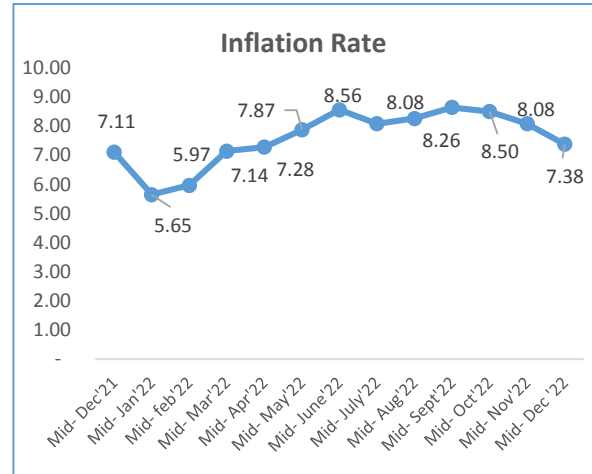
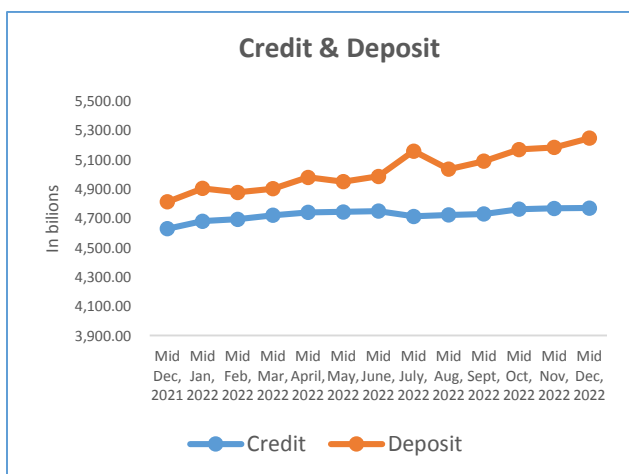
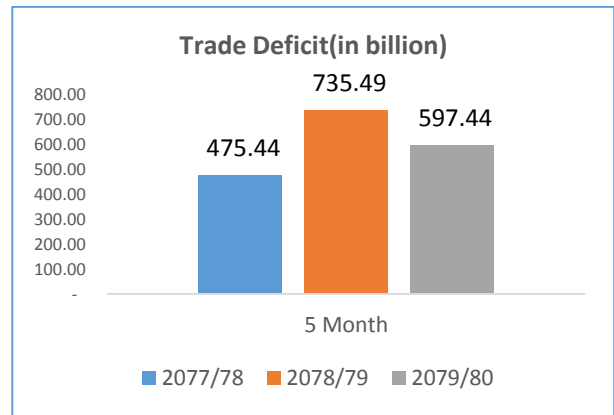
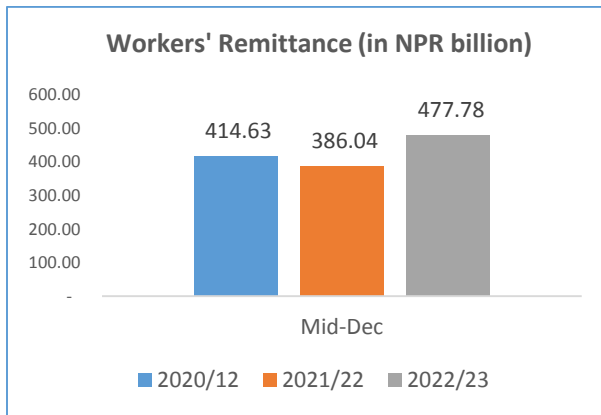
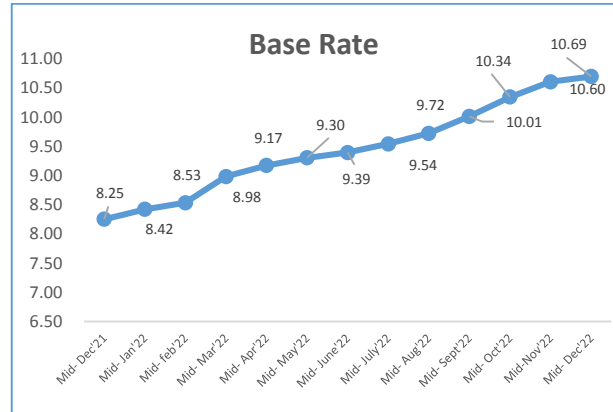
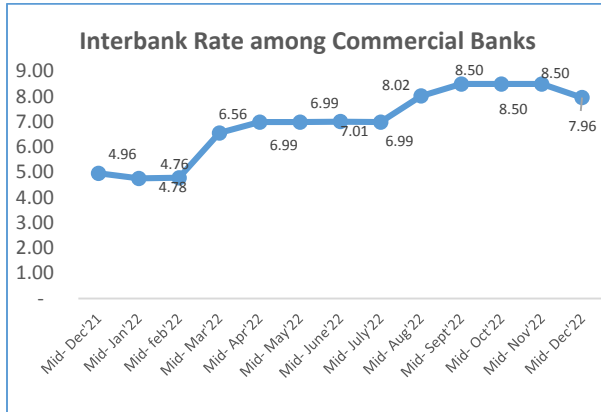


