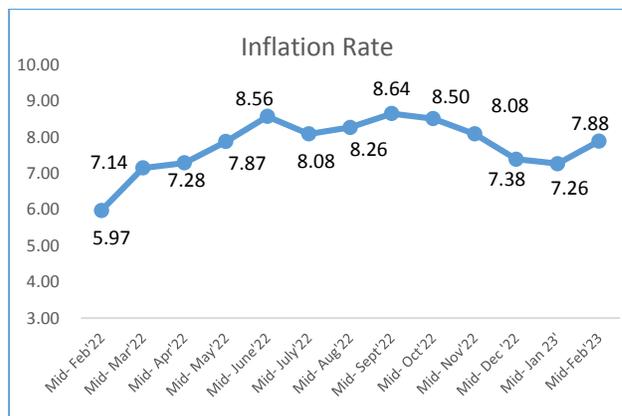
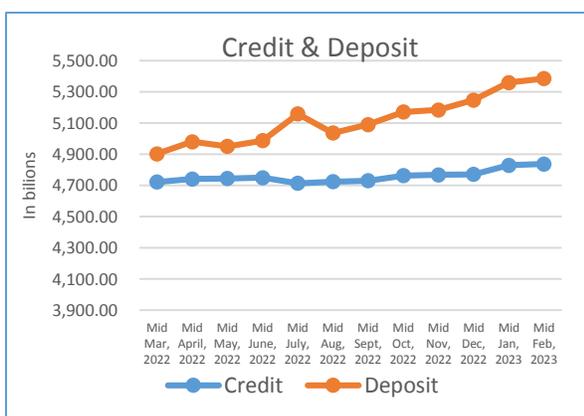
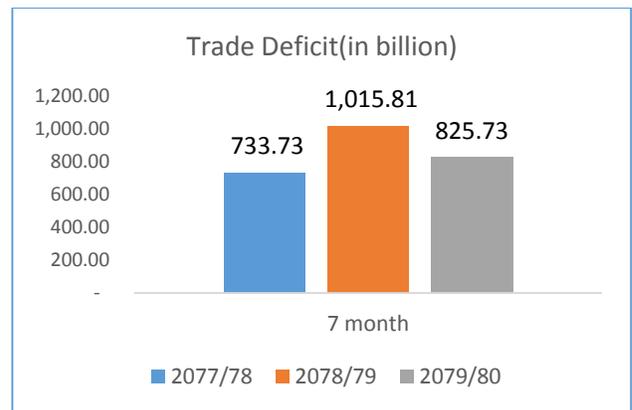
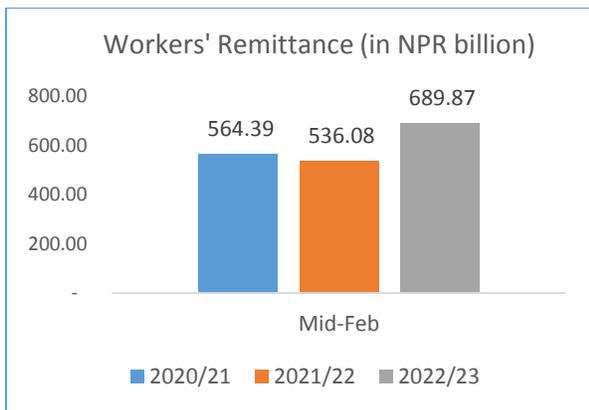
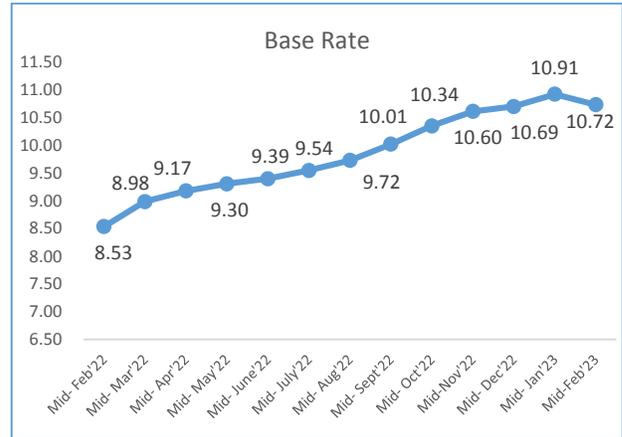
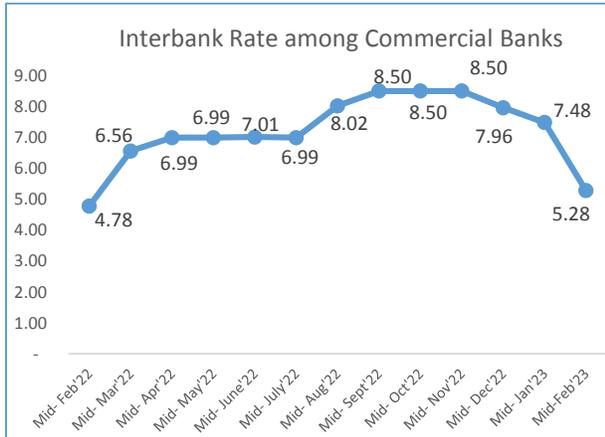


