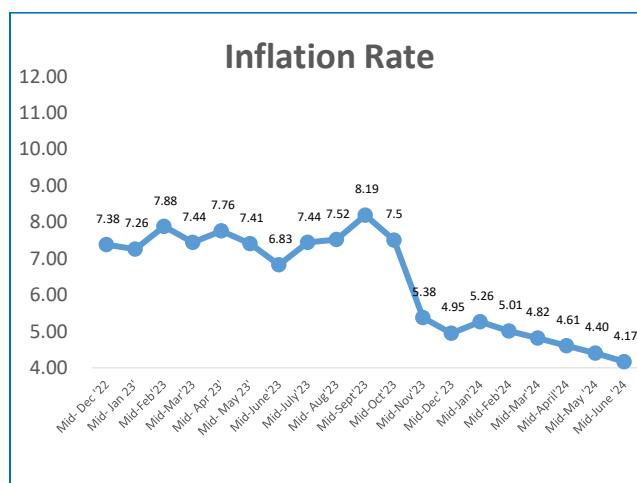
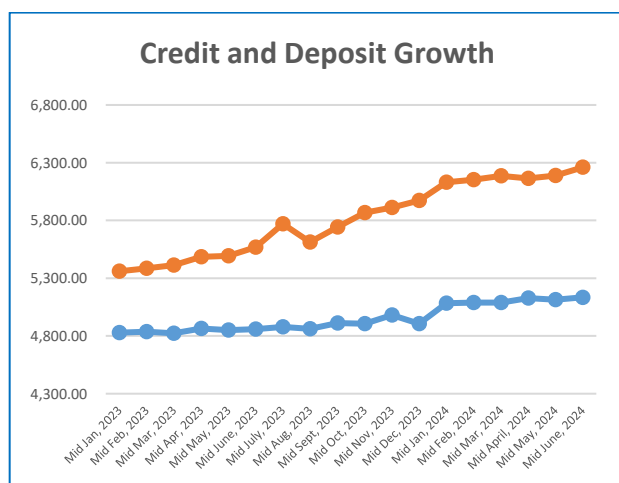
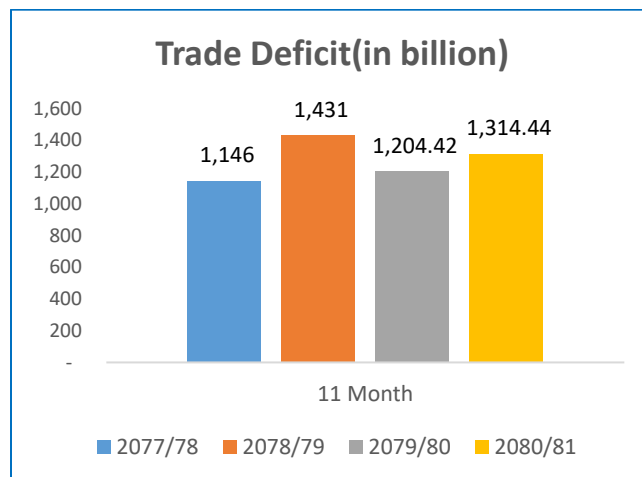
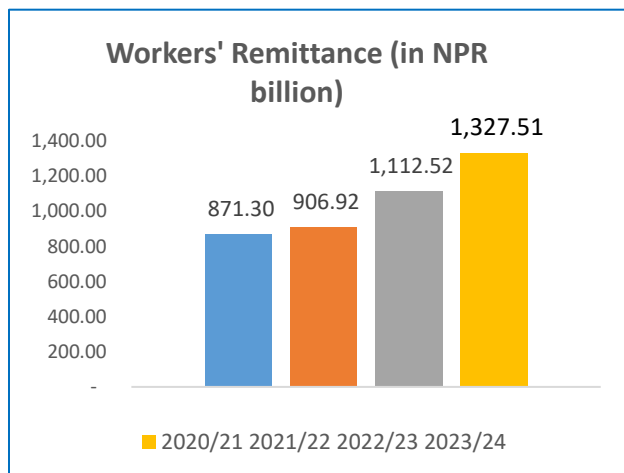
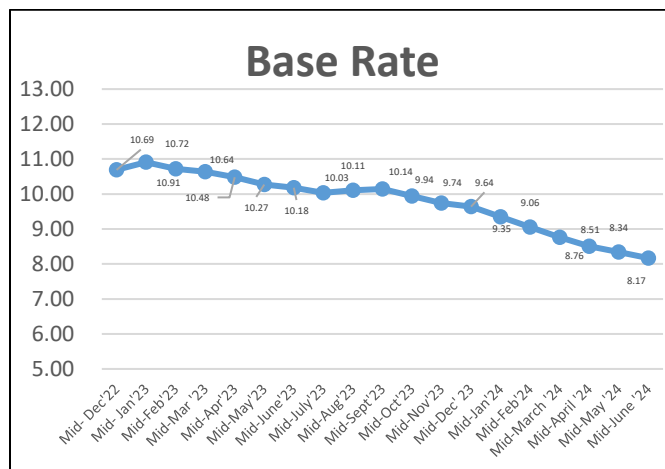
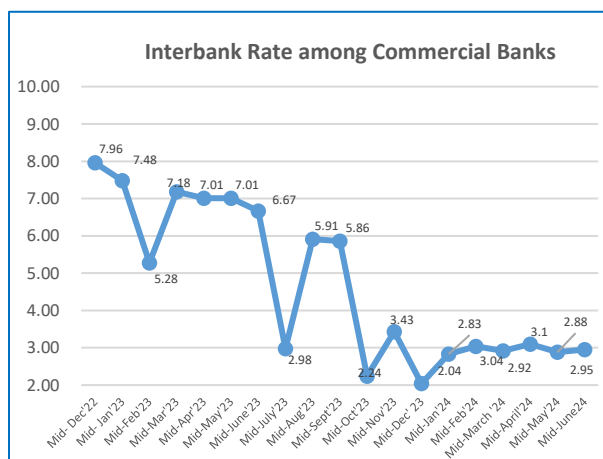




