

Key Excerpt From The
Current Macroeconomic and Financial
Situation of Nepal
(Based on Eight Months' Data Ending Mid-
March, 2022/23)



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On a y-0-y basis, CPI has been recorded as 7.44% , which is 44 basis above the NRB's target of 7%. Amid decrease in Imports by 19.1% and Exports by 29.1%, trade deficit decreased by 17.9%. More on the positive sides, Remittances increased by 25.3 % , BOP remained at surplus of 148.11 Billion and Gross Forex Reserve stood at USD 10.69 Billion. This Gross Forex Reserve is enough for financing merchandise and service imports of 9.4 Months. Likewise, on the public finances side, total revenue collection decreased by 14.89% and Total expenditure has increased by 15% on y-0-y basis.

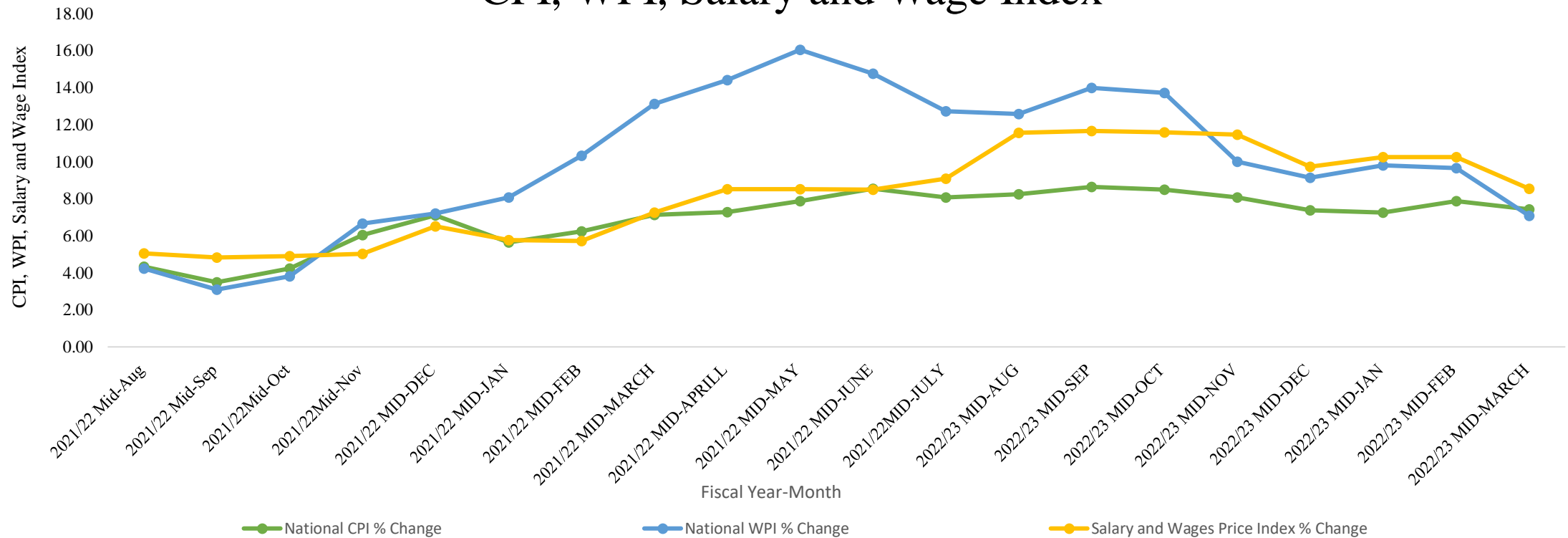
ADB and World Bank project Nepal's GDP growth rate for F.Y 2022/23 to be at 4% level. The main reason pointed out by the reports are contraction in construction sector, lack of private consumption due to inflation and subdued credit growth, subdued investment due to slower imports and global headwinds.

So, we expect, government to address these issue, will devise expansionary fiscal policy with more of capital spending. This would mainly sooth problems in Construction sector of the economy and could boost private consumption. Moreover, NRB's review on Monetary Policy for Q3 is not expected to bring much changes in policy interest rates. This *business as usual* mandate can be taken by NRB as economic indicators are on positive sides.

