

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

	2015					2016					Year-on-year change, in percent				
					Fiscal year (2014/15)					Fiscal year (2015/16)					Fiscal year (2015/16)
	Jun	Jul	Aug	Sep		Jun	Jul	Aug	Sep		Jun	Jul	Aug	Sep	
Inflation (end of period, in percent)	7.4	7.6	6.9			11.1	10.4	8.6							
Imports (in US\$ m)	538	747	528		6,823	692	712	572		6,168	29	-5	8		-10
Non-oil imports (in US\$ m)	435	628	455		4,628	594	614	506		5,382	37	-2	11		16
Oil imports (in US\$ m)	103	119	73		1,274	98	98	66		786	-5	-17	-9		-38
Exports (in US\$ m)	67	73	62		836	60	72	64		643	-10	-1	2		-23
Remittances (in US\$ m)	614	644	520		6,192	560	613	485		6,253	-9	-5	-7		1
Flow of migrant workers (thousands)	38	27			513	38	32			419	-1	22			-18
Government revenue (in NR bn)	32	58	30	23	403	46	87	41	41	483	41	50	36	79	20
Government expenditure (in NR bn)	48	109	0	11	416	48	136	6	42	468	0	25	4,651	286	13
Current expenditure (in NR bn)	38	74	0	10	335	35	80	6	40	357	-8	8	5,492	283	6
Capital expenditure (in NR bn)	10	35	0	0	81	13	56	0	2	112	29	60	312	364	38
	2015					2016					Year-on-year change, in percent				
	Stocks				Flow Fiscal year (2014/15)	Stocks				Flow Fiscal year (2015/16)	2016				Flow Fiscal year (2015/16)
	Jun	Jul	Aug	Sep		Jun	Jul	Aug	Sep		Jun	Jul	Aug	Sep	
Central bank reserves (in US\$ m)	6,942	7,143	7,163		990	8,374	8,574	8,524		1,431	21	20	19		
Credit to the private sector (in NR bn)	1,363	1,374	1,374		223	1,641	1,692	1,711		318	20	23	24		43

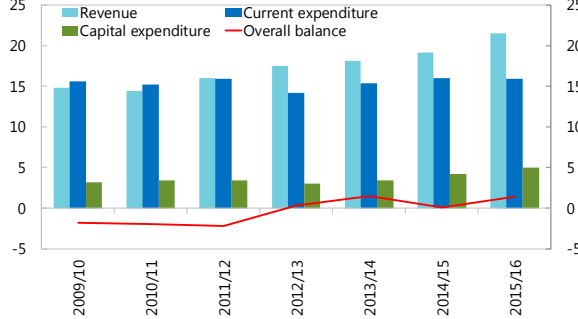
Source: Nepali authorities.

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)

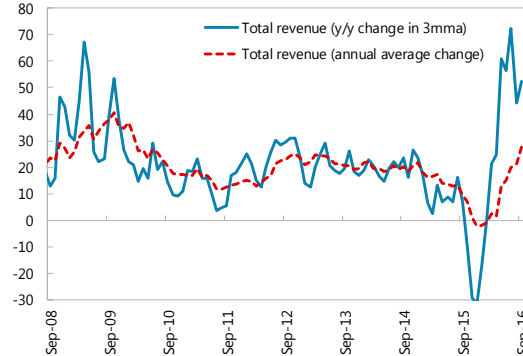


Sources: Nepali authorities; and IMF staff estimates.

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

With the recovery of imports, government revenue over the past 3 months is up 52 percent from a year ago.

Government Revenue

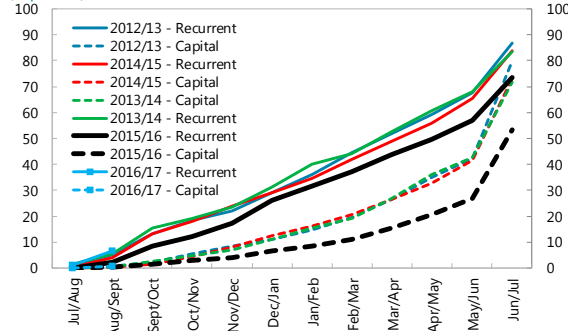


Source: Nepali authorities.

Budget execution rates remained low in 2015/16, despite the large reconstruction needs and the July spending push. Capital spending is again off to a slow start in 2016/17.

