

Monetary Policy for 2023/24



Nepal Rastra Bank
Central Office
Baluwatar, Kathmandu

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Monetary Policy for 2023/24

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Governor Mr. Maha Prasad Adhikari
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Nepal Rastra Bank
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Nepal Rastra Bank
Central Office
Baluwatar, Kathmandu, Nepal
Phone: 01-4410158
Website: www.nrb.org.np

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Monetary Policy for 2023/24

Background

1. Monetary policy has been formulated with the major objectives of maintaining price and balance of payments stability as specified in the Nepal Rastra Bank Act, 2002. The policy statement also includes the financial sector, foreign exchange management and payment system-related policies that aim to enhance financial access, maintain financial stability and develop a secure, healthy and sound payment system.
2. The eleven months' data related to the macroeconomic and financial situation of 2022/23 have already been published. The external sector and price situation have improved while the government finance has been under pressure. The growth of credit to the private sector has remained sluggish and the banking system has witnessed a rise in the ratio of their non-performing loan as a result of the slowdown in economic activities.
3. Government of Nepal (GoN) unveiled annual budget for 2023/24 on 29th May 2023. The budget has targeted to achieve 6 percent economic growth and estimated inflation to be within 6.5 percent. The budget has stipulated action plans for economic reforms to achieve these targets. The provincial governments and most of the local bodies have also unveiled their respective budgets for 2023/24. The implementation of the proposed reform programs by the GoN and execution of the capital expenditure as planned in the budget of the GoN and provincial governments is expected to further spur economic activities.
4. International Monetary Fund (IMF) has projected the global economic growth to be weak in 2023 and some improvements in 2024. Despite some improvements in 2023, the Fund has projected the global inflation still to remain high. Though inflation in developed and emerging economies have declined, but its level is still above the target. Therefore, these economies have continued the tighter monetary policy stance.
5. Monetary policy for 2023/24 along with policies related to regulatory, payment system, and foreign exchange management have been formulated considering the international and national economic as well as financial situation and their outlook, policy stances adopted by developed and neighbouring economies, the review of the monetary policy of 2022/23, the objectives and priorities

set out in the government budget for 2023/24 and suggestions received from stakeholders, scholars, and the general public.

Review of Monetary Policy for 2022/23

Economic and Monetary Targets

6. The stance of monetary policy for 2022/23 was guided by the objective of keeping inflation below 7 percent. The average inflation up to mid-June 2023 stood at 7.77 percent while the year-on-year (y-o-y) inflation stood at 6.83 percent in mid-June 2023.
7. The foreign exchange reserves available as of eleven months of 2022/23 remained sufficient to cover 9.6 months' imports of goods and services, against the target of maintaining foreign exchange reserves sufficient to cover 7 months' imports of goods and services.
8. The weighted average interbank rate, the operating target of the monetary policy, was set to keep within the corridor of 5.5 percent to 8.5 percent. The annual weighted average interbank rate recorded at 7.13 percent.

Monetary Management and Interest Rate

9. A total liquidity of Rs.414.47 billion through the repo auction and Rs.89.70 billion through the outright purchase auction has been injected on transaction basis in 2022/23 under the open market operation whereas a total liquidity of Rs.108.20 billion has been mopped up through reverse repo and deposit collection auction. On transaction basis, a total of Rs.395.97 billion net liquidity has been injected through open market operations in 2022/23. A total of Rs.472.30 billion net liquidity was injected in the previous fiscal year under open market operations.
10. Bank and Financial Institutions (BFIs), on transaction basis, have utilized liquidity facilities worth Rs.2727.11 billion through standing liquidity facility (SLF) and Rs.2286.90 billion through overnight liquidity facility (OLF) in 2022/23. On transaction basis, the BFIs had utilized Rs.9170.10 billion through the SLF in the previous fiscal year.
11. Liquidity of Rs.712.50 billion has been injected in 2022/23 through the net purchase of the US Dollar in the foreign exchange market. A total of Rs.355.56 billion liquidity was injected through the net purchase in the previous fiscal

year. The improvements in the remittance inflows and a fall in imports have resulted in a higher volume of the net purchase of the US Dollar.

12. Short-term interest rates have decreased in recent months following the improvements in the external sector. The weighted average interbank rates among commercial banks have continuously declined to 2.98 percent as in mid-July 2023. The interbank rate was 6.99 percent in mid-July 2022 that reached a peak of 8.5 percent in mid-October 2022. Similarly, the 91 day's weighted average treasury bill rate declined to 6.14 percent in mid-July 2023. The treasury bill rate remained 10.66 percent in mid-July 2022 after reaching the peak of 10.89 percent in mid-January 2023.
13. Long-term interest rates have also started to decline in line with short-term interest rates. The base rate of commercial banks which increased to 10.91 percent in mid-January 2023 has fallen to 10.18 percent in mid-June 2023. Similarly, the weighted average deposit rate that increased to 8.51 percent in mid-January 2023 has declined to 7.99 percent in mid-June 2023. The weighted average lending rate of commercial banks that reached as high as 13.03 percent in mid-February 2023 gradually declined to 12.53 percent in mid-June 2023.

Sectoral Credit, Deprived Sector and Concessional Loan

14. Out of the total lending of commercial banks, 13.1 percent (Rs.552.99 billion) lending has been in the agriculture sector, 6.8 percent (Rs.286.77 billion) in the energy sector and 9.9 percent (Rs.418.36 billion) in the micro, cottage, small and medium enterprises sector in mid-June 2023. Likewise, development banks have extended 24.9 percent (Rs.113.18 billion) and finance companies extended 22.3 percent (Rs.19.65 billion loans) of their total outstanding loan in the agriculture, micro, cottage, and small enterprises/businesses, energy, and tourism sectors in mid-June 2023.
15. The deprived sector lending stood at 6.1 percent (Rs.260.84 billion) on average in the total outstanding loan of the commercial banks as of mid-June 2023. Similarly, development banks and finance companies have extended 9.1 percent (Rs.42.32 billion) and 6.1 percent (Rs.5.65 billion) of their outstanding loan respectively.
16. The concessional loan under the interest subsidy program of the GoN has provided to 147 thousand 510 borrowers with an outstanding amount of

Rs.203.10 billion in mid-June 2023. The outstanding refinance facility provided by the NRB in the productive sectors including agriculture, micro enterprises, export and the Covid-19 hard-hit sectors remained Rs.1.96 billion in mid-June 2023.

Implementation Status of Major Regulatory Provisions of Monetary Policy for 2022/23

17. For strengthening monetary management and thereby improve liquidity management, a provision of providing overnight liquidity facility (OLF) to BFIs has been started since 16th December 2022. Similarly, a rule to conduct open market operations (OMO) has been introduced so that OMO interventions will take place if the weighted average interbank rate deviates by the specified percentage point away from the policy rate.
18. The existing monetary policy framework has been timely improved to make effective liquidity management and thereby limit the volatility in interest rates, reduce financial intermediation costs, and strengthen the monetary policy transmission. Since 2022/23, a monetary policy rule has been introduced in which the annual inflation target and the import capacity of the foreign exchange reserves are taken as a basis for setting the policy rate. According to this rule, the policy rate will be revised upward when there is pressure on inflation and import capacity of foreign exchange reserves, and will be revised downward when there is no pressure. With this rule, the process of setting the monetary policy stance has now been both data and theory driven. This policy rule is believed to make the setting of monetary policy stance more transparent and make the policy more effective to maintain macroeconomic stability.
19. As per the provisions in the monetary policy for 2022/23, a procedure for the lender of the last resort facility has been issued. The procedure has made clear provisions regarding the qualification of the related institutions, instruments, and procedures to follow while using the lender of the last resort facility from the NRB in case BFIs, though solvent in medium to long term, but are unable to manage immediate short-term liquidity requirement.
20. The existing provision of determining interest rates on lending has been revised in 2022/23, so that lending rates can be set on a monthly basis as per the cost of funds. It is expected to enhance the effectiveness of the monetary policy transmission mechanism through bringing timely adjustment in the demand for and supply of loanable funds.

21. A provision that commercial banks need to maintain average interest rate spread of 4 percent has come into effect from mid-July 2023. Likewise, the spread requirement for development banks and finance companies to keep at or below 4.6 percent has also come into effect.
22. A provision of allowing to add a maximum of 2 percentage points premium to the base rate while determining the lending rate has come into implementation for loans up to Rs.20 million provided to food production, animal husbandry, fishery, export, as well as manufacturing industry, handicraft, and skill-based businesses and enterprises with 100 percent local raw materials. Likewise, an arrangement of adding a maximum of 2 percentage points premium to the base rate has come into effect while providing credit to the private sector for establishing information technology park and industrial park.
23. The microfinance program has been helpful in developing skills and entrepreneurship of the deprived people as well as promoting the micro-enterprises in addition to providing financial services. Access to financial services of the deprived people has been enhanced further by the extension of the micro-savings and credit products. This has not only provided the opportunity to choose financial products but also minimized the risk for the deprived people being exploited by informal finances. In order to make the deprived sector lending further concessional, a provision of adding a maximum of 2 percentage point premium to the base rate while providing wholesale lending to the microfinance institutions has been brought into implementation.
24. The Foreign Investment and Foreign Loan Management Bylaw 2021 has been amended to further facilitate the receipt of foreign currency from foreign investment, repatriation of foreign investment as well as earnings made from that investment, approval and receipt of foreign loans and providing foreign exchange facilities for the repayment of principal and interest of such loans, among others.
25. By issuing Nepal Rastra Bank Remittance Regulations, 2023, the issuance of licenses for carrying out remittance transactions, regulation of remittance transactions, and merger or acquisition of licensed remittance companies have been further systematized.
26. A provision has come into operation that BFIs and remittance companies can bring remittances to the home country through cards issued in collaboration with licensed payment system operators.

27. A provision has come into place that a natural person or any firm, company, or institution established in Nepal and exporting services to any foreign firm, company, institution, or natural person could receive the convertible foreign currency through the banking channel.
28. The details of the implementation status of the policy provisions of the Monetary Policy for 2022/23 are provided in Annex 2.

Macroeconomic Situation and Outlook

Global Economic Situation and Outlook

29. The global economic growth rate has remained subdued due to a rise in interest rates which was raised in response to the higher inflation caused by the Russia-Ukraine war, rise in the price of petroleum products and global supply disruption. International Monetary Fund (IMF) has projected a lower economic growth rate for the world, advanced, and emerging economies in 2023 and a moderate improvement in 2024.
30. According to the IMF's projection of April 2023, the world economy which expanded 3.4 percent in 2022 is estimated to grow 2.8 percent and 3 percent in 2023 and 2024 respectively. Advanced economies that expanded 2.7 percent in 2022 is estimated to grow 1.3 percent in 2023 and 1.4 percent in 2024 as per the IMF projection. Emerging and developing economies which grew 4 percent in 2022 is projected to expand 3.9 percent and 4.2 percent in 2023 and 2024 respectively.
31. The neighbouring economies, India and China, are estimated to grow 5.9 percent and 5.2 percent respectively in 2023, compared to a growth of 6.8 percent and 3 percent respectively in 2022. The Fund projects economic growth of 6.3 percent for India and 4.5 percent for China in 2024.
32. The elevated inflationary situation faced by the global economy has been gradually easing. However, the inflationary risk is continued on account of uncertainties in energy prices, the ongoing Russia-Ukraine war and the likelihood of adopting easy policy to overcome the economic recession. As per the projection of the IMF, global inflation, which remained at 8.7 percent in 2022, is estimated to decrease to 7 percent in 2023 and further to 4.9 percent in 2024. Inflation of the developed and developing economies is projected to be 4.7 percent and 8.6 percent respectively in 2023 and to decline

to 2.6 percent and 6.5 percent respectively in 2024, compared to 7.3 percent for developed and 9.8 percent for developing economies in 2022.

33. Most of the central banks around the world have been continuing their tighter monetary policy stance since the beginning of 2022. The Federal Reserve Bank of America has held off the rate hike in the last 14th June 2023 meeting, while the rate was being continuously increased from 0-0.25 percent in March 2022 to 5-5.25 percent on 3rd May 2023. Emerging economies have also continued their tighter monetary policy stance to anchor the higher inflationary expectation as well as evade the effects of tighter monetary policy of advanced economies in their financial markets.
34. The Reserve Bank of India, by continuously increasing the policy rates, has set the repo rate at 6.5 percent and the standing liquidity facility rate at 6.75 percent in February 2023. RBI has, however, kept rates unchanged in the review of monetary policy in June 2023. The Central Bank of Bangladesh has increased the policy rates thereby setting repo rate at 6.5 percent, standing liquidity facility rate at 8.5 percent and the standing deposit facility rate at 4.5 percent.
35. The rise in the price of petroleum products, foods and metallic commodities induced by the Russia-Ukraine war has currently remained stable or even showed a declining trend. As a result, inflation is in a decreasing trend in most of the world economies. However, most economies seem to continue their tighter monetary policy stance in 2023 given the current inflation being above their targeted level and the ongoing geopolitical tensions that pose risks to fuel and the overall price situation.

Domestic Economic Situation and Outlook

Real Sector

36. National Statistics Office (NSO) has estimated economic growth of 2.16 percent at the basic price and 1.86 percent at the producer's price for 2022/23. Internal liquidity absorption due to the higher balance of payments (BoP) deficit in the previous year and capital expenditure being less than the budget allocation contributed to lower domestic demand which severely affected the construction, mining and quarrying, manufacturing and wholesale and retail trade sectors. These sectors are estimated to register a negative growth in 2022/23.

