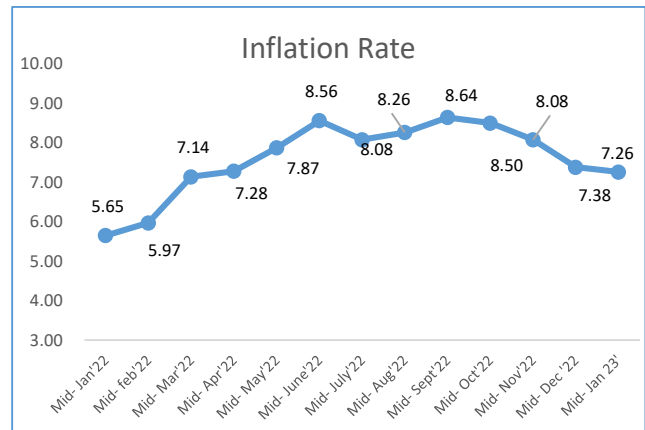
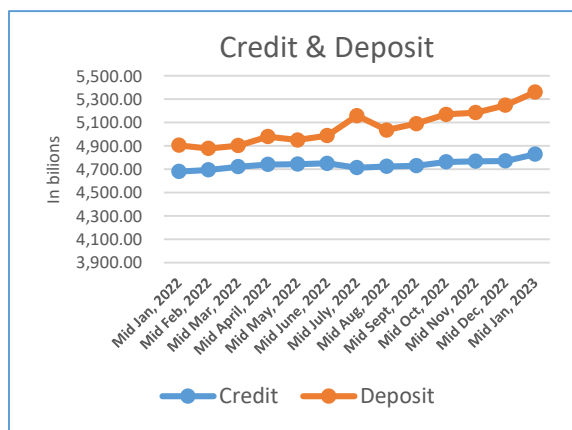
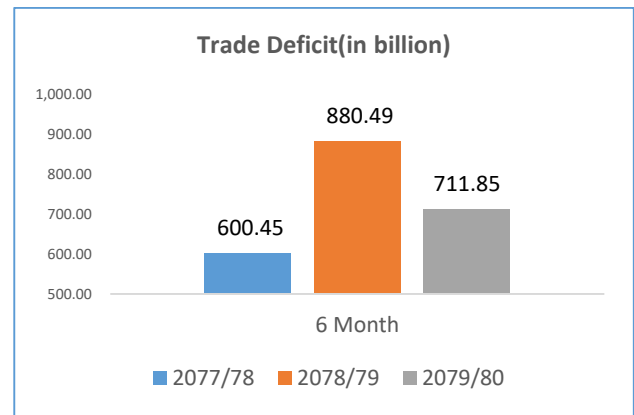
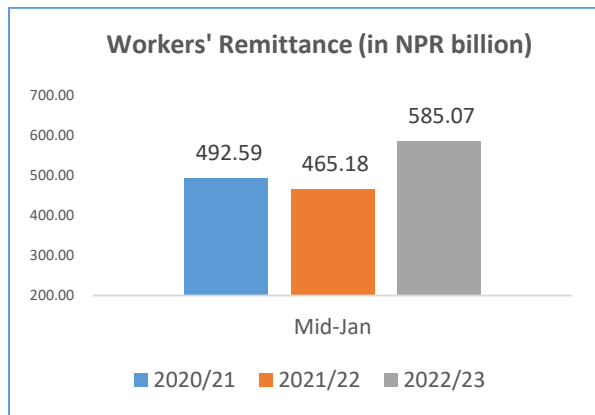
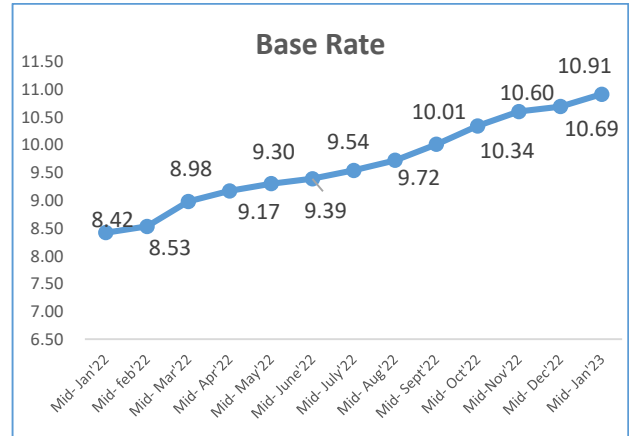
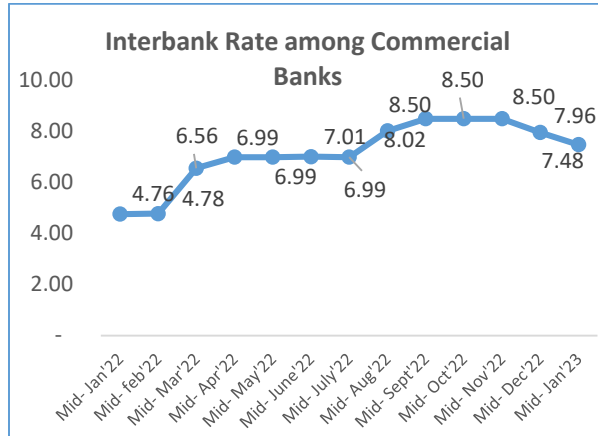


