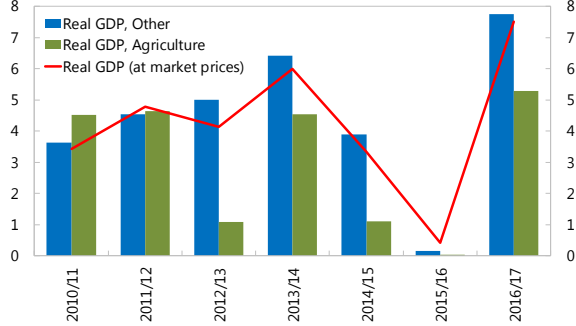


Figure 1. Nepal: Recent Macro-Economic Developments

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

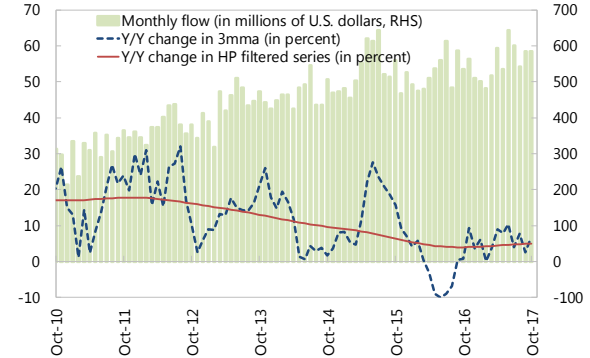
(Percent change)



Source: Nepal Central Bureau of Statistics.

Recorded remittances amounted to US\$584 million in October. During the past 3 months they were up 7 percent from a year ago.

Remittances

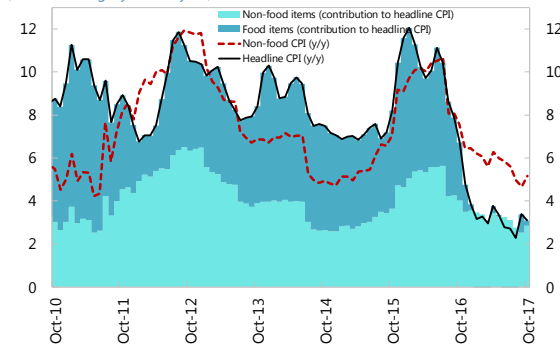


Sources: Nepali authorities; and IMF staff estimates.

Inflation amounted to 3.1 percent (y/y) in October. Non-food inflation stood to 5.2 percent.

Consumer Price Inflation

(Percent change, year-on-year)

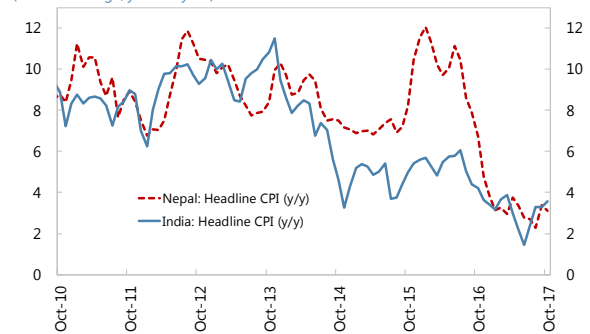


Sources: Nepali authorities; and IMF staff estimates.

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

Consumer Prices in Nepal and India

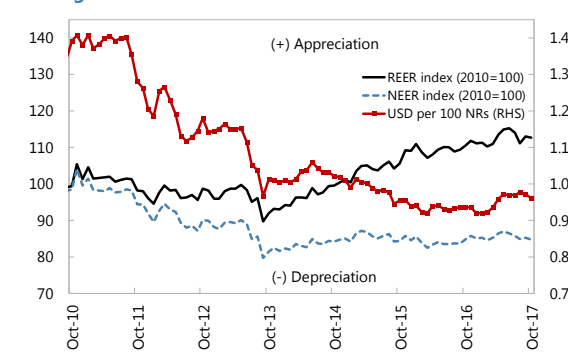
(Percent change, year on year)



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

The real effective exchange rate of the Nepali rupee is about 15 percent above the 2010-2014 average.

