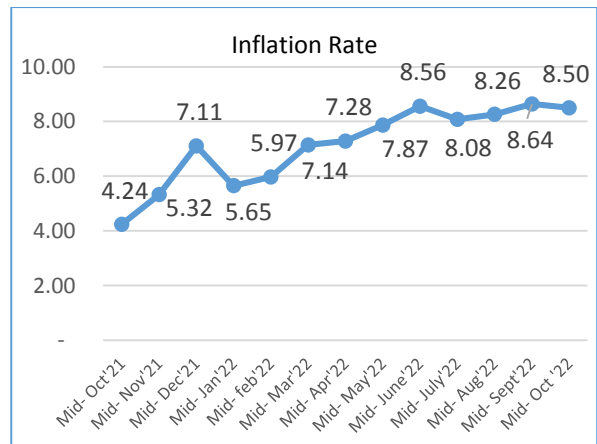
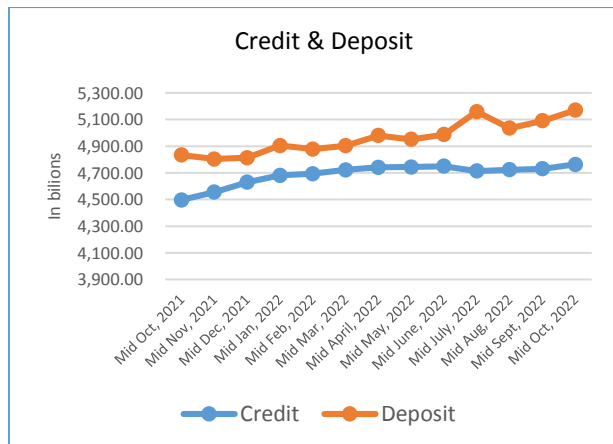
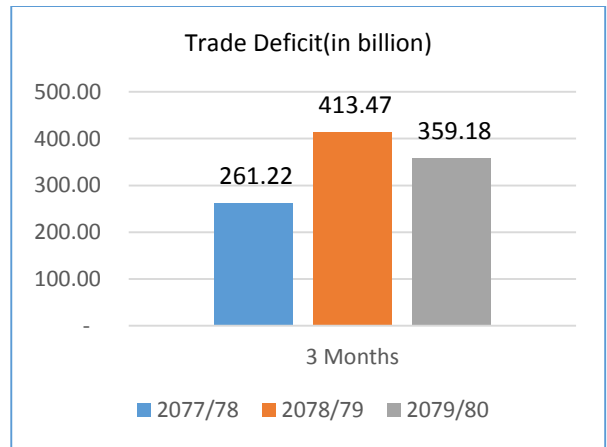
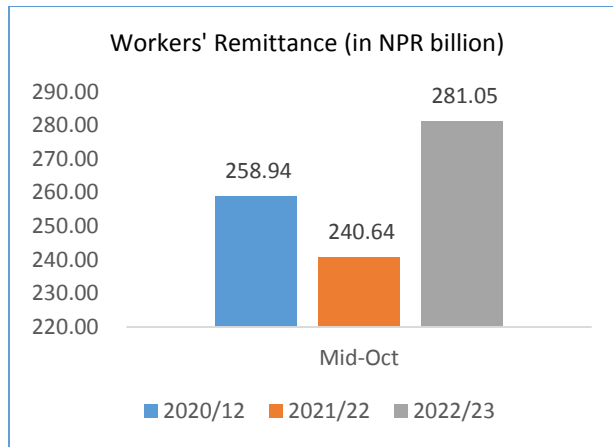
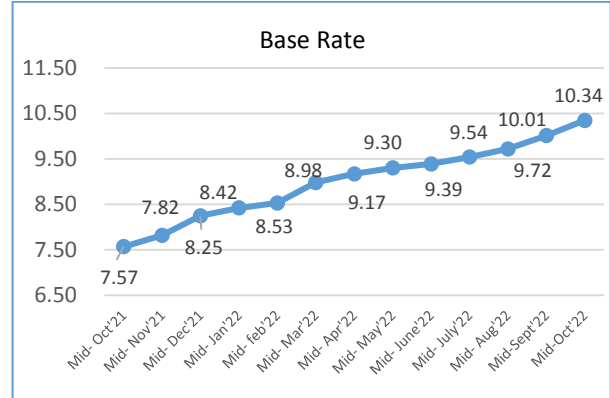
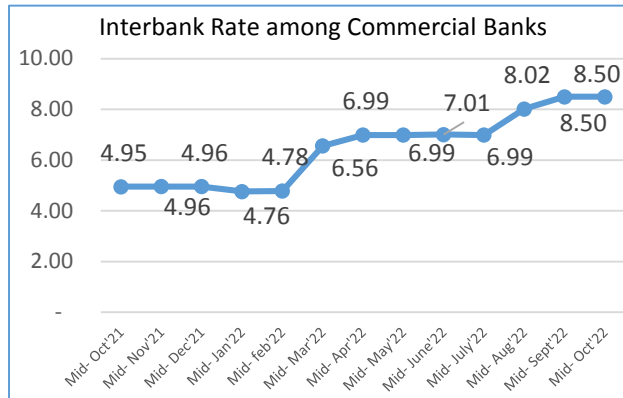