37. The budget for 2023/24 has targeted economic growth of 6 percent. The GoN has allocated Rs.302.07 billion for capital expenditure and the budget has also outlined broader action plans for economic reforms. Similarly, provincial governments have allocated Rs.159.49 billion for capital expenditure. Execution of the proposed action plans for the economic reforms and execution of capital budget as planned is expected to further stimulate the private sector investment thereby helping to achieve the targeted economic growth.
38. According to the Ministry of Agriculture and Livestock, about 53 percent of paddy plantation has been completed as of 14 July 2023. About 65 percent of paddy plantation was completed by July 14 last year. The paddy plantation progress is less than last year due to the delay in the monsoon and lumpy skin disease. Thousands of livestock's have died due to the lumpy skin disease. However, due to the active monsoon, easy availability of the chemical fertilizer and timely fixation of the minimum support price of paddy by the government that has removed the price uncertainty, the agricultural sector is expected to register a satisfactory growth in 2023/24.
39. About 900 MW of electricity is expected to add to the national grid system in 2023/24. With the permission received to sell an additional 300MW electricity to the Indian market on June 26, 2023, Nepal is now able to sell a total of 952 megawatts of electricity in the Indian market. The increased export of electricity will help to reduce the trade deficit with India and to improve the external sector, thereby supporting the domestic economy to gain further momentum.
40. The tourist arrival improved since the beginning of 2022/23. Following the reduced impact of COVID-19, international travel standards have been eased and the business environment is becoming convenient. The GoN has announced the 2023-2033 to be a Visit Nepal decade. The tourism-related infrastructures like hotels, and airports have been expanded. As a result, a continuous growth in the number of foreign tourist arrival and the further expansion of the tourism sector in the coming years is expected.
41. The construction and its interlinked sectors have contracted in 2022/23. To help the construction sector gaining momentum which has a strong backward-forward linkage to wholesale and retail trade, mining and quarrying, manufacturing, among others, it is necessary to make arrangement for timely capital spending on the development activities like infrastructures. This will

further increase the private demand in other sectors and support achieving the targeted economic growth.

42. The declining trend of the interest rate following the external sector improvements will support to increase private demand, and thereby expand economic activities further. Remittance inflow is expected to remain satisfactory due to the higher number of Nepali people who have gone for foreign employment abroad. However, the emigration of Nepali youths for employment and study abroad has contributed to some extent to lower domestic demand.

Inflation

43. The annual average consumer price inflation is expected to remain slightly above the targeted level. The average consumer price inflation for eleven months of 2022/23 is 7.77 percent, while such inflation was 6.18 percent in the same period of 2021/22. However, the y-o-y consumer price inflation registered 6.83 percent in mid-June 2023, being slightly below the average annual expected inflation. The increase in the prices of cereals, dairy products, spices, household consumables, imported goods, and fuel along with the depreciation of Nepalese Rupees against the US Dollar has generated pressure on inflation. However, the inflationary pressure seems to gradually ease in response to subdued domestic demand and the declining trend of wholesale price in India.
44. Nepal's consumer price inflation is primarily determined by domestic production and demand, the price of imported goods, the exchange rate of Nepalese Rupees and the margin to be marked up by wholesalers and retailers. Expanding domestic production, setting the policy stance to balance the demand and supply, and strengthening market regulation for checking artificial price hikes are necessary to contain inflation within the targeted level.
45. In the inflation expectation survey conducted in mid-July 2023, public expectation for inflation has remained stable for both next three months and one-year ahead period.
46. Inflationary pressure at the international level has been easing. However, uncertainty of crude oil price and the ongoing Russia-Ukraine war still pose risks to price. Considering the existing tighter monetary policy stance at the

global level, declining inflationary trend, well-anchored public's inflationary expectation, and the base price effect, inflation is expected to remain within 6.5 percent in 2023/24.

External Sector

47. Foreign trade has declined in 2022/23. During eleven months of the review year, the total merchandise exports decreased 22.7 percent amounting Rs.143.59 billion whereas merchandise imports decreased 16 percent amounting Rs.1480.98 billion. As a result, the trade deficit has improved 15.2 percent to Rs.1337.39 billion in comparison to the previous year. Given the size of the budget, the current trend of remittance inflows and the decreasing trend in the interest rates, imports of goods and services is projected to grow by about 16 percent in 2023/24.
48. The BoP situation has improved in 2022/23. In the eleven months of 2022/23, the BoP is in surplus of Rs.228.98 billion. However, the current account is in deficit by Rs.69.40 billion. In the same period of the previous year, the BoP was in deficit of Rs.269.81 billion and the current account was in deficit of Rs.592.14 billion.
49. Remittance inflows remained satisfactory in 2022/23 mainly due to elevated level of Nepali youths going abroad for foreign employment in new destinations and countries having higher income as well as because of the incentives provided for inward remittance inflows. In the eleven months of 2022/23, remittance inflows increased 22.7 percent in Nepali Rupees and 13.0 percent in the US Dollar terms. Even if the number of Nepalese going abroad for foreign employment is significant in post COVID-19 period, however, the growth rate of remittance inflows in 2023/24 is expected to remain moderate given the higher base of remittance inflows in 2022/23.
50. Travel income increased 94.3 percent in 2022/23. Such income is estimated to be at satisfactory level in 2023/24 also.
51. The foreign exchange reserve is in a comfortable position. Gross foreign exchange reserve increased 21.8 percent to Rs.1480.87 billion in mid-June 2023 in comparison to mid-July 2022. In the US Dollar terms, the gross foreign exchange reserves increased 18.5 percent to Rs.11.30 billion. There is a risk of downward pressure in foreign exchange reserves if growth of remittance remains moderate but import grows significantly. Therefore, priorities should

be given to export and tourism promotion, foreign investment and remittance inflows through formal channels for sustainable improvements in the external sector.

52. Considering the private sector credit growth, size of the budget and foreign assistance, direction of foreign trade and the trend of remittances inflows, current account deficit seems to widen. However, the BoP is estimated to remain moderately surplus in 2023/24.

Government Finance

53. According to the data of GoN, Ministry of Finance, Financial Comptroller General Office, the total expenditure of the Nepal government increased 10.3 percent and total revenue mobilization decreased 10.4 percent in 2022/23 compared to 2021/22. Out of the total budget outlay recorded in 2022/23, the share of the recurrent and capital expenditure were 70.35 percent and 16.34 percent respectively. Of the total budget allocation, 85 percent of the recurrent expenditure and 61.4 percent of the capital expenditure were realized respectively.
54. The total revenue mobilization of the Nepal government was Rs.957.15 billion and the total expenditure realised was Rs.1429.56 billion in 2022/23. These statistics show a revenue deficit of Rs.472.41 billion. Such a revenue deficit was Rs.228.29 billion in the previous fiscal year.
55. On the backdrop of the limited internal resources due mainly to low domestic saving and not to crowd out private investment, the GoN has prioritized the mobilization of external resources in the budget of 2023/24 to fill up the rising revenue deficit. The recent improvements witnessed in the external sector as well as in interest rates could be sustained if resource gap is managed through foreign investment, foreign debt, and foreign assistance.

Monetary and Financial Sector

56. The broad money supply increased 10.9 percent in mid-June 2023 on y-o-y basis. During the period, the total deposit mobilised by the BFIs increased 12.2 percent and credit to the private sector increased 3 percent. The growth projection for the broad money supply was 12 percent while for the credit to the private sector was 12.6 percent for 2022/23. The demand for credit remained subdued due to the lack of timely and planned turnout of the government's capital expenditure, sluggish economic growth and rise in interest rate in

response to tighter liquidity condition. As a consequent, the credit expansion remained low in 2022/23.

57. The BFIs have mobilised a total deposit of Rs.88 billion from the remittance receipt in the accounts opened by Nepali people working abroad. Out of this total amount, 86.4 percent is held in fixed deposits.
58. The outstanding credit to the private sector from BFIs is estimated to reach Rs.4877 billion in mid-July 2023 or equal to 90.7 percent of the GDP. The average credit-to-deposit ratio stands at 81.62 percent in mid-July 2023.
59. The current trend of remittance inflows, improvements in the liquidity position, declining trend of interest rates, proposed reform plans in the budget and the turnout of the capital expenditure of the federal and provincial governments as planned in the budget are expected to make economic activities buoyant and raise the private sector demand for credit. Considering the potential demand for credit and additional credit capacity of banks and financial institutions, the credit to the private sector is projected to increase by up to Rs.562 billion in 2023/24.

Monetary Policy Framework for 2023/24

Situation of Monetary Policy Stance

60. Pressure on the external sector has subsided as a result of policy actions. The BoP has been remaining surplus since mid-October 2022. The liquidity situation in the banking sector has been easing along with the improvements in the external sector. As a result, the short-term interest rates have decreased and the long-term interest rates are in a declining trend. Thus, given the improvements witnessed in external sector and liquidity situation, economic activities are expected to expand. In the context of current account deficit and higher import-to-GDP ratio, a strategy of managing the domestic demand that spurs economic activities as well as preserves the achievements made so far in the external sector has been adopted.
61. Even if remittance inflow has increased the money supply, it has not been contributing to value addition domestically, resulting in a wider gap between the domestic production capacity and the demand. As a result, the current account of the external sector is in deficit for the last few years. As Nepal is following the fixed exchange rate regime, the persistence current account

deficit not only poses vulnerabilities to the external sector but also to the domestic economic stability. Therefore, the monetary policy has been oriented to focus on maintaining the overall macroeconomic stability by managing the aggregate demand in a way that strikes proper balance between domestic demand and supply.

62. Nepal's potential output growth seems to be around 4.5 percent. An NRB study shows that inflation higher than 6.5 percent may negatively affect economic growth in Nepal. Therefore, for supporting to achieve high and sustainable economic growth along with maintaining the price and external sector stability, monetary policy accords a priority to mobilize resources in sectors where prospectus of building capital is high and expand the production possibility frontier of the economy.
63. Consumer price inflation in Nepal is still higher than India. In the context of the fixed exchange rate regime with Indian currency and about two-third of the total imports come from India, Nepal's consumer price inflation is generally influenced by Indian inflation. However, the role of foreign currency reserves is equally important in controlling inflation for the country like Nepal with weak export capacity and import-dependent production and consumption structure. If the excessive expansion in the aggregate demand deteriorates the import capacity of the available foreign currency reserves, it also affects the domestic supply chain and the business environment, leading to a higher inflation domestically despite of lower inflation in neighbouring countries and around the world. Therefore, the monetary policy has cautiously been formulated without putting undue pressure on the foreign exchange reserve and the exchange rate peg from excessive rise in domestic demand.
64. The monetary policy of 2022/23 has started the provision of not setting the policy rate below the annual expected inflation. There is also a practice of taking the natural rate of interest as a reference, to keep the policy rate at a desired level. While the natural rate of interest rate cannot be measured directly, the average long-run inflation can be considered as a good estimator among the available statistical and econometric methods. Nepal's average inflation for the last 25 years is 6.7 percent. On this basis, Nepal's natural rate of interest can be assumed to be around 6.5 percent. In case the policy rate is below the natural rate of interest, there could be undue pressure on the external sector, and domestic economic activities could be suppressed in case

policy rate is above the natural rate. Therefore, while determining the policy rate, the natural rate of interest is taken as a reference rate, in addition to inflation and external sector outlook.

65. Gross domestic saving has remained below 10 percent of GDP for a very long period in Nepal. The lower domestic saving but higher investment demand has been increasing the resource gap. International competitiveness has not increased due to the lower productivity of public and private sector investment while the investment multiplier and the domestic saving rate is also at very low level. For increasing the saving rate, the rate of capital formation needs to be increased by mobilising the public and private investment towards the sectors with a higher return. In this context, a strategy of maintaining a positive real interest rate on deposits to promote saving has been followed while setting the policy rate.
66. Private sector credit to GDP ratio is very high in Nepal compared to the South Asian region. Nepalese private sector seems to be in an over-indebted situation when the total lending from BFIs, cooperatives, insurance companies, Citizen Investment Trust and Employee Provident Fund is considered together. The non-performing loan has started to increase due to the private sector's over-indebtedness, the poor relationship between the credit and real sector, and some non-professional activities targeted against the financial sector in recent days. In this background, the utmost priority has been given to maintaining financial stability.
67. The banking sector's average credit growth has registered 19.4 percent in the last 20 years. Along with the rise of the private sector credit to GDP ratio, the number of larger size loans has also grown. However, the growth of the real sector is less than expected compared to the credit flow to this sector. When the financial sector expands but not the real sector, it not only affects the financial stability through poor financial asset quality but also deteriorates the real sector and government finance in the long run. Therefore, the emphasis has been given to enhancing the productive usage of the credit than its growth, priority to small and medium productive sector loans, and reducing the over-concentration of the credit.
68. The market supply chain disrupted by the COVID-19 pandemic and the Russia-Ukraine war is yet to come in normal order. The higher inflationary pressure in both developed and developing countries built mainly through the

elevated petroleum and food prices has been improving slowly but the overall inflation level is still much higher than their targeted level. As a consequence, the majority of the central banks have been continuing the tight monetary policy stance. As a result, pressure in the financial sector of both emerging and developing economies still continues. The policy stance around the world has also been considered while formulating this monetary policy.

Monetary Policy Stance

69. The stance of monetary policy has been kept cautiously accommodative to make the economy buoyant by maintaining price and external sector stability.
70. The priority of the monetary policy is to enhance the domestic production capacity by channelling financial resources to the productive sector.
71. Regulatory policies have been formulated for supporting the monetary policy to maintain financial stability by enhancing the effectiveness of the monitoring, regulation and supervision of large-scale credit, reducing the over-concentration of the credit, prioritising small and medium-productive sector credit and enhancing the quality as well as accessibility to the credit.

Monetary Policy Framework and Targets

72. The exchange rate peg of the Nepalese Rupee vis-a-vis the Indian Rupee as a nominal anchor of the monetary policy has been kept unchanged.
73. The weighted average interbank rate among the BFIs has been continued as an operating target of the monetary policy.
74. The policy rate will be determined based on the import capacity of the foreign exchange reserves and the annual expected inflation.
75. Based on the status of the operating target, the interbank rate will be kept within the interest rate corridor by proactively conducting open market operations.
76. The goal of the monetary policy is to keep the foreign exchange reserves at a level that is sufficient to cover at least 7 months' imports of goods and services.
77. To contain the inflation within 6.5 percent, monetary management will be carried out so that monetary expansion will not put pressure on the price level.

78. Priority is given to channelize financial resources towards the productive sector and thereby support achieving the economic growth of 6 percent targeted by the GoN in the budget for 2023/24. The growth rate of the broad money supply and the credit to the private sector from the BFIs is projected to be 12.5 percent and 11.5 percent respectively in 2023/24.

Monetary Measures

79. Considering the domestic and external economic outlook, the policy rate has been reduced by 50 basis points to 6.5 percent. Keeping the bank rate unchanged at 7.5 percent, the deposit collection rate has been reduced to 4.5 percent from 5.5 percent.
80. Secondary open market operations and deposit collection auction will be opened if the weighted average interbank rate, taken as an operating target, becomes higher than the bank rate and lower than the deposit collection rate.
81. The provision of providing a standing liquidity facility (SLF) at the bank rate and an overnight liquidity facility (OLF) at the policy rate has been kept unchanged.
82. A provision will be made to provide the standing deposit facility (SDF) at the lower bound of the interest rate corridor in order to make IRC more effective.
83. Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR) have been kept unchanged.