MACROECONOMIC SITUATION OF NEPALESE ECONOMY

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



Current Global Macroeconomic Situation

IMF deal in jeopardy, only China can bailout Pakistan: Report

A US bank said that China can rescue crisis-hit Pakistan because of its close ties with the country, while the International Monetary Fund (IMF) and Pakistan are still in tough negotiations on financial aid for economic recovery, according to a report by Dawn news. Pakistan, the country which is struggling with its worst economic crisis in decades, has implemented a series of policy measures including increased taxes, higher energy prices, and increasing interest rates to the highest in 25 years to unlock funding from its stalled IMF \$6.5 billion loan program. Finance Secretary Hamed Yaqoob Sheikh last week said that an agreement was likely in the next few days, though Pakistan has missed such timelines in the past.

<https://www.livemint.com/news/world/imf-deal-in-jeopardy-only-china-can-bailout-pakistan-report-11678767875512.html>

India's economy stutters, but remains on track to lead world growth

India's economic growth slowed further in October-December, but the government is retaining its growth forecast of 7% for 2022-2023 – a level that would make it the world's fastest-growing major economy. Year-on-year growth in Asia's third-largest economy fell to 4.4% in the quarter from 6.3% in July-September. The slowdown resulted from an easing of pent-up pandemic-era demand, continuing weakness in the manufacturing sector, and the fading of the pandemic's low base effect. The manufacturing sector shrank by 1.1%, marking a second straight contraction and reflecting lower profit margins and weaker exports as countries struggle with inflation. Declining global demand and monetary tightening by the Indian central bank could further drag down economic growth this year, economists at the bank have warned.

<https://www.weforum.org/agenda/2023/03/india-economy-stutters-economy-stories-you-need-to-read/>

Russia's economy holds up, but growing challenges test Putin

Western sanctions have hit Russian banks, wealthy individuals and technology imports. But after a year of far-reaching restrictions aimed at degrading Moscow's war chest, economic life for ordinary Russians doesn't look all that different than it did before the invasion of Ukraine. There's no mass unemployment, no plunging currency, no lines in front of failing banks. The assortment at the supermarket is little changed, with international brands still available or local substitutes taking their place. Crowds might have thinned at some Moscow malls, but not drastically. Some foreign companies like McDonald's and Starbucks have been taken over by local owners who slapped different names on essentially the same menu. "Economically, nothing has changed," said Vladimir Zharov, 53, who works in television. "I work as I used to work, I go shopping as I used to. Well, maybe the prices have risen a little bit, but not in such a way that it is very noticeable."

<https://apnews.com/article/russian-economy-ukraine-war-putin-sanctions-0231252b7a145040530245b58590f7f0>

Li Qiang: New premier tries to boost confidence in Chinese economy

China's new Premier Li Qiang has sought to restore confidence in the country's economy in his first public address since taking up the role. The world's second-largest economy is still reeling from the effects of Beijing's zero-Covid policy. Challenges also loom because of a declining population and job losses. Investors' confidence too has taken a hit in recent years as China's leader Xi Jinping consolidated his power, cracking down on private businesses, from tech companies to the tutoring industry. In an attempt to allay those concerns, Mr Li said: "During a period last year, there was some incorrect opinion on the development of the private economy which worried some entrepreneurs. The environment for the private economy would get better and better and there would be more space for it." Mr Li also struck a more conciliatory tone towards the US: "China and the United States should co-operate, and must co-operate. When China and the US work together, there is much we can achieve. As party chief of Shanghai, he oversaw one of the harshest zero-Covid lockdowns that battered China's economic hub, leaving many without food. Party officials often went above and beyond to implement what was seen as Mr Xi's signature policy, which was reversed in December following widespread protests.

<https://www.bbc.com/news/world-asia-china-64936125>

Larger interest rate rises may be on the way, US Fed indicates

The US Federal Reserve will likely need to raise interest rates more than expected in response to recent strong economic data, Chair Jerome Powell says. He also told the Senate Banking Committee that the Fed is prepared to move in larger steps if the "totality" of incoming information suggests tougher measures are needed to control inflation. The number of Americans filing new claims for unemployment benefits has been falling, pointing to sustained labour market strength. At the same time, retail sales are rising faster than expected and the services sector is performing strongly. Some of this unexpected strength may have been due to warm weather and other seasonal effects, but Powell says it may also be a sign the Fed needs to do more to temper inflation, perhaps even returning to larger rate increases than the 0.25 percentage point steps officials had been intending to use.

