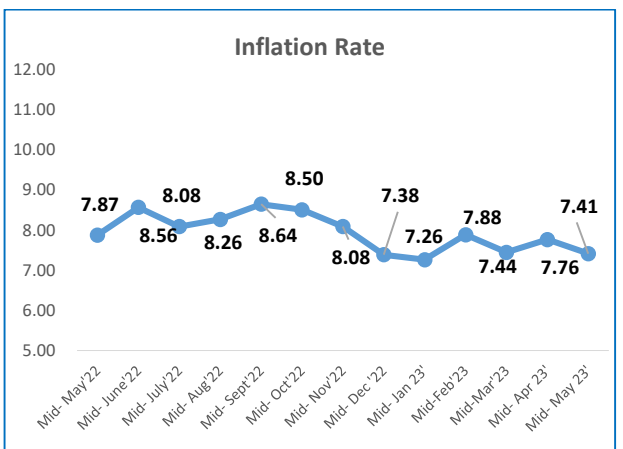
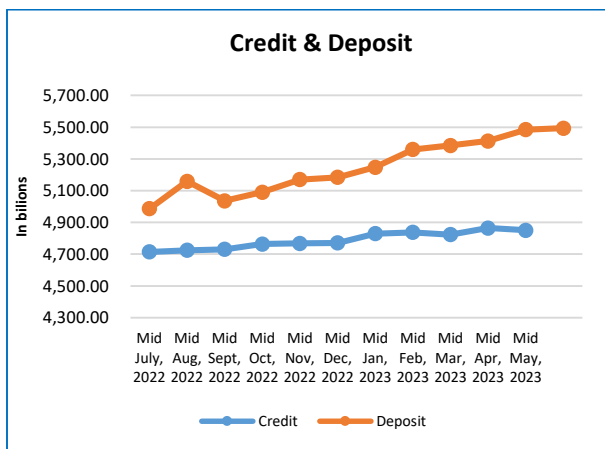
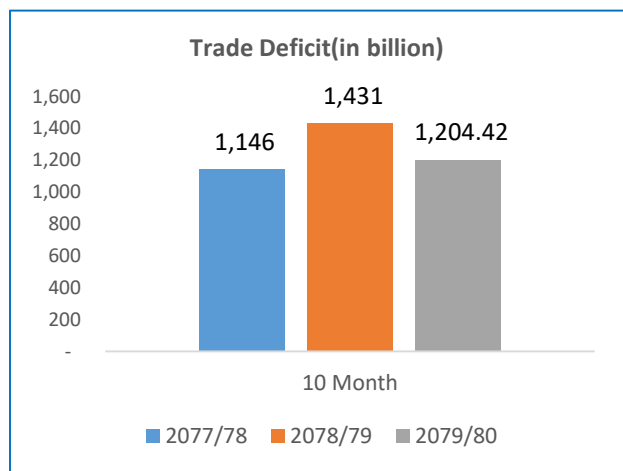
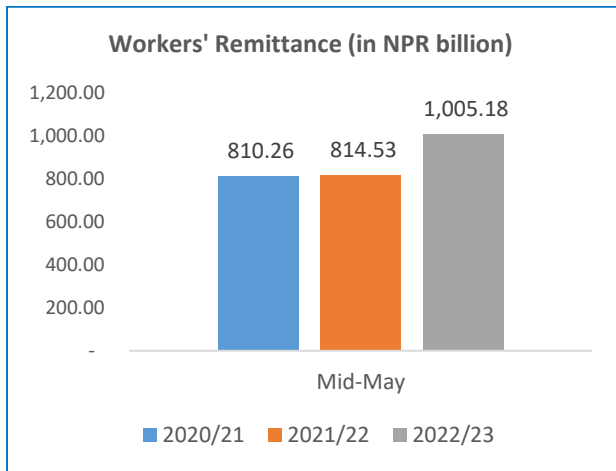
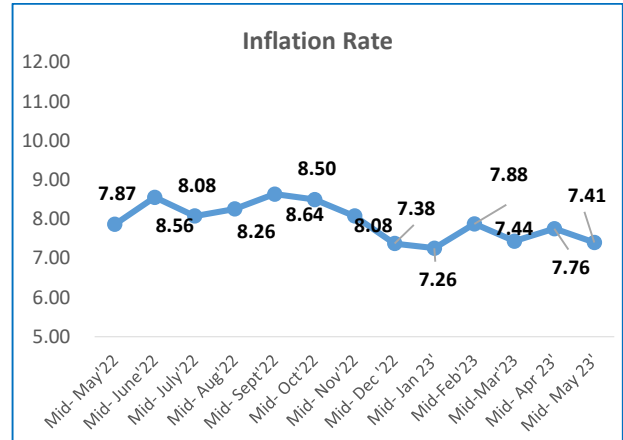
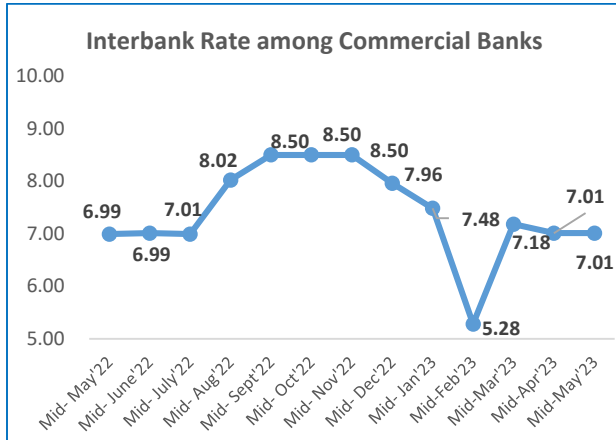


