

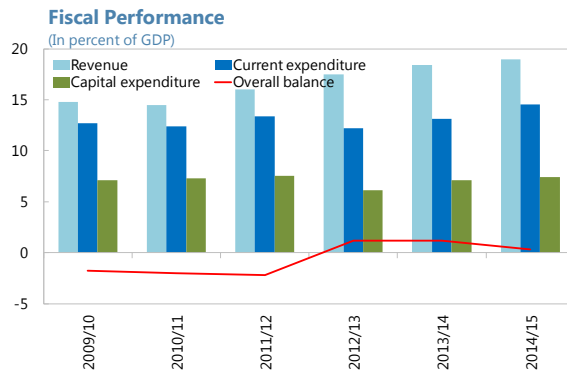
Table 1. Nepal: Monthly Data for Key Macroeconomic Indicators.

	2015				2016				Year-on-year change, in percent			
	Mar	Apr	May	FY to date	Mar	Apr	May	FY to date	Mar	Apr	May	FY to date
	(10 months)				(10 months)				2016 (10 months)			
Inflation (end of period, in percent)	7.0	6.9	7.1		10.2	9.7	10.0					
Imports (in US\$ m)	571	628	461	5,538	696	677	650	4,764	22	8	41	-14
Non-oil imports (in US\$ m)	462	526	370	3,565	623	565	549	4,174	35	7	48	17
Oil imports (in US\$ m)	109	102	91	1,052	73	112	102	590	-33	10	12	-44
Exports (in US\$ m)	66	73	65	696	53	59	58	511	-20	-18	-11	-27
Remittances (in US\$ m)	503	552	621	4,934	480	510	537	5,081	-5	-8	-13	3
Flow of migrant workers (thousands)	44	52	31	448	36	32	37	349	-20	-39	17	-22
Government revenue (in NR bn)	26	50	22	313	40	57	60	350	54	14	180	12
Government expenditure (in NR bn)	34	34	35	259	32	41	50	294	-7	23	42	14
Current expenditure (in NR bn)	29	27	28	223	26	32	30	241	-11	17	5	8
Capital expenditure (in NR bn)	5	6	7	36	6	9	21	53	15	48	189	47
	2015				2016				Year-on-year change, in percent			
	Stocks		Flow		Stocks		Flow		2016		Flow	
	Mar	Apr	May	FY to date	Mar	Apr	May	FY to date	Mar	Apr	May	FY to date
	(10 months)				(10 months)				(10 months)			
Central bank reserves (in US\$ m)	6,090	6,314	6,648	495	8,377	8,390	8,455	1,313	38	33	27	
Credit to the private sector (in NR bn)	1,294	1,316	1,328	177	1,533	1,571	1,601	227	18	19	21	28

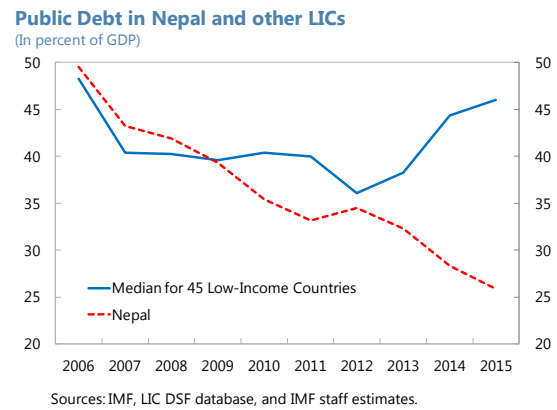
Source: Nepali authorities.

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

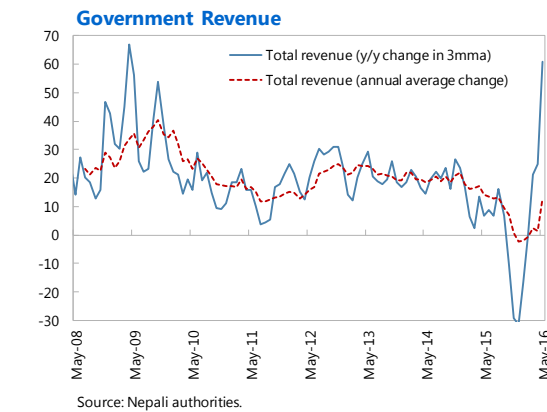
Strong revenue growth combined with subdued capital spending kept the budget in surplus the past 3 years.