MACROECONOMIC SITUATION OF NEPALESE ECONOMY

BASED ON ELEVEN MONTH'S DATA OF FY 2023/24



Current Global Macroeconomic Situation

Inflation falls 0.1% in June from prior month, helping case for lower rates

The monthly inflation rate dipped in June for the first time in more than four years, providing further cover for the Federal Reserve to start lowering interest rates later this year. The consumer price index, a broad measure of costs for goods and services across the U.S. economy, declined 0.1% from May, putting the 12-month rate at 3%, around its lowest level in more than three years, the Labor Department reported Thursday. The all-items index rate fell from 3.3% in May when it was flat on a monthly basis. Excluding volatile food and energy costs, so-called core CPI increased 0.1% monthly and 3.3% from a year ago, compared with respective forecasts for 0.2% and 3.4%, according to the report from the Bureau of Labor Statistics. The annual increase for the core rate was the smallest since April 2021. A 3.8% slide in gasoline prices held back inflation for the month, offsetting 0.2% increases in both food prices and shelter. Housing-related costs have been one of the most stubborn components of inflation and makeup about one-third of the weighting in the CPI, so a pullback in the rate of increase is another positive sign.

<https://www.cnbc.com/2024/07/11/cpi-inflation-report-june-2024.html>

China's imports unexpectedly drop in June, but exports beat forecasts

China's imports fell in June, missing expectations for slight growth, while exports rose more than expected, customs data released Friday showed. China's imports fell by 2.3% in June from a year ago in U.S. dollar terms. That contrasts with a forecast of 2.8% growth, according to a Reuters poll. U.S. dollar-denominated exports for June climbed by 8.6% year on year, beating expectations for 8% growth forecast by a Reuters poll. Those figures lifted year-to-date imports by 2%, and exports by 3.6% in the first six months compared with the same period a year earlier. China's trade with the Association of Southeast Asian Nations surged by 7.1% in the first half of the year, cementing the bloc's position as the country's largest trading partner by region, followed by the European Union. EU's trade with China fell in the first six months of 2024, with imports and exports both declining. China's trade with the U.S. was down slightly in dollar terms during the first half of the year, as imports from the U.S. fell 4.9%, though exports rose 1.5%.