MACROECONOMIC SITUATION OF NEPALESE ECONOMY

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



Current Global Macroeconomic Situation

Spike in US Corporate Bankruptcies, Number of Filings Highest in Over a Decade

Corporate bankruptcies in the United States rose in May, based on the latest reports, with the first five months of 2023 seeing the highest number of filings since 2010. There were 54 corporate bankruptcy filings in May, up from 52 in April, according to a June 6 report published by S&P Global. In the first five months of 2023, there have been 286 corporate bankruptcy filings, more than double the 138 filings seen during the first five months of 2022. This is also the highest number of filings for a January to May period since 2010, when 402 filings were recorded. Consumer discretionary companies accounted for the most number of bankruptcy filings so far this year, with 37 filings in the sector. This was followed by industrials with 31 bankruptcy filings, healthcare with 25, financials with 22, and energy with 11 filings. Consumer staples and information technology saw 10 corporate filings each. Communication services had six filings, while utilities, materials, and real estate sectors registered three each. The largest bankruptcies in 2023 so far were Envision Healthcare, Kidde-Fenwal, Monitronics International, Whittaker Clark & Daniels, Bed Bath & Beyond, LTL Management, SVB Financial Group, Diamond Sports Group, Avaya, Serta Simmons Bedding, and Party City Holdco, with each of these bankruptcies carrying over \$1 billion in liabilities.

https://www.theepochtimes.com/spike-in-us-corporate-bankruptcies-number-of-filings-highest-in-over-a-decade_5325381.html

China's Producer Price Inflation Falls 4.6 Percent in May Amid Overall Deflation Risk

China's Producer Price Index (PPI) fell for the eighth straight month in May, fortifying concerns about the economy slipping into a deflationary situation. Data from China's National Bureau of Statistics show that the country's PPI for May declined by 4.6 percent year over year, according to Reuters. This is the eighth consecutive monthly decline and the fastest fall since February 2016. PPI measures inflation from the viewpoint of producers. This is in contrast to the Consumer Price Index (CPI), which measures inflation from the viewpoint of consumers. The continuous decline in PPI has some experts worried about the possibility of deflation.

https://www.theepochtimes.com/chinas-producer-price-inflation-falls-4-6-percent-in-may-amid-overall-deflation-risk_5323879.html

Alternative Payment Systems Pose 'Long-Term Threat' to US Dollar Supremacy, Experts Warn

A potential long-term threat to the U.S. dollar as the chief global reserve currency is the increase and expansion of alternative cross-border payment systems, including the ones developed by China and Russia, according to a panel of experts. Countries worldwide, especially adversaries to the U.S. government, have been developing a wide range of cross-border payment systems. While many of these efforts have yet to mirror the size of Western structures, they could pose a serious challenge in the long run.

https://www.theepochtimes.com/alternative-payment-systems-pose-long-term-threat-to-us-dollar-supremacy-experts-warn_5322761.html

US trade deficit widens to 6-month high, expected to dent economic growth

The U.S. trade deficit widened by the most in eight years in April as imports of goods rebounded while exports of energy products declined, a trend that if sustained, could result in trade being a drag on economic growth in the second quarter. The increase reported by the Commerce Department was the biggest since April 2015 and pushed the trade gap to the highest level in six months. It led economists to expect that trade could chop off as much as 2.5 percentage points from gross domestic product this quarter, unless imports reversed course, a tall order given the persistent strength in domestic demand. A strong dollar and slowing global demand could curb exports. The trade deficit jumped 23.0% to \$74.6 billion. Data for March was revised to show the trade gap narrowing to \$60.6 billion instead of the previously reported \$64.2 billion. The government revised the goods trade data from 2018 while the trade services figures were revised from 2017. Those revisions showed the trade deficit was not as large as previously thought in the first quarter. As a result, economists expect the government to raise its GDP growth estimate for the January-March quarter to as high as a 2.3% annualized rate when it publishes its third estimate later this month. Adjusted for inflation, the goods trade deficit shot up 16.5% to \$95.8 billion in April. Goldman Sachs (NYSE:GS) lowered its second-quarter GDP growth tracking estimate by half a percentage point to a 1.7% rate.