<https://www.weforum.org/agenda/2023/03/us-signals-interest-rate-rises-and-other-economy-stories-you-need-to-read/>

Achieving around 5% of GDP target needs correct policy settings; China's economy to sail toward a bright future: Premier Li

Chinese new Premier Li Qiang said that achieving around a five percent of GDP growth target needs combined policies, and he holds confidence in the Chinese economy, saying that Chinese economy will sail toward a bright future. Achieving high-quality development across the Chinese economy needs combined policies including macro policy, expanding demand, reform and innovation, and preventing and defusing risks, Li said. He explained that expanding demand includes domestic and external demand, and investment, and the reform and innovation covers institutional, technological and industrial innovation. China has set its annual GDP growth target at around 5 percent for 2023, as the country embarked on a rapid economic recovery after a decisive victory against COVID-19, while placing emphasis on ensuring economic stability and high-quality growth, sustainable development amid global economic volatility and geopolitical uncertainty.

[https://oilprice.com/Latest-Energy-News/World-News/Saudi-Arabia-Surprises-Markets-By-](https://oilprice.com/Latest-Energy-News/World-News/Saudi-Arabia-Surprises-Markets-By-Increasing-Oil-Prices-To-Asia.html)

[Increasing-Oil-Prices-To-Asia.html](https://oilprice.com/Latest-Energy-News/World-News/Saudi-Arabia-Surprises-Markets-By-Increasing-Oil-Prices-To-Asia.html)

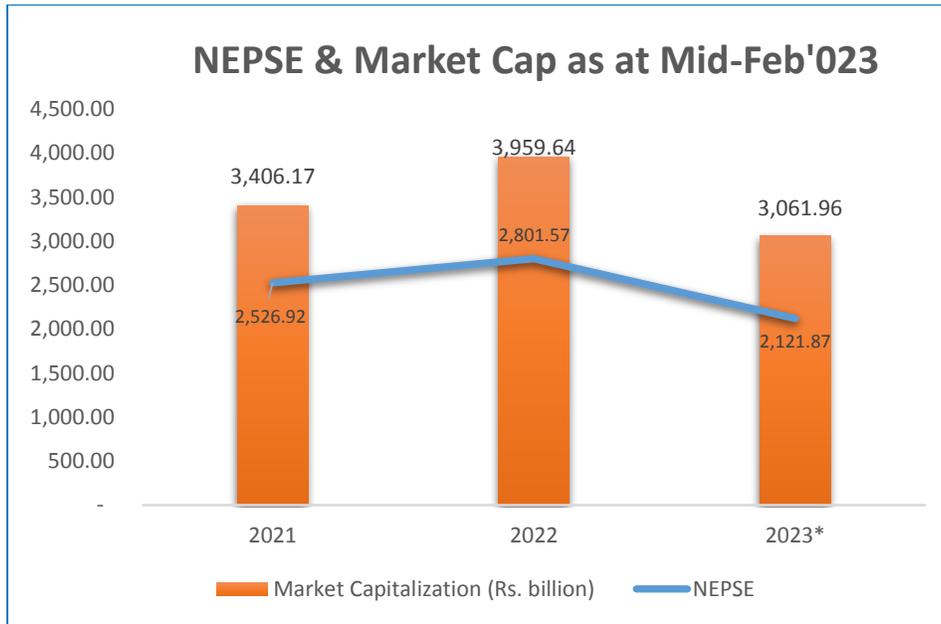
Summary of Seven Month Macroeconomic Situation F/Y 2022/23

This macroeconomic report is prepared based on Seven 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:

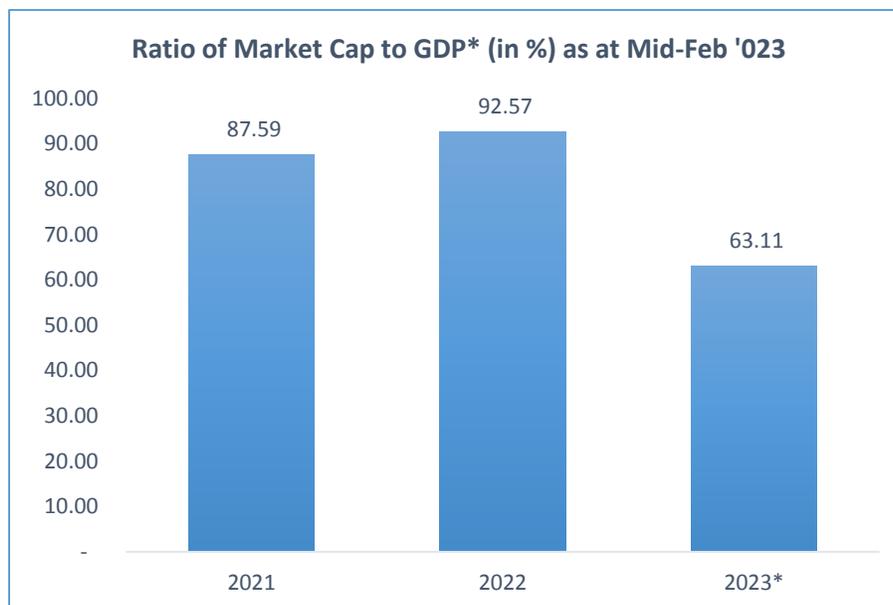
Head	Details	Amount
A. NEPSE	2,121.87 points as on Mid-Feb-2023 1,951.21 points as on 13-Feb-2023	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	5.28%	
<i>Base Rate</i>	10.72%	
C. INFLATION	7.88%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	4.39%	NPR 226.69 billion
<i>Loan Growth</i>	2.71%	NPR 127.72 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 3146.99 billion (<i>liquidity injected through standing liquidity facility NPR 2706.93 billion, Repo NPR 322.41 billion, outright purchase NPR 83.85 billion and Overnight Liquidity Facility NPR 33.80</i>)	
F. Balance of Payment Position	NPR 133.20 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	16.42%	\$ 747.70 million
<i>In NPR Terms</i>	27.08%	NPR 147.02 million

