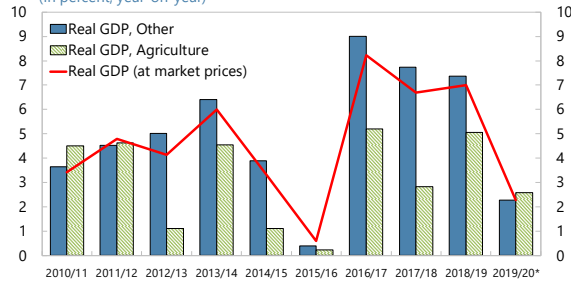


Figure 1. Nepal: Recent Macro-Economic Developments

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.

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



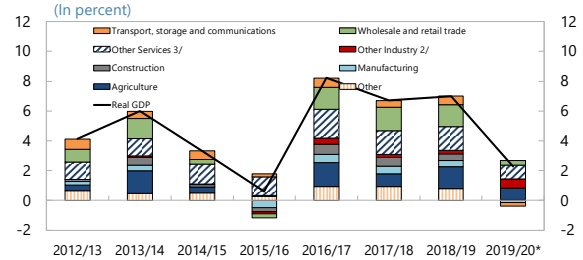
Source: Nepal Central Bureau of Statistics (CBS).

*Preliminary

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.

Contribution to Real GDP Growth by Sector 1/
(In percent)



Sources: Nepal Central Bureau of Statistics, and IMF staff calculations.

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.

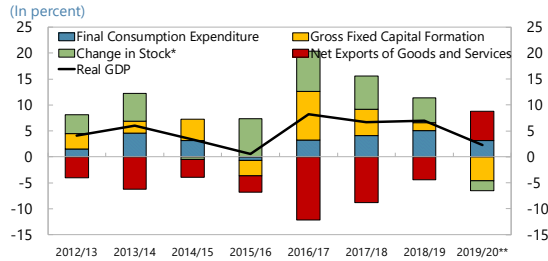
2/ Electricity, gas and water, and Mining and quarrying.

3/ Hotels and restaurants, financial intermediation, Real estate, renting and business activities, Public administration and defence, Education, Health and social work, other community, social and personal service activities.

*Preliminary.

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

Contribution to Real GDP Growth by Expenditure 1/
(In percent)



Sources: Nepali Authorities, and IMF staff calculations.

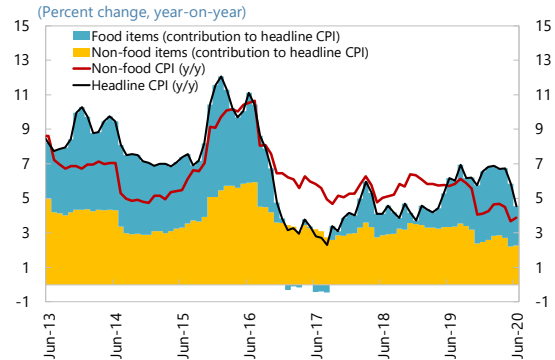
*Includes Statistical discrepancy.

**Preliminary.

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.

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

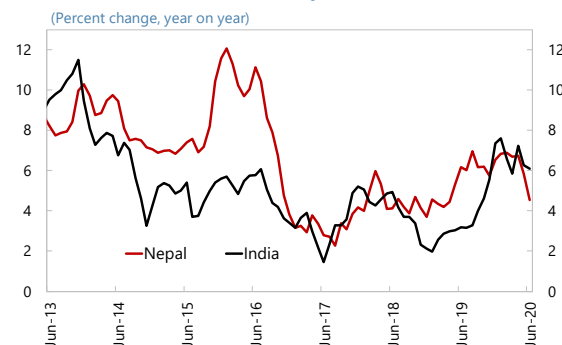
Consumer Price Index
(Percent change, year-on-year)



Sources: Nepali authorities; and IMF staff estimates.