<https://www.investing.com/news/economic-indicators/us-trade-deficit-widens-sharply-in-april-3100122>

Euro zone consumers more hopeful on inflation

Euro zone consumers lowered their inflation expectations, a fresh European Central Bank survey showed, a relief for policymakers after an unexpected surge a month earlier, even if underlying price growth is still likely to be stubborn. The ECB has raised interest rates by a combined 375 basis points over the past year to arrest runaway price growth and it could still take until 2025 for inflation to slow back to its 2% target as rapid wage growth and robust demand for services keep pressure on prices. Median expectations for inflation over the next 12 months fell to 4.1% in April from 5.0% in March, while for three years ahead, they dropped to 2.5% from 2.9%, the ECB said, based on a monthly survey of 14,000 adults in the euro zone's biggest countries. But the outlook beyond that is murkier. Bundesbank President Joachim Nagel has argued that it is not certain that rates would peak this summer, while his French counterpart Francois Villeroy de Galhau said he thought hikes would end by the close of the summer. The ECB's consumer expectations survey also included a new nugget that could support arguments for more cautious policy tightening. Consumers saw more modest wage growth ahead, reduced their unemployment expectations and were less pessimistic about the bloc's growth prospects, even if they still saw a contraction ahead.

<https://www.investing.com/news/economy/euro-zone-consumers-hopeful-of-slowing-inflation--ecb-survey-3098844>

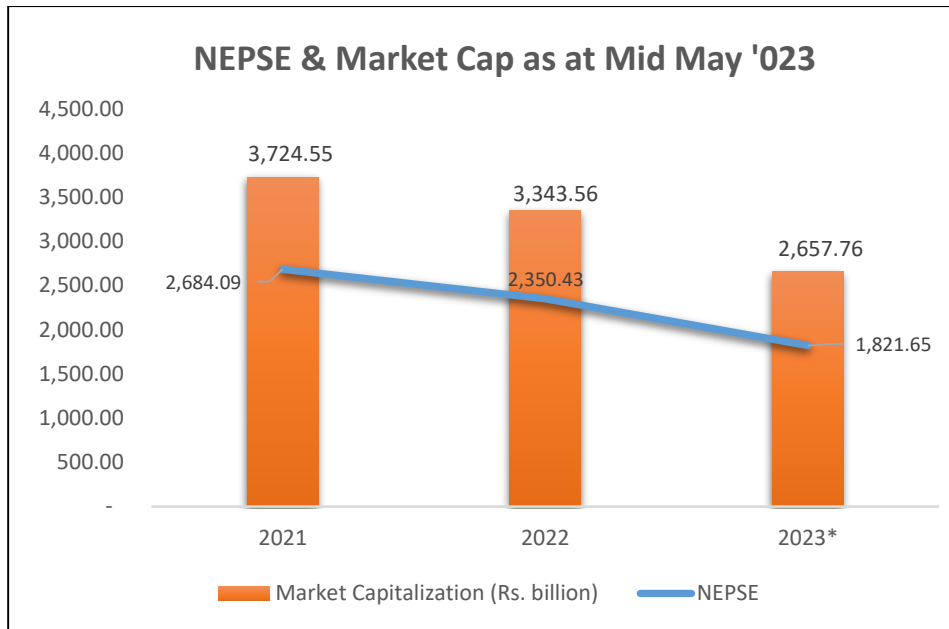
Summary of Ten Month Macroeconomic Situation F/Y 2022/23

This macroeconomic report is prepared based on Ten 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:

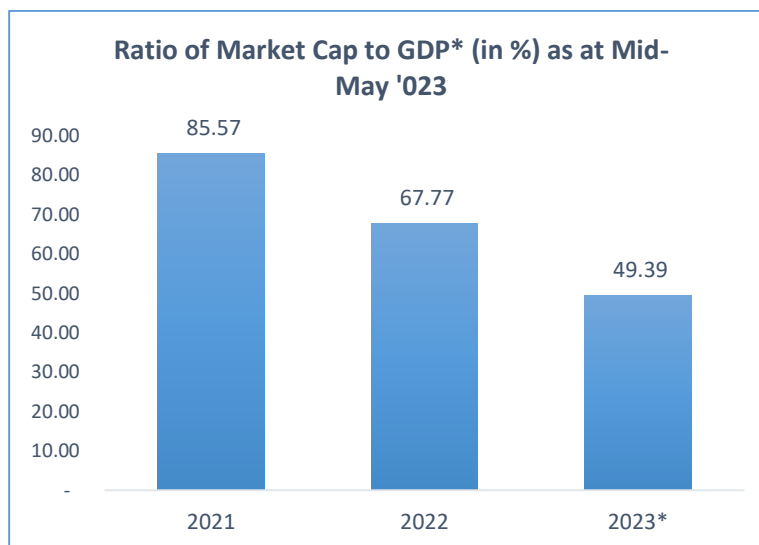
Head	Details	Amount
A. NEPSE	1,821.65 points as on Mid-May-2023 1,939.61 points as on Mid-June-2023	
B. INTEREST RATES		
<i>Inter Bank Rate</i>	7.01%	
<i>Base Rate</i>	10.27%	
C. INFLATION	7.41%	
D. DEPOSIT AND LENDING GROWTH		
<i>Deposit Growth</i>	6.50%	NPR 355.35 billion
<i>Loan Growth</i>	3.00%	NPR 141.48 billion
E. LIQUIDITY MANAGEMENT		
<i>Liquidity Absorption</i>	NPR 5.0 billion (<i>Liquidity absorption through reverse repo auction</i>)	
<i>Liquidity Injection</i>	NPR 4949.22 billion (<i>liquidity injected through standing liquidity facility NPR 2726.96 billion, Repo NPR 414.47 billion, outright purchase NPR 89.7 billion and Overnight Liquidity Facility NPR 1718.08</i>)	
F. Balance of Payment Position	NPR 214.67 billion surplus	
G. Remittance Growth		
<i>In US Dollar Terms</i>	13.43%	USD 911.48 million
<i>In NPR Terms</i>	23.41%	NPR 190.65 billion

A. NEPSE and Ratio of Market Cap to GDP

The NEPSE index at Mid-May 2023 declined by 22.50% percent to close at 1821.65 points, compared to 2,350.43 points in the same period of last year. The Market capitalization of NEPSE as well decreased from NPR 3,343.56 billion in Mid-May 2022 to NPR 2,657.76 billion in Mid-May 2023.



On the other hand, the ratio of Market capitalization of NEPSE to GDP at Mid-May 2023 has decreased to 49.39 percent compared to 67.77 percent in the last year during the same review period.



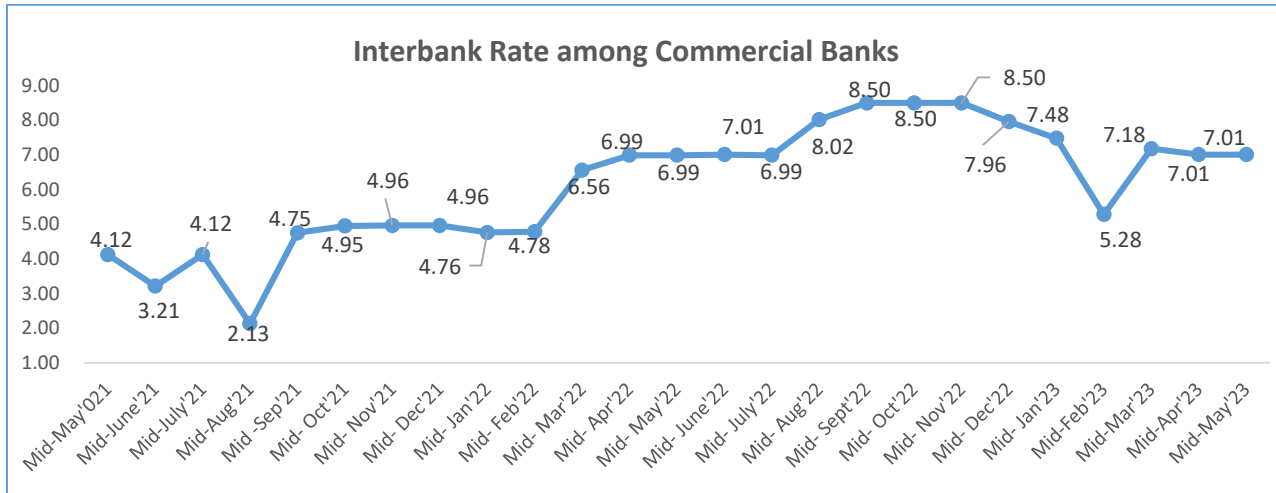
**GDP at Current Price*

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.