MACROECONOMIC SITUATION OF NEPALESE ECONOMY

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



Current Global Macroeconomic Situation

Inflation in Italy highest since 1984

Italy's domestic price index jumped 11.8% in October from a year earlier, the highest since March 1984, official statistics agency ISTAT. The rate picked up from an 8.9% annual increase in September and rose 3.4% on the monthly basis. Meanwhile, EU-harmonized year-on-year price growth hit 12.6% in October, jumping from the prior month's 9.4%. The "wide speed-up of the growth" in inflation was mainly due to the prices of energy (from +44.5% in September to +71.1%) and food including alcohol (from +11.4% to +13.3%). The report also showed that prices of grocery and unprocessed food increased by 1.8% on a monthly basis and by +12.6% on an annual basis (up from +10.9% in the previous month). Last month, the head of energy think tank Nomisma Energia, Davide Tabarelli, said that Italy, along with the rest of the EU, is experiencing an energy shock of unprecedented magnitude, as electricity prices have almost doubled. He anticipated that Italians should be ready for rationing during the coldest winter months, urging households to make use of alternative methods of heating, such as burning firewood and pellets, the prices of which were also up.

(Source: <https://www.rt.com/business/566637-italy-inflation-soars-report/>)

US inflation recedes more than expected

US investors were in a celebratory mood following release of the government's report on consumer prices. Inflation was significantly lower than previously expected. In October, consumer prices were up 7.7% from a year earlier, down from 8.2% in the previous month; it was also the lowest annual inflation rate since January 2022. In addition, prices were up 0.4% from the previous month, the same as in September. In the last four months, the month-to-month increase in consumer prices averaged 0.275%. In the previous four months, the increase averaged more than 0.9%. Clearly, inflation is decelerating.

(Source : <https://www2.deloitte.com/us/en/insights/economy/global-economic-outlook/weekly-update.html>)

Chinese exports decline

Exports from and imports into China declined in October from a year earlier. The decline in exports was the first since early in the pandemic. The decline in imports likely reflected weakened demand for exports, the production of which requires substantial imported inputs and commodities. The weakness of exports was due to a weakening of global demand as the global economy decelerates. In part, the decline in exports reflects a shift in global demand away from goods and back to services. Recall that, during the pandemic when people were avoiding social interaction, global demand for goods surged while global demand for services faltered. This helps to fuel an export boom for China. Now, with the pandemic perceived as largely over, demand is shifting back to normal, thereby having a negative impact on Chinese exports.