A. NEPSE and Ratio of Market Cap to GDP

The NEPSE index at Mid-Feb 2023 declined by 24.26% percent to close at 2,121.87 points, compared to 2,801.57 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3,959.64 billion in Mid-Feb 2022 to NPR 3,061.96 billion in Mid-Feb 2023.



On the other hand, the ratio of market capitalization of NEPSE to GDP at Mid-Feb 2023 has decreased to 63.11 percent compared to 92.57 percent in the last year during the same review period.



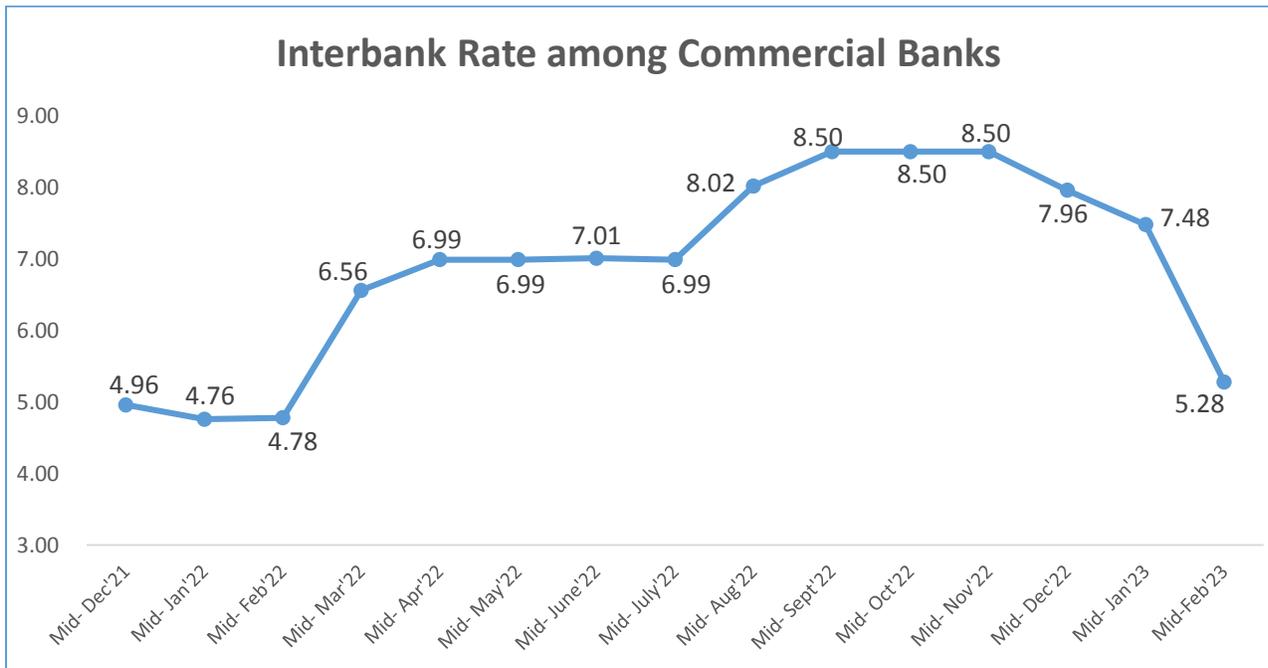
**GDP at Current Price*

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.