1. Inflation Rate

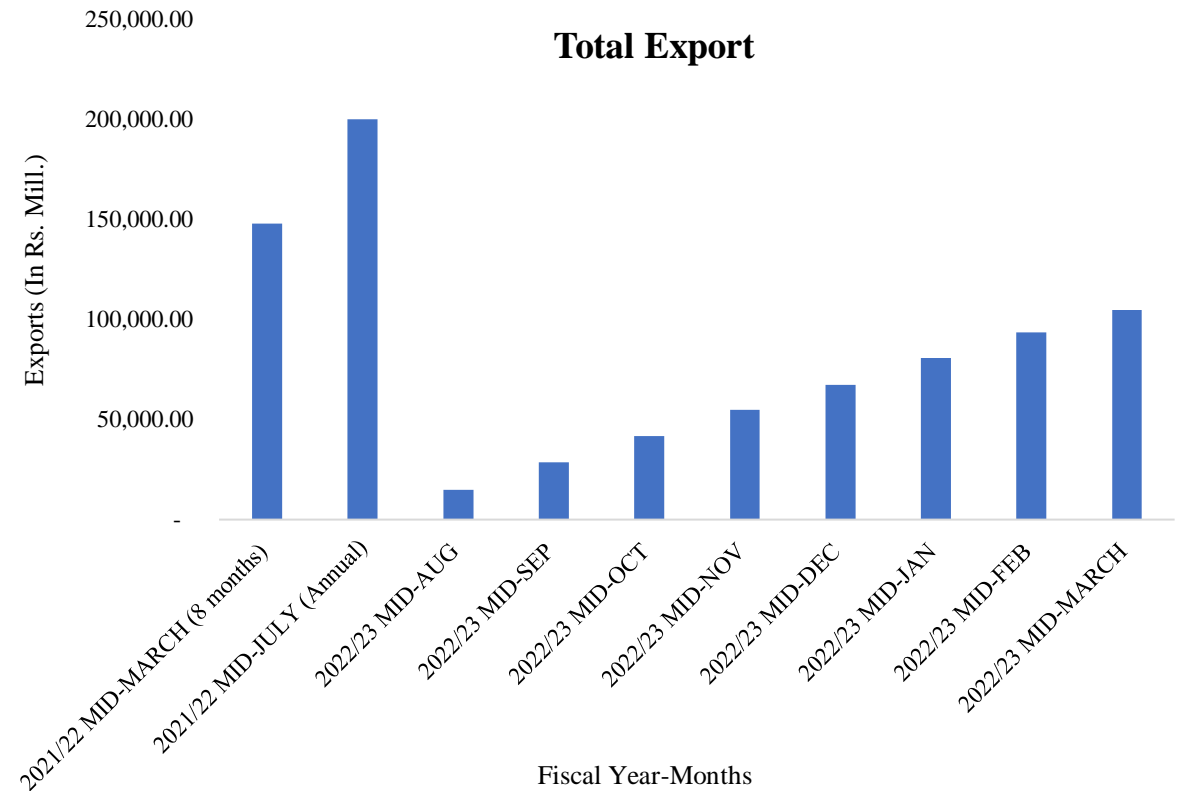
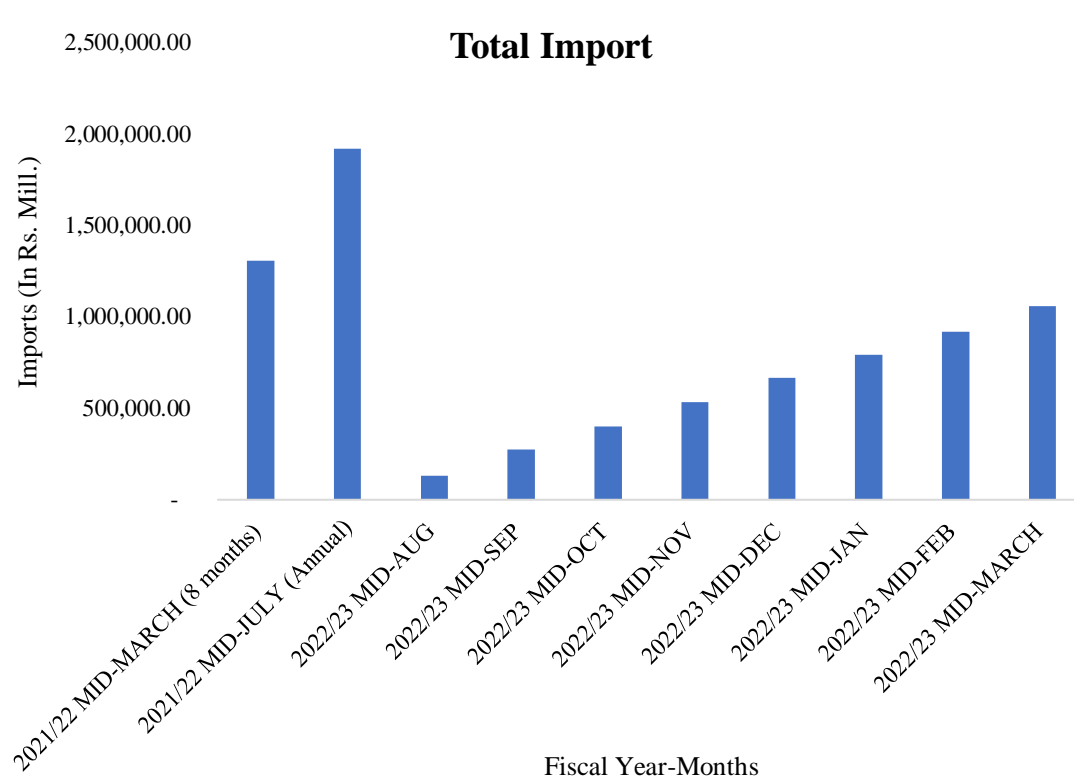
- ❑ The y-o-y consumer price inflation remained at 7.44 percent in mid-March 2023 compared to 7.14 percent a year ago.
- ❑ The y-o-y wholesale price inflation increased by 7.10 percent in the review month compared to 13.13 percent a year ago.

