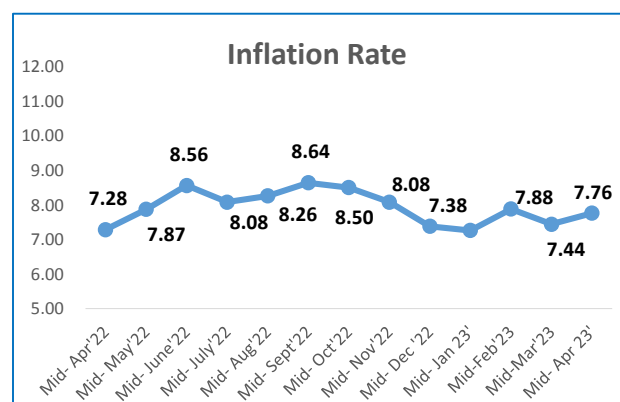
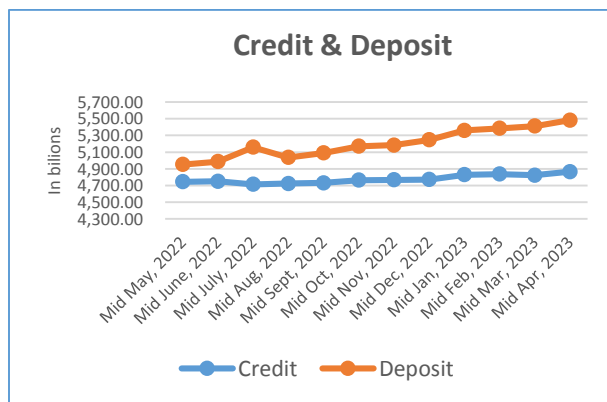
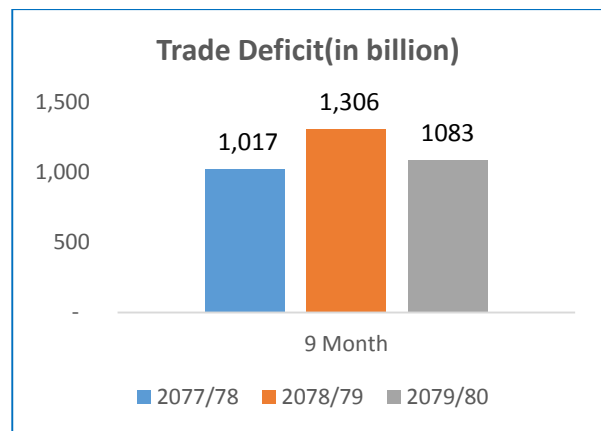
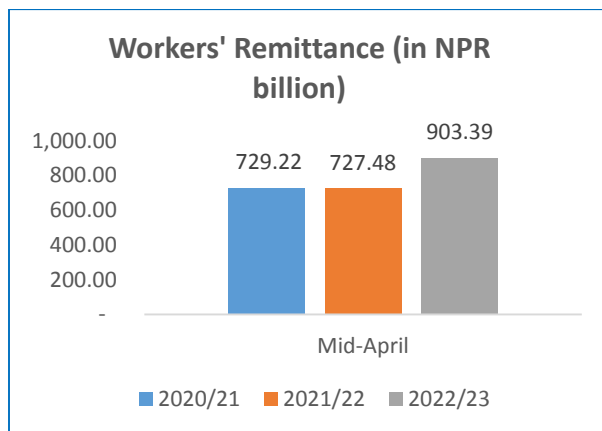
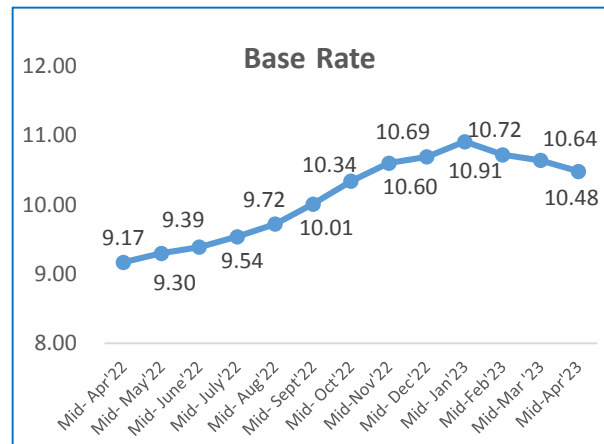
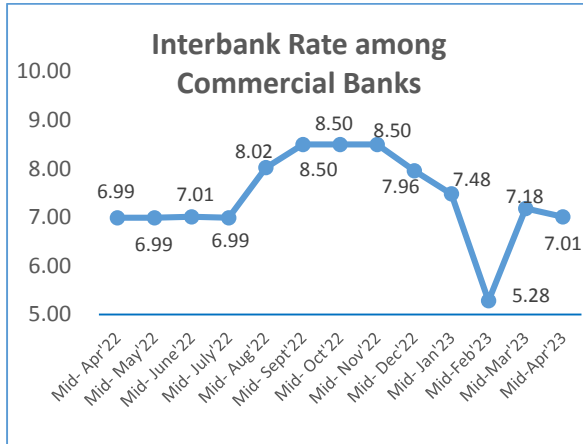