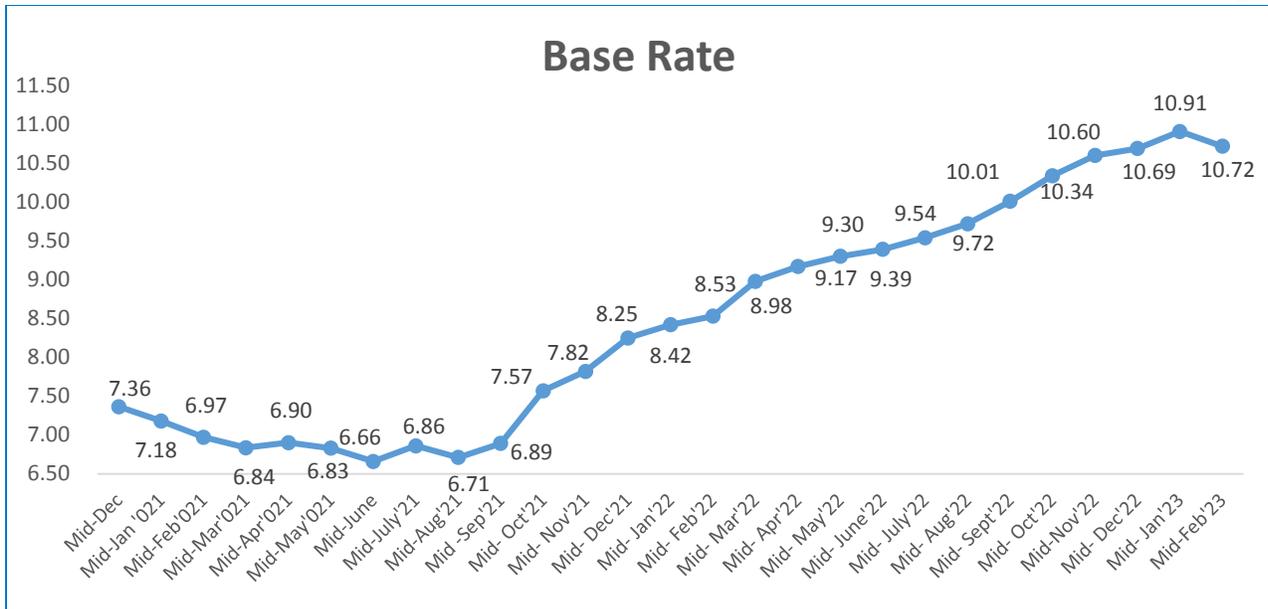
Interbank Rate

The interbank rate of commercial banks was 0.58 percent in Mid-Feb, 2021 which has been gradually increasing since then and has reached to 5.28 percent in Mid-Feb, 2023 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 4.78 percent.



Base Rate

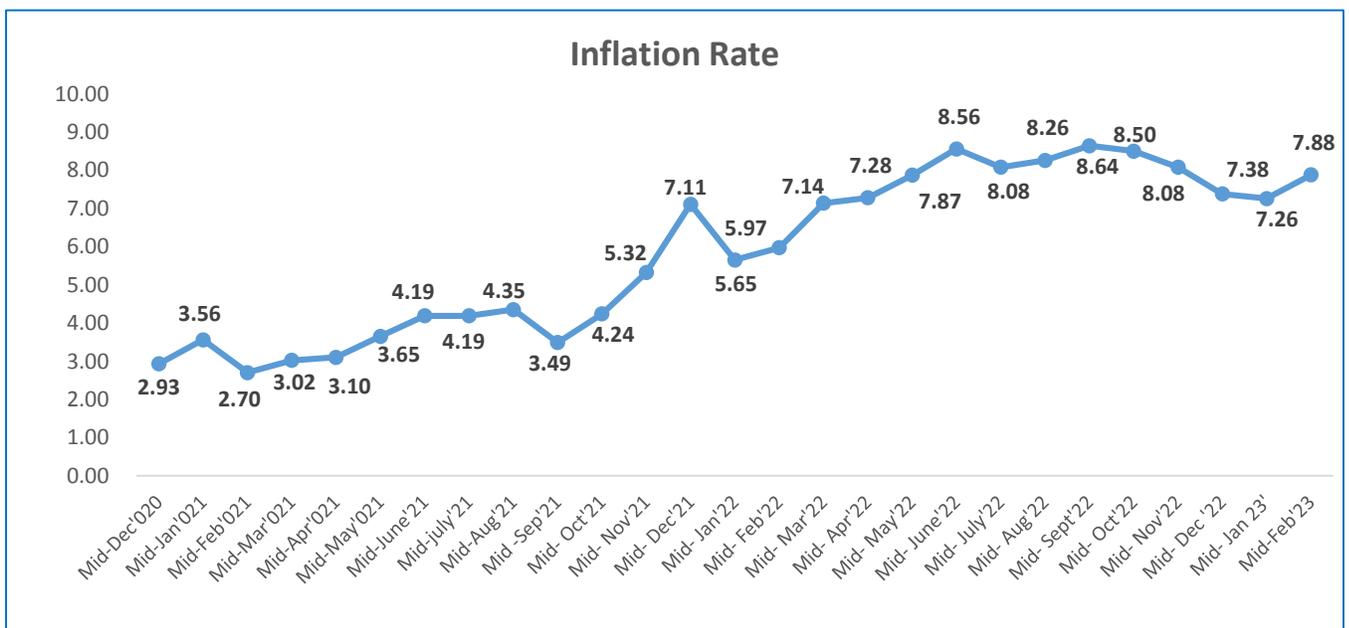
The base rate of commercial banks stands at 10.72 percent in Mid-Feb, 2023 compared to 8.53 percent a year ago. This has set the weighted average lending rate at 13.03 percent. On the other hand, the weighted average deposit rate stands at 8.41 percent. Such rates were 10.31 percent and 6.49 percent respectively in the corresponding month of the previous year.



