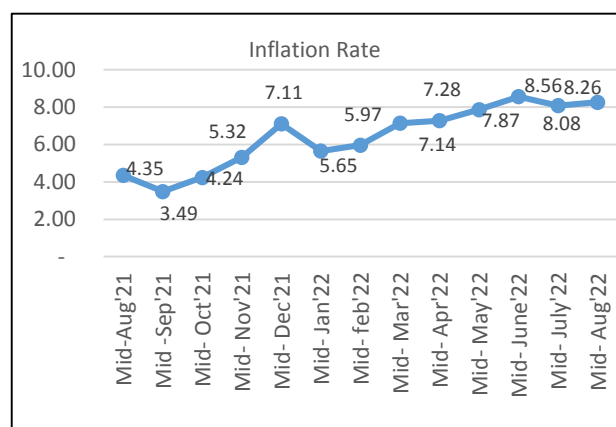
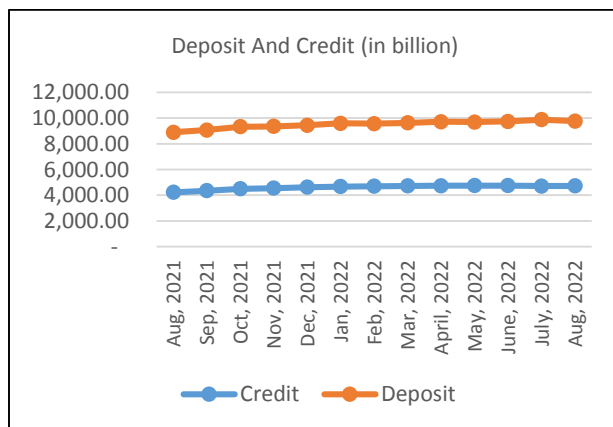
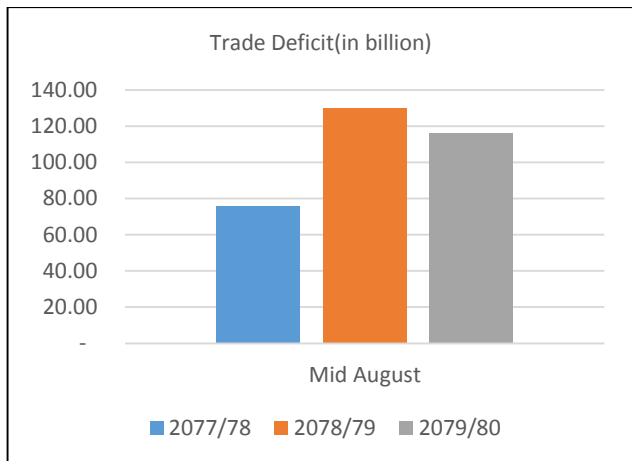
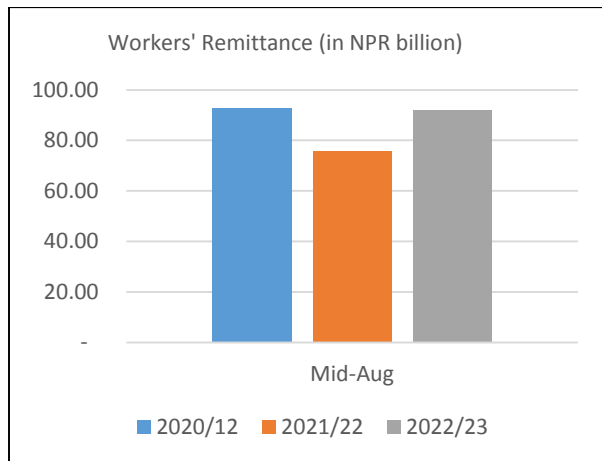
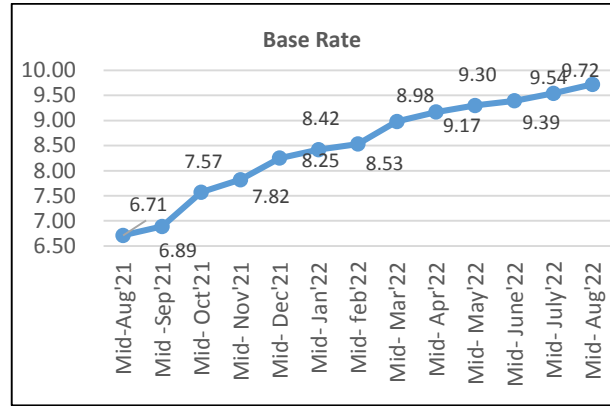
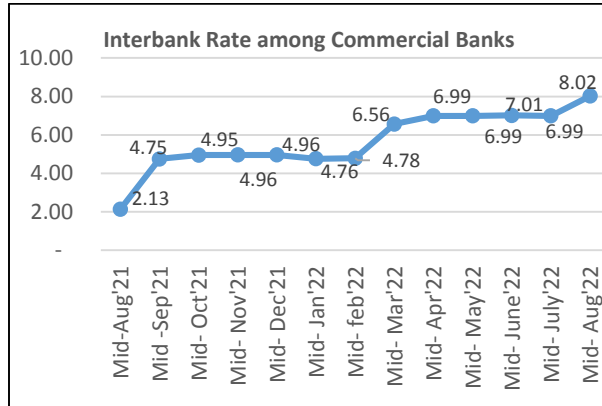