# MACROECONOMIC SITUATION OF NEPALESE ECONOMY

## BASED ON SIX MONTH'S DATA OF FY 2022/23



## Current Global Macroeconomic Situation

### **IMF raises growth forecasts for 2023**

The International Monetary Fund (IMF) has made a slight increase to its global growth outlook for 2023, due to "surprisingly resilient" demand in the United States and Europe, easing energy costs and the reopening of China's economy after Beijing abandoned its strict COVID-19 restrictions. It still sees the pace of global growth falling this year compared with 2022, but by a smaller margin than it predicted in October. The IMF is now forecasting 2.9% growth for 2023 – up from a 2.7% forecast in October – versus 3.4% growth last year.

<https://www.weforum.org/agenda/2023/02/imf-raises-growth-forecasts-for-2023-and-other-economy-stories-3-february/>

### **Charting the Global Economy: Fed, BOE, ECB Near Peak Rate Levels**

The Federal Reserve, Bank of England and European Central Bank all conceded that while inflation is cooling in their respective regions, more interest-rate hikes are needed to ensure price stability. Policymakers across the three central banks signaled that they're nearing peak levels for rates, and those in the US and UK expressed optimism that they can reduce price pressures without triggering mass unemployment. ECB President Christine Lagarde stopped short of speculating about that possibility but insisted the central bank will stay the course until the job is done.

<https://www.bloomberg.com/news/articles/2023-02-04/charting-the-global-economy-fed-boe-ecb-near-peak-rate-levels>

### **Two global recessions in one decade? That hasn't happened in over 80 years**

That's the latest warning from the World Bank, which on Tuesday sharply lowered its forecast for global economic growth. The group now projects that the world economy will expand by just 1.7% this year, slamming developing countries that have already been hit hard by the pandemic and rising interest rates. It projects growth will tick back up to 2.7% in 2024. "The crisis facing development is intensifying as the global growth outlook deteriorates," World Bank President David Malpass said in a statement. Elevated inflation, aggressive central bank policy, deteriorating financial conditions and shock waves from Russia's invasion of Ukraine are all weighing on growth.

<https://edition.cnn.com/2023/01/10/economy/world-bank-recession-economy/index.html>

### **What can Nepal learn from Pakistan economic crisis?**

Surrounded by political instability, Pakistan is now facing financial problems. According to economists, what brought the Pakistan economic crisis are climate change, the Covid pandemic, the ongoing war in Ukraine, and the global economic recession. However, they say the main reason is internal political instability. As the world is heading towards a big recession, there is a growing fear that similar financial problems will also be seen in Nepal. Nepal Rastra Bank (NRB) Governor Maha Prasad Adhikari also senses it and says Nepal needs to be protected from the effects of the recession.

<https://english.onlinekhabar.com/nepal-learn-pakistan-economic-crisis.html>

### **IMF head Kristalina Georgieva on the issues facing the global economy**

With the Fed raising interest rates again this past week, a war raging in Ukraine, and China opening up – we wondered about the global economy. So we asked Kristalina Georgieva, the Bulgarian economist who heads the International Monetary Fund. The IMF is a lending institution with a pool of a trillion dollars that it uses to bail out countries drowning in debt. It also issues quarterly reports that world leaders and bankers rely on, analyzing the economic health of nearly 200 countries. The last IMF report in October painted a dire picture of the global economy. Managing Director Georgieva was making gloom-and-doom predictions of a dark future. But the IMF's new report on 2023, issued this past week, has her optimistic. Somewhat. Kristalina Georgieva: The biggest surprise is that the picture, while it remains very concerning, is less dire than it was just two months ago. We are still going for a year of slowing growth. We're still going to have interest rates relatively high because inflation hasn't evaporated. So it is not much better. It is just less bad.

<https://www.cbsnews.com/news/imf-managing-director-kristalina-georgieva-60-minutes-2023-02-05>

### **Saudi Arabia Surprises Markets By Increasing Oil Prices To Asia**

On Monday, Saudi Arabia raised the official selling price of its flagship crude going to Asia in March. The hike, which was the first in six months, was due to expectations of a rebound in Chinese demand. Saudi oil giant Aramco lifted the price of its flagship Arab Light grade to Asia for March loadings by \$0.20 per barrel to a premium of \$2.00 a barrel over the Dubai/Oman average, despite the fact that oil prices have fallen so far this year. That's the first increase in the official selling prices (OSPs) for Asia since September, likely reflecting Saudi expectations that demand in Asia will be rising from the second quarter onwards. Last month, Saudi Arabia slashed the Arab Light price by \$1.45 per barrel, setting the price for February loadings at \$1.80 a barrel above the Dubai/Oman benchmark. The premium to the Dubai/Oman average for February is the lowest since November 2021, but it was generally in line with expectations.