Financial Sector and Foreign Exchange Policies for 2023/24

84. The size of the financial sector and financial outreach have been remarkably improved as a result of the reforms being continuously implemented by the NRB for the development and expansion of the financial sector. Adoption of the international best practices and their effective implementation have been a priority for the stability of the financial sector. BFIs have been consolidated through raising their capital base as well as mergers and acquisitions. As a result, the capital fund mobilized by the BFIs has reached about 13 percent of the GDP, while the mobilization of financial resources has reached about Rs.5700 billion in mid-July 2023.
85. Working capital guideline is now in implementation in order to enhance the utilization of financial resources with the objective of promoting financial

stability. A separate large exposure framework is being prepared to supervise big borrowers effectively. Likewise, a revision of single obligor limit underscores a top priority to reduce credit concentration and promote small and medium productive enterprises. Similarly, reform initiatives like assessing the quality of assets in the banking sector, reducing credit risk, developing and using the supervisory information systems to enhance supervisory capacity, preparing and implementing the macro stress testing framework to assess the pressure that financial sector may face due to the macroeconomic fluctuations, timely reviewing and amending the laws related to the financial sector, among others, have been continued. It is expected that afore-mentioned reforms will promote financial stability and help achieve sustainable economic growth.

86. The current account of the external sector has been made fully convertible to enhance market access and integrate Nepal's market with the international market, while the capital account has also been gradually opened up on a need basis. Foreign exchange policy has been formulated and implemented to harmonise it with monetary and financial sector policies to enhance the productive use of foreign exchange reserves.
87. Physical infrastructure, legal and regulatory measures related to payments and settlements have been developed to make electronic payments simple, safe and effective. In addition, the usage of modern equipment and technology has been emphasized to promote electronic payments by integrating with international gateways. There has been a significant expansion in the payments and settlement of electronic transactions due to these initiatives.
88. In line with the monetary policy stance for 2023/24, the following legal, regulatory and foreign exchange management as well as payment system-related policies have been formulated.

Regulation and Supervision

89. Necessary amendment process to the existing Banking Offence Act 2007 will be moved forward including the provisions for controlling the non-professional and violent activities affecting the financial sector stability.
90. The directives related to anti-money laundering will be issued based on the suggestions received from the mutual evaluation, among others. Similarly, the necessary amendments to the related laws and formulation of a national strategy will be facilitated.

91. The limit of the first residential home loan will be increased from Rs.15 million to Rs.20 million.
92. The current provision of providing at least one percentage point additional interest rate by BFIs for remittance account opened by Nepali people working abroad has been continued.
93. The Working Capital Guideline will be reviewed on the basis of the suggestions received from the BFIs.
94. Stressed Loan Resolution Framework will be issued by incorporating the measures and procedures to be followed for the loan rescheduling, rehabilitation and other management of the borrowers who are in problem due to the natural disaster or other special circumstances.
95. Asset Quality Review of commercial banks will be conducted and the guideline for Internal Credit Risk Grading of the BFIs will be formulated and implemented.
96. National level development banks will be required to fully comply the Capital Adequacy Framework, 2015.
97. Necessary policy will be formulated to implement the Expected Credit Loss (ECL) Model as per the National Financial Reporting Standards (NFRS).
98. Provisions of lending requirement to the specified sectors will be reviewed by analysing the current situation of the credit flow.
99. As per the budget statement of GoN for 2023/24, the provision of compulsory requirement of Permanent Account Number (PAN) for the borrowers who utilize the credit above certain limit from the BFIs will be reviewed.
100. Existing investment-related provisions will be reviewed to facilitate the investment of the BFIs to Private Equity Fund/Venture Capital Fund approved by the Securities Board of Nepal.
101. Necessary coordination will be made with other related agencies to develop a credit scoring measurement system.
102. As per the the budget statement of the GoN for 2023/24, NRB will facilitate to establish a separate specialised regulatory agency to effectively regulate and supervise saving and credit cooperatives.

103. To facilitate the exchange of information of customers among the BFIs and other payment-related entities, necessary coordination will be made to develop and implement a centralized Know Your Customer (KYC) system by integrating with the National ID being issued by the GoN.
104. Financial Corporation Survey will be prepared and published to measure the financial depth by incorporating the balance sheets of microfinance financial institutions, insurance companies, Citizen Investment Trust, Employees Provident Fund and other non-bank financial institutions in addition to the BFIs.
105. Considering the necessity of capable human resources and their performance for the stability of the banking system, a study related to human resource development and management in the banking sector will be conducted. A provision will be made in which individuals should pass the entrance exam to enter the banking service and personnel who have completed certification courses from institutions like National Banking Institute will get priority for further career development.
106. The existing risk weight of margin nature loans, real estate loans and hire purchase loans will be reviewed.

Microfinance

107. Recommendations of the study report prepared by the committee formed to study the problems and suggestions related to microfinance financial institutions will be gradually implemented.
108. Merger and acquisition of microfinance financial institutions will be promoted by availing the existing facilities for institutions who commence joint operation by mid-July 2024.

Payment System

109. Further actions will be taken on the basis of the study done on the issuance of Central Bank Digital Currency.
110. Collection of government revenue by using electronic payment instruments in the major public service delivery offices will be facilitated.
111. The provision of receiving foreign currency through electronic means from the export of information technology and other services will be made more effective.

112. The transactions of the institutions involved in electronic payment will be settled through the system of the NRB by synchronising in line with the Principles for Financial Market Infrastructure (PFMI).

Foreign Exchange Management

113. As mentioned in the budget statement of the GoN for FY 2023/24, necessary amendments will be made to 'Nepal Rastra Bank Foreign Investment and Foreign Debt Management Bylaw' to simplify and facilitate the processes related to foreign investment.
114. A provision will be made to provide the foreign currency exchange facility through commercial banks up to a certain percentage of their foreign currency earning made by the service exporting industry/businesses like information technology based on the specified documents. Such a foreign exchange facility will avail to establish contact offices in third countries, to make payments to foreign entities/ transfer the funds to their bank accounts located abroad, and to purchase software or programs and install the equipment.
115. The existing provisions related to the imports through the draft/TT and DAP/ DAA will be reviewed as necessary.
116. Necessary arrangements will be made to include the items identified by the Nepal Integrated Trade Strategy in the existing lists of items eligible for back-to-back letter of credit facility.
117. The existing provision of providing up to US Dollar 1,500 foreign exchange twice a year as a passport facility to Nepalese travelling abroad other than India will be revised to the US Dollar 2,500.
118. Necessary arrangements will be made to allow the air service providers to pay the various service fees abroad up to one hundred thousand US Dollars or other equivalent convertible foreign currency directly through licensed "A" class commercial banks, on the approval/recommendation of the regulatory body and presenting the other prescribed documents.
119. Since the spread and impact of Covid-19 has diminished, the existing provision of allowing foreign currency denominated loans to be paid in Nepali rupees will be removed.

120. To manage the inherent foreign exchange risks of the external loan taken by the BFIs with the approval of this bank, arrangements will be made to introduce swap and other instruments based on the study done so far.

Finally,

121. The implementation of this policy is expected to promote macroeconomic stability, enhance the productive use of financial resources, expand financial access and help achieve the goal of high and sustainable economic growth.
122. Necessary revisions will be made in policies related to the monetary, financial sector, payment system and foreign exchange management by doing quarterly reviews of the economic and financial situation.
123. We would like to express our gratitude to all stakeholders including the agencies of the GoN, organizations related to various businesses and industries, BFIs, scholars, media and others for their support during the formulation of monetary policy for 2023/24. The Bank expects continuous cooperation from all stakeholders for the implementation of the provisions and programs envisioned in this monetary policy.

Appendix -1

Projection of Monetary Survey

	Monetary aggregates	Annual Change						2023/24
		2021 Jul	2022 Jul	2023 Jul ^E	2024 Jul Proj	2021/22 Amount	Percent	
1. Foreign Assets, Net	1335620.1	1112363.6	1390306.4	1410306.4	-255259.1¹	-19.1	260000.0²	23.4
1.1. Foreign Assets	1453294.9	1304086.8	1610432.8	1648980.2	-149208.1	-10.3	306346.0	23.5
1.2. Foreign Liabilities	117674.8	191723.2	220126.4	238673.7	74048.4	62.9	28403.1	14.8
2. Net Domestic Assets	3819233.1	4393037.2	4720688.5	5464562.8	605806.7¹	15.9	345594.1¹	7.9
2.1. Domestic Credit	4955476.5	5673573.6	6142830.1	6952244.2	718097.1	14.5	469256.5	8.3
a. Net Claims on Government	588866.2	745790.0	1005314.0	1226244.0	156923.7	26.6	259524.0	34.8
b. Claims on Non-Financial Government Enterprises	7512.6	3783.9	4159.0	4571.4	-3728.7	-49.6	375.0	9.9
c. Claims on Financial Institutions	219542.3	235000.7	256028.4	281501.1	15458.5	7.0	21027.7	8.9
d. Claims on Private Sector	4139555.4	4688998.9	4877328.7	5439927.6	549443.5	13.3	188329.7	4.0
2.2. Net Non-monetary Liabilities	1136243.4	1280336.4	1422141.6	1487681.4	112290.3 ¹	9.9	123657.0 ¹	9.7
3. Broad Money (M2)	5154853.2	5505400.8	6110994.9	6874869.3	350547.6	6.8	605594.1	11.0
3.1. Money Supply (M1+)	2964265.4	2652266.1	2678788.8	2919879.8	-311999.3	-10.5	26522.7	1.0
a. Money Supply (M1)	1049410.2	948113.4	957594.5	1043778.0	-101296.8	-9.7	9481.1	1.0
Currency	571971.8	505902.9	536257.1	568432.5	-66068.9	-11.6	30354.2	6.0
Demand Deposits	477438.4	442210.5	421337.4	475345.5	-35227.9	-7.4	-20873.0	-4.7
b. Saving and Call Deposits	1914855.2	1704152.7	1721194.3	1876101.7	-210702.5	-11.0	17041.5	1.0
3.2. Time Deposits	2190587.8	2853134.7	3432206.1	3954989.5	662546.9	30.2	579071.4	20.3
4. Broad Money Liquidity (M3)	5246647.7	5602501.5	6219722.8	6991263.1	355853.8	6.8	617221.3	11.0

¹E=Estimated, Proj=Projection²Adjusting the exchange valuation loss of Rs. 32002.59 million³Adjusting the exchange valuation gain of Rs. 17942.83 million

Appendix-2

Progress Matrix of Programs Provisioned in Monetary Policy for 2022/23

S.N.	Point No.	Objectives/Programs	Implementation Status
1	70	The main basis for setting the policy rate to be the capacity of foreign exchange reserve to cover the imports of goods and services and inflation. The policy rate to be set not less than the annual expected inflation.	The foreign exchange reserve is sufficient to cover the import of goods and services for 9.6 months in mid-June 2023. The average inflation rate stood at 7.77 percent during the eleven months of FY 2022/23.
2	71	Liquidity to be managed by conducting open market operations based on the situation of the operating target.	The liquidity management done regularly.
3	71	In FY 2022/23, the projected growth rate of the broad money supply to be 12 percent, and credit to the private sector to be 12.6 percent.	On y-o-y basis, broad money supply and credit to the private sector increased 10.9 percent and 3.6 percent respectively in mid-June 2023. The weighted average interbank rate of BFIs stood at 6.69 percent during mid-June to mid-July 2023.
4	72	The target of the monetary policy is to support achieving targeted economic growth only after maintaining adequate foreign exchange reserves sufficient to cover the imports of goods and services for up to 7 months and without having demand side pressure on inflation.	The foreign exchange reserve stood at NPR 1480.87 billion (USD 11.30 billion) in mid-June 2023. Such reserve is sufficient to cover the import of goods and services for 9.6 months.
5	74	Considering the pressure on prices and foreign exchange reserves, and to ensuring macroeconomic stability, the rates under the interest rate corridor increased by 1.5 percentage points. Accordingly, the bank rate increased to 8.5 percent, the policy rate to 7.0 percent, and the deposit collection rate to 5.5 percent.	Circular issued on 3 August 2022.
6	75	A mechanism to be developed to open a repo/reverse repo auction if the interbank rate deviates from the policy rate by more than 2 percentage points. Likewise, a provision to be made to open the deposit collection auction if the interbank rate decreases by more than 3 percentage points from the policy rate.	The "Nepal Rastra Bank Open Market Operation Bylaw, 2022" and "Nepal Rastra Bank Open Market Operation Procedure, 2022" amended and implemented accordingly.

S.N.	Point No.	Objectives/Programs	Implementation Status
7	76	In order to make liquidity management more effective, an open market operation stabilization fund to be established and implemented as stipulated in the budget statement for 2022/23.	The Board of Directors of the NRB approved the "Nepal Rastra Bank, Open Market Operation Stabilization Fund Guidelines, 2023" on 10 April 2023.
8	77	For making the payment system easy and reliable, the existing intraday liquidity facility availed by this bank to the BFIs on the collateral of government securities will be made available for the overnight period on a need basis. Such a facility to be made available at the bank rate.	"Nepal Rastra Bank, Daily Liquidity Facility Procedure, 2022" approved and implemented effective from 16 December 2022. The third amendment of the procedure approved and is effective from 8 May 2023.
9	78	Standing liquidity facility (SLF) to be available to the BFIs on the collateral of securities specified by the NRB for a maximum period of 5 days at the bank rate. The outstanding SLF to be no more than 1 percent of the total local currency deposits held by the bank in the previous week.	"Nepal Rastra Bank Open Market Operation Bylaw, 2022" and "Nepal Rastra Bank Open Market Operation Procedure, 2022" amended and are in place. In FY 2022/23, BFIs utilised the SLF facility amounting to Rs.2727.11 billion.
10	79	The BFIs that are unable to manage liquidity through the interbank market, daily liquidity facility, open market operations, and standing liquidity facility will be given Lender of Last Resort Facility at a penalty rate of 2 percentage points above the bank rate if requested by the respective institution. A procedure for the Lender of Last Resort Facility to be issued.	"Nepal Rastra Bank Lender of Last Resort Policy, 2011" amended and "Nepal Rastra Bank Lender of Last Resort Bylaws, 2023" is effective from 12 March 2023.
11	80	The cash reserve ratio to be maintained by the BFIs to be increased by 1 percentage point to 4 percent with effect from 17 August 2022.	Circular issued on 3 August 2022. Being regularly monitored.
12	81	A provision to be made whereby the commercial banks need to maintain the statutory liquidity ratio (SLR) of 12 percent and development banks, as well as finance companies, need to maintain 10 percent from mid-January 2023.	Circular issued on 3 August 2022. Being regularly monitored.
13	82	In order to make the monetary policy transmission mechanism more effective, the necessary review to be made in the existing policy arrangements regarding the interest rate determination by the BFIs.	Circular issued on 3 August 2022 and 8 May 2023.

