



Nepal Rastra Bank

Economic Research Department, Baluwatar, Kathmandu

Current Macroeconomic and Financial Situation of Nepal

(Based on Three Months Data Ending Mid-October, 2024/25)

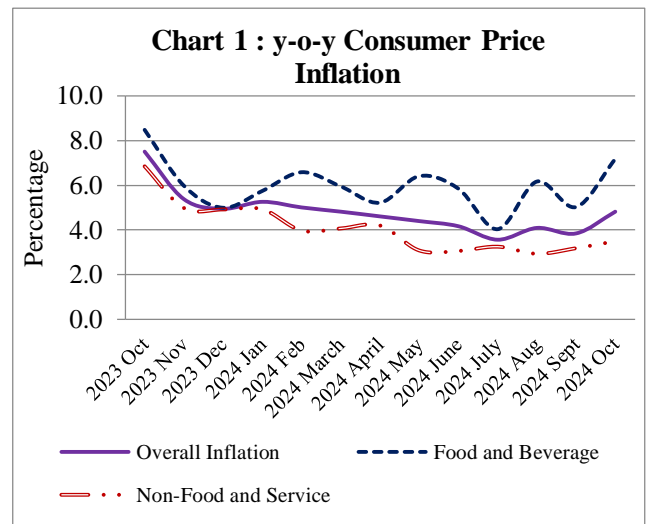
Major Highlights

- *CPI-based inflation remained 4.82 percent on y-o-y basis.*
- *Imports decreased 4.2 percent and exports decreased 6.1 percent.*
- *Remittances increased 11.5 percent in NPR terms.*
- *Balance of Payments remained at a surplus of Rs.184.99 billion.*
- *Gross foreign exchange reserves stood at NPR 2232.28 billion and 16.60 billion in USD terms.*
- *Nepal Government expenditure amounted to Rs.329.20 billion and revenue collection Rs.248.26 billion.*
- *Broad money (M2) increased 3.4 percent. On y-o-y basis, M2 expanded 13.3 percent.*
- *Deposits at BFIs increased 2.6 percent and private sector credit increased 2.5 percent. On y-o-y basis, deposits increased 12.8 percent and private sector credit increased 6 percent.*

Inflation

Consumer Price Inflation (CPI)

1. The y-o-y consumer price inflation stood at 4.82 percent in mid-October 2024 compared to 7.50 percent a year ago. Food and beverage inflation stood at 7.18 percent whereas non-food and service inflation stood at 3.49 percent in the review month. During the same period in the previous year, the price indices of these groups had increased by 8.48 percent and 6.85 percent respectively.
2. Under the food and beverage category, y-o-y price index of vegetable sub-category increased 25.15 percent, pulses and legumes 10 percent, cereal grains & their products 9.57 percent and ghee & oil 4.98 percent while y-o-y price index of meat & fish sub-category decreased 1.18 percent, spices 0.79 percent and sugar & sugar products 0.78 percent.



3. Under the non-food and services category, y-o-y price index of miscellaneous goods and services sub-category increased 10.49 percent, alcoholic drinks 6.32 percent, clothes and footwear 6.12 percent and furnishing and household equipment 4.88 percent.

4. During the review month, y-o-y price index in rural areas increased by 5.00 percent, while in urban areas, it rose by 4.76 percent.

Table 1: y-o-y Consumer Price Inflation (Percent)			
Mid-Month			
Particulars	Sep/Oct 2023	Aug/Sep 2024	Sep/Oct 2024
Overall Inflation	7.50	3.85	4.82
Food and Beverage	8.48	5.03	7.18
Non-food and Service	6.85	3.19	3.49

5. Based on provinces, in the review month, y-o-y consumer price inflation in Koshi Province is 6.26 percent, Madhesh Province 5.08 percent, Bagmati Province 4.24 percent, Gandaki Province 3.98 percent, Lumbini Province 4.42 percent, Karnali Province 3.25 percent, and Sudurpashchim Province 6.56 percent.

6. In the review month, y-o-y consumer price inflation in the Kathmandu Valley, Terai, Hill and Mountain region surged to 4.50 percent, 5.23 percent, 4.32 percent and 5.08 percent respectively.