Budget Execution Rate

(in percent)

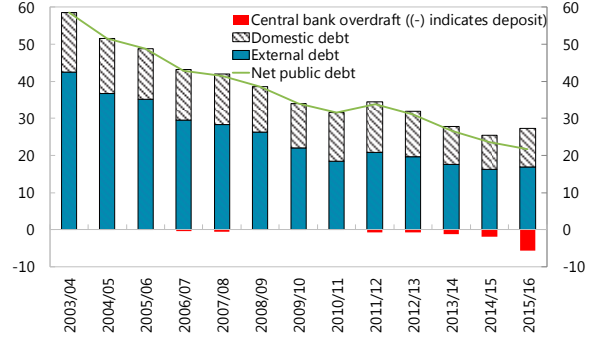


Source: Nepali authorities.

As a result, Nepal's public debt has been trending down. In 2015/16, the government added NRs86 billion to deposits.

Public Debt

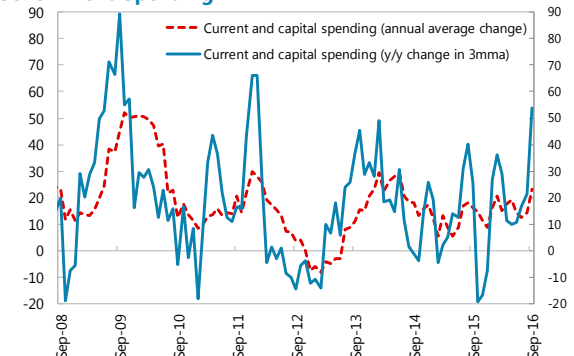
(In percent of GDP)



Sources: Nepali authorities; and IMF staff estimates.

A late spurt in capital spending in July along with the recent start of payments of housing grants pushed spending in the past 3 months up by 54 percent from a year ago.

Government Spending

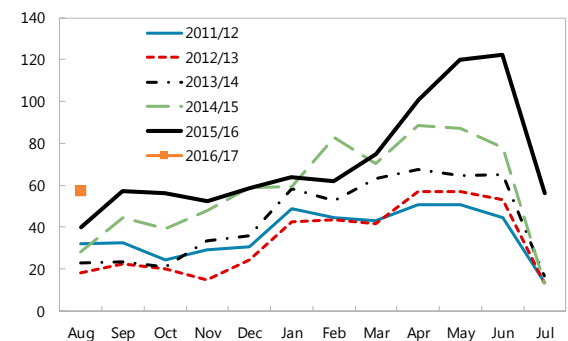


Source: Nepali authorities.

Net of the increase in domestic borrowing, the government accumulated NR 56 bn (2.5 percent of GDP) at the NRB in 2015/16. In August 2016 a similar amount accumulated.

Cash Accumulation in the Treasury

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



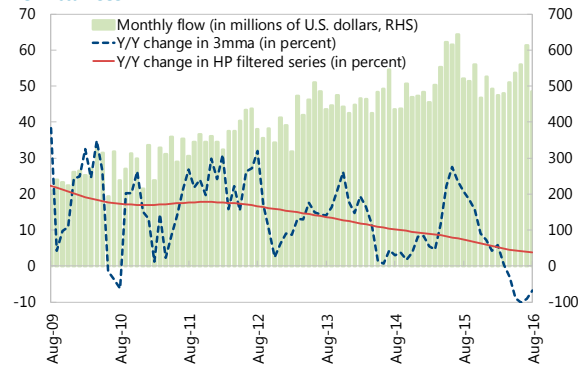
Source: Nepali authorities.

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

Figure 2: Recent External Sector Developments

Remittances softened in August 2016. At US\$485 million, they were 7 percent lower than last year.

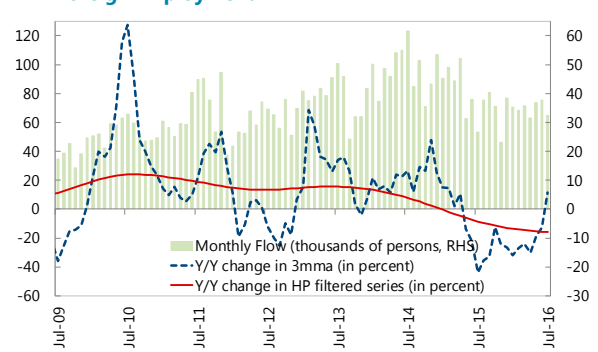
Remittances



Sources: Nepali authorities; and IMF staff estimates.

