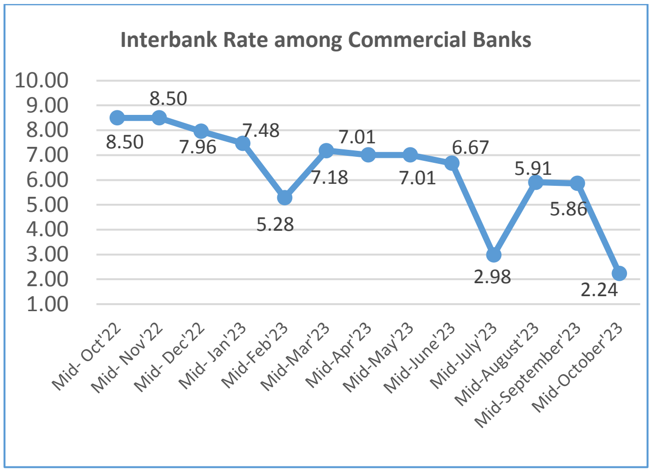
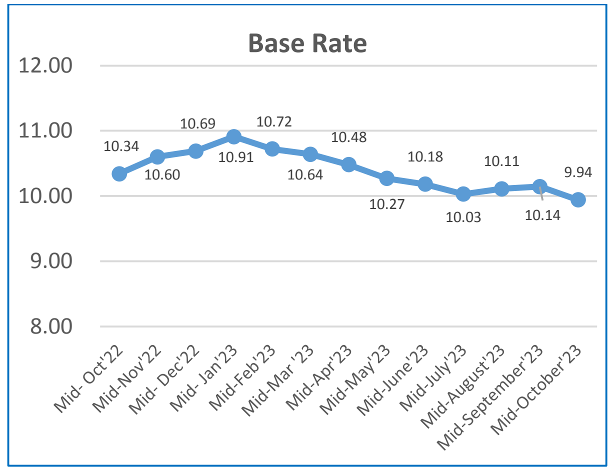
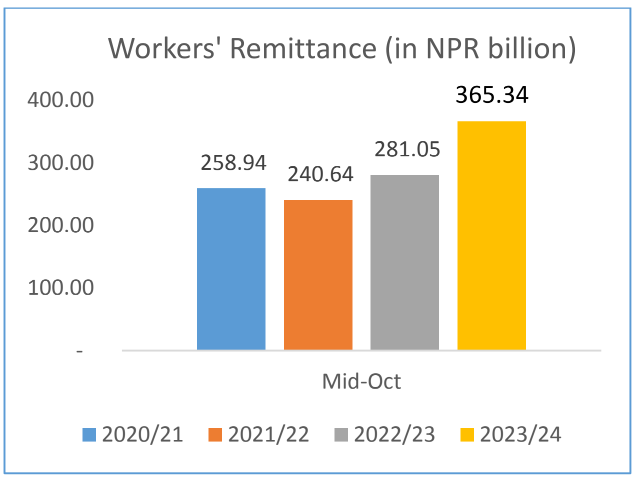
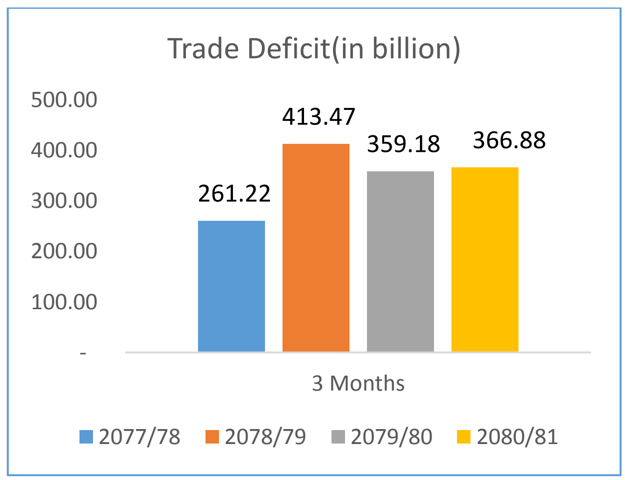
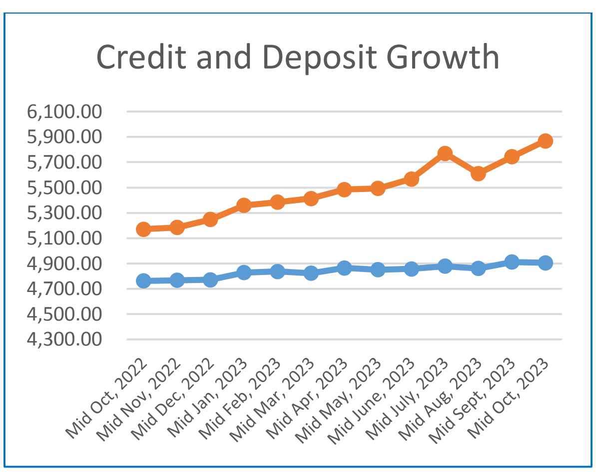
MACROECONOMIC SITUATION OF NEPALESE ECONOMY BASED ON THREE MONTH'S DATA OF FY 2023/24

