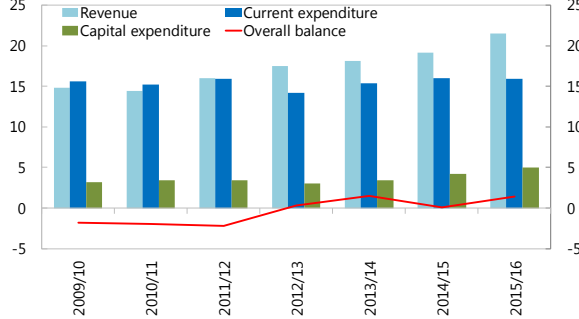


**Figure 1. Nepal: Recent Fiscal Developments**

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

#### Fiscal Performance

(In percent of GDP)

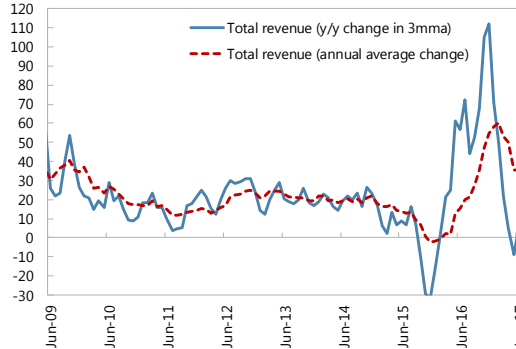


Sources: Nepali authorities; and IMF staff estimates.

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

FCGO data indicates that government revenues rose by 6 percent (year-on-year) during the past 3 month.

#### Government Revenue

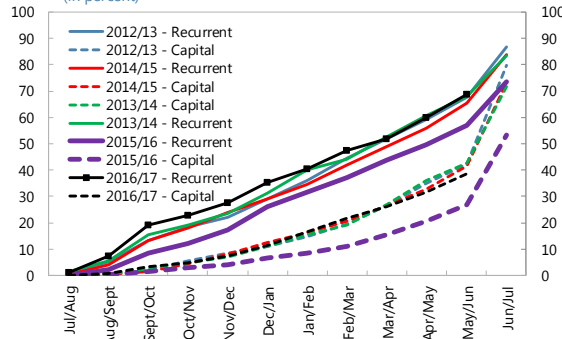


Source: Nepali authorities.

Capital spending in the first 11 months of the fiscal year was NR 120 billion, up 116 percent from last year. But the execution rate remains low, at 38.5 percent of the budget.

#### Budget Execution Rate

(in percent)

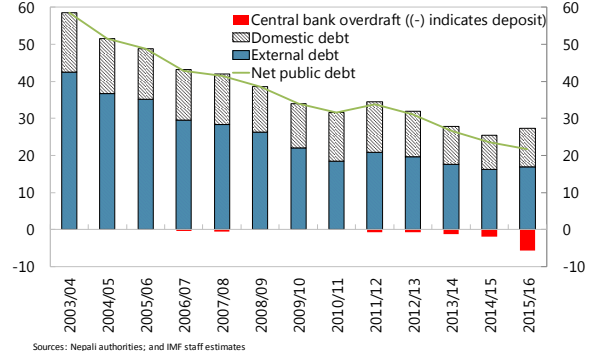


Source: FCGO Nepal.

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

#### Public Debt

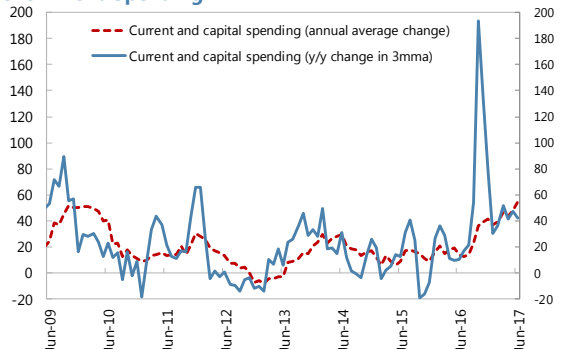
(In percent of GDP)



Sources: Nepali authorities; and IMF staff estimates.

Government spending registered a 42 percent year-on-year increase during the past 3 months.

#### Government Spending

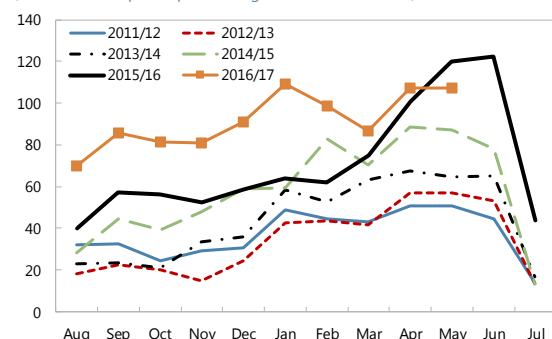


Source: Nepali authorities.