Wholesale Price Inflation (WPI)

7. The y-o-y wholesale price inflation stood at 5.51 percent in mid-October 2024 compared to 2.78 percent a year ago.

8. The y-o-y wholesale price of consumption goods, intermediate goods and capital goods increased 8.22 percent, 4.36 percent and 2.63 percent respectively. The y-o-y wholesale price of construction material decreased 4.58 percent in the review month.

Salary and Wage Index (SWI)

9. The salary and wage index has been updated maintaining fiscal year 2023/24 as a new base year. The new series has been published quarterly in three formats including Provincial, Nepal Standard Industrial Classification (NSIC) and Nepal Standard Classification of Occupations (NSCO).

10. The y-o-y salary and wage index increased 3.36 percent in first quarter of fiscal year 2024/25 compared to 5.65 percent a year ago.

11. Based on provinces, in the review quarter, the increase in y-o-y salary and wage index in Koshi Province is 1.24 percent, Madhesh Province 4.99 percent, Bagmati Province 2.95 percent, Gandaki Province 2.26 percent, Lumbini Province 3.67 percent, Karnali Province 5.03 percent, and Sudurpashchim Province 6.40 percent.

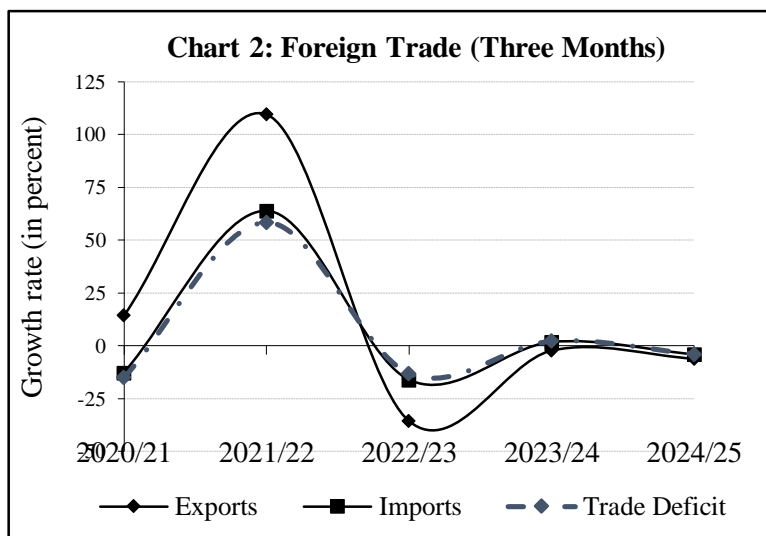
Consumer Price Inflation in Nepal and India

12. The y-o-y consumer price inflation in Nepal remained at 4.82 percent in mid-October 2024. Such inflation in India stood at 6.21 percent in October 2024.

External Sector

Merchandise Trade

13. During the three months of 2024/25, merchandise exports decreased 6.1 percent to Rs.38.38 billion compared to a decrease of 2.3 percent in the same period of the previous year. Destination-wise, exports to India, China and other countries decreased 5.3 percent, 24.8 percent and 6.6 percent respectively. Exports of soyabean oil, tea, particle board, shoes and sandals, oil cakes, among others increased whereas exports of zinc sheet, palm oil, cardamom, juice, readymade garments, among others decreased in the review period.



14. During the three months of 2024/25, merchandise imports decreased 4.2 percent to Rs.390.75 billion compared to an increase of 1.7 percent a year ago. Destination-wise, imports from India, China and other countries decreased 3.9 percent, 1.5 percent and 7.9 percent respectively. Imports of transport equipment, vehicle and other vehicle spare parts, edible oil, sponge iron, garlic, oilseeds, among others increased whereas imports of gold, petroleum products, electrical equipment, crude palm oil, M.S. billet, among others decreased in the review period.

15. Based on customs points, exports from Biratnagar, Kailali, Krishnanagar, Nepalgunj and Rasuwa Customs Offices increased whereas exports from all other major customs points decreased in the review period. On the import side, imports from Jaleswor, Kailali, Rasuwa and Tatopani Customs Offices increased whereas imports from all other major customs points decreased in the review period.

16. Total trade deficit decreased 4.0 percent to Rs.352.37 billion during the three months of 2024/25. Such a deficit had increased 2.1 percent in the corresponding period of the previous year. The export-import ratio decreased to 9.8 percent in the review period from 10.0 percent in the corresponding period of the previous year.

17. During the three months of 2024/25, merchandise imports from India by paying convertible foreign currency amounted Rs.44.13 billion. Such amount was Rs.45.58 billion in the same period of the previous year.