S.N.	Point No.	Objectives/Programs	Implementation Status
14	83	Necessary actions to be taken to forward the amendment proposals of banking acts and laws including Nepal Rastra Bank Act, 2002, Banks and Financial Institutions Act, 2017, Foreign Exchange (Regulating) Act, 1962, and Payments and Settlement Act, 2019.	Amendment drafts prepared.
15	84	Necessary review to be made in the regulatory provisions such as loan restructuring and rescheduling, interest capitalization, and dividend distribution introduced to speed up the economic revival during the Covid-19 pandemic.	Circular issued on 3 August 2022.
16	85	The policies and programs incorporated in the fourth strategic plan and financial sector development strategy of this bank to be implemented effectively.	Annual Action Plan formulated and implemented in accordance with the strategic plan.
17	86	Financial Sector Stability Review (FSSR) is being carried out with the assistance of the IMF. Suggestions obtained from this report to be gradually implemented to improve the quality of loans and maintain financial stability.	Financial Sector Stability Review (FSSR) with the assistance of the IMF conducted and the report has been received.
18	87	Necessary arrangements to be made to implement the provision of Counter-Cyclical Capital Buffer from mid-July 2023 which has been suspended from 2019/20 due to the COVID-19 pandemic.	Circular issued on 3 August 2022 aiming to implement countercyclical capital buffer from FY 2023/24. The study to implement the sectoral Counter Cyclical Capital buffer completed.
19	88	A provision to be made to provide the existing merger-related discounts and facilities if commercial banks and microfinance financial institutions start integrated operations with the institution of the same class or acquire the institutions of the same class by mid-January 2023.	Circular issued on 3 August 2022.
20	89	The existing provision for the BFIs allowing to include the resources mobilized from debenture in deposits while calculating the credit to deposit ratio to be continued until mid-July 2023.	Circular issued on 3 August 2022.
21	90	Large Exposure Framework to be developed to identify the large-scale borrowers from the BFIs.	Large Exposure Framework prepared.

S.N.	Point No.	Objectives/Programs	Implementation Status
22	90	Monitoring of the credits usage by the big borrowers from the banking system to be made more effective. The existing single obligor limit to be reviewed.	Regularly monitored. SOL will be reviewed based on the findings of the study.
23	91	Macro Stress Testing Framework to be formulated and implemented to test the impact of fluctuations in macro-economic variables on the banking sector.	Macro Stress Testing Framework developed.
24	92	A provision to be made where the insurance claim must cover the loan amount while doing insurance of the collateralized assets by the BFIs.	Implementation difficulties observed while coordinating with the concerned regulatory agency.
25	93	A provision to be made where businesses and enterprises availing a maximum of Rs.50 million loans from the BFIs to be waived from penal interest if they pay the principal and interest due on mid-July 2022 by mid-Oct 2022.	Circular issued on 3 August 2022.
26	94	Interest rate to be differentiated for credit disbursed to productive and commercial sectors. To start with, a provision to be made for the BFIs whereby they can add a maximum of 2 percentage points premium only, on their base rate while determining the interest rate for the credit up to Rs 20 million provided to food production, animal husbandry, fishery, export-related business and productive enterprises using domestic raw materials.	Circular issued on 3 August 2022. Regularly monitored.
27	95	A provision to be made to add a maximum of 2 percentage points only on the base rate while determining the interest rate for the credit provided to the private sectors for the construction of information technology and industrial park.	Circular issued on 3 August 2022.
28	96	A provision to be made whereby the BFIs must maintain loan to value ratio at a maximum of 30 percent inside Kathmandu Valley and a maximum of 40 percent outside Kathmandu Valley while providing loans with no specific purpose, against the collateral of land and house such as overdraft loans, mortgage loans, property loan, and personal term loan.	Circular issued on 3 August 2022.

S.N.	Point No.	Objectives/Programs	Implementation Status
29	97	In order to increase the investment capacity of the Nepal Infrastructure Development Bank established to invest in the infrastructure sector, it is to be encouraged to increase paid-up capital through mergers and acquisitions with other financial institutions established and operating with similar objectives.	Coordination is going on with the stakeholders.
30	98	The existing regulations issued by this bank regarding the suspension of security transactions at the time of bank mergers and acquisitions to be repealed. Provisions regarding such suspension to be as per the regulations of the Securities Board of Nepal.	Necessary provisions are made in the "Mergers and Acquisitions of Bank and Financial Institutions Regulations, 2016 (with fifth amendment 2022)" issued on 13 October 2022.
31	99	A limit for the margin type of loan against the collateral of shares from a single financial institution or all institutions to be set at Rs.120 million per borrower.	Circular issued on 3 August 2022. Regularly monitored.
32	100	Risk weight for loans against the collateral of shares up to Rs.2.5 million to be reduced to 100 percent while the risk weight for loans above this limit to be kept unchanged at 150 percent.	Circular issued on 3 August 2022. Regularly monitored.
33	101	Necessary coordination to be made with the concerned agencies for strengthening the international coordination mechanism for the prevention of investment in money laundering and terrorist activities.	Coordination is going on.
34	102	Necessary facilitation to be done regarding the establishment of the second-tier regulatory institution (STI), as stated in the budget for FY 2022/23, for effective regulation, inspection, and supervision of savings and loan cooperatives and non-governmental organizations that are outside the supervisory scope of this bank.	Coordination is going on.
35	103	Necessary support to be provided to make the regulation, inspection, and supervision provisions of saving and credit cooperatives effective.	Coordination is going on regularly.

S.N.	Point No.	Objectives/Programs	Implementation Status
36	104	In order to encourage Green Financing, a draft of Green Taxonomy to be prepared by including the topics such as issuing green bonds, reporting climate risks, identifying capital needs, among others.	Inception report submitted in the process of preparing the draft has been approved.
37	105	'Foreign Investment and Foreign Debt Management Regulations, 2021' to be amended for facilitating the issues including more automated foreign direct investment, repatriation of profits of branch offices, and repatriation to other countries.	The Nepal Rastra Bank Board amended the bylaw on 17 January 2023 and effective from 27 January 2023.
38	106	To facilitate the mobilisation of external commercial borrowing by the BFIs, the existing policy provisions related to derivatives to be reviewed for managing foreign exchange risk.	Circular issued on 15 August 2022.
39	107	In order to widen the scope of remittance flow into Nepal, the existing remittance arrangements to be reviewed so that it will be easier for Nepali citizens and organizations to receive remittances from Nepali citizens living abroad, foreign citizens, and associations/organizations located abroad.	Circular issued on 15 August 2022.
40	108	Necessary coordination to be made with the relevant agencies of the GoN to provide various services and facilities based on the proof of remitting money through a formal channel. In addition, coordination to be made to ensure that Nepalese going abroad for foreign employment have a bank account to receive foreign exchange facilities.	Continuously coordinated with the concerned agencies.
41	109	Necessary arrangements to be made so that holders of various electronic and digital cards existing in banking payment devices issued by Nepali BFIs can receive card-to-card remittance transfers from a similar type of cards issued by foreign banks.	Circular issued on 15 August 2022.
42	110	Necessary provisions to be made to encourage receiving foreign exchange earnings through service exports including information technology.	Circular issued on 22 March 2023.

S.N.	Point No.	Objectives/Programs	Implementation Status
43	111	The existing provision of cash margin to be maintained while opening a letter of credit for the import of certain items will be gradually reviewed.	The provision of cash margin while opening a letter of credit was repealed through Circular issued on 19 January 2023.
44	112	Arrangement to be made for the BFIs to issue a draft, T.T., or letter of credit for the import of goods only after analyzing the price of the international market and the pro-forma price of related goods.	Circular issued on 15 August 2022.
45	113	A provision to be made whereby the employees directly involved in trade finance and credit disbursement in the BFIs should receive regular training on the methods of import-export of goods and services, the payment methods used in it, basic issues related to credit analysis, and other related issues.	Circular issued on 3 August 2022.
46	114	A study to be carried out regarding the USD/NPR swap by the NRB with the commercial banks to manage the risk in the foreign exchange market.	Study completed.
47	115	Refinance facility to be continued limiting such facility to productive sectors including agriculture, small enterprises, exports, and those sectors that are hard hit by the COVID-19. Such a facility to be gradually reduced to the amount available in the refinance fund by mid-July 2024.	The provisions are incorporated on "Nepal Rastra Bank Refinance Procedure, 2020 (with the fifth amendment) issued on 12 February 2023.
48	116	Programs related to subsidized loans stated in the budget statement of FY 2022/23 to be implemented as per the procedures approved by the GoN.	The procedure is yet to be reviewed by the GoN.
49	117	A study to be carried out regarding the use and effectiveness of the programs aimed at increasing credit flows to productive sectors such as the refinance facilities, concessional loans, deprived sector loans, and others.	The effectiveness study is ongoing.
50	118	A study to be carried out regarding the alternative forms of finance such as Peer-to-peer lending and Crowdfunding in order to increase the access of start-up businesses to credit.	Initial draft report of the study prepared.

S.N.	Point No.	Objectives/Programs	Implementation Status
51	119	As per the budget statement of FY 2022/23, microfinance financial institutions to be encouraged to provide financial services in remote and backward areas in accordance with the social banking concept.	Addressed through some regulatory provisions like contribution to corporate social responsibility fund and publication of the base rate.
52	120	Provisions to be made for the BFIs not to charge more than 2 percentage points premium on the base rate while determining the interest rate on wholesale loans to the MFIs, under the deprived sector lending.	Circular issued on 3 August 2022. Regularly monitored.
53	121	Arrangements to be made for the MFIs to mobilise resources by issuing debentures equal to their capital fund.	Circular issued on 3 August 2022.
54	122	Necessary facilitation to be made for the capital restructuring and institutional capacity improvement of 'Grameen Bikash Microfinance Financial Institution', which has government investment too, after its restructuring as stated in the budget of FY 2022/23.	Facilitated as required.
55	123	NRB to facilitate the implementation of 'Microfinance Fund' in its legal, institutional as well as operational structure, as stated in the budget of FY 2022/23 for the purpose of expanding credit outreach to the agriculture sector.	Suggestion provided.
56	124	Necessary institutional coordination to be made to celebrate FY 2022/23 as an 'Electronic Payment Promotion Year'.	The Payment System Department which works as a secretariat of the National Payment Board submitted the proposal to the Board to conduct various programs and directions have been received. The department coordinated with various government/non-government agencies and the BFIs as per the directions.
57	124	A study regarding the establishment of the Innovation Centre/ Regulatory Sandbox to be carried out.	Study Report is ready.

S.N.	Point No.	Objectives/Programs	Implementation Status
58	125	Necessary steps to be taken to establish a Complete Digital Bank as stated in the budget of FY 2022/23. For this, necessary actions to be taken to amend the Nepal Rastra Bank Act, 2002, the Bank and Financial Institutions Act, 2017, and to prepare other necessary laws and institutional structures.	Concept paper is prepared. Draft proposals of amendment on the Nepal Rastra Bank Act, 2002 and Bank and Financial Institutions Act, 2017 prepared.
59	126	The existing licensing policy to be reviewed by incorporating the merger and acquisition of the institutions licensed to carry out payment transactions, bringing foreign investment up to the specified limit, among others	The existing licensing policy reviewed and “Licensing Policy for Institutions Performing Payment Related Works, 2023” is in place.
60	127	Arrangements to be made to settle the transactions paid with various cards issued by licensed BFIs within the country. For this purpose, a provision to be made for the BFIs to issue security bonds/guarantees in Nepali currency rather than in foreign currency.	The provision reviewed and amendment made on Directive 1(6) of the Unified Directives issued to the institutions licensed to perform the payment-related works.
61	128	‘Cyber and Information Security Guideline’ to be issued for the institutions licensed to carry out payment-related transactions.	Draft of the ‘Cyber and Information Security Guideline’ prepared.
62	129	Financial Inclusion Index to be prepared to measure the actual status of the financial access	The preliminary ‘Financial Inclusion Index’ prepared.
63	130	‘Financial Literacy Framework, 2022’ to be prepared including financial customer protection, digital financial literacy, and financial literacy training guidelines.	‘Financial Literacy Framework’ issued.
64	130	Necessary coordination to be made with the Government of Nepal, Ministry of Education, Curriculum Development Center to include the financial literacy-related topics in the school-level curriculum.	Coordination is being done.

Progress Matrix of Programs Provisioned in the First Quarter Review of Monetary Policy for 2022/23

S.N.	Point No.	Objectives/Programs	Implementation Status
1.	53	A provision to be made to count the investments made by the BFIs in the bonds related to the agricultural sector and issued by public limited companies in the secondary market, in the minimum lending requirement for that sector.	Circular issued on 14 December 2022.
2.	54	Provision to be made to maintain the interest rate spread of 4 percent for commercial banks from 4.4 percent and the spread of 4.6 percent for development banks and finance companies from 5 percent.	Circular issued on 14 December 2022. From mid-July 2023, the spread rate shall not exceed 4.0 percent for commercial banks and 4.6 percent for development banks and finance companies.
		The premium provision also to be regulatory monitored.	Regularly monitored during off-site supervision.
3.	55	A provision to be made for Microfinance Financial Institutions to publish the base rate from mid-January 2023 on a monthly basis	Circular issued on 14 December 2022.
4.	56	Review to be made on the penalty provision to the BFIs for non-maintaining the specified Credit- Deposit Ratio also based on liquidity risk.	Circular issued on 14 December 2022.
5.	57	The existing working capital loan guidelines to be reviewed based on the received suggestions.	“Working Capital Loan Guideline, 2022 (with the first amendment) issued on 4 January 2023.
6.	58	In view of the liquidity stress, a provision to be made to impose a penalty from mid-January 2024 based on lending in mid-July 2023, if the BFIs fail to provide loans in the specified sectors.	Circular issued on 14 December 2022.