Net of the change in domestic borrowing, the government accumulated NR 107 bn (4 percent of GDP) at the NRB during the first 10 months of the fiscal year.

#### Cash Accumulation in the Treasury

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



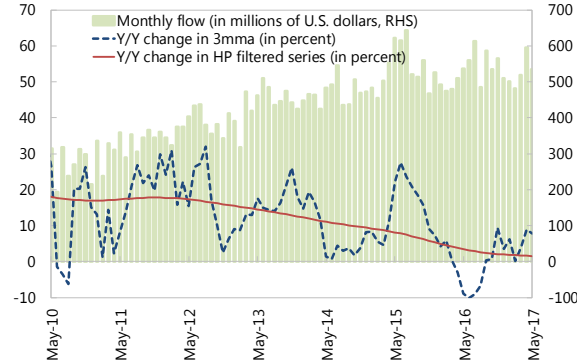
Source: Nepali authorities.

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\$534 million in May. During the past 3 months they were up by 8 percent from a year ago.

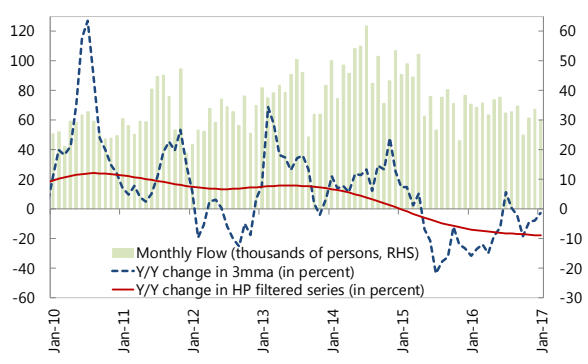
#### Remittances



Sources: Nepali authorities; and IMF staff estimates.

The outflow of migrant workers has been slowing. Data is available only up to January 2017.

#### Foreign Employment

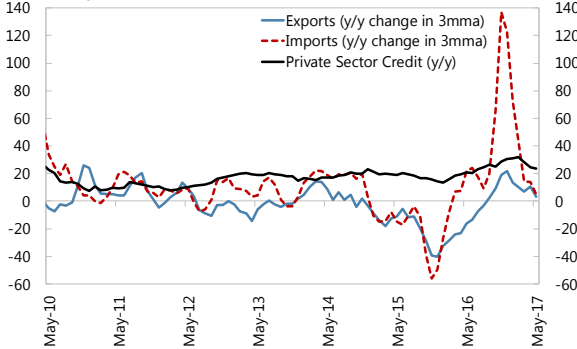


Sources: Nepali authorities; and IMF staff estimates.

Imports are up 5 percent from a year ago. Exports are up 3 percent. Private sector credit growth eased to 24 percent in May (y/y), from a 7-year high of 32 percent in February.

#### Trade and Private Sector Credit

(Growth, in percent)

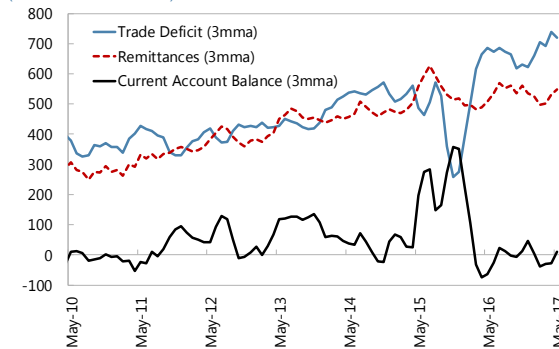


Sources: Nepali authorities; and IMF staff estimates.

The growth of imports is raising the trade deficit but remittances continue to support the current account.

#### Current Account Balance

(In millions of US dollars)

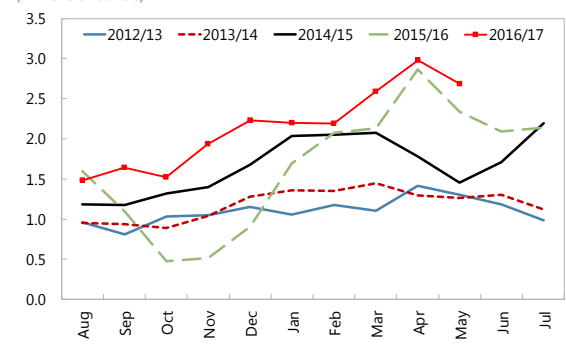


Source: Nepali authorities.