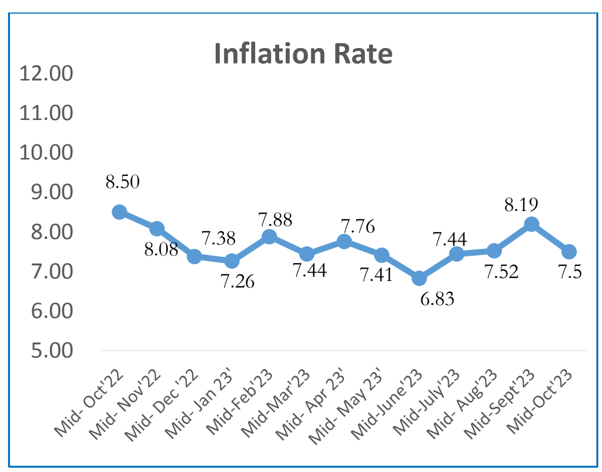












Current Global Macroeconomic Situation

Ray Dalio says U.S. reaching an inflection point where the debt problem quickly gets even worse

Soaring U.S. government debt is reaching a point where it will begin creating larger problems, Bridgewater Associates founder Ray Dalio said Friday. The hedge fund titan warned during a CNBC appearance that the need to borrow more and more to cover deficits will exacerbate the political and social problems the country is facing. "Economically strong means financially strong," Dalio said on "Squawk Box." "Financially strong means: do you earn more than you spend? Do you have a good income statement as a country? And do we have a good balance sheet?" The U.S. is $33.7 trillion in debt, a total that exploded by 45% since the Covid pandemic in early 2020, according to Treasury Department data. Of that total, $26.7 trillion is owed by the public. Last year, the government rang up a $1.7 trillion deficit as it sought to keep up the pace of spending. As the debt built up and the Federal Reserve raised interest rates to try to tamp down inflation, the government spent $659 billion on net interest costs in fiscal 2023 to finance the debt. Dalio said that is a recipe for trouble. "The worse that gets, the more we are going to have that long-term problem," he said. "You can see it in the numbers. It's just a matter of numbers. We are near that inflection point."

https://www.cnbc.com/2023/11/17/ray-dalio-says-us-reaching-a-point-where-our-debt-problem-gets-even-worse.html

The market thinks the Fed is going to start cutting rates aggressively. Investors could be in for a letdown

Markets seem to have taken this week's positive economic data as the all-clear signal for the Federal Reserve to start cutting interest rates aggressively next year. Indications that both consumer and wholesale inflation rates have eased considerably from their mid-2022 peaks sent traders into a frenzy, with the most recent indications on the CME Group's FedWatch gauge pointing to a full percentage point of cuts by the end of 2024. That may be at least a tad optimistic, particularly considering the cautious approach central bank officials have taken during their campaign to bring down prices. "The case isn't conclusively made yet," said Lou Crandall, chief economist at Wrightson ICAP. "We're making progress in that direction, but we haven't gotten to the point where they're going to say that the risk of leveling out at a level too far above target has gone away." This week has featured two important Labor Department reports, one showing that consumer prices in aggregate were unchanged in October, while another indicated that wholesale prices actually declined half a percent last month. While the 12-month reading of the producer price index sank to 1.3%, the consumer price index was still at 3.2%. Core CPI also is still running at a 12-month rate of 4%. Moreover, the Atlanta Fed's measure of "sticky" prices that don't change as often as items such as gas, groceries and vehicle prices, showed inflation still climbing at a 4.9% yearly clip.

https://www.cnbc.com/2023/11/15/the-market-thinks-rates-will-come-down-a-lot-it-could-be-let-down.html

Gold ticks higher as dollar slips on Fed pause bets

Gold prices edged higher on Monday as the dollar extended its slide after recent U.S. economic data boosted bets that the Federal Reserve was done with its rate hike campaign. Spot gold rose 0.1% to $1,981.80 per ounce as of 0537 GMT, after rising 2.2% last week. U.S. gold futures were steady at $1,984.20. “We’ve seen a pretty significant narrative shift over the last week or so in the markets on the Fed policy and when the Fed will cut interest rates first and how aggressively it will be cutting rates,” said Kyle Rodda, a financial market analyst at Capital.com. “On the flip side, still seeing a fairly significant divergence in terms of where gold is trading at the moment with real yields ... we’re going to need much weaker data from here to really kind of catalyze that move above $2,000 per ounce.” Data pointing to a slowing jobs market in the U.S. and a weaker-than-expected consumer inflation report last week reignited hopes that the Fed could begin easing monetary conditions sooner than expected. Lower rates exert downward pressure on the dollar and bond yields, enhancing the appeal of non-yielding bullion. The dollar slipped 0.2% to a more than a 2-1/2 month low against its rivals, making gold less expensive for other currency holders. Holdings of SPDR Gold Trust, the world’s largest gold-backed exchange-traded fund, rose 1.49% to 883.43 tonnes on Friday. Investors now look forward to minutes from the U.S. central bank’s last meeting later this week for more clarity on its interest rate path. Spot gold looks neutral in a range of $1,976 to $1,990 per ounce and an escape could suggest a direction, according to Reuters technical analyst Wang Tao.

