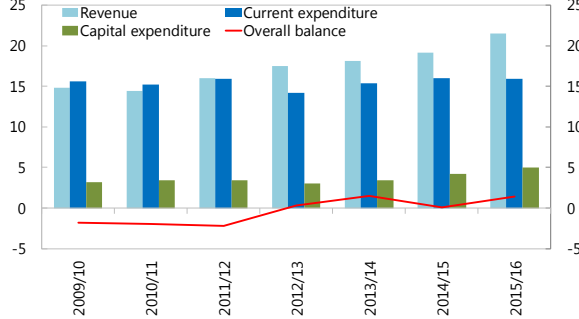


Figure 1. Nepal: Recent Fiscal Developments

Strong revenue growth combined with subdued capital spending kept the budget in surplus the past 4 years.

Fiscal Performance

(In percent of GDP)



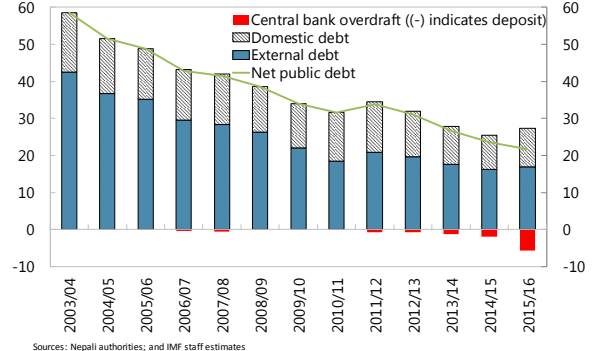
Sources: Nepali authorities; and IMF staff estimates.

Note: Overall balance: incurrence of net liabilities (incl. government deposits at NRB).

As a result, Nepal's public debt has been trending down. In July 2016, government deposits stood at NRs 115 billion.

Public Debt

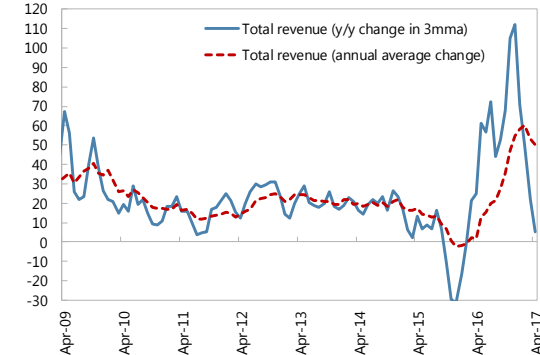
(In percent of GDP)



Sources: Nepali authorities; and IMF staff estimates.

Government revenues registered year-on-year declines in March (-12 percent) and April (-3 percent).

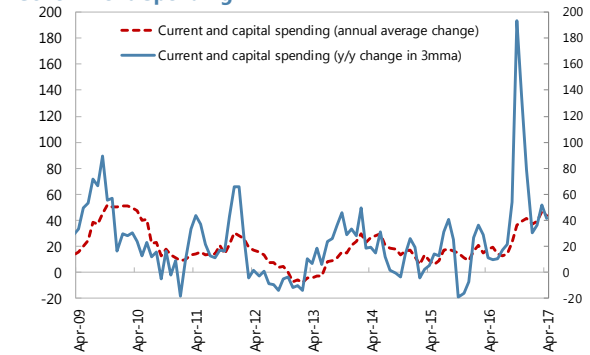
Government Revenue



Source: Nepali authorities.

Government spending registered a year-on-year decline in April (-2 percent) on lower current spending.

Government Spending

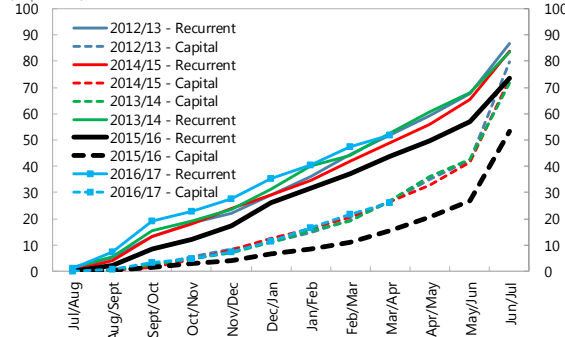


Source: Nepali authorities.