<https://oilprice.com/Latest-Energy-News/World-News/Saudi-Arabia-Surprises-Markets-By-Increasing-Oil-Prices-To-Asia.html>

### **Crypto exchange Binance will suspend U.S. dollar transfers**

Binance, the world's largest cryptocurrency exchange, will suspend U.S. dollar deposits and withdrawals, the company said Monday, without providing a reason for the decision. "We are temporarily suspending USD bank transfers as of February 8th," a Binance spokesperson told CNBC. "Affected customers are being notified directly." The company said "0.01% of our monthly active users leverage USD bank transfers" and added that "we are working hard to restart service as soon as possible."

<https://www.cnbc.com/2023/02/06/binance-will-suspend-us-dollar-transfers.html>

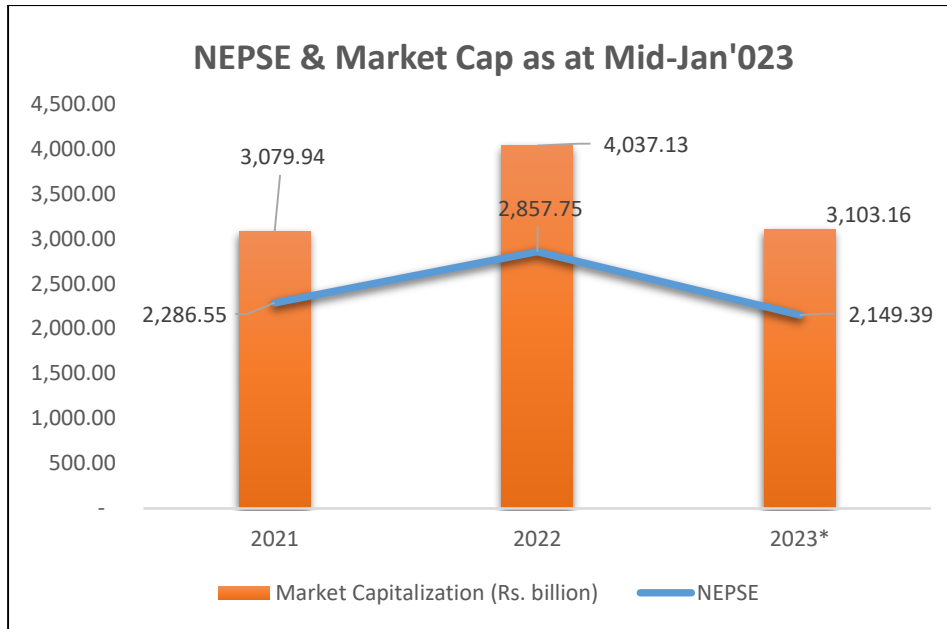
## Summary of Six Month Macroeconomic Situation F/Y 2022/23

This macroeconomic report is prepared based on Six 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:

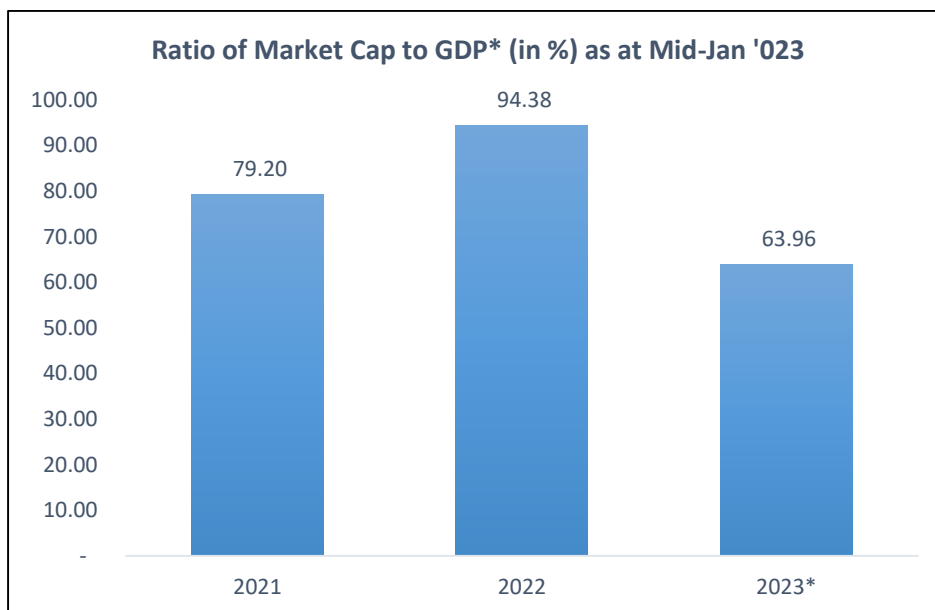
Head	Details	Amount
A. NEPSE	2,149.39 points as on Mid-Jan-2023 2,177.34 points as on 07-Feb-2023	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	7.48%	
<i>Base Rate</i>	10.91%	
C. INFLATION	7.26%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	3.91%	NPR 201.64 billion
<i>Loan Growth</i>	2.54%	NPR 119.77 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 3094.76 billion ( <i>liquidity injected through standing liquidity facility NPR 2692.82 billion, Repo NPR 318.08 billion and outright purchase NPR 83.85 billion</i> )	
F. Balance of Payment Position	NPR 97.09 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	13.94%	\$ 550.42 million
<i>In NPR Terms</i>	24.29%	NPR 114.36 million