<https://www.cnbc.com/2024/07/12/chinas-imports-unexpectedly-drop-in-june-but-exports-beat-forecasts.html>

Delta's summer outlook disappoints as industry's flight glut drives down fares

Delta Air Lines on Thursday forecast record revenue for the third quarter thanks to booming summer travel demand, but its projection fell short of analysts' estimates as carriers discounted fares after flooding the market with flights. In the current quarter, Delta expects sales to rise no more than 4%, below the 5.8% growth analysts polled by LSEG estimated, and it forecast adjusted earnings per share of \$1.70 to \$2 a share, short of the \$2.05

a share analysts estimated. The Atlanta-based carrier on Thursday kicked off an airline earnings season marked by packed planes but profits under pressure as increased capacity weighs on fares and costs rise. The Transportation Security Administration said it screened more than 3 million people for the first time on Sunday at U.S. airports. Delta is a standout in the U.S. airline industry as the most profitable carrier, and Thursday’s report is a sign that competitors, particularly those focused on the oversupplied U.S. air travel market, could struggle this summer.

<https://www.cnbc.com/2024/07/11/delta-air-lines-dal-earnings-q2-2024.html>

China gears up for next week’s Third Plenum meeting. Here’s why real estate isn’t likely the main focus

China’s real estate problems may be massive, but analysts expect the upcoming Third Plenum to focus on other areas — such as high local government debt levels and a push for advanced manufacturing. The much-anticipated policy meeting, scheduled for Monday to Thursday, is a major gathering of the top members of the ruling Communist Party of China that typically happens only once every five years. This plenum was widely expected to be held last fall but has been delayed. “The key challenge faced by Beijing is to find an alternative fiscal system, as the current one, which relies heavily on land sales, is under severe pressure due to the plunging land market,” Larry Hu, chief China economist at Macquarie, said in an email to CNBC. He expects next week’s meeting to focus on fiscal reform and other structural policies. Hu pointed out that cyclical policies — which can include property — are usually discussed at more regular meetings such as that of China’s Politburo, expected in late July. “Other than that, policymakers are also likely to reiterate [their] commitment to innovation, i.e. the so-called new productive forces,” Hu said, referring to Beijing’s push to support advanced manufacturing and high-tech.

<https://www.cnbc.com/2024/07/12/china-to-hold-third-plenum-why-real-estate-isnt-likely-the-main-focus.html>

Summary of Eleven-Month Macroeconomic Situation F/Y 2023/24

This macroeconomic report is prepared based on Eleven-month data of FY 2023/24 published by NRB. The key macro-economic indicators and variables are highlighted in the table below and explained in a further section:

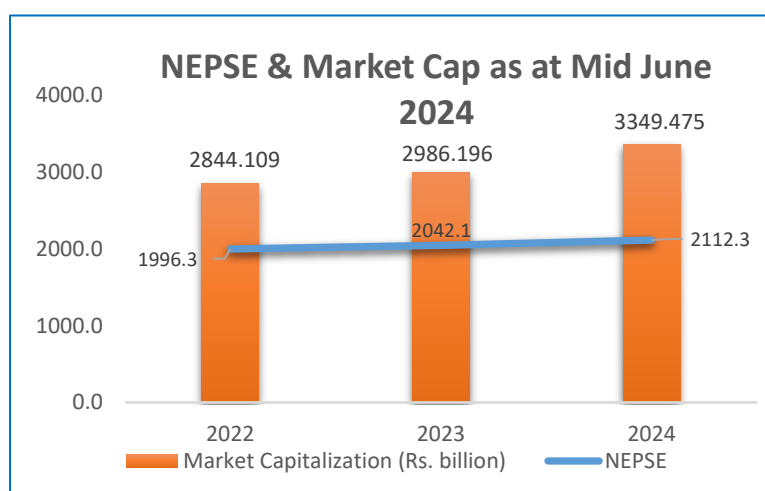
Head	Details	Amount
A. NEPSE	2042.07 points as of Mid-June 2023 2112.30 points as of Mid- June 2024	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	2.95%	
<i>Base Rate</i>	8.17%	



C. INFLATION	4.17%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	9%	NPR 514.57 billion
<i>Loan Growth</i>	5.1%	NPR 246.80 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR Rs.804.76 billion (Rs.1.20 billion was through standing liquidity facility and 803.56 billion through Overnight Liquidity Facility)	
F. Balance of Payment Position	NPR 425.67 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	17.3%	USD 9.98 billion
<i>In NPR Terms</i>	19.3%	NPR 1327.51 billion