CPI, WPI, Salary and Wage Index



2. Import and Export Volume

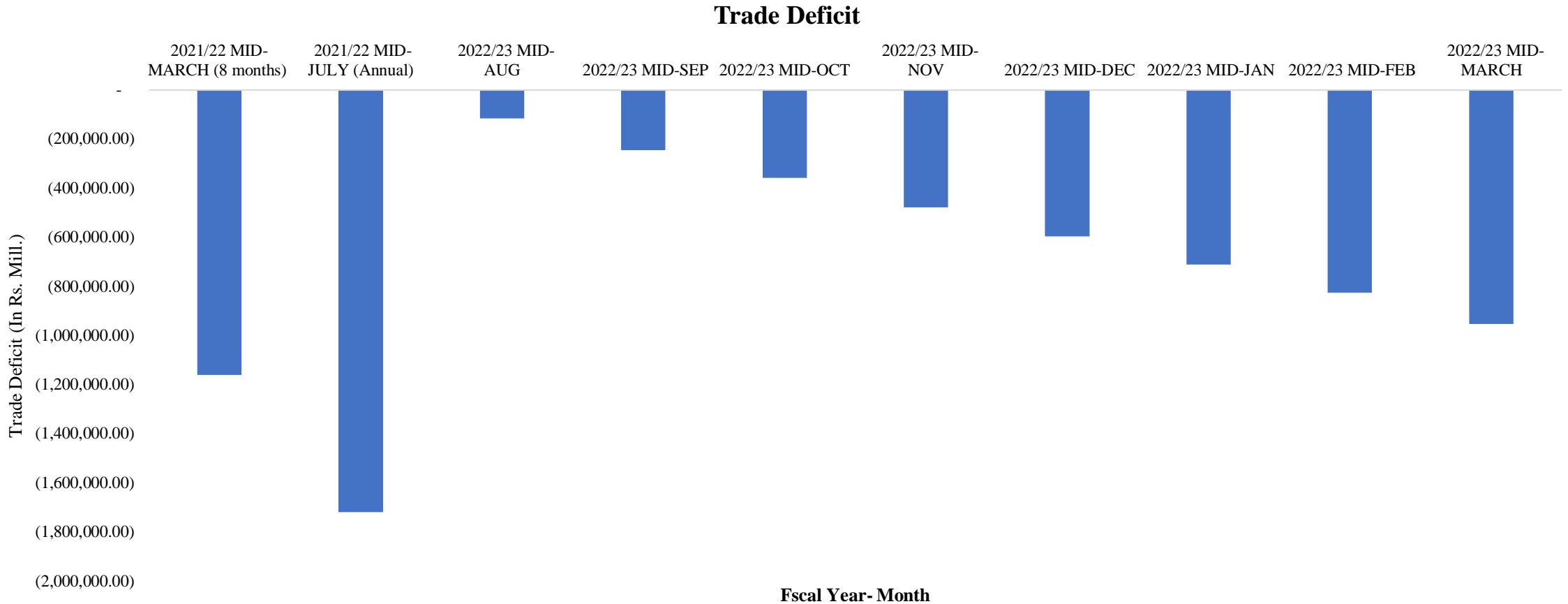
- ❑ Merchandise exports decreased 29.1 percent to Rs.104.80 billion against an increase of 82.9 percent in the same period of the previous year.
- ❑ Merchandise imports decreased 19.1 percent to Rs.1058.39 billion against an increase of 38.6 percent a year ago.





3. Trade Deficit

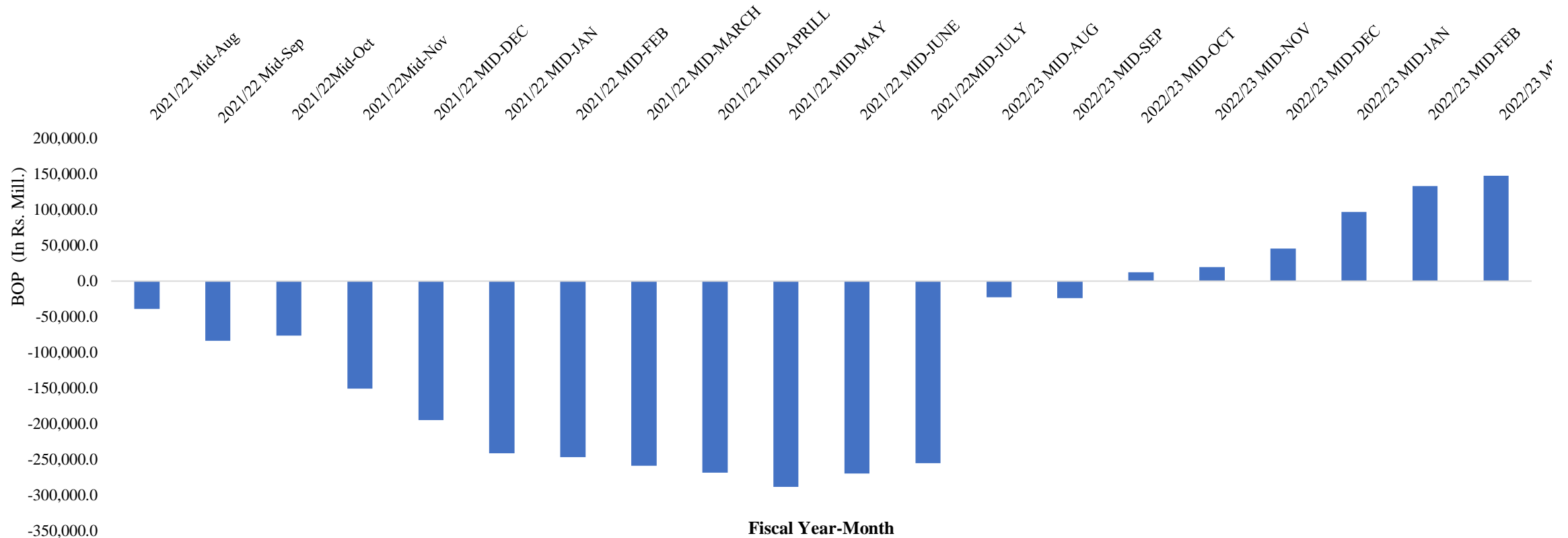
☐ Total trade deficit decreased 17.9 percent to Rs.953.59 billion during the eight months of 2022/23.