The outflow of migrant workers seems to be stabilizing at a lower level than during 2014-15.

Foreign Employment

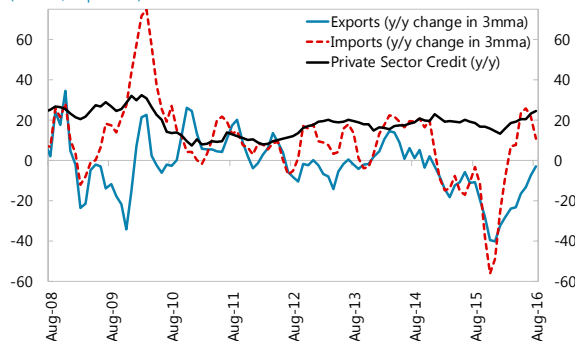


Sources: Nepali authorities; and IMF staff estimates.

Imports are up 11 percent from a year ago. Exports continue to recover. Private sector credit growth (24 percent in August (y/y)) is at a 6-year high.

Trade and Private Sector Credit

(Growth, in percent)

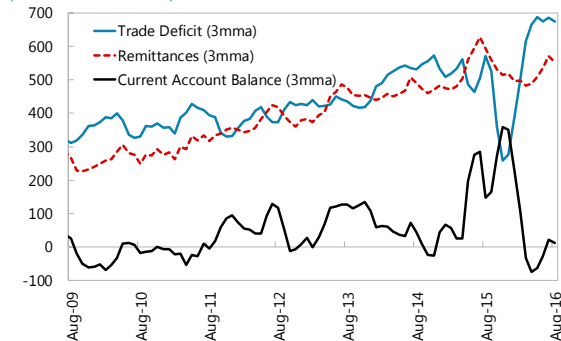


Sources: Nepali authorities; and IMF staff estimates.

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

Current Account Balance

(In millions of US dollars)

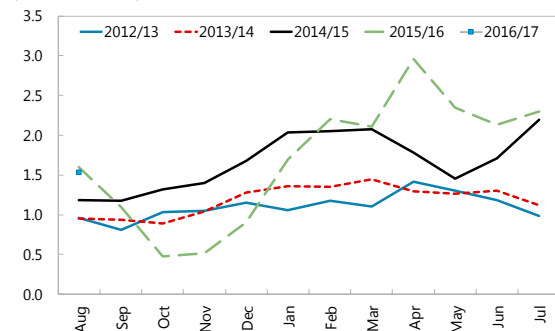


Source: Nepali authorities.

The balance of payments data suggests that oil imports have recovered from the lows in October/November 2015. Imports in August 2016 were similar to August 2015.

Oil Import Volume

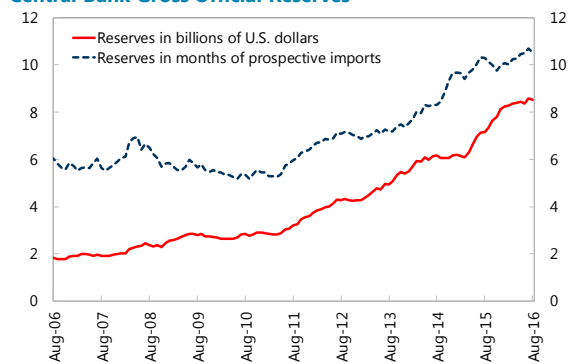
(Millions of barrels)



Sources: Nepali authorities; and IMF staff estimates.

Central bank reserves (including gold and SDR holdings) amounted to US\$8.5 billion in mid-August.

Central Bank Gross Official Reserves



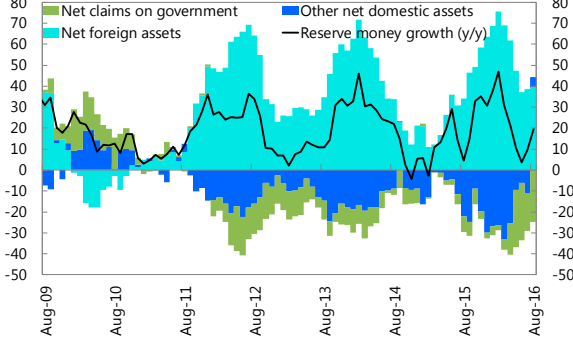
Sources: Nepali authorities; and IMF staff estimates.