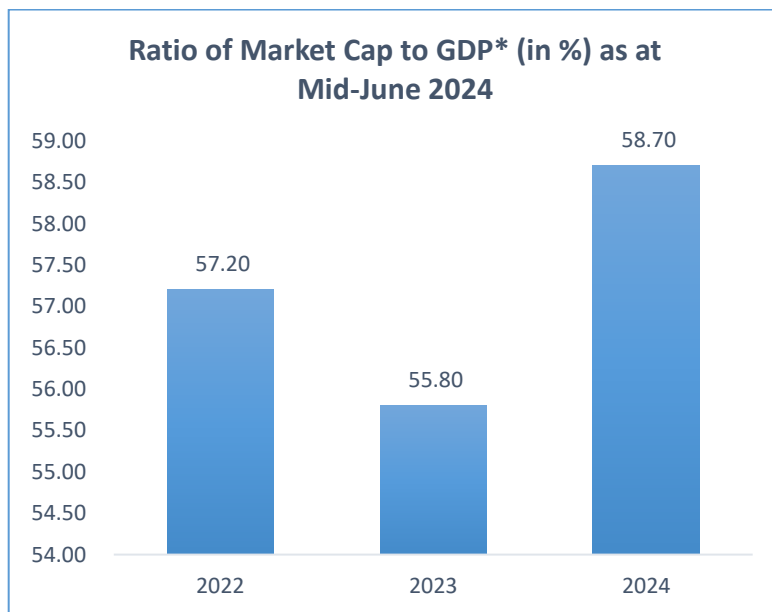
A. NEPSE and Ratio of Market Cap to GDP

NEPSE index stood 2112.30 in mid-June 2024 compared to 2042.07 in mid-June 2023. The number of companies listed at NEPSE reached 270 in mid-June 2024.





Stock market capitalization in mid-June 2024 stood at Rs.3349.48 billion compared to Rs.2986.20 billion in mid-June 2023.