Capital spending in the first 9 months of the fiscal year was NR 81 billion, up 150 percent from the previous two years. But the budget execution rate remains low.

Budget Execution Rate

(in percent)

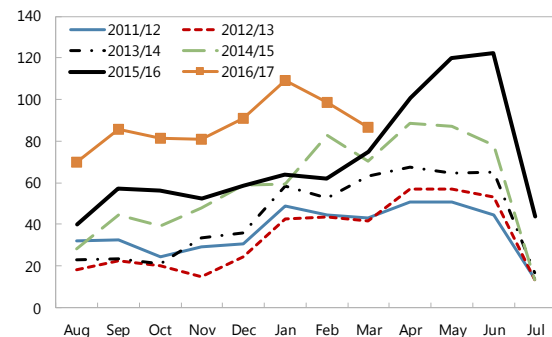


Source: Nepali authorities.

Net of the change in domestic borrowing, the government accumulated NR 86 bn (3.4 percent of GDP) at the NRB during the first 8 months of the fiscal year.

Cash Accumulation in the Treasury

(In billions of Nepali Rupees, change since start of the FY)



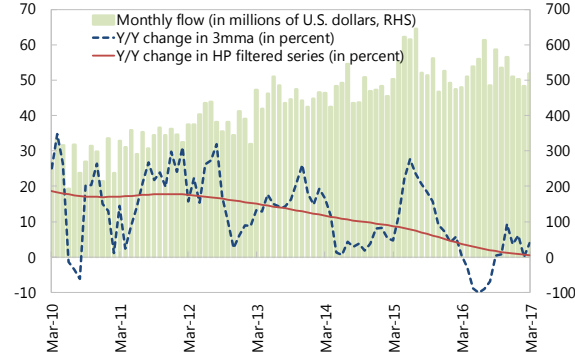
Source: Nepali authorities.

Note: Increase in government deposits at the NRB plus decline in domestic debt.

Figure 2. Nepal: Recent External Sector Developments

Recorded remittances amounted to US\$518 million in March. During the past 3 months they were up by 4 percent from a year ago.

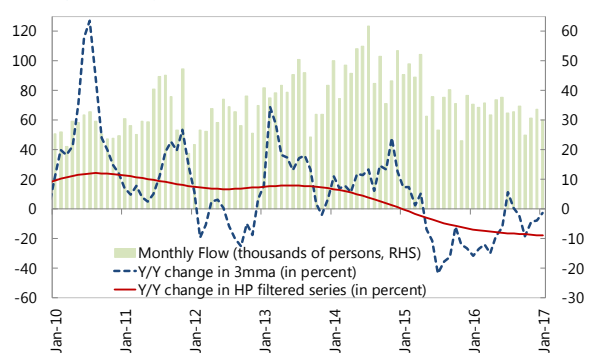
Remittances



Sources: Nepali authorities; and IMF staff estimates.

The outflow of migrant workers has been falling. February and March data is not yet available.

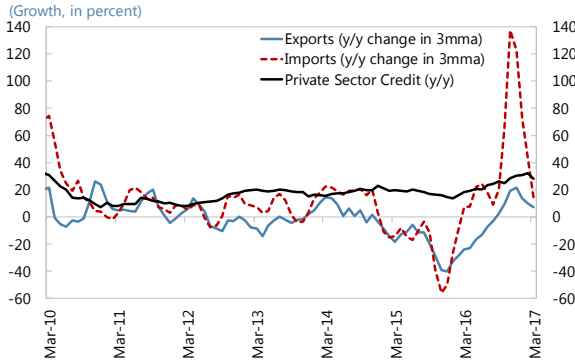
Foreign Employment



Sources: Nepali authorities; and IMF staff estimates.