https://www.cnbc.com/2023/11/20/gold-ticks-higher-as-dollar-slips-on-fed-pause-bets.html

Inflation was flat in October from the prior month, core CPI hits two-year low Inflation was flat in October from the previous month, providing a hopeful sign that stubbornly high prices are easing their grip on the U.S. economy and giving a potential green light to the Federal Reserve to stop raising interest rates. The consumer price index, which measures a broad basket of commonly used goods and services, increased 3.2% from a year ago despite being unchanged for the month, according to seasonally adjusted numbers from the Labor Department on Tuesday. Economists surveyed by Dow Jones had been looking for respective readings of 0.1% and 3.3%. The headline CPI had increased 0.4% in September. Excluding volatile food and energy prices, the core CPI increased 0.2% and 4%, against the forecast of 0.3% and 4.1%. The annual level was the lowest in two years, down from 4.1% in September, though still well above the Federal Reserve’s 2% target. However, Fed officials have stressed that they want to see a series of declines in core readings, which has been the case since April. Markets spiked following the news. The Dow Jones Industrial Average roared higher by nearly 500 points as Treasury yields fell sharply. “The Fed looks smart for effectively ending its tightening cycle as inflation continues to slow. Yields are down significantly as the last of investors not convinced the Fed is done are likely throwing in the towel,” said Bryce Doty, portfolio manager at Sit Fixed Income Advisors. The flat reading on the headline CPI came as energy prices declined 2.5% for the month, offsetting a 0.3% increase in the food index. It was the slowest monthly pace since July 2022. Shelter costs, a key component in the index, rose 0.3% in October, half the gain in September as the year-over-year increase eased to 6.7%. Within the category, owners equivalent rent, which gauges what property owners could command for rent, increased 0.4%. A subcategory that includes hotel and motel pricing dropped 2.9%. “This is a game changer,” Paul McCulley, former chief economist at Pimco and now an adjunct professor at Georgetown University, said on CNBC’s “Squawk on the Street.” “We’re having a day of rational exuberance, because the data clearly show what we’ve been waiting for for a long time, which is a crack in the shelter component.”

https://www.cnbc.com/2023/11/14/cpi-inflation-report-october-2023.html

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Summary of Three Month Macroeconomic Situation F/Y 2023/24

This macroeconomic report is prepared based on Three month data of FY 2023/24 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	1,851.43 points as on Mid-October-2023 1,852.08 points as on 09-November-2023	
B. INTEREST RATES		
Inter Bank Rate	2.24%	
Base Rate	9.94%	
C. INFLATION	7.5%	
D. DEPOSIT AND LENDING GROWTH		
Deposit Growth	2.17%	NPR 5,868 billion
Loan Growth	-0.12%	NPR 4,906 billion
E. LIQUIDITY MANAGEMENT		
Liquidity Absorption		
Liquidity Injection	NPR *Rs.239.49 billion (Rs.1.20 billion was through standing liquidity facility and Rs.238.29 billion through Overnight Liquidity Facility)*	
F. Balance of Payment Position	NPR 747.18 million surplus	
G. Remittance Growth		
In US Dollar Terms	25.88%	USD 2.75 billion
In NPR Terms	30%	NPR 365.34 billion