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

Consumer Price Index in Nepal and India
(Percent change, year on year)



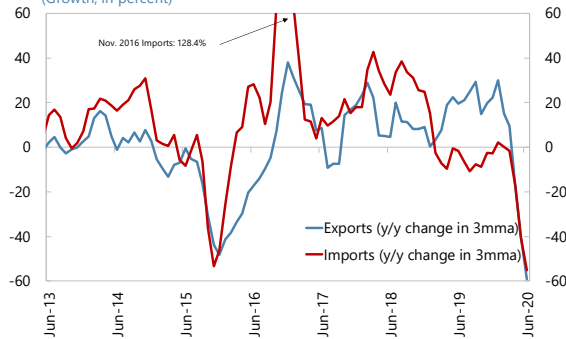
Sources: Nepali authorities, Haver analytics; and IMF staff estimates.

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.

Exports and Imports

(Growth, in percent)

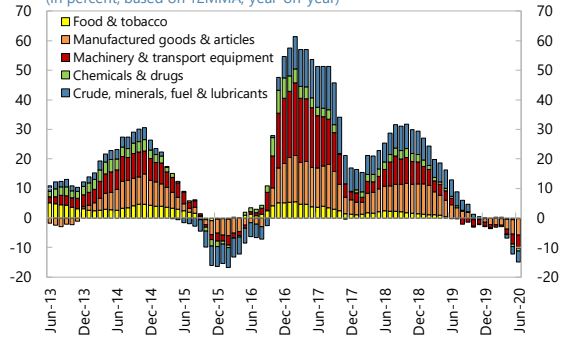


Sources: Nepali authorities; and IMF staff estimates.

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.

Contribution to Import Growth

(In percent, based on 12MMA, year-on-year)

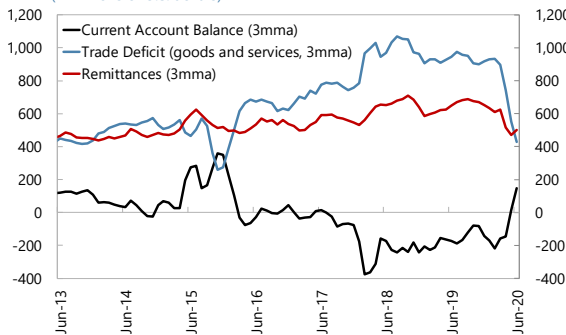


Sources: Nepali authorities and IMF staff calculations.

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).

Current Account Balance

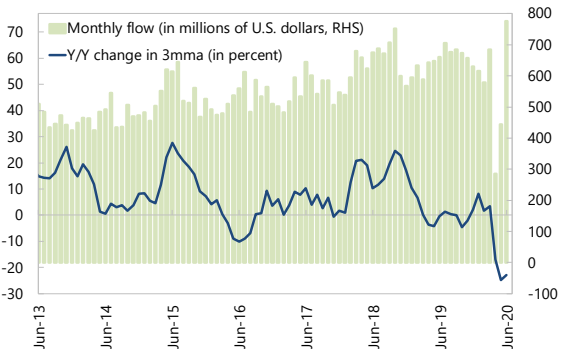
(In millions of U.S. dollars)



Source: Nepali authorities.

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

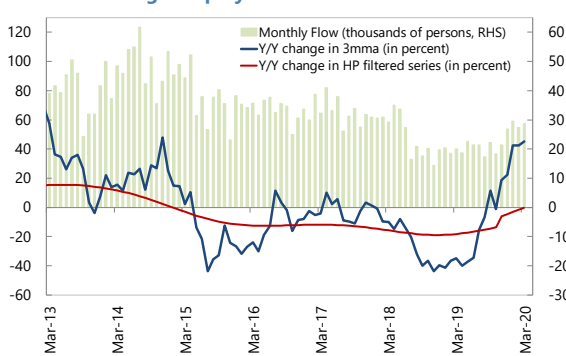
Remittances



Sources: Nepali authorities; and IMF staff estimates.