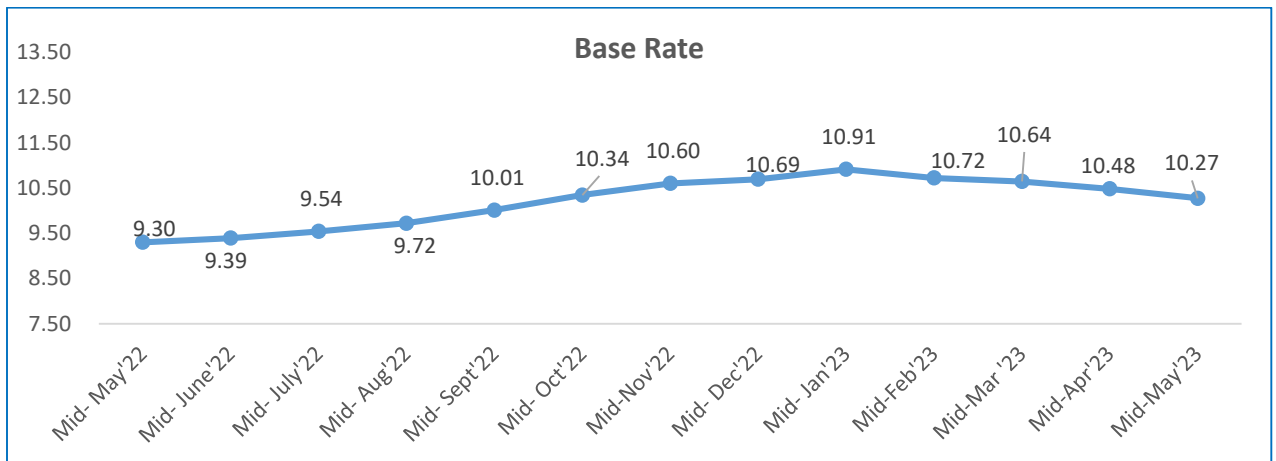
Interbank Rate

The interbank rate of commercial banks was 4.12 percent in Mid-May, 2021 which has been gradually increasing since then and has reached to 7.01 percent in Mid-May, 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

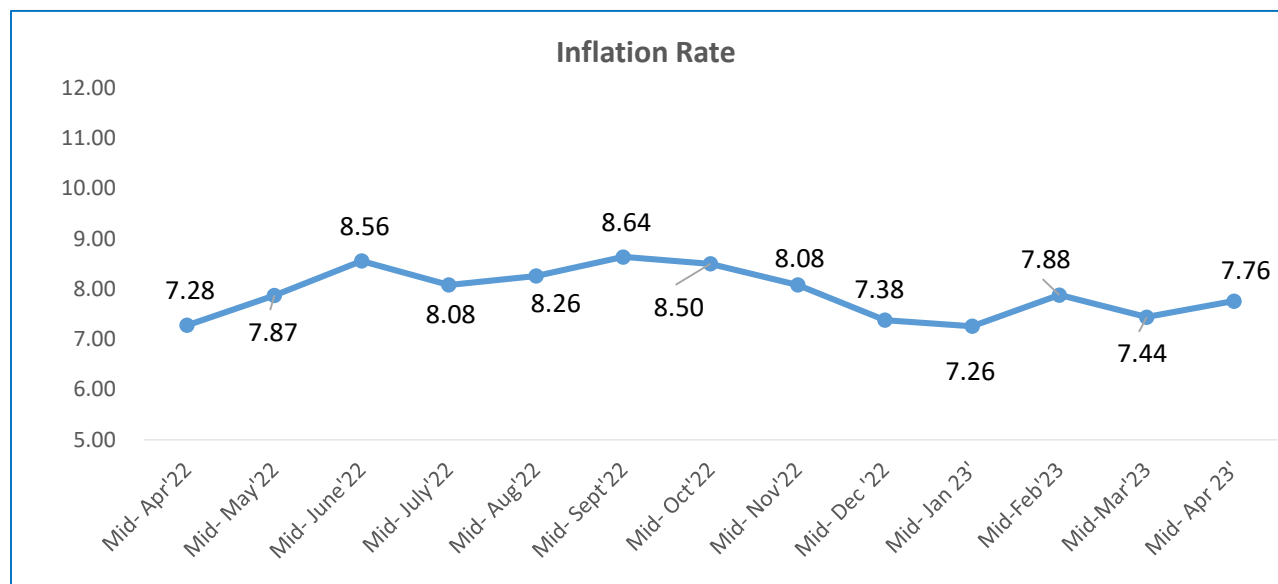
The base rate of commercial banks stands at 10.27 percent in Mid-May, 2023 compared to 9.30 percent a year ago. This has set the Weighted average lending rate at 12.65 percent. On the other hand, the Weighted average deposit rate stands at 8.08 percent. Such rates were 11.42 percent and 7.25 percent respectively in the corresponding month of the previous year.



C. INFLATION RATE

The y-o-y consumer price inflation remained at 7.41 percent in mid-May 2023 compared to 7.87 percent a year ago. Food and beverage inflation stood at 5.54 percent whereas non-food and service inflation rose to 8.89 percent in the review month. Under the food and beverage category, y-o-y price index of spices sub-category increased 26.61 percent, restaurant and hotel 14.87 percent, cereal grains and their products 13.69 percent, milk products and eggs 10.41 percent and tobacco products 8.49 percent.