Composition of Foreign Trade

18. As per the Broad Economic Categories (BEC), the intermediate and final consumption goods accounted for 51.3 percent and 47.6 percent of total exports respectively, whereas the ratio of capital goods in total exports remained at 1.1 percent in the review period. In the same period of the previous year, the ratio of intermediate, capital and final consumption goods remained 55.2 percent, 0.33 percent and 44.5 percent of total exports respectively.

19. On the imports side, the share of intermediate goods remained 49.1 percent, capital goods 8.5 percent and final consumption goods 42.5 percent in the review period. Such ratios were 50.6 percent, 8.5 percent and 40.9 percent respectively in the same period of the previous year.

Export-Import Price Index

20. The y-o-y unit value export price index, based on customs data, increased 2.9 percent and the import price index decreased 3.5 percent in the three months of 2024/25. The terms of trade (ToT) index increased 6.5 percent in the review period.

Services

21. Net services income remained at a deficit of Rs.23.29 billion in the review period compared to a deficit of Rs.29.39 billion in the same period of the previous year.

22. Under the service account, travel income increased 3.5 percent to Rs.17.72 billion in the review period which was Rs.17.13 billion in the same period of the previous year.

Table 2: BOP related Indicators during the review period

Particulars	Values (in Billion)		Percentage Change	
	2023/2024 ^R	2024/2025 ^P	2023/2024 ^R	2024/2025 ^P
Travel income	17.13	17.72	47.8	3.5
Travel payment	51.80	55.78	76.1	7.7
Remittance inflows	365.37	407.31	25.8	11.5
Direct Investment Inflows (Equity only)	3.38	4.81	78.9	42.3

R=Revised P=Provisional

23. Under the service account, travel payments increased 7.7 percent to Rs.55.78 billion, including Rs.32.18 billion for education. Such payments were Rs.51.80 billion and Rs.32.92 billion respectively in the same period of the previous year.

Remittances

24. Remittance inflows increased 11.5 percent to Rs.407.31 billion in the review period compared to an increase of 25.8 percent in the same period of the previous year. In the US Dollar terms, remittance inflows reached 3.04 billion in the review period which was 2.76 billion in the same period of the previous year.

25. Net secondary income (net transfer) reached Rs.442.44 billion in the review period compared to Rs.404.07 billion in the same period of the previous year.

26. The number of Nepali workers, both institutional and individual, taking first-time approval for foreign employment stands at 110,654 and taking approval for renew entry stands at 59,939. In the previous year, such numbers were 113,397 and 49,297 respectively.

Current Account and Balance of Payments

27. The current account remained at a surplus of Rs.111.87 billion in the review period compared to a surplus of Rs.59.65 billion in the same period of the previous year. In the US Dollar terms, the current account registered a surplus of 834 million in the review period against a surplus of 449.40 million in the same period last year.

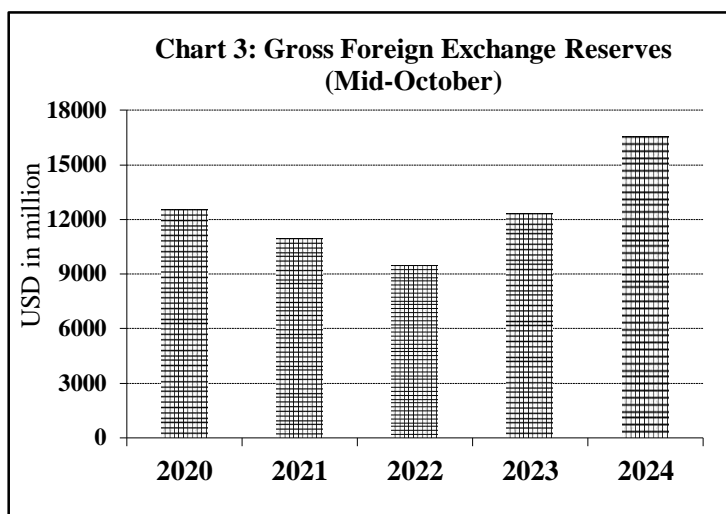
28. In the review period, net capital transfer amounted to Rs.2 billion and foreign direct investment inflow (Equity only) remained at Rs.4.81 billion. In the same period of the previous year, net capital transfer amounted to Rs.1.15 billion and foreign direct investment inflows (Equity only) amounted to Rs.3.38 billion.