MACROECONOMIC SITUATION OF NEPALESE ECONOMY BASED ON FIVE MONTH'S DATA OF FY 2022/23



Current Global Macroeconomic Situation

IMF says fragmentation could cost global economy up to 7% of GDP

The International Monetary Fund said that fragmentation could cost the global economy up to 7% of GDP in a new report. The longer-term cost of trade fragmentation varies from 0.2% of global output to almost 7%, which is roughly the combined annual output of Germany and Japan, according to the report published Sunday, which outlines a “Gordian knot of challenges” that policymakers face today. The research doesn’t state how long the fragmentation could take to impact growth of this magnitude.

<https://www.cnbc.com/2023/01/16/imf-says-fragmentation-could-cost-global-economy-up-to-7percent-of-gdp.html>

World Bank makes big cut to its 2023 growth outlook, says globe is ‘perilously close’ to recession

The World Bank slashed its global growth forecasts from projections it made in mid-2022 on the back of what it sees as broadly worsening economic conditions. The international development institution downgraded almost all of its forecasts for advanced economies in the world, cutting its growth outlook for the global economy to 1.7% for 2023, it said in its latest report, Global Economic Prospects. The organization earlier projected the world economy to expand by 3% in 2023. The adjustment was led by a significant downgrade to its prospects for the U.S. economy — it now forecasts 0.5% growth from an earlier projection of 2.4%. The World Bank cut its growth outlook for China for 2023 from 5.2% to 4.3%, Japan from 1.3% to 1% , and Europe and Central Asia from 1.5% to 0.1%. The World Bank said that tighter monetary policies from central banks around the world may have been necessary to tame inflation, but they have contributed to a significant worsening of global financial conditions, which is exerting a substantial drag on activity. The global financial organization adjusted its 2024 forecasts lower as well, to 2.7% from an earlier prediction of 3% growth.

China's 2022 economic growth one of the worst on record, post-pandemic policy faces test

China's economic growth in 2022 slumped to one of its worst in nearly half a century as the fourth quarter was hit hard by stringent COVID curbs and a property market slump, raising pressure on policymakers to unveil more stimulus this year. Gross domestic product (GDP) grew 2.9% in October-December from a year earlier, data from the National Bureau of Statistics (NBS) showed on Tuesday, slower than the third-quarter's 3.9% pace. The rate still exceeded the second quarter's 0.4% expansion and market expectations of a 1.8% gain. On a quarterly basis, GDP stalled, coming in at 0.0% in the fourth quarter, compared with growth of 3.9% in July-September. Beijing last month abruptly lifted its strict anti-virus measures that had severely restrained economic activity in 2022, but the relaxation has also led to a sharp rise in COVID cases that economists say might hamper near term growth. For 2022, GDP expanded 3.0%, badly missing the official target of "around 5.5%" and braking sharply from 8.4% growth in 2021

<https://www.investing.com/news/economy/chinas-economy-set-to-slow-sharply-in-q4-policymakers-face-postpandemic-test-2981147>

Budget 2023: Six ways to accelerate pace of credit growth in India

With cleaner balance sheets, stronger capital ratios and largely sorted legacy bad-loan issues, India’s banking system is primed to lubricate the fastest-growing large economy in the world over the medium term. While credit growth till October this fiscal year that ends March 31 has been 8.4%, retail and corporate lending is expected to be robust in the fourth quarter, which should lead to full-year estimated

credit growth of 13-15%. That compares with approximately 8% compound annual growth rate between fiscals 2017 and 2022.

