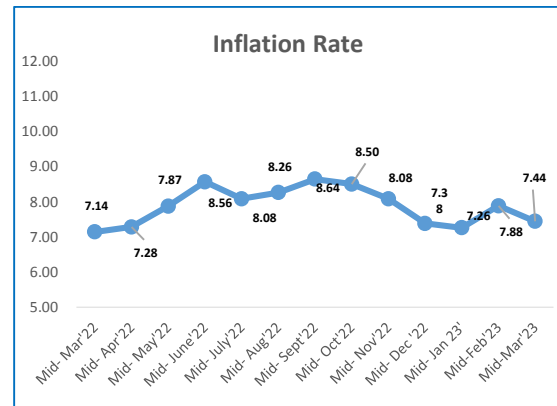
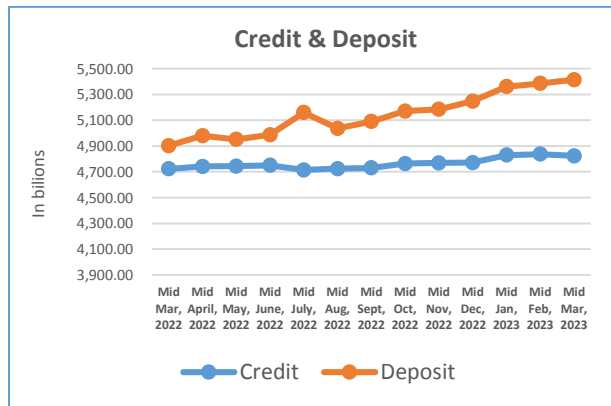
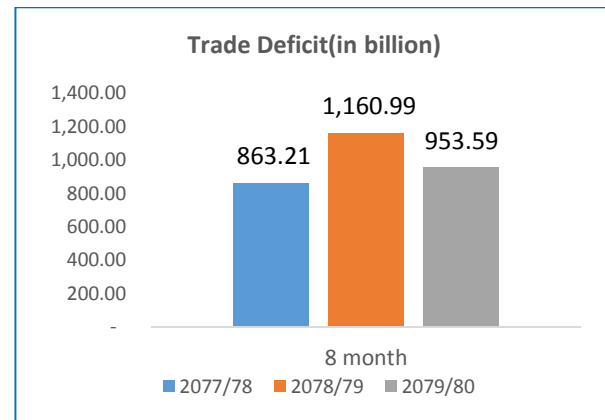
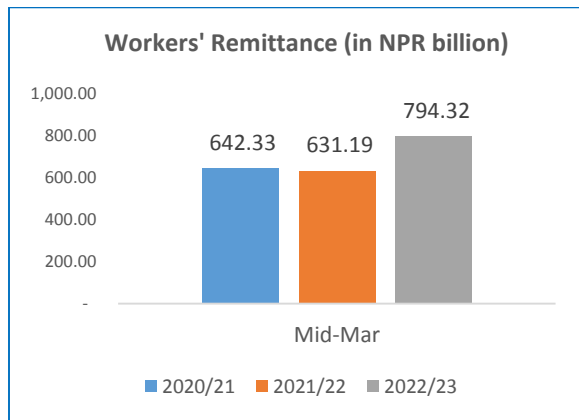
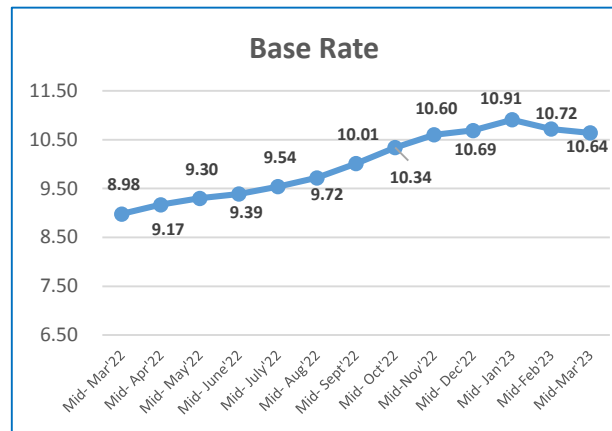
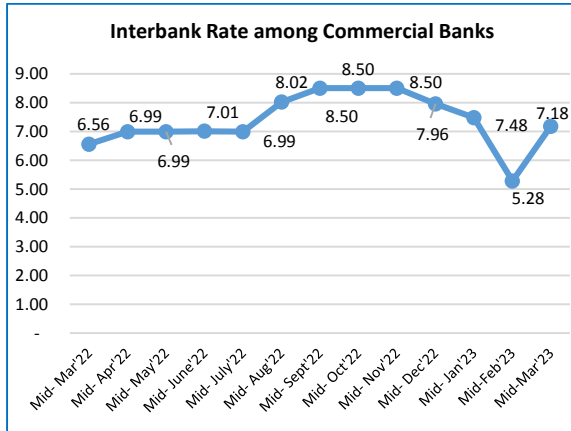