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

New Foreign Employment

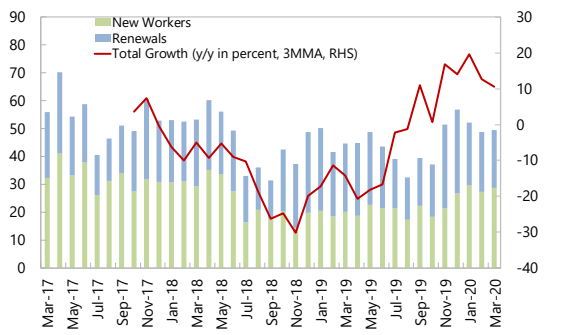


Sources: Nepali authorities; and IMF staff estimates.

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

Total Foreign Employment

(Thousands of workers)



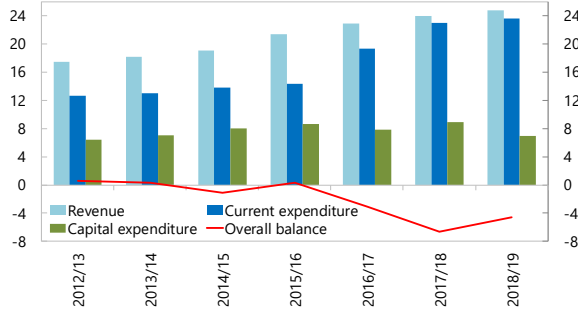
Sources: Nepali authorities; and IMF staff estimates.

Figure 3a. Nepal: Recent Fiscal Developments

In FY2018/19, 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.

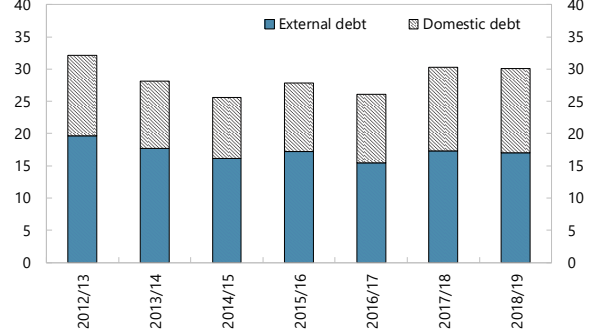
Public debt remained flat at 30 percent of GDP in 2018/19.

Central Government Fiscal Performance
(In percent of GDP)



Sources: Nepali authorities; and IMF staff estimates.
Note: Overall balance calculated as total revenue and grants minus expenditure.

Public Debt
(In percent of GDP)

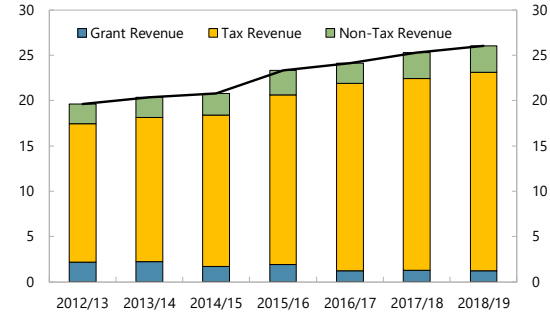


Sources: Nepali authorities, and IMF staff estimates.

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

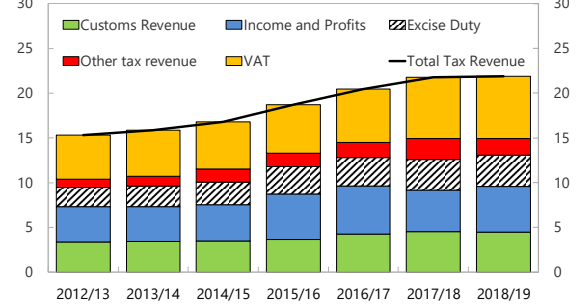
In FY 2018/19, VAT (7 percent of GDP) were the biggest component of tax revenues in FY 2018/19, followed by income and customs revenues.'

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



Sources: Nepali Authorities, and IMF staff estimates.

Central Government Tax Revenues
(In percent of GDP)

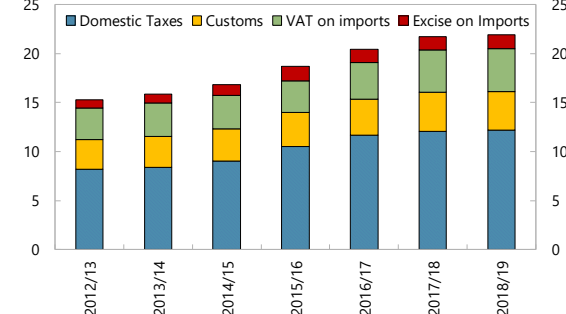


Sources: Nepali Authorities, and IMF staff estimates.