(Source : <https://www2.deloitte.com/us/en/insights/economy/global-economic-outlook/weekly-update.html>)

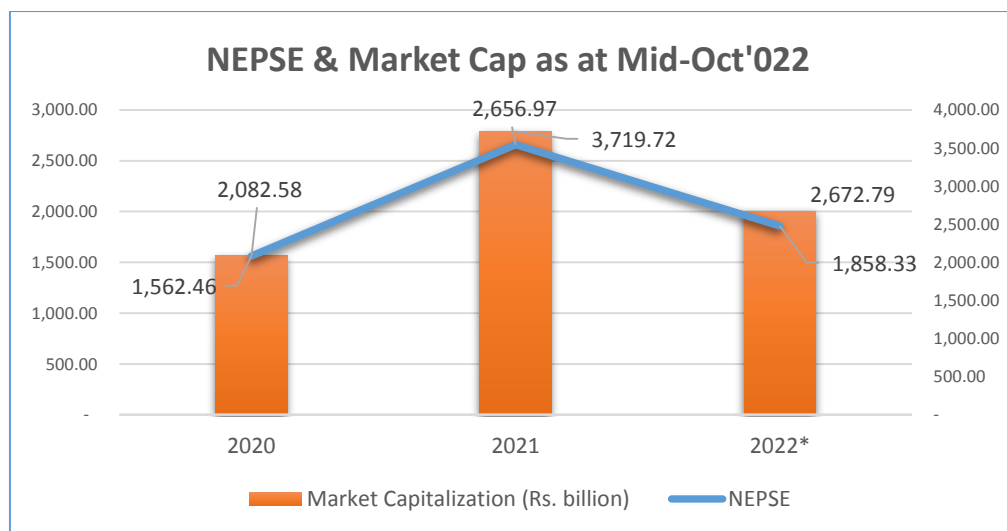
Summary of Three Month Macroeconomic Situation F/Y 2021/22

This macroeconomic report is prepared based on Three 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:

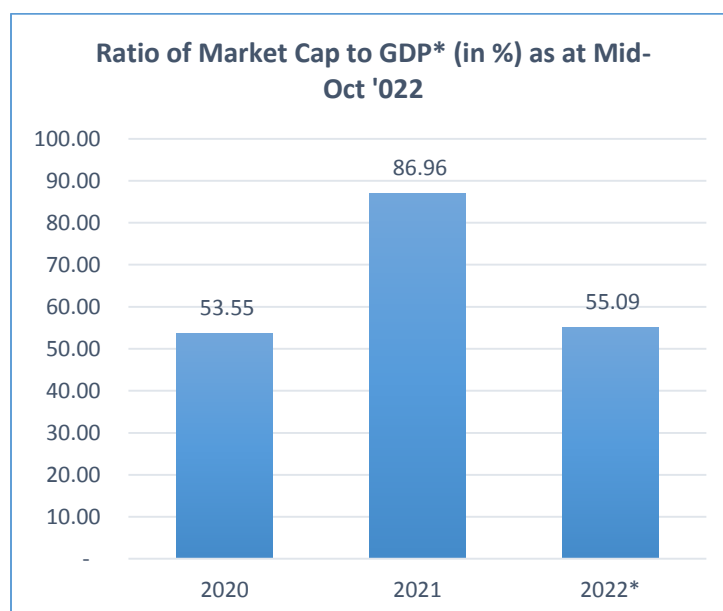
Head	Details	Amount
A. NEPSE	1,858.33 points as on Mid-October-2022 1,936.83 points as on 17-November-2022	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	8.50%	
<i>Base Rate</i>	10.34%	
C. INFLATION	8.50%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	0.24%	NPR 12.38 billion
<i>Loan Growth</i>	1.15%	NPR 54.17 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 2,355.09 billion (<i>liquidity injected through standing liquidity facility NPR 2122.73 billion, Repo NPR 188.66 billion and outright purchase NPR 43.70 billion</i>)	
F. Balance of Payment Position	NPR 12.43 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	7.92%	\$160.70 million
<i>In NPR Terms</i>	16.79%	NPR 40.41 billion

A. NEPSE and Ratio of Market Cap to GDP

The NEPSE index at Mid-Oct 2022 declined by 30.06% percent to close at 1,858.33 points, compared to 2,656.97 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3719.71 billion in Mid-Oct 2021 to NPR 2672.79 billion in Mid-Oct 2022.