MACROECONOMIC SITUATION OF NEPALESE ECONOMY

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



Current Global Macroeconomic Situation

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. But India's chief economic advisor, V. Anantha Nageswaran, says the country is still on track for 7% growth and that 4.0-4.1% is possible in January-March. The International Monetary Fund and the World Bank project India as the fastest-growing major economy in 2023.

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

Eurozone hit with higher-than-expected inflation

Eurozone inflation fell less than expected in February, and underlying price growth surged, reinforcing the case for the European Central Bank (ECB) to keep raising interest rates at a brisk pace. Consumer price inflation in the bloc eased to 8.5% in February from 8.6% a month earlier, as a big fall in energy costs offset a price surge in nearly all other areas. But it still came in above expectations for 8.2% in a Reuters poll of economists. Although overall inflation is well below the double-digit highs of October, it continues to broaden, fuelling fears that the earlier surge has seeped into the economy via so-called second-round effects, making it more difficult to root out. Underlying inflation, which filters out volatile food and fuel prices, jumped to 5.6% in February from 5.3% a month earlier, putting it well above expectations for a steady reading.

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

Will a global recession accelerate geopolitical fragmentation?

Inflation continues to be the headline risk for investors and policy-makers. Countries are wrestling with shocks from the war in Ukraine, and the residual effects of domestic fiscal/monetary stimulus packages during the pandemic. As a result, the ripple effects in the economic, social and political domains could accelerate geopolitical fragmentation. The war in eastern Europe is indirectly reshuffling the political economy of Asia, as Russia and key oil producers in the Middle East form new alliances. Supply chains for key commodities are being re-oriented, trade in strategic technologies is being closely scrutinized, and increased unilateralism especially has undermined the international, rules-based system. While these problems are global in scope, due to the US's centrality in the world's financial system, we will initially focus here. The Federal Reserve has hiked interest rates from near zero during the pandemic to a 4.50-4.75% band in less than three years in order to help curb inflation, and notably reduced its \$9 trillion balance sheet.

<https://www.weforum.org/agenda/2023/03/geopolitical-fragmentation-extremism/>

Why the cloud is the new rainmaker for cybersecurity

With the advent of remote work, companies – including those in legacy industries – have been forced to adopt SaaS (software as a service) and cloud tools to stay competitive and agile. Modern, cloud-based platforms like Zoom, Slack, Salesforce have become critical to enable knowledge workers to collaborate

efficiently from their homes. As beneficiaries of this tailwind, public cloud hosting providers like AWS, Microsoft Azure and Google Cloud have seen phenomenal success. According to Gartner, the spend on cloud providers is forecasted to increase to \$178 billion in 2022 from \$141 billion in 2021. But while public cloud providers have made it easy to use modern software tools, the shift to the cloud has led to big cybersecurity challenges. Cybersecurity for the cloud-first world is a paradigm shift from traditional, on-premise security. In the previous situation, customers hosted their applications in their own data centres and had full control of their environments and security. Customers operated in a “walled castle” – where the network and applications were secured and controlled by them.

<https://www.weforum.org/agenda/2022/07/cloud-computing-cybersecurity/>

IMF lowers global economic growth outlook as ‘fog thickens’

Global inflation is also heading down, signalling that the tightening of monetary policy through major interest rate rises is bearing fruit, though more slowly than initially anticipated, said the IMF’s Director of Research, from 8.7 percent last year to seven percent this year, and 4.9 percent in 2024. The world economy is still recovering from the unprecedented crises of the last 3 years, and the recent banking turmoil has increased uncertainties. We expect global growth to fall from 3.4% last year to 2.8% in 2023 before rising to 3% in 2024. Pierre-Olivier Gourinchas said the gradual global recovery from both the pandemic and Russia’s invasion of Ukraine “remains on track”, with China’s reopened economy rebounding strongly, while previously disrupted supply chains are unwinding.