Balance of payments data suggests that oil import volumes have risen 22 percent per annum from 2013/14, the year before the earthquakes and trade disruption.

#### Oil Import Volume

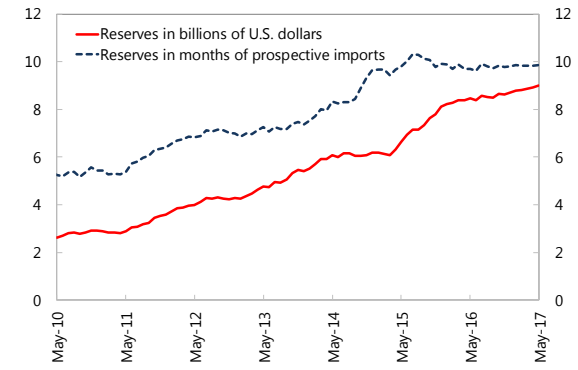
(Millions of barrels)



Sources: Nepali authorities; and IMF staff estimates.

Central bank reserves (including gold and SDR holdings) reached a new high of US\$9.0 billion in mid-May.

#### Central Bank Gross Official Reserves



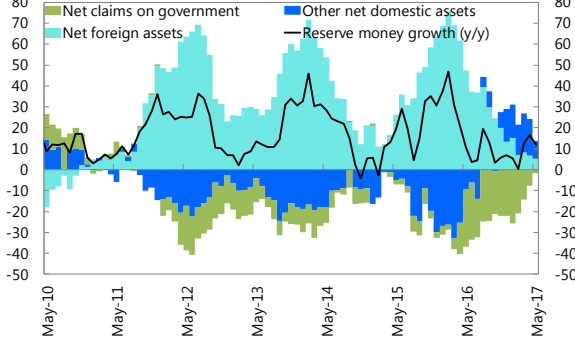
Sources: Nepali authorities; and IMF staff estimates.

**Figure 3. Nepal: Recent Monetary Developments**

Reserve money rose by 12 percent (y/y) from last May; the contribution from NRB Net Foreign Assets is waning.

**Central Bank Balance Sheet**

(In percent, contribution to reserve money growth)

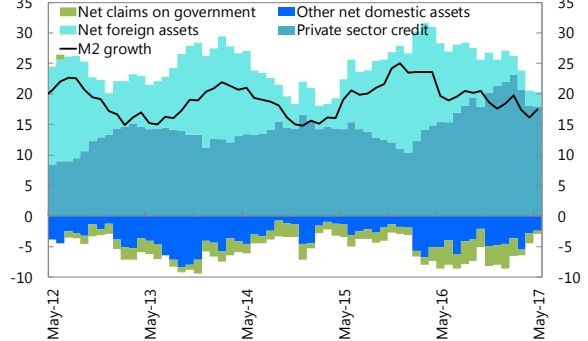


Sources: Nepali authorities; and IMF staff estimates.

Credit to the private sector is the key driver of the 17½ percent (y/y) increase in broad money (M2) in May.

**Broad Money Growth**

(In percent, contribution to broad money growth)

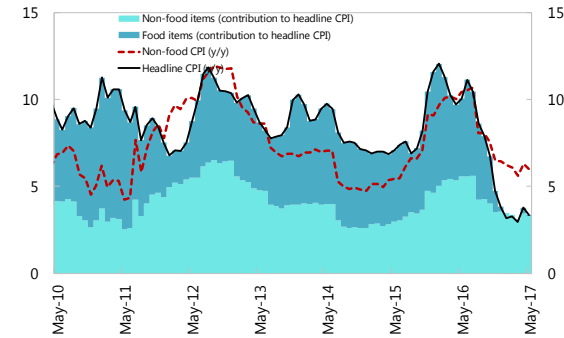


Sources: Nepali authorities; and IMF staff estimates.

Inflation, at 3.4 percent (y/y) in May, remains at a multi-year low. Non-Food inflation is still at 6 percent.