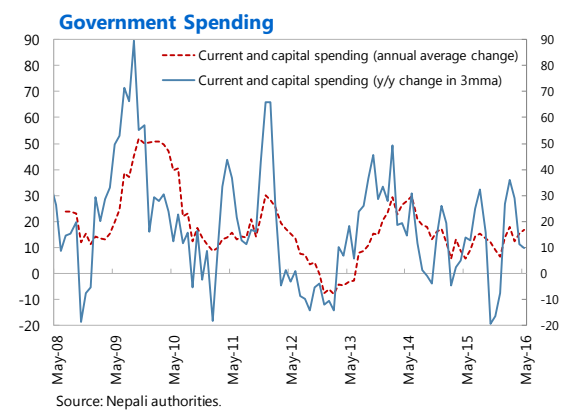
As a result, Nepal's public debt has been on a downward path, unlike in other low-income countries.



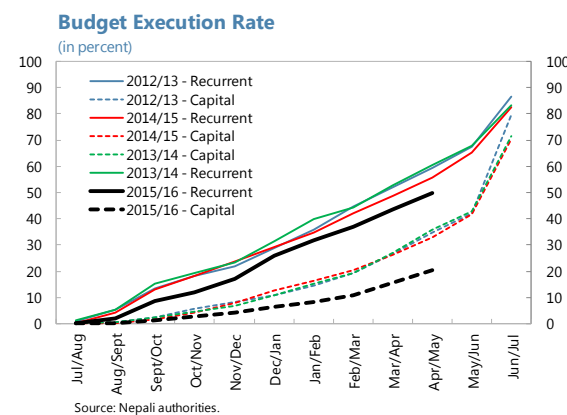
The trade disruption caused government revenue to decline. But imports have now recovered and over the past 3 months, revenue is up 60 percent from a year ago.



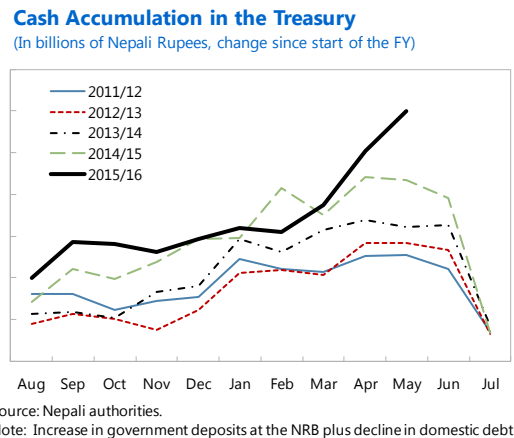
Government outlays were also held back by the disruption. But a catch up is taking place and spending in the past 3 months was up 10 percent from a year ago.



Budget execution rates for the 2015/16 budget remain lower than in recent years, despite the large post-earthquake reconstruction needs.

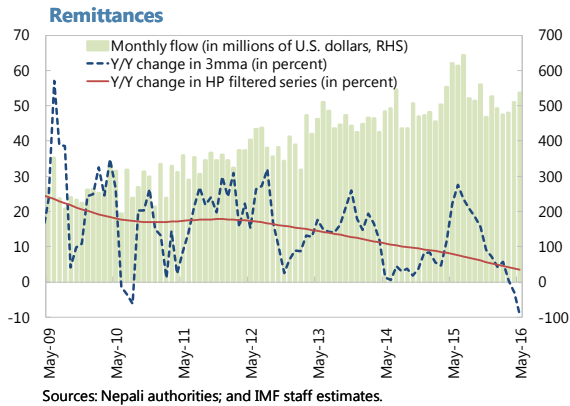


Net of the increase in domestic borrowing, the government has accumulated NR 120 billion (5.3 percent of GDP) in the Treasury so far this fiscal year.