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

The NEPSE index at Mid-Jan 2023 declined by 24.79% percent to close at 2,149.39 points, compared to 2,857.75 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 4,037.13 billion in Mid-Jan 2022 to NPR 3,103.16 billion in Mid-Jan 2023.



On the other hand, the ratio of market capitalization of NEPSE to GDP at Mid-Jan 2023 has decreased to 63.96 percent compared to 94.38 percent in the last year during the same review period.



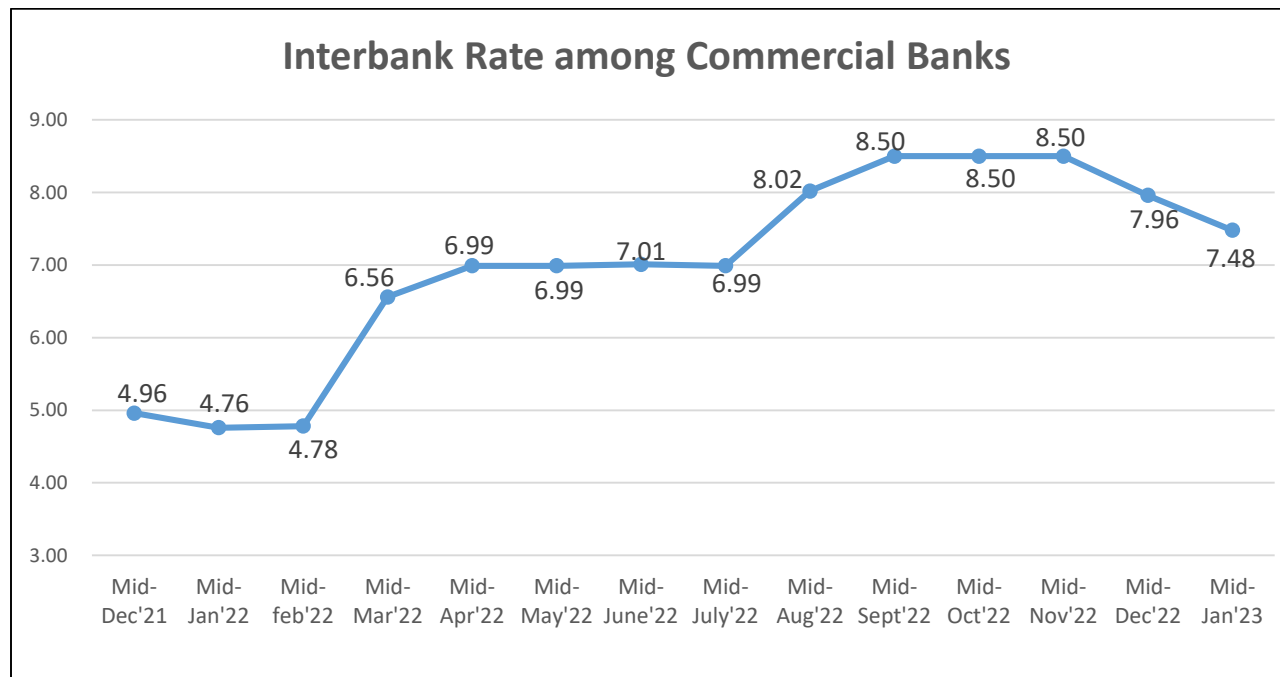
*\*GDP at Current Price*

## 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.

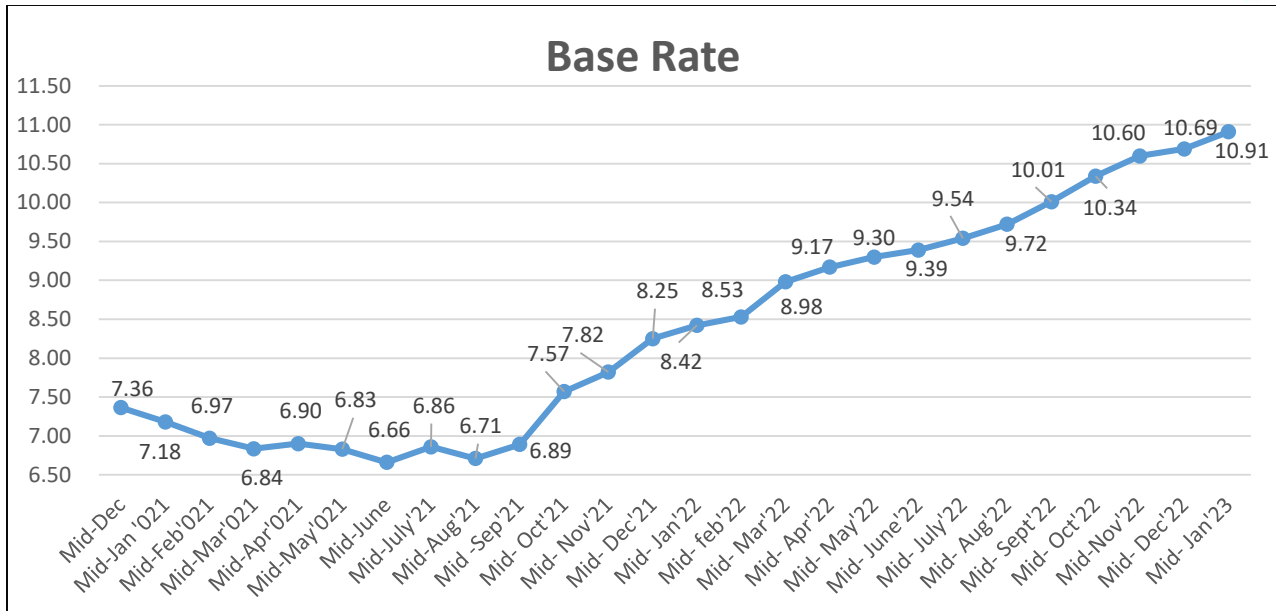