# MACROECONOMIC SITUATION OF NEPALESE ECONOMY

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



## Current Global Macroeconomic Situation

### **Why the European Union is opening a Silicon Valley 'embassy'**

The European Union is opening a new office in California's Silicon Valley, giving European regulators direct access to major digital technology companies—and vice versa. The office, officially opening 1 September, comes as the EU prepares to implement two landmark technology regulations: the Digital Markets Act (DMA) and the Digital Services Act (DSA). Both pieces of legislation, set to go into effect this autumn, are expected to have global implications and influence how tech giants like Meta and Google operate around the world. "The office will strengthen the EU's capacity to reach out to key public and private stakeholders, including policy-makers, the business sector and civil society in the digital technology sector," said Charles Manoury, a spokesperson for the European Commission. The office will be led by Gerard de Graaf, the European Commission's director of digital economy and a longtime EU official focusing on cybersecurity and digital policy. It will be located in the city of San Francisco and operate under the authority of the EU delegation in Washington, DC.

<https://www.weforum.org/agenda/2022/08/why-the-european-union-is-opening-a-silicon-valley-embassy/>

### **Asia Pacific's healthcare revolution starts with the WHO resolution on diagnostics**

Each May, representatives from the 194 member states of the World Health Organization (WHO) gather during the World Health Assembly (WHA) in Geneva to endorse resolutions and set big-picture goals for the organization, its leaders and its stakeholders. This year, Eswatini – one of the smallest countries in Africa – tabled a resolution that included calls for member states to strengthen diagnostics capacity through the establishment of a national diagnostics strategy, developing a national essential diagnostics list and investing in developing a skilled workforce at all levels of the health system. Diagnostics influence up to 70% of clinical decisions yet account for less than 1% of healthcare expenditures.

<https://www.weforum.org/agenda/2023/05/asia-pacific-s-healthcare-revolution-starts-with-the-who-resolution-on-diagnostics/>

### **US banking industry shifts from crisis management to addressing growth challenges**

After the collapse of two U.S. banks and record outflows from smaller lenders, the banking industry is shifting its concern from an immediate crisis to a medium-term worry: economic growth. Deposits held by small U.S. banks dropped by a record \$119 billion to \$5.46 trillion after the collapse of Silicon Valley Bank on March 10, according to data released Friday by the Federal Reserve. "We expect stress in the banking system to weigh on credit growth, which will in turn reduce real GDP growth," Goldman Sachs analysts led by chief economist Jan Hatzius wrote in a note, referring to gross domestic product. Financial markets remain unsettled by the lack of clarity on the government willingness to guarantee customer deposits, Hatzius wrote.

<https://www.weforum.org/agenda/2023/04/us-banking-industry-shifts-from-crisis-management-to-addressing-growth-challenges/>

### **Record clean-power growth in 2023 to spark ‘new era’ of fossil fuel decline**

The power sector is about to enter a “new era of falling fossil generation” as coal, oil and gas are pushed out of the grid by a record expansion of wind and solar power, according to new analysis by climate think tank Ember. Wind and solar power reached a record 12% of global electricity generation last year, according to Ember’s global electricity review 2023. This drove up the overall share of low-carbon electricity to almost 40% of total generation. With even faster growth set to continue this year, Ember says 2022 is likely to mark a “turning point” when global fossil fuel electricity generation peaked and began to fall. The think tank forecasts that, by the end of 2023, more than 100% of the growth in electricity demand will be covered by low-carbon sources. Experts broadly agree that global electricity generation needs to be completely decarbonised by 2040 if the world is to stay on track for its climate targets.