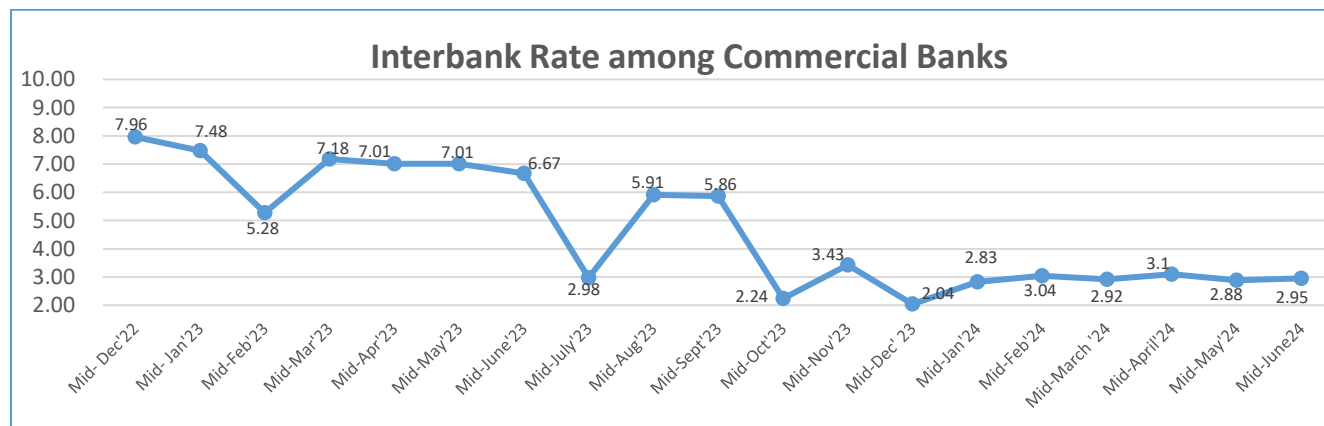
**GDP at Current Price*

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

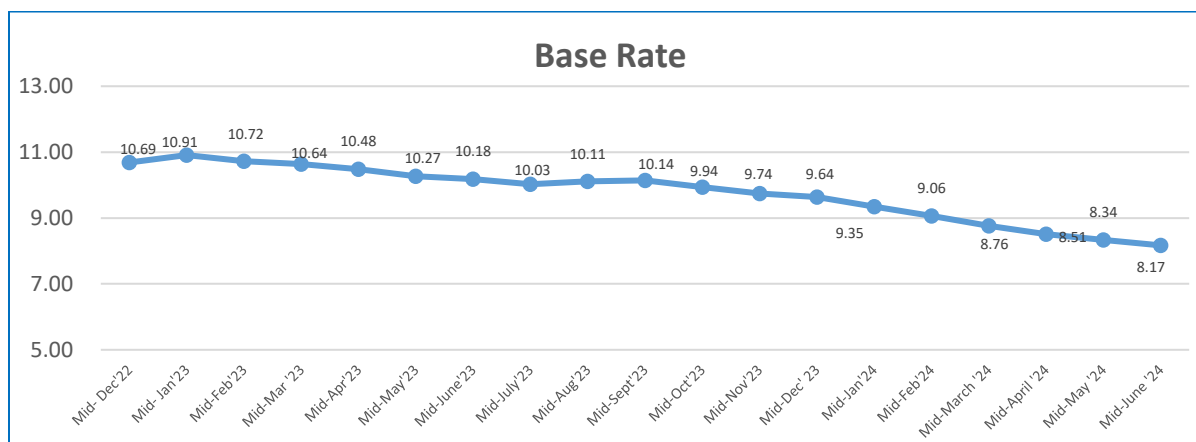
The weighted average inter-bank transaction rate among BFIs, which was 6.69 percent a year ago, decreased to 2.95 percent in the review month.





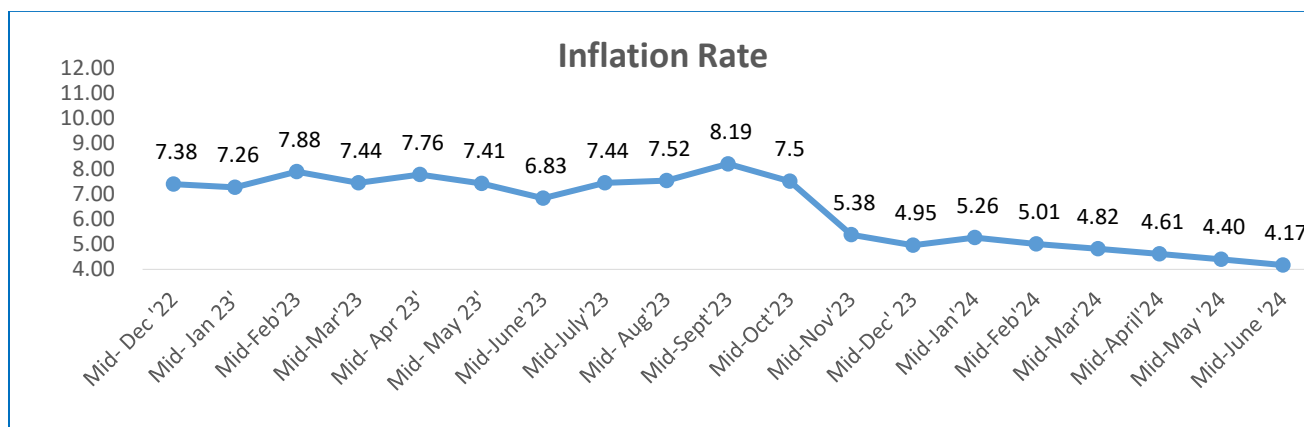
Base Rate

The average base rates of commercial banks, development banks, and finance companies stood 8.17 percent, 9.96 percent and 11.46 percent respectively in the eleventh month of 2023/24. The average base rate of commercial banks was 10.18 percent in the corresponding month a year ago.



C. INFLATION RATE

The y-o-y consumer price inflation moderated to 4.17 percent in mid-June 2024 compared to 6.83 percent a year ago. Food and beverage category inflation stood at 5.76 percent whereas non-food and service category inflation stood at 2.94 percent in the review month.



