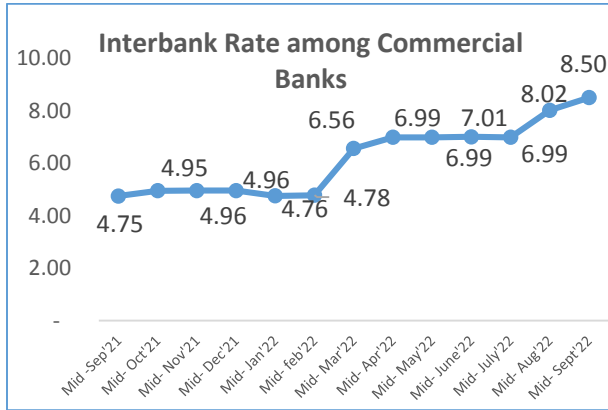


# MACROECONOMIC SITUATION OF NEPALESE ECONOMY BASED ON TWO MONTH'S DATA OF FY 2022/23



## **Current Global Macroeconomic Situation**

### **Inflation and uncertainty**

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Likewise, Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. (Source: IMF- World Economic Outlook, Oct 2022)

### **Unemployment and Impact of Strengthening US Dollar**

In many countries, including the United States, the United Kingdom, and the euro area, labor markets remain tight, with historically low unemployment rates and high levels of vacancies. Similarly, for many emerging markets, the strength of the dollar is causing acute challenges, tightening financial conditions, and increasing the cost of imported goods. The dollar is now at its highest level since the early 2000s. So far, this appreciation appears mostly driven by fundamental forces, such as the tightening of monetary policy in the United States and the energy crisis. The appropriate response in most countries is to calibrate monetary policy to maintain price stability, while letting exchange rates adjust, conserving valuable foreign exchange reserves for when financial conditions really worsen. (Source: IMF- World Economic Outlook, Oct 2022)

### **World Oil Demand Forecast by IEA**

The relentless deterioration of the economy and higher prices sparked by an OPEC+ plan to cut supply are slowing world oil demand, which is now expected to contract by 340 kb/d y-o-y in 4Q22. Demand growth has been reduced to 1.9 mb/d in 2022 and to 1.7 mb/d next year, down by 60 kb/d and 470 kb/d, respectively, from last month's Report. World oil demand is now forecast to average 101.3 mb/d in 2023. (IEA (2022), Oil Market Report - October 2022, IEA, Paris <https://www.iea.org/reports/oil-market-report-october-2022>)

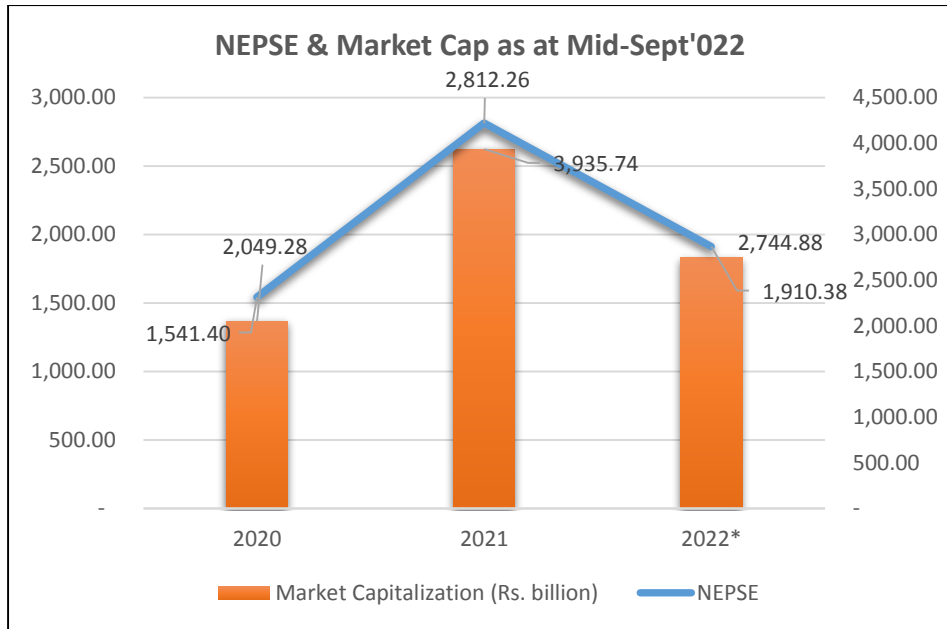
## Summary of Two Month Macroeconomic Situation F/Y 2021/22