MACROECONOMIC SITUATION OF NEPALESE ECONOMY

BASED ON ONE MONTH'S DATA OF FY 2022/23



Current Global Macroeconomic Situation

1. The United States recorded a capital and financial account surplus of USD 153.5 billion in July of 2022, widening from the upwardly revised USD 22.3 billion in the previous month. Foreign investors acquired a net USD 23.1 billion in Treasuries in the period, easing from the USD 58.9 billion inflow in the previous month. Meanwhile, foreigners bought USD 21.4 billion of long-term US securities
2. Annual inflation rate in the Euro Area was confirmed at a record of 9.1% in August of 2022, compared to 8.9% in July. The highest contribution came from energy again (38.6% vs 39.6% in July), but prices accelerated for food, alcohol & tobacco (10.6% vs 9.8%), services (3.8% vs 3.7%) and non-energy industrial goods (5.1% vs 4.5%). Excluding energy, food, alcohol and tobacco, the core inflation went up to a record high rate of 4.3% from 4% in July, in a sign price pressures already spread through all the sectors of the economy. Compared to the previous month, consumer prices increased 0.6%, slightly higher than a preliminary reading of 0.5%.
3. China's surveyed urban unemployment ticked down to 5.3% in August 2022 from 5.4% in July, pointing to the lowest level since January. The latest print underlined continued efforts by the government to spur the momentum of economic recovery as the COVID situation improved further, with Beijing targeting the 2022 jobless rate to stay around 5.5%. The unemployment rate of the population aged 25-59 was at 4.3% in August, the same as in July, while those aged 16-24 fell to 18.7% from a record level of 19.9% in the prior month.
4. India's forex reserves have nosedived over \$80 billion since the Ukraine crisis, with more than \$2 billion fall in the latest week as the Reserve Bank of India sold dollars to shore up the rupee from breaching the 80-per-dollar level. The latest RBI weekly statistical data showed that forex reserves fell \$2.234 billion to \$550.871 billion in the week ending September 9, from \$553.105 billion in the week prior, which was the lowest level in almost two years. India's import cover has fallen for six straight weeks and 23 out of 29 weeks since Russia invaded Ukraine late in February, reflecting the RBI's constant draw down from the reserves to fight a surge in the US currency due to capital outflows into dollardenominated assets. Compared to the country's forex reserves peak in October last year, the FX war chest is down over \$90 billion. Despite a steady flow of foreign capital into the country's markets, a widening current account deficit has not helped stem the fall in the import cover.