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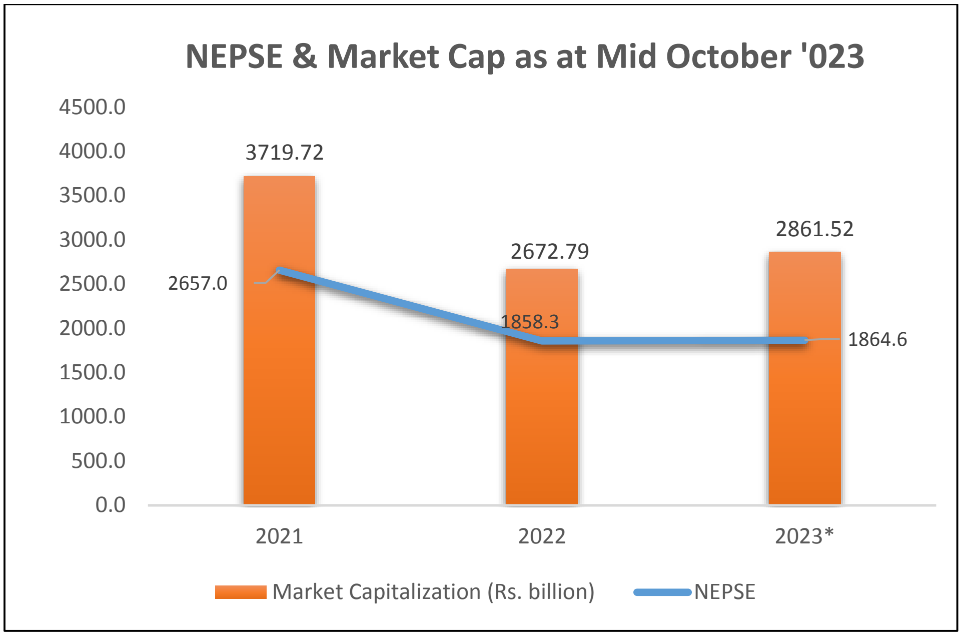
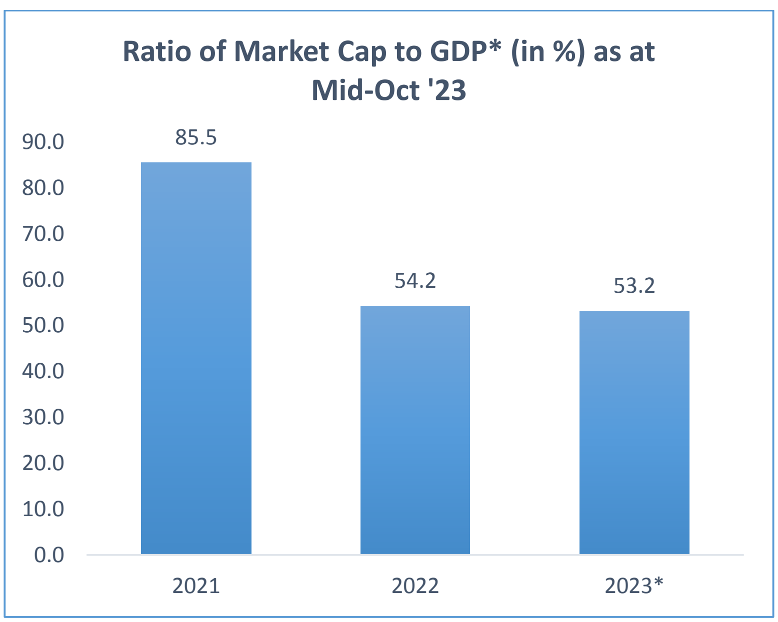
A. NEPSE and Ratio of Market Cap to GDP

NEPSE index stood 1864.62 in mid-October 2023 compared to 1858.33 in mid-October 2022. Stock market capitalization in mid-October 2023 stood Rs.2861.52 billion compared to Rs.2672.79 billion in mid-October 2022. Number of companies listed at NEPSE reached 263 in mid-October 2023.



On the other hand, the ratio of Market capitalization of NEPSE to GDP at Mid-Oct 2023 has decreased to 53.2 percent compared to 54.2 percent in the last year during the same review period.



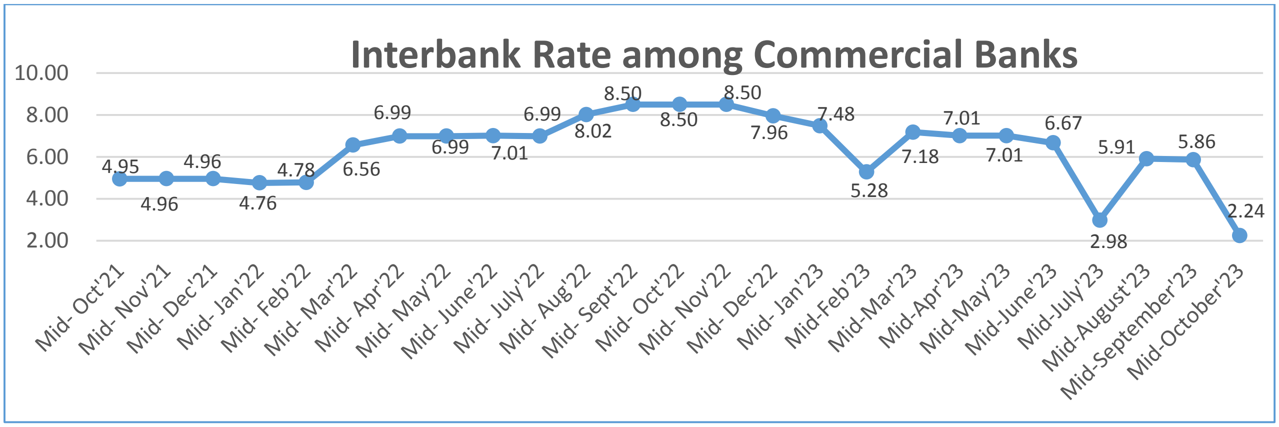
**GDP at Current Price*

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.