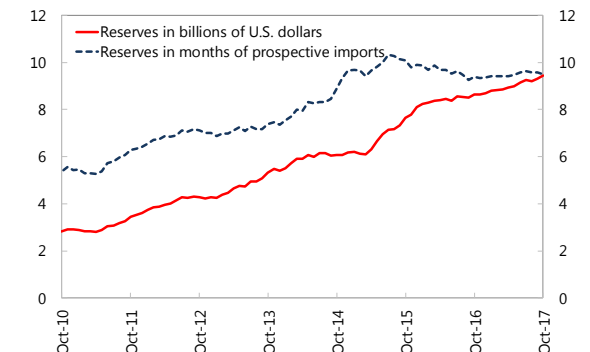
Exchange Rates



Sources: Nepali authorities; and IMF staff estimates.

Central bank reserves (including gold and SDR holdings) reached a new high of US\$9.4 billion in mid-October, covering more than 9 months of prospective imports.

Central Bank Gross Official Reserves

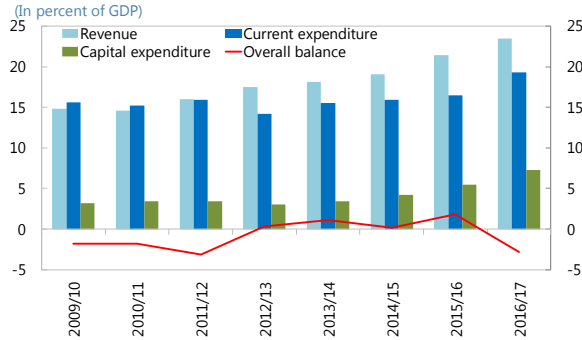


Sources: Nepali authorities; and IMF staff estimates.

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.

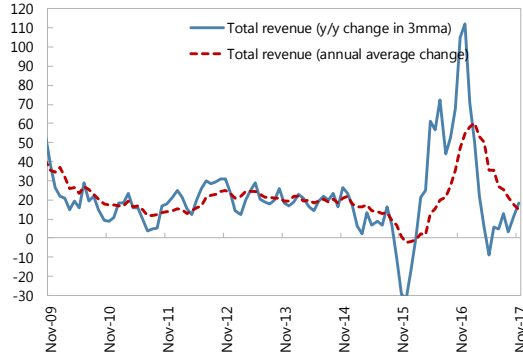
Fiscal Performance



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 18 percent (year-on-year) during the last 3 months.

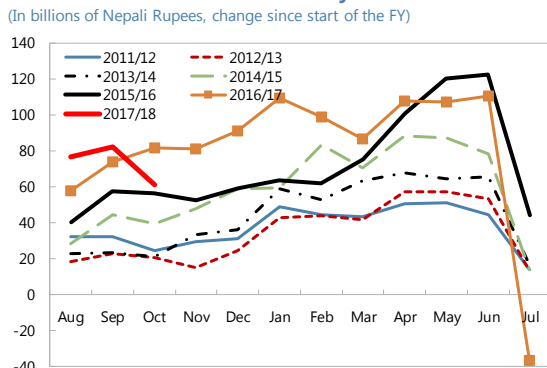
Government Revenue



Source: Nepali authorities.

Through the first three months of the fiscal year, the government borrowed NR 60 billion more than its financing need.

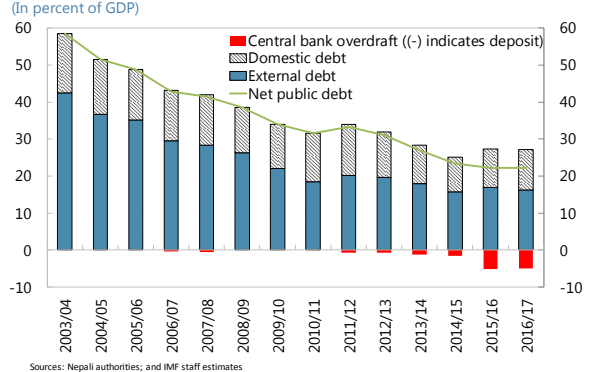
Cash Accumulation in the Treasury



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

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

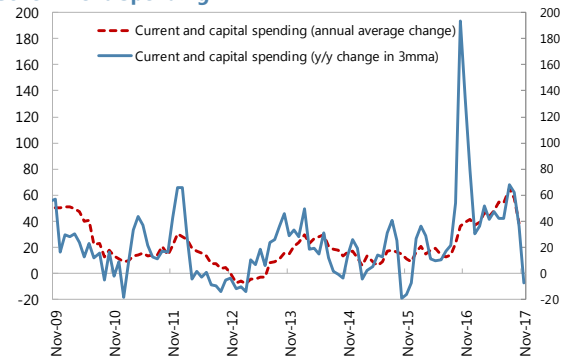
Public Debt



Sources: Nepali authorities; and IMF staff estimates.