C. INFLATION RATE

The consumer price inflation which was 5.97 percent a year ago which has increased to 7.88 percent in Mid-Feb, 2023. Under the food and beverage category, y-o-y price index of restaurant & hotel sub-category increased 15.24 percent, cereal grains & their products 12.39 percent, tobacco products 10.83 percent, alcoholic drinks 8.78 percent, and spices 8.04 percent.

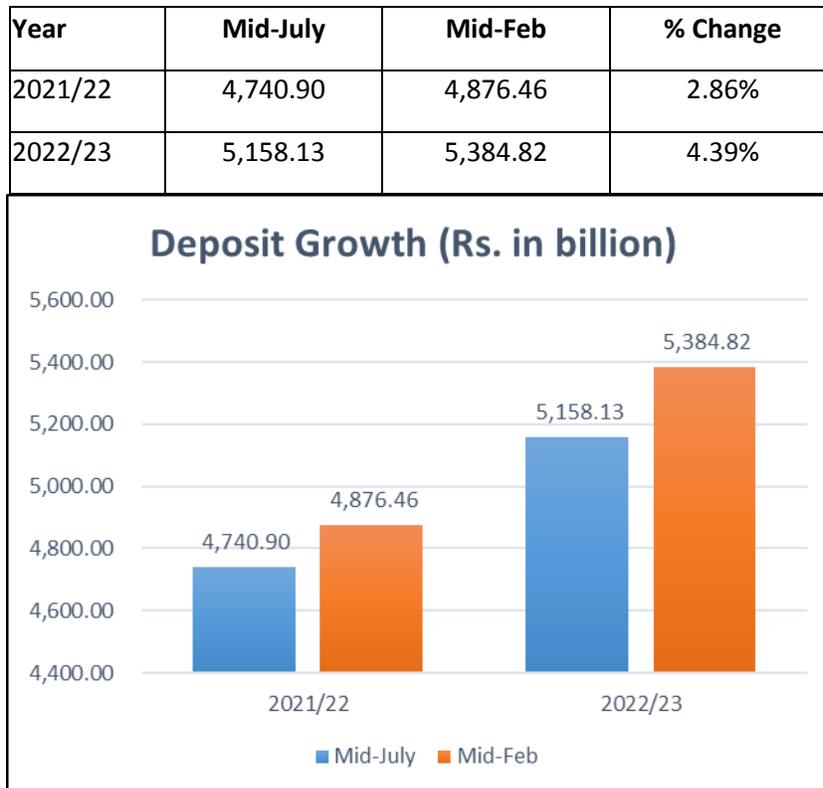
In the non-food and services category, y-o-y price index of transportation subcategory increased 15.58 percent, health 10.39 percent, housing & utilities 9.78 percent, furnishing & household equipment 9.00 percent and recreation & culture 8.81 percent.



D. DEPOSIT AND LENDING GROWTH

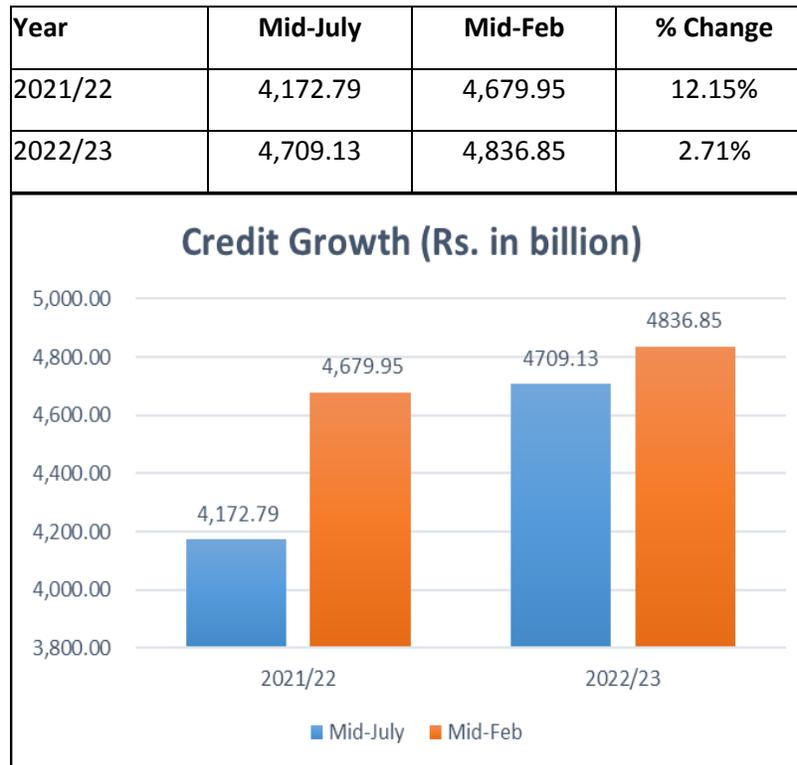
Deposit Growth: The deposits of BFI's as at Mid-Feb 2023 increased by 4.39 percent to NPR 5,384.82 billion, compared to NPR 5,158.13 billion in Mid-July 2022. The share of demand, saving, and fixed deposits in total deposits stands at 7.8 percent, 25.8 percent and 60.1 percent respectively in mid-February 2023. Such shares were 8.3 percent, 30.1 percent and 54.7 percent respectively a year ago.