On the other hand, the ratio of market capitalization of NEPSE to GDP at Mid-Oct 2022 has decreased to 55.09 percent compared to 86.96 percent in the last year during the same review period.



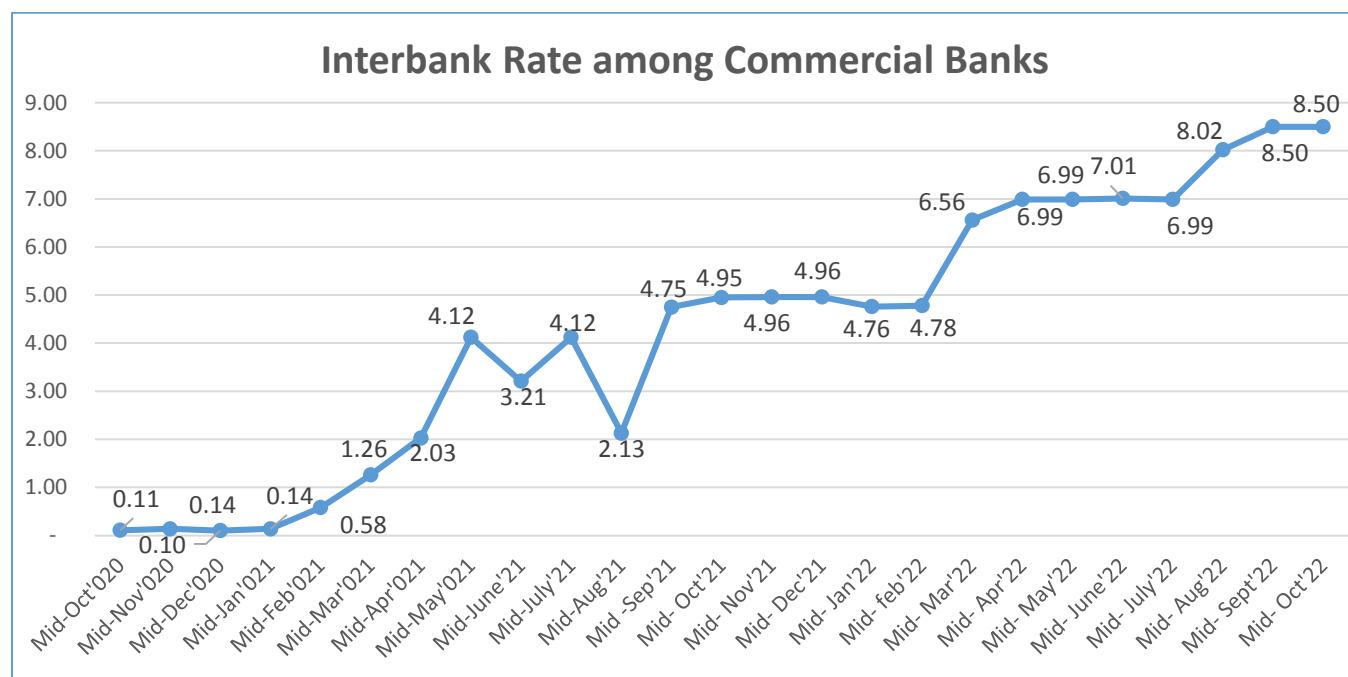
**GDP at Current Price*

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.