**Consumer Price Inflation**

(Percent change, year-on-year)

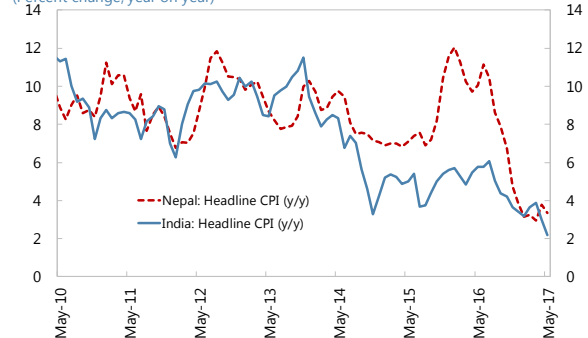


Sources: Nepali authorities; and IMF staff estimates.

Nepal's inflation is currently around the level in India.

**Consumer Prices in Nepal and India**

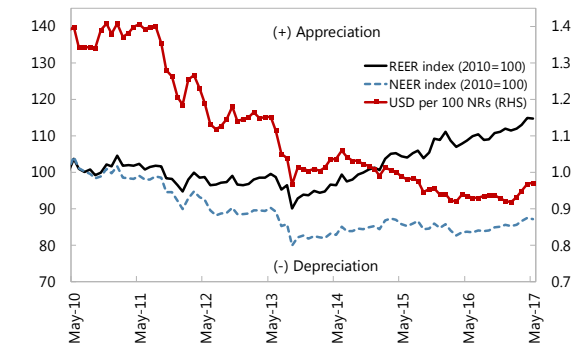
(Percent change, year on year)



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

The REER is 17 percent above the 2010-2014 average.

**Exchange Rates**

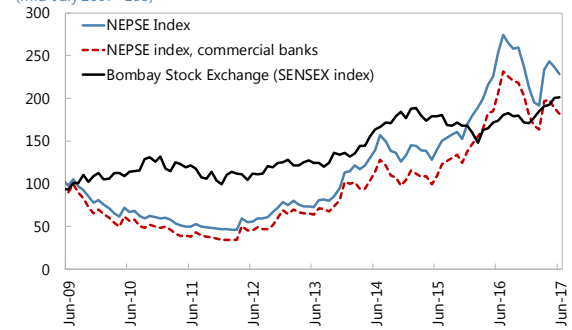


Sources: Nepali authorities; and IMF staff estimates.

Stock prices are about 5 percent down from a year ago.

**Stock Market Performance in Nepal and India**

(Mid-July 2007=100)

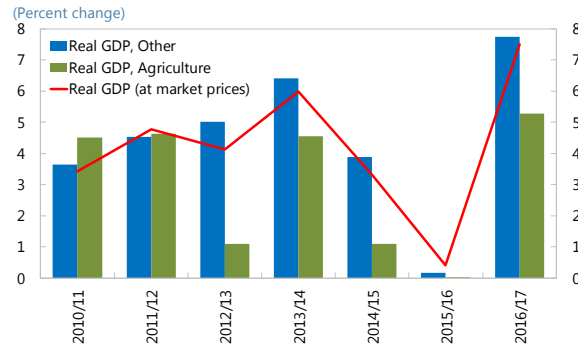


Sources: Nepali authorities; and IMF staff estimates

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

The growth of real GDP (at market prices) rebounded to 7.5 percent in 2016/17, after slowing to 0.4 percent in 2015/16 due to the earthquakes and trade disruption.

#### Real GDP Growth

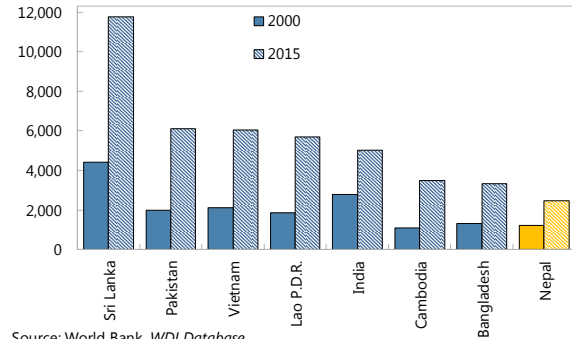


Source: Nepal Central Bureau of Statistics.

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)

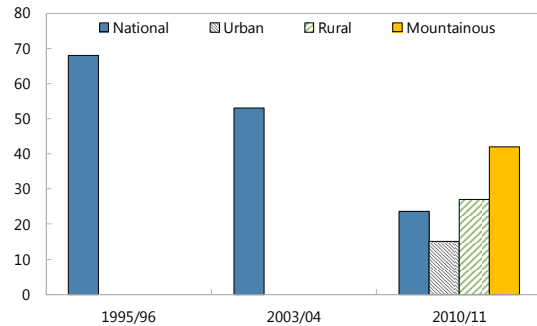


Source: World Bank, WDI Database.