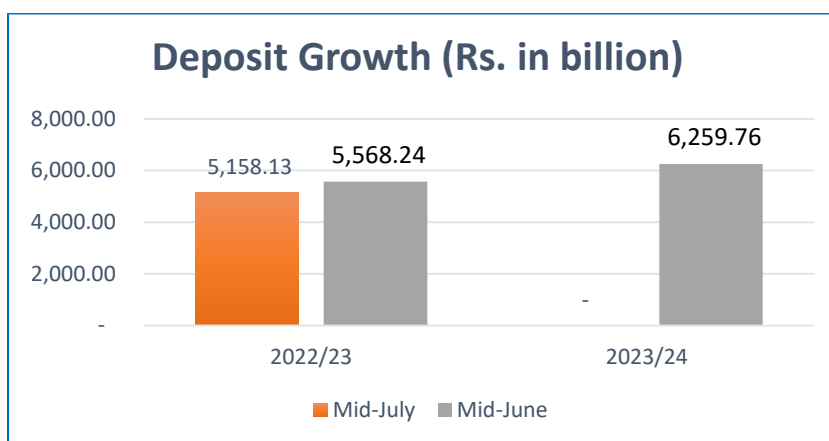
D. DEPOSIT AND LENDING GROWTH

Deposit Growth: Deposits at Banks and Financial Institutions (BFIs) increased Rs.514.57 billion (9.0 percent) in the review period compared to an increase of Rs.445.13 billion (8.8 percent) in the corresponding period of



the previous year. On y-o-y basis, deposits at BFIs expanded 12.6 percent in mid-June 2024. The share of demand, saving, and fixed deposits in total deposits stood at 5.2 percent, 29.1 percent, and 58.5 percent respectively in mid-June 2024. Such shares were 7.9 percent, 25.6 percent, and 59.7 percent respectively a year ago.

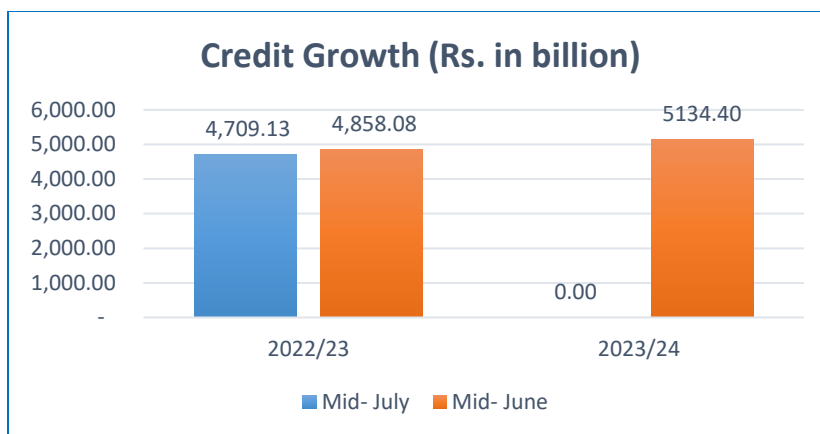
Year	Mid-July	Mid-June	% Change
2022/23	5,158.13	5,568.2415	21.36%
2023/24	-	6,259.7622	-



Credit Growth: Private sector credit from BFIs increased Rs.246.80 billion (5.1 percent) in the review period compared to an increment of Rs.157.36 billion (3.4 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 5.6 percent in mid-June 2024. The shares of private sector credit from BFIs to non-financial corporation and household stand at 63.5 percent and 36.5 percent respectively in mid-June 2024. Such shares were 62.6 percent and 37.4 percent a year ago.

Rs. in billion

Year	Mid-July	Mid- June	% Change
2022/23	4,709.13	4858.0821	3.16%
2023/24	-	5134.4006	-



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2023/24

(Rs. in Million)					
Details	2020/21	2021/22	2022/23	Mid-June	
				2022/23	2023/24
A. Liquidity Injection	438,277.10	9,702,410.00	5,518,186.20	5,253,156.01	804,762.58
1. Repo	50,000.00	270,000.00	316,500.00	316,500.00	-
2. Outright Purchase	-	55,915.90	89,700.00	89,700.00	-
3. Repo Auction *	17,937.10	206,388.00	97,972.60	97,972.60	-
4. Standing Liquidity Facility	370,340.00	9,170,106.10	2,727,112.30	2,727,112.30	1,200.00
5. OLF	-	-	2,286,901.30	2,021,871.11	803,562.58
B. Liquidity Absorption	303,290.00	60,000.00	108,200.00	5,000.00	2,705,600.00
1. Reverse Repo	109,540.00	28,350.00	88,200.00	5,000.00	-
2. Outright Sale	-	-	-	-	-
3. Deposit Collection Auction	193,750.00	31,650.00	20,000.00	-	1,060,300.00
4. Deposit Collection Auction *	-	-	-	-	-
5. Standing Deposit Facility	-	-	-	-	1,645,300.00
C. Net Liquidity Injection (+) / Absorption (-)	134,987.10	9,642,410.00	5,409,986.20	5,248,156.01	(1,900,837.42)