Rs. in billion



Credit Growth: The credit disbursement of BFI's as at Mid-Feb 2023 increased to NPR 4,836.85 billion by 2.71 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 12.15 percent, outstanding loan of BFIs to the agricultural sector increased 6.0 percent, industrial production sector 8.6 percent, construction sector 4.2 percent, transportation, communication and public sector 9.6 percent, wholesale & retail sector 3.4 percent, service industry sector 6.1 percent and consumable sector by 1.5 percent.

Rs. in billion



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2022/23

Details	Mid-Feb	
	2021/22	2022/23
A. Liquidity Injection	4,086,042.74	3,146,990.90
1. Repo	240,000.00	227,700.00
2. Outright Purchase	27,215.90	83,850.00
3. Repo Auction *	102,930.53	90,905.60
4. Standing Liquidity Facility	3,715,896.31	2,706,930.30
5. Overnight Liquidity Facility	-	33,805.00
B. Liquidity Absorption	60,000.00	5,000.00
1. Reverse Repo	28,350.00	5,000.00
2. Outright Sale	-	-
3. Deposit Collection Auction	31,650.00	-
4. Deposit Collection Auction *	-	-
C. Net Liquidity Injection (+) / Absorption (-)	4,026,042.74	3,141,990.90

In the review period, NRB injected Rs. Rs.3146.99 billion liquidity of which Rs.322.41 billion was through repo, Rs.83.85 billion through outright purchase auction and Rs.2706.93 billion through standing liquidity facility (SLF) and Rs.33.81 billion through overnight Liquidity Facility (OLF). During the period, the NRB absorbed Rs.5 billion liquidity through reverse repo auction. NRB injected liquidity of Rs.426.28 billion through the net purchase of USD 3.27 billion from foreign exchange market. Liquidity of Rs.108.32 billion was injected through the net purchase of USD 902.2 million in the corresponding period of the previous year.

FISCAL SITUATION

Fiscal Deficit/Surplus

In the first seven month of 2022/23, total revenue collected by the government till Mid-Feb 2023 is Rs.514.68 billion which is 16.09% lower as compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-Feb 2023 is Rs.667.65 billion which is 12.97 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	591,024.9	613,410.9
2022/23	667,657.4	514,689.3
Y-O-Y Growth	12.97%	-16.09%

F. BALANCE OF PAYMENT POSITION

(Rs. in million)

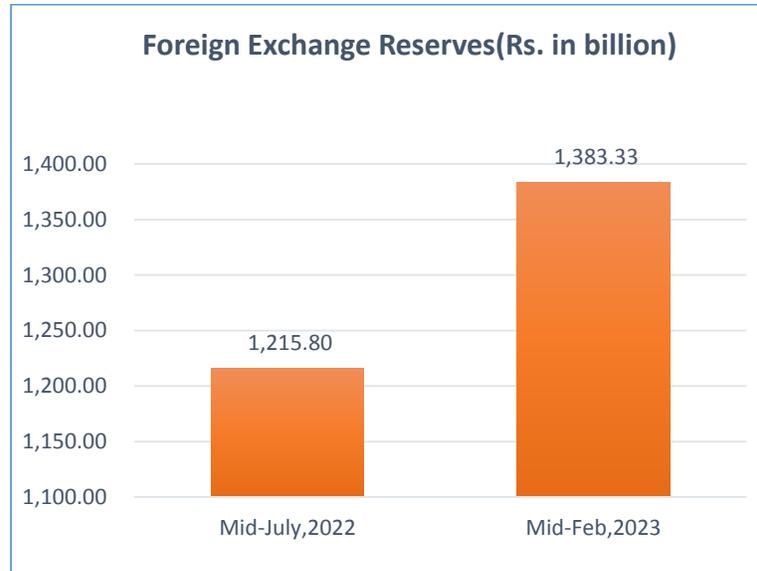
Particulars		2020/21	2021/22	2022/23
		Seven Months	Seven Months	Seven Months
A	Current Account	(104,388.65)	(411,341.76)	(29,641.64)
B	Capital Account (Capital Transfer)	7,828.53	6,311.16	5,349.70
C	Financial Account (Excluding Group E)	110,210.19	158,587.42	107,923.00
BOP (Surplus)		(97,364.10)	247,028.20	(133,206.15)

The country's BOP position is at surplus in the first seven month of FY 2022/23 by NPR 133.20 billion in the review period compared to a deficit of Rs.247.02 billion during the same period last year. On the other hand, The current account remained at a deficit of Rs. 29.64 billion in the review period compared to a deficit of Rs 411.34 billion in the same period of the previous year.