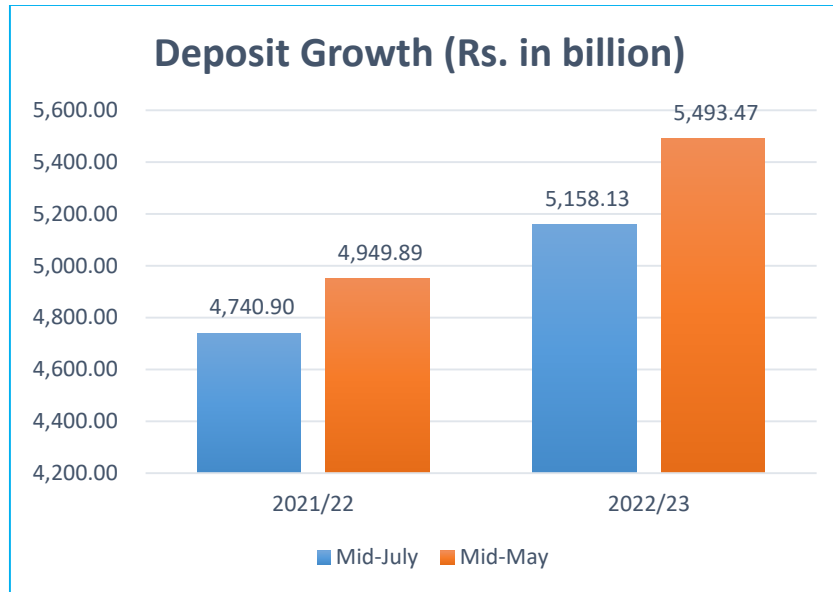
Under the non-food and services category, y-o-y price index of recreation and culture sub-category increased 15.75 percent, miscellaneous goods and services 13.08 percent, education 10.56 percent, housing and utilities 9.65 percent and furnishing and household equipment 8.27 percent.



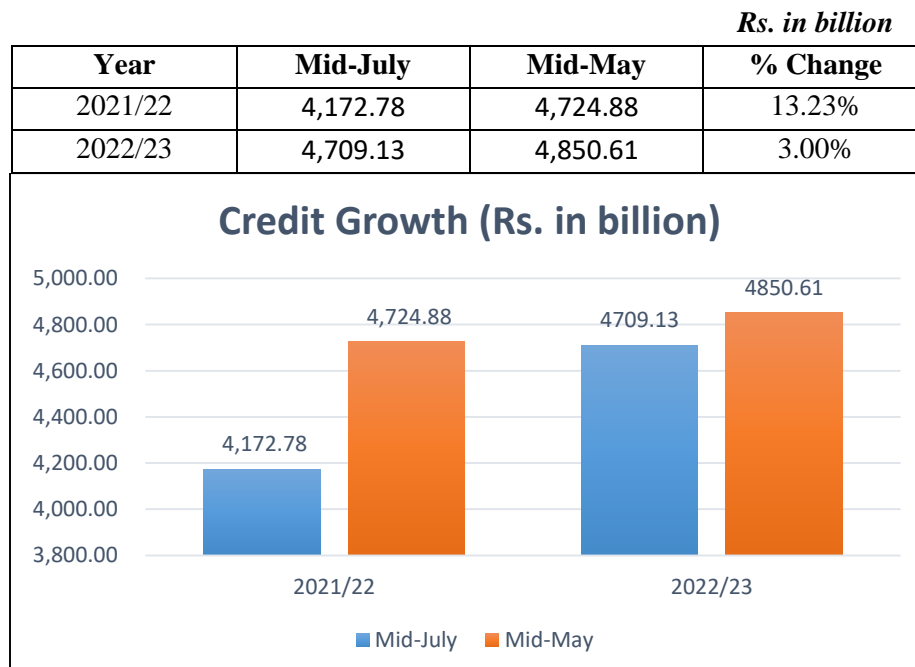
D. DEPOSIT AND LENDING GROWTH

Deposit Growth: Deposits at Banks and Financial Institutions (BFIs) increased Rs.370.78 billion (7.3 percent) in the review period compared to an increase of Rs.231.32 billion (5.0 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 11.4 percent in mid-May 2023. The share of demand, saving, and fixed deposits in total deposits stands at 7.7 percent, 25.8 percent and 60.0 percent respectively in mid-May 2023. Such shares were 8.5 percent, 28.1 percent and 56.5 percent respectively a year ago.