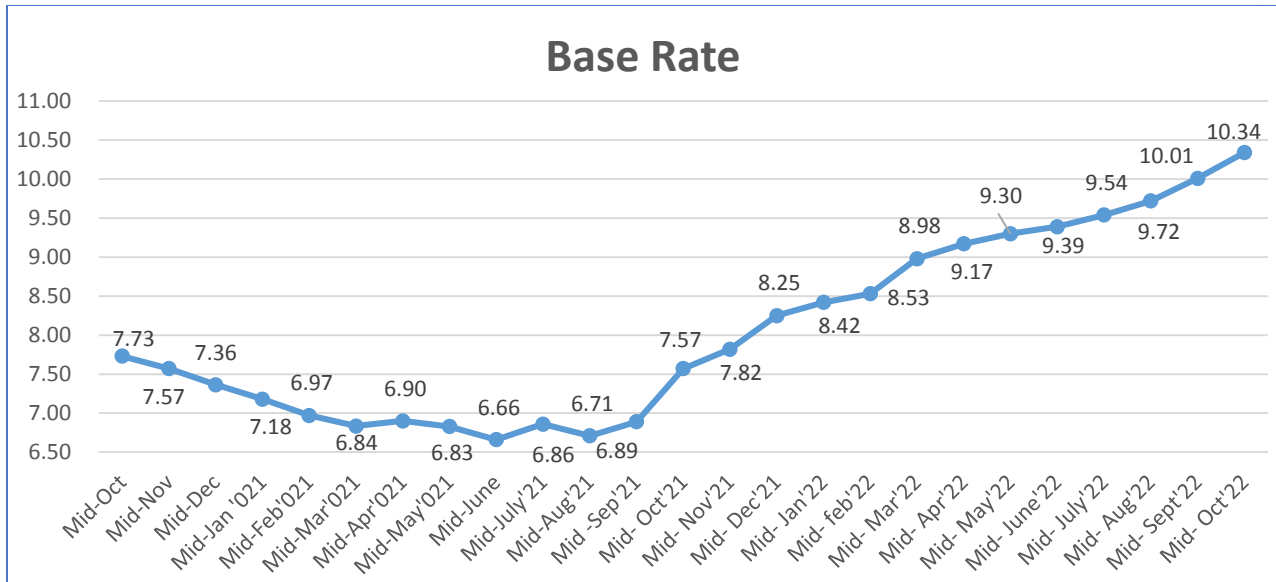
Interbank Rate

The interbank rate of commercial banks was 0.11 percent in Mid-Oct,2020 which has been gradually increasing since then and has reached to 8.50 percent in Mid-Oct, 2022 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 4.95 percent.