This macroeconomic report is prepared based on Two month data of FY 2022/23 published by NRB. The key macro-economic indicators and variables are highlighted in the table below and explained in further section:

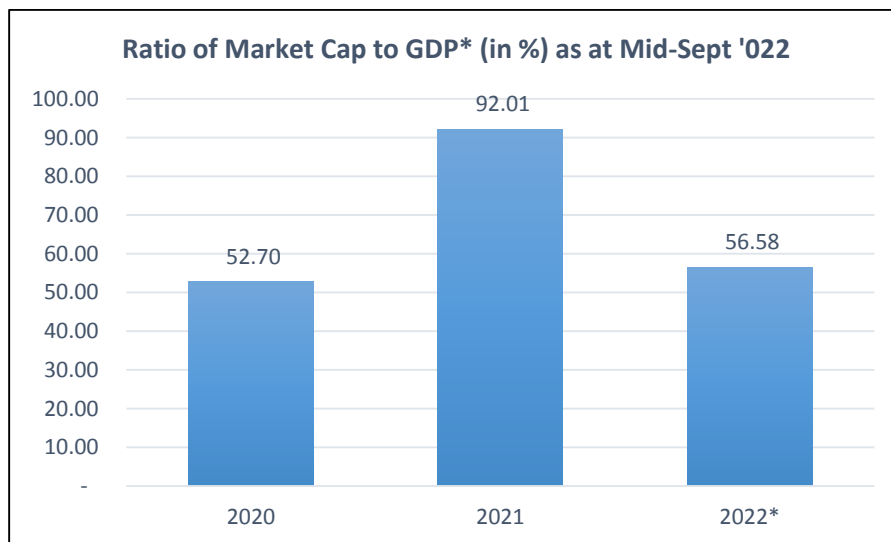
Head	Details	Amount
A. NEPSE	1,910.38 points as on Mid-September-2022 1,844.14 points as on 20-October-2022	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	8.50%	
<i>Base Rate</i>	10.01%	
C. INFLATION	8.64%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	-1.31%	NPR -67.70 billion
<i>Loan Growth</i>	0.45%	NPR 21.12 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 1780.02 billion ( <i>liquidity injected through standing liquidity facility NPR 1653.60 billion, Repo NPR 111.57 billion and outright purchase NPR 14.85 billion</i> )	
F. Balance of Payment Position	NPR 23.67 billion deficit	
G. Remittance Growth		
<i>In US Dollar Terms</i>	11.33%	\$149.41 million
<i>In NPR Terms</i>	19.78%	NPR 30.88 billion

### A. NEPSE and Ratio of Market Cap to GDP

The NEPSE index at Mid-September 2022 declined by 32.07% percent to close at 1,910.38 points, compared to 2,812.38 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3,935.74 billion in Mid-September 2021 to NPR 2,744.88 billion in Mid-September 2022.



On the other hand, the ratio of market capitalization of NEPSE to GDP at Mid-September 2022 has decreased to 56.58 percent compared to 92.01 percent in the last year during the same review period.