<https://www.weforum.org/agenda/2023/04/record-clean-power-growth-in-2023-to-spark-new-era-of-fossil-fuel-decline/>

### **Here's how inflation in the Eurozone could change in 2023**

In 2022, the annual inflation rate hit a record level (8.4%) since the Eurozone’s creation in 1999, mostly because of disruptions in the global supply chain and by the energy crisis provoked by the conflict in Ukraine. Now the question that must be asked is whether inflation rates will rise or fall in 2023 and beyond. Indeed, a few factors seem to suggest that the European Central Bank’s (ECB) inflation target of 2% could be reached if other circumstances don’t intervene to maintain it at high levels. A decrease in the prices of raw materials could suggest that inflation will slow down. After inflation peaked at 10.6% (year-over-year) in October 2022, the most recent data in January showed a decrease to 8.5%. The fall in raw material prices after historic highs is an important reason why prices are rising more slowly. Indeed, food, living and energy costs make up 35% of the global Harmonised Index of Consumer Prices (HICP).

<https://www.weforum.org/agenda/2023/02/inflation-eurozone-could-change-2023/>

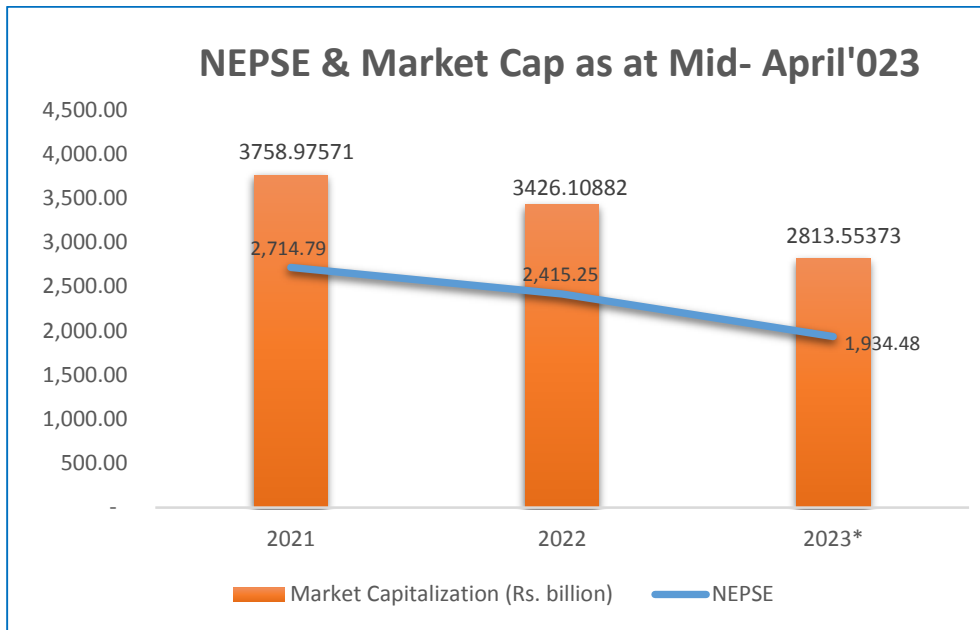
## Summary of Ninth Month Macroeconomic Situation F/Y 2022/23

This macroeconomic report is prepared based on Ninth 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:

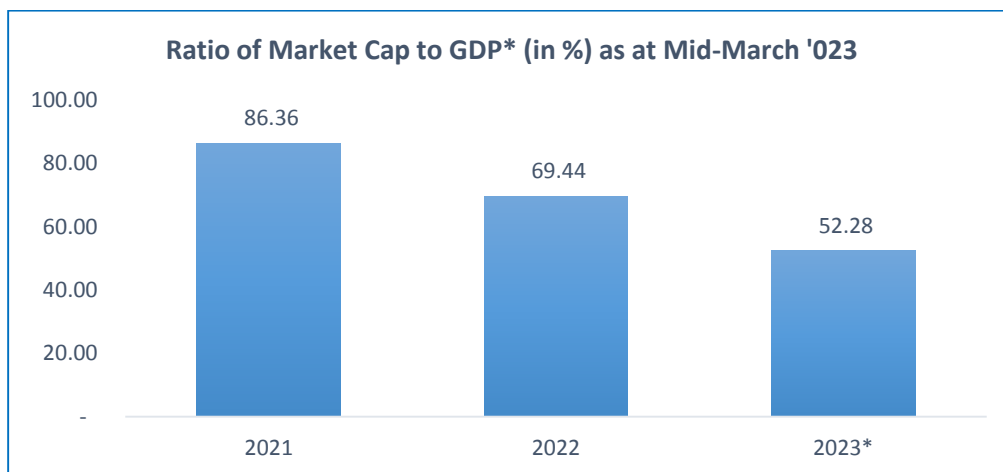
Head	Details	Amount
A. NEPSE	1934.48 points as on Mid-Apr-2023 2415.25 points as on Mid-Apr-2022	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	7.00%	
<i>Base Rate</i>	10.48%	
C. INFLATION	7.76%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	1.31%	NPR 355.89 billion
<i>Loan Growth</i>	0.87%	NPR 205.11 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>		
<i>Liquidity Injection</i>	NPR 4449.08 billion ( <i>liquidity injected through standing liquidity facility NPR 2726.81 billion, Repo NPR 316.5 billion, outright purchase NPR 89.7 billion and Overnight Liquidity Facility NPR 1218.62</i> )	
F. Balance of Payment Position	NPR 180.17 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	13.91%	\$ 6920.73 million
<i>In NPR Terms</i>	24.18%	NPR 903.39 billion