### *Interbank Rate*

The interbank rate of commercial banks was 0.14 percent in Mid-Jan, 2021 which has been gradually increasing since then and has reached to 7.48 percent in Mid-Jan, 2023 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 4.76 percent.



### *Base Rate*

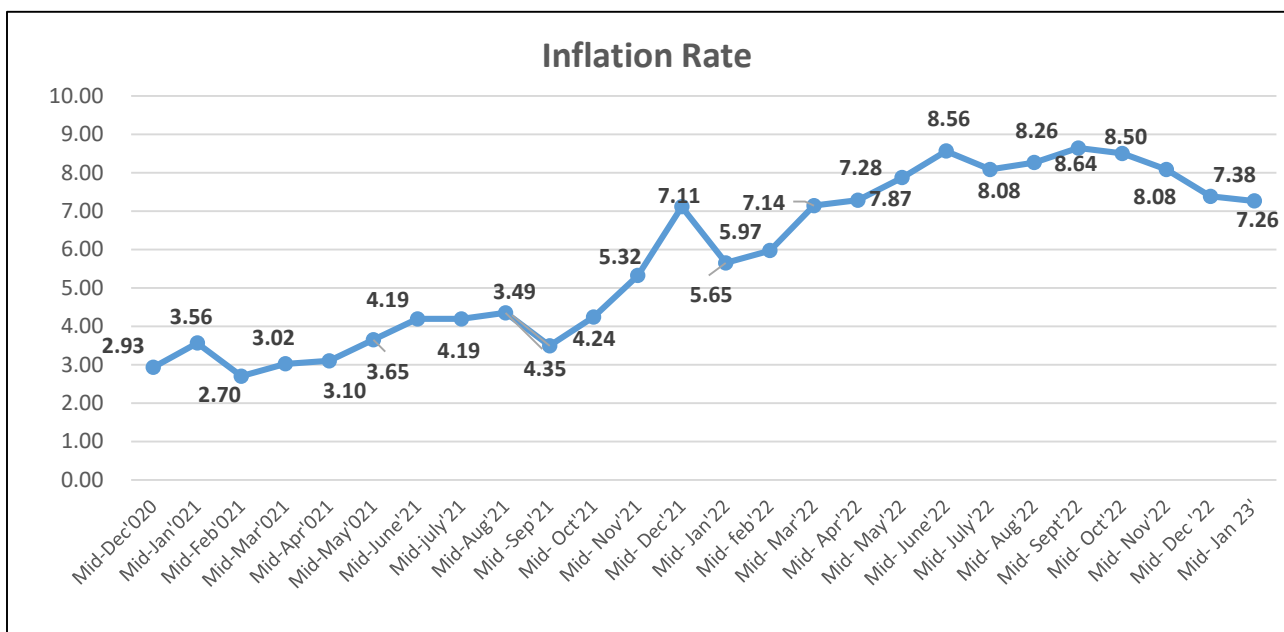
The base rate of commercial banks stands at 10.91 percent in Mid-Jan, 2023 compared to 8.42 percent a year ago. This has set the weighted average lending rate at 12.79 percent. On the other hand, the weighted average deposit rate stands at 8.51 percent. Such rates were 9.44 percent and 6.37 percent respectively in the corresponding month of the previous year.