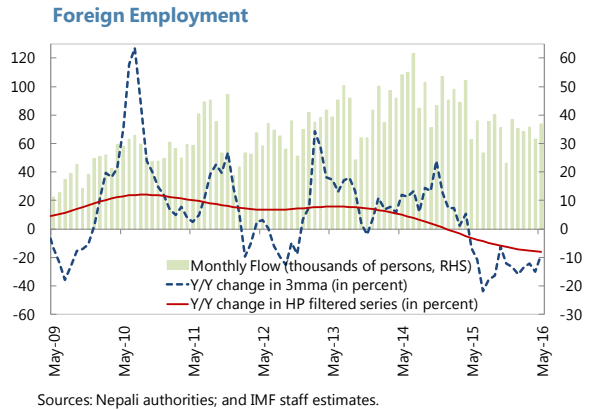


**Figure 2: Recent External Sector Developments**

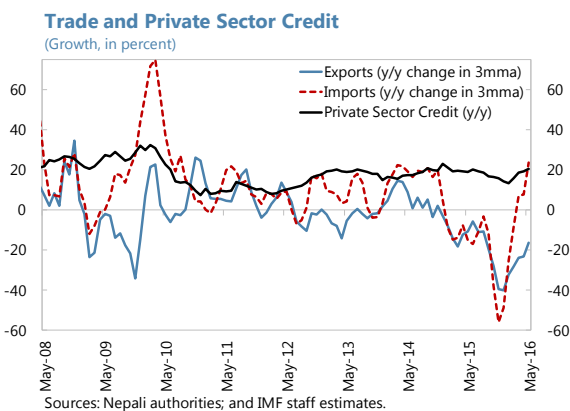
Remittances rose markedly following the earthquakes in April and May. Inflows in May 2016 (US\$537 million) were 13 percent lower than in May 2015.



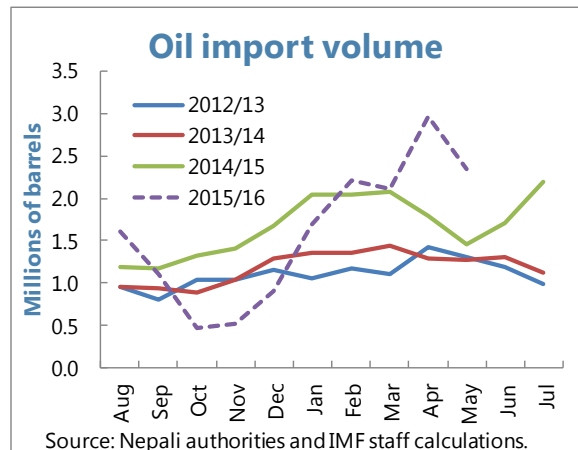
The outflow of migrant workers declined in recent months, but the data for May (almost 37,000 persons) may suggest a recovery.



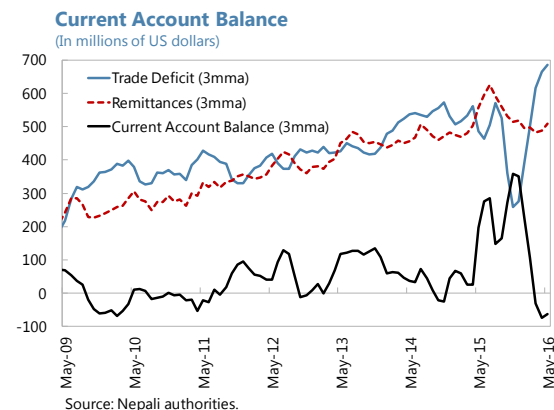
Imports have recovered from the trade disruption. Over the past 3 months, imports are up 24 percent from the same period last year. Exports are down by 16 percent.



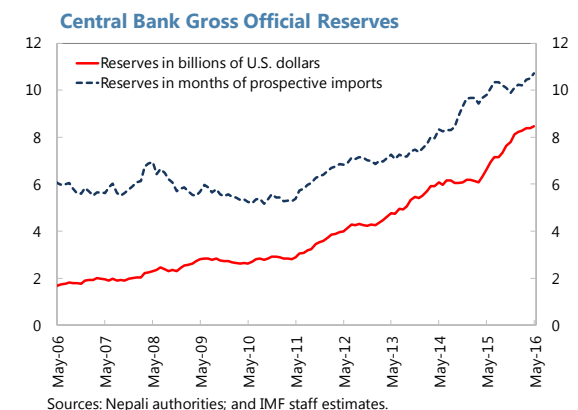
The balance of payments data suggests that oil imports have risen sharply from the lows in October/November 2015.



The recovery of import in recent months raised the trade deficit and pushed the current account into deficit.



Central bank reserves (including gold and SDR holdings) rose to a record US\$8.5 billion in May.

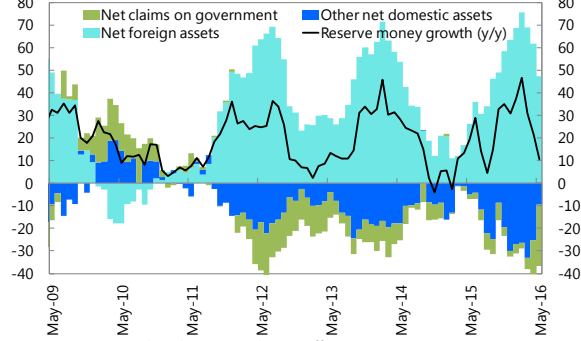


**Figure 3: Recent Monetary Developments**

Reserve money growth amounted to 11 percent (y/y) in May on rising central bank net foreign assets (NFA).