<https://news.un.org/en/story/2023/04/1135517>

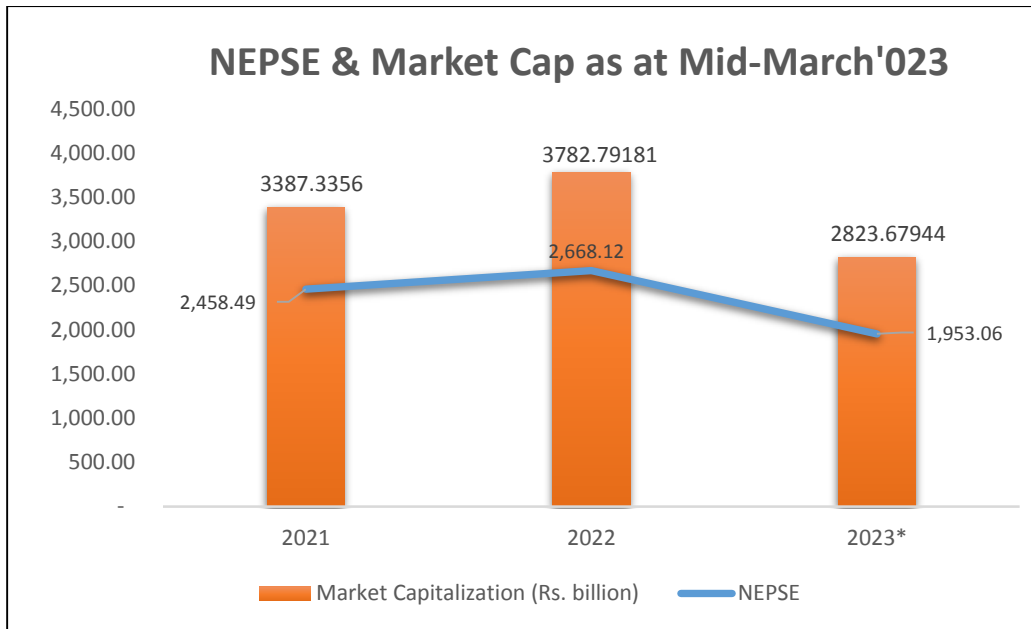
Summary of Eight Month Macroeconomic Situation F/Y 2022/23

This macroeconomic report is prepared based on Eight 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:

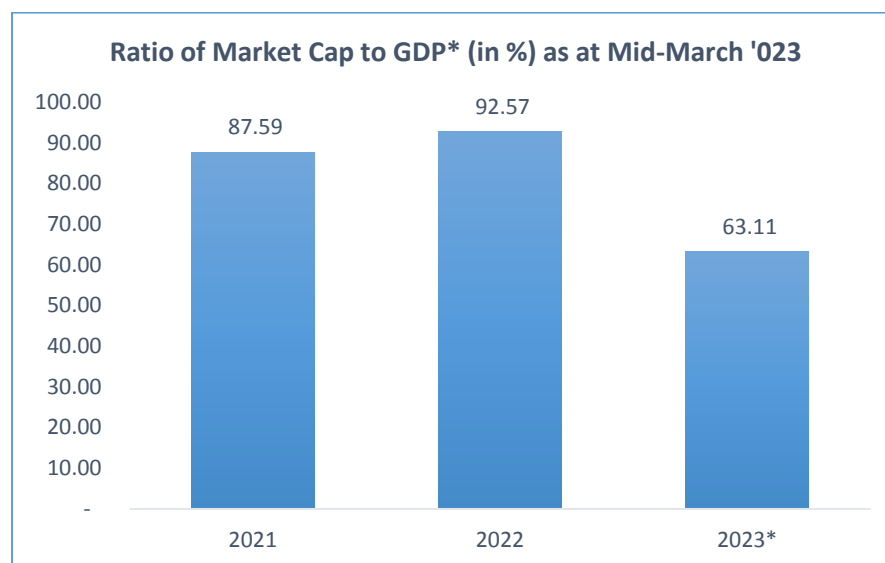
Head	Details	Amount
A. NEPSE	1953.06 points as on Mid-Mar-2023 1,963.55 points as on 13-Mar-2023	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	7.18%	
<i>Base Rate</i>	10.64%	
C. INFLATION	7.44%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	4.94%	NPR 254.99 billion
<i>Loan Growth</i>	2.42%	NPR 113.75 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 3697.28 billion (<i>liquidity injected through standing liquidity facility NPR 2720.48 billion, Repo NPR 281.5 billion, outright purchase NPR 83.85 billion and Overnight Liquidity Facility NPR 515.670</i>)	
F. Balance of Payment Position	NPR 148.11 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	14.82%	\$ 6092.60 million
<i>In NPR Terms</i>	25.30%	NPR 794.32 billion