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

The NEPSE index at Mid-Apr 2023 declined by 19.91% percent to close at 1934.48 points, compared to 2,415.25 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3,426.10 billion in Mid-Apr 2022 to NPR 2,813.55 billion in Mid-Apr 2023.



On the other hand, the ratio of Market capitalization of NEPSE to GDP at Mid-Apr 2023 has decreased to 52.28 percent compared to 69.44 percent in the last year during the same review period.



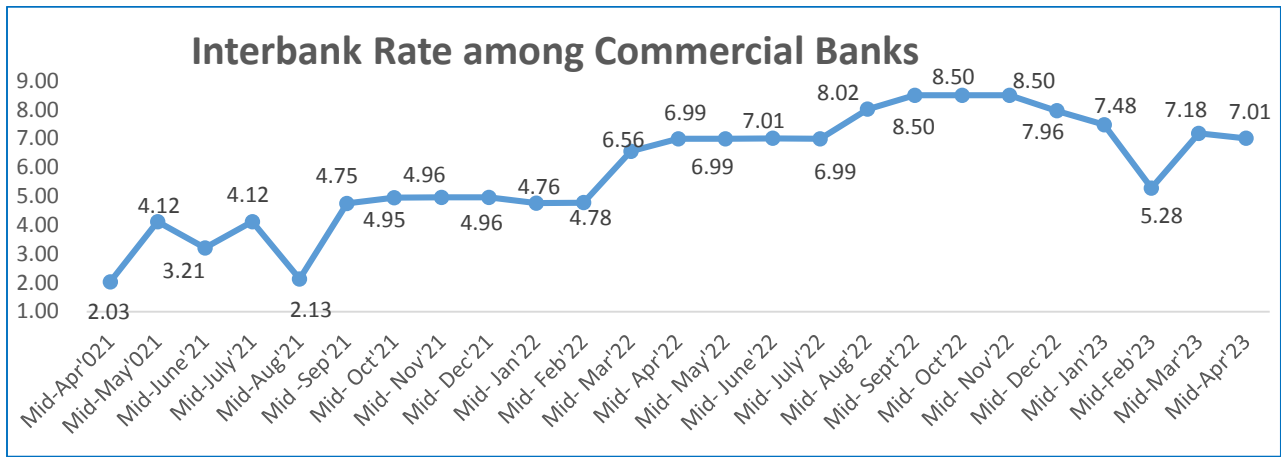
*\*GDP at Current Price*

## 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.

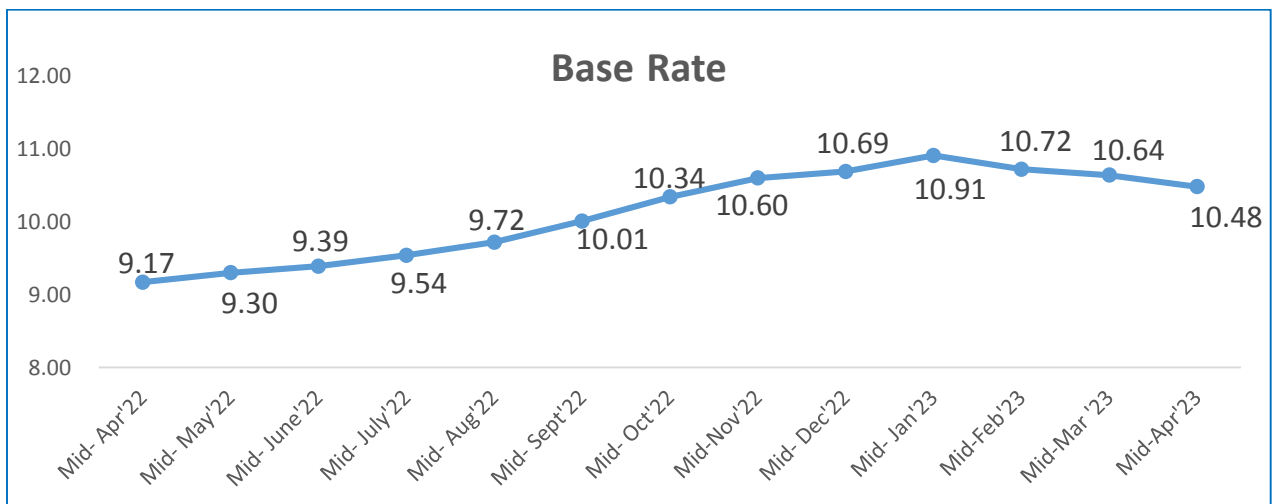
### *Interbank Rate*

The interbank rate of commercial banks was 2.03 percent in Mid-Apr, 2021 which has been gradually increasing since then and has reached to 7.01 percent in Mid-Apr, 2023 indicating tightening of liquidity in the banking system. The interbank rate during the same period a year ago stood at 6.99 percent.



### *Base Rate*

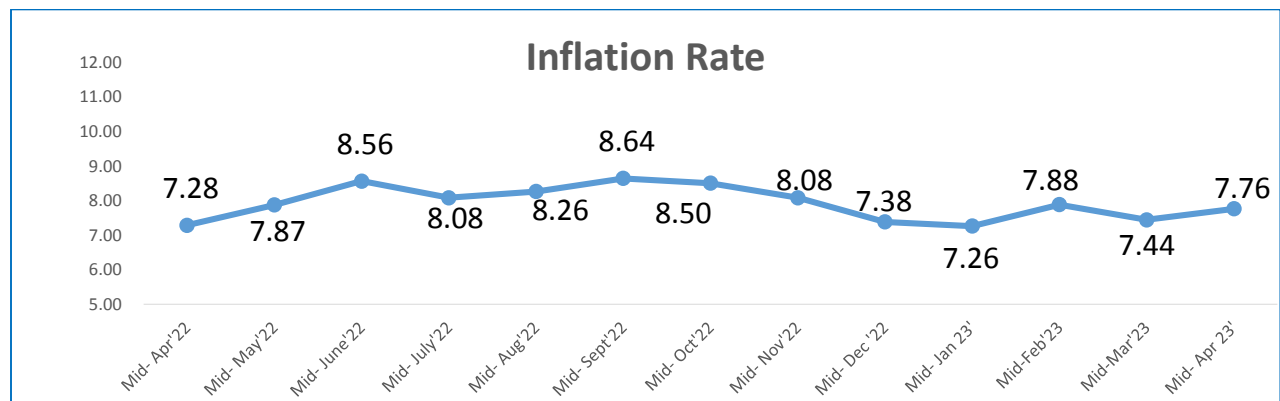
The base rate of commercial banks stands at 10.48 percent in Mid-Apr, 2023 compared to 9.17 percent a year ago. This has set the Weighted average lending rate at 12.84 percent. On the other hand, the Weighted average deposit rate stands at 8.26 percent. Such rates were 10.78 percent and 7.11 percent respectively in the corresponding month of the previous year.



### C. INFLATION RATE

The y-o-y consumer price inflation remained at 7.76 percent in mid-April 2023 compared to 7.28 percent a year ago. Food and beverage inflation stood at 6.93 percent whereas non-food and service inflation rose to 8.42 percent in the review month. Under the food and beverage category, y-o-y price index of restaurant & hotel sub-category increased 14.68 percent, spices 14.67 percent, cereal grains & their products 13.72 percent, fruit 11.00 percent and tobacco products 10.83 percent.

Under the non-food and services category, y-o-y price index of health sub-category increased 10.39 percent, housing & utilities 9.54 percent, recreation & culture 8.81 percent, furnishing & household equipment 8.74 percent, and education 8.67 percent.