Figure 3: Recent Monetary Developments

Reserve money growth amounted to 19 percent (y/y) in August on rising central bank net foreign assets (NFA).

Central Bank Balance Sheet

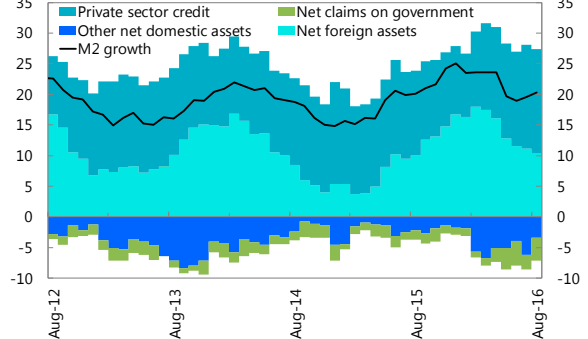
(In percent, contribution to reserve money growth)



Credit to the private sector is the key driver of the 20 percent (y/y) increase in broad money (M2) in August.

Broad Money Growth

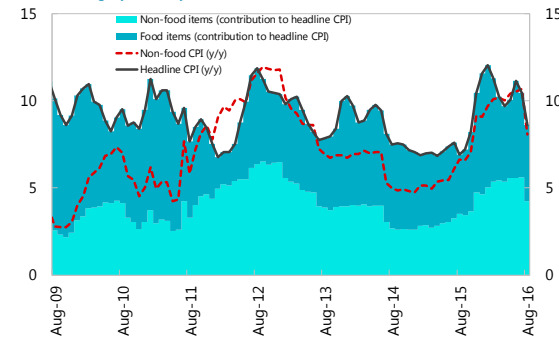
(In percent, contribution to broad money growth)



Inflation decelerated to 8.6 percent (y/y) in August, with price rises of both food and non-food items moderating.

Consumer Price Inflation

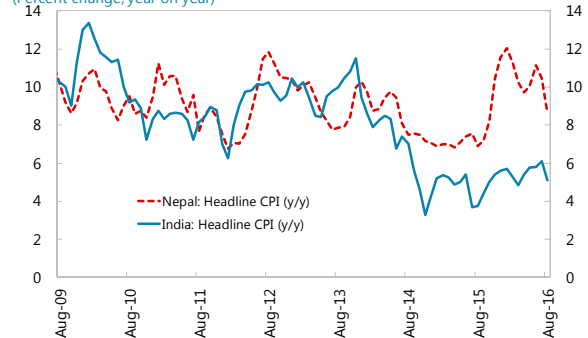
(Percent change, year-on-year)



Nevertheless, inflation in Nepal remains about 3½ percentage points higher than in India.

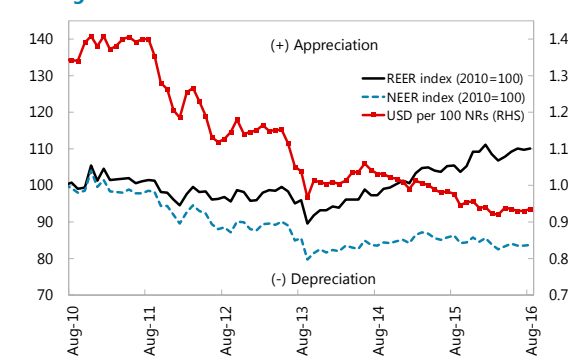
Consumer Prices in Nepal and India

(Percent change, year on year)



In combination with the peg to the Indian rupee, this has put the REER 12 percent above the 2010-2014 average.

Exchange Rates



Stock prices, while off their highs, are up about 65 percent over the past year, amid loose monetary conditions.

Stock Market Performance in Nepal and India

(Mid-July 2007=100)

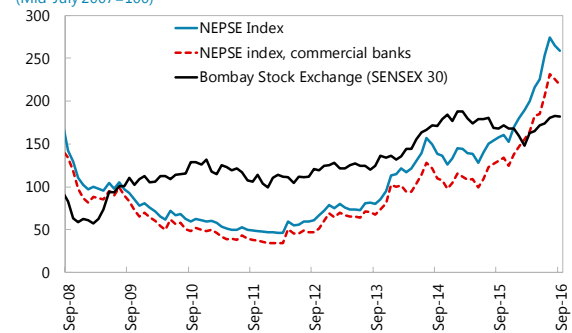
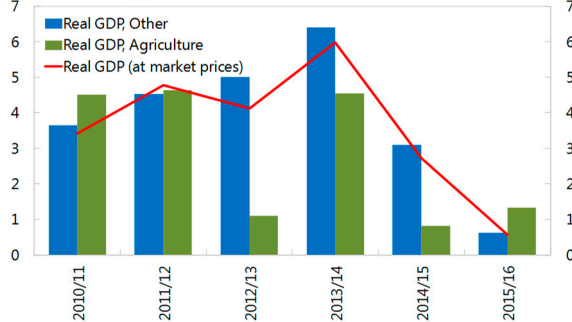


Figure 4. Nepal: Economic Growth, Human Development, Remittances, and Exports

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.

