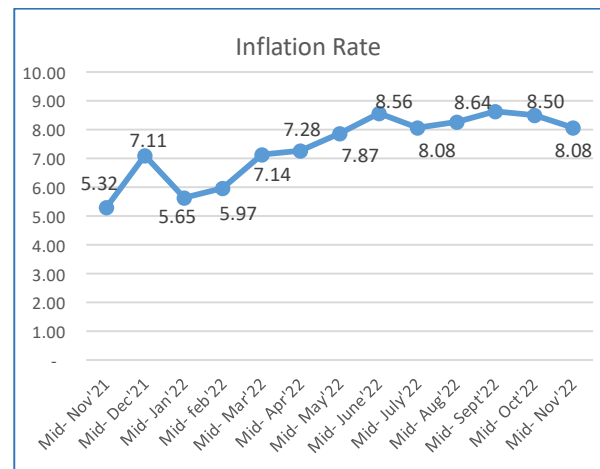
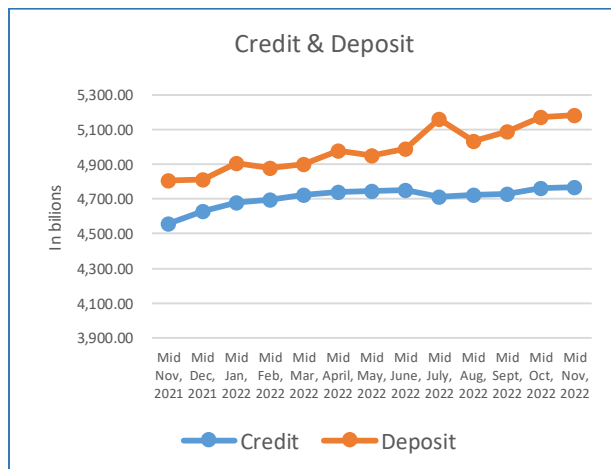
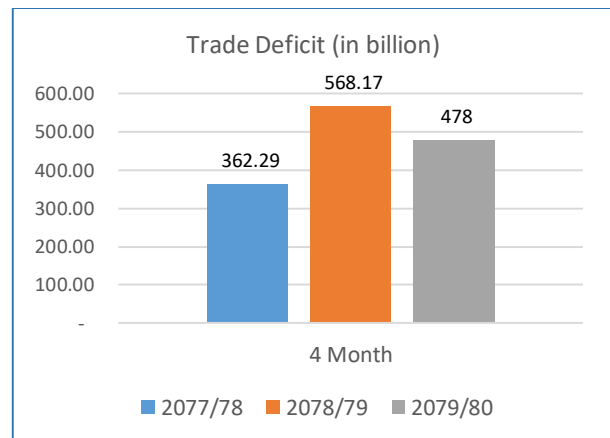
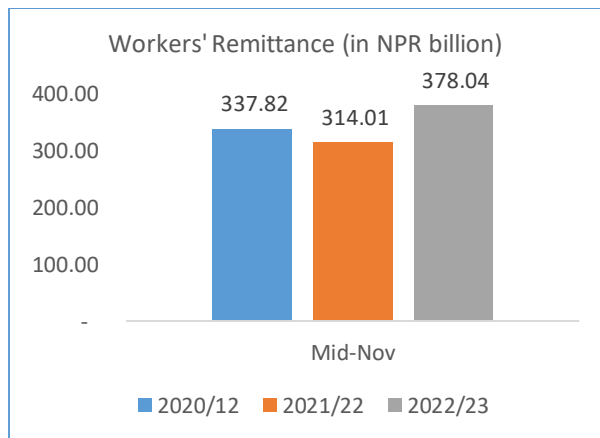
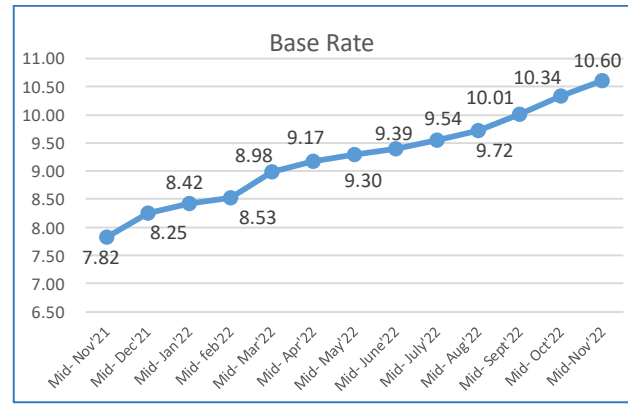
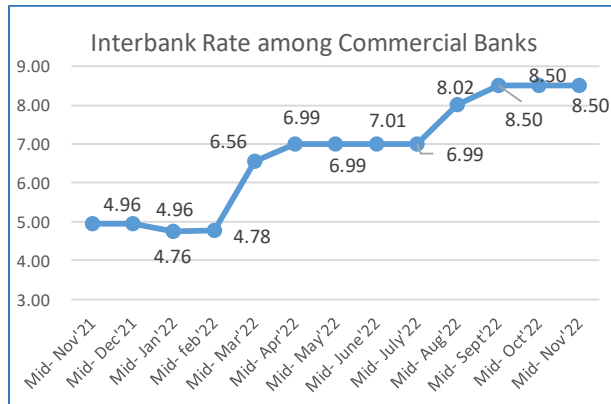