Imports are up 14 percent from a year ago. Exports are up 7 percent. Private sector credit growth, at 28 percent in March (y/y), remains around a 7-year high.

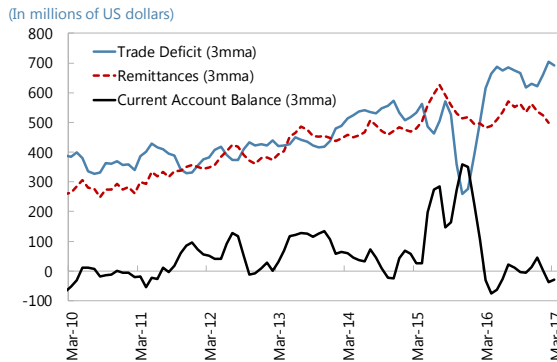
Trade and Private Sector Credit



Sources: Nepali authorities; and IMF staff estimates.

The recovery of imports raised the trade deficit but remittances continue to support the current account.

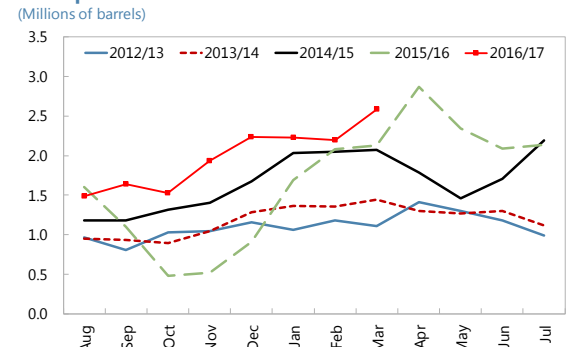
Current Account Balance



Source: Nepali authorities.

Balance of payments data suggests that oil import volumes so far this fiscal year are up 23 percent from 2014/15, before the earthquakes and trade disruption.

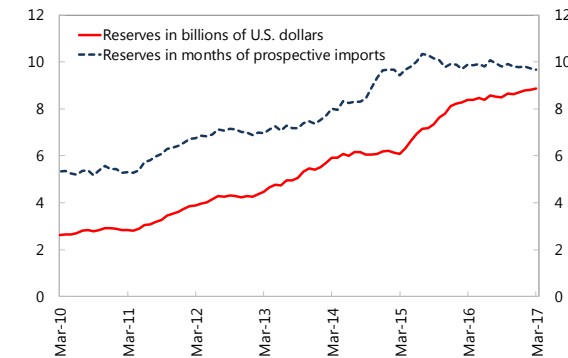
Oil Import Volume



Sources: Nepali authorities; and IMF staff estimates.

Central bank reserves (including gold and SDR holdings) reached a new high of US\$8.9 billion in mid-March.

Central Bank Gross Official Reserves



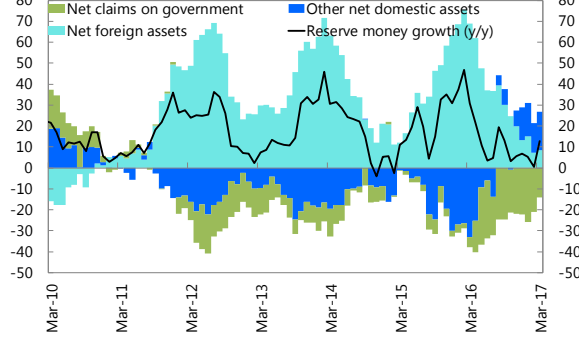
Sources: Nepali authorities; and IMF staff estimates.

Figure 3. Nepal: Recent Monetary Developments

Reserve money rose by 12 percent (y/y) from last March even as the contribution from NRB NFA growth waned.