Government spending fell 7 percent year-on-year during the last 3 months.

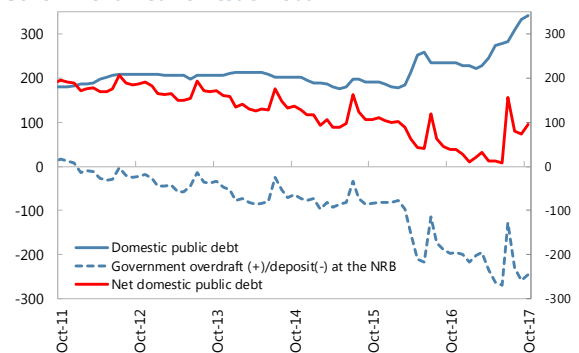
Government Spending



Source: Nepali authorities.

This is reflected in rising gross domestic public debt whereas net domestic public debt (which deducts government deposits at the central bank) has so far remained contained at about NR 100 billion.

Government Net Domestic Debt



Source: Nepali authorities.

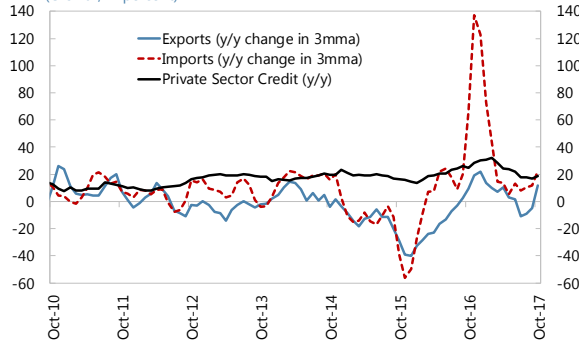
Figure 3. Nepal: Recent External and Monetary Sector Developments

Imports are up 23 percent from a year ago. Exports are up 12 percent. Private credit growth eased to 18.5 percent in October, 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

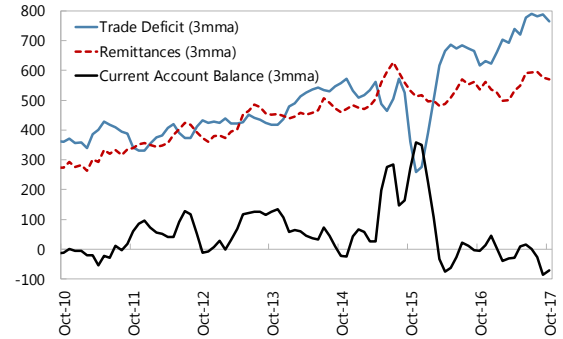
(Growth, in percent)



Sources: Nepali authorities; and IMF staff estimates.

Current Account Balance

(In millions of US dollars)

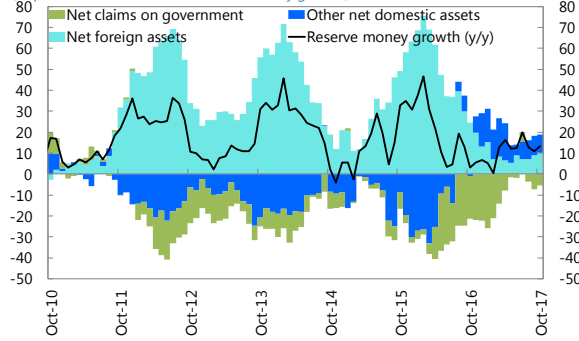


Source: Nepali authorities.

Reserve money rose by 13 percent (y/y) in October; the contribution from NRB Net Foreign Assets has fallen.