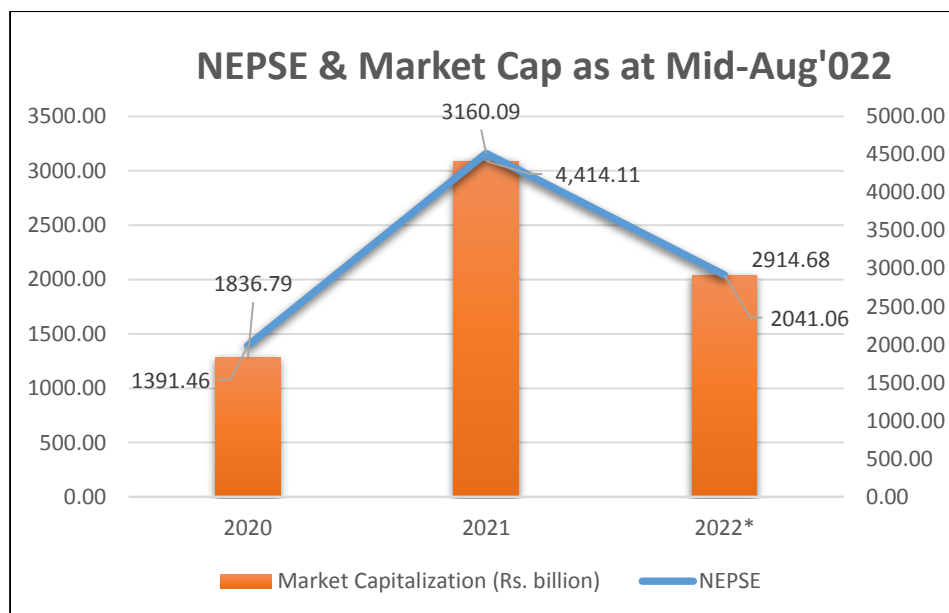
Summary of One Month Macroeconomic Situation F/Y 2021/22

This macroeconomic report is prepared based on one 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:

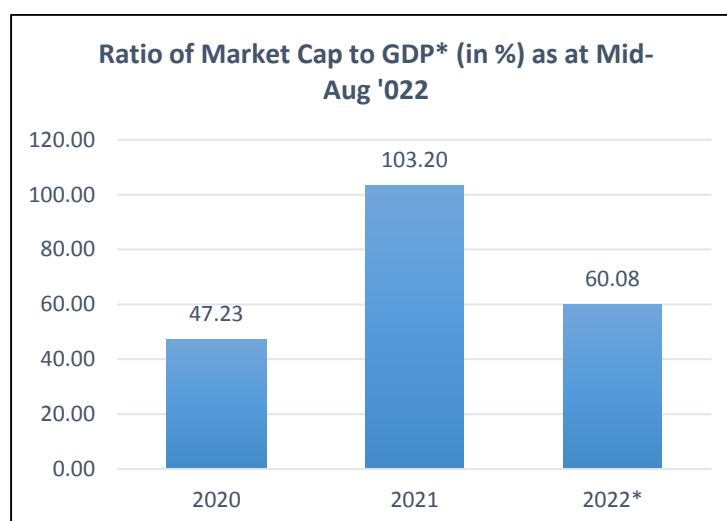
Head	Details	Amount
A. NEPSE	2,041.06 points as on Mid-August-2022 1,910.38 points as on 16-September-2022	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	8.02%	
<i>Base Rate</i>	9.72%	
C. INFLATION	8.26%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	-2.39%	NPR -123.32 billion
<i>Loan Growth</i>	-0.03%	NPR -1.53 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 864.09 billion (liquidity injected through standing liquidity facility NPR 814.71 billion)	
F. Balance of Payment Position	NPR 22.63 billion deficit	
G. Remittance Growth		
<i>In US Dollar Terms</i>	12.47%	\$80.25 million
<i>In NPR Terms</i>	20.33%	NPR 15.58 billion

A. NEPSE and Ratio of Market Cap to GDP

The NEPSE index at Mid-August 2022 decline by 35.4 percent to close at 2,041.06 points, compared to 3,160.09 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 4,414.11 billion in Mid-August 2021 to NPR 2,914.68 billion in Mid-August 2022.



On the other hand, the ratio of market capitalization of NEPSE to GDP at Mid-August 2022 has decreased to 60.08 percent compared to 103.20 percent in the last year during the same review period.