# MACROECONOMIC SITUATION OF NEPALESE ECONOMY BASED ON FOUR MONTH'S DATA OF FY 2022/23



## **Current Global Macroeconomic Situation**

### **US Economy Shows Signs of Cooling Even as the Labor Market Holds Strong**

The US economy showed signs of slowing with retail sales and manufacturing dropping last month, but the labor market remained resilient as employers largely hold onto workers. Retail sales fell in November by the most in nearly a year in a broad-based decline reflecting the strain of inflation and a shift toward spending on services. So-called core group sales — which are used to calculate gross domestic product and exclude food services, auto dealers, building materials stores and gasoline stations — fell 0.2%, missing estimates for a 0.1% gain. Factory production fell last month for the first time since June, while regional Fed surveys showed manufacturing weakened by more than expected in both the New York and Philadelphia areas.

Source Link: <https://www.bloomberg.com/news/articles/2022-12-15/us-economy-shows-signs-of-cooling-even-as-labor-holds-strong>

### **EU attempts to shift the global oil market**

Oil price futures initially surged and then fell sharply as investors struggled to figure out the potential outcome of EU efforts to cap prices and Russian efforts to undermine caps. There is, in effect, a kabuki dance between Russia and the EU that could either lead to lower oil prices combined with weakened oil revenue for Russia, or much higher prices and restricted supply. The West has divergent goals. It wants to starve Russia of funds needed to wage war. Yet it also wants to assure a reasonably priced supply of oil. It is now on the verge of attempting to reconcile these goals.

<https://www2.deloitte.com/us/en/insights/economy/global-economic-outlook/weekly-update.html/#eu-attempts>

### **India's Q3 current account deficit likely shot up on widening trade gap**

India's current account deficit likely rose to its highest in nearly a decade in the July-September quarter as elevated commodity prices and a weak rupee stretched the trade gap even further. A revival in domestic demand in Asia's third-largest economy since the COVID-19 pandemic has also compounded the shortfall through higher imports, while at the same time exports to a weakening global economy shrank to a 20-month low in October. The median forecast of 18 economists in a Dec. 5-14 Reuters poll was for a \$35.5 billion current account deficit in the July-September quarter, or 4.3% of gross domestic product (GDP), the most in nearly a decade. With the central bank nearing the end of its rate hike cycle the Indian rupee, down over 10% this year, is not expected to regain its losses anytime soon.

Link: <https://www.moneycontrol.com/news/business/economy/indias-q3-current-account-deficit-likely-shot-up-on-widening-trade-gap-poll-9710571.html>

### **Asia FX steadies but recession fears spell weekly losses**

Most Asian currencies rose slightly on Friday but were set to end the week lower as hawkish signals from major central banks and a slew of weak economic readings ramped up fears of a global recession going into 2023. The Japanese yen was among the best performers for the day, rising 0.5% after data showed that overall business activity in the country barely managed to expand in December, with strength in the services sector offsetting a pronounced slowdown in manufacturing. China's yuan rose 0.1%, taking some support from optimism over an eventual economic reopening in the country. But in the near-term, China faces an unprecedented spike in COVID-19 cases, which analysts warned could delay a reopening and further disrupt economic activity. The Indian rupee also lost 0.5% this week after weaker-than-expected inflation figures for November indicated a slower pace of rate hikes by the Reserve Bank.