Central Bank Balance Sheet

(In percent, contribution to reserve money growth)

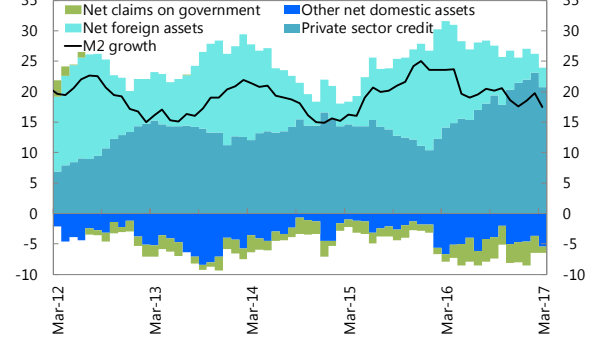


Sources: Nepali authorities; and IMF staff estimates.

Credit to the private sector is the key driver of the 17 percent (y/y) increase in broad money (M2) in March.

Broad Money Growth

(In percent, contribution to broad money growth)

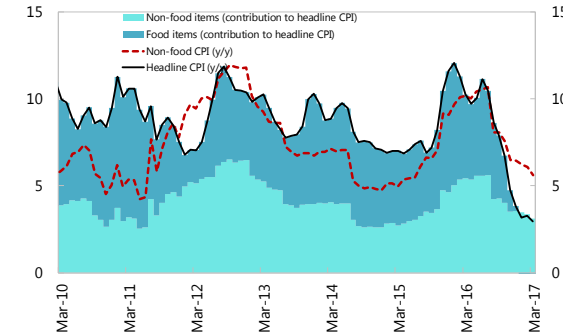


Sources: Nepali authorities; and IMF staff estimates.

Inflation decelerated to 2.9 percent (y/y) in March, the lowest in a decade. Food price inflation remained negative, at -0.4 percent (y/y).

Consumer Price Inflation

(Percent change, year-on-year)

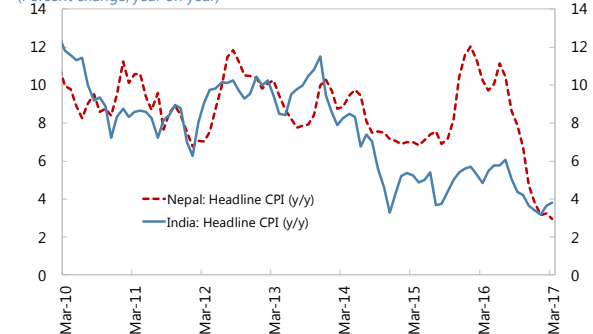


Sources: Nepali authorities; and IMF staff estimates.

As a result, Nepal's inflation fell below that in India, for the first time since late-2013.

Consumer Prices in Nepal and India

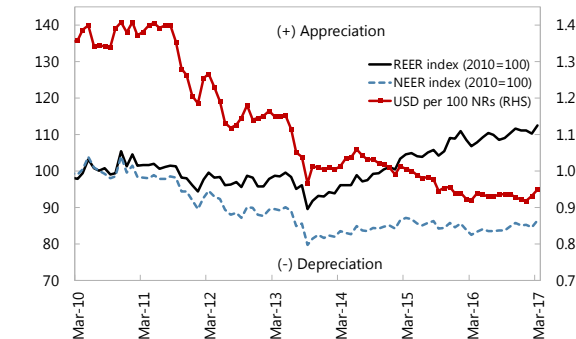
(Percent change, year on year)



Sources: Nepali authorities, Haver analytics; and IMF staff estimates.

The REER is 15 percent above the 2010-2014 average.