<i>Rs. in billion</i>			
Year	Mid-July	Mid-May	% Change
2021/22	4,740.90	4,949.89	4.41%
2022/23	5,158.13	5,493.47	6.50%



Credit Growth: . Private sector credit from BFIs increased Rs.153.17 billion (3.3 percent) in the review period compared to an increase of Rs.548.14 billion (13.4 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 3.1 percent in mid-May 2023. The shares of private sector credit from BFIs to non-financial corporation and household stand at 63.9 percent and 36.7 percent respectively in mid-May 2023. Such shares were 63.4 percent and 36.6 percent a year ago. In the review period, private sector credit from commercial banks, development banks and finance companies increased 3.2 percent, 5.0 percent and 1.1 percent respectively.



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2022/23

Details	Mid-May	
	2021/22	2022/23
A. Liquidity Injection	7,402,647.76	4,949,217.78
1. Repo	270,000.00	97,972.60
2. Outright Purchase	55,915.90	89,700.00
3. Repo Auction *	160,767.25	316,500.00
4. Standing Liquidity Facility	6,915,964.61	2,726,962.30
5. Overnight Liquidity Facility [#]	-	1,718,082.88
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 (-)	7,342,647.76	4,944,217.78

* Transaction under Interest Rate Corridor

In the review period, NRB injected Rs.4949.22 billion liquidity on turnover basis of which Rs.414.47 billion was through repo, Rs.89.70 billion through outright purchase auction, Rs.2726.96 billion through standing liquidity facility (SLF) and Rs.1718.08 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.7342.65 billion net amount of liquidity was injected through various instruments. In the review period, NRB injected liquidity of Rs.619.76 billion through the net purchase of USD 4.74 billion from foreign exchange market. Liquidity of Rs.256.73 billion was injected through the net purchase of USD 2.12 million in the corresponding period of the previous year. The NRB purchased Indian currency (INR) equivalent to Rs.504.11 billion through the sale of USD 3.86 billion in the review period.

F. FISCAL SITUATION

Fiscal Deficit/Surplus

During the Ten 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.1047.76 billion. The recurrent expenditure, capital expenditure and financial management expenditure amounted to Rs.786.74 billion, Rs.125.68 billion and Rs.135.34 billion respectively in the review period.

	<i>Rs. in million</i>	
	Govt. Exp. (Cash Basis)	Govt. Revenue
2021/22	794,256.0	865,698.4
2022/23	1,047,761.0	756,253.1
Y-O-Y Growth	31.92%	-12.64%

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

G. BALANCE OF PAYMENT POSITION

(Rs. in million)

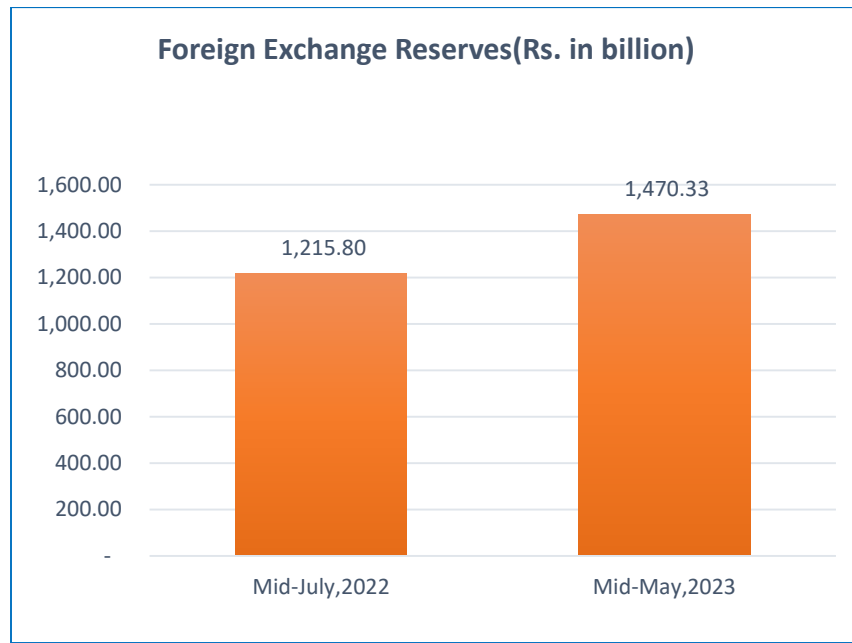
Particulars		2020/21	2021/22	2022/23
		Ten Months	Ten Months	Ten Months
A	Current Account	(251,288.86)	(545,060.90)	(54,670.08)
B	Capital Account (Capital Transfer)	13,622.50	7,992.74	6,355.67
C	Financial Account (Excluding Group E)	158,852.74	216,233.82	202,373.69
	BOP (Surplus)	(7,754.05)	288,501.75	(214,666.09)

*P = Provisional

Balance of Payments (BOP) remained at a surplus of Rs.214.67 billion in the review period compared to a deficit of Rs.288.50 billion in the same period of the previous year. In the US Dollar terms, the BOP remained at a surplus of 1.63 billion in the review period against a deficit of 2.41 billion in the same period of the previous year. The current account remained at a deficit of Rs.54.67 billion in the review period compared to a deficit of Rs.545.06 billion in the same period of the previous year. In the US Dollar terms, the current account registered a deficit of 424.5 million in the review period compared to deficit of 4.55 billion in the same period last year.