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

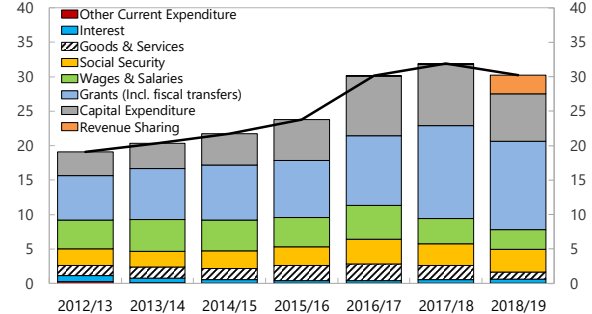
Expenditure grants (12.8 percent of GDP) were the biggest component of spending in FY 2018/19, followed by capital expenditure and social security.

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



Sources: Nepali authorities, and IMF staff calculations.
Note: Domestic taxes are calculated as the residual by subtracting customs, VAT on imports and excise on imports from total tax revenue.

Central Government Fiscal Expenditure
(In percent of GDP)

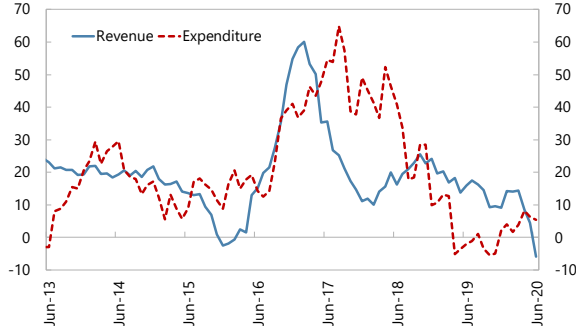


Sources: Nepali Authorities, and IMF staff estimates.

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).

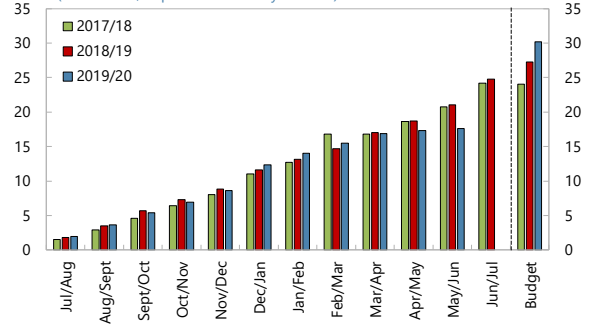
Total Revenue and Expenditure
(Annual average change, in percent)



Sources: Nepali Authorities and IMF staff calculations.

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).

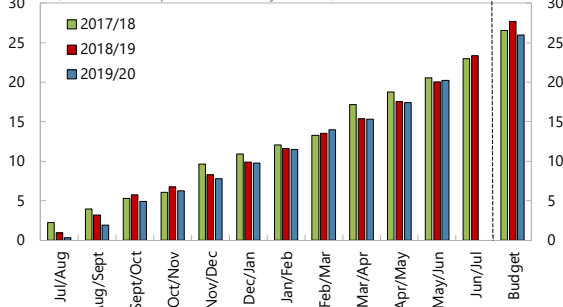
Revenue Collection Rate Excluding Grants
(Cumulative, in percent of fiscal year GDP)



Sources: Nepali Authorities and IMF staff estimates.

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).

Recurrent Expenditure 1/
(Cumulative, in percent of fiscal year GDP)

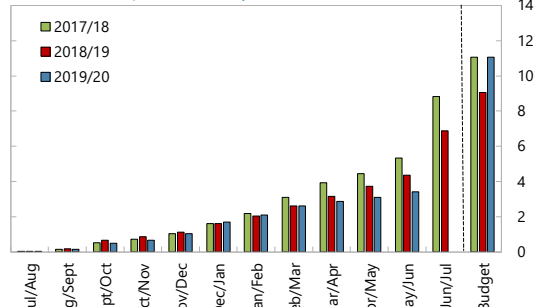


Sources: Nepali Authorities and IMF staff calculations.
1/ Includes revenue sharing.