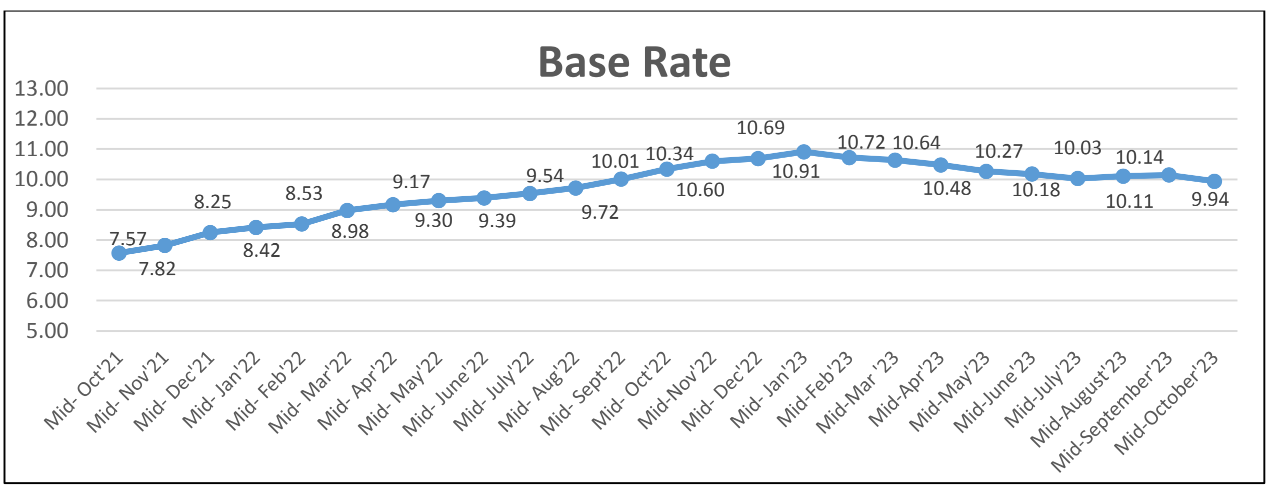
Interbank Rate

The interbank rate of commercial banks was 4.95 percent in Mid-Oct, 2021 which has been gradually decreasing since then and has reached to 2.24 percent in Mid-Oct, 2023 indicating flow of liquidity in the banking system. The interbank rate during the same period a year ago stood at 8.50 percent.



Base Rate

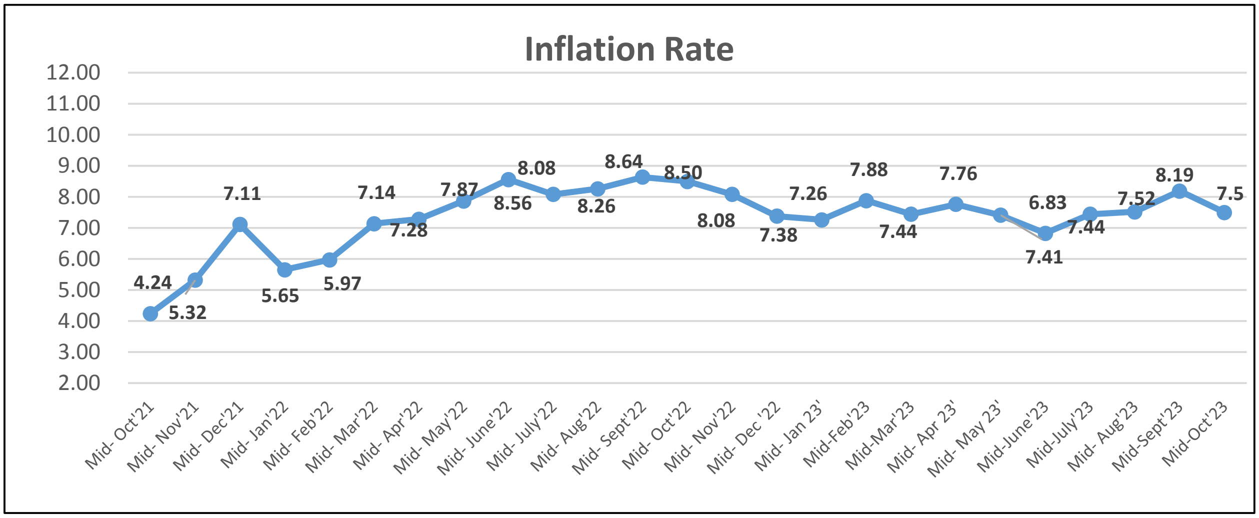
The base rate of commercial banks stands at 9.94 percent in Mid- Oct, 2023 compared to 10.60 percent a year ago. This has set the Weighted average lending rate at 12.11 percent. On the other hand, the Weighted average deposit rate stands at 7.90 percent. Such rates were 12.19 percent and 8.16 percent respectively in the corresponding month of the previous year.