H. Foreign Exchange Reserve

Gross foreign exchange reserves increased 20.94 percent to Rs. 1,470.33 billion in Mid-May 2023 from Rs.1215.80 billion in Mid-July 2022. In the US dollar terms, the gross foreign exchange reserves increased 17.6 percent to 11.21 billion in mid-May 2023 from 9.54 billion in mid-July 2022.



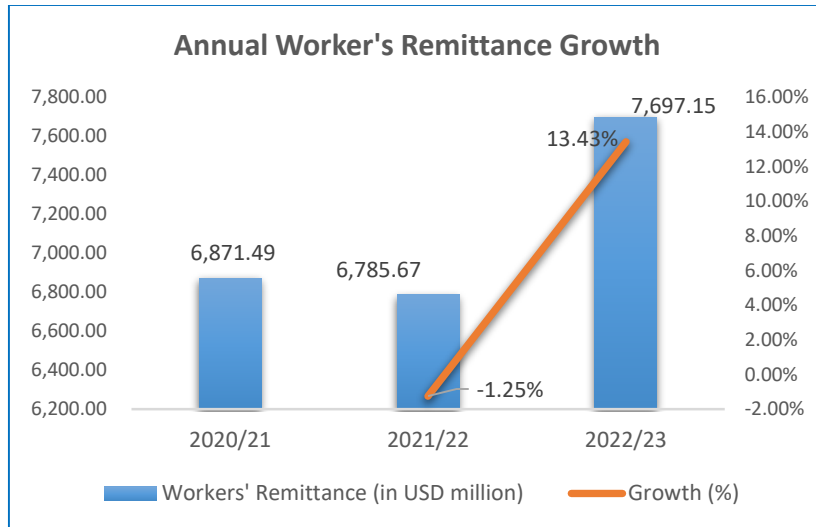
Of the total foreign exchange reserves, reserves held by NRB increased 24.1 percent to Rs.1310.66 billion in mid-May 2023 from Rs.1056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) increased 0.2 percent to Rs.159.68 billion in mid-May 2023 from Rs.159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 22.6 percent in mid-May 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:

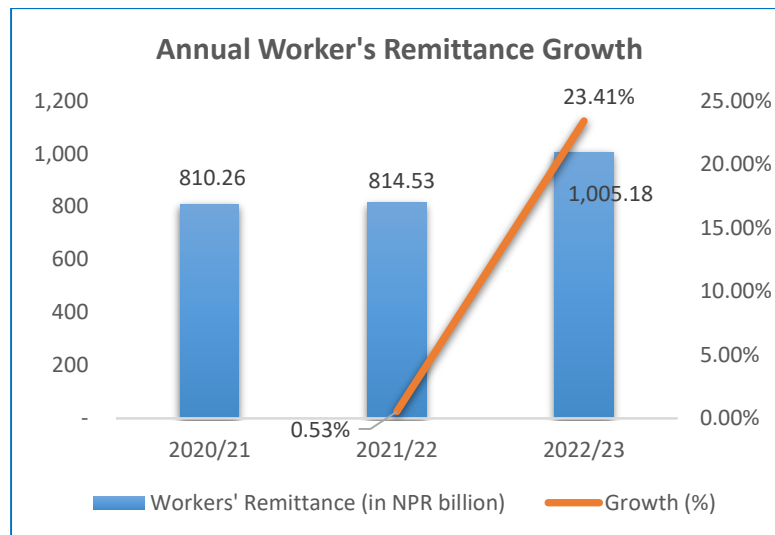
Remittance in Dollar Terms

In US Dollar terms, the workers' remittance increased by 13.43 percent amounting to 7,697.15 million in FY 2022/23 compared to a decrease of 1.25 percent in the review period.



Remittance in NPR terms

On the other hand, in NPR terms, the workers' remittance increased by 23.41 percent amounting to 1,005.18 billion in FY 2022/23 compared to a fall of 0.53 percent in the review period.



Number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 51.4 percent to 421,279 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 3.7 percent to 238,976 in the review period. It had increased 185.5 percent in the same period of the previous year. Net transfer increased 22.5 percent to Rs.1110.22 billion in the review period. Such a transfer had increased 0.3 percent in the same period of the previous year.