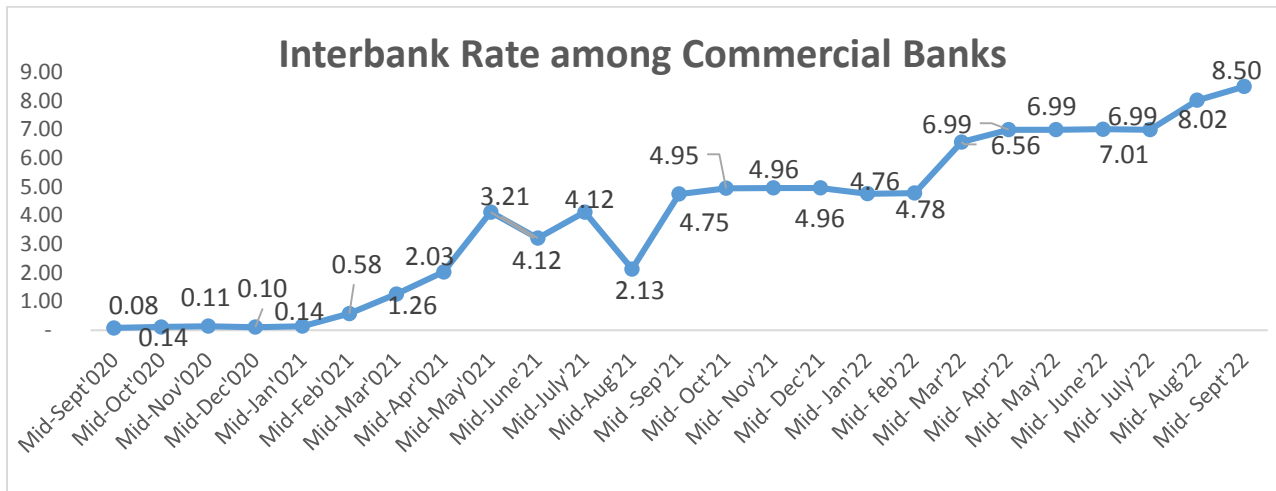
*\*GDP at Current Price*

## B. INTEREST RATES

To evaluate the current scenario of interest rate in the economy, interbank rate and base rate of commercial banks are taken into consideration.

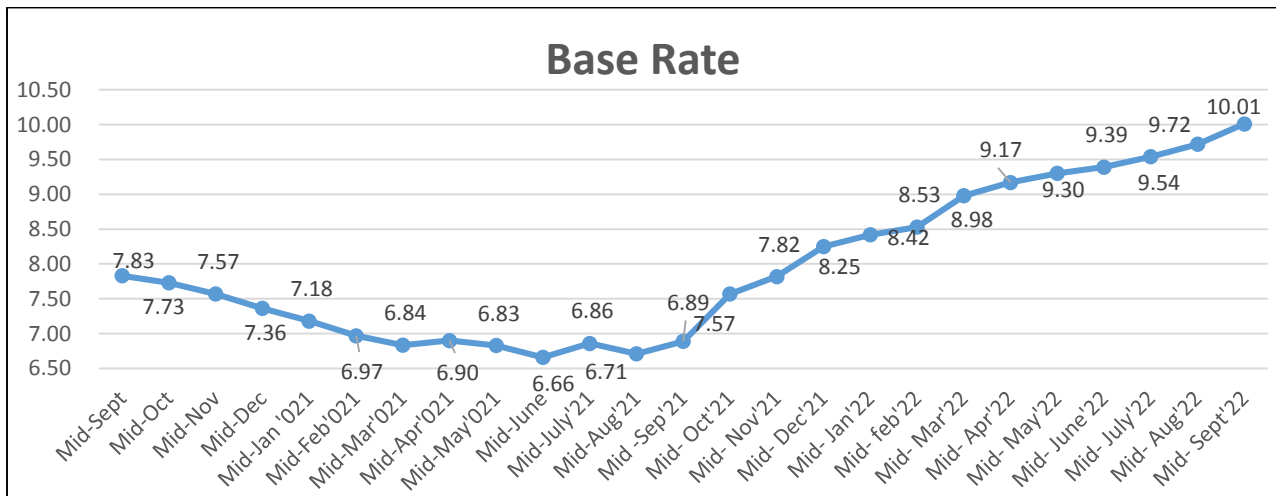
### *Interbank Rate*

The interbank rate of commercial banks was 0.08 percent in Mid-Sept,2020 which has been gradually increasing since then and has reached to 8.50 percent in Mid-September2022 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 4.75 percent.