C. INFLATION RATE

On y-o-y basis, consumer price inflation stood at 7.5 percent in mid-October 2023 compared to 8.50 percent a year ago. Food and beverage inflation stood at 8.38 percent whereas non-food and service inflation stood at 6.81 percent in the review month.

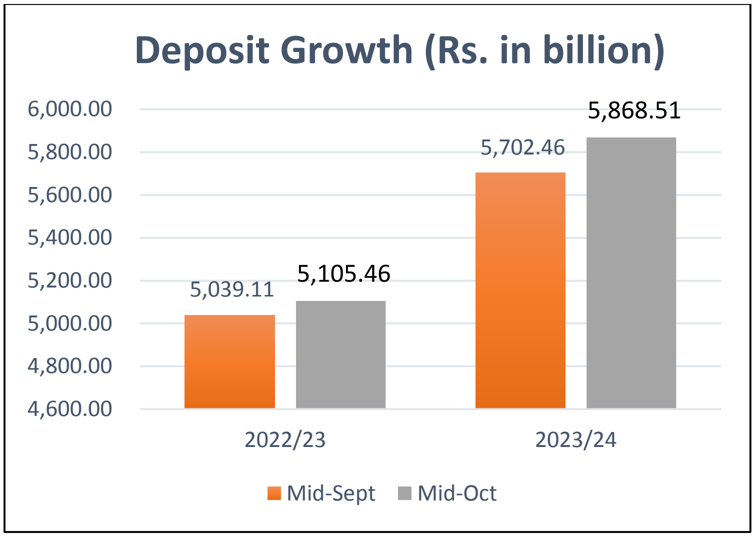
Under the food and beverage category, on y-o-y basis, the price index of spices subcategory increased 37.63 percent, sugar & sugar products 18.22 percent, fruits 14.02 percent, cereal grains & their products 12.23 percent, milk products & eggs 11.92 percent. In the review month, the y-o-y price index of ghee & oil sub-category decreased 11.61 percent.



D. DEPOSIT AND LENDING GROWTH

Deposit Growth: Deposits at Banks and Financial Institutions (BFIs) increased Rs.158.50 billion (2.8 percent) in the review period compared to a increase of Rs.22.69 billion (0.4 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 14.9 percent in mid-October 2023. The share of demand, saving and fixed deposits in total deposits stood at 6.7 percent, 26.7 percent and 60.2 percent respectively in mid-October 2023. Such shares were 7.6 percent, 26.7 percent and 59.0 percent respectively a year ago.

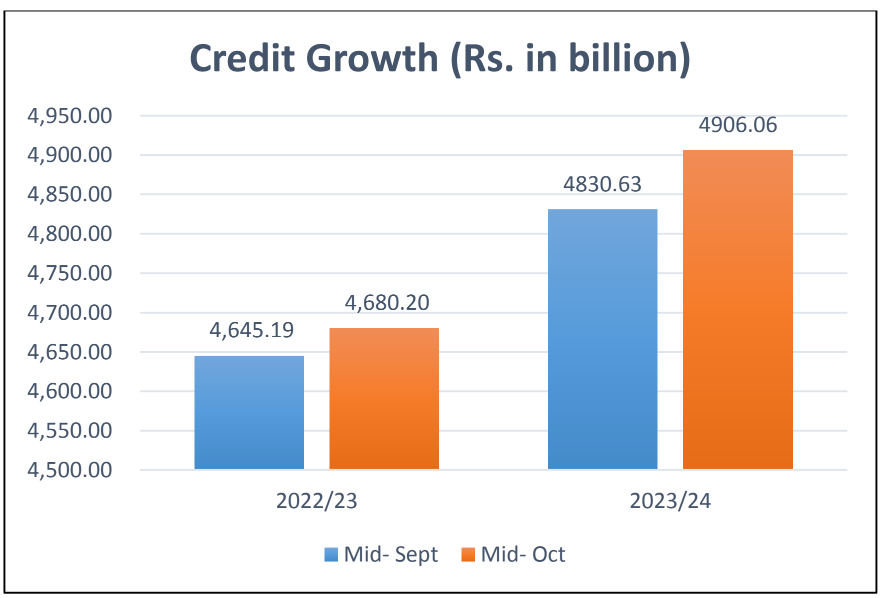
Year	Mid-Sep	Mid-Oct	% Change
2022/23	5,039.11	5105.5	1.32%
2023/24	5702.46	5868.5	2.91%



Credit Growth: Private sector credit from BFIs increased Rs.109.03 billion (2.3 percent) in the review period compared to an increment of Rs.59.11 billion (1.3 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 4.8 percent in mid-October 2023. . The shares of private sector credit from BFIs to non-financial corporation and household stand at 63.1 percent and 36.9 percent respectively in mid-October 2023. Such shares were 63.9 percent and 36.1 percent a year ago.