Progress Matrix of Programs Provisioned in the Mid-Term Review of Monetary Policy for 2022/23

S.N.	Point No.	Objectives/Programs	Implementation Status
1.	60	Provision to be made to provide the overnight liquidity facility under the daily liquidity facility to the BFIs at the policy rate of 7 percent which is being provided at the bank rate of 8.5 percent.	'Nepal Rastra Bank, Daily Liquidity Facilities Procedure' is amended and the provision is effective from 16 December 2022.
2.	62	Provision to be made for not to impose the penal interest for up to mid-June 2023 if the borrower pays the principal/interest liability within one month of the overdue.	Circular issued on 24 February 2023. Regularly monitored during the on-site inspection whether penal interest is waived or not.
3.	63	In order to facilitate the operation of small and medium size industry/business, the performing loan up to Rs.20 million in mid-January 2023 to be allowed to restructure or reschedule by the end of mid-July 2023, after the proper analysis of the cash flow and income of the industry/business.	Circular issued on 24 February, 2023. Regularly monitored as per the provisions of restructuring and rescheduling.
4.	64	In order to further strengthen the credit quality of the BFIs, a provision to be made to re-classify the non-performing loan under the existing credit classification and provisioning system based on the international best practices, into the pass and watch-list category, as soon as the loan instalment is regularized.	Review process is undergoing.
5.	65	The monitoring of the average interest rate spread to be maintained between lending and deposit rates by the BFIs as well as the premium to be charged to the borrowers be made more effective.	On-site and off-site monitoring done regularly.

Progress Matrix of Programs Provisioned in the Third Quarter Review of Monetary Policy for 2022/23

S.N.	Point No.	Objectives/Programs	Implementation Status
1.	57	The existing bank rate reduced by 1 percentage point to 7.5 percent.	Implemented along with the third quarter review of monetary policy.
2.	59	The existing provision of counting the bonds issued by the BFIs as a resource (deposit) to calculate the credit-deposit ratio to be continued up to mid-January 2024.	Circular issued on 17 May 2023. Bonds are counted as a resource for the credit-deposit ratio calculation.
3.	60	Based on the data published by the National Statistics Office, a provision to be made to provide the refinance facilities up to the limit of the fund to the borrowers of the sectors that have experienced negative growth in the last two quarters.	Refinance Procedure, 2020 (Sixth Amendment) issued on 23 May 2023.
4.	61	Observing the downturn to the real sector of the economy, BFIs to be allowed to restructure/ reschedule the loans provided to hotels and restaurants, animal husbandry, construction sector and loans up to Rs.5 million of other sectors too, based on the analysis of the borrower's cash flow, rational and the need, up to mid-July 2023.	Circular issued on 17 May 2023. Regularly monitored both on-site and off-site based on the provision of restructuring and rescheduling.
5.	62	Observing the downturn to the real sector causing difficulty in repaying the loan, a provision to be made to extend short-term and working capital loans for up to 3 months by mid-July 2023 without charging any kind of penalty/fee if the interest payment is regular, based on the rational and need.	Circular issued on 17 May 2023. Regularly monitored during the on-site inspection whether penalty/fee is charged or not.
6	63	Observing the downturn to the real sector causing difficulty in repaying the loan by the borrowers of microfinance financial institutions, a provision to be made to allow restructuring/ rescheduling the loan by mid-July 2023, on the basis of rational and need.	Circular issued on 24 May 2023.

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Table 1
Gross Domestic Product
(At 2010/11 Price)

Sectors	Rs. Million						Percentage Change					
	2017/18	2018/19	2019/20	2020/21	2021/22 ^R	2022/23 ^P	2018/19	2019/20	2020/21	2021/22 ^R	2022/23 ^P	
Agriculture	584,166.8	614,291.9	629,229.4	647,153.6	661,654.7	679,709.5	5.2	2.4	2.8	2.2	2.7	
Agriculture, Forestry and Fishing	584,166.8	614,291.9	629,229.4	647,153.6	661,654.7	679,709.5	5.2	2.4	2.8	2.2	2.7	
Non-agriculture	1,398,386.3	1,494,971.2	1,428,920.0	1,503,343.7	1,601,914.8	1,632,673.9	6.9	-4.4	5.2	6.6	1.9	
Industry	308,686.2	331,465.1	318,128.7	340,226.8	376,059.4	379,172.4	7.4	-4.0	6.9	10.8	0.6	
Mining and quarrying	12,866.5	15,134.0	14,796.6	15,484.7	16,853.5	17,041.1	17.6	-2.2	4.7	8.8	1.1	
Manufacturing	116,785.5	124,403.0	113,170.7	122,968.3	131,257.5	128,580.4	6.5	-9.0	8.7	6.7	-2.0	
Electricity, gas, steam and air conditioning supply	21,546.3	23,617.3	28,223.9	29,402.7	45,089.4	53,819.2	9.6	19.5	4.2	53.4	19.4	
Water supply; sewerage, waste management and remediation activities	15,322.4	15,509.6	15,842.8	16,056.5	16,381.4	16,735.7	1.2	2.1	1.3	2.0	2.2	
Construction	142,165.5	152,801.1	146,094.8	156,314.7	167,377.5	162,995.9	7.5	-4.4	7.0	7.1	-2.6	
Services	1,089,800.1	1,163,506.1	1,110,791.3	1,163,117.0	1,224,055.5	1,253,501.5	6.8	-4.5	4.7	5.3	2.3	
Wholesale and Retail Trade; repair of motor vehicle and motorcycle	325,766.9	352,194.0	312,080.5	332,797.5	357,611.2	347,015.6	8.1	-11.4	6.6	7.5	-3.0	
Transportation and storage	117,552.5	127,863.0	112,278.8	117,785.2	123,212.5	124,621.8	8.8	-11.8	4.4	4.6	1.1	
Accommodation and food service activities	34,387.0	38,348.3	24,245.1	26,846.5	30,231.5	35,842.7	9.9	-36.8	10.7	12.6	18.6	
Information and communication	72,941.9	78,084.2	79,661.8	82,589.2	85,998.3	89,497.0	7.0	2.0	3.7	4.1	4.1	
Financial Intermediation	105,940.5	112,666.7	112,273.8	117,504.1	125,593.0	134,750.9	6.3	-0.3	4.7	6.9	7.3	
Real estate activities	162,181.4	168,268.8	171,766.2	176,516.2	179,387.0	183,281.6	3.8	2.1	2.8	1.6	2.2	
Professional, scientific and technical activities	18,165.3	19,183.8	19,475.9	19,769.0	20,460.8	21,339.6	5.6	1.5	1.5	3.5	4.3	
Administration and support service activities	14,066.7	14,972.1	15,299.6	15,650.9	15,994.0	16,795.9	6.4	2.2	2.3	2.2	5.0	
Public Administration and Defence; compulsory social security	91,199.9	95,865.1	101,768.6	105,212.5	109,505.4	115,309.1	5.1	6.2	3.4	4.1	5.3	
Education	113,288.4	120,060.1	123,903.8	128,759.7	134,760.4	140,239.3	6.0	3.2	3.9	4.7	4.1	
Human health and social work activities and other service activities	24,503.3	26,142.6	27,501.9	29,315.7	31,366.1	33,408.6	6.7	5.2	6.6	7.0	6.5	
Other economic activities	9,306.3	9,857.3	10,031.3	10,370.4	10,835.2	11,399.5	5.9	1.8	3.4	4.5	5.2	
Gross Domestic Product (GDP) at basic price	1,982,653.1	2,109,263.1	2,058,149.4	2,150,497.4	2,263,569.5	2,312,383.4	6.4	-2.4	4.5	5.3	2.2	
Taxes less subsidies on products	211,053.4	230,479.6	226,150.3	244,320.1	265,673.7	263,867.1	9.2	-1.9	8.0	8.7	-0.7	
Gross Domestic Product (GDP)	2,193,706.4	2,339,742.7	2,284,299.7	2,304,817.5	2,529,243.2	2,576,250.5	6.7	-2.4	4.8	5.6	1.9	

*R= Revised Estimate**P= Preliminary Estimate**Source: National Statistical Office*

Table 2
Gross Domestic Product
(At Current Price)

Sectors	Rs. Million					Percentage Change					
	2017/18	2018/19	2019/20	2020/21	2021/22 ^R	2022/23 ^P	2018/19	2019/20	2020/21	2021/22 ^R	2022/23 ^P
Agriculture	771,874.9	832,887.3	862,518.0	958,494.8	1,039,073.4	1,132,750.9	7.9	3.6	11.1	8.4	9.0
Agriculture, Forestry and Fishing	771,874.9	832,887.3	862,518.0	958,494.8	1,039,073.4	1,132,750.9	7.9	3.6	11.1	8.4	9.0
Non-agriculture	2,239,147.0	2,509,593.3	2,566,006.5	2,756,438.5	3,173,071.6	3,563,742.8	12.1	2.2	7.4	15.1	12.3
Industry	456,407.4	502,072.9	468,484.6	513,254.6	503,514.9	631,705.4	10.1	-6.7	9.6	15.6	6.4
Mining and quarrying	18,449.5	21,998.7	20,442.9	20,448.3	23,253.6	24,185.1	1.92	-7.1	0.0	13.7	4.0
Manufacturing	169,365.3	192,230.4	174,013.8	207,444.2	239,723.3	249,694.2	13.4	-9.5	19.2	15.6	4.2
Electricity, gas, steam and air conditioning supply	30,981.4	33,859.2	40,374.8	42,046.6	64,280.9	76,987.9	9.3	19.2	4.1	32.9	19.8
Water supply, sewerage, waste management and remediation activities	19,487.8	19,724.3	20,123.5	20,727.6	21,072.1	21,543.2	1.2	2.0	3.0	1.7	2.2
Construction	217,723.4	234,260.4	213,529.6	222,587.8	245,185.1	259,295.0	7.6	-8.8	4.2	10.2	5.8
Services	1,782,939.6	2,007,520.4	2,097,521.9	2,243,183.9	2,579,556.6	2,932,037.4	12.6	4.5	6.9	15.0	13.7
Wholesale and Retail Trade; repair of motor vehicle and motorcycle	473,651.9	543,044.8	514,977.1	579,684.2	687,915.2	722,896.8	14.7	-5.2	12.6	18.7	5.1
Transportation and storage	197,866.4	215,796.7	180,322.9	196,380.4	256,980.0	318,834.3	9.1	-16.4	8.9	30.9	24.1
Accommodation and food service activities	67,315.3	75,650.3	50,432.6	58,778.9	72,243.4	93,051.4	12.4	-33.3	16.5	22.9	28.8
Information and communication	70,276.1	74,121.7	76,955.8	82,692.8	87,953.3	92,614.4	5.5	3.8	7.5	6.4	5.3
Financial Intermediation	186,656.6	207,134.3	241,945.0	253,284.5	291,012.0	346,255.3	11.0	16.8	4.7	14.9	19.0
Real state activities	264,377.0	295,714.4	322,955.8	333,612.0	356,456.0	392,993.0	11.9	9.2	3.3	6.8	10.3
Professional, scientific and technical activities	29,784.1	32,722.3	35,351.4	37,098.2	40,768.8	45,497.0	9.9	8.0	4.9	9.9	11.6
Administration and support service activities	19,699.4	25,471.0	27,770.9	29,120.9	30,389.6	33,753.5	29.3	9.0	4.9	4.4	11.1
Public Administration and Defence; compulsory social security	193,656.8	218,570.6	276,659.6	287,656.3	318,770.3	382,595.6	12.9	26.6	4.0	10.8	20.0
Education	219,543.9	251,585.8	288,459.3	296,664.0	337,838.5	385,871.7	14.6	14.7	2.8	13.9	14.2
Human health and social work activities and other service activities	44,061.7	49,775.8	60,328.1	65,278.5	74,163.1	89,970.2	13.0	21.2	8.2	13.6	21.3
Other economic activities	16,050.3	17,932.9	21,363.3	22,933.3	25,066.5	27,704.1	11.7	19.1	7.3	9.3	10.5
Gross Domestic Product (GDP) at basic price	3,011,021.9	3,342,480.7	3,428,524.4	3,714,933.3	4,212,145.0	4,696,493.7	11.0	2.6	8.4	13.4	11.5
Taxes less subsidies on products	444,927.4	516,449.7	460,179.2	637,616.9	721,551.6	684,841.4	16.1	-10.9	38.6	13.2	-5.1
Gross Domestic Product (GDP)	3,455,949.3	3,858,930.4	3,888,703.7	4,352,550.2	4,933,696.6	5,381,335.1	11.7	0.8	11.9	13.4	9.1

^R= Revised Estimate^P= Preliminary Estimate

Source: National Statistical Office

Table 3
Gross National Income, Investment and Saving
(At Current Prices)

Sectors	Rs. Million					Percent of GDP					
	2017/18	2018/19	2019/20	2020/21	2021/22 ^a	2022/23 ^b	2018/19	2019/20	2020/21	2021/22 ^c	2022/23 ^d
Consumption											
Government consumption	2,944,759.1	3,268,382.6	3,666,294.8	4,075,168.9	4,648,915.5	5,036,148.9	84.7	94.3	93.6	94.2	93.6
Private consumption	278,602.6	313,233.1	352,617.2	359,260.0	418,656.0	292,311.5	8.1	9.1	8.3	8.5	5.4
Non-profit institutions serving households	2,617,171.1	2,896,379.6	3,246,421.7	3,639,525.7	4,141,515.7	4,642,274.4	75.1	83.5	83.6	83.9	86.3
Gross Capital Formation	1,366,751.9	1,596,776.8	1,183,732.3	1,530,513.2	1,846,016.6	1,754,158.5	41.4	30.4	35.2	37.4	32.6
Gross Fixed Capital Formation	1,120,863.9	1,304,902.2	1,184,857.7	1,276,857.2	1,403,803.6	1,356,457.5	33.8	30.5	29.3	28.5	25.2
Government	253,228.9	221,875.4	206,829.6	270,683.9	295,886.9	281,898.5	5.7	5.3	6.2	6.0	5.2
Government enterprise	89,184.0	99,681.7	93,024.8	61,161.7	66,867.7	31,997.0	2.6	2.4	1.4	1.4	0.6
Private	778,451.0	983,345.0	885,003.2	945,011.6	1,041,048.9	1,042,562.0	25.5	22.8	21.7	21.1	19.4
Change in stock	245,888.0	291,874.6	(1,125.4)	253,656.1	442,213.1	397,701.0	7.6	0.0	5.8	9.0	7.4
Total Domestic Demand	4,311,511.0	4,865,159.4	4,850,027.1	5,605,682.1	6,494,932.1	6,790,307.4	126.1	124.7	128.8	131.6	126.2
Export of goods and services	270,104.6	300,222.3	264,637.6	222,814.5	333,548.3	385,111.6	7.8	6.8	5.1	6.8	7.2
Import of goods and services	1,404,212.5	1,600,282.6	1,326,575.9	1,651,124.0	2,103,641.2	1,964,330.5	41.5	34.1	37.9	42.6	36.5
Net exports of goods and services	-113,4107.9	-130,0060.3	-1061938.3	-1428309.5	-1770092.9	-1,579218.9	-33.7	-27.3	-32.8	-35.9	-29.3
Gross Domestic Product (GDP)	3,455,949.7	3,858,930.4	3,888,703.7	4,352,50.2	4,933,696.6	5,381,335.1	100.0	100.0	100.0	100.0	100.0
Net factor income	22,615.0	39,916.0	45,953.6	23,285.5	28,890.9	42,933.0	1.0	1.2	0.5	0.6	0.8
Gross National Income (GNI)	3,478,564.0	3,898,846.0	3,934,657.3	4,375,835.8	4,962,587.5	5,424,268.1	101.0	101.2	100.5	100.6	100.8
Net transfer	864,671.0	994,785.0	982,221.3	1,071,352.0	1,117,876.8	1,315,639.7	25.8	25.3	24.6	22.7	24.4
Gross National Disposable Income	4,343,350	4,893,631.0	4,916,878.5	5,447,187.8	6,080,464.3	6,739,907.8	126.8	126.4	125.1	123.2	125.2
Gross Domestic Saving	511,191.0	590,548.0	222,408.9	277,381.4	284,781.1	345,186.2	15.3	5.7	6.4	5.8	6.4
Gross National Saving	1,398,476.0	1,625,248.0	1,250,584.0	1,372,018.9	1,431,548.8	1,703,758.9	42.1	32.2	31.5	29.0	31.7