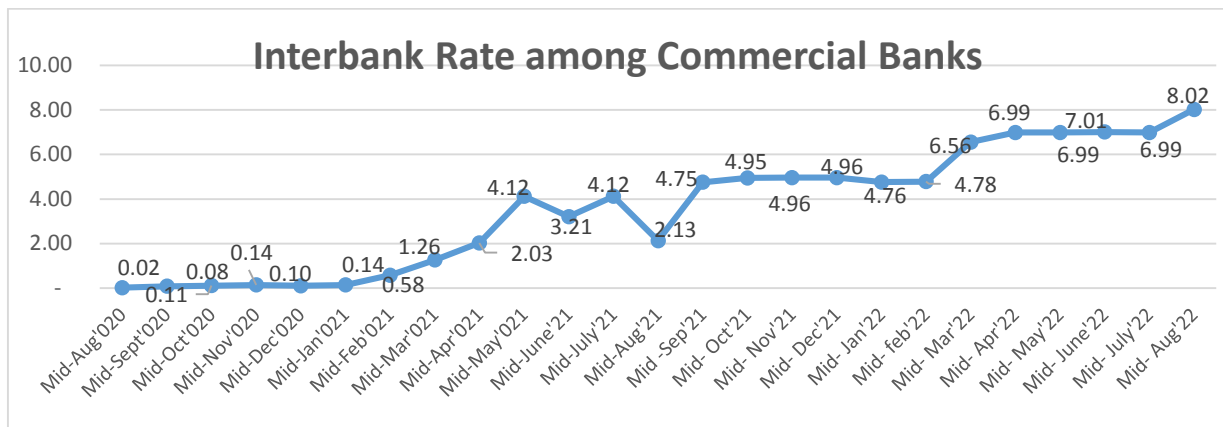
**GDP at Current Price*

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.

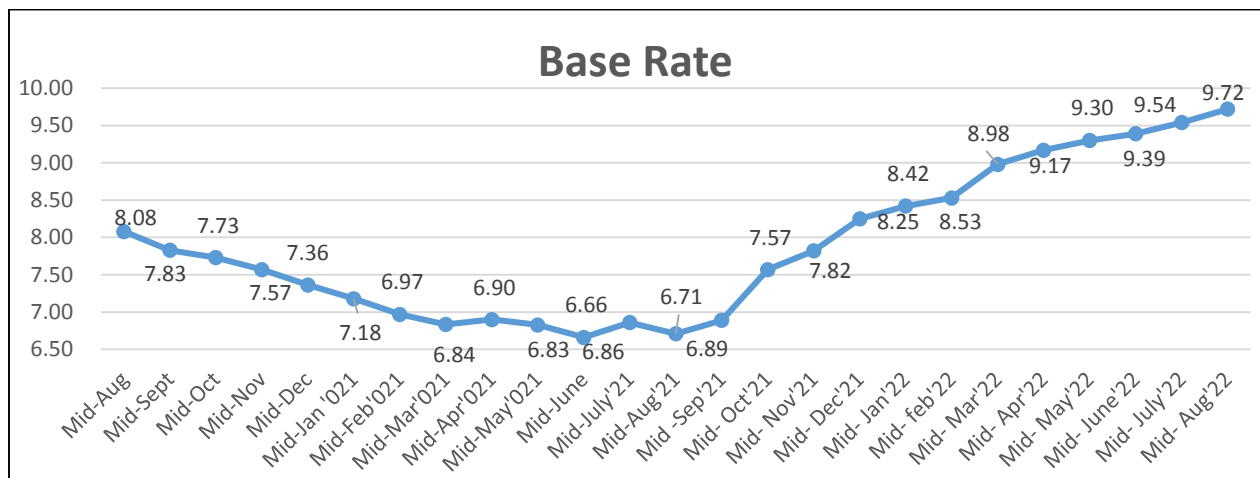
Interbank Rate

The interbank rate of commercial banks was 0.02 percent in Mid-Aug,2020 which has been gradually increasing since then and has reached to 8.02 percent in Mid-August 2022 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 2.13 percent.



