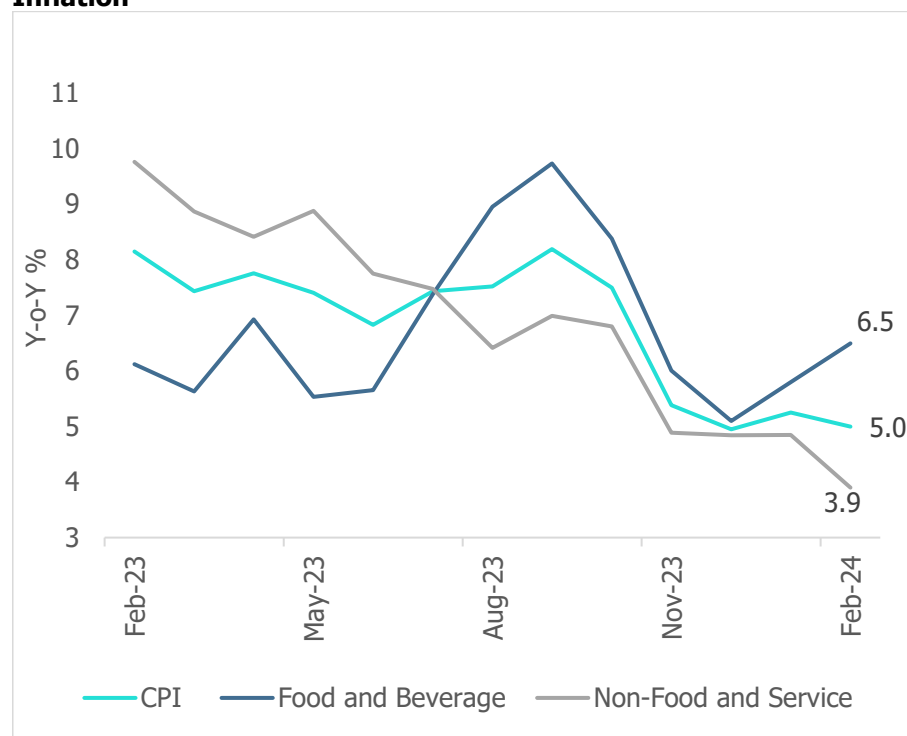


In mid-February 2024, Nepal's macroeconomic conditions have been characterized by record-high foreign exchange reserves, easing inflation, and an influx in tourist arrivals. The increased reserves play a vital role as a safeguard, providing resilience against potential external disruptions. Despite these positive trends, there are apprehensions regarding the widening trade deficit, attributed to elevated imports and low exports.

Inflation



Source: Nepal Rastra Bank

Consumer Price Inflation has moderated in mid-February to 5% (y-o-y), down from 5.3% last month. This moderation is evident in non-food and service category inflation with a rate of 3.9% in mid-February (4.9% in mid-January). However, food and beverage category inflation stood at 6.5% in mid-February (5.8% in mid-January).

Under the Food and Beverage Category, y-o-y price index increased for spices sub-category, pulses & legumes, milk products & eggs, cereal grains & their products and vegetable in mid