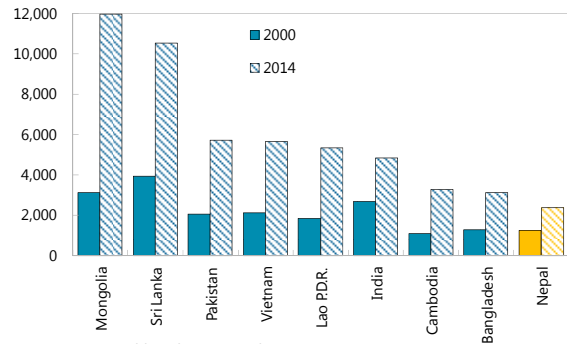
Real GDP Growth
(Percent change)



Source: Nepal Central Bureau of Statistics.

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

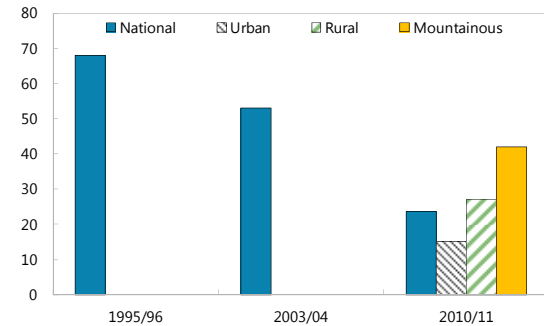
Per Capita GDP (PPP)
(In current international dollars)



Source: World Bank, WDI Database.

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

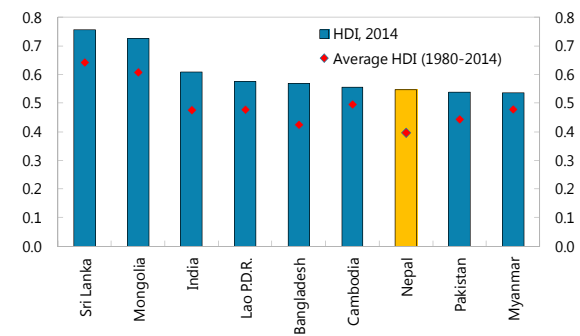
Poverty rate, 1995/96-2010/11
(In percent of the population)



Source: Nepal Central Bureau of Statistics.

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

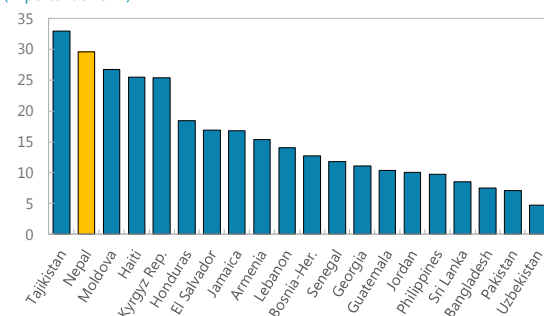
Human Development Index (HDI)
(Index number)



Source: UNDP, Human Development Report 2015.

Compared to other countries, Nepal has high remittances.

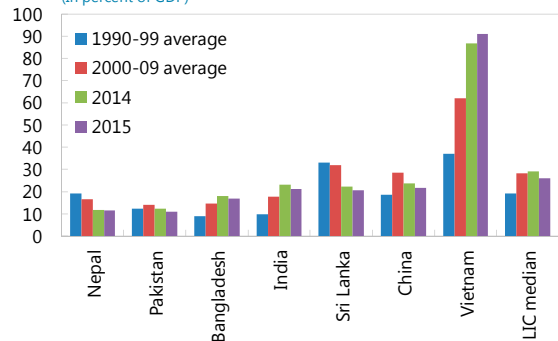
Inflows of Remittances, Selected Countries, 2015
(In percent of GDP)



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.