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

Capital Expenditure

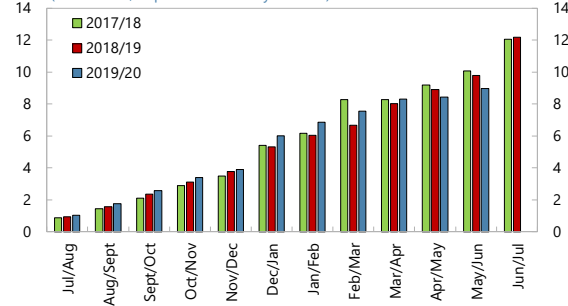
(Cumulative, in percent of fiscal year GDP)



Sources: Nepali Authorities and IMF staff calculations

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

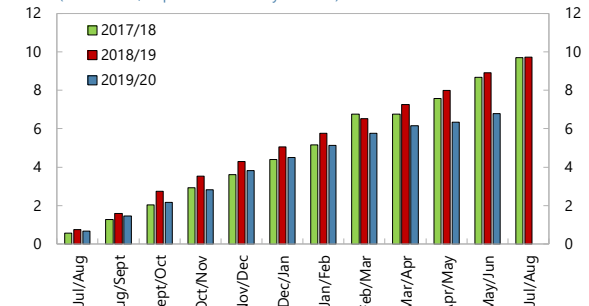
Domestic Tax Collection Rate 1/
(Cumulative, in percent of fiscal year GDP)



Sources: Nepali authorities and IMF staff estimates.
1/ Domestic taxes are calculated as the residual by subtracting customs from Imports, VAT on imports and excise on imports from total tax revenue.

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

Import Tax Collection Rate 1/
(Cumulative, in percent of fiscal year GDP)



Sources: Nepali authorities and IMF staff estimates.
1/ Import taxes include customs from Imports, VAT on imports and excise on

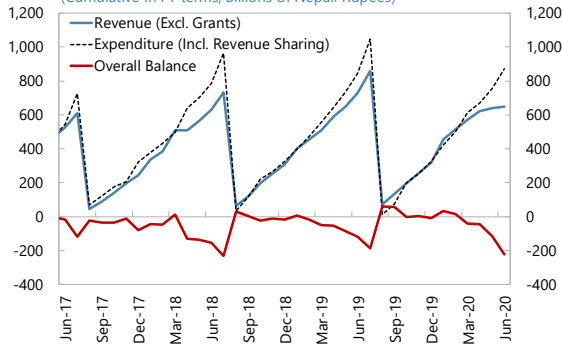
Figure 3b. Nepal: Recent Fiscal Developments (Contd.)

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.

Central Government Finances

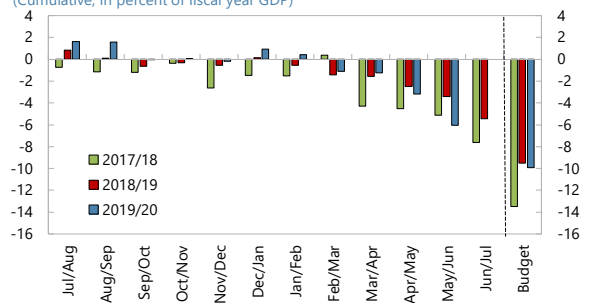
(Cumulative in FY terms, Billions of Nepali Rupees)



Sources: Nepali Authorities, and IMF staff calculations.