### C. INFLATION RATE

The consumer price inflation which was 5.65 percent a year ago which has increased to 7.26 percent in Mid-Jan, 2023. 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.

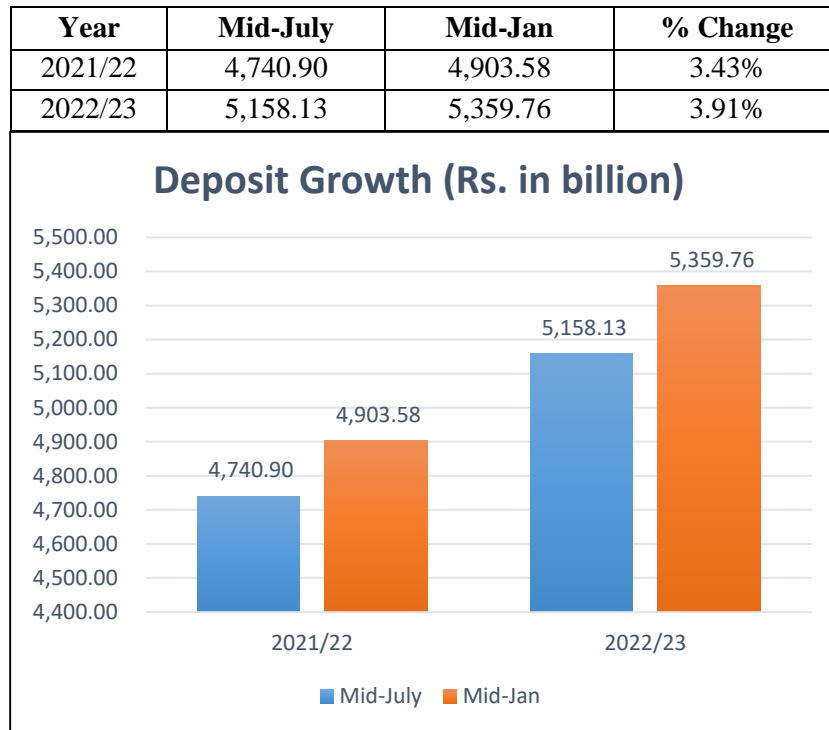
In the review the non-food and services category, y-o-y consumer price index of transportation sub-category increased 16.43 percent, health 11.22 percent, recreation & culture 8.76 percent, miscellaneous goods & services 8.68 percent and furnishing & household equipment 8.33 percent.



## D. DEPOSIT AND LENDING GROWTH

**Deposit Growth:** The deposits of BFI's as at Mid-Jan 2023 increased by 3.91 percent to NPR 5,359.76 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 7.8 percent, 25.6 percent and 60.4 percent respectively in mid-January 2023. Such shares were 8.5 percent, 30.3 percent and 54.4 percent respectively a year ago.

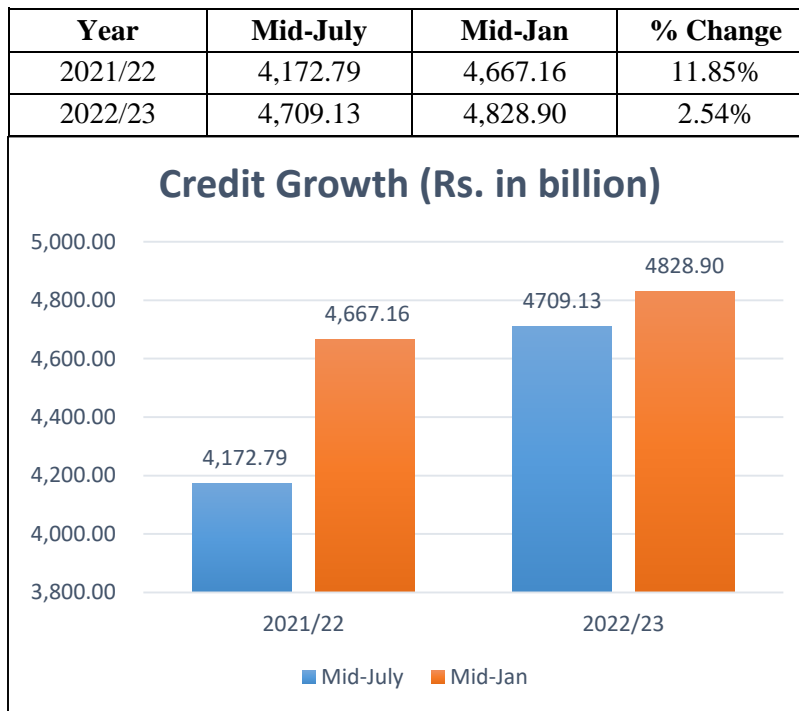
*Rs. in billion*



**Credit Growth:** The credit disbursement of BFI's as at Mid-Jan 2023 increased to NPR 4,828.90 billion by 2.54 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 11.85 percent. Outstanding loan of BFIs to the agricultural sector increased 3.7 percent, industrial production sector 8.4 percent, construction sector 3.1 percent, transportation, communication and public sector 8.2 percent, wholesale & retail sector 3.9 percent, service industry sector 4.6 percent and consumable sector by 1.3 percent



