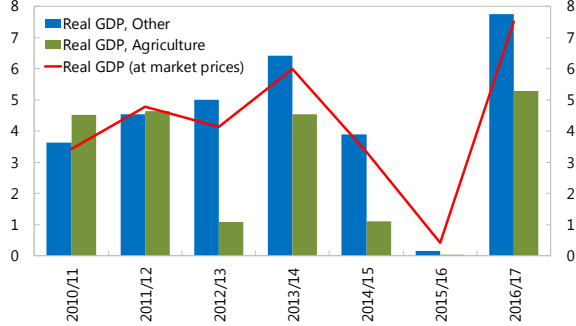


Figure 1. Nepal: Recent Macro-Economic Developments

Real GDP growth 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

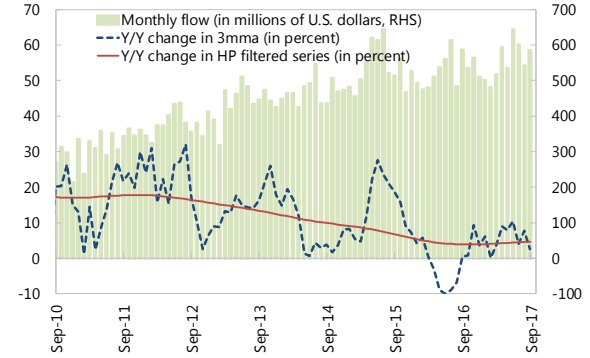
(Percent change)



Source: Nepal Central Bureau of Statistics.

Recorded remittances amounted to US\$586 million in September. During the past 3 months they were up 3 percent from a year ago.

Remittances

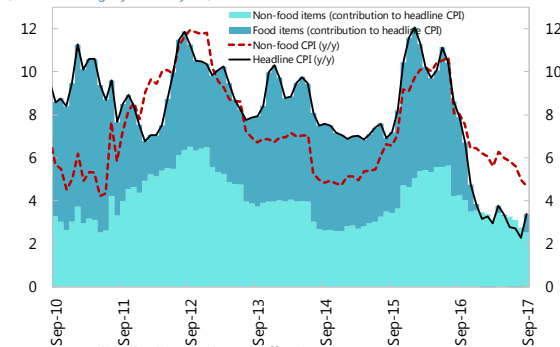


Sources: Nepali authorities; and IMF staff estimates.

Inflation amounted to 3.4 percent (y/y) in September. Non-food inflation slowed to 4.7 percent.

Consumer Price Inflation

(Percent change, year-on-year)

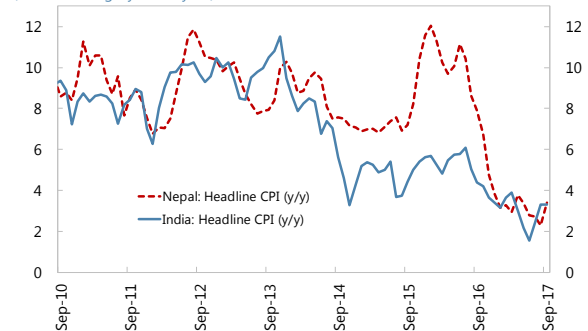


Sources: Nepali authorities; and IMF staff estimates.

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

Consumer Prices in Nepal and India

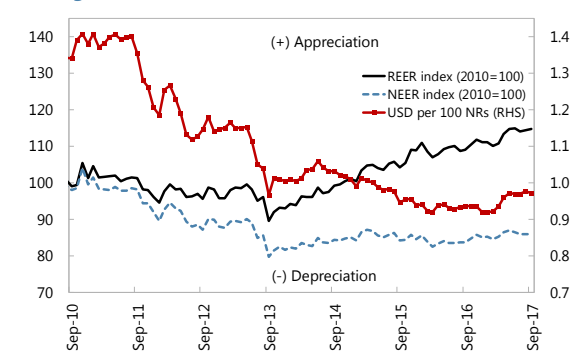
(Percent change, year on year)



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

The real effective exchange rate of the Nepali rupee is about 17 percent above the 2010-2014 average.