Central Bank Balance Sheet

(In percent, contribution to reserve money growth)

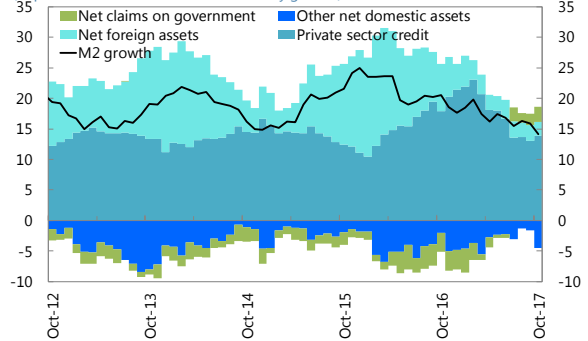


Sources: Nepali authorities; and IMF staff estimates.

Slowing private sector credit caused the growth of broad money (M2) to decelerate to 14 percent (y/y) in October.

Broad Money Growth

(In percent, contribution to broad money growth)

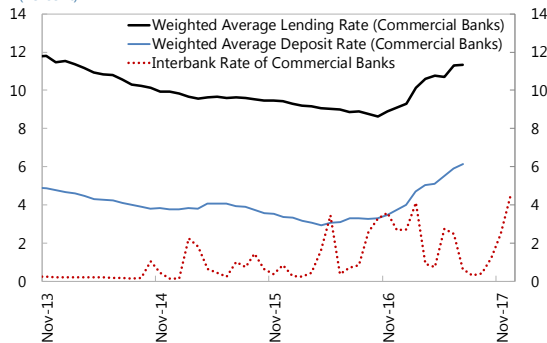


Sources: Nepali authorities; and IMF staff estimates.

Commercial banks' interest rates have been trending up. Interbank interest rate also firmed in recent weeks.

Nepal: Interest Rates

(Percent)

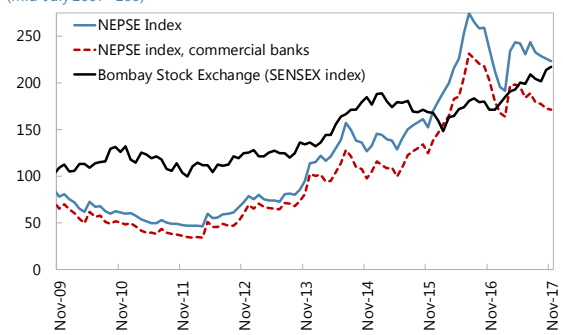


Source: NRB

Stock prices are about 6 percent down from a year ago. Bank stocks are lagging more (minus 16 percent).

Stock Market Performance in Nepal and India

(Mid-July 2007=100)

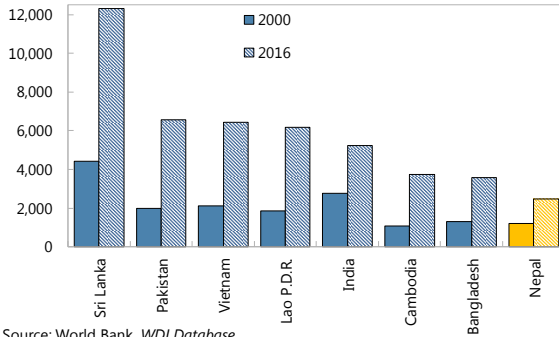


Sources: Nepali authorities; and IMF staff estimates

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.

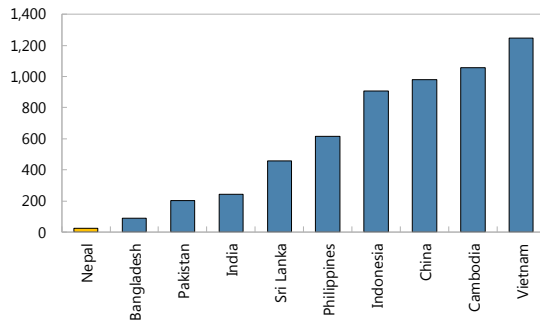
Per Capita GDP (PPP)
(In current international dollars)



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.

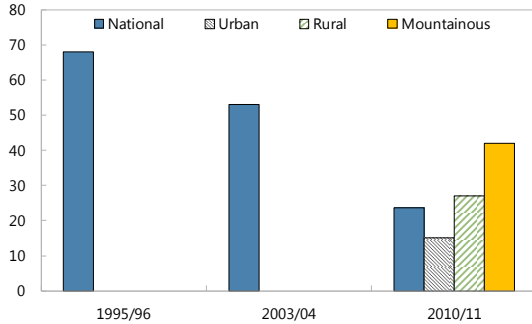
FDI Stocks in 2016
(US\$ per capita)



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.