Link: <https://in.investing.com/news/asia-fx-steadies-but-recession-fears-spell-weekly-losses-3455258>

### **The latest on China's economy**

Evidence of further weakening of the Chinese economy has led authorities to significantly ease COVID-19-related restrictions. The government reported that exports, denominated in US dollars, fell 8.7% in November versus a year earlier. This was much worse than the modest decline in October and was the steepest decline since February 2020 at the start of the pandemic. Exports to the United States were down 25.4% while exports to the European Union were down 10.6%. Exports to Southeast Asia were up 5.2% —a substantial deceleration from the previous month. Meanwhile, imports also fell, declining 10.6% in November versus a year earlier, the worst performance since May 2020.

<https://www2.deloitte.com/us/en/insights/economy/global-economic-outlook/weekly-update.html/#the-latest>

### **Japanese inflation accelerates**

For several decades, Japanese policymakers have struggled to boost inflation and avert deflation. In the past decade, the Bank of Japan (BOJ) has engaged in an unusually aggressive monetary policy meant to boost inflation and expectations of inflation. Yet, until the pandemic, inflation remained relatively muted. Yet in the past year, as the global economy has emerged from the pandemic, leading to supply chain disruption, and as the war in Ukraine boosted energy prices, inflation in Japan has accelerated. Thus, the BOJ is now close to achieving its goal of steadily higher inflation.

<https://www2.deloitte.com/us/en/insights/economy/global-economic-outlook/weekly-update.html/#japanese-inflation>

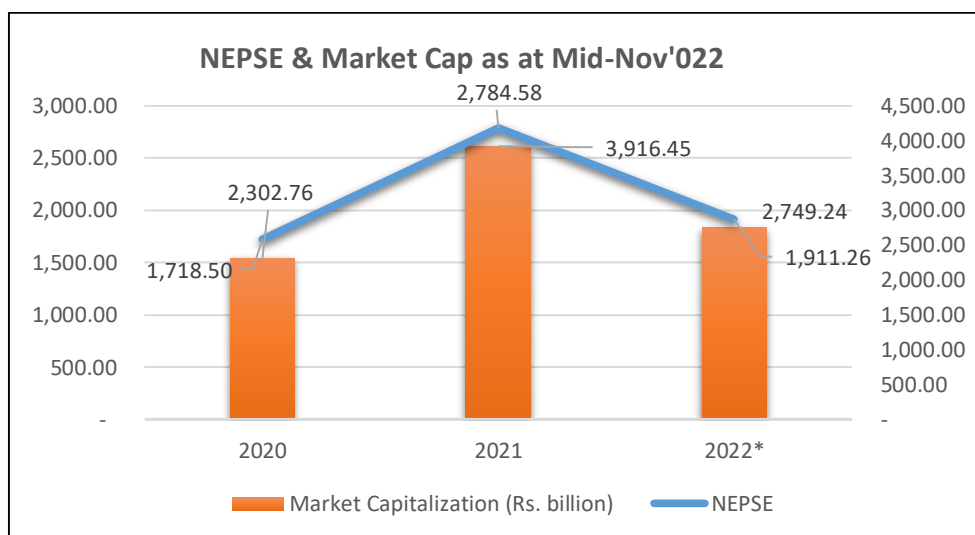
## Summary of Four Month Macroeconomic Situation F/Y 2021/22

This macroeconomic report is prepared based on Four 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:

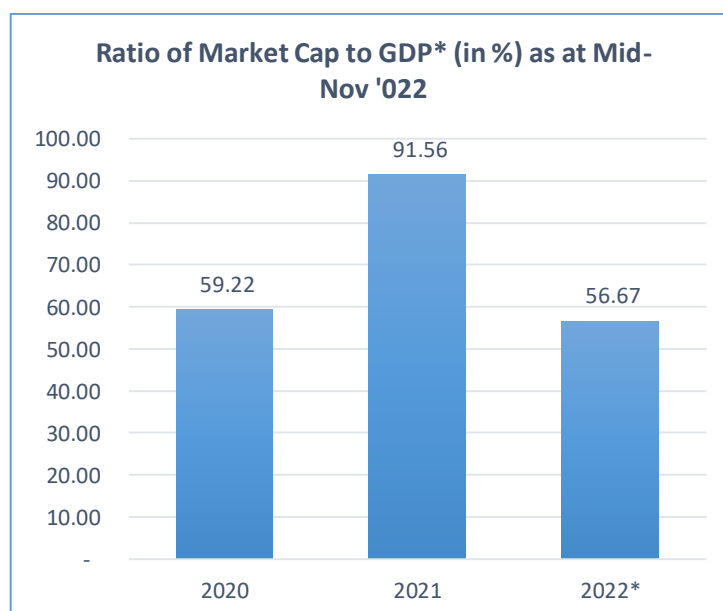
Head	Details	Amount
A. NEPSE	1,911.26 points as on Mid-Nov-2022 1,882.60 points as on 15-Dec-2022	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	8.50%	
<i>Base Rate</i>	10.60%	
C. INFLATION	8.08%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	0.51%	NPR 26.47 billion
<i>Loan Growth</i>	1.25%	NPR 58.81 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 2833.11 billion ( <i>liquidity injected through standing liquidity facility NPR 2557.04 billion, Repo NPR 203.87 billion and outright purchase NPR 72.20 billion</i> )	
F. Balance of Payment Position	NPR 20.04 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	10.75%	\$ 284.17 million
<i>In NPR Terms</i>	20.39%	NPR 64.03 billion

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

The NEPSE index at Mid-Nov 2022 declined by 31.36% percent to close at 1,911.26 points, compared to 2,784.58 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3916.45 billion in Mid-Nov 2021 to NPR 2,749.24 billion in Mid-Nov 2022.



On the other hand, the ratio of market capitalization of NEPSE to GDP at Mid-Nov 2022 has decreased to 56.67 percent compared to 91.56 percent in the last year during the same review period.