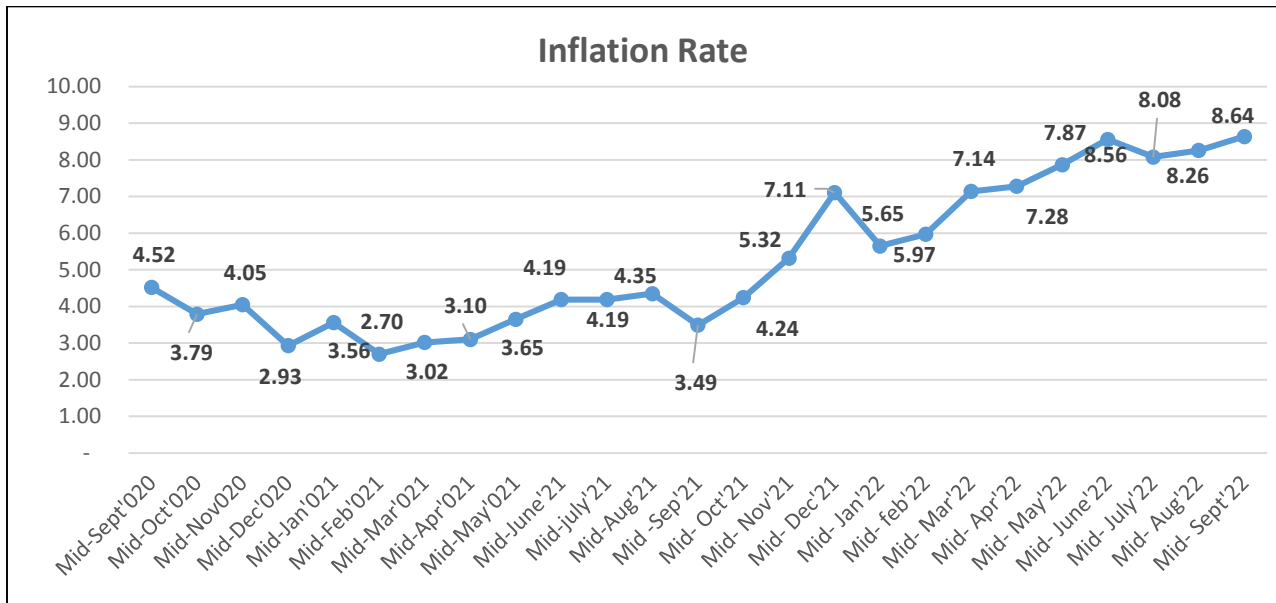
### *Base Rate*

The base rate of commercial banks stands at 10.01 percent in Mid-September2022 compared to 6.89 percent a year ago. This has set the weighted average lending rate at 12.06 percent. On the other hand, the weighted average deposit rate stands at 7.81 percent. Such rates were 8.57 percent and 4.92 percent respectively in the corresponding month of the previous year.



### C. INFLATION RATE

The consumer price inflation which was 3.49 percent a year ago which has increased to 8.64 percent in Mid-September 2022. Under the food and beverage category, the prices of fruit, ghee & oil, restaurant & hotel, alcoholic drinks and vegetable sub-categories increased by 17.29 percent, 14.53 percent, 12.30 percent, 10.24 and 9.94 percent respectively on y-o-y basis. Under the non-food and services category, the prices of transportation, health, furnishing & household equipment, education and housing & utilities sub-categories increased by 23.41 percent, 10.54 percent, 9.25 percent, 8.11 percent and 7.69 percent respectively on y-o-y basis in the review month.

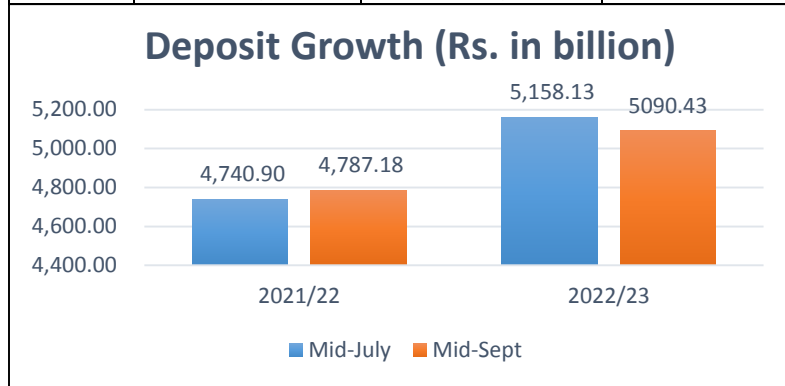


### D. DEPOSIT AND LENDING GROWTH

**Deposit Growth:** The deposits of BFI's as at Mid-September 2022 decreased by 1.31 percent to NPR 5,090.43 billion, compared to NPR 5,158.13 billion in Mid-July 2022. The share of demand, saving, and fixed deposits in total deposits stands at 7.7 percent, 26.5 percent and 58.8 percent respectively in mid-September 2022. Such shares were 7.9 percent, 35.0 percent and 49.2 percent respectively a year ago.