Rs. in billion

Year	Mid-Sep	Mid- Oct	% Change
2022/23	4645.2	4680.2	0.75%
2023/24	4830.6	4906.1	1.56%



E. LIQUIDTY MANAGEMENT

Summary of Monetary Operation during FY 2023/24

(Rs. in Million)

Details	Mid-October	
	2022/23	2023/24
A. Liquidity Injection	**2,355,088.30**	**239,494.81**
1. Repo	130,000.00	-
2. Outright Purchase	43,700.00	-
3. Repo Auction *	58,659.50	-
4. Standing Liquidity Facility	2,122,728.80	1,200.00
5. OLF	-	238,294.81
B. Liquidity Absorption		
1. Reverse Repo	-	-
2. Outright Sale	-	-
3. Deposit Collection Auction	-	-
4. Deposit Collection Auction *	-	-
C. Net Liquidity Injection (+) / Absorption (-)	**2,355,088.30**	**239,494.81**

* Transaction under Interest Rate Corridor

In the review period, NRB availed total liquidity of Rs.239.49 billion on turnover basis, of which, Rs.1.20 billion was through standing liquidity facility (SLF) and Rs.238.29 billion through Overnight Liquidity Facility (OLF). In the corresponding period of the previous year, Rs.2355.09 billion net amount of liquidity was availed through various instruments of open market operations including SLF. In the review period, NRB injected liquidity of Rs.166.54 billion through the net purchase of USD 1256.3 million from foreign exchange market. Liquidity of Rs.154.04 billion was injected through the net puchase of USD 1199.7 million in the corresponding period of the previous year. The NRB purchased Indian currency (INR) equivalent to Rs.95.54 billion through the sale of USD 720 million in the review period. INR equivalent to Rs.130.41 billion was purchased through the sale of USD 1020 million in the corresponding period of previous year.

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F. FISCAL SITUATION

Fiscal Deficit/Surplus

According to Ministry of Finance, Financial Comptroller General Office (FCGO), the total expenditure of the Nepal Government stood at Rs.280.57 billion during the three months of 2023/24. The recurrent expenditure, capital expenditure and financial expenditure amounted to Rs.213.39 billion, Rs.17.83billion and Rs. 49.35 billion respectively in the review period. . In the review period, total revenue mobilization of Nepal Government (including the amount to be transferred to provincial and local governments) stood at Rs.219.12 billion. The tax revenue amounted Rs.119.46 billion and non tax revenue Rs.19.65 billion in the review period.

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Rs. in million

	Govt. Exp. (Cash Basis)	Govt. Revenue
2022/23	273,415.0	231,333.6
2023/24	272,436.2	234,570.6
Y-O-Y Growth	**-0.36%**	**1.40%**

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

G. BALANCE OF PAYMENT POSITION

(Rs. in million)

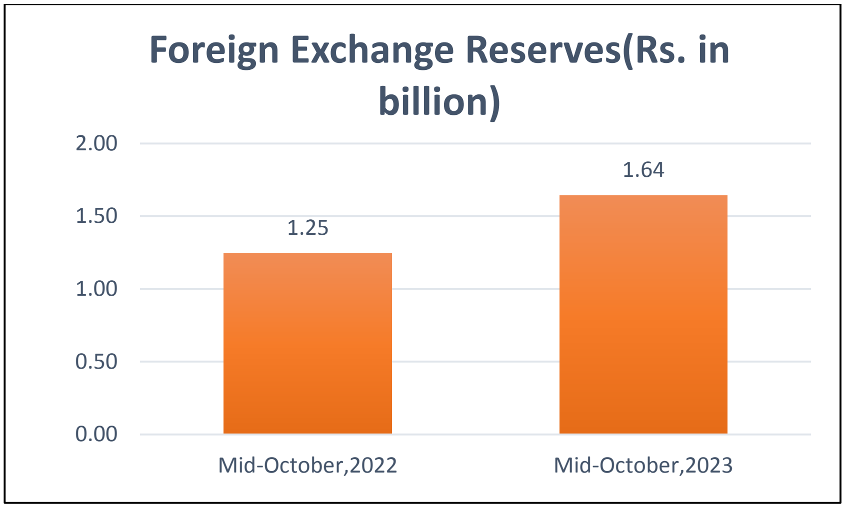
	Particulars	2021/22	2022/23	2023/24
		Three Months	Three Months	Three Months
A	Current Account	**-1263.6**	**-276.7**	**445.2**
B	Capital Account (Capital Transfer)	**16.2**	**20.1**	**8.7**
C	Financial Account (Excluding Group E)	**682.2**	**222.5**	**152.7**
	BOP (Surplus)	**426.45**	**-91.78**	**-747.18**

**P = Provisional*

The current account remained at a surplus of Rs.59.09 billion in the review period against a deficit of Rs.35.24 billion in the same period of the previous year. In the US Dollar terms, the current account registered a surplus of 445.2 million in the review period against a deficit of 276.7 million in the same period last year. In the review period, capital transfer decreased 55.6 percent to Rs.1.15 million and net foreign direct investment (FDI) remained a positive of Rs.3.37 billion. In the same period of the previous year, capital transfer amounted to Rs.2.59 billion and and net FDI amounted to Rs.79.6 million.