29. Balance of Payments (BOP) remained at a surplus of Rs. 184.99 billion in the review period compared to a surplus of Rs. 101.66 billion in the same period of the previous year. In the US

Dollar terms, the BOP remained at a surplus of 1.38 billion in the review period compared to a surplus of 766.80 million in the same period of the previous year.

Foreign Exchange Reserves

30. Gross foreign exchange reserves increased 9.4 percent to Rs.2232.28 billion in mid-October 2024 from Rs.2041.10 billion in mid-July 2024. In the US dollar terms, the gross foreign exchange reserves increased 8.7 percent to 16.60 billion in mid-October 2024 from 15.27 billion in mid-July 2024.



31. Of the total foreign exchange reserves, reserves held by NRB increased 7.5 percent to Rs.1988 billion in mid-October 2024 from Rs.1848.55 billion in mid-July 2024. Reserves held by banks and financial institutions (except NRB) increased 26.9 percent to Rs.244.27 billion in mid-October 2024 from Rs.192.55 billion in mid-July 2024. The share of Indian currency in total reserves stood at 21.9 percent in mid-October 2024.

Foreign Exchange Adequacy Indicators

32. Based on the imports of three months of 2024/25, the foreign exchange reserves of the banking sector is sufficient to cover the prospective merchandise imports of 17.6 monthss, and merchandise and services imports of 14.6 months. The ratio of reserves-to-GDP, reserves-to-imports and reserves-to-M2 stood at 39.1 percent, 121.9 percent and 30.9 percent respectively in mid-October 2024. Such ratios were 35.8 percent, 108.6 percent and 29.3 percent respectively in mid-July 2024.

Price of Oil and Gold

33. The price of oil (Crude Oil Brent) in the international market decreased 20.4 percent to US dollar 73.65 per barrel in mid-October 2024 from US dollar 92.52 per barrel a year ago. The price of gold increased 38.7 percent to US dollar 2675.25 per ounce in mid-October 2024 from US dollar 1928.20 per ounce a year ago.

Exchange Rate

34. Nepalese currency vis-à-vis the US dollar depreciated 0.6 percent in mid-October 2024 from mid-July 2024. It had depreciated 1.3 percent in the same period of the previous year. The buying exchange rate per US dollar stood at Rs.134.17 in mid-October 2024 compared to Rs.133.36 in mid-July 2024.

Fiscal Situation

Government of Nepal

Expenditure and Revenue

35. According to the Ministry of Finance, Financial Comptroller General Office (FCGO), the total expenditure of the Government of Nepal stood at Rs.329.20 billion during three months of FY 2024/25. The recurrent expenditure, capital expenditure and financial expenditure amounted to 229.85 billion, Rs.29.37 billion and Rs.69.97 billion respectively in the review period.

Particulars	Amount (Rs. in Billion)			Percentage Change	
	2022/23	2023/24	2024/25	2023/24	2024/25
Total Expenditure	278.17	280.57	329.20	0.9	17.3
<i>Recurrent Expenditure</i>	223.75	213.39	229.85	-4.6	7.7
<i>Capital Expenditure</i>	19.68	17.83	29.37	-9.4	64.7
<i>Financial Management</i>	34.73	49.35	69.97	42.1	41.8
Total Revenue	208.58	219.12	248.26	5.0	13.3
<i>Tax Revenue</i>	189.38	199.46	219.68	5.3	10.1
<i>Non-Tax Revenue</i>	19.20	19.65	28.58	2.3	45.4

Source: Financial Comptroller General Office

36. In the review period, total revenue mobilization of the Government of Nepal (including the amount to be transferred to provincial and local governments) stood at Rs.248.26 billion. The tax revenue amounted Rs.219.68 billion and non tax revenue Rs.28.58 billion in the review period (Table 3).

Cash Balance of the Government

37. Cash Balance at various accounts of the GoN maintained with NRB remained Rs.175.66 billion (including Provincial Governments and Local Government Account) in mid-October 2024. Such balance was Rs.91.78 billion in mid-July 2024.