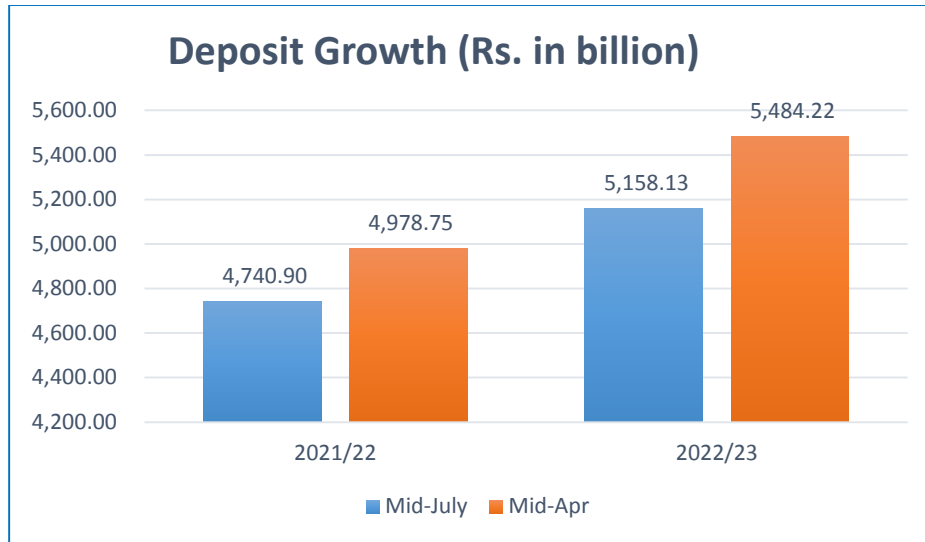


### D. DEPOSIT AND LENDING GROWTH

**Deposit Growth:** Deposits at Banks and Financial Institutions (BFIs) increased Rs.355.89 billion (7.0 percent) in the review period compared to an increase of Rs.236.23 billion (5.1 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 11.0 percent in mid-April 2023. The share of Demand, savings and Fixed Deposits in total deposits stands at 8.0 percent, 25.7 percent and 60.1 percent respectively in Mid-April 2023. Such shares were 8.7 percent, 28.7 percent and 56.1 percent respectively a year ago.

Rs. in billion

Year	Mid-July	Mid-Apr	% Change
2021/22	4740.90	4978.75	5.02%
2022/23	5158.13	5484.22	6.32%

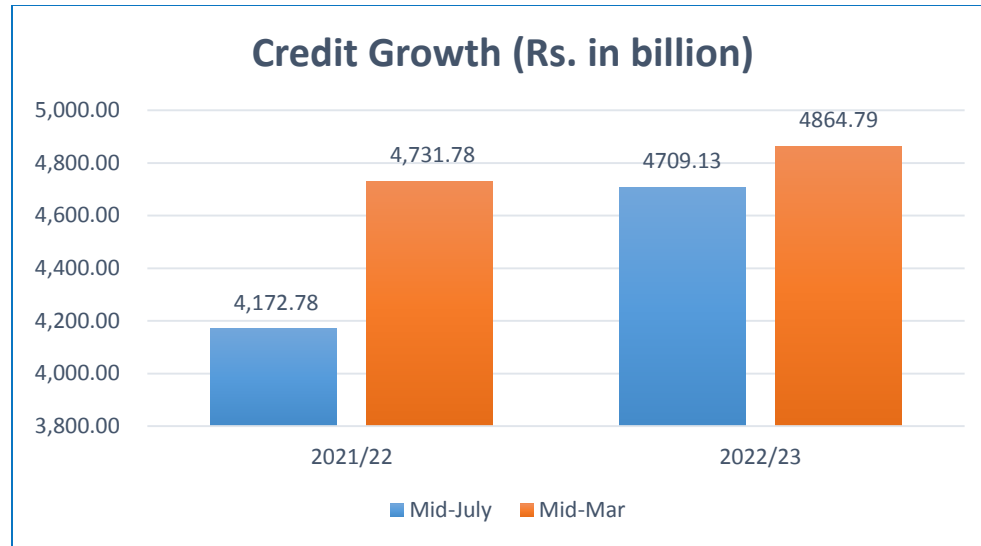


**Credit Growth:** Private sector credit from BFIs increased Rs.161.98 billion (3.5 percent) in the review period compared to an increase of Rs.550.64 billion (13.5 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 3.2 percent in mid-April 2023. The shares of private sector credit from BFIs to non-financial corporation and household stand at 64.1 percent and 36.7 percent respectively in mid-April 2023. Such shares were 63.3 percent and 37.1 percent a year ago. In the review period, private sector credit from commercial banks, development banks and finance companies increased 3.4 percent, 4.7 percent and 1.1 percent respectively.

*Rs. in billion*

Year	Mid-July	Mid-Mar	% Change
2021/22	4172.784988	4731.775176	13.40%
2022/23	4709.13005	4864.791923	3.31%





## E. LIQUIDTY MANAGEMENT

### *Summary of Monetary Operation during FY 2022/23*

Details	Mid-Apr	
	2021/22	2022/23
<b>A. Liquidity Injection</b>	<b>6,242,720.31</b>	<b>4,449,085.09</b>
1. Repo	270,000.00	316,500.00
2. Outright Purchase	55,915.90	89,700.00
3. Repo Auction *	143,049.60	97,442.60
4. Standing Liquidity Facility	5,773,754.81	2,726,814.30
5. Overnight Liquidity Facility <sup>#</sup>	-	1,218,628.19
<b>B. Liquidity Absorption</b>	<b>60,000.00</b>	<b>5,000.00</b>
1. Reverse Repo	28,350.00	5,000.00
2. Outright Sale	-	-
3. Deposit Collection Auction	31,650.00	-
4. Deposit Collection Auction *	-	-
<b>C. Net Liquidity Injection (+) / Absorption (-)</b>	<b>6,182,720.31</b>	<b>4,444,085.09</b>

\* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs.4449.09 billion liquidity on turnover basis of which Rs.413.94 billion was through repo, Rs.89.70 billion through outright purchase auction, Rs.2726.81 billion through standing liquidity facility (SLF) and Rs.1218.63 billion through Overnight Liquidity Facility (OLF). During the period, the NRB absorbed Rs.5 billion liquidity through reverse repo auction. In the corresponding period of the previous year, Rs.5182.72 billion net amount of liquidity was injected through various instruments. 50. In the

review period, NRB injected liquidity of Rs.557.81 billion through the net purchase of USD 4.27 billion from foreign exchange market. Liquidity of Rs.203.09 billion was injected through the net purchase of USD 1.68 million in the corresponding period of the previous year. The NRB purchased Indian currency (INR) equivalent to Rs.462.14 billion through the sale of USD 3.54 billion in the review period.

## FISCAL SITUATION

### *Fiscal Deficit/Surplus*

During the nine months of 2022/23, total expenditure of the federal government according to data of Financial Comptroller General Office (FCGO), Ministry of Finance, stood at Rs.943.05 billion. The recurrent expenditure, capital expenditure and financial management expenditure amounted to Rs.706.77 billion, Rs.107.24 billion and Rs.129.04 billion respectively in the review period.

	Rs. in million	
	Govt. Exp. (Cash Basis)	Govt. Revenue
2021/22	794,256.0	789,260.4
2022/23	943,051.6	683,805.9
<b>Y-O-Y Growth</b>	<b>18.73%</b>	<b>-13.36%</b>

## F. BALANCE OF PAYMENT POSITION

(Rs. in million)

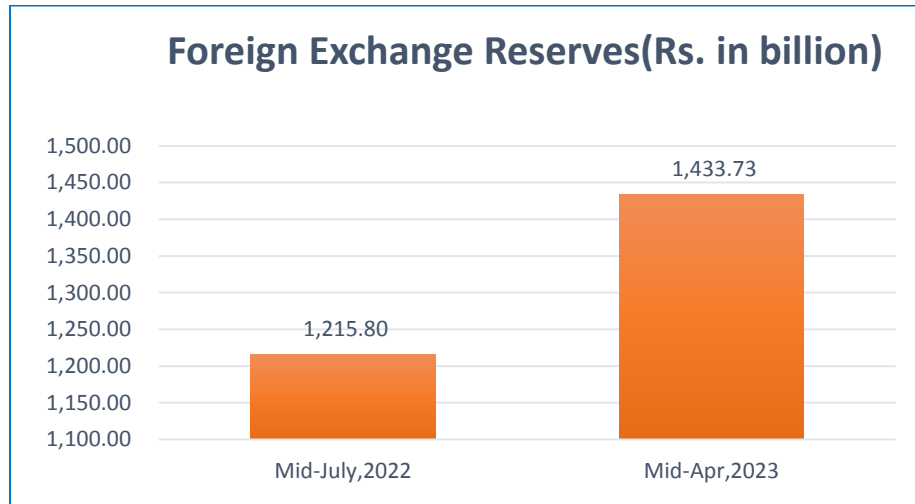
Particulars		2020/21	2021/22	2022/23
		Nineth Months	Nineth Months	Nineth Months
A	Current Account	(210,513.39)	(510,578.32)	(51,818.90)
B	Capital Account (Capital Transfer)	12,859.33	7,775.22	5,911.02
C	Financial Account (Excluding Group E)	147,386.84	203,906.89	169,482.79
	<b>BOP ( Surplus )</b>	<b>(42,536.73)</b>	<b>268,256.67</b>	<b>(180,171.03)</b>

\*P = Provisional

Balance of Payments (BOP) remained at a surplus of Rs.180.17 billion in the review period compared to a deficit of Rs.268.26 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 1.37 billion in the review period against a deficit of 2.25 billion in the same period of the previous year. The current account remained at a deficit of Rs.51.82 billion in the review period compared to a deficit of Rs.510.58 billion in the same period of the previous year. In the US Dollar terms, the current account registered a deficit of 402.8 million in the review period compared to deficit of 4.27 billion in the same period last year.