A. NEPSE and Ratio of Market Cap to GDP

The NEPSE index at Mid-Mar 2023 declined by 26.80% percent to close at 1953.06 points, compared to 2,668.12 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3,782.79 billion in Mid-Mar 2022 to NPR 2,823.676 billion in Mid-Mar 2023.



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



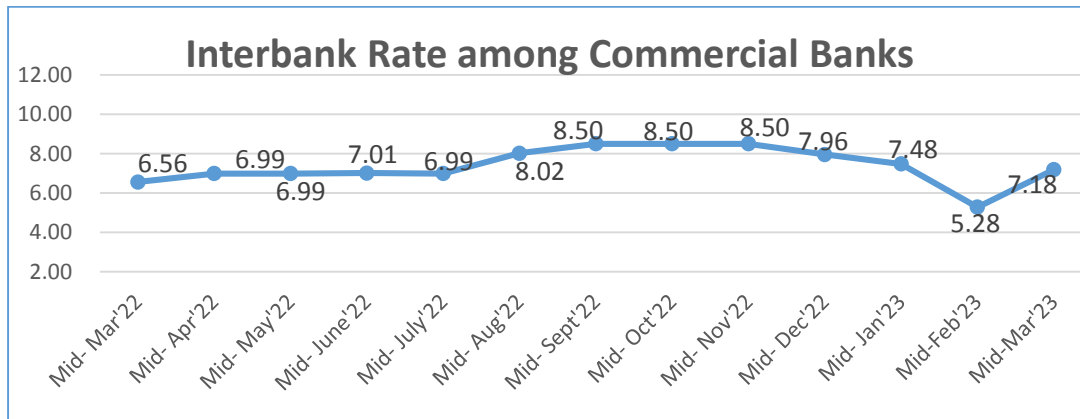
**GDP at Current Price*

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.