H. Foreign Exchange Reserve

Gross foreign exchange reserves increased 6.7 percent to Rs. 1643.09 billion in mid-October 2023 from Rs.1539.36 billion in mid-July 2023. In the US dollar terms, the gross foreign exchange reserves increased 2.6 percent to 12.01 billion in mid- September 2023 from 11.71 billion in mid-July 2023.



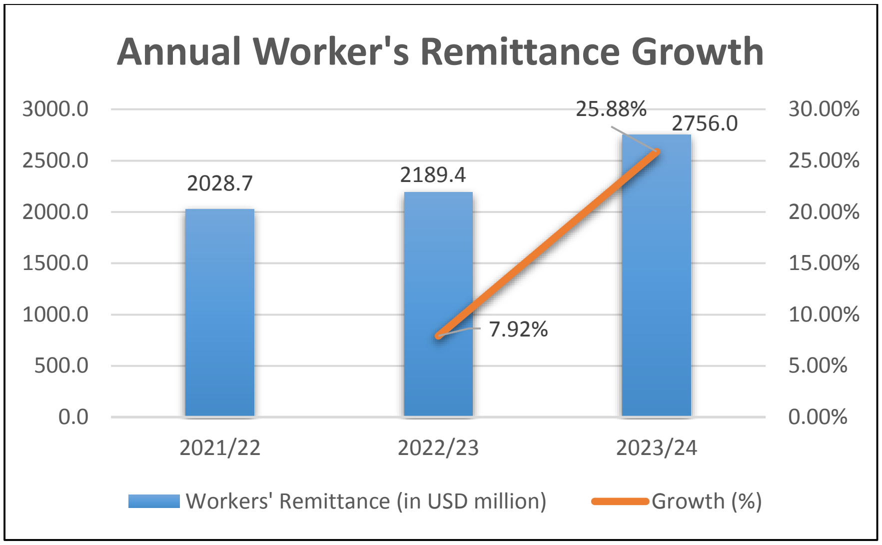
Of the total foreign exchange reserves, reserves held by NRB increased 6.5 percent to Rs.1433.36 billion in mid-October 2023 from Rs.1345.78 billion in mid-July 2023. Reserves held by banks and financial institutions (except NRB) increased 8.3 percent to Rs.209.73 billion in mid-October 2023 from Rs.193.59 billion in mid-July 2023. The share of Indian currency in total reserves stood at 22.0 percent in mid- October 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:

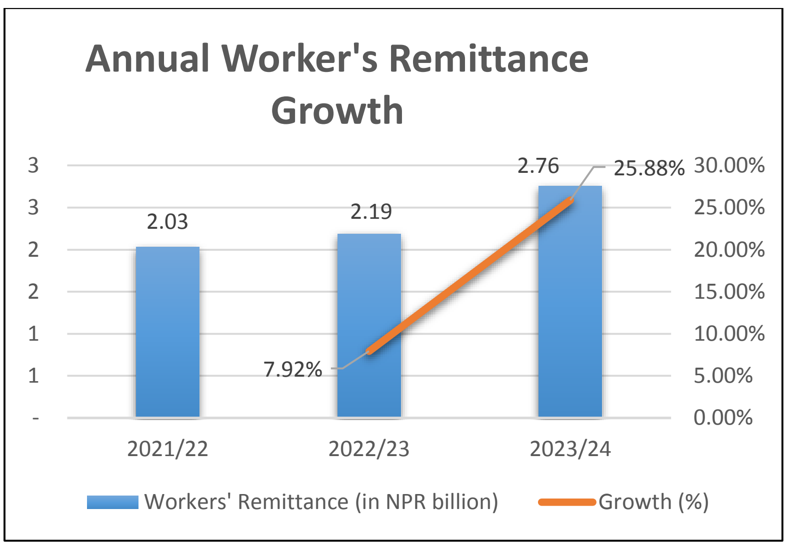
Remittance in Dollar Terms

In the US Dollar terms, remittance inflows increased 25.9 percent to 2.76 billion in the review period compared to an increase of 7.9 percent in the same period of the previous year.



Remittance in NPR terms

Remittance inflows increased 30.0 percent to Rs.365.34 billion in the review period compared to an increase of 16.8 percent in the same period of the previous year.



In the review period, the number of Nepali workers, both institutional and individual,taking first-time approval for foreign employment stands at 113,397 and taking approval for the renew entry stands at 49,297. In the previous year, such numbers were 147,932 and 57,861 respectively.