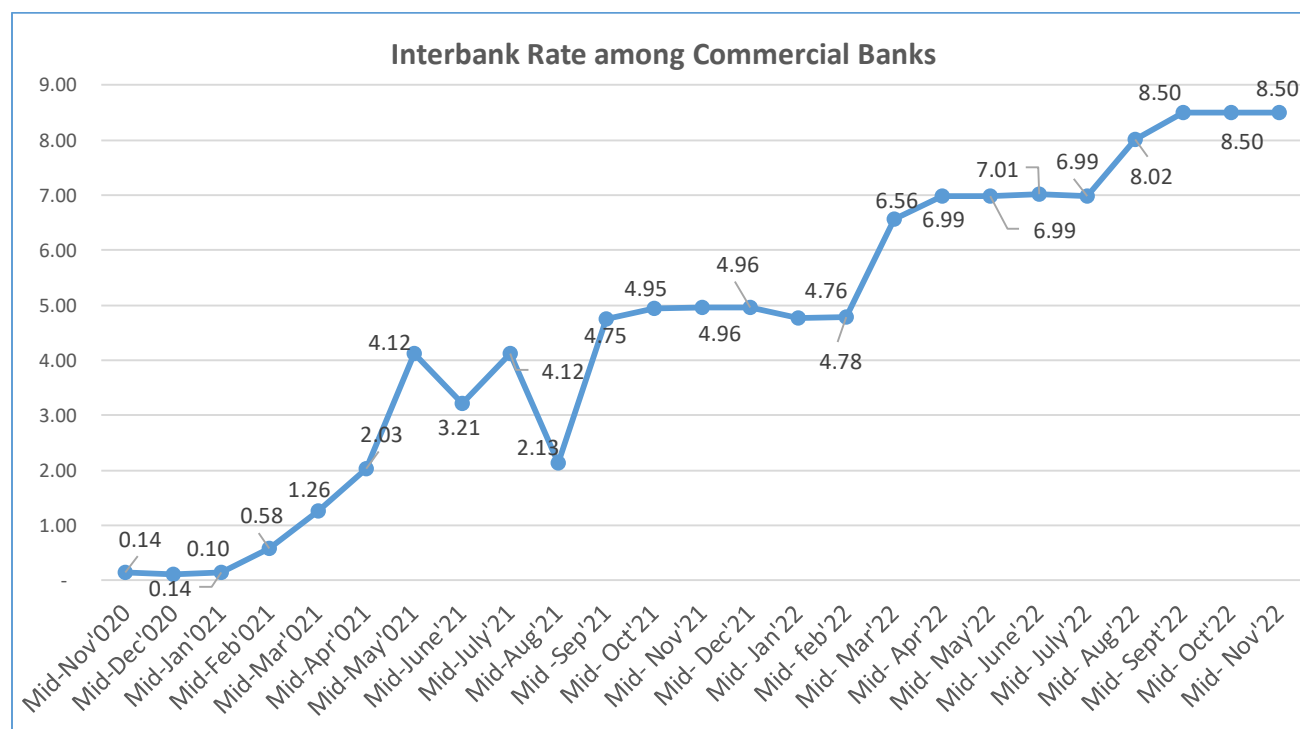
*\*GDP at Current Price*

## 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.

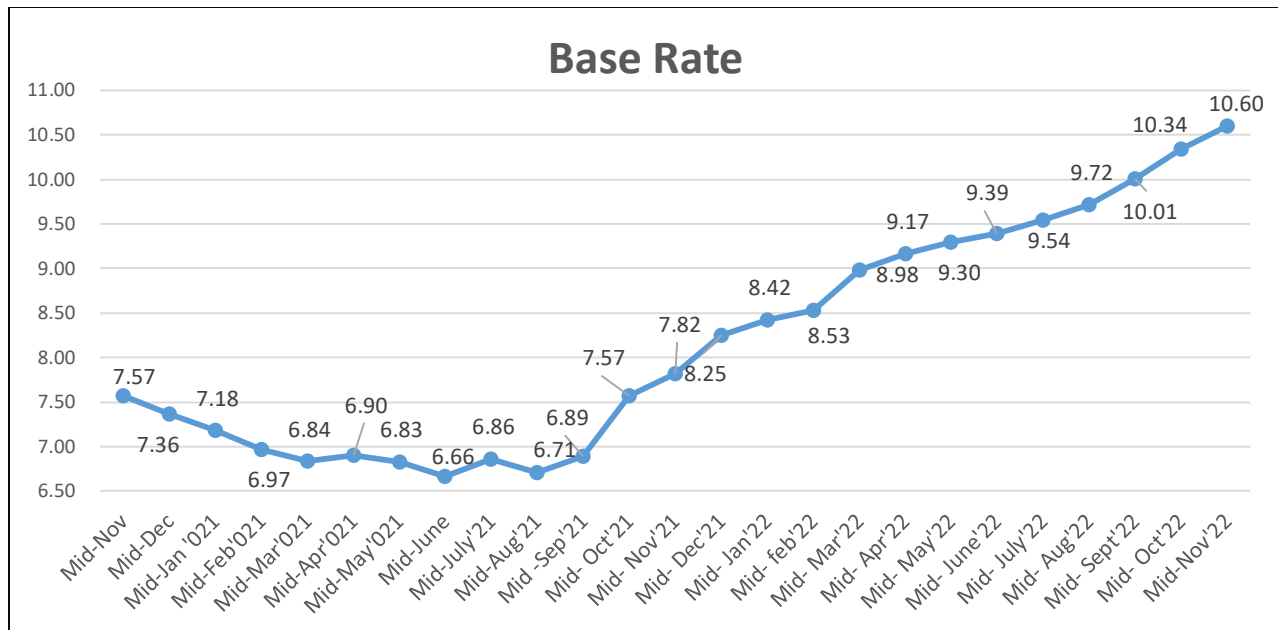
### *Interbank Rate*

The interbank rate of commercial banks was 0.14 percent in Mid-Nov,2020 which has been gradually increasing since then and has reached to 8.50 percent in Mid-Nov, 2022 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 4.96 percent.