Overall Fiscal Balance excluding Revenue Grants

(Cumulative, in percent of fiscal year GDP)

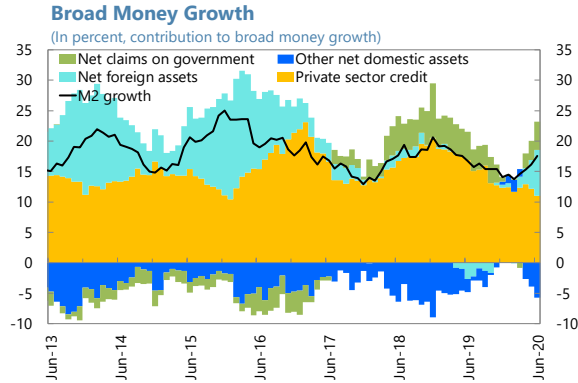


Sources: Nepali Authorities and IMF staff calculations.

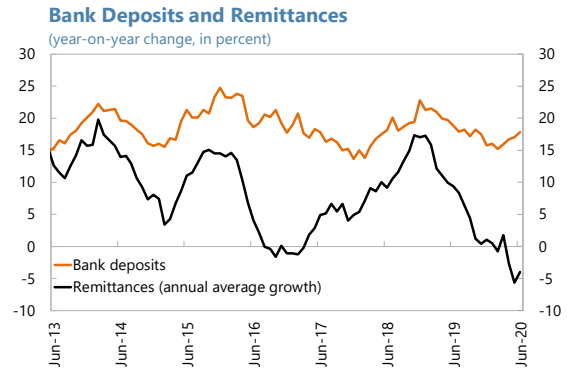
Note: The overall fiscal balance including revenue grants as projected in the budget was -11.1 percent of GDP in 2017/18, -7.8 percent of GDP in 2018/19, and -8.4 percent in 2019/20.

Figure 4. Nepal: Recent Monetary Sector Developments

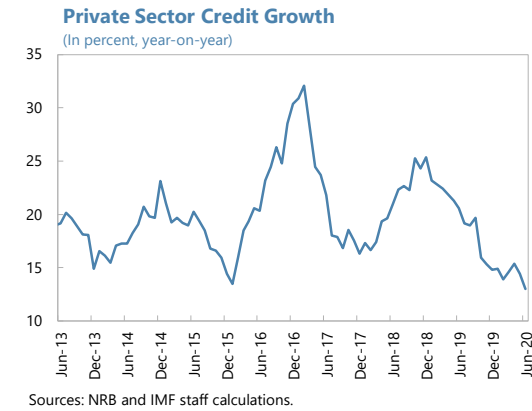
Broad money grew by 17.5 percent (y/y) in Jun-20, with private sector credit growth contributing the most.



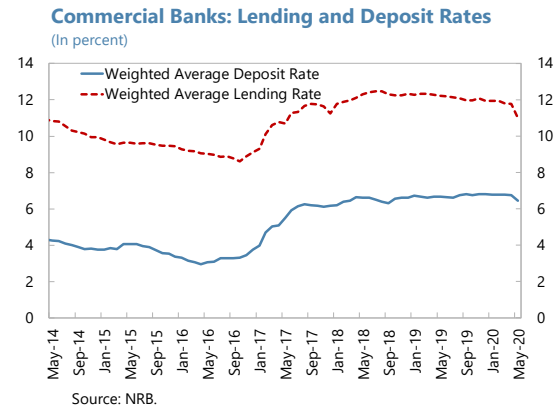
The growth of deposits in the banking system was at 17.8 percent (y/y) in Jun-20.



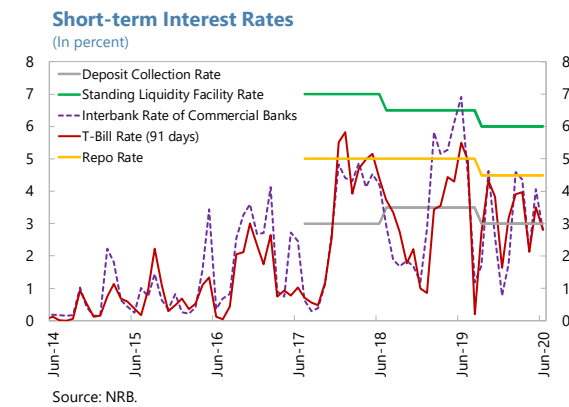
Private sector credit grew by 13 percent in Jun-20 (y/y).



Banks' average deposit and lending rates fell slightly in Jun-20...



...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.