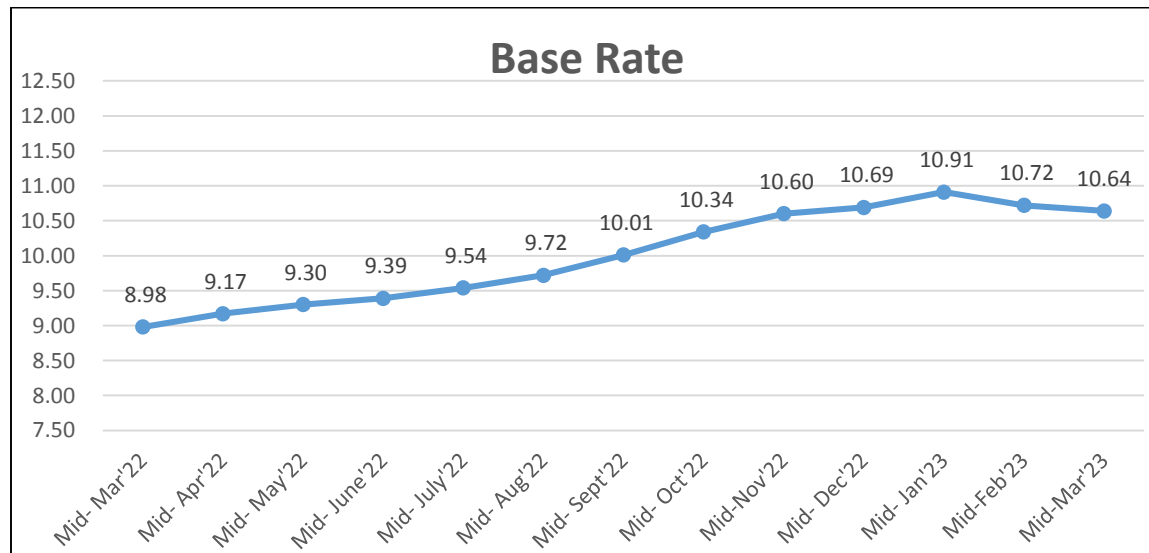
Interbank Rate

The interbank rate of commercial banks was 1.26 percent in Mid-Mar, 2021 which has been gradually increasing since then and has reached to 7.18 percent in Mid-Mar, 2023 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 6.56 percent.



Base Rate

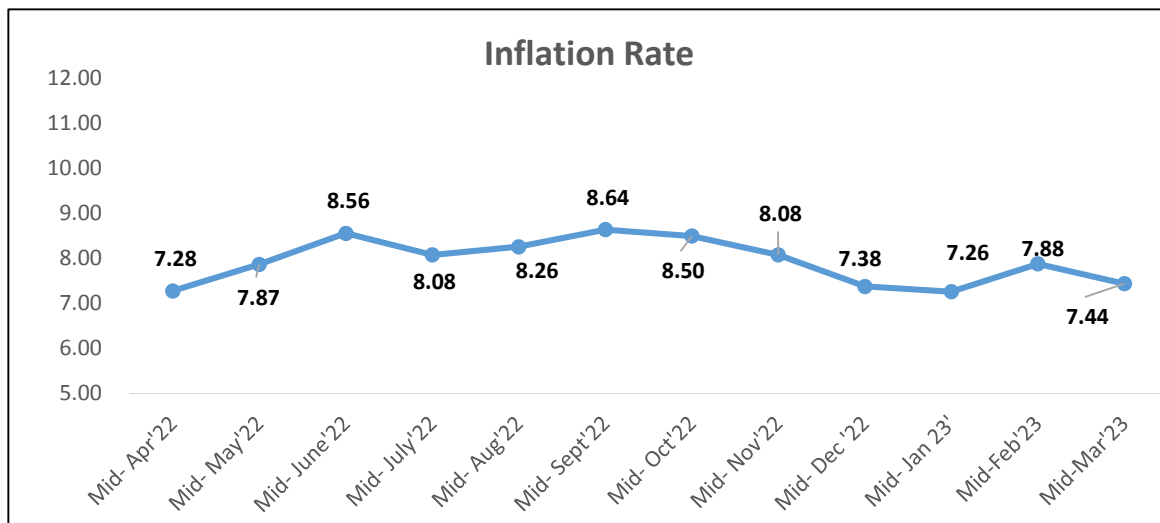
The base rate of commercial banks stands at 10.64 percent in Mid-Mar, 2023 compared to 8.98 percent a year ago. This has set the weighted average lending rate at 13.03 percent. On the other hand, the weighted average deposit rate stands at 8.37 percent. Such rates were 10.60 percent and 6.93 percent respectively in the corresponding month of the previous year.



C. INFLATION RATE

The consumer price inflation which was 7.14 percent a year ago which has increased to 7.44 percent in Mid-Mar,2023. Under the food and beverage category, y-o-y price index of restaurant & hotel sub-category increased 14.09 percent, cereal grains & their products 14.35 percent, tobacco products 10.83 percent, alcoholic drinks 8.78 percent, and spices 10.88 percent.

In the non-food and services category, y-o-y price index of transportation subcategory increased 13.23 percent, health 10.39 percent, housing & utilities 9.72 percent, furnishing & household equipment 8.79 percent and recreation & culture 8.81 percent.