^a=Revised estimate^b=Preliminary estimate

Source: National Statistical Office

Table 4
National Consumer Price Index
 $(2014/15 = 100)$
 $(y-o-y)$

Mid-month	2019/20		2020/21		2021/22		2022/23	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
August	131.87	6.95	136.48	3.49	142.42	4.35	154.19	8.26
September	131.67	6.16	137.62	4.52	142.42	3.49	154.73	8.64
October	132.56	6.21	137.58	3.79	143.42	4.24	155.60	8.50
November	132.82	5.76	138.19	4.05	146.54	6.04	158.38	8.08
December	132.51	6.55	136.39	2.93	146.09	7.11	156.87	7.38
January	132.38	6.82	137.10	3.56	144.84	5.65	155.36	7.26
February	132.76	6.87	136.34	2.70	144.85	6.24	156.26	7.88
March	132.40	6.70	136.41	3.03	146.15	7.14	157.02	7.44
April	133.22	6.74	137.35	3.10	147.34	7.28	158.77	7.76
May	133.67	5.83	138.54	3.65	149.44	7.87	160.51	7.41
June	133.54	4.54	139.14	4.19	151.04	8.56	161.36	6.83
July	134.69	4.78	140.33	4.19	151.67	8.08	-	-
Annual Average	132.84	6.15	137.62	3.60	146.32	6.32	157.19*	7.77*

*Eleven Months Average

Table 5
Monetary Survey

Monetary Aggregates	2021			2022			2023			Changes during eleven months		
	Jul			Jun			Jun (R)			2021/22		
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
1. Foreign Assets, Net	1335620.1	1086974.5	1112363.6	1359283.6	-269806.8	1/ ¹	-20.2	228977.2	2/ ²	20.6		
1.1 Foreign Assets	145294.9	1235901.1	1304086.8	1574767.4	-187393.8		-12.9	270680.6		20.8		
1.2 Foreign Liabilities	117674.8	178926.7	191723.2	215483.8	61251.9		52.1	23760.6		12.4		
a. Deposits	91794.6	98891.0	97100.7	108144.2	7096.4		7.7	11043.6		11.4		
b. Other	23880.2	80035.7	94622.6	107339.6	54155.5		209.3	12717.0		13.4		
2. Net Domestic Assets	3819233.1	4266818.2	4393037.2	4575706.5	468746.4	1/ ¹	12.3	200612.2	2/ ²	4.6		
2.1 Domestic Credit	4953476.5	5571777.6	5673573.6	6063953.1	616301.1		12.4	390379.6		6.9		
a. Net Claims on Government	588866.2	572529.1	745790.0	882839.9	-16337.1		-2.8	137049.9		18.4		
Claims on Government	78627.5	924441.7	971587.8	1052502.4	136814.2		17.4	80914.6		8.3		
Government Deposits	198761.3	351912.6	225797.8	169662.5	153151.3		77.1	-56135.3		-24.9		
b. Claims on Non-Financial Government Enterprises	7512.6	3635.1	3783.9	3844.8	-3877.5		-51.6	60.8		1.6		
c. Claims on Other Financial Institutions	219542.3	236263.0	235000.7	246909.2	16720.8		7.6	11908.5		5.1		
Government	1615.7	1485.6	1564.5	1045.3	-130.1		-8.1	-519.2		-33.2		
Non-Government	217926.6	234777.4	233436.3	245863.9	16850.9		7.7	12427.7		5.3		
d. Claims on Private Sector	4136555.4	4759350.3	46889998.9	4930359.3	619794.9		15.0	241360.4		5.1		
2.2 Net Non-Monetary Liabilities	1136243.4	1304959.4	1280536.4	1488246.6	147554.7	1/ ¹	13.0	189767.4	2/ ²	14.8		
3. Broad Money (M2)	5154853.2	5333792.7	5505400.8	5934990.1	198939.5		3.9	429589.3		7.8		
3.1 Money Supply (a+b), M1+	2964265.4	2531400.3	2652266.1	2634137.0	-432865.1		-14.6	-18129.2		-0.7		
a. Money Supply (M1)	1049410.2	937869.5	948113.4	928875.6	-111540.7		-10.6	-19237.7		-2.0		
Currency	571971.8	513399.4	505902.9	502801.8	-58572.4		-10.2	-3101.0		-0.6		
Demand Deposits	477438.4	424470.1	442210.5	426073.8	-52968.3		-11.1	-16136.7		-3.6		
b. Saving and Call Deposits	1914855.2	1593530.8	1704152.7	1705261.3	-321324.4		-16.8	1108.6		0.1		
3.2 Time Deposits	2190587.8	2822392.4	2853134.7	3300833.2	631804.6		28.8	447718.5		15.7		
4. Broad Money Liquidity (M3)	5246647.7	5452683.7	5602501.5	6043134.4	206036.0		3.9	440632.9		7.9		

1/ Adjusting the exchange valuation gain (+)/loss (-) of Rs.

2/ Adjusting the exchange valuation gain (+)/loss (-) of Rs.

R= Revised, P= Provisional

million

million

Table 6
Monetary Survey
(Year on Year)

Monetary aggregates	2021 Jun	2022 Jun	2023 Jun (P)	Changes		
				Amount	Percent	2022/23
1. Foreign Assets, Net	1305166.0	1086974.5	1359283.6	-218191.5	-16.7	272309.1
1.1 Foreign Assets	1420922.0	1265901.1	1574767.4	-155020.8	-10.9	308866.3
1.2 Foreign Liabilities	115756.0	178926.7	215483.8	63170.7	54.6	365557.1
a. Deposits	92041.1	98891.0	108144.2	6849.9	7.4	9253.2
b. Other	23714.9	80035.7	107339.6	56320.8	237.5	27303.9
2. Net Domestic Assets	3605271.3	4266818.2	4575706.5	661547.0	18.3	308888.3
2.1 Domestic Credit	4749996.8	5571777.6	6063953.1	821780.8	17.3	492175.5
a. Net Claims on Government	423862.4	572529.1	882839.9	148666.8	35.1	310310.7
Claims on Government	714462.5	924441.7	1052502.4	209979.2	29.4	128060.7
Government Deposits	290600.2	351912.6	169662.5	61312.4	21.1	-182250.1
b. Claims on Non-Financial Government Enterprises	9857.8	3635.1	3844.8	-6222.7	-63.1	209.7
c. Claims on Other Financial Institutions	212200.0	236263.0	246909.2	24063.1	11.3	10646.2
Government	1675.8	1485.6	1045.3	-190.2	-11.4	-440.3
Non-Government	210524.2	234777.4	245863.9	24253.3	11.5	11086.5
d. Claims on Private Sector	4104076.6	4759350.3	4930359.3	655273.7	16.0	171009.0
2.2 Net Non-Monetary Liabilities	1144725.5	1304959.4	1488246.6	160233.9	14.0	183287.2
3. Broad Money (M2)	4910437.2	5353792.7	5934990.1	443355.5	9.0	581197.4
3.1 Money Supply (a + b), M1+	2765753.9	2531400.3	2634137.0	-234353.6	-8.5	1027336.6
a. Money Supply (M1)	935824.1	937869.5	928875.6	2045.4	0.2	-8993.9
Currency	562162.3	513399.4	502801.8	-48762.9	-8.7	-10597.5
Demand Deposits	373661.8	424470.1	426073.8	50808.3	13.6	1603.7
b. Saving and Call Deposits	1829929.8	1593530.8	1705261.3	-236399.0	-12.9	111730.5
3.2 Time Deposits	2144683.3	2822392.4	3300853.2	677709.0	31.6	478460.8
4. Broad Money Liquidity (M3)	5002478.4	5452683.7	6043134.4	450205.3	9.0	590450.7

P = Provisional

Table 7
Structure of Interest Rate

	Year	2020 Jul	2021 Jul	2022 Jun	2022 Jul	2022 Oct	2023 Jan	2023 Apr	2023 Jun	2023 Jul
A. Policy Rates										
Fixed Repo Rate (Corridor)	3.50	3.00	5.50	5.50	7.00	7.00	7.00	7.00	7.00	7.00
Fixed Deposit Collection Rate (Corridor)	2.00	1.00	4.00	4.00	5.50	5.50	5.50	5.50	5.50	5.50
Standing Liquidity Facility (SLF) Rate [^]	5.00	5.00	7.00	7.00	8.50	8.50	8.50	8.50	7.50	7.50
Bank Rate	5.00	5.00	7.00	7.00	8.50	8.50	8.50	8.50	7.50	7.50
Overnight Liquidity Facility rate	-	-	-	-	-	-	8.50	7.00	7.00	7.00
B. Refinance Rates										
Special Refinance	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	4.50	4.50
General Refinance	3.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00	4.50	4.50
Micro, Small and Medium Enterprise (MSME) Refinance	-	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.50	4.50
Export Credit in Foreign Currency#	LIBOR+0.25	LIBOR+0.25	One Year Benchmark Interest+0.75							
C. CRR										
Commercial Banks	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Development Banks	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Finance Companies	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
D. Government Securities										
T-bills (28 days)*	0.11	4.68	9.27	10.14	9.20	8.83	8.82	7.56	4.39	
T-bills (91 days)*	1.27	4.55	9.90	10.66	10.14	10.89	9.74	9.07	6.35	
T-bills (182 days)*	1.96	4.39	9.76	10.64	10.37	11.56	9.71	9.05	6.55	
T-bills (364 days)*	2.26	4.16	9.50	10.19	10.53	11.92	9.71	8.55	7.00	
Development Bonds	2.65-6.97	2.65-6.97	2.65-9.20	2.65-9.20	2.65-9.20	2.65-10.93	2.65-10.93	2.65-10.93	2.65-10.93	
National/Citizen SC's	8.0-9.0	8.5-9.0	8.5-10.0	8.5-10.0	8.5-11.0	9.0-11.0	9.0-11.5	9.0-11.5	9.0-11.5	
E. Interbank Transaction Rate (Commercial Banks)	0.35	4.12	7.01	6.99	8.50	7.48	7.00	6.68	2.98	
G. Weighted Average Deposit Rate (Commercial Banks)	6.01	4.65	7.34	7.41	8.16	8.51	8.26	7.99	-	
H. Weighted Average Lending Rate (Commercial Banks)	10.11	8.46	11.54	11.62	12.19	12.79	12.84	12.53	-	
I. Base Rate (Commercial Banks)	8.50	6.66	9.39	9.54	10.34	10.91	10.48	10.18	-	

[^]The SLF rate is fixed as same as bank rate effective from August 16, 2012

*Weighted average interest rate.

#Effective from 1st January, 2022 which includes Secured Overnight Financing Rate (SOFR), Sterling Overnight Interbank Average Rate (SONIA), Swiss Average Rate (SARON), Tokyo Overnight Average Rate (TONA) and Euro Short-term Rate (ESTER).

Table 8
Monetary Management

(Rs.in million)

Particulars	2020/21	2021/22	2022/23
A. Liquidity Injection	438,277.1	9,702,410.0	5,518,186.2
1. Repo	50,000.0	270,000.0	316,500.0
2. Outright purchase	-	55,915.9	89,700.0
3. Repo Auction *	17,937.1	206,388.0	97,972.6
4. Standing Liquidity Facility	370,340.0	9,170,106.1	2,727,112.3
5. Overnight Liquidity Facility [#]	-	-	2,286,901.3
B. Liquidity Absorption	303,290.0	60,000.0	108,200.0
1. Reverse Repo	109,540.0	28,350.0	88,200.0
2. Outright Sale	-	-	-
3. Deposit collection auction	193,750.0	31,650.0	20,000.0
4. Deposit collection auction*	-	-	-
C. Net liquidity Injection(+)/Absorption(-)	134,987.1	9,642,410.0	5,409,986.2

* Transaction under interest rate corridor

Table 9
Repo Auction

Mid-month	Repo Auction (7-Days)			Repo Auction (14-Days)			Repo Auction (45-Days)		
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	
	Amount	Interest Rate* (%)	Amount	Interest Rate* (%)	Amount	Interest Rate* (%)	Amount	Interest Rate* (%)	
August	-	-	30,000.0	8.38	-	-	-	-	
September	20,000.0	4.75	20,000.0	8.45	50,000.0	4.82	20,000.0	8.46	
October	60,000.0	4.92	30,000.0	8.45	20,000.0	4.96	30,000.0	8.54	
November	10,000.0	4.96	-	-	40,000.0	4.98	-	-	
December	-	-	-	-	20,000.0	4.99	27,700.0	8.48	
January	-	-	-	-	20,000.0	4.98	20,000.0	8.34	
February	-	-	-	-	-	-	3,800.0	7.59	
March	-	-	-	-	30,000.0	6.98	50,000.0	8.19	
April	-	-	-	-	-	-	35,000.0	7.46	
May	-	-	-	-	-	-	-	-	
June	-	-	-	-	-	-	-	-	
July	-	-	-	-	-	-	-	-	
Total	90,000.0	4.89	80,000.0	8.42	180,000.0	5.27	186,500.0	8.18	
								50,000.0	
								8.10	

*Weighted average interest rate.