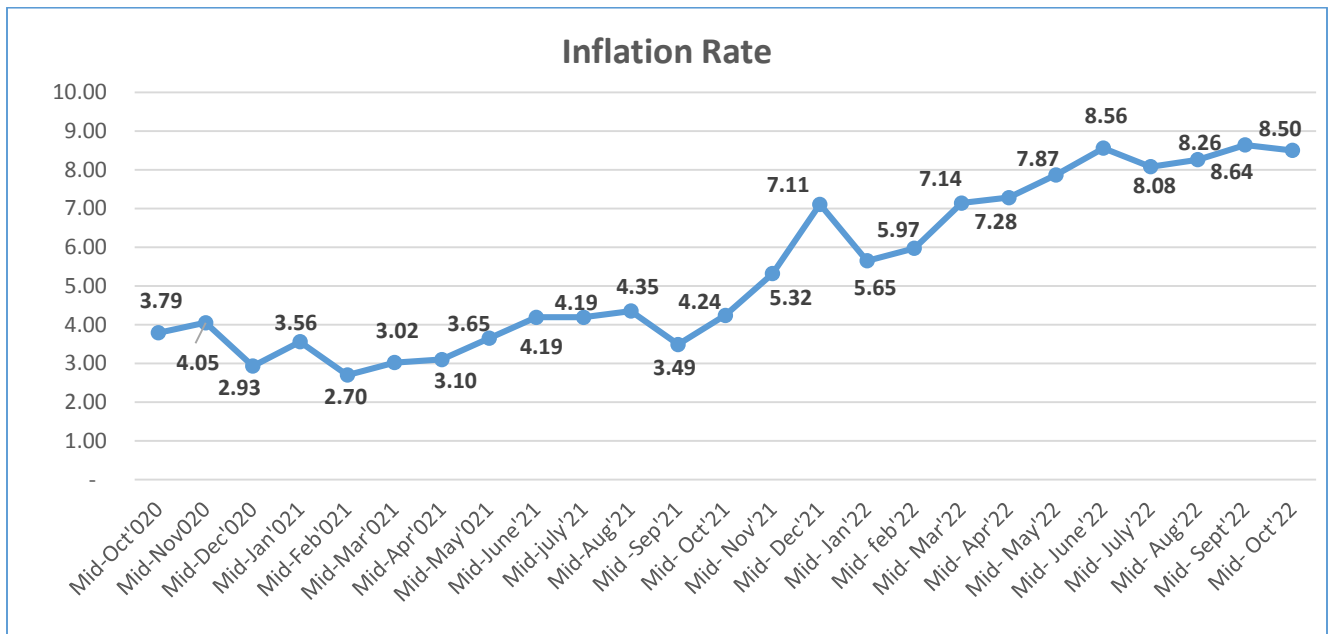
Base Rate

The base rate of commercial banks stands at 10.34 percent in Mid-Oct, 2022 compared to 7.57 percent a year ago. This has set the weighted average lending rate at 12.19 percent. On the other hand, the weighted average deposit rate stands at 8.16 percent. Such rates were 8.69 percent and 5.43 percent respectively in the corresponding month of the previous year.



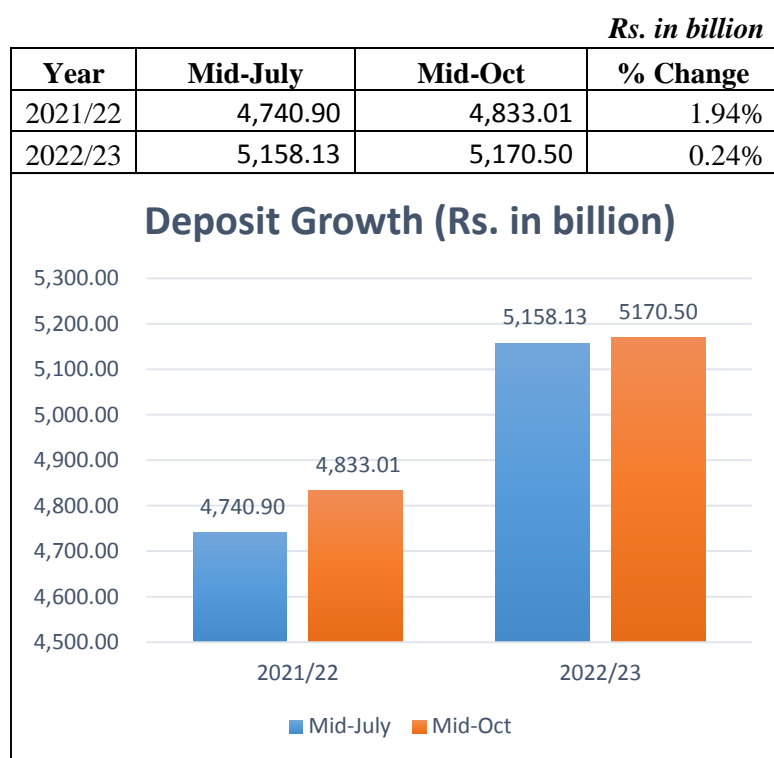
C. INFLATION RATE

The consumer price inflation which was 4.24 percent a year ago which has increased to 8.50 percent in Mid-Oct, 2022. Under the food and beverage category, restaurant & hotel, the prices of fruit, ghee & oil, alcoholic drinks, milk & eggs and tobacco sub-categories increased by 15.91 percent, 12.06 percent, 10.24 percent, 9.45 and 8.44 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 21.15 percent, 10.54 percent, 9.45 percent, 8.11 percent and 7.68 percent respectively on y-o-y basis in the review month.