**Central Bank Balance Sheet**

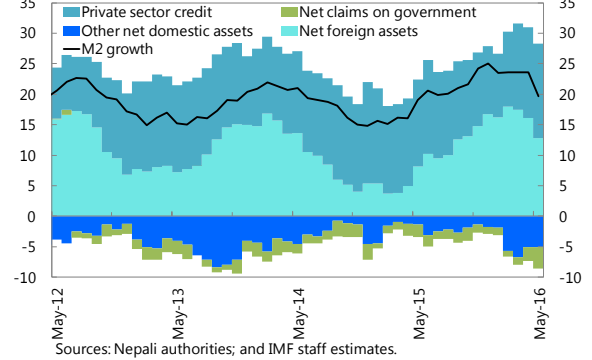
(In percent, contribution to reserve money growth)



The rise in NFA is the main driver of the growth of broad money (M2), which expanded 20 percent (y/y) in May.

**Broad Money Growth**

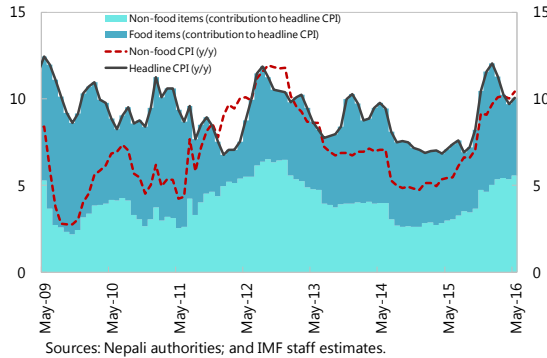
(In percent, contribution to broad money growth)



Inflation was 10 percent (y/y) in May reflecting the effect of the earlier trade disruption and the earthquakes.

**Consumer Price Inflation**

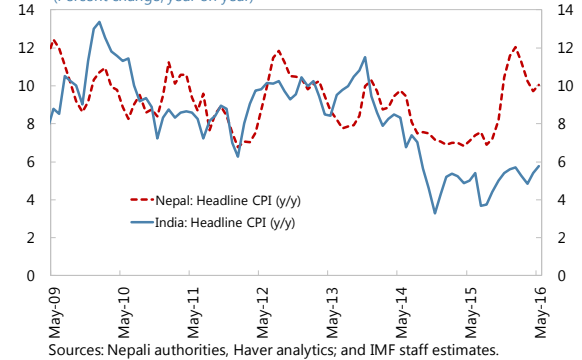
(Percent change, year-on-year)



As a result, inflation in Nepal is more than 4 percentage points higher than in India.

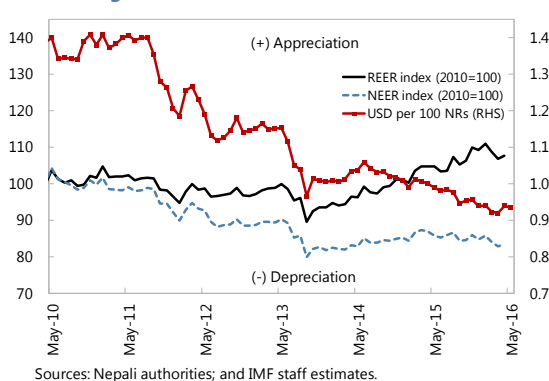
**Consumer Prices in Nepal and India**

(Percent change, year on year)



In combination with the peg to the Indian rupee, this has put the REER 15 percent above the 2013/14 average.

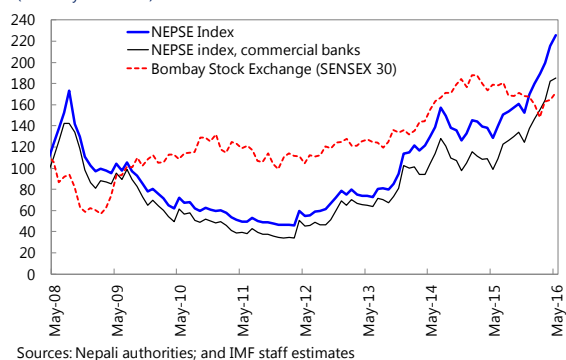
**Exchange Rates**



Stock prices are up 75 percent over the past year, possibly associated with the loose monetary conditions.