*Rs. in billion*



## E. LIQUIDTY MANAGEMENT

*Summary of Monetary Operation during FY 2022/23*

Details	Mid-Jan	
	2021/22	2022/23
<b>A. Liquidity Injection</b>	<b>3,366,957.48</b>	<b>3,094,761.90</b>
1. Repo	240,000.00	227,700.00
2. Outright Purchase	27,215.90	83,850.00
3. Repo Auction *	83,851.27	90,385.60
4. Standing Liquidity Facility	3,015,890.31	2,692,826.30
<b>B. Liquidity Absorption</b>	<b>60,000.00</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>3,306,957.48</b>	<b>3,094,761.90</b>

In the review period, NRB injected Rs. Rs.3094.76 billion liquidity of which Rs.318.08 billion was through repo, Rs.83.85 billion through outright purchase auction and Rs.2692.82 billion through standing liquidity

facility (SLF). NRB injected liquidity of Rs.358.90 billion through the net purchase of USD 2.76 billion from foreign exchange market. Liquidity of Rs.80.26 billion was injected through the net purchase of USD 667.4 million in the corresponding period of the previous year.

## FISCAL SITUATION

### *Fiscal Deficit/Surplus*

In the first six month of 2022/23, total revenue collected by the government till Mid-Jan 2023 is Rs.458.98 billion which is 15.32% lower as compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-Jan 2023 is Rs.576.34 billion which is 13.75 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	506,693.0	542,054.5
2022/23	576,347.6	458,986.8
<b>Y-O-Y Growth</b>	<b>13.75%</b>	<b>-15.32%</b>

## F. BALANCE OF PAYMENT POSITION

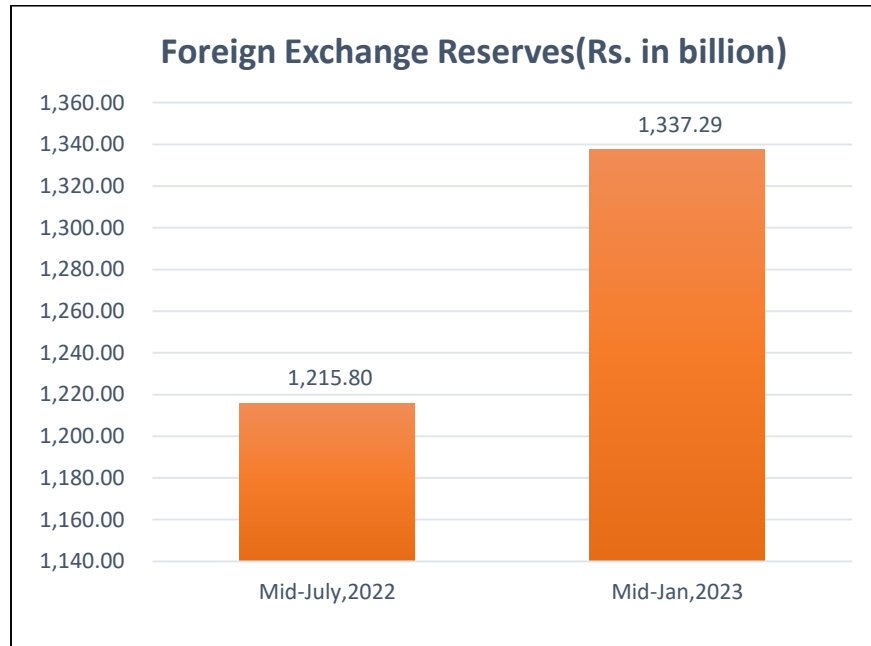
Particulars		2020/21	2021/22	2022/23
		Six Months	Six Months	Six Months
A	Current Account	(51,680.64)	(352,158.53)	(29,468.98)
B	Capital Account (Capital Transfer)	6,853.55	5,481.49	4,434.78
C	Financial Account (Excluding Group E)	93,324.51	127,704.55	74,265.18
	<b>BOP ( Surplus )</b>	<b>(124,917.35)</b>	<b>241,230.39</b>	<b>(97,095.06)</b>

The country's BOP position is at surplus in the first sixth month of FY 2022/23 by NPR 97.09 billion in the review period compared to a deficit of Rs.241.23 billion during the same period last year. On the other hand, The current account remained at a deficit of Rs. 29.46 billion in the review period compared to a deficit of Rs 352.158 billion in the same period of the previous year.