Table 10
Outright Purchase Auction

(Rs. in million)

Mid-month	2021/22		2022/23	
	Amount	Interest Rate* (%)	Amount	Interest Rate* (%)
August	-	-	-	-
September	-	-	14,850.0	8.90
October	-	-	28,850.0	8.47
November	-	-	28,500.0	8.37
December	27,215.9	4.28	11,650.0	7.57
January	-	-	-	-
February	-	-	-	-
March	28,700.0	4.27	-	-
April	-	-	5,850.0	7.89
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
Total	55,915.9	4.27	89,700.0	8.36

*Weighted average interest rate.

Table 11
Reverse Repo Auction

Mid-month	7-Days			10-Days			14-Days		
	2021/22	2022/23	Interest Rate* (%)	2021/22	2022/23	Interest Rate* (%)	2021/22	2022/23	Interest Rate* (%)
Amount	Interest Rate* (%)	Amount	Interest Rate* (%)	Amount	Interest Rate* (%)	Amount	Interest Rate* (%)	Amount	Interest Rate* (%)
August	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-	-	-
December	-	-	-	-	-	-	-	-	-
January	-	-	-	-	-	-	-	-	-
February	-	5,000.0	4.33	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-
June	-	23,200.00	3.73	-	20,000.00	5.06	-	40,000.0	2.46
July	Total	28,200.0	3.84	-	20,000.0	5.06	28,250.0	0.60	40,000.0
									2.46

*Weighted average interest rate.

Table 12
Deposit Collection Auction

Mid-month	2021/22			2022/23			14 Days			2021/22			28 Days		
	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	
August	11,650.0	1.00	-	-	20,000.0	0.72	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
January	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11,650.0	1.00	-	-	20,000.0	0.72	-	-	-	-	20,000.0	3.83	20,000.0	3.83	

*Weighted average interest rate.

Table 13
Interest Rate Corridor

Mid-month	Deposit Collection Auction (7 days)				Repo Auction (Overnight)			
	2021/22		2022/23		2021/22		2022/23	
	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)
August	-	-	-	-	4,065.8	3.00	19,381.5	7.00
September	-	-	-	-	17,083.6	3.50	22,188.5	7.00
October	-	-	-	-	14,347.2	3.50	17,089.5	7.00
November	-	-	-	-	14,290.6	3.50	15,205.6	7.00
December	-	-	-	-	17,437.9	3.50	9,632.7	7.00
January	-	-	-	-	16,626.2	3.50	6,887.8	7.00
February	-	-	-	-	19,079.3	3.50	520.0	7.00
March	-	-	-	-	20,434.5	5.50	4,867.0	7.00
April	-	-	-	-	19,684.6	5.50	1,670.0	7.00
May	-	-	-	-	17,717.7	5.50	530.0	7.00
June	-	-	-	-	19,245.7	5.50	-	-
July	-	-	-	-	26,375.0	5.50	-	-
Total	-	-	-	-	206,388.0	4.49	97,972.6	7.00

*Weighted average interest rate.

Table 14
Standing Liquidity Facility

(Rs. Million)

Mid-month	2021/22		2022/23	
	Amount	Interest Rate * (%)	Amount	Interest Rate * (%)
August	55,550.0	5.00	814,705.5	8.50
September	296,740.0	5.00	838,899.0	8.50
October	470,385.0	5.00	469,124.3	8.50
November	724,375.0	5.00	434,312.4	8.50
December	859,567.0	5.00	125,660.1	8.50
January	609,273.3	5.00	10,125.0	8.50
February	700,006.0	5.00	14,104.0	8.50
March	905,587.0	7.00	13,558.0	8.50
April	1,152,271.5	7.00	6,326.0	8.50
May	1,142,209.8	7.00	148.0	8.50
June	1,160,201.5	7.00	150.0	7.50
July	1,093,940.0	7.00	-	-
Total	9,170,106.1	6.19	2,727,112.3	8.50

*Weighted average interest rate.

Table 15
Overnight Liquidity Facility[#]

(Rs. Million)

Mid-month	2022/23	
	Amount	Interest Rate * (%)
August	-	-
September	-	-
October	-	-
November	-	-
December	-	-
January	4,693.4	8.50
February	29,111.6	8.50
March	481,865.8	7.00
April	702,957.4	7.00
May	499,454.7	7.00
June	303,788.2	7.00
July	265,030.2	7.00
Total	2,286,901.3	7.02

*Weighted average interest rate.

[#]Effective from January 2023.

Table 16
Government Budgetary Operation
(Based on banking transactions)
(Based on the data of End of 4th week of Asar)+

(Rs. in million)

Heads	mid-July			Percent Change	
	2021	2022	2023	2021/22	2022/23
Total Expenditure	1160271.1	1262350.3	1377893.5	8.8	9.2
Recurrent	841378.2	937684.0	-	-	-
Capital	217766.8	206268.6	-	-	-
Financial	101126.1	118397.7	-	-	-
Total Resources	897581.5	998684.0	891003.0	11.3	-10.8
Revenue and Grants	857148.5	950179.1	837762.5	10.9	-11.8
Revenue	935887.1	1066346.5	957154.9	13.9	-10.2
Federal Government	824375.7	938278.5	837410.7	13.8	-10.8
Provincial and Local government (Transfer)	111511.4	128068.0	119744.2	14.8	-6.5
Foreign Grants	32772.8	11900.6	351.8	-63.7	-97.0
Previous Year's Cash Balance & Beruju	40433.0	48504.9	53240.5	20.0	9.8
Deficits(-) Surplus(+)	-262689.6	-263666.3	-486890.5	-0.4	-84.7
Sources of Financing	321342.8	314238.4	345568.8	-2.2	10.0
Internal Loans	222778.8	219620.5	248738.3	-1.4	13.3
Domestic Borrowings	224009.2	231303.0	255997.7	3.3	10.7
(i) Treasury Bills	90000.0	103916.6	153610.0	15.5	47.8
(ii) Development Bonds	130000.0	124500.0	100000.0	-4.2	-19.7
(iii) National Savings Certificates	0.0	0.0	0.0	-	-
(iv) Citizen Saving Certificates	3953.9	2829.8	2361.3	-	-16.6
(v) Foreign Employment Bond	55.2	56.7	26.4	2.6	-53.4
Overdrafts++	0.0	0.0	0.0	-	-
Others@	-1230.4	-11682.5	-7259.4	-849.5	37.9
Principal Refund and Share Divestment	3223.5	2938.5	11707.4	-8.8	298.4
Foreign Loans	95340.5	91679.4	85123.1	-3.8	-7.2
Total available resources of Federal government	58653.2	50572.1	-141321.7	-13.8	-379.4
Expenses of Provincial government	188750.3	185629.1	204177.6	-1.7	10.0
Sources of provincial government	160048.8	201318.4	199549.7	25.8	-0.9
i. Grants and revenue from federal government	118689.0	153359.3	148671.5	29.2	-3.1
ii. Revenue and receipt	41359.8	47959.1	50878.2	16.0	6.1
Provincial governemnt budget defecits(-) Surplus (+)	-28701.5	15689.3	-4627.9	-154.7	129.5
Deposit in Local government account	15446.9	-51720.0	-4710.4	-434.8	-90.9
Balance in government fund account	12550.7	6863.8	-3158.2	45.3	-146.0
V. A. T. Fund Account	-89.1	-141.1	5.7	58.4	-104.0
Customs Fund Account	331.7	2624.3	-2708.6	691.2	-203.2
Reconstruction Fund Account	0.0	0.0	0.0	-	-
Others**	12308.1	4380.6	-455.3	64.4	-110.4
Current Balance (-Surplus)	57949.3	21405.2	-153818.2	-63.1	-818.6

* GBO includes the federal government data only, whereas revenue mobilization includes federal government revenue plus the amount in the divisible fund to be transferred to the provincial and local governments.

+ Based on data reported from all offices conducting government transactions, including NRB and other commercial banks. And, also based on release report from 81 DTCOs and payment centres.

@ Includes the difference amount of discount rate from internal debt transactions of GoN and others.

** Includes the Amount of guarantee deposits, operational funds, contingent fund,etc.

Table 17
Outstanding Domestic Debt of Government of Nepal
(Rs. in million)

No.	Name of Bonds/Ownership	Mid-July			Change in Amount	
		2021	2022	2023	2021/22	2022/23
1	Treasury Bills	279591.5	354508.0	457815.6	74916.5	103307.5
	a. Nepal Rastra Bank	15473.3	15128.3	45352.7	-345.0	30224.4
	b. Commercial Banks	235282.1	323987.7	353185.1	88705.7	29197.4
	c. Development Banks	19063.6	10760.0	25026.9	-8303.6	14266.9
	d. Finance Companies	9402.6	4132.0	2060.0	-5270.6	-2072.0
	e. Others	370.0	500.0	32190.9	130.0	31690.9
2	Development Bond	513947.0	620447.0	656447.0	106500.0	35999.9
	a. Nepal Rastra Bank	41129.0	33457.0	24949.0	-7672.0	-8508.1
	b. Commercial Banks	416359.6	504842.5	538322.0	88482.9	33479.5
	c. Development Banks	37694.7	58225.4	66520.6	20530.7	8295.2
	d. Finance Companies	13038.6	18050.4	17968.7	5011.9	-81.7
	e. Others	5725.2	5871.7	8686.6	146.5	2815.0
3	National Saving Bond	0.0	0.0	0.0	0.0	0.0
	a. Nepal Rastra Bank	0.0	0.0	0.0	0.0	0.0
	b. Commercial Banks	0.0	0.0	0.0	0.0	0.0
	c. Development Banks	0.0	0.0	0.0	0.0	0.0
	d. Finance Companies	0.0	0.0	0.0	0.0	0.0
	e. Others	0.0	0.0	0.0	0.0	0.0
4	Citizen Saving Bond	6595.9	9140.0	10750.3	2544.1	1610.3
	a. Nepal Rastra Bank	181.2	3001.4	3901.2	2820.2	899.9
	b. Commercial Banks	0.0	0.0	0.0	0.0	0.0
	c. Development Banks	0.0	0.0	0.0	0.0	0.0
	d. Finance Companies	0.0	0.0	0.0	0.0	0.0
	e. Others	6414.7	6138.6	6849.1	-276.1	710.5
5	Foreign Employment Bond	185.7	190.2	175.4	4.5	-14.8
	a. Nepal Rastra Bank	3.0	3.0	6.5	0.0	3.5
	b. Others	182.7	187.2	168.9	4.5	-18.3
6	Total Domestic Debt	800320.1	984285.2	1125188.2	183965.2	140903.0
	a. Nepal Rastra Bank	56786.5	51589.7	74209.4	-5196.8	22619.7
	b. Commercial Banks	651641.6	828830.2	891507.1	177188.6	62676.9
	c. Development Banks	56758.3	68985.4	91547.6	12227.2	22562.1
	d. Finance Companies	22441.2	22182.4	20028.7	-258.7	-2153.7
	e. Others	12692.6	12697.5	47895.5	4.9	35198.0
7	Balance at NRB (Overdraft (+)/Surplus(-))	-198761.3	-225797.0	-71979.29	-27035.7	153817.7
8	GDP to Total Domestic Debt Ratio (Percent)	18.4	20.0	20.9		

Table 18
Net Domestic Borrowing of Government of Nepal

		Mid-July, 2020				Mid-July, 2021				Mid-July, 2022				Mid-July, 2023			
		Amount	Percent of GDP	Amount	Percent of GDP	Amount	Percent of GDP	Amount	Percent of GDP								
A	Gross Domestic Borrowing	194642.4	5.0	22409.2	5.1	231303.0	4.7	255997.7	4.8								
Treasury Bills		93000.0	2.4	90000.0	2.1	103916.6	2.1	153610.0	2.9								
Development Bond		100000.0	2.6	130000.0	3.0	124500.0	2.5	100000.0	1.9								
National Saving Bond		1605.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Citizen Saving Bond		0.0	0.0	3953.9	0.1	2829.8	0.1	2361.3	0.0								
Foreign Employment Bond		37.1	0.0	55.2	0.0	56.7	0.0	26.4	0.0								
B	Domestic Loan Payment	34397.9	0.9	36901.1	0.8	47330.4	1.0	115094.8	2.1								
Treasury Bills		24574.8	0.6	25626.6	0.6	29000.0	0.6	50302.5	0.9								
Development Bond		7400.0	0.2	6000.0	0.1	18000.0	0.4	64000.0	1.2								
National Saving Bond		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Citizen Saving Bond		2339.4	0.1	5000.0	0.1	285.7	0.0	751.1	0.0								
Foreign Employment Bond		83.7	0.0	274.5	0.0	44.7	0.0	41.2	0.0								
C	Net Domestic Borrowing (A-B)	160244.5	4.1	187108.0	4.3	183972.6	3.7	140902.9	2.6								
Treasury Bills		68425.2	1.8	64373.4	1.5	74916.6	1.5	103307.5	1.9								
Development Bond		92600.0	2.4	124000.0	2.8	106500.0	2.2	36000.0	0.7								
National Saving Bond		1605.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Citizen Saving Bond		-2339.4	-0.1	-1046.1	0.0	2544.1	0.1	1610.2	0.0								
Foreign Employment Bond		-46.6	0.0	-219.3	0.0	12.0	0.0	-14.8	0.0								
D	Gross Domestic Product	3888703.7	100.0	4352550.2	100.0	4933696.6	100.0	5381355.1	100.0								

Table 19
Direction of Foreign Trade*

(Rs. in million)