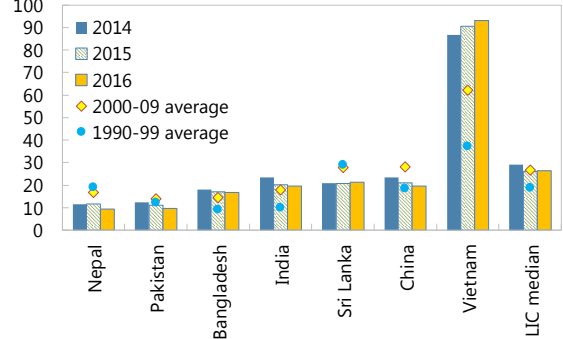
Poverty rate, 1995/96-2010/11
(In percent of the population)



Source: Nepal Central Bureau of Statistics.

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

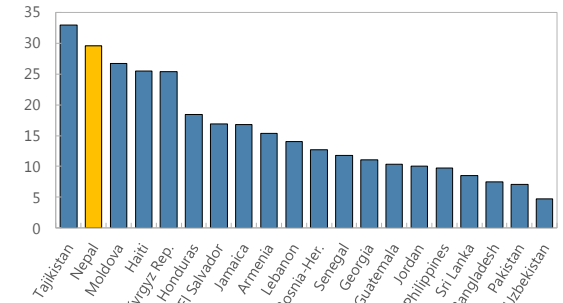
Exports of Goods and Services
(In percent of GDP)



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

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

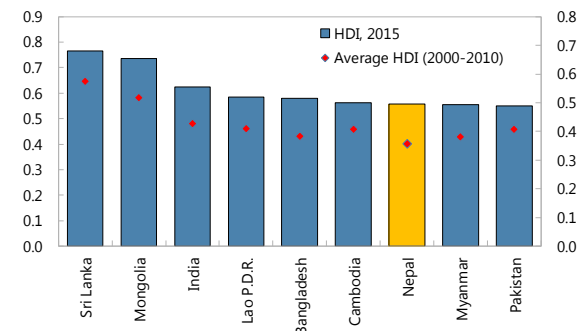
Inflows of Remittances, Selected Countries, 2015
(In percent of GDP)



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				
	Aug	Sep	Oct	Nov	Total	Aug	Sep	Oct	Nov	Total	Aug	Sep	Oct	Nov	Total
					FY to date					FY to date	2017				FY to date
Inflation (end of period, in percent)	8.6	7.9	6.7			2.3	3.4	3.1							
Imports (in US\$ m)	572	638	552		1,762	649	725	786		2,161	13	14	42		23
Non-oil imports (in US\$ m)	506	564	480		1,550	555	623	670		1,847	10	10	40		19
Oil imports (in US\$ m)	66	74	72		212	94	102	117		313	43	39	62		48
Exports (in US\$ m)	64	57	52		173	64	66	64		194	0	15	23		12
Remittances (in US\$ m)	485	587	535		1,606	542	586	584		1,712	12	0	9		7
Government revenue (in NR bn)	41	41	45	42	169	47	43	52	56	198	14	6	15	34	17
Government expenditure (in NR bn)	6	42	81	26	155	68	55	52	31	206	975	32	-35	16	33
Current expenditure (in NR bn)	6	40	72	22	141	68	52	41	25	185	986	29	-43	10	31
Capital expenditure (in NR bn)	0	2	9	4	15	0	4	11	6	22	237	107	30	46	46
	2016					2017					Year-on-year change, in percent				
	Stocks				Flow	Stocks				Flow	2017				Flow
	Aug	Sep	Oct		FY to date	Aug	Sep	Oct		FY to date	Aug	Sep	Oct		FY to date
Central bank reserves (in US\$ m)	8,524	8,496	8,645		72	9,196	9,311	9,435		171	8	10	9		
Credit to the private sector (in NR bn)	1,711	1,765	1,765		73	2,017	2,061	2,092		95	18	17	19		30

Source: Nepali authorities.