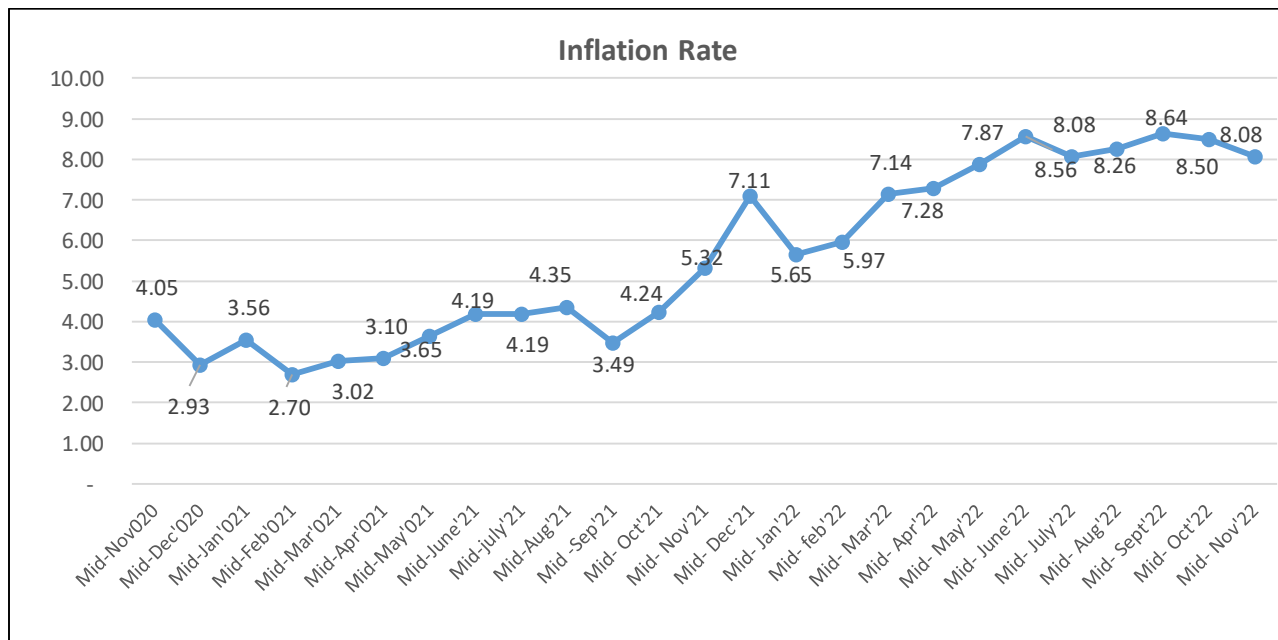
### *Base Rate*

The base rate of commercial banks stands at 10.60 percent in Mid-Nov, 2022 compared to 7.82 percent a year ago. This has set the weighted average lending rate at 12.65 percent. On the other hand, the weighted average deposit rate stands at 8.32 percent. Such rates were 9.02 percent and 5.80 percent respectively in the corresponding month of the previous year.



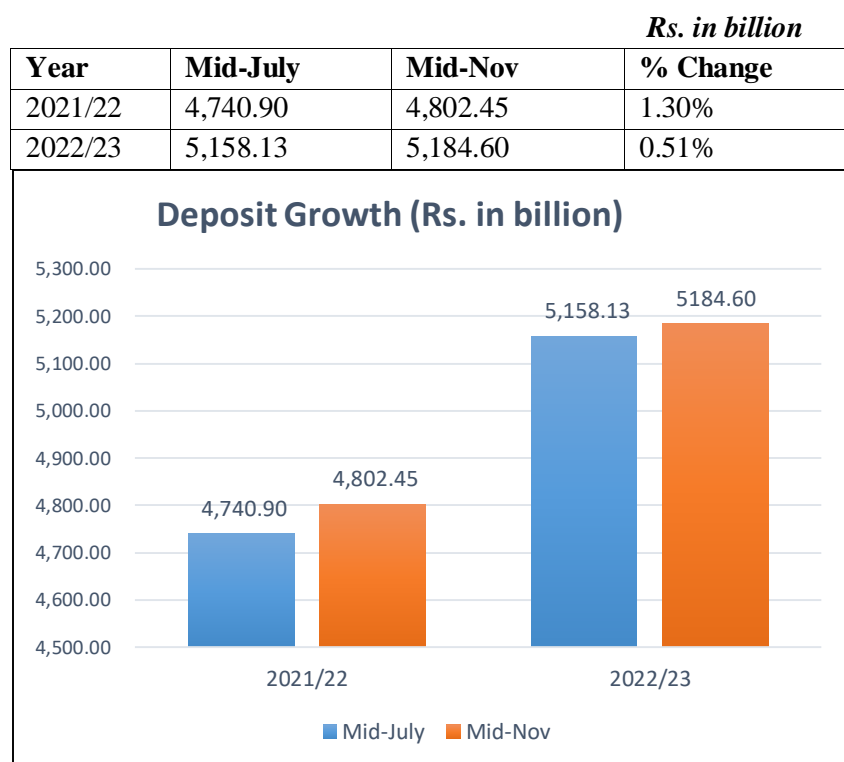
### C. INFLATION RATE

The consumer price inflation which was 5.32 percent a year ago which has increased to 8.08 percent in Mid-Nov, 2022. Under the food and beverage category, y-o-y price index of restaurant & hotel sub-category increased 15.97 percent, tobacco products 11.81 percent, milk products & eggs 9.33 percent, cereal grains & their products 9.19 and alcoholic drinks 8.84 percent. Under the non-food and services category, y-o-y price index of transportation subcategory increased 17.71 percent, health 11.22 percent, recreation & culture 8.76 percent, housing & utilities 8.49 percent and furnishing & household equipment 8.33 percent.