In the review period, capital transfer decreased 19.1 percent to Rs.4.43 billion and net foreign direct investment (FDI) remained Rs.749.4 million. In the same period of the previous year, capital transfer and net FDI amounted to Rs.5.48 billion and Rs.11.34 billion respectively.

## G. Foreign Exchange Reserve

Gross foreign exchange reserves increased 9.99 percent to Rs.1337.29 billion in mid-January 2023 from Rs.1215.80 billion in mid-July 2022.



Of the total foreign exchange reserves, reserves held by NRB increased 12.0 percent to Rs.1183.37 billion in mid-January 2023 from Rs.1056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) decreased 3.4 percent to Rs.153.91 billion in mid-January 2023 from Rs.159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 23.6 percent in mid-January 2023.

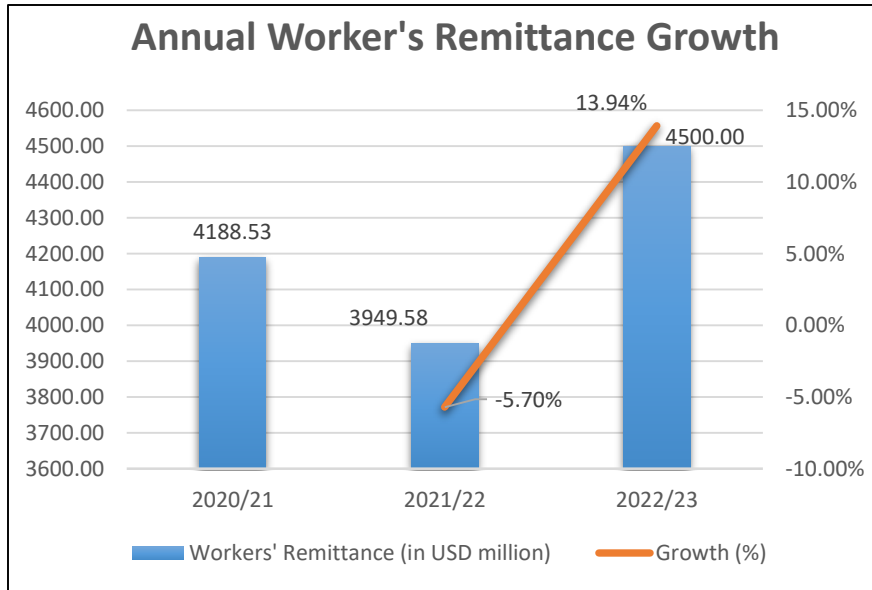
Based on the imports of six months of 2022/23, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 10.4 months, and merchandise and services imports of 9.1 months.

## 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:

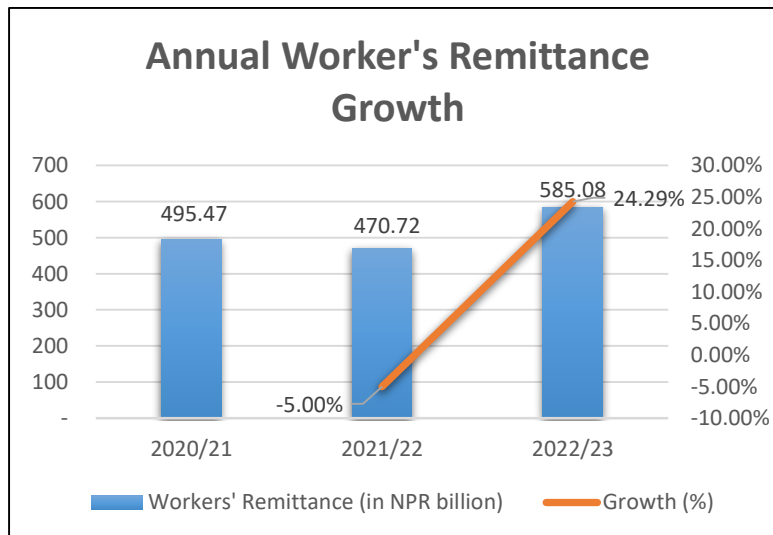
### ***Remittance in Dollar Terms***

In US Dollar terms, the workers' remittance increased by 13.94 percent amounting to 4500.00 million in FY 2022/23 compared to a decrease of 5.70 percent in the review period.



#### ***Remittance in NPR terms***

On the other hand, in NPR terms, the workers' remittance increased by 24.29 percent amounting to 585.08 billion in FY 2022/23 compared to a fall of 5.00 percent in the review period.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 64.6 percent to 275,643 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 9.5 percent to 142,548 in the review period. It had increased 298.1 percent in the same period of the previous year. Net transfer increased 22.7 percent to Rs.644.72 billion in the review period. Such a transfer had decreased 4.4 percent in the same period of the previous year.