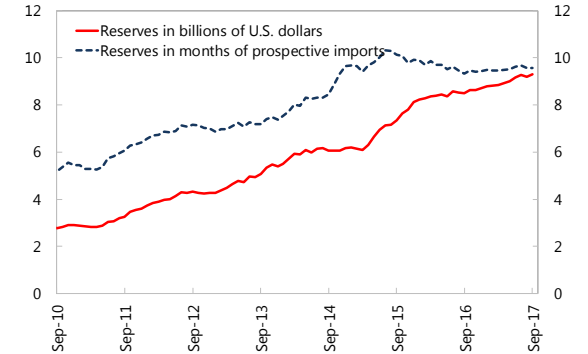
Exchange Rates



Sources: Nepali authorities; and IMF staff estimates.

Central bank reserves (including gold and SDR holdings) reached a new high of US\$9.3 billion in mid-September, covering close to 10 months of prospective imports.

Central Bank Gross Official Reserves

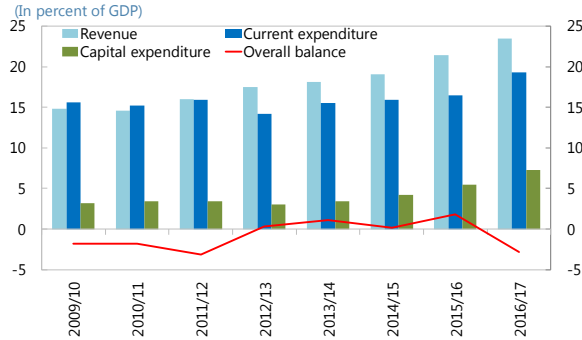


Sources: Nepali authorities; and IMF staff estimates.

Figure 2. Nepal: Recent Fiscal Developments

After 4 years of surpluses, rising current and capital spending led to a deficit of 2.8 percent of GDP in 2016/17.

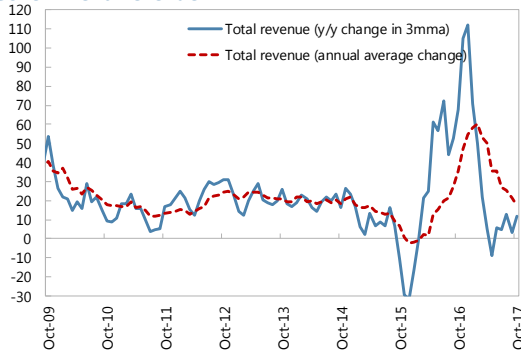
Fiscal Performance



Sources: Nepali authorities; and IMF staff estimates.
Note: Overall balance: incurrence of net liabilities (incl. government deposits at NRB).

FCGO data indicates that revenues rose by 12 percent (year-on-year) during the last 3 months.

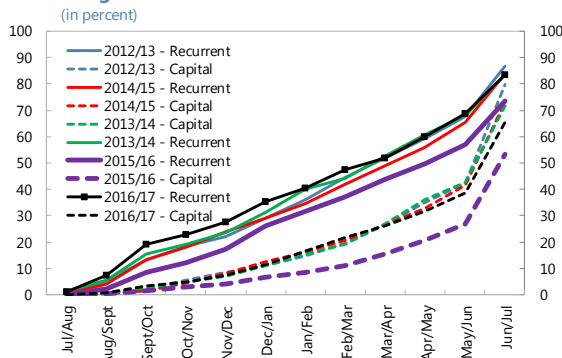
Government Revenue



Source: Nepali authorities.

Capital spending in FY16/17 was NR 204 billion, up 66 percent from last year. But because of the ambitious budget, the execution rate remained low, at 65 percent.

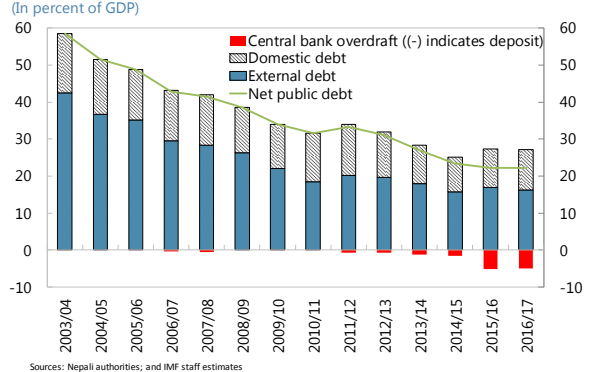
Budget Execution Rate



Source: Nepali authorities.

Reflecting the growth rebound, Nepal's net public debt remained at 22 percent of GDP in 2016/17.