<https://economictimes.indiatimes.com/news/economy/policy/budget-2023-six-ways-to-accelerate-indias-credit-growth-pace/articleshow/96900800.cms>

Will Budget 2023 be the turning point for India's insurance sector, help replace China as better investment bet?

The Indian insurance sector has been recording double-digit growth in recent years and shows potential of maintaining this growth trajectory over the next decade. A score of factors has modernised the insurance sector in recent years and there is an unmistakable hunger for customer centricity, product innovation, and profitability. Complemented by a robust macroeconomic environment, aggressive reforms to the policy framework, a rising per capita income and savings, this hunger could propel the industry into the top insurance markets globally. As the insurance sector prepares itself for faster growth, Budget 2023 could prove to be a catalyst for its reformation. India is a young country; majority of its population falls between the working age group of 18 and 60 years. As per the economic survey, its per capita net national income has been on the rise, increasing from Rs. 265 in FY 1951 to ~ Rs. 1,50,326 in FY 2022. India's savings rate has also ballooned from a record low of 7.9% in 1954 to 28.2% in 2021. With the Indian customer maturing and their outlook on financial planning undergoing a steady change, the Indian government will focus on mobilizing savings into productive avenues, offering sustained employment opportunity and supporting long-term capital formation through the insurance sector.

<https://economictimes.indiatimes.com/news/economy/policy/will-union-budget-2023-be-the-turning-point-for-indias-insurance-sector-help-replace-china-as-better-investment-bet/articleshow/96929185.cms>

Singapore Expects Billions More Tourism Dollars With China Boost

Singapore expects tourist numbers to double from last year to reach 12-14 million visitors in 2023, helped by China's decision to drop Covid travel restrictions, along with an increase in flight connectivity and capacity. Those tourists could bring in as much as S\$21 billion (\$16 billion), compared with about S\$14 billion last year, when 6.3 million people visited, Singapore Tourism Board said Tuesday. The city-state received only 330,000 international visitors in 2021, when curbs on global travel were most intense.

<https://www.bloomberg.com/news/articles/2023-01-17/singapore-expects-billions-more-tourism-dollars-with-china-boost?leadSource=uverify%20wall>

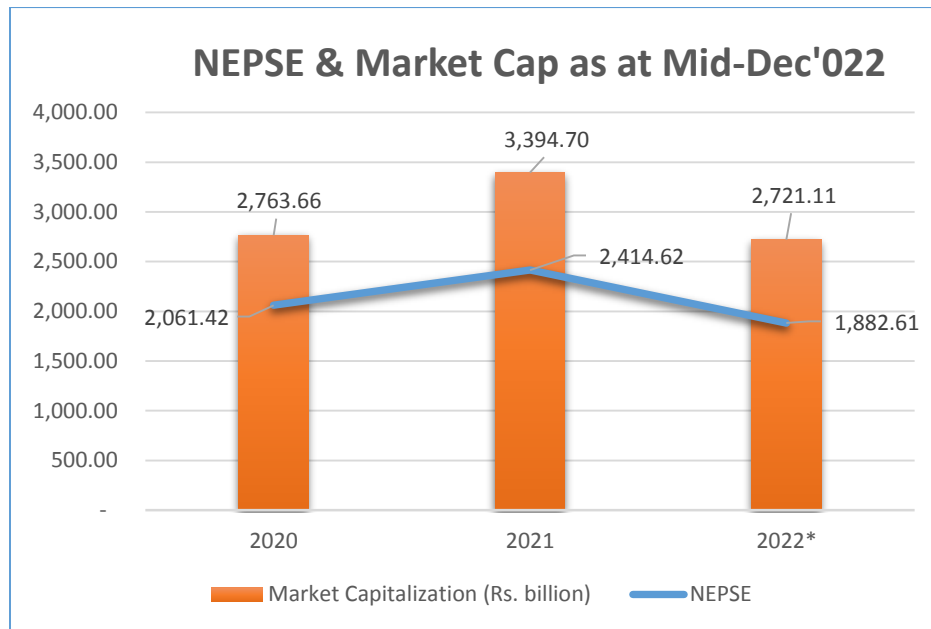
Summary of Five Month Macroeconomic Situation F/Y 2021/22

This macroeconomic report is prepared based on Five 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:

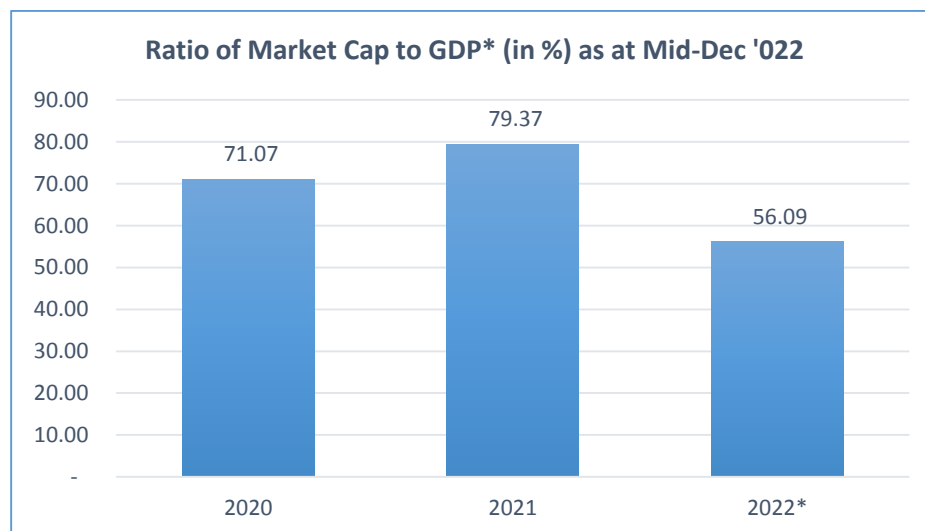
Head	Details	Amount
A. NEPSE	1,882.61 points as on Mid-Dec-2022 2,182.11 points as on 17-Jan-2023	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	7.96%	
<i>Base Rate</i>	10.69%	
C. INFLATION	7.38%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	1.73%	NPR 89.47 billion
<i>Loan Growth</i>	1.32%	NPR 61.96 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 3007.75 billion (<i>liquidity injected through standing liquidity facility NPR 2682.70 billion, Repo NPR 241.20 billion and outright purchase NPR 83.85 billion</i>)	
F. Balance of Payment Position	NPR 45.87 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	13.17%	\$ 429.12 million
<i>In NPR Terms</i>	23.05%	NPR 89.99 billion

A. NEPSE and Ratio of Market Cap to GDP

The NEPSE index at Mid-Dec 2022 declined by 22.03% percent to close at 1,882.61 points, compared to 2,414.62 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3,394.70 billion in Mid-Dec 2021 to NPR 2,721.11 billion in Mid-Dec 2022.



On the other hand, the ratio of market capitalization of NEPSE to GDP at Mid-Dec 2022 has decreased to 56.09 percent compared to 79.37 percent in the last year during the same review period.