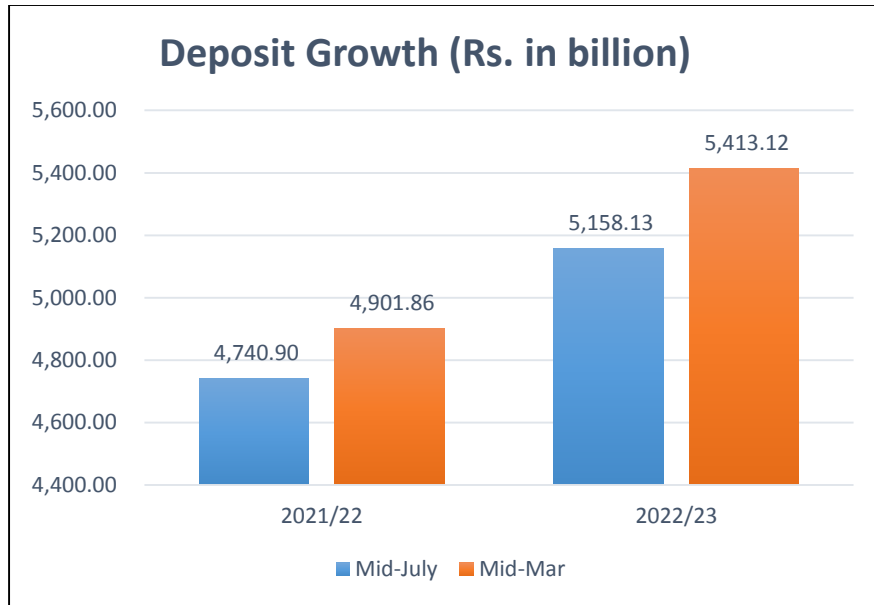


D. DEPOSIT AND LENDING GROWTH

Deposit Growth: The deposits of BFI's as at Mid-Mar 2023 increased by 4.94 percent to NPR 5,413.12 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 7.9 percent, 25.7 percent and 59.9 percent respectively in mid- March 2023. Such shares were 8.4 percent, 29.2 percent and 55.5 percent respectively a year ago.

Rs. in billion

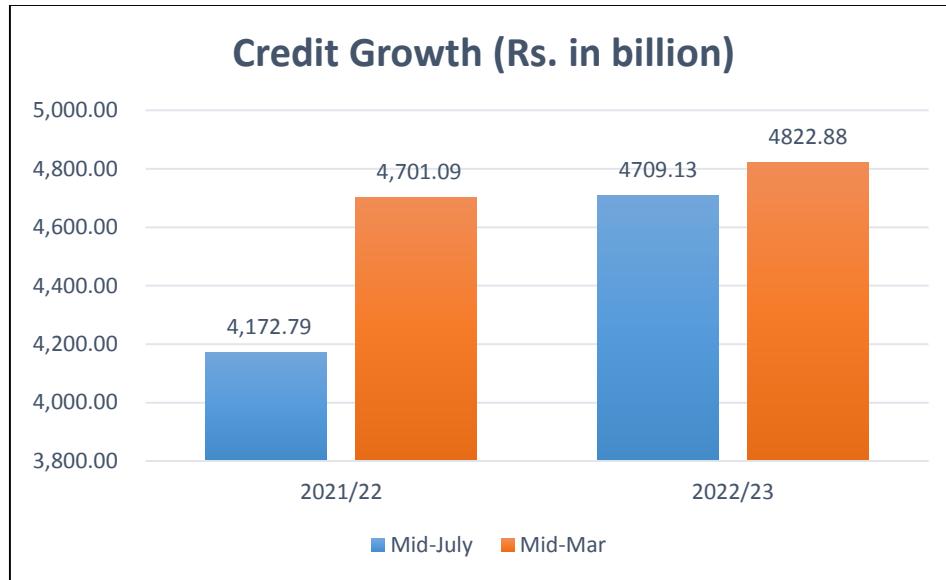
Year	Mid-July	Mid-Mar	% Change
2021/22	4,740.90	4,901.86	3.40%
2022/23	5,158.13	5,413.12	4.94%



Credit Growth: The credit disbursement of BFI's as at Mid-Mar 2023 increased to NPR 4,822.88 billion by 2.42 percent, compared to NPR 4,709.13 billion in Mid-July 2022. The growth during the same period last year was 12.66 percent, outstanding loan of BFIs to the agricultural sector increased 5.9 percent, industrial production sector 7.3 percent, construction sector 5.9 percent, transportation, communication and public sector 10.1 percent, wholesale & retail sector 3.0 percent, service industry sector 5.9 percent and consumable sector by 1.6 percent.