## D. DEPOSIT AND LENDING GROWTH

**Deposit Growth:** The deposits of BFI's as at Mid-Nov 2022 increased by 0.51 percent to NPR 5,184.60 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 7.4 percent, 26.0 percent and 58.0 percent respectively in mid-November 2022. Such shares were 7.1 percent, 33.1 percent and 52.3 percent respectively a year ago.

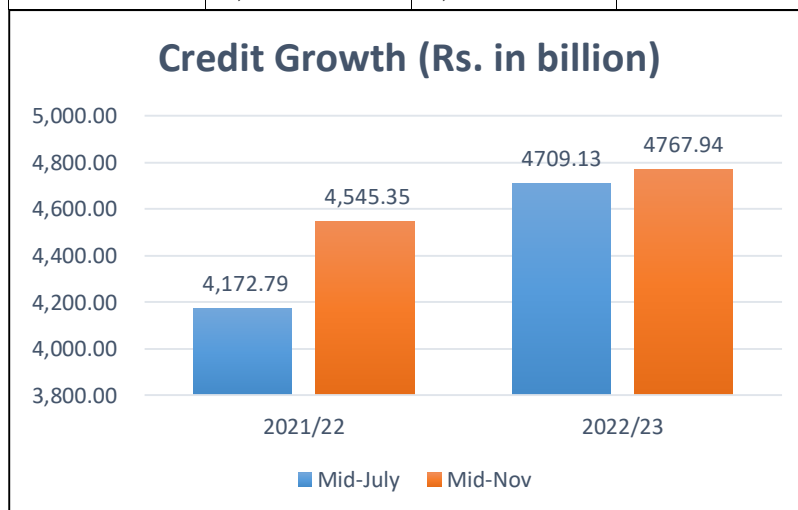


**Credit Growth:** The credit disbursement of BFI's as at Mid-Nov 2022 increased to NPR 4,767.94 billion by 1.26 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 8.93 percent. Outstanding loan of BFIs to industrial production sector credit increased 6.8 percent, service industry sector 3.8 percent, transportation, communication and public sector 2.9 percent, construction sector 2.5 percent, agriculture sector 2.4 percent, and wholesale & retail sector 2.1 percent. In the review period, term loan extended by BFIs increased 4.9 percent, overdraft 9.7 percent, trust receipt (import) loan 4.6 percent, demand and working capital loan 3.6 percent, real estate loan (including residential personal home loan) 2.8 percent whereas hire purchase loan and margin nature loan decreased by 3.3 percent and 5.6 percent respectively.



*Rs. in billion*

Year	Mid-July	Mid-Nov	% Change
2021/22	4,172.79	4,545.35	8.93%
2022/23	4,709.13	4,767.94	1.25%



## E. LIQUIDTY MANAGEMENT

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

Rs. in Million

Details	Mid-Nov	
	2021/22	2022/23
<b>A. Liquidity Injection</b>	<b>1,796,837.17</b>	<b>2,833,106.30</b>
1. Repo	200,000.00	130,000.00
2. Outright Purchase	-	72,200.00
3. Repo Auction *	49,787.17	73,865.10
4. Standing Liquidity Facility	1,547,050.00	2,557,041.20
<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>1,736,837.17</b>	<b>2,833,106.30</b>

\* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs. 2833.11 billion liquidity of which Rs.203.87 billion was through repo, Rs.72.20 billion through outright purchase auction and Rs.2557.04 billion through standing liquidity facility (SLF). NRB injected liquidity of Rs.195.86 billion through the net purchase of USD 1.52 billion from foreign exchange market. Liquidity of Rs.49.59 billion was injected through the net purchase of USD 413.4 million in the corresponding period of the previous year.