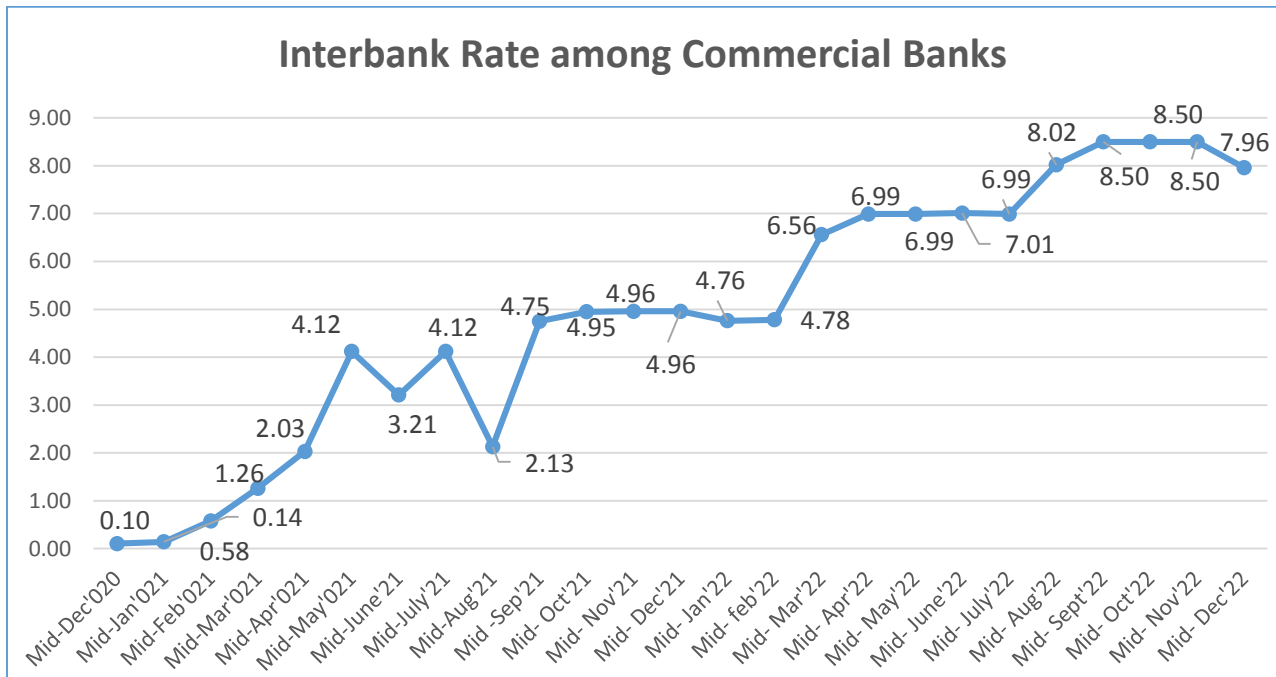
**GDP at Current Price*

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.

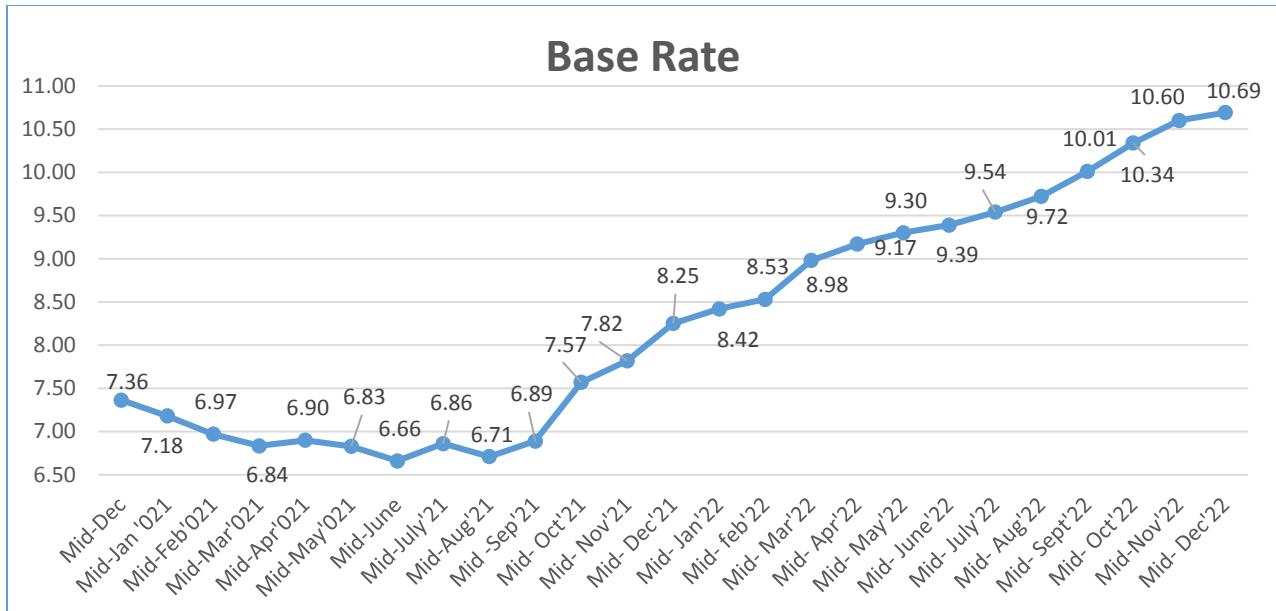
Interbank Rate

The interbank rate of commercial banks was 0.10 percent in Mid-Dec, 2020 which has been gradually increasing since then and has reached to 7.96 percent in Mid-Dec, 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