**Stock Market Performance in Nepal and India**

(Mid-July 2007=100)

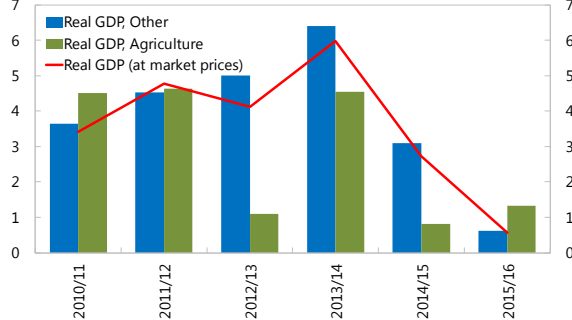


### Figure 4. Nepal: Economic Growth, Human Development, Remittances, and Exports

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

#### Real GDP Growth

(Percent change)

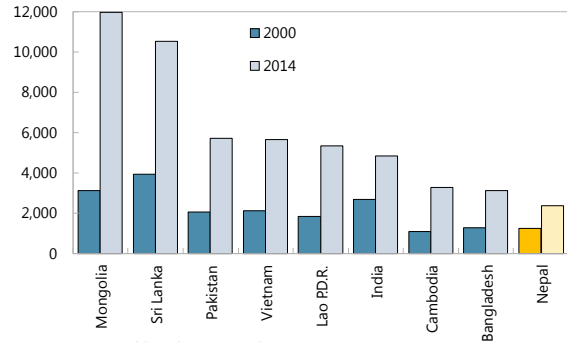


Source: Nepal Central Bureau of Statistics.

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)

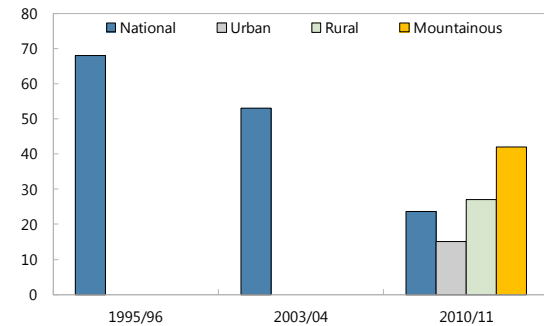


Source: World Bank, WDI Database.

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)

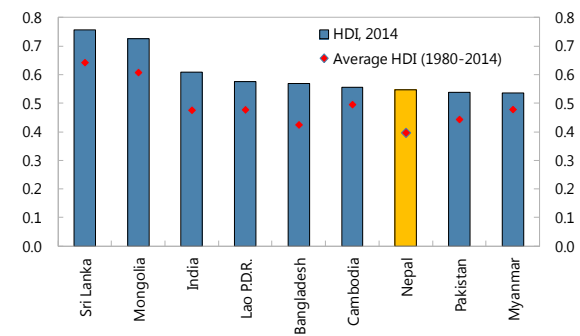


Source: Nepal Central Bureau of Statistics.

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

#### Human Development Index (HDI)

(Index number)

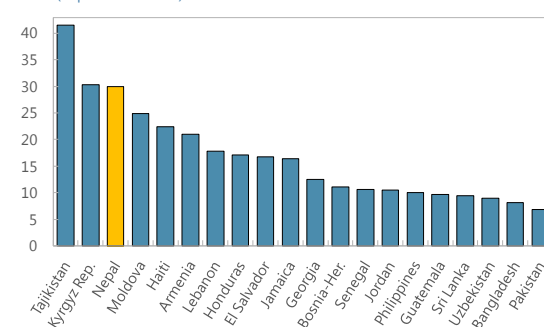


Source: UNDP, Human Development Report 2015.

Compared to other countries, Nepal has high remittances.

#### Inflows of Remittances, Selected Countries, 2014

(In percent of GDP)

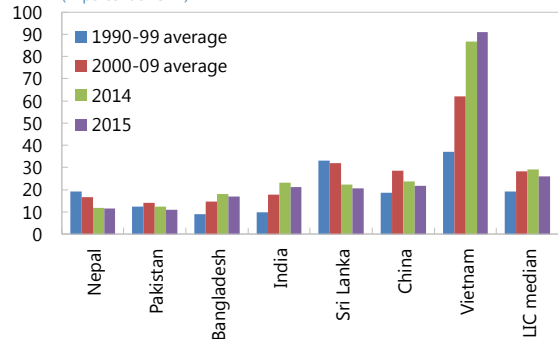


Sources: World Bank, Remittances Data; IMF, World Economic Outlook.

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.