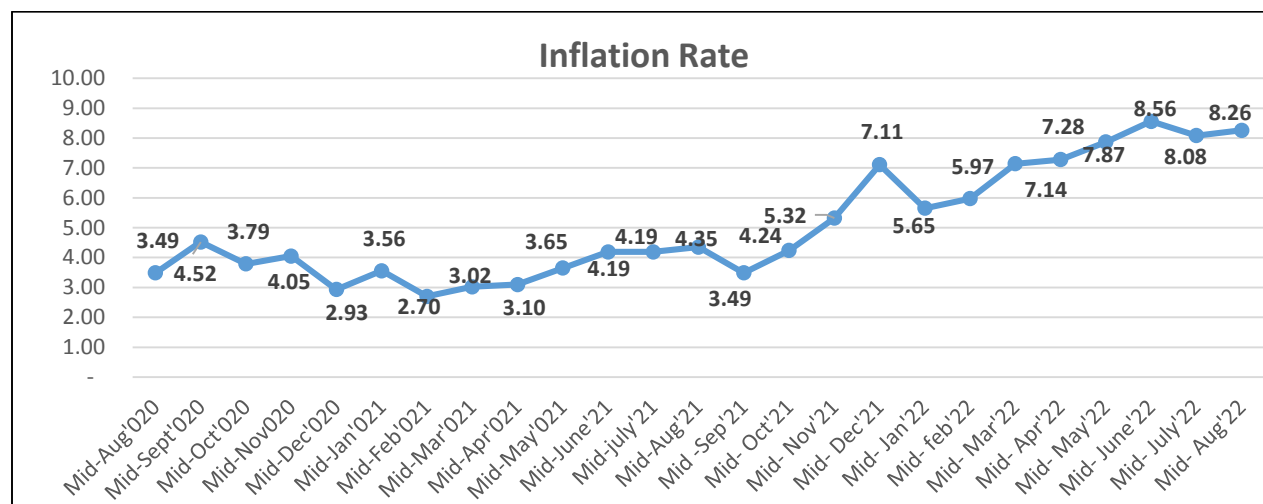
Base Rate

The base rate of commercial banks stands at 9.72 percent in Mid-August 2022 compared to 6.71 percent a year ago. This has set the weighted average lending rate at 11.94 percent. On the other hand, the weighted average deposit rate stands at 7.64 percent. Such rates were 8.48 percent and 4.76 percent respectively in the corresponding month of the previous year.



C. INFLATION RATE

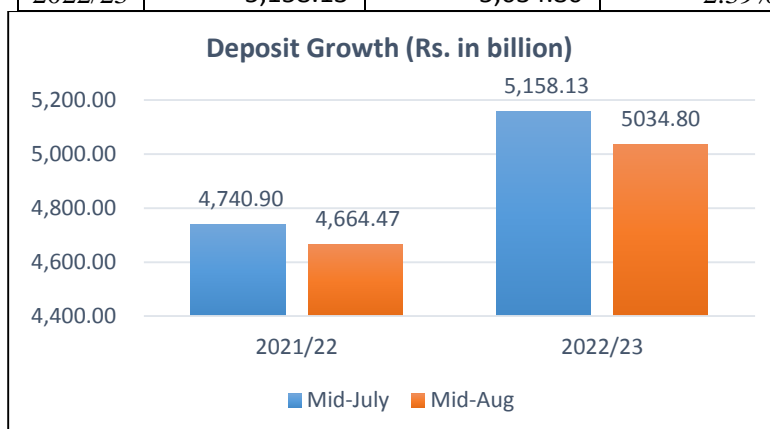
The consumer price inflation which was 4.35 percent a year ago which has increased to 8.26 percent in Mid-August 2022. Under the food and beverage category, the prices of ghee & oil, fruits, restaurant & hotel, alcoholic drinks and milk products & eggs sub-categories rose by 19.58 percent, 18.79 percent, 11.84 percent, 10.24 and 10.19 percent respectively on y-o-y basis.