*Rs. in billion*

Year	Mid-July	Mid-Sept	% Change
2021/22	4,740.90	4,787.18	0.98%
2022/23	5,158.13	5,090.43	-1.31%

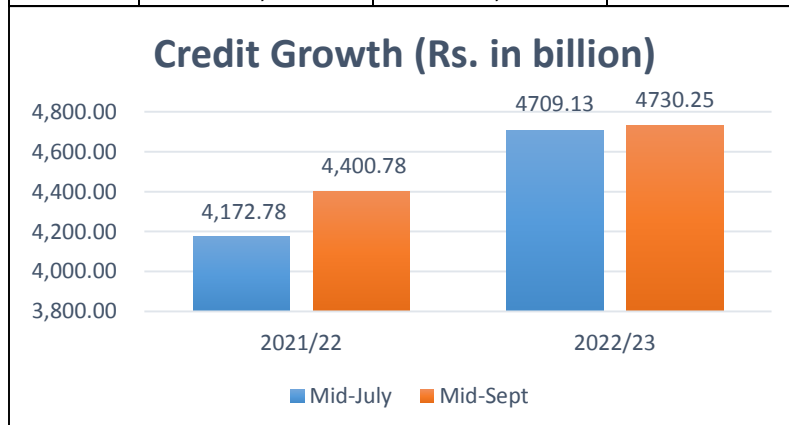


**Credit Growth:** The credit disbursement of BFI's as at Mid-September 2022 decreased to NPR. 4,730.25 billion by 0.45 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 0.45 percent. Outstanding loan of BFIs to industrial production sector credit increased 3.5 percent, transportation, communication and public sector 1.2 percent, wholesale & retail sector 1.4 percent, service industry sector 2.6 percent and construction sector 0.7 percent, while that of agriculture sector credit decreased 0.7 percent

In the review period, term loan extended by BFIs increased 2.4 percent, overdraft 4.4 percent, trust receipt (import) loan 2.1 percent, demand and working capital loan 1.2 percent, real estate loan (including residential personal home loan) 3.3 percent, hire purchase loan 0.2 percent whereas margin nature loan decreased 5.8 percent.

*Rs. in billion*

Year	Mid-July	Mid-Sept	% Change
2021/22	4,172.78	4,400.78	5.46%
2022/23	4,709.13	4,730.25	0.45%



## E. LIQUIDTY MANAGEMENT

### *Summary of Monetary Operation during FY 2022/23*

Rs. in Million

Details	Mid-Sept	
	2021/22	2022/23
<b>A. Liquidity Injection</b>	<b>422,290.00</b>	<b>1,780,024.50</b>
1. Repo	70,000.00	70,000.00
2. Outright Purchase	-	14,850.00
3. Repo Auction *	-	41,570.00
4. Standing Liquidity Facility	352,290.00	1,653,604.50
<b>B. Liquidity Absorption</b>	<b>60,000.00</b>	<b>-</b>
1. Reverse Repo	28,350.00	-
2. Outright Sale	-	-
3. Deposit Collection Auction	31,650.00	-
4. Deposit Collection Auction *	-	-
<b>C. Net Liquidity Injection (+) / Absorption (-)</b>	<b>362,290.00</b>	<b>1,780,024.50</b>

\* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs 1780.02 billion liquidity of which Rs. 111.57 billion was through repo, Rs.14.85 billion through outright purchase auction and Rs.1653.60 billion through standing liquidity facility (SLF). NRB injected liquidity of Rs.100.46 billion through the net purchase of USD 789 million from foreign exchange market. Liquidity of Rs.300 million was moped up through the net sale of USD 3.9 million in the corresponding period of the previous year.

## F. FISCAL SITUATION

### *Fiscal Deficit/Surplus*

In the first second month of 2022/23, total revenue collected by the government till Mid-September2022 is Rs.143.81 billion which is 14.69% lower compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-September 2022 is Rs.134.33 billion which is 49.37 percent higher than that of the expenditure on the corresponding year of previous fiscal year.

Annual	Rs. in million	
	Govt. Exp. (Cash Basis)	Govt. Revenue
2021/22	89,935.8	168,577.6
2022/23	134,339.3	143,811.6
<b>Y-O-Y Growth</b>	<b>49.37%</b>	<b>-14.69%</b>



## G. BALANCE OF PAYMENT POSITION

(Rs. in million)

Particulars		2020/21	2021/22	2022/23
		Two Month	Two Month	Two Month
A	Current Account	25,158.40	(106,077.09)	(37,179.44)
B	Capital Account (Capital Transfer)	1,959.76	1,248.32	1,459.18
C	Financial Account (Excluding Group E)	9,332.41	47,560.70	(1,089.05)
	<b>BOP ( Surplus )</b>	(67,626.05)	94,804.53	23,675.74

\*P = Provisional

The country's BOP position is at deficit in the first second month of FY 2022/23 by NPR 23.67 billion compared to a deficit of NPR 94.80 billion during the same period last year. On the other hand, the current account remained at a deficit of Rs.37.17 billion in the review period compared to a deficit of Rs.106.07 billion in the same period of the previous year.