Provincial Government

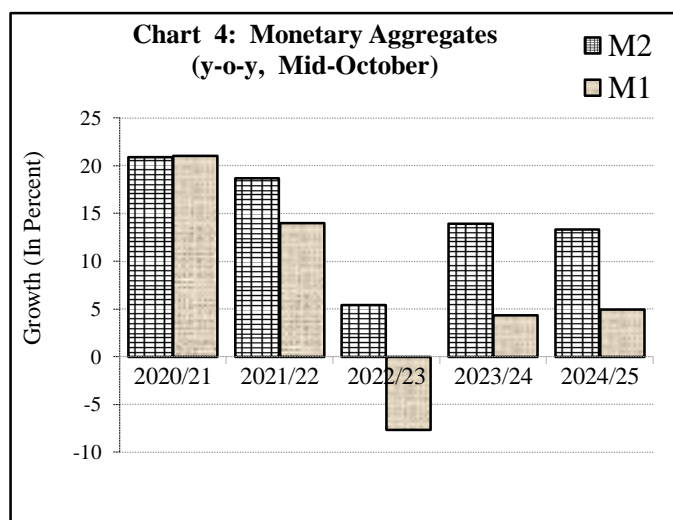
Expenditure and Revenue

38. In the review period, total expenditure of provincial governments stood Rs.20.92 billion and resource mobilization stood Rs.37.95 billion respectively. The total resource mobilization of provincial governments includes the grants and revenue transferred from the Government of Nepal amounting Rs.30.05 billion and revenue and other receipts of the provincial governments amounting Rs.7.91 billion in the review period.

Monetary Situation

Money Supply

39. Broad money (M2) increased 3.4 percent in the review period compared to an increase of 3.0 percent in the corresponding period of the previous year. On y-o-y basis, M2 expanded 13.3 percent in mid-October 2024.
40. The net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased Rs.184.99 billion (9.3 percent) in the review period compared to an increase of Rs.101.66 billion (7.0 percent) in the corresponding period of the previous year.



41. Reserve money increased 4.5 percent in the review period in contrast to a decrease of 2.3 percent in the corresponding period of the previous year. On y-o-y basis, reserve money increased 15.1 percent in mid-October 2024.

Domestic Credit

42. Domestic credit increased 1.7 percent in the review period compared to an increase of 1.7 percent in the corresponding period of the previous year. On y-o-y basis, domestic credit increased 6.1 percent in mid-October 2024.
43. Monetary Sector's net claims on government decreased 3.3 percent in the review period compared to a decrease of 3.7 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 4.4 percent in mid-October 2024.
44. Monetary Sector's claims on the private sector increased 2.8 percent in the review period compared to an increase of 2.7 percent in the corresponding period of the previous year. On y-o-y basis, such claims increased 6.2 percent in mid-October 2024.

Deposit Mobilization

45. Deposits at Banks and Financial Institutions (BFIs) increased Rs.170 billion (2.6 percent) in the review period compared to an increase of Rs.158.50 billion (2.8 percent) in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 12.8 percent in mid-October 2024.

Table 4: Deposits at Banks and Financial Institutions (Percentage Share)

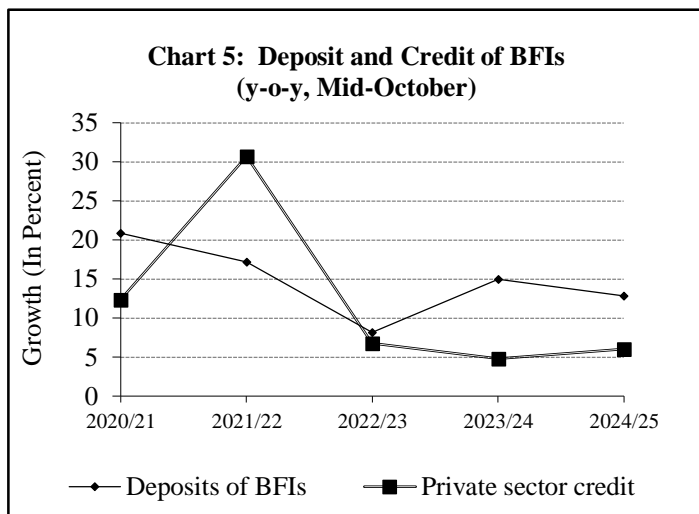
Deposits	Mid-July		Mid-October	
	2023	2024	2023	2024
Demand	7.7	5.8	6.7	5.4
Saving	26.6	30.3	26.7	32.7
Fixed	58.8	56.4	60.2	54.8
Other	6.8	7.5	6.4	7.1

46. The share of demand, saving and fixed deposits in total deposits stood at 5.4 percent, 32.7 percent and 54.8 percent respectively in mid-October 2024. Such shares were 6.7 percent, 26.7 percent and 60.2 percent respectively a year ago (Table 4).