## F. FISCAL SITUATION

### *Fiscal Deficit/Surplus*

In the first four month of 2022/23, total revenue collected by the government till Mid-November 2022 is Rs.268.07 billion which is 19.81% lower as compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-November 2022 is Rs.350.98 billion which is 22.07 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	287,539.2	334,313.9
2022/23	350,987.3	268,071.7
<b>Y-O-Y Growth</b>	<b>22.07%</b>	<b>-19.81%</b>

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

## G. BALANCE OF PAYMENT POSITION

(Rs. in million)

Particulars		2020/21	2021/22	2022/23
		Four Month	Four Month	Four Month
A	Current Account	19,011.98	(220,906.71)	(35,400.47)
B	Capital Account (Capital Transfer)	4,146.69	2,515.93	2,970.33
C	Financial Account (Excluding Group E)	45,533.89	96,128.44	21,817.22
	<b>BOP ( Surplus )</b>	(110,647.48)	150,375.77	(20,033.57)

\*P = Provisional

The country's BOP position is at surplus in the first fourth month of FY 2022/23 by NPR 20.03 billion compared to a deficit of NPR 150.38 billion during the same period last year. On the other hand, The current account remained at a deficit of Rs.35.40 billion in the review period compared to a deficit of Rs.220.91 billion in the same period of the previous year.

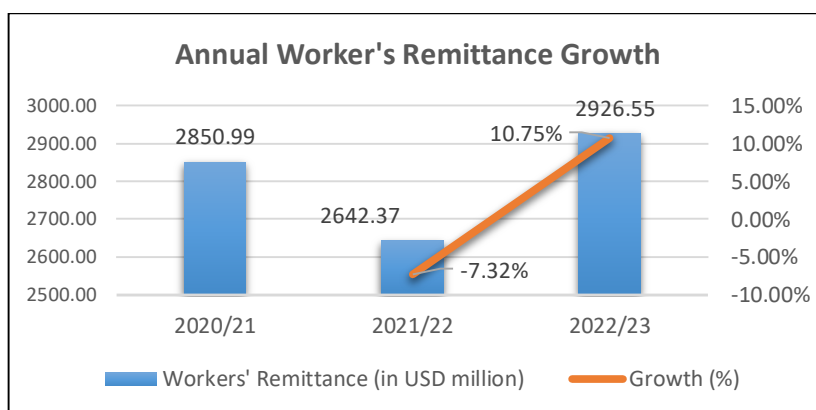
In the review period, capital transfer increased 18.1 percent to Rs.2.97 billion and net foreign direct investment (FDI) remained Rs.429.2 million. In the same period of the previous year, capital transfer and net FDI amounted to Rs.2.52 billion and Rs.6.63 billion respectively.

## 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:

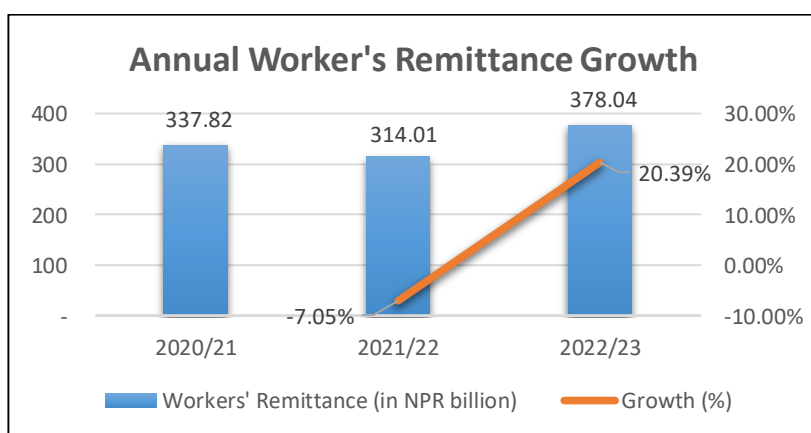
### *Remittance in Dollar Terms*

In US Dollar terms, the workers' remittance increased by 10.75 percent to 284.17 million in FY 2022/23 compared to an decreased of 7.32 percent in the review period.



### *Remittance in NPR terms*

On the other hand, in NPR terms, the workers' remittance increased by 20.39 percent to 64.03 billion in FY 2022/23 compared to a fall of 7.05 percent in the review period.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 102.5 percent to 195,196 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 46.4 percent to 87,428 in the review period. It had increased 249.1 percent in the same period of the previous year.