

# [Review of current fiscal policy and monetary policy of nepal](https://assignbuster.com/review-of-current-fiscal-policy-and-monetary-policy-of-nepal/)

The bank has been formulating and publicly announcing monetary policy on an annual basis since 2002/03 with the major objectives of maintaining price stability and external as well as financial sector stability and to create a favorable environment for high and sustainable economic growth as directed by NRB Act, 2002. Narrowing down of current account deficit for the improvement of export and remittances inflow had resulted in the marginal surplus of the Balance of Payment despite increase in imbalance of financial account.

In this economic and financial background, the monetary policy for 2011/12 has been made public where the necessary adjustments in direction, targets and instruments of monetary policy has been made on analyzing internal as well as external economic outlook. The standing challenges of the monetary policy at present are to control inflation and maintain favorable balance of payments as well as to minimize possible adverse impact from the shortage of monetary liquidity on economic growth and financial sector sustainability.

Suggestions received from the various people from different sectors have been incorporated to the possible extent while preparing the monetary policy. The primary objectives of monetary policy of 2011/12 are controlling inflation pressure coming from excessive expansion of money supply, maintaining favorable BOP situation and facilitating economic growth by maintaining the financial stability.

Another objective of the monetary policy of 2011/12 is to carry-out monetary management so as to improve BOP situation for maintaining foreign exchange reserve sufficient to cover at least six months of goods and service imports. BOP surplus is targeted at about 5 billion on the basis of current trends and forecast of import and sources of foreign exchange. Similarly, economic growth target is set at 5 percent.