47. The share of institutional deposits in total deposit of BFIs stood at 35.8 percent in mid-October 2024. Such a share was 36.0 percent a year ago.

Credit Disbursement

48. Private sector credit from BFIs increased Rs.128.65 billion (2.5 percent) in the review period compared to an increase of Rs.109.03 billion (2.3 percent) in the corresponding period of previous year. On y-o-y basis, credit to the private sector from BFIs increased 6.0 percent in mid-October 2024.



49. The shares of private sector credit from BFIs to non-financial corporation and household stand at 64.0 percent and 36.0 percent respectively in mid-October 2024. Such shares were 63.1 percent and 36.9 percent a year ago.

50. In the review period, private sector credit from commercial banks, development banks and finance companies increased by 2.5 percent, 2.4 percent and 3.9 percent respectively.

51. Out of the total outstanding credit of the BFIs as of mid-October 2024, 13.4 percent is against the collateral of current assets (such as agricultural and non-agricultural products) and 65.8 percent against land and building. Such ratios were 12.0 percent and 67.3 percent respectively a year ago.

52. In the review period, outstanding loan of BFIs to the industrial production sector increased 2.3 percent, construction sector 2.2 percent, wholesale and retail sector 2.3 percent, transportation, communication and public sector 4.7 percent, service industry sector 2.6 percent and consumable sector increased 2.2 percent whereas agriculture sector decreased 0.4 percent.

53. In the review period, term loan extended by BFIs increased 2.7 percent, margin nature loan 17.5, trust receipt (import) loan 17.4 percent, hire purchase loan 0.7 percent, cash credit loan 1.9 percent and real estate loan (including residential personal home loan) increased 1.5 percent whereas the overdraft loan decreased 5.8 percent.

Liquidity Management

54. In the review period, NRB absorbed, on transaction basis, a total liquidity of Rs.7833.40 billion, including Rs.590.55 billion through deposit collection auction and Rs.7242.85 billion through Standing Deposit Facility (SDF). In the corresponding period of the previous year, Rs.363.45 billion net amount of liquidity was injected through various instruments of open market operations including Standing Liquidity facility (SLF) and Overnight Liquidity Facility (OLF).

55. In the review period, NRB injected liquidity of Rs.196.79 billion through the net purchase of USD 1.47 billion from foreign exchange market. Liquidity of Rs.166.54 billion was injected through the net purchase of USD 1.26 billion in the corresponding period of the previous year.

56. The NRB purchased Indian currency (INR) equivalent to Rs.115.66 billion through the sale of USD 822.0 million in the review period. INR equivalent to Rs.95.54 billion was purchased through the sale of USD 720 million in the corresponding period of previous year.

Inter-bank Transaction

57. In the review period, BFIs inter-bank transactions amounted Rs.402.45 billion on a turnover basis, including Rs.371.25 billion inter-bank transactions among commercial banks, and Rs.31.20 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions was Rs.1494.08 billion, including Rs. 1309.73 billion among commercial banks, and Rs.184.35 billion among other financial institutions (excluding transactions among commercial banks).

Interest Rate

58. The weighted average 91-days treasury bills rate remained at 2.96 percent in the third month of 2024/25, which was 4.94 percent in the corresponding month a year ago. The weighted average inter-bank rate among BFIs, which was 2.26 percent a year ago, increased to 3.00 percent in the review month (Table 5).

59. The average base rates of commercial banks, development banks and finance companies stood 7.29 percent, 9.13 percent and 10.35 percent respectively in the third month of 2024/25. The average base rate of commercial banks, development banks and finance companies were 9.94 percent, 12.30 percent and 13.65 percent respectively in the corresponding month a year ago.