Rs. in billion

Year	Mid-July	Mid-Mar	% Change
2021/22	4,172.79	4,701.09	12.66%
2022/23	4,709.13	4,822.88	2.42%



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2022/23

Details	Mid-Mar	
	2021/22	2022/23
A. Liquidity Injection	5,070,764.21	3,697,281.72
1. Repo	270,000.00	281,500.00
2. Outright Purchase	55,915.90	83,850.00
3. Repo Auction *	123,365.00	95,772.60
4. Standing Liquidity Facility	4,621,483.31	2,720,488.30
5. Overnight Liquidity Facility	-	515,670.82
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 (-)	5,010,764.21	3,692,281.72

* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs. Rs.3697.281 billion liquidity of which Rs.377.27 billion was through repo, Rs.83.85 billion through outright purchase auction and Rs.2720.48 billion through standing liquidity facility (SLF) and Rs.515.67 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.482.53 billion through the net purchase of USD 3.70 billion from foreign exchange market. Liquidity of Rs.147.14 billion was injected through the net purchase of USD 1.22 million in the corresponding period of the previous year.

FISCAL SITUATION

Fiscal Deficit/Surplus

In the first Eight month of 2022/23, total revenue collected by the government till Mid-Mar 2023 is Rs.582.77 billion which is 14.89 % lower as compared with the corresponding year of the previous fiscal year. The total expenditure of the government till Mid-March 2023 is Rs.779.23 billion which is 15.4 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	675,297.0	684,699.4
2022/23	779,230.1	582,771.2
Y-O-Y Growth	15.39%	-14.89%

F. BALANCE OF PAYMENT POSITION

(Rs. in million)

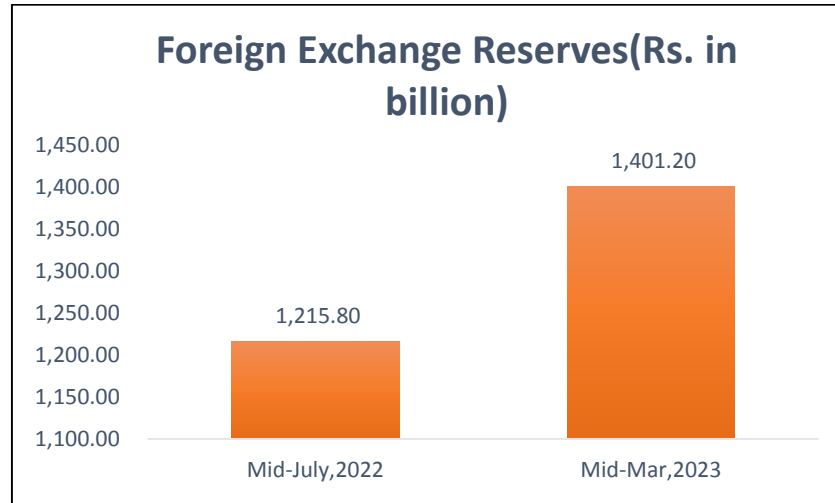
Particulars		2020/21	2021/22	2022/23
		Eight Months	Eight Months	Eight Months
A	Current Account	(151,419.18)	(460,714.98)	(44,307.92)
B	Capital Account (Capital Transfer)	11,908.93	6,999.46	5,577.45
C	Financial Account (Excluding Group E)	116,704.48	175,546.19	130,583.18
	BOP (Surplus)	(68,009.66)	258,638.28	(148,107.77)

The country's BOP position is at surplus in the first Eight month of FY 2022/23 by NPR 148.10 billion in the review period compared to a deficit of Rs.258.638 billion during the same period last year. On the other hand, The current account remained at a deficit of Rs. 44.30 billion in the review period compared to a deficit of Rs 460.714 billion in the same period of the previous year.

In the review period, capital transfer decreased 20.3 percent to Rs.5.57 billion and net foreign direct investment (FDI) remained Rs.1.17 billion. In the same period of the previous year, capital transfer and net FDI amounted to Rs.7 billion and Rs.16.30 billion respectively.