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)

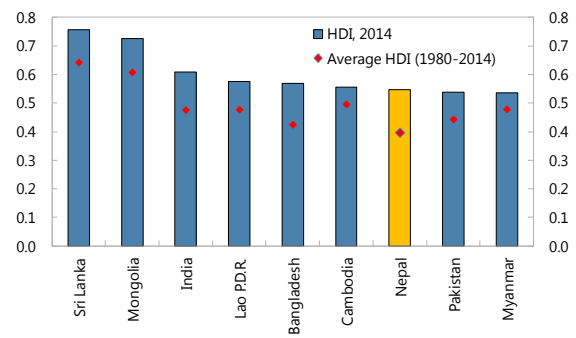


Source: Nepal Central Bureau of Statistics.

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

#### Human Development Index (HDI)

(Index number)

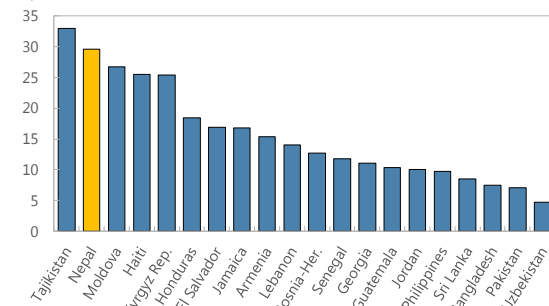


Source: UNDP, Human Development Report 2015.

Compared to other countries, Nepal has high remittances.

#### Inflows of Remittances, Selected Countries, 2015

(In percent of GDP)



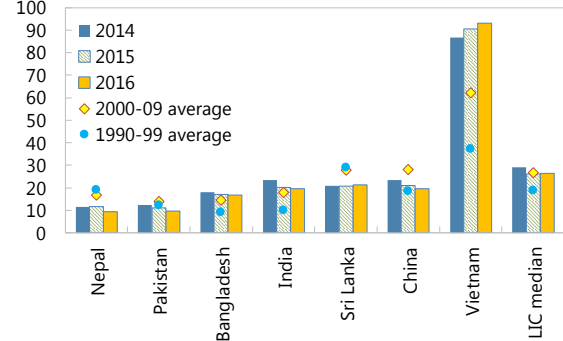
Sources: World Bank, Remittances Data; IMF, World Economic Outlook.

Note: Observation for Nepal is for 2015/16.

But Nepal's exports have been growing slower than GDP and are lower than in most peers.

#### Exports of Goods and Services

(In percent of GDP)



Sources: IMF, 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				
					FY to date (2016/17)					FY to date (2016/17)					FY to date (2016/17)
	Mar	Apr	May	June		Mar	Apr	May	June		Mar	Apr	May	June	
											2017				
Inflation (end of period, in percent)	10.2	9.7	10.0			2.9	3.8	3.4							
Imports (in US\$ m)	696	677	650		4,764	596	842	688		6,601	-14	24	6		39
Non-oil imports (in US\$ m)	623	565	549		4,174	460	688	551		5,523	-26	22	0		32
Oil imports (in US\$ m)	73	112	102		590	136	154	137		1,078	87	37	35		83
Exports (in US\$ m)	53	59	58		511	55	66	55		558	4	11	-5		9
Remittances (in US\$ m)	480	510	537		5,081	518	594	534		5,311	8	17	-1		5
Flow of migrant workers (thousands)					210					189					-10
Government revenue (in NR bn)	40	57	60	46	396	35	55	53	65	528	-12	-3	-12	41	33
Government expenditure (in NR bn)	32	41	40	48	332	60	40	66	77	545	88	-2	65	61	64
Current expenditure (in NR bn)	26	32	30	35	276	44	27	49	56	425	67	-15	66	58	54
Capital expenditure (in NR bn)	6	9	11	13	56	16	13	17	22	120	188	41	64	70	116
	2015/16					2016/17					Year-on-year change, in percent				
	Stocks				Flow FY to date	Stocks				Flow FY to date	2017				Flow Fiscal year
	Mar	Apr	May	June		Mar	Apr	May	June		Mar	Apr	May	June	
Central bank reserves (in US\$ m)	8,377	8,390	8,455		1,311	8,859	8,929	8,999		426	6	6	6		
Credit to the private sector (in NR bn)	1,533	1,571	1,601		227	1,966	1,955	1,981		289	28	24	24		27

Source: Nepali authorities.