Types	Mid-October 2023	Mid-October 2024
91-days treasury bills rate	4.94	2.96
Inter-bank rate of BFIs	2.26	3.00
Base rate		
Commercial banks	9.94	7.29
Development banks	12.30	9.13
Finance companies	13.65	10.35
Deposit rate		
Commercial banks	7.90	5.24
Development banks	9.36	5.94
Finance companies	10.19	7.21
Lending Rate		
Commercial banks	12.11	9.33
Development banks	13.91	10.63
Finance companies	14.61	11.86

60. Weighted average deposit rates of commercial banks, development banks and finance companies stood 5.24 percent, 5.94 percent and 7.21 percent respectively in the review month. Weighted average deposit rate of commercial banks, development banks and finance companies were 7.90 percent, 9.36 percent and 10.19 percent respectively in the corresponding month a year ago. Likewise, the weighted average lending rate of commercial banks, development banks and finance companies stood 9.33 percent, 10.63 percent and 11.86 percent respectively in the review month. Such rate of commercial banks, development banks and finance companies were 12.11 percent, 13.91 percent and 14.61 percent respectively in the corresponding month a year ago.

Financial Access

61. The total number of BFIs licensed by NRB remained 107 in mid-October 2024 (Table 6). As of mid-October 2024, 20 commercial banks, 17 development banks, 17 finance companies, 52 microfinance financial institutions and 1 infrastructure development bank are in operation. The number of BFIs branches remained 11,539 in mid-October 2024 compared to 11,530 in mid-July 2024.

Bank and Financial Institutions	Number of BFIs			Branches of BFIs		
	mid-July 2023	mid-July 2024	mid-October 2024	mid-July 2023	mid-July 2024	mid-October 2024
Commercial Banks	20	20	20	5049	5056	5062
Development Banks	17	17	17	1128	1135	1137
Finance Companies	17	17	17	284	288	289
Microfinance Financial Institutions	57	52	52	5128	5051	5051
Infrastructure Development Bank	1	1	1	-	-	-
Total	112	107	107	11589	11530	11539

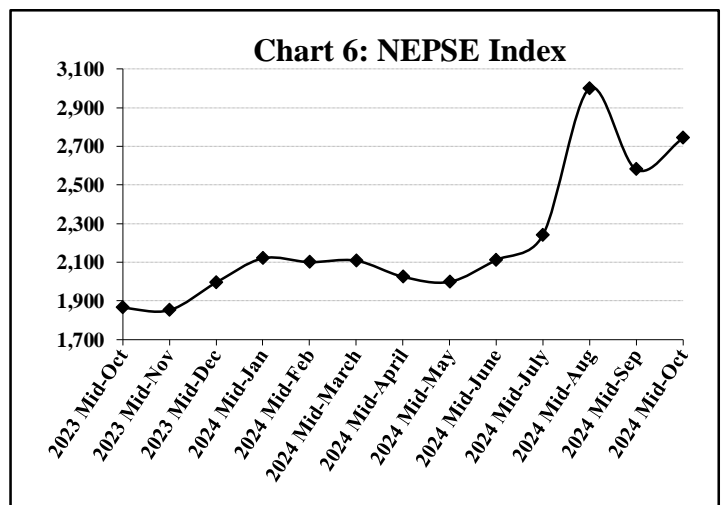
*Updated information is available at <http://emap.nrb.org.np/>

Capital Market

62. NEPSE index stood 2742.89 in mid-October 2024 compared to 1864.62 in mid-October 2023.

63. Stock market capitalization in mid-October 2024 stood Rs.4361.45 billion compared to Rs.2861.52 billion in mid-October 2023.

64. Number of companies listed at NEPSE reached 267 in mid-October 2024. Out of the total listing, 129 are Bank and Financial Institutions (BFIs) and insurance companies, 91 hydropower companies, 22 manufacturing and processing industries, 7 hotels, 7 investment companies, 4 trading companies and 7 others. The number of companies listed at NEPSE were 263 in mid-October 2023.



65. Share of BFIs and insurance companies in stock market capitalization is 59.2 percent in mid-October 2024. Such a share for hydropower companies is 14.7 percent, investment companies 7.9 percent, manufacturing and processing industries 5.6 percent, hotels 2.8 percent, trading companies 0.5 percent and the share of other companies is 9.3 percent.

66. The paid-up value of 8.39 billion shares listed at NEPSE stood Rs.832.09 billion in mid-October 2024.

67. Securities worth Rs.5.15 billion were listed at NEPSE during the three months of FY 2024/25. Such securities comprise bonus shares worth Rs.3.43 billion, right shares worth Rs.1.72 billion, and FPO worth Rs.4.67 million.

68. Securities Board of Nepal approved the total public issuance of securities worth Rs.4.76 billion in the review period which includes right share worth Rs.4.06 billion and mutual fund worth Rs.700 million.