In the review period, capital transfer decreased 15.2 percent to Rs.5.35 billion and net foreign direct investment (FDI) remained Rs.1.04 billion. In the same period of the previous year, capital transfer and net FDI amounted to Rs.6.31 billion and Rs.16.29 billion respectively.

G. Foreign Exchange Reserve

Gross foreign exchange reserves increased 13.78 percent to Rs.1383.33 billion in Mid-February 2023 from Rs.1215.80 billion in Mid-July 2022.



Of the total foreign exchange reserves, reserves held by NRB increased 16.2 percent to Rs.1228.05 billion in Mid-February 2023 from Rs.1056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) decreased 2.6 percent to Rs.155.28 billion in mid-February 2023 from Rs.159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 22.4 percent in mid-February 2023.

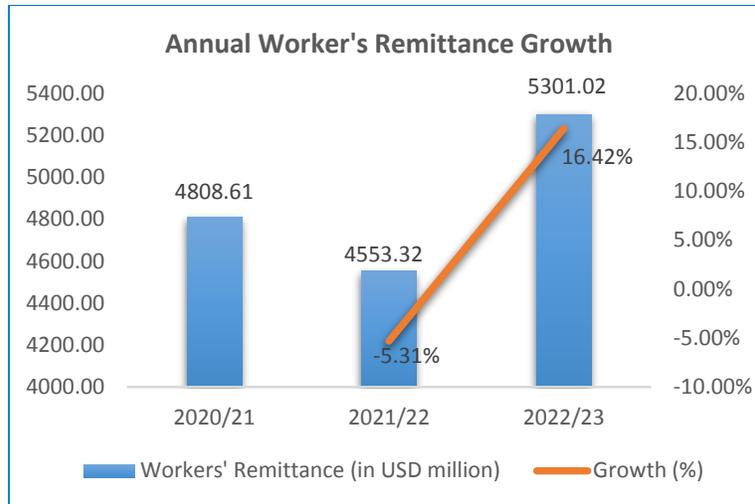
Based on the imports of seven months of 2022/23, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 10.8 months, and merchandise and services imports of 9.4 months. The ratio of reserves-to-GDP, reserves-toimports and reserves-to-M2 stood at 28.5 percent, 78.3 percent and 24.0 percent respectively in mid-February 2023. Such ratios were 25.1 percent, 57.8 percent and 22.1 percent respectively in mid-July 2022.

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:

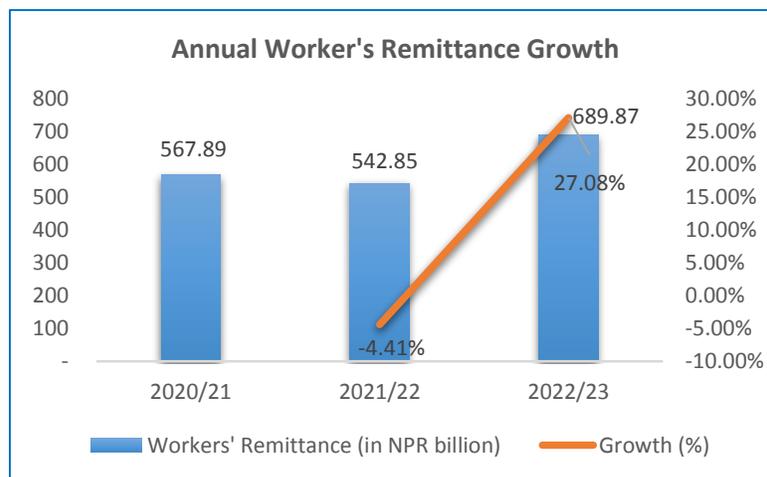
Remittance in Dollar Terms

In US Dollar terms, the workers' remittance increased by 16.42 percent amounting to 5301.02 million in FY 2022/23 compared to a decrease of 5.31 percent in the review period.



Remittance in NPR terms

On the other hand, in NPR terms, the workers' remittance increased by 27.08 percent amounting to 689.87 billion in FY 2022/23 compared to a fall of 4.41 percent in the review period.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 57.3 percent to 314,767 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 10.1 percent to 167,708 in the review period. It had increased 265.9 percent in the same period of the previous year.