G. Foreign Exchange Reserve

Gross foreign exchange reserves increased 15.2 percent to Rs.1401.21 billion in Mid-March 2023 from Rs.1215.80 billion in Mid-July 2022.



Of the total foreign exchange reserves, reserves held by NRB increased 17.8 percent to Rs.1244.94 billion in mid-March 2023 from Rs.1056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) decreased 2 percent to Rs.156.27 billion in mid-March 2023 from Rs.159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 23.9 percent in mid-March 2023.

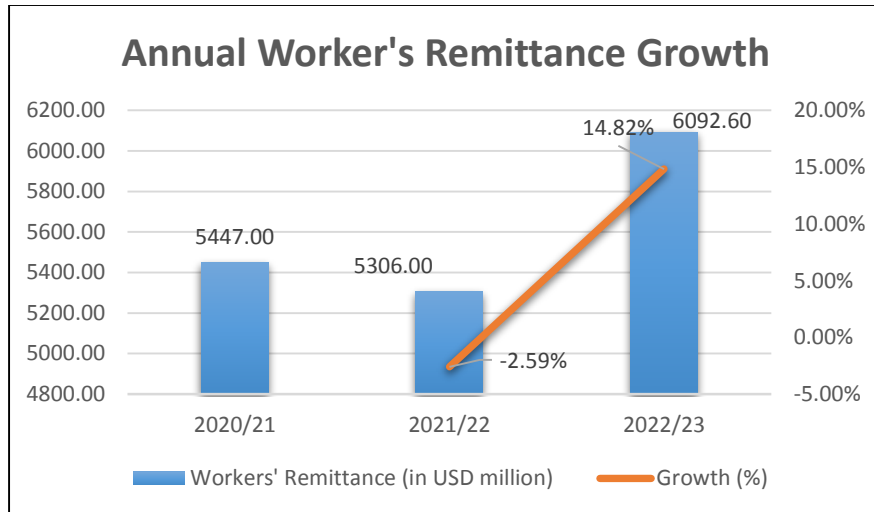
Based on the imports of eight months of 2022/23, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 10.9 months, and merchandise and services imports of 9.4 months. The ratio of reserves-to-GDP, reserves-toimports and reserves-to-M2 stood at 28.9 percent, 78.5 percent and 24.2 percent respectively in mid-March 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:

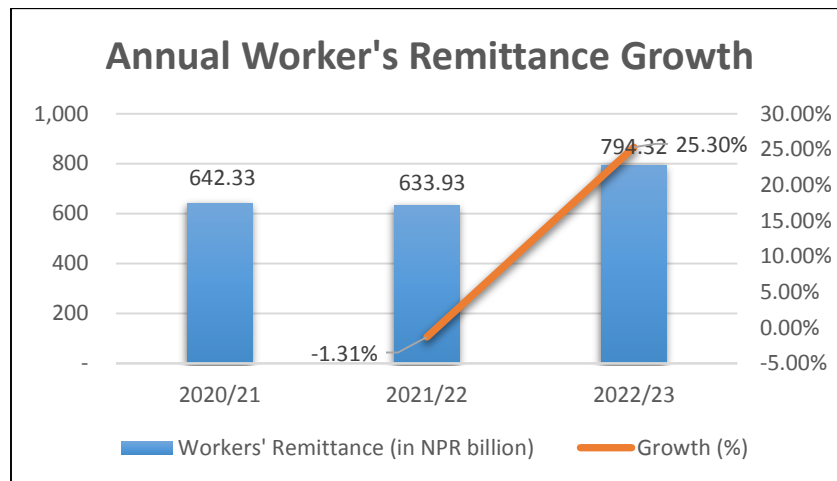
Remittance in Dollar Terms

In US Dollar terms, the workers' remittance increased by 14.82 percent amounting to 6092.60 million in FY 2022/23 compared to a decrease of 2.59 percent in the review period.



Remittance in NPR terms

On the other hand, in NPR terms, the workers' remittance increased by 25.30 percent amounting to 794.32 billion in FY 2022/23 compared to a fall of 1.31 percent in the review period.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 54.3 percent to 351,761 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 8.0 percent to 192,559 in the review period. It had increased 240.9 percent in the same period of the previous year.