D. DEPOSIT AND LENDING GROWTH

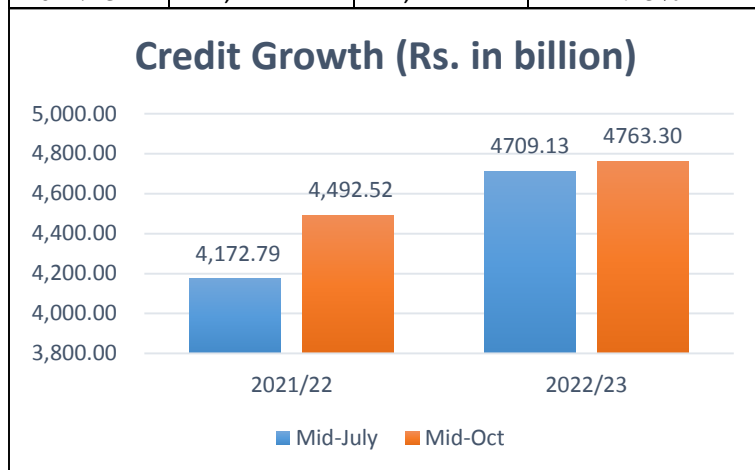
Deposit Growth: The deposits of BFI's as at Mid-Oct 2022 increased by 0.24 percent to NPR 5,170.50 billion, compared to NPR 5,158.13 billion in Mid-July 2022. The share of demand, saving, and fixed deposits in total deposits stands at 7.6 percent, 26.7 percent and 59.0 percent respectively in mid-Oct, 2022. Such shares were 7.7 percent, 34.4 percent and 50.4 percent respectively a year ago.



Credit Growth: The credit disbursement of BFI's as at Mid-Oct 2022 increased to NPR. 4,763.30 billion by 1.15 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 7.66 percent. Outstanding loan of BFIs to industrial production sector credit increased 5.6 percent, service industry sector 3.9 percent, transportation, communication and public sector 2.8 percent, wholesale & retail sector 2.2 percent, construction sector 1.7 percent and agriculture sector 0.8 percent. In the review period, term loan extended by BFIs increased 4.2 percent, overdraft 4.8 percent, trust receipt (import) loan 2.8 percent, demand and working capital loan 3.0 percent, real estate loan (including residential personal home loan) 2.7 percent whereas hire purchase loan and margin nature loan decreased by 1.5 percent and 5.2 percent respectively.

Rs. in billion

Year	Mid-July	Mid-Oct	% Change
2021/22	4,172.79	4,492.52	7.66%
2022/23	4,709.13	4,763.30	1.15%



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2022/23

Rs. in Million

Details	Mid-Oct	
	2021/22	2022/23
A. Liquidity Injection	1,008,171.57	2,355,088.30
1. Repo	150,000.00	130,000.00
2. Outright Purchase	-	43,700.00
3. Repo Auction *	35,496.57	58,659.50
4. Standing Liquidity Facility	822,675.00	2,122,728.80
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 (-)	948,171.57	2,355,088.30

* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs.2,355.09 billion liquidity, of which Rs.188.66 billion was through repo, Rs.43.70 billion through outright purchase auction and Rs.2122.73 billion through standing liquidity facility (SLF). NRB injected liquidity of Rs.154.04 billion through the net purchase of USD 1200 million from foreign exchange market. Liquidity of Rs.29.73 billion was injected through the net sale of USD 247.6 million in the corresponding period of the previous year.

F. FISCAL SITUATION

Fiscal Deficit/Surplus

In the first third month of 2022/23, total revenue collected by the government till Mid-October 2022 is Rs.278.16 billion which is 18.61% higher compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-October 2022 is Rs.208.58 billion which is 18.21 percent lower 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	255,039.3	234,523.7
2022/23	208,584.2	278,166.3
Y-O-Y Growth	-18.21%	18.61%