	Annual		Eleven Months			y-o-y percent change (11 Month)	
	2020/21	2021/22 ^R	2020/21	2021/22 ^R	2022/23 ^P	2021/22	2022/23
TOTAL EXPORTS	141124.1	200031.0	121254.0	185837.0	143586.5	53.3	-22.7
To India	106372.1	155222.3	90194.6	145901.3	98973.9	61.8	-32.2
To China	1016.1	808.8	940.3	739.1	1527.7	-21.4	106.7
To Other Countries	33736.0	43999.9	30119.1	39196.6	43085.0	30.1	9.9
TOTAL IMPORTS	1539837.1	1920448.4	1383364.9	1763223.1	1480981.1	27.5	-16.0
From India	971603.9	1200152.7	886593.1	1100903.7	937833.7	24.2	-14.8
From China	233923.1	264783.7	210519.9	244211.4	202371.8	16.0	-17.1
From Other Countries	334310.1	455511.9	286251.9	418108.0	340775.6	46.1	-18.5
TOTAL TRADE BALANCE	-1398713.0	-1720417.4	-1262111.0	-1577386.1	-1337394.6	25.0	-15.2
With India	-865231.9	-1044930.4	-796398.5	-955002.4	-838859.8	19.9	-12.2
With China	-232907.0	-263975.0	-209579.6	-243472.4	-200844.1	16.2	-17.5
With Other Countries	-300574.1	-411512.0	-256132.8	-378911.4	-297690.6	47.9	-21.4
TOTAL FOREIGN TRADE	1680961.2	2120479.3	1504618.9	1949060.1	1624567.7	29.5	-16.6
With India	1077976.0	1355375.0	976787.7	1246805.0	1036807.6	27.6	-16.8
With China	234939.1	265592.5	211460.1	244950.5	203899.4	15.8	-16.8
With Other Countries	368046.0	499511.8	316371.0	457304.6	383860.6	44.5	-16.1
1. Ratio of export to import	9.2	10.4	8.8	10.5	9.7		
India	10.9	12.9	10.2	13.3	10.6		
China	0.4	0.3	0.4	0.3	0.8		
Other Countries	10.1	9.7	10.5	9.4	12.6		
2. Share in total export							
India	75.4	77.6	74.4	78.5	68.9		
China	0.7	0.4	0.8	0.4	1.1		
Other Countries	23.9	22.0	24.8	21.1	30.0		
3. Share in total import							
India	63.1	62.5	64.1	62.4	63.3		
China	15.2	13.8	15.2	13.9	13.7		
Other Countries	21.7	23.7	20.7	23.7	23.0		
4. Share in trade balance							
India	61.9	60.7	63.1	60.5	62.7		
China	16.7	15.3	16.6	15.4	15.0		
Other Countries	21.5	23.9	20.3	24.0	22.3		
5. Share in total trade							
India	64.1	63.9	64.9	64.0	63.8		
China	14.0	12.5	14.1	12.6	12.6		
Other Countries	21.9	23.6	21.0	23.5	23.6		
6. Share of export and import in total trade							
Export	8.4	9.4	8.1	9.5	8.8		
Import	91.6	90.6	91.9	90.5	91.2		

* Based on customs data

P= Provisional

R= Revised

Table 20
Balance of Payments

(Rs. in million)

Particulars	2020/21		2021/22		2022/23 ^P		Percentage Change During Eleven months	
	Eleven Months	Annual	Eleven Months	Annual	Eleven Months	2021/22	2022/23	
A. Current Account	-298107.2	-333671.9	-592140.4	-623325.2	-69397.6	98.6	-88.3	
Goods: Exports f.o.b.	123786.0	143744.6	194722.2	211464.7	167927.9	57.3	-13.8	
Oil	2140.4	2227.2	6906.3	8068.5	15206.4	222.7	120.2	
Other	121645.7	141517.5	187816.0	203396.2	152721.5	54.4	-18.7	
Goods: Imports f.o.b.	-1348679.4	-1499201.6	-1720357.9	-1873440.1	-1454293.9	27.6	-15.5	
Oil	-155784.7	-176320.3	-286117.8	-327073.5	-278526.2	83.7	-2.7	
Other	-1192894.7	-1322881.2	-1434240.1	-1546366.6	-1175767.8	20.2	-18.0	
Balance on Goods	-1224893.4	-1355456.9	-1525635.6	-1661975.4	-1286366.0	24.6	-15.7	
Services: Net	-63888.3	-72852.5	-99502.0	-108117.5	-67680.4	55.7	-32.0	
Services: credit	73059.7	79069.9	108813.2	122083.7	168533.4	48.9	54.9	
Travel	6693.0	7266.3	29876.6	32447.2	58060.2	346.4	94.3	
Government n.i.e. (credit)	5666.5	6331.6	8874.3	9526.2	10072.1	56.6	13.5	
Other	60700.2	65472.0	70062.3	80110.2	100401.1	15.4	43.3	
Services: debit	-136947.9	-151922.4	-208315.1	-230201.2	-236213.9	52.1	13.4	
Transportation	-72040.7	-80973.5	-84981.8	-92230.5	-74573.8	18.0	-12.2	
Travel	-30789.1	-32800.1	-87033.4	-97322.9	-119985.9	182.7	37.9	
O/W Education	-23446.6	-24959.4	-59993.5	-67701.6	-89182.4	155.9	48.7	
Government n.i.e. (debit)	-3157.6	-3673.5	-1670.8	-1754.5	-1778.2	-47.1	6.4	
Other	-30960.5	-34475.2	-34629.1	-38893.3	-39875.9	11.8	15.2	
Balance on Goods and Services	-1288781.6	-1428309.5	-1625137.6	-1770092.9	-1354046.5	26.1	-16.7	
Income: Net	19267.1	23285.5	24195.5	28890.9	54833.1	25.6	126.6	
Income: credit	54994.9	60878.6	48826.7	57494.0	86859.7	-11.2	77.9	
Income: debit	-35727.8	-37593.0	-24631.2	-28603.1	-32026.6	-31.1	30.0	
Balance on Goods, Services and Income	-1269514.6	-1405023.9	-1600942.1	-1741202.0	-1299213.3	26.1	-18.8	
Transfers: Net	971407.4	1071352.0	1008801.7	1117876.8	1229815.7	3.8	21.9	
Current transfers: credit	977240.0	1077414.0	1015882.3	1125595.3	1236163.7	4.0	21.7	
Grants	51780.3	57340.7	50360.8	54707.4	55012.9	-2.7	9.2	
Workers' remittances	871302.5	961054.6	906917.3	1007306.9	1112522.5	4.1	22.7	
Pensions	53981.8	58595.1	57015.8	61962.1	68068.8	5.6	19.4	
Other (Indian Excise Refund)	175.4	423.6	1588.4	1618.9	559.5	-	-64.8	
Current transfers: debit	-5832.6	-6062.0	-7080.6	-7718.5	-6348.0	21.4	-10.3	
B. Capital Account (Capital Transfer)	14151.8	15263.7	9491.8	9992.4	7351.5	-32.9	-22.5	
Total, Groups A plus B	-283955.4	-318408.2	-582648.6	-613322.7	-62046.1	105.2	-89.4	
C. Financial Account (Excluding Group E)	183402.2	230671.8	264021.6	313019.0	216016.0	44.0	-18.2	
Direct investment in Nepal	16201.3	19512.7	17350.1	18560.3	4647.5	7.1	-73.2	
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	-	-	
Other investment: assets	-40332.7	-15838.1	-17916.9	-14062.5	-2227.0	-55.6	-87.6	
Trade credits	-40375.8	-15881.7	-18107.2	-14255.6	-2305.0	-55.2	-87.3	
Other	43.1	43.6	190.4	193.0	78.0	341.6	-59.0	
Other investment: liabilities	207533.5	226997.2	264588.5	308521.2	213595.5	27.5	-19.3	
Trade credits	133803.4	116853.4	107071.8	118482.6	122090.7	-20.0	14.0	
Loans	79559.4	114054.3	96264.8	115990.2	67744.2	21.0	-29.6	
General Government	70052.4	103907.6	79524.3	92601.8	39739.4	13.5	-50.0	
Drawings	86590.6	127176.2	96491.2	122017.7	72937.6	11.4	-24.4	
Repayments	-16538.2	-23268.6	-16966.9	-29415.9	-33198.2	2.6	95.7	
Other sectors	9507.0	10146.7	16740.5	23388.3	28004.8	76.1	67.3	
Currency and deposits	-5822.6	-3903.8	24991.8	37487.4	22018.1	-	-11.9	
Nepal Rastra Bank	64.0	22.6	-43.6	-43.7	16.2	-	-	
Deposit money banks	-5886.6	-3926.4	25035.4	37531.1	22001.9	-	-12.1	
Other liabilities	-6.7	-6.7	36260.0	36561.0	1742.4	-	-95.2	
Total, Group A through C	-100553.3	-87736.4	-318626.9	-300313.8	153969.9	216.9	-	
D. Miscellaneous Items, Net	79583.3	85059.4	110072.0	119103.1	98767.9	38.3	-10.3	
Total, Group A through D	-20970.0	-2677.0	-208555.0	-181210.7	252737.7	-	-	
E. Reserves and Related Items	20970.0	2677.0	208555.0	181210.7	-252737.7	-	-	
Reserve assets	20970.0	2677.0	208555.0	181210.7	-252737.7	-	-	
Nepal Rastra Bank	13034.0	-18889.3	198933.4	186042.6	-252740.2	-	-	
Deposit money banks	7936.0	21566.3	9621.6	-4831.9	2.4	21.2	-100.0	
Use of Fund Credit and Loans	0.0	0.0	0.0	0.0	0.0	-	-	
Changes in reserve net (- increase)	15147.4	-1226.7	269806.8	255259.1	-228977.2	-	-	

^P= Provisional

Table 21
Gross Foreign Assets of the Banking Sector

	Mid-July 2021	Mid-June 2021	Mid-July 2022	Mid-June 2023 ^P	Percent Change	
					Mid-July To Mid-June 2021/22	2022/23
A. Nepal Rastra Bank (1+2)	1298903.2	1120948.0	1144679.3	1415141.1	-13.7	23.6
1. Gold, SDR, IMF Reserve Position	54269.6	89056.9	88284.7	93892.5	64.1	6.4
2. Foreign Exchange Reserve	1244633.6	1031891.1	1056394.6	1321248.6	-17.1	25.1
Convertible	925919.4	751250.4	783819.6	996047.9	-18.9	27.1
Inconvertible	318714.2	280640.7	272575.0	325200.7	-11.9	19.3
B. Bank and Financial Institutions *	154391.7	144953.1	159407.5	159626.3	-6.1	0.1
Convertible	137938.9	131602.4	144563.9	145045.7	-4.6	0.3
Inconvertible	16452.8	13350.8	14843.6	14580.6	-18.9	-1.8
C. Gross Foreign Exchange Reserve	1399025.3	1176844.2	1215802.2	1480874.9	-15.9	21.8
Convertible	1063858.3	882852.8	928383.5	1141093.5	-17.0	22.9
Share in total (in percent)	7.6	7.5	7.6	7.7	-	-
Inconvertible	335167.0	293991.4	287418.7	339781.4	-12.3	18.2
Share in total (in percent)	2.4	2.5	2.4	2.3	-	-
D. Gross Foreign Assets (A+B)	1453294.9	1265901.1	1304086.8	1574767.4	-12.9	20.8
Import Capacity in Months						
Gross Foreign Exchange Reserve						
Merchandise	11.2	7.5	7.8	11.2	-	-
Merchandise and Services	10.2	6.7	6.9	9.6	-	-
Gross Foreign Assets						
Merchandise	11.6	8.1	8.4	11.9	-	-
Merchandise and Services	10.6	7.2	7.4	10.2	-	-
E. Foreign Liabilities	117674.8	178926.7	191723.2	215483.8	52.1	12.4
F. Net Foreign Assets(D-E)	1335620.1	1086974.5	1112363.6	1359283.6	-18.6	22.2
G. Change in NFA (before adj. ex. val.)*	-7271.0	248645.6	223256.5	-246920.0	-	-
H. Exchange Valuation	6044.3	21161.2	32002.6	17942.8	-	-
I. Change in NFA (6+7)***	-1226.7	269806.8	255259.1	-228977.2	-	-
Period-end Buying Rate (Rs/USD)	119.0	124.6	127.5	131.1		

P= Provisional

* indicates the "A", "B" & "C" class financial institutions licensed by NRB.

**Change in NFA is derived by taking mid-July as base and minus (-) sign indicates increase.

*** After adjusting exchange valuation gain/loss

Table 22
Purchase/Sale of Foreign Currency

Mid-month	Purchase/Sale of Convertible Currency												IC Purchase					
	2021/22						2022/23						2021/22		2022/23			
	Purchase		Sale		Net		Purchase		Sale		Net		Purchase		Sale			
	US\$	Nrs.	US\$	Nrs.	US\$	Nrs.	US\$	Nrs.	US\$	Nrs.	US\$	Nrs.	US\$	Nrs.	US\$	Nrs.		
August	80.4	9,570.1	20.9	2,492.5	39.5	7,077.6	319.2	40,532.5	-	-	319.2	40,532.5	31,252.4	420.0	33,402.1	420.0		
September	38.0	4,505.7	101.4	11,884.1	-	63.4	-	7,378.4	470.2	59,928.6	-	-	470.2	59,928.6	11,762.2	160.0	39,866.0	500.0
October	251.4	30,029.7	-	-	251.4	30,029.7	410.3	53,583.2	-	-	410.3	53,583.2	26,694.1	360.0	8,237.6	100.0		
November	165.9	19,864.3	-	-	165.9	19,864.3	318.1	41,818.0	-	-	318.1	41,818.0	31,439.6	420.0	27,966.9	340.0		
December	139.3	16,836.8	-	-	139.3	16,836.8	598.9	78,491.3	-	-	598.9	78,491.3	34,419.3	460.0	37,615.9	460.0		
January	114.6	13,831.6	-	-	114.6	13,831.6	641.3	84,542.3	-	-	641.3	84,542.3	26,976.4	360.0	38,050.2	460.0		
February	234.8	28,058.0	-	-	234.8	28,058.0	513.2	67,379.2	-	-	513.2	67,379.2	31,345.9	420.2	26,190.1	320.0		
March	319.7	38,821.1	-	-	319.7	38,821.1	426.7	56,257.8	-	-	426.7	56,257.8	37,749.1	500.0	39,686.5	480.0		
April	461.3	55,950.7	-	-	461.3	55,950.7	573.0	75,281.6	-	-	573.0	75,281.6	30,347.5	400.0	37,823.2	460.0		
May	437.2	53,639.4	-	-	437.2	53,639.4	472.9	61,949.2	-	-	472.9	61,949.2	35,311.8	460.0	26,230.2	320.0		
June	346.2	42,889.2	-	-	346.2	42,889.2	512.9	67,651.9	-	-	512.9	67,651.9	33,792.1	435.0	36,302.7	440.0		
July	442.6	55,947.9	-	-	442.6	55,947.9	190.7	25,084.5	-	-	190.7	25,084.5	40,926.5	520.0	21,359.4	260.0		
Total	3,031.4	369,944.5	122.3	14,376.6	2,909.1	355,567.9	5,447.3	712,500.3	-	-	5,447.3	712,500.3	372,016.7	4,915.2	372,730.8	4,560.0		



Nepal Rastra Bank
Central Office
Baluwatar, Kathmandu
Nepal

Phone: 01-4410158
Website: www.nrb.org.np