4. Balance of Payment (BoP)

Balance of Payments (BOP) remained at a surplus of Rs.148.11 billion in the review period compared to a deficit of Rs.258.64 billion in the same period of the previous year. I

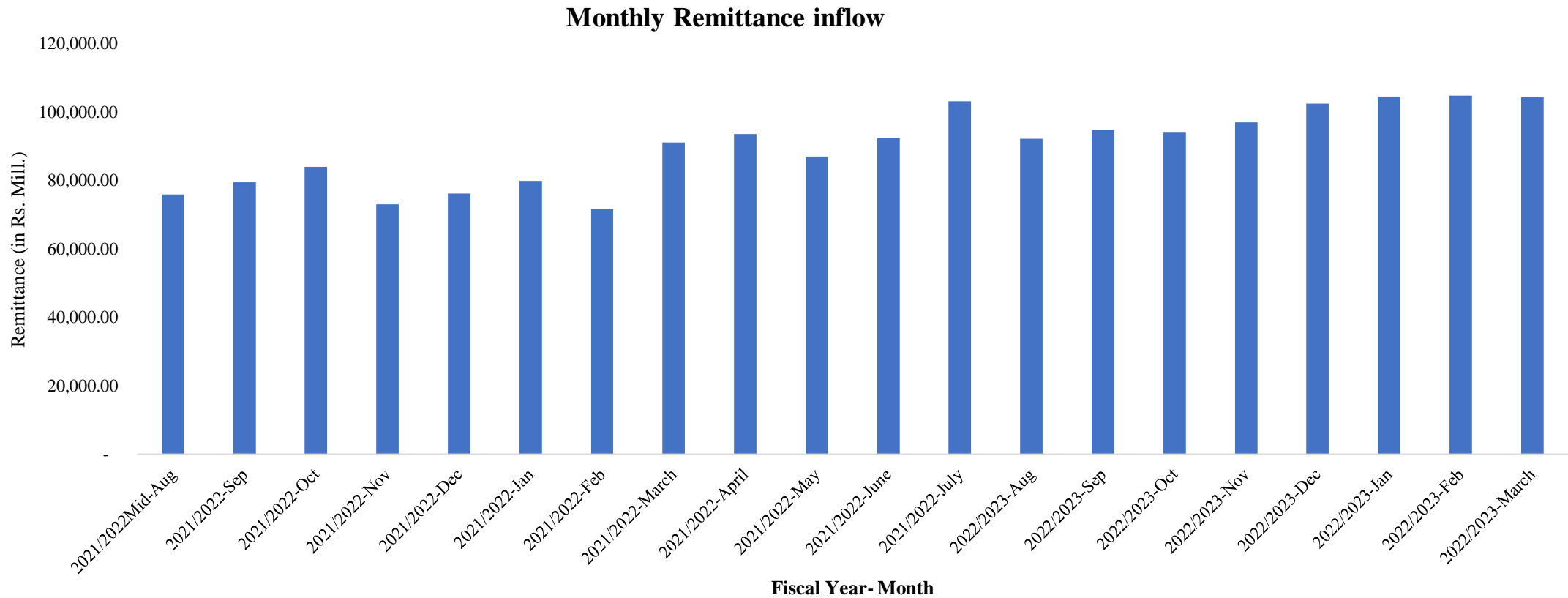
Balance of Payments





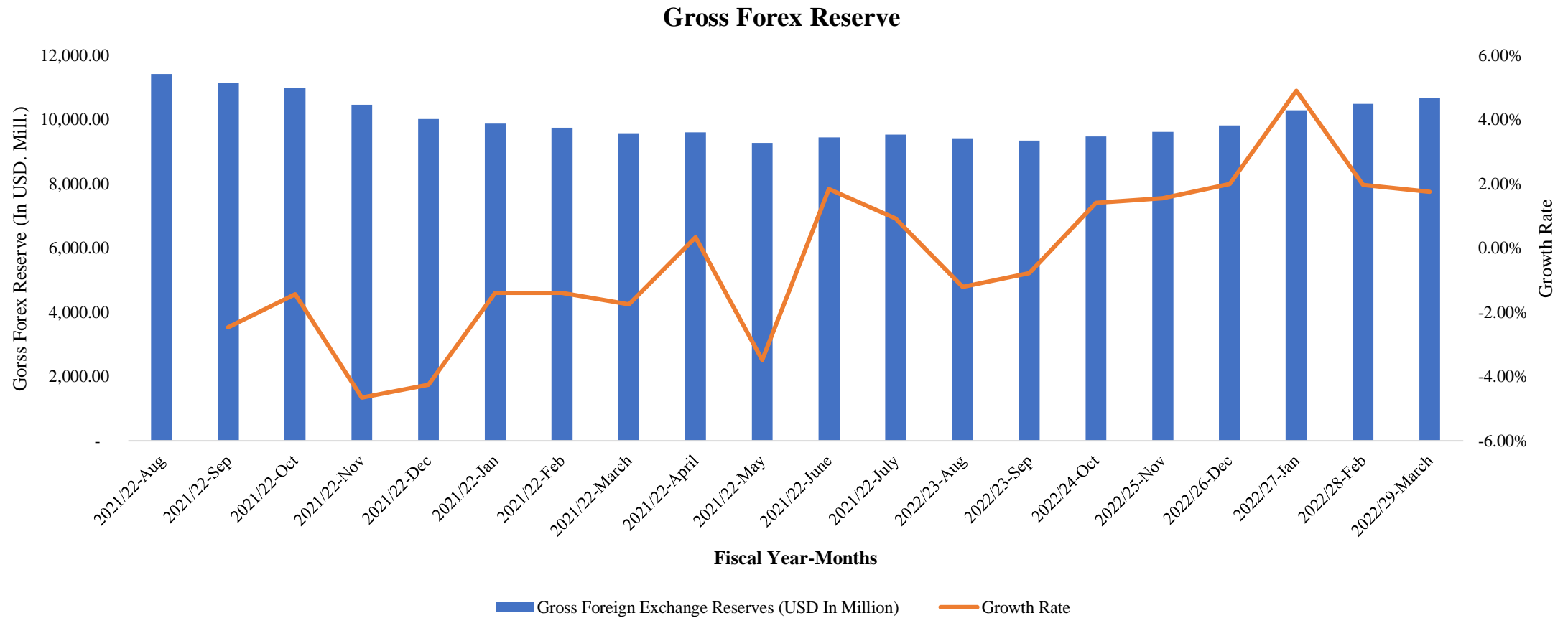
5. Remittance

☐ Remittance inflows increased 25.3 percent to Rs.794.32 billion in the review period against a decrease of 1.3 