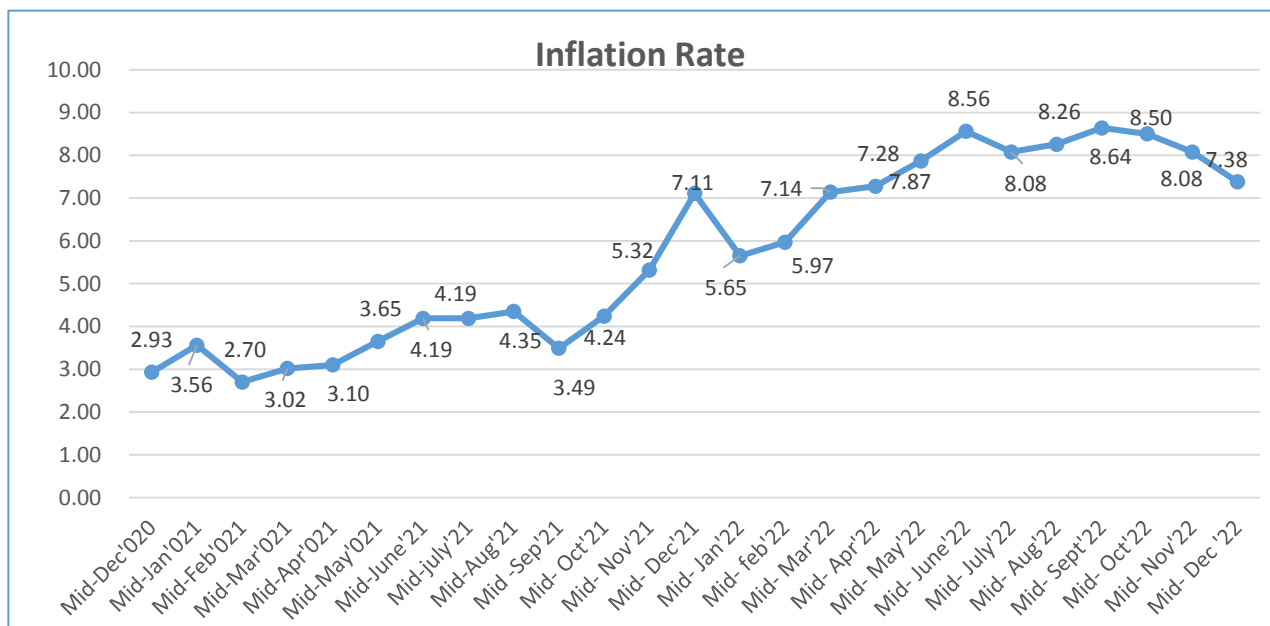
The base rate of commercial banks stands at 10.69 percent in Mid-Dec, 2022 compared to 8.25 percent a year ago. This has set the weighted average lending rate at 12.74 percent. On the other hand, the weighted average deposit rate stands at 8.46 percent. Such rates were 9.29 percent and 6.24 percent respectively in the corresponding month of the previous year.



C. INFLATION RATE

The consumer price inflation which was 7.11 percent a year ago which has increased to 7.38 percent in Mid-Dec, 2022. Under the food and beverage category, y-o-y consumer price index of restaurant & hotel sub-category increased 15.56 percent, tobacco products 11.81 percent, cereal grains & their products 9.39 percent, milk products & eggs 9.07 percent, and alcoholic drinks 8.84 percent.

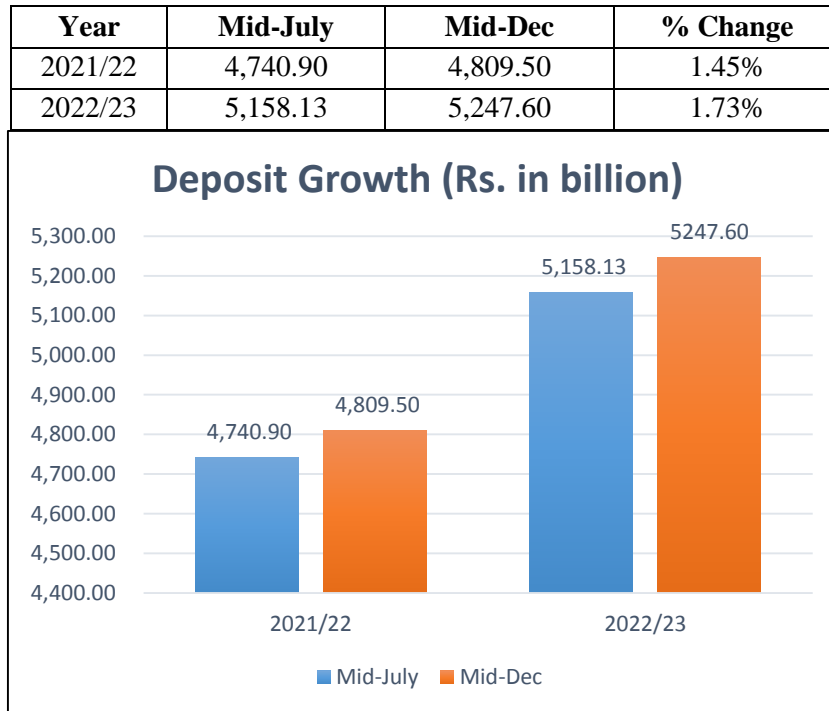
In the review period under the non-food and services category, y-o-y consumer price index of transportation sub-category increased 17.33 percent, health 11.22 percent, recreation & culture 8.76 percent, housing & utilities 8.29 percent and furnishing & household equipment 8.29 percent.