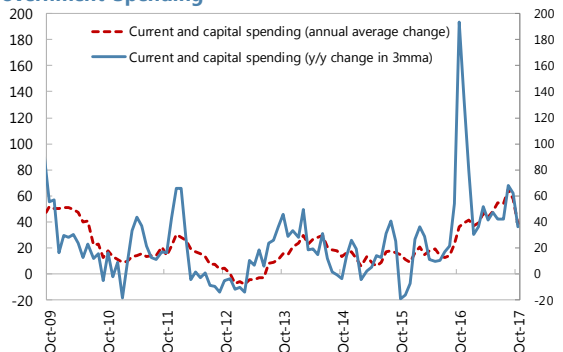
Public Debt



Sources: Nepali authorities; and IMF staff estimates.

Government spending rose 36 percent year-on-year during the last 3 months on transfers to local governments in August.

Government Spending

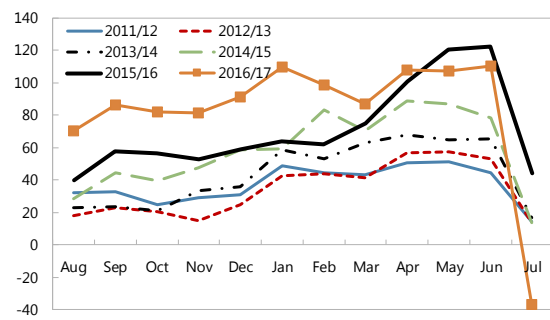


Source: Nepali authorities.

A large drawdown of deposits in July contributed to net domestic financing of NR 37 billion (1.4 percent of GDP) in FY16/17.

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.

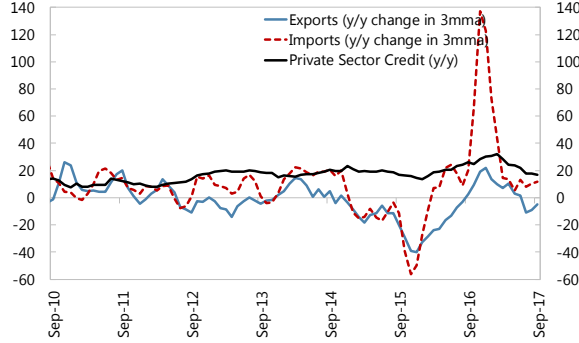
Figure 3. Nepal: Recent External and Monetary Sector Developments

Imports are up 11 percent from a year ago. Exports remain down 5 percent. Private credit growth eased to 17 percent in September, from a high of 32 percent in February

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

Trade and Private Sector Credit

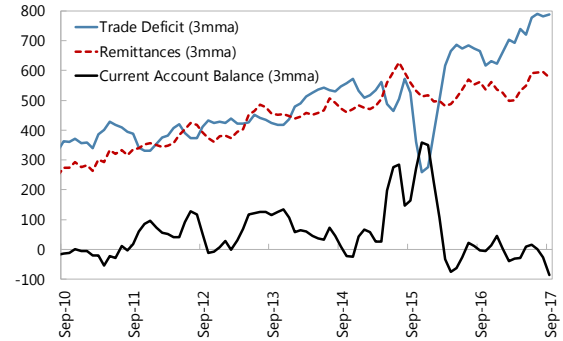
(Growth, in percent)



Sources: Nepali authorities; and IMF staff estimates.

Current Account Balance

(In millions of US dollars)



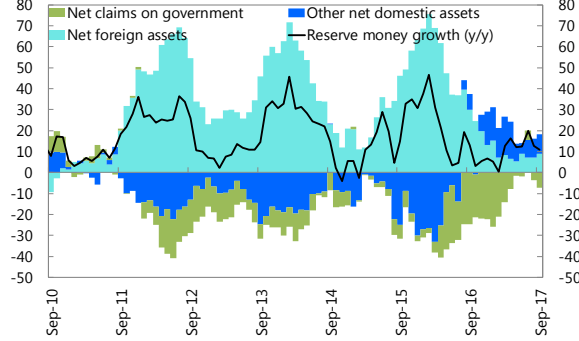
Source: Nepali authorities.

Reserve money rose by 11 percent (y/y) in September; the contribution from NRB Net Foreign Assets has fallen.

Slowing private sector credit caused the growth of broad money (M2) to decelerate to 16 percent (y/y) in September.