## G. Foreign Exchange Reserve

Gross foreign exchange reserves increased 17.9 percent to Rs.1433.73 billion in mid-April 2023 from Rs.1215.80 billion in mid-July 2022. In the US dollar terms, the gross foreign exchange reserves increased 14.8 percent to 10.94 billion in mid-April 2023 from 9.54 billion in mid-July 2022.



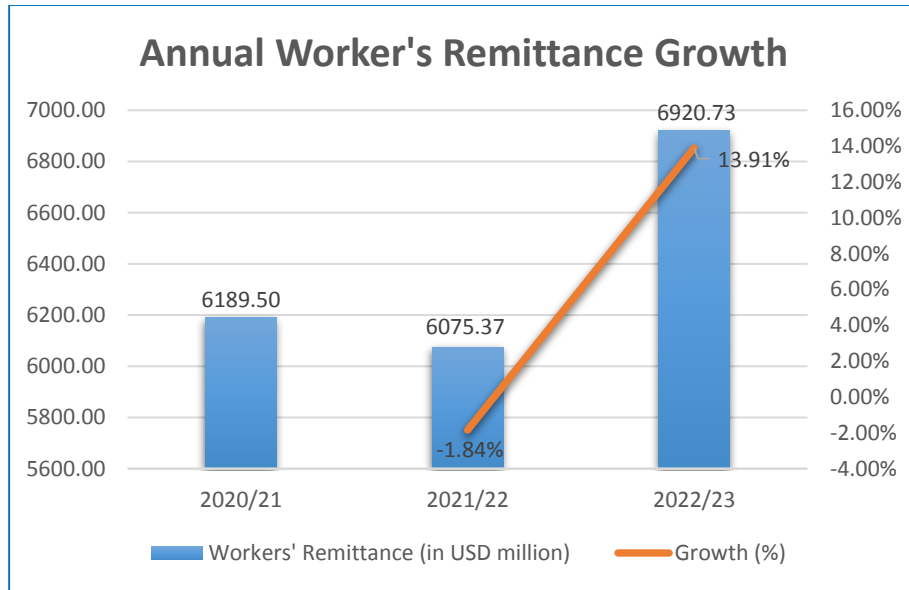
Of the total foreign exchange reserves, reserves held by NRB increased 20.6 percent to Rs.1273.99 billion in mid-April 2023 from Rs.1056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) increased 0.2 percent to Rs.159.74 billion in mid-April 2023 from Rs.159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 23.1 percent in mid-April 2023.

## 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:

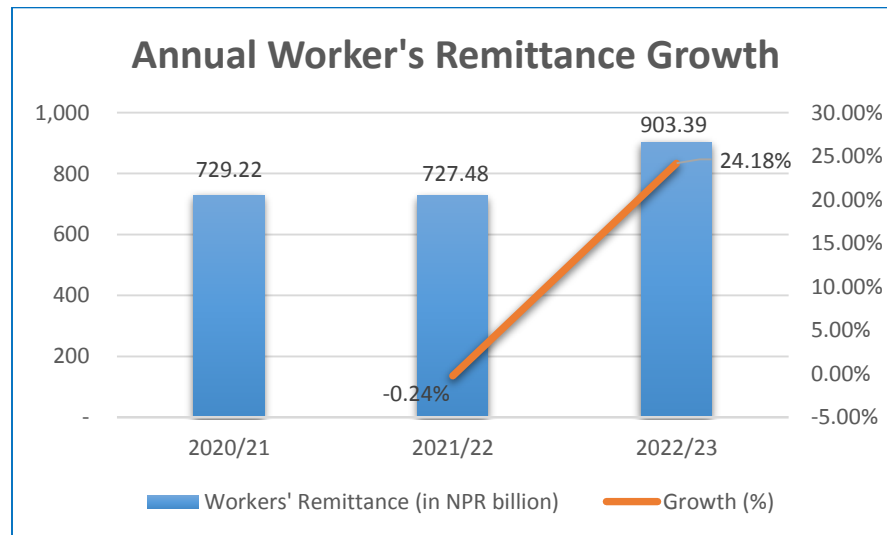
### *Remittance in Dollar Terms*

In US Dollar terms, the workers' remittance increased by 13.91 percent amounting to 6920.73 million in FY 2022/23 compared to a decrease of 1.84 percent in the review period.



### *Remittance in NPR terms*

On the other hand, in NPR terms, the workers' remittance increased by 24.18 percent amounting to 903.39 billion in FY 2022/23 compared to a fall of 0.24 percent in the review period.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 51.5 percent to 387,839 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 5.5 percent to 217,959 in the review period. It had increased 199.9 percent in the same period of the previous year. Net transfer increased 22.8 percent to Rs.996.88 billion in the review period. Such a transfer had decreased 0.4 percent in the same period of the previous year.