D. DEPOSIT AND LENDING GROWTH

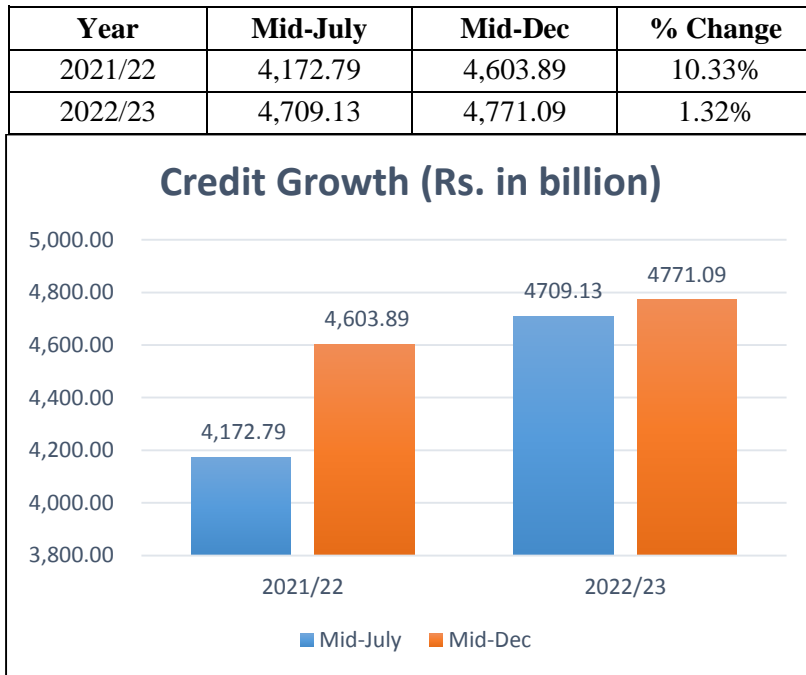
Deposit Growth: The deposits of BFI's as at Mid-Dec 2022 increased by 1.73 percent to NPR 5,247.60 billion, compared to NPR 5,158.13 billion in Mid-July 2022. The share of demand, saving, and fixed deposits in total deposits stands at 7.6 percent, 25.7 percent and 60.3 percent respectively in mid-December 2022. Such shares were 7.1 percent, 31.5 percent and 54.3 percent respectively a year ago.

Rs. in billion



Credit Growth: The credit disbursement of BFI's as at Mid-Dec 2022 increased to NPR 4,771.09 billion by 1.32 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 10.33 percent. Outstanding loan of BFIs to industrial production sector credit increased 6.0 percent, transportation, communication and public sector 4.3 percent, service industry sector 3.9 percent, agriculture sector 3.9 percent, construction sector 3.5 percent, and wholesale & retail sector 2.5 percent. In the review period, term loan extended by BFIs increased 6.0 percent, overdraft 9.4 percent, trust receipt (import) loan 0.2 percent, demand and working capital loan 3.7 percent, real estate loan (including residential personal home loan) 0.5 percent whereas hire purchase loan and margin nature loan decreased by 5.0 percent and 6.7 percent respectively.