D. DEPOSIT AND LENDING GROWTH

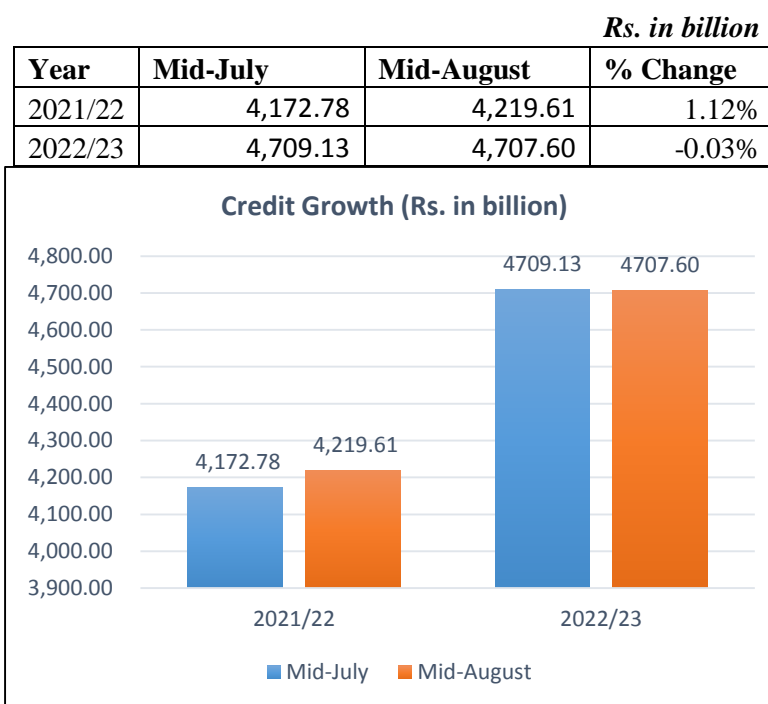
Deposit Growth: The deposits of BFI's as at Mid-August 2022 decreased by 2.39 percent to NPR 5,034.80 billion, compared to NPR 5,158.13 billion in Mid-July 2022. The share of demand, saving, and fixed deposits in total deposits stands at 7.2 percent, 26.9 percent and 55.8 percent respectively in mid-August 2022. Such shares were 7.8 percent, 34.3 percent and 49.5 percent respectively a year ago.

Rs. in billion			
Year	Mid-July	Mid-Aug	% Change
2021/22	4,740.90	4,664.47	-1.61%
2022/23	5,158.13	5,034.80	-2.39%



Credit Growth: The credit disbursement of BFI's as at Mid-August 2022 decreased to NPR. 4,707.60 billion by 0.03 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 1.12 percent. Outstanding loan of BFIs to the agriculture sector increased 0.2 percent, industrial production sector 2.3 percent, transportation, communication and public sector 1.2 percent and service industry sector 1.2 percent in the review period. During the same period, such loan to the construction sector and wholesale & retail sector has decreased 2.1 percent and 0.1 percent respectively.

In the review period, term loan extended by BFIs increased 1.8 percent, overdraft 0.8 percent, trust receipt (import) loan 0.8 percent, demand and working capital loan 1.1 percent, real estate loan (including residential personal home loan) 3 percent, hire purchase loan 1.2 percent whereas margin nature loan decreased 4.6 percent.



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2022/23

Rs. in Million

Details	Mid-Aug	
	2021/22	2022/23
A. Liquidity Injection	55,550.00	864,087.00
1. Repo	-	30,000.00
2. Outright Purchase	-	-
3. Repo Auction *	-	19,381.50
4. Standing Liquidity Facility	55,550.00	814,705.50
B. Liquidity Absorption	60,000.00	-
1. Reverse Repo	28,350.00	-
2. Outright Sale	-	-
3. Deposit Collection Auction	31,650.00	-
4. Deposit Collection Auction *	-	-
C. Net Liquidity Injection (+) / Absorption (-)	(4,450.00)	864,087.00

* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs 864.08 billion liquidity of which Rs. 49.39 billion was through repo, and Rs.814.70 billion through standing liquidity facility. The NRB purchased Indian currency (INR) equivalent to Rs.53.44 billion through the sale of USD 0.42 billion in the review period. INR equivalent to Rs.50 billion was purchased through the sale of USD 0.42 billion in the corresponding period of previous year.

