Half Yearly Review of Monetary Policy of FY 2080-81(2023-24)

Highlights

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The half-yearly review of monetary policy of FY 2080-81 published on 29 Magh 2080 highlights the macroeconomic and financial situation of the first six months of the current fiscal year, the implementation status of the policies and programs made through its first quarterly review done on 22 Mangsir 2080, half-yearly review of the budget of the current financial year of the GoN based on the national and international economic scenario.

1. Financial targets

- The average consumer inflation for the first six months is at 6.47% which is within the targeted limit of 6.5%. Consumer inflation is at 5.26% during Poush 2080.

- Gross foreign exchange reserves stood at Rs 1,816.57 billion (USD13.69 billion) which is sufficient to sustain the import of goods and services for 12.1 months compared to the targeted 7 months.

- Broad money supply increased and credit to the private sector increased by 14.3% and 4.9%, respectively against the projected increase of 12.5% and 11.5%.

- The average interbank borrowing rate was 2.86% in Poush 2080 compared to 7.53% in Poush 2079.

2. Implementation status of financial and external sector policies

- Most of the regulatory arrangements made through the monetary policy 2080-81 and the first quarter review are implemented. Guidelines for working capital loans were reviewed, debentures issued before 8 Bhadra 2078 were allowed to count as resources up to 50% until Ashad 2081, and the provision of adding only 2% premium while granting home loans to borrowers affected by Kartik 2080 earthquake is implemented.

- The foreign exchange regulatory arrangements mentioned in the monetary policy have been implemented. NRB's foreign investment and foreign loan management regulations have been amended to simplify and facilitate foreign investment.

3. Status and outlook of the world economy

Economic growth	2022	2023	2024 (projection)
Global economy	3.5%	3.1%	3.1%
Developed economy	2.6%	1.6%	1.5%
Developing and emerging economies	4.1%	4.1%	4.1%
Global average consumer inflation	8.7%	6.8%	5.8%
Developed countries	7.3%	4.6%	2.6%
Developing countries	9.8%	8.4%	8.1%
World Business Volume Expansion	5.2%	0.4%	3.3%
Increase in average Fuel Rate	39.2%	-16%	-2.3%

4. Internal economic and financial status inflation

Particulars	Poush 2080	Poush 2079
Wholesale Inflation	3.36%	9.82%
Annual consumer inflation	5.26%	7.26%
Food	5.77%	5.62%
Non- Food and service	4.85%	8.57%

- Current account and Balance of Payments remained at a surplus of Rs 161.62 billion and Rs 273.52 billion, respectively which has resulted in an increment in foreign exchange reserve.

- Total foreign trade in the first six months has decreased by 3.5% as compared to the previous period.

- Total expense of the Government for the first six months is Rs 566.62 billion which includes current expense of Rs 437.38 billion, capital expense of Rs 49.24 billion, and financial management expense of Rs 80 billion.

- NRB has granted Rs 1.20 billion as a standing liquidity facility and Rs 513.91 billion as overnight liquidity facility to BFIs.

5. Interest Rate

Particulars	Poush 2080	Poush 2079
Weighted Avg. interest rate of 91- days Treasury Bills	3.37%	10.89%
Average Base rate for Commercial Banks	9..35%	10.91%

6. Review and scenario of domestic economic and financial situation

- In the first quarter of 2080-81, GDP is estimated to have grown by 3.2%. The mining and construction sector has expanded by 15.8% and 11.4%, respectively in current year against the contraction of 1.9% and 9.6%, respectively in the previous year.

- Tourist arrival has increased by 65% in 2023.

- In this fiscal year, 900 MW has been added to the national grid.

- Non-performing loans have increased to 3.73% in the banking sector due to stale economic activities

7. Policy Arrangements

- The rates under the interest rate corridor remain unchanged considering different internal and external factors.

- Mandatory cash ratio and statutory liquidity ratio have been kept unchanged.

- To make the interest rate corridor effective, the permanent deposit facility will be implemented from Falgun 2080.

- While determining the Institutional fixed deposit rate, such rate shall be 1% lower than the individual fixed deposit rate.

- Lending up to Rs 20 million for agricultural, small, domestic, and medium enterprise businesses can be included in the Regulatory Retail Portfolio

right people
right size
right solutions