Rs. in billion



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2022/23

Rs. in Million

Details	Mid-Dec	
	2021/22	2022/23
A. Liquidity Injection	2,721,057.97	3,007,749.10
1. Repo	220,000.00	157,700.00
2. Outright Purchase	27,215.90	83,850.00
3. Repo Auction *	67,225.07	83,497.80
4. Standing Liquidity Facility	2,406,617.00	2,682,701.30
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 (-)	2,661,057.97	3,007,749.10

* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs. Rs.3007.75 billion liquidity of which Rs.241.20 billion was through repo, Rs.83.85 billion through outright purchase auction and Rs.2682.70 billion through standing liquidity facility (SLF). NRB injected liquidity of Rs.274.35 billion through the net purchase of USD 2.12 billion

from foreign exchange market. Liquidity of Rs.66.43 billion was injected through the net purchase of USD 552.8 million in the corresponding period of the previous year.

FISCAL SITUATION

Fiscal Deficit/Surplus

In the first five month of 2022/23, total revenue collected by the government till Mid-Dec 2022 is Rs.326.89 billion which is 20.74% lower as compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-Dec 2022 is Rs.435.21 billion which is 12.45 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	387,034.3	412,403.4
2022/23	435,211.1	326,890.1
Y-O-Y Growth	12.45%	-20.74%

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

F. BALANCE OF PAYMENT POSITION

(Rs. in million)

Particulars		2020/21	2021/22	2022/23
		Five Months	Five Months	Five Months
A	Current Account	(22,996.52)	(298,506.16)	(37,914.01)
B	Capital Account (Capital Transfer)	4,751.28	4,635.84	3,465.25
C	Financial Account (Excluding Group E)	56,502.90	123,028.21	45,198.88
	BOP (Surplus)	(106,480.95)	195,008.89	(45,865.47)

*P = Provisional

The country's BOP position is at surplus in the first fifth month of FY 2022/23 by NPR 45.87 billion in the review period compared to a deficit of Rs.195.01 billion during the same period last year. On the other hand, The current account remained at a deficit of Rs. 37.91 billion in the review period compared to a deficit of Rs 298.51 billion in the same period of the previous year.

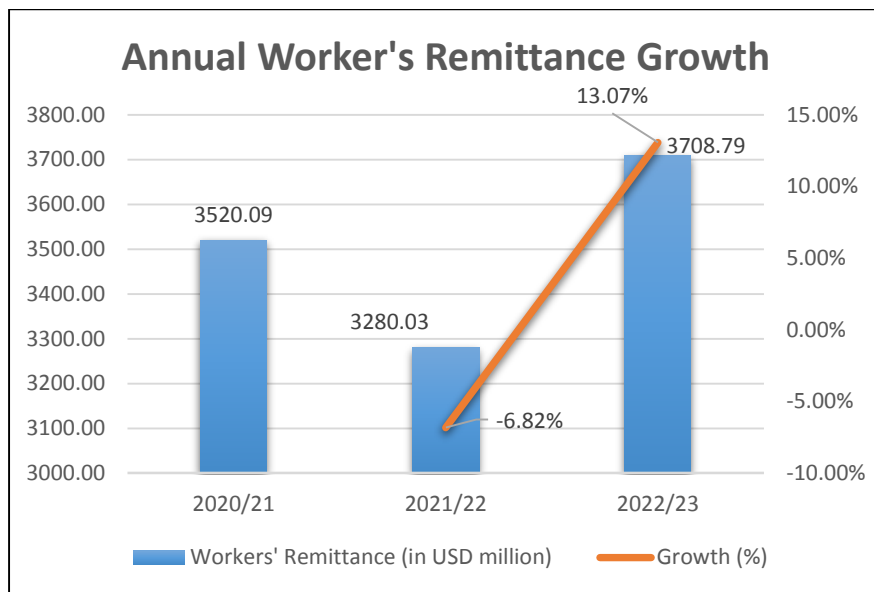
In the review period, capital transfer decreased 25.3 percent to Rs.3.47 billion and net foreign direct investment (FDI) remained Rs.604.9 million. In the same period of the previous year, capital transfer and net FDI amounted to Rs.4.64 billion and Rs.7.07 billion respectively.

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 13.07 percent amounting to 3708.79 million in FY 2022/23 compared to an decreased of 6.82 percent in the review period.



Remittance in NPR terms

On the other hand, in NPR terms, the workers' remittance increased by 23.05 percent amounting to 480.50 billion in FY 2022/23 compared to a fall of 6.34 percent in the review period.