* Transaction under Interest Rate Corridor

In the review period, NRB provided a total liquidity of Rs.804.76 billion to the BFIs on a turnover basis, of which, Rs.1.20 billion was availed through standing liquidity facility (SLF) and Rs.803.56 billion through Overnight Liquidity Facility (OLF); whereas a total liquidity of Rs.2705.60 billion was absorbed including Rs.1060.30 billion through deposit collection auction and Rs.1645.30 billion through standing deposit facility (SDF). In the corresponding period of the previous year, Rs.5248.16 billion net amount of liquidity was injected through various instruments of open market operations including SLF and OLF. In the review period, NRB injected liquidity of Rs.710.91 billion through the net purchase of USD 5.35 billion from foreign exchange market. Liquidity of Rs.687.42 billion was injected through the net purchase of USD 5.26 billion in the corresponding period of the previous year.



FISCAL SITUATION

Fiscal Deficit/Surplus

According to Ministry of Finance, Financial Comptroller General Office (FCGO), the total expenditure of the Nepal Government stood at Rs.1181.30 billion during the eleven months of 2023/24. Compared to a growth of 13.6 percent in the last fiscal year, government expenditure increased by 0.4 percent in the review period. The recurrent expenditure, capital expenditure and financial expenditure amounted to Rs.822.81 billion, Rs.134.98 billion and Rs.223.51 billion respectively in the review period.

	<i>Rs. in million</i>	
	Govt. Exp. (Cash Basis)	Govt. Revenue
2022/23	1,176,065.70	880,387.90
2023/24	1,179,088.10	942,239.30
Y-O-Y Growth	0.26%	7.03%

Source: <https://www.fcgo.gov.np>

F. BALANCE OF PAYMENT POSITION

		<i>(Rs. in million)</i>		
Particulars		2021/22R	2022/23R	2023/24P
		Eleven Months	Eleven Months	Eleven Months
A	Current Account	-592140.4	-79525.2	200392.9
B	Capital Account (Capital Transfer)	9491.8	7351.5	5461.0
C	Financial Account (Excluding Group E)	281873.3	223124.8	112875.7
BOP (Surplus)		272677.00	-224899.90	-425670.90

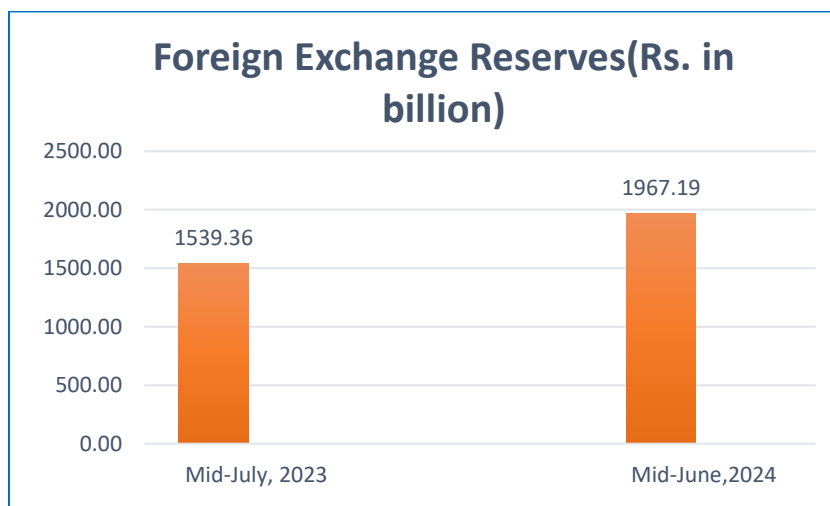
**P = Provisional*

The current account remained at a surplus of Rs.200.39 billion in the review period against a deficit of Rs.79.53 billion in the same period of the previous year. In US Dollar terms, the current account registered a surplus of 1.51 billion in the review period against a deficit of 613.2 million in the same period last year. In the review period, capital transfer decreased 25.7 percent to Rs.5.46 billion and net foreign direct investment (FDI)

remained positive at Rs.8.16 billion. In the same period of the previous year, capital transfer amounted to Rs.7.35 billion and net FDI amounted to Rs.4.65 billion.