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

G. BALANCE OF PAYMENT POSITION

Particulars		(Rs. in million)		
		2020/21	2021/22	2022/23
		Three Month	Three Month	Three Month
A	Current Account	33,380.33	(149,809.43)	(34,283.85)
B	Capital Account (Capital Transfer)	3,557.40	1,923.16	2,592.20
C	Financial Account (Excluding Group E)	28,728.16	78,312.17	29,032.90
	BOP (Surplus)	(101,086.45)	87,707.28	(12,429.81)

*P = Provisional

The country's BOP position is at surplus in the first third month of FY 2022/23 by NPR 12.42 billion compared to a deficit of NPR 87.70 billion during the same period last year. On the other hand, The current account remained at a deficit of Rs.34.28 billion in the review period compared to a deficit of Rs.149.81 billion in the same period of the previous year.

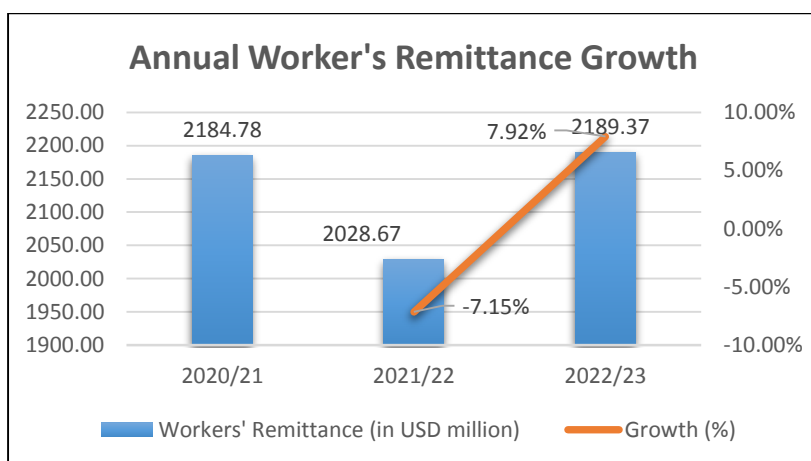
In the review period, capital transfer increased 34.8 percent to Rs.2.59 billion and net foreign direct investment (FDI) remained Rs.79.6 million. In the same period of the previous year, capital transfer and net FDI amounted to Rs.1.92 billion and Rs.5.07 billion respectively.

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:

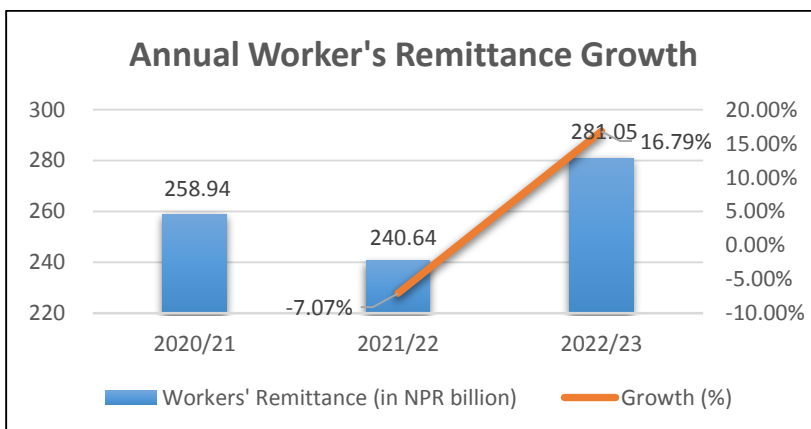
Remittance in Dollar Terms

In US Dollar terms, the workers' remittance increased by 7.92 percent to 160.70 million in FY 2022/23 compared to an decreased of 7.15 percent in the review period.



Remittance in NPR terms

On the other hand, in NPR terms, the workers' remittance increased by 16.79 percent to 40.41 billion in FY 2022/23 compared to a fall of 7.07 percent in the review period.



Number of Nepali workers taking new approval (institutional and individual) for foreign employment increased 123.1 percent to 147,932 in the review period. Likewise, the number of Nepali workers taking renew entry approval for foreign employment increased 66.2 percent to 57,861 in the review period. It had increased 219.7 percent in the same period of the previous year.