Central Bank Balance Sheet

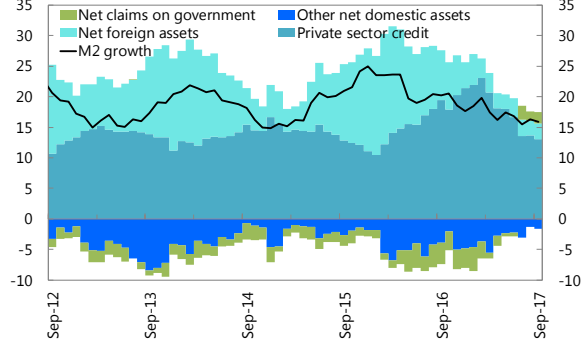
(In percent, contribution to reserve money growth)



Sources: Nepali authorities; and IMF staff estimates.

Broad Money Growth

(In percent, contribution to broad money growth)



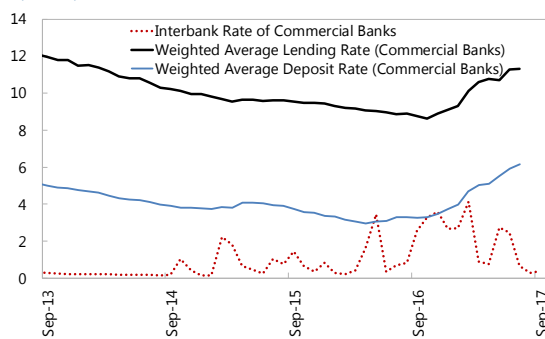
Sources: Nepali authorities; and IMF staff estimates.

Commercial banks' interest rates are trending up but the interbank interest rate remains very low.

Stock prices are about 13 percent down from a year ago. Bank stocks are lagging more (minus 21 percent).

Nepal: Interest Rates

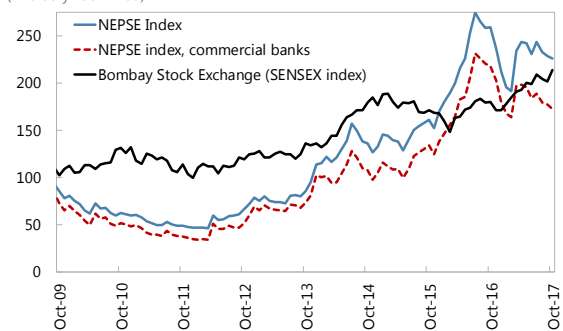
(Percent)



Source: NRB

Stock Market Performance in Nepal and India

(Mid-July 2007=100)

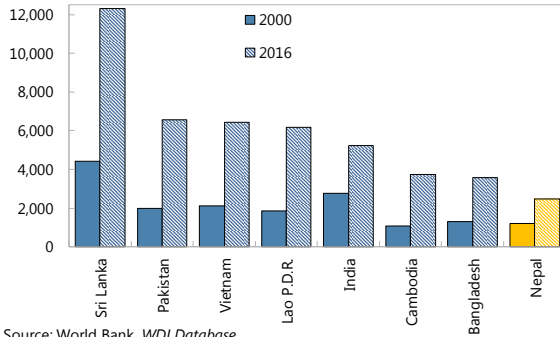


Sources: Nepali authorities; and IMF staff estimates

Figure 4. Nepal and its Peers: Growth, Exports, FDI, Remittances and Human Development

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

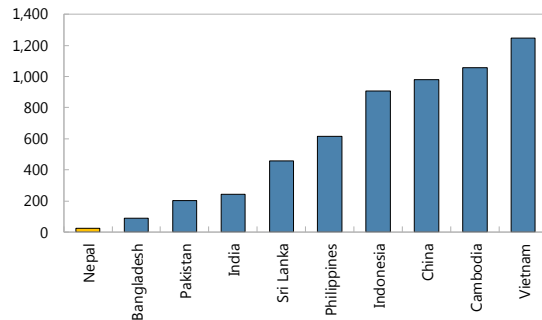
Per Capita GDP (PPP)
(In current international dollars)



Source: World Bank, WDI Database.

Inflows of foreign direct investment (FDI) in Nepal remain small. As a result, the stock of FDI is much smaller than in peer countries.

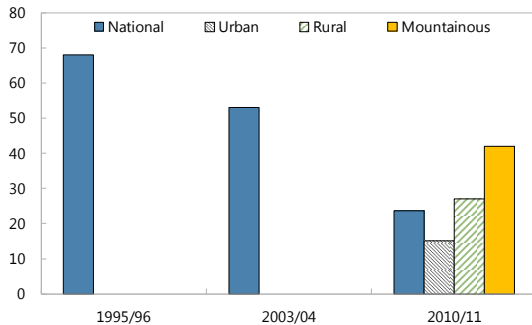
FDI Stocks in 2016
(US\$ per capita)



Source: UNCTAD data

Poverty declined to 24 percent of the population in 2010/11, thanks in part to the growth of remittances. Poverty is higher in rural and mountainous areas.

