An early projection by the CBS suggested that real GDP growth in FY2019/20 could be 2.3 percent in 2019/20 (Prelim.), after reaching 7.0 percent in 2018/19.

Contribution to Real GDP Growth by Expenditure 1/

(In percent)

Real GDP Growth 1/ 
(In percent, year-on-year)

Real GDP, Other
Real GDP, Agriculture
Real GDP (at market prices)


1/ The CBS announced its GDP projection for FY 2019/20 on 30th April, 2020. The CBS estimates combine actual data through mid-April and projections for the rest of the FY. It assumes that activities in all sectors—except for hotels, restaurants and air transport—will resume from the eleventh month of FY20. However, there is a lot of uncertainty regarding the timing and pace of the recovery.

The CBS projects that the service sector would contribute the most towards real GDP in FY 2019/20, followed by agriculture, and other industry.

In FY 2019/20, the CBS projects that net exports would contribute the most towards real GDP growth, followed by consumption expenditure.

Nepal’s headline inflation (4.5 percent) rate is now lower than that of India (6.1 percent).

Headline inflation was at 4.5 percent (y/y) in Jun-20, with food inflation falling to 5.4 percent (y/y).

Consumer Price Index
(Percent change, year-on-year)

Food items (contribution to headline CPI)
Non-food items (contribution to headline CPI)
Non-food CPI (y/y)
Headline CPI (y/y)

Sources: Nepali authorities; and IMF staff estimates.

1/ The CBS announced its GDP projection for FY 2019/20 on 30th April, 2020. The CBS estimates combine actual data through mid-April and projections for the rest of the FY. It assumes that activities in all sectors—except for hotels, restaurants and air transport—will resume from the eleventh month of FY20. However, there is a lot of uncertainty regarding the timing and pace of the recovery.

2/ Electricity, gas and water, and Mining and quarrying.

3/ Hotels and restaurants; financial intermediation, real estate, renting, and business activities; Public administration and defense; education; health and social work; other community, social, and personal service activities.

*Preliminary.
**Figure 2. Nepal: Recent External Sector Developments**

Imports declined by 55.1 percent while exports declined 59.1 percent (y/y, on a 3mma basis), in Jun-20.

Manufactured goods and articles contributed most to the decline in imports, at -5.6 percent, followed by machinery and transport equipment at -4.3 percent.

The current account balance was in a deficit of US$0.7 Bn while the trade deficit was US$8.5 Bn (cumulative Aug 2019 – Jun 2020).

While remittances had fallen sharply in April and May, the flow in June rose sharply, and was US $777 Mn.

The number of first-time migrants rose by 45 percent in March (y/y, 3mma).

The total number of foreign workers (new and renewals) grew by 10.6 percent in March (y/y, 3mma).

Sources: Nepali authorities and IMF staff estimates.
In FY 2018/19, the fiscal deficit (based on above-the-line data) was 4.6 percent of GDP compared to 6.7 percent of GDP in FY 2017/18.

Central Government Fiscal Performance
(In percent of GDP)

Public debt remained flat at 30 percent of GDP in 2018/19.

In FY 2018/19, total revenues including grants were 26 percent of GDP.

Central Government Fiscal Revenues (Incl. Grants)
(In percent of GDP)

In FY 2018/19, VAT (7 percent of GDP) were the biggest component of tax revenues in FY 2018/19, followed by income and customs revenues.

In FY 2018/19, taxes from imports were 9.7 percent of GDP, while taxes from domestic sources were 12.2 percent of GDP.

Central Government Tax Revenues
(In percent of GDP)

Expenditure grants (12.8 percent of GDP) were the biggest component of spending in FY 2018/19, followed by capital expenditure and social security.

Central Government Tax Revenue by Source
(In percent of GDP)

Sources: Nepali authorities; and IMF staff estimates.

Note: Overall balance calculated as total revenue and grants minus expenditure.

Sources: Nepali authorities, and IMF staff calculations.

Note: Domestic taxes are calculated as the residual by subtracting customs, VAT on imports and excise on imports from total tax revenue.

Sources: Nepali authorities, and IMF staff estimates.

Note: Domestic taxes are calculated as the residual by subtracting customs, VAT on imports and excise on imports from total tax revenue.
Figure 3b. Nepal: Recent Fiscal Developments

In Jun-20, revenues declined by 6 percent (annual avg. change), while spending (excluding revenue sharing) rose by 5.3 percent (annual avg. change).

The revenue collection rate (excluding grants) in Jun-20 was about 17.6 percent of GDP, lower than in the same period last year (21 percent of GDP).

Recurrent expenditure (including revenue sharing) was 20.2 percent of GDP in Jun-20, slightly higher than in the same period last year (20 percent of GDP).

Capital expenditure was 3.4 percent of GDP in Jun-20, lower than in the same period last year (4.4 percent).

In Jun-20, domestic taxes accounted for 9 percent of GDP, compared to 9.8 percent in the same period last year.

In Jun-20, taxes from imports accounted for 6.8 percent of GDP, compared to 8.9 percent in the same period last year.

Sources: Nepali Authorities and IMF staff calculations.

1/ Import taxes include customs from Imports, VAT on imports and excise on imports from total tax revenue.
In Jun-20, the overall balance (excl. revenue grants) was in a deficit of 223 billion Nepali Rupees. 

...or about 6.1 percent of GDP, as opposed to a deficit of 3.4 percent in the same period last year.
Figure 4. Nepal: Recent Monetary Sector Developments

**Broad money** grew by 17.5 percent (y/y) in Jun-20, with private sector credit growth contributing the most.

**Private sector credit** grew by 13 percent in Jun-20 (y/y).

...while the interbank rate was at around 3 percent in Jun-20.

**Gross official reserves** increased to US$9.8 billion in Jun-20, covering about 7.2 months of prospective imports of goods and services.

Sources: Nepali authorities; and IMF staff estimates.