Exchange Rates

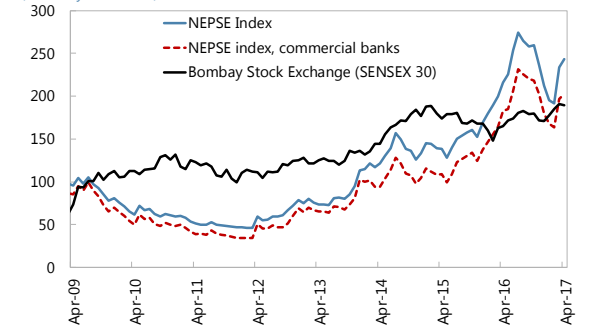


Sources: Nepali authorities; and IMF staff estimates.

Stock prices surged again in recent weeks, following a correction from the July peak.

Stock Market Performance in Nepal and India

(Mid-July 2007=100)

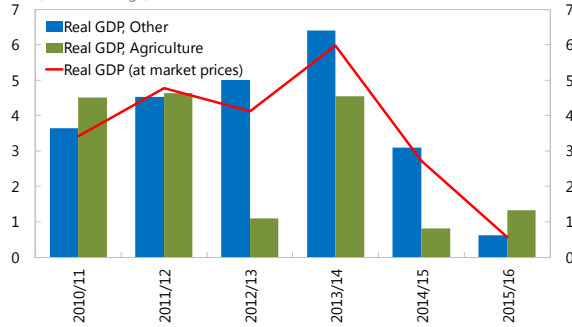


Sources: Nepali authorities; and IMF staff estimates.

Figure 4. Nepal: Economic Growth, Human Development, Remittances, and Exports

The growth of real GDP (at market prices) is estimated to have slowed to 0.6 percent in 2015/16 due to the earthquakes and trade disruption.

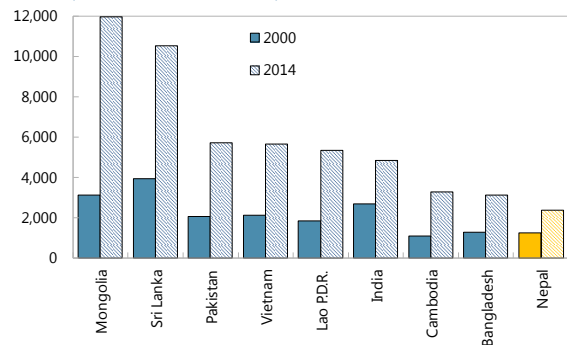
Real GDP Growth
(Percent change)



Source: Nepal Central Bureau of Statistics.

Nepal's growth has lagged peers and per capita GDP remains lower than in other Asian countries.

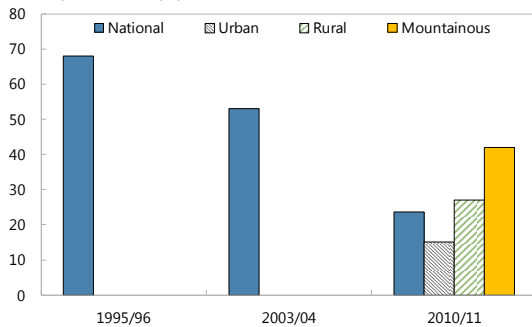
Per Capita GDP (PPP)
(In current international dollars)



Source: World Bank, WDI Database.

Poverty declined to 24 percent of the population in 2010/11. It is higher in rural and mountainous areas.

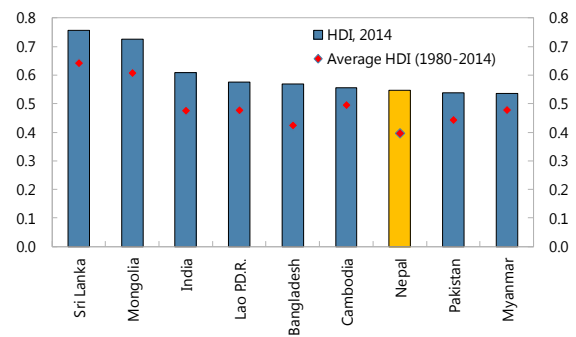
Poverty rate, 1995/96-2010/11
(In percent of the population)



Source: Nepal Central Bureau of Statistics.