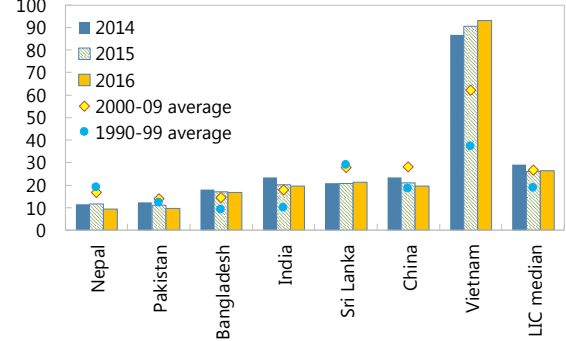
Poverty rate, 1995/96-2010/11
(In percent of the population)



Source: Nepal Central Bureau of Statistics.

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

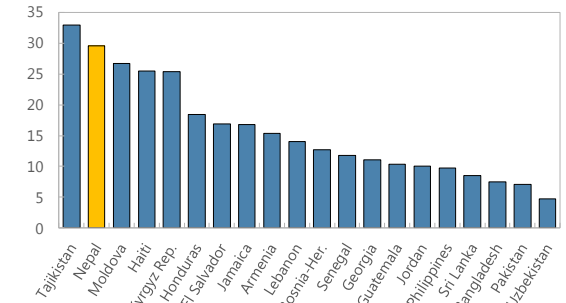
Exports of Goods and Services
(In percent of GDP)



Sources: IMF, World Economic Outlook; and IMF staff estimates.

On the other hand, compared to other countries, Nepal has high remittances.

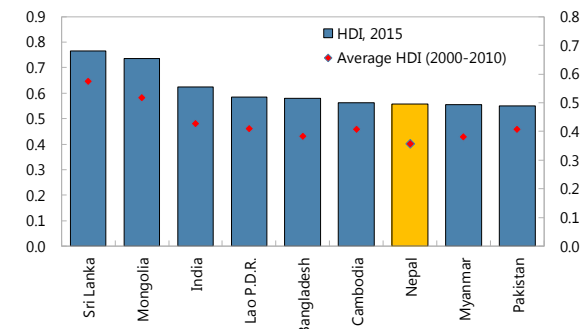
Inflows of Remittances, Selected Countries, 2015
(In percent of GDP)



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

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 2016.

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

	2016					2017					Year-on-year change, in percent					
	July	Aug	Sep	Oct	Total	July	Aug	Sep	Oct	Total	July	Aug	Sep	Oct	Total	
	FY2015/16					FY2016/17					2017				FY2016/17	
Inflation (end of period, in percent)	10.4	8.6	7.9			2.7	2.3	3.4								
Imports (in US\$ m)	712	572	638		6,168	777	649	725		8,134	9	13	14		32	
Non-oil imports (in US\$ m)	614	506	564		5,382	659	555	623		6,801	7	10	10		26	
Oil imports (in US\$ m)	98	66	74		786	118	94	102		1,333	20	43	39		70	
Exports (in US\$ m)	72	64	57		643	54	64	66		672	-25	0	15		4	
Remittances (in US\$ m)	613	485	587		6,253	601	542	586		6,556	-2	12	0		5	
Government revenue (in NR bn)	87	41	41	45	483	84	47	43	52	612	-3	14	6	15	27	
Government expenditure (in NR bn)	136	6	42	81	468	175	68	55	52	720	29	975	32	-35	54	
Current expenditure (in NR bn)	80	6	40	72	357	91	68	52	41	516	14	986	29	-43	45	
Capital expenditure (in NR bn)	56	0	2	9	112	84	0	4	11	204	50	237	107	30	83	
	2015/16					2016/17					Year-on-year change, in percent					
	Stocks			Flow		Stocks			Flow		2017			Flow		
	July	Aug	Sep	FY2015/16	July	Aug	Sep	FY2016/17		July	Aug	Sep	FY2016/17			
Central bank reserves (in US\$ m)	8,574	8,524	8,496	1,429	9,264	9,196	9,311	690		8	8	10				
Credit to the private sector (in NR bn)	1,692	1,711	1,765	318	1,997	2,017	2,061	305		18	18	17			-4	

Source: Nepali authorities.