F. FISCAL SITUATION

Fiscal Deficit/Surplus

In the first one month of 2022/23, total revenue collected by the government till Mid-August 2022 is Rs.79.72 billion which is 14.52% lower compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-August 2022 is Rs.22.25 billion which is 112.14 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	10,492.5	93,261.2
2022/23	22,258.7	79,722.5
Y-O-Y Growth	112.14%	-14.52%

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

G. BALANCE OF PAYMENT POSITION

(Rs. in million)

Particulars		2020/21	2021/22	2022/23
		One Month	One Month	One Month
A	Current Account	24,889.86	(47,294.74)	(16,259.95)
B	Capital Account (Capital Transfer)	1,095.89	679.72	800.34
C	Financial Account (Excluding Group E)	9,724.61	(3,995.26)	(12,352.29)
	BOP (Surplus)	(51,464.95)	38,745.26	22,627.74

The country's BOP position is at deficit in the first one month of FY 2022/23 by NPR 22.62 billion compared to a deficit of NPR 38.74 billion during the same period last year. On the other hand, the current account remained at a deficit of Rs.16.25 billion in the review period compared to a deficit of Rs.47.29 billion in the same period of the previous year.

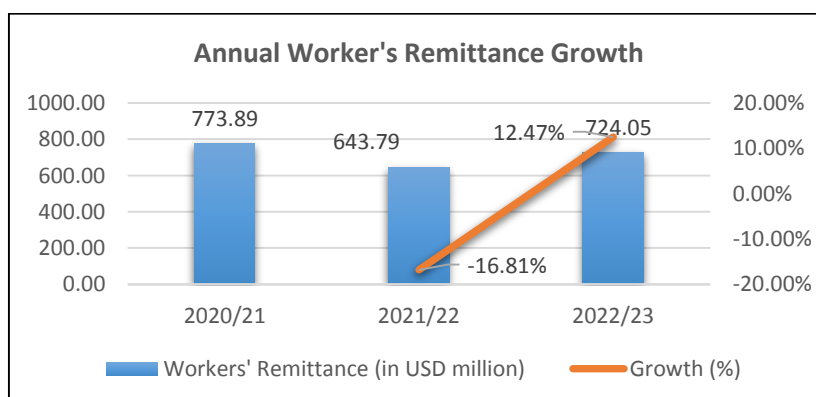
In the review period, capital transfer increased 17.7 percent to Rs.800.34 million and net foreign direct investment (FDI) remained a negative of Rs.1.40 billion. In the same period of the previous year, capital transfer and net FDI amounted to Rs.679.72 million and Rs.480.57 million respectively.

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:

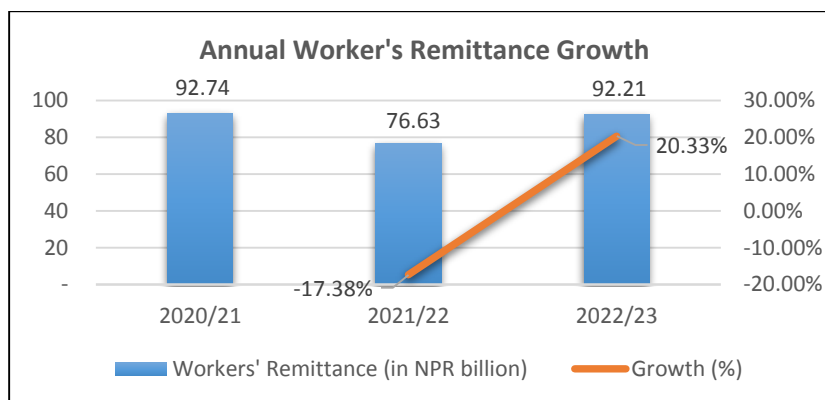
Remittance in Dollar Terms

In US Dollar terms, the workers' remittance increased by 12.47 percent to 724.05 million in FY 2022/23 compared to an decreased of 16.81 percent in FY 2021/22.



Remittance in NPR terms

On the other hand, in NPR terms, the workers' remittance increased by 20.33 percent to 92.21 billion in FY 2022/23 compared to a fall of 17.38 percent in FY 2021/22.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 222.8 percent to 44,540 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 75.4 percent to 20,390 in the review period. It had increased 286.1 percent in the same period of the previous year. Net transfer increased 18.4 percent to Rs.101.69 billion in the review period. Such a transfer had decreased 15.7 percent in the same period of the previous year.