The decline in poverty is reflected in an improvement in Nepal's UNDP Human Development Index.

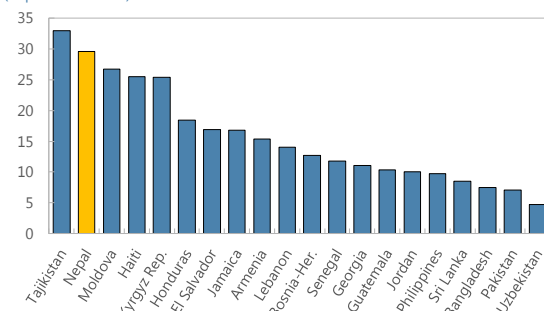
Human Development Index (HDI)
(Index number)



Source: UNDP, Human Development Report 2015.

Compared to other countries, Nepal has high remittances.

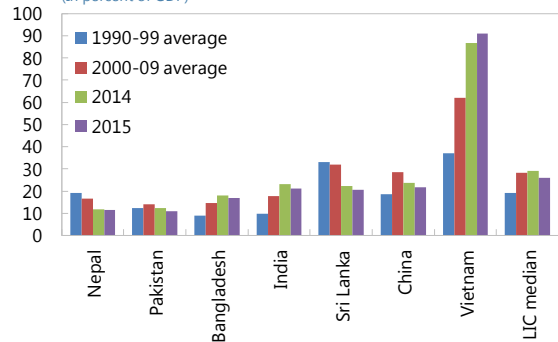
Inflows of Remittances, Selected Countries, 2015
(In percent of GDP)



Sources: World Bank, Remittances Data; IMF, World Economic Outlook.
Note: Observation for Nepal is for 2015/16.

But Nepal's exports have been growing slower than GDP.

Exports of Goods and Services
(In percent of GDP)



Sources: World Economic Outlook; and IMF staff estimates.

Table 1. Nepal: Monthly Data for Key Macroeconomic Indicators.

	2015/16					2016/17					Year-on-year change, in percent				
	Jan	Feb	Mar	Apr	FY to date	Jan	Feb	Mar	Apr	FY to date	Jan	Feb	Mar	Apr	FY to date
											2017				
Inflation (end of period, in percent)	12.1	11.3	10.2			3.2	3.3	2.9							
Imports (in US\$ m)	517	536	696		3,437	672	734	596		5,071	30	37	-14		48
Non-oil imports (in US\$ m)	472	473	623		3,061	554	616	460		4,284	17	30	-26		40
Oil imports (in US\$ m)	45	63	73		376	118	118	136		787	164	87	87		109
Exports (in US\$ m)	50	46	53		394	50	53	55		437	1	17	4		11
Remittances (in US\$ m)	492	474	480		4,034	502	482	518		4,183	2	2	8		4
Flow of migrant workers (thousands)	35				210	30				187	-15				-11
Government revenue (in NR bn)	52	29	40	57	290	70	42	35	55	411	36	45	-12	-3	42
Government expenditure (in NR bn)	48	31	32	41	244	61	48	60	40	401	28	52	88	-2	65
Current expenditure (in NR bn)	43	27	26	32	211	49	31	44	27	320	14	12	67	-15	51
Capital expenditure (in NR bn)	5	4	6	9	32	12	17	16	13	81	143	340	188	41	151
	2015/16					2016/17					Year-on-year change, in percent				
	Stocks				Flow	Stocks				Flow	2017				Flow
	Jan	Feb	Mar		FY to date	Jan	Feb	Mar		FY to date	Jan	Feb	Mar		Fiscal year
Central bank reserves (in US\$ m)	8,229	8,285	8,377		1,232	8,798	8,821	8,859		285	7	6	6		
Credit to the private sector (in NR bn)	1,455	1,478	1,533		159	1,905	1,953	1,966		274	31	32	28		72

Source: Nepali authorities.