G. Foreign Exchange Reserve

Gross foreign exchange reserves increased 27.8 percent to Rs.1967.19 billion in mid-June 2024 from Rs.1539.36 billion in mid-July 2023. In US dollar terms, the gross foreign exchange reserves increased 25.7 percent to 14.72 billion in mid-June 2024 from 11.71 billion in mid-July 2023.



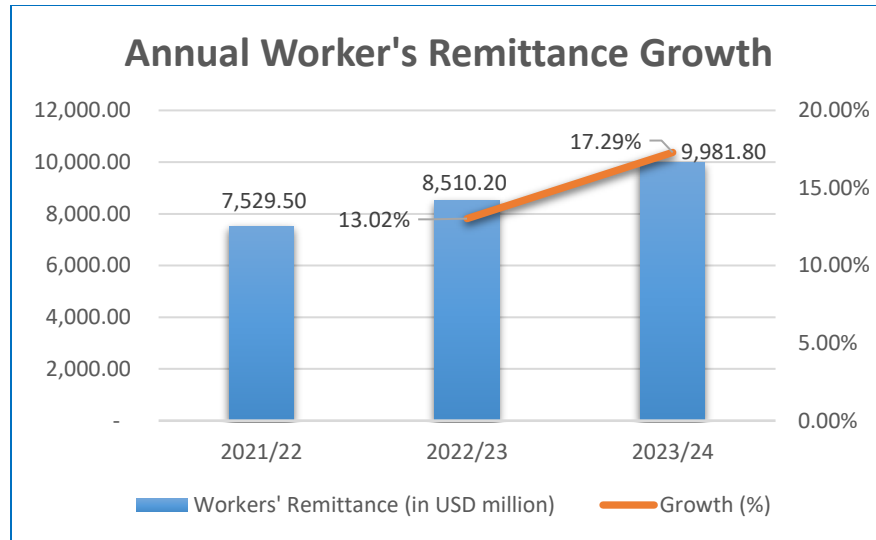
Of the total foreign exchange reserves, reserves held by NRB increased 30.2 percent to Rs.1752.77 billion in mid-June 2024 from Rs.1345.78 billion in mid-July 2023. Reserves held by banks and financial institutions (except NRB) increased 10.8 percent to Rs.214.42 billion in mid-June 2024 from Rs.193.59 billion in mid-July 2023. The share of Indian currency in total reserves stood at 22.3 percent in mid-June 2024.

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:

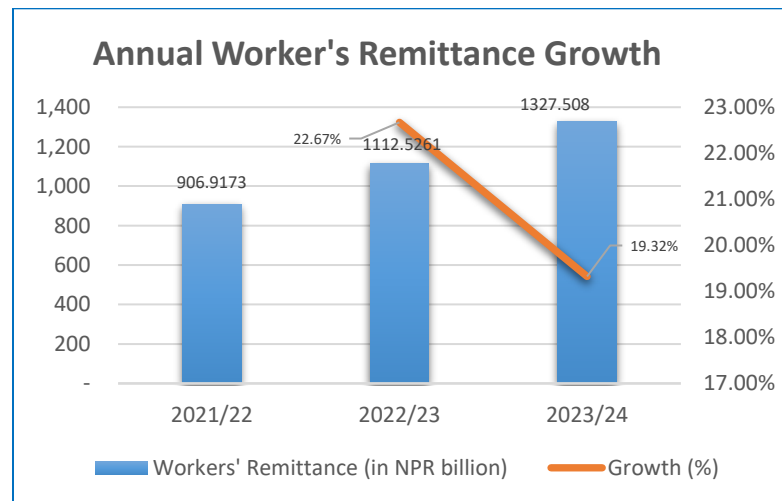
Remittance in Dollar Terms

In US Dollar terms, remittance inflows increased 17.3 percent to 9.98 billion in the review period compared to an increase of 13.0 percent in the same period of the previous year.



Remittance in NPR terms

Remittance inflows increased 19.3 percent to Rs.1327.51 billion in the review period compared to an increase of 22.7 percent in the same period of the previous year.



In the review period, the number of Nepali workers, both institutional and individual, taking first-time approval for foreign employment was recorded 422,936, and getting approval for renew entry was recorded 262,705. In the previous year, such numbers were 459,415 and 260,262 respectively.