percent in the same period of the previous year. In the US Dollar terms, remittance inflows increased 14.8 percent to 6.09 billion in the review period against a decrease of 2.6 percent in the same period of the previous year.



6. Foreign Currency Reserve (Forex)

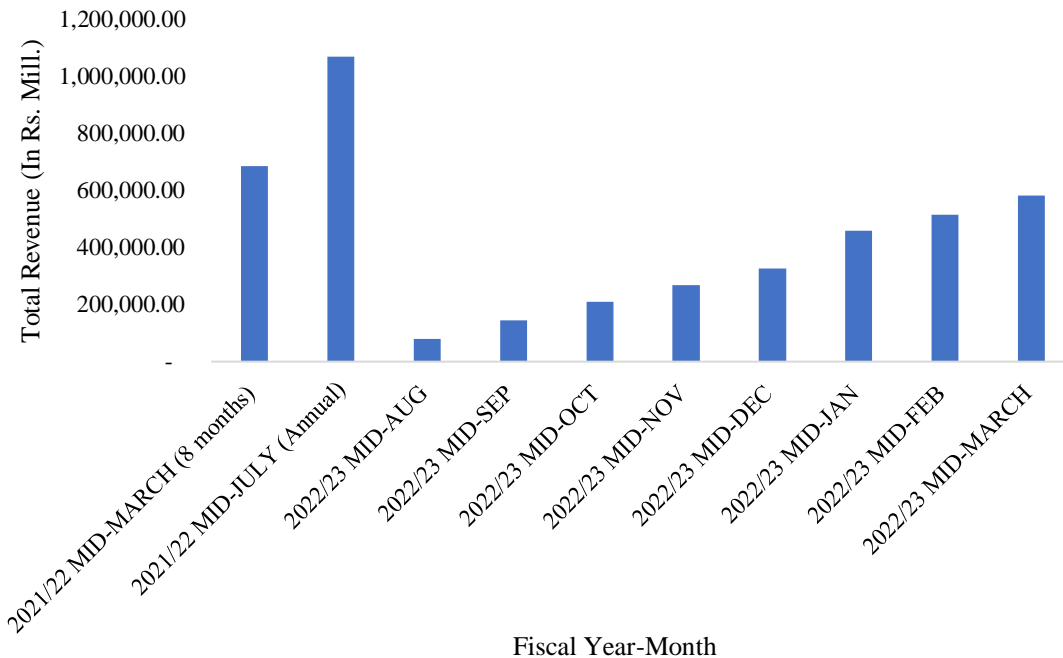
□ The gross foreign exchange reserves increased 12.1 percent to 10.69 billion in mid-March 2023 from 9.54 billion in mid-July 2022.



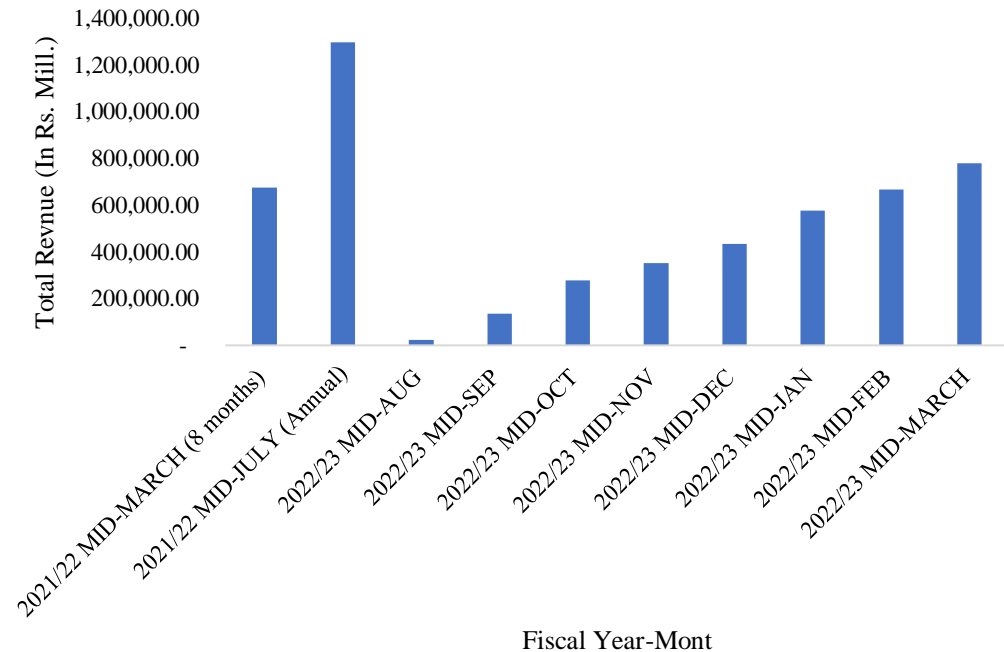
7. Government Revenue and Expenditure

- ❑ Total revenue mobilization of Federal Government (including the amount to be transferred to provincial and local governments) stood at Rs.582.77 billion.
- ❑ Total expenditure of the federal government according to data of Financial Comptroller General Office (FCGO), Ministry of Finance, stood at Rs.779.23 billion.

Total Revenue



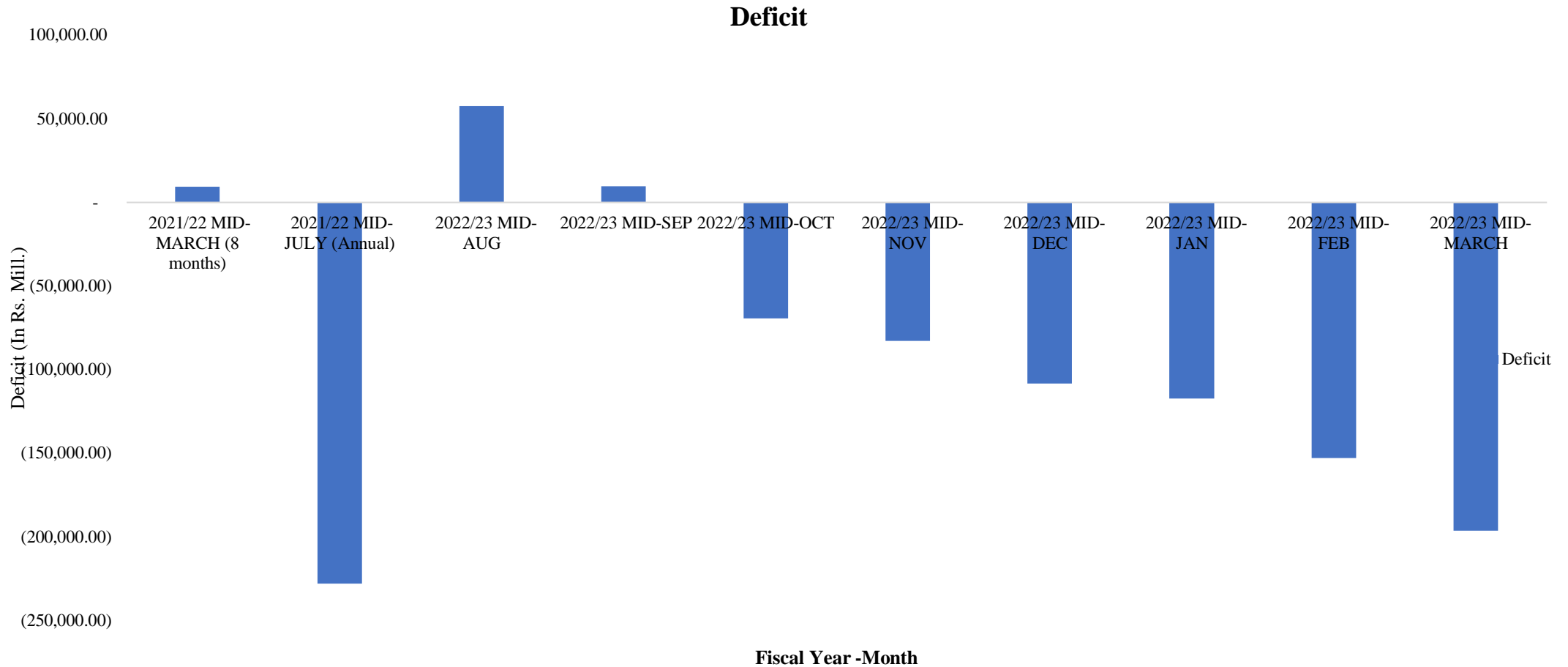
Total Expenditure





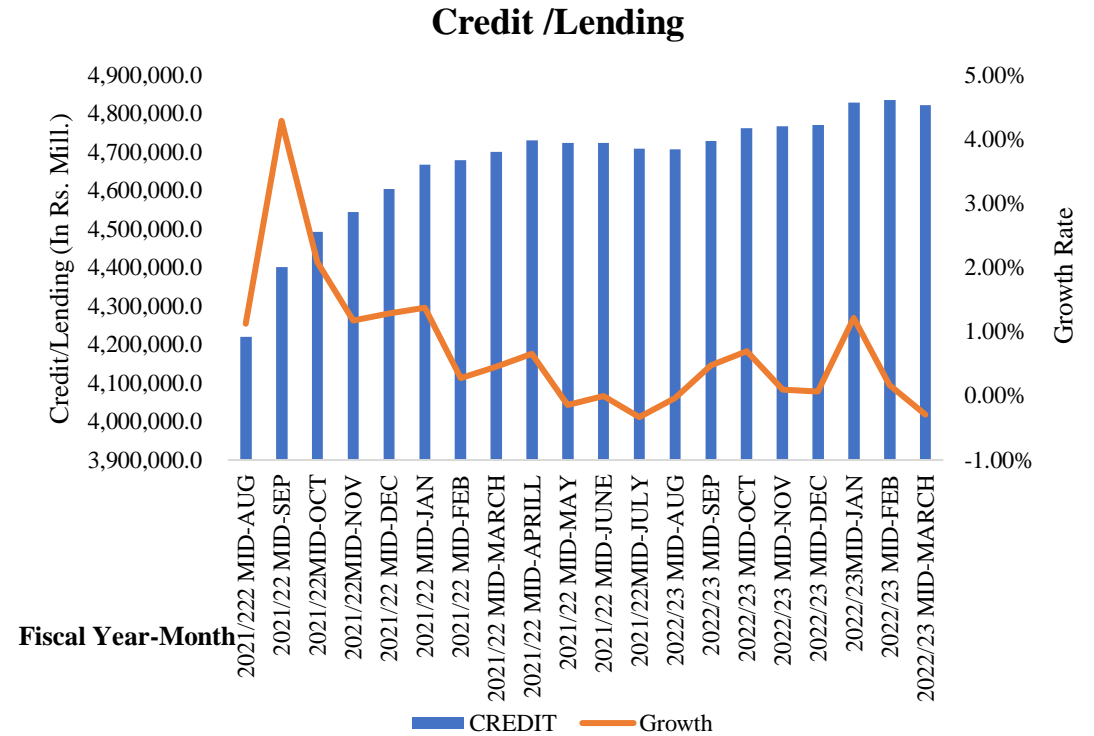
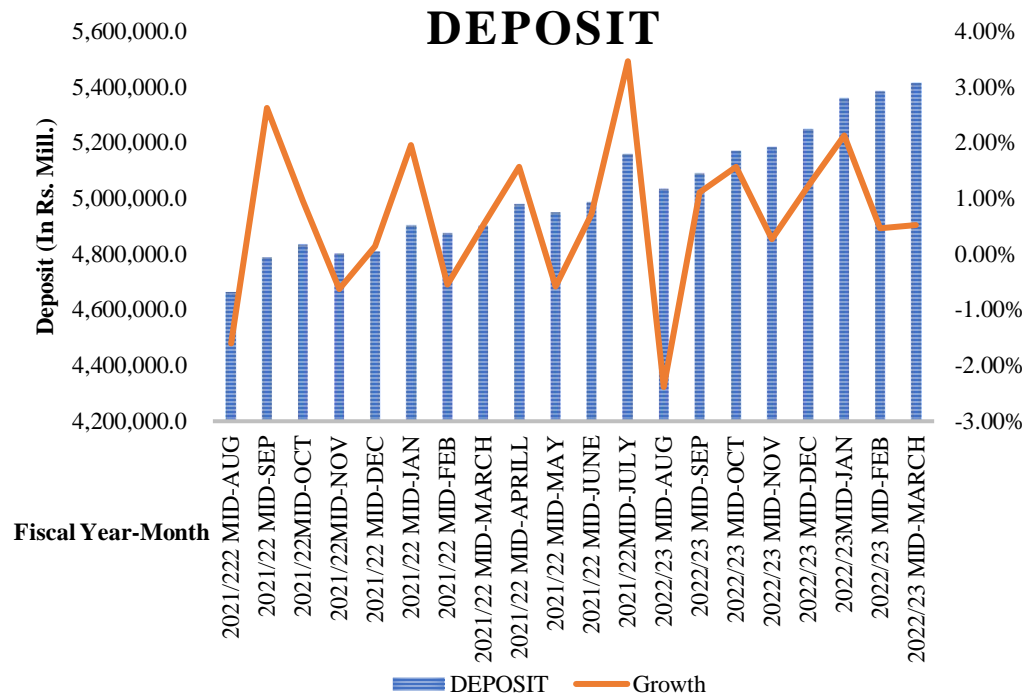
8. Deficit

☐ Deficit as on Mid-March 2023 stands Rs. 196,458 millions.



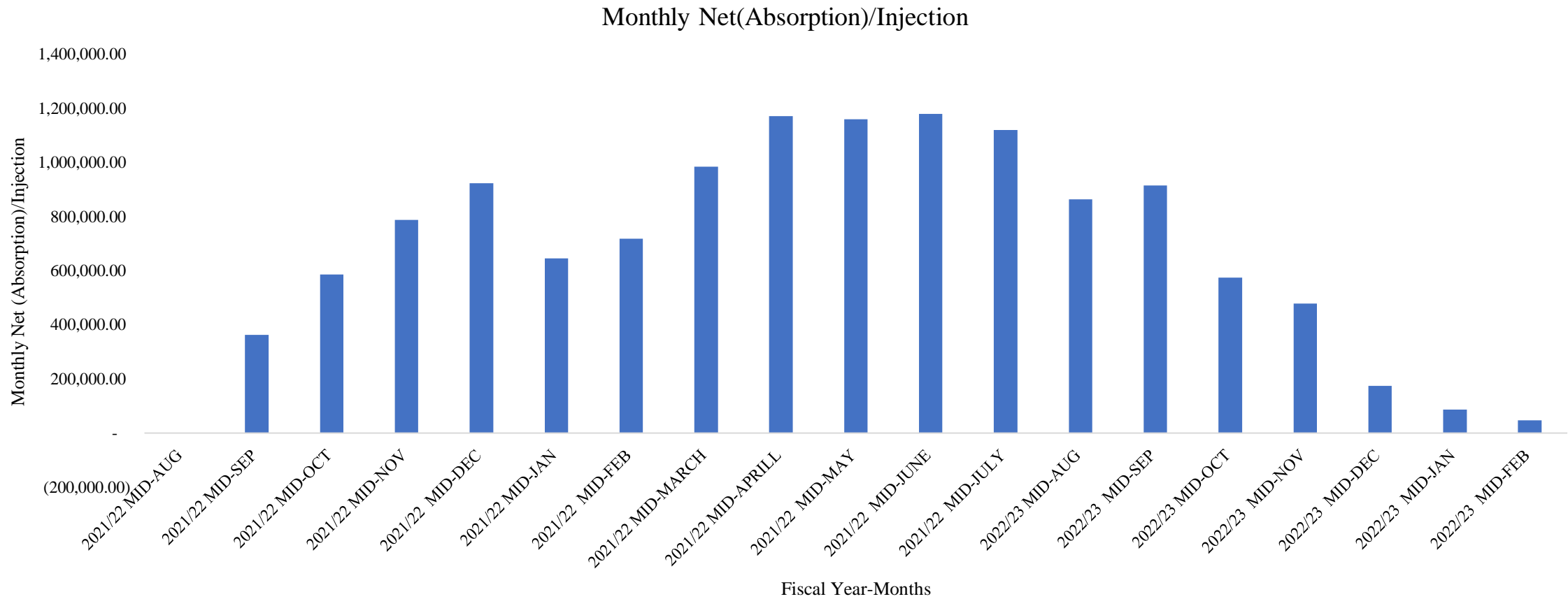
9. BFI's Deposit and Credit

- ❑ Deposits at Banks and Financial Institutions (BFIs) increased Rs.280.57 billion (5.5 percent) in the review period compared to an increase of Rs.192.12 billion (4.1 percent) in the corresponding period of the previous year.
- ❑ Domestic credit increased 4.5 percent in the review period compared to an increase of 10.6 percent in the corresponding period of the previous year.



10. Liquidity Management

☐ NRB injected Rs.3697.28 billion liquidity on turnover basis of which Rs.377.27 billion was through repo, Rs.83.85 billion through outright purchase auction, Rs.2720.49 billion through standing liquidity facility (SLF) and Rs.515.67 billion through Overnight Liquidity Facility (OLF).

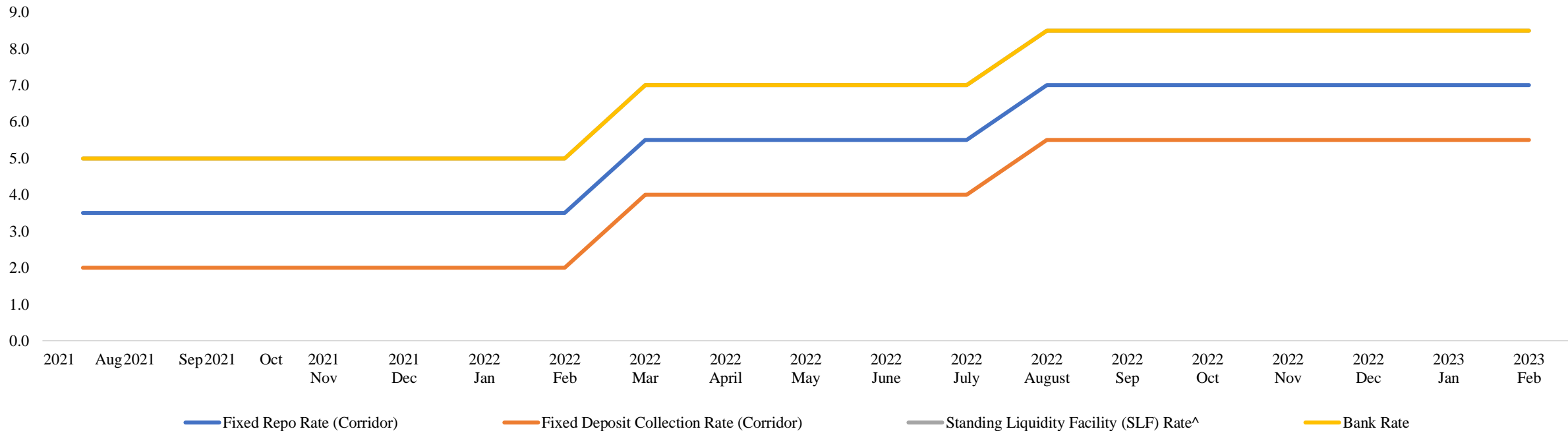


11. Interest Rate (A)

☐ Policy Rates Stands:

- ✓ Fixed Deposit Repo Rate (Corridor) : 7%;
- ✓ Fixed Deposit Collection Rate (Corridor) : 5.5% ;
- ✓ Standing Liquidity Facility (SLF) Rate: 8.5%;
- ✓ Bank Rate : 8.5%

Policy Rates





11. Interest Rate (B)

- ❑ Interbank Rate (Commercial Banks): 7.18%
- ❑ Weighted Average Deposit Rate (Commercial Banks): 8.37%
- ❑ Weighted Average Lending Rate (Commercial Banks): 13.03%
- ❑ Base Rate (Commercial Banks): 10.64%

Market Interest Rates