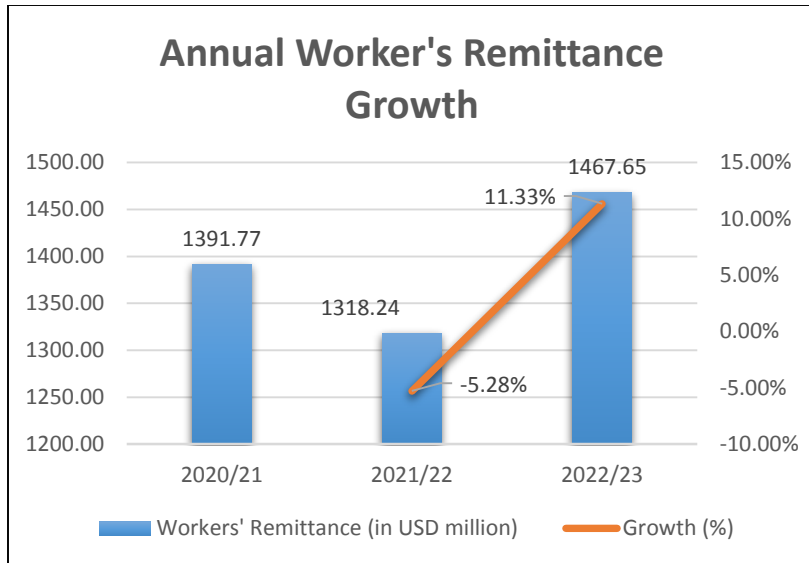
In the review period, capital transfer increased 16.9 percent to Rs.1.46 billion and net foreign direct investment (FDI) remained a negative of Rs.809.7 million. In the same period of the previous year, capital transfer and net FDI amounted to Rs.1.25 billion and Rs.3.04 billion respectively.

## H. WORKERS' REMITTANCE

The workers' remittance growth rate is subject to different terms of US Dollar and Nepalese Currency based on exchange rate of NPR with US Dollar. Hence, the workers' remittance growth in terms of US Dollar and NPR has been presented below:

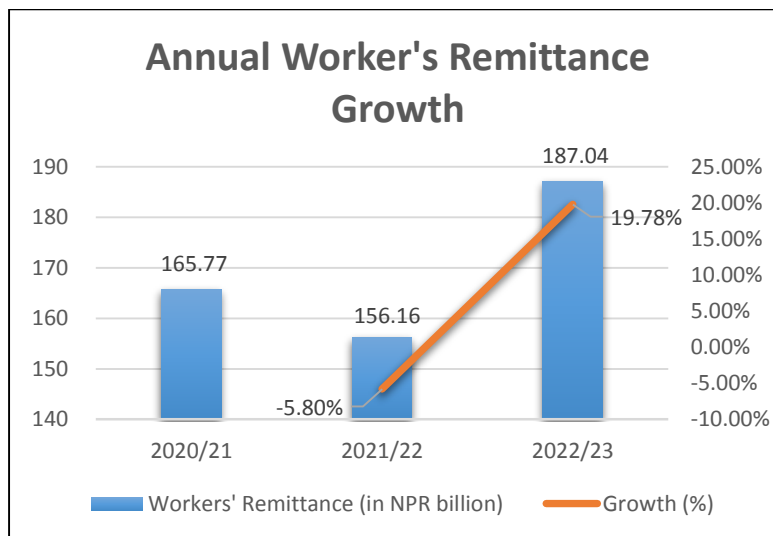
### *Remittance in Dollar Terms*

In US Dollar terms, the workers' remittance increased by 11.33 percent to 1467.65 million in FY 2022/23 compared to an decreased of 5.28% percent in the review period.



***Remittance in NPR terms***

On the other hand, in NPR terms, the workers' remittance increased by 19.78 percent to 187.04 billion in FY 2022/23 compared to a fall of 5.80 percent in the review period.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 169.9 percent to 103,898 in the review period. Likewise, the number of Nepali workers (Renew entry) taking approval for foreign employment increased 70.6 percent to 39,189 in the review period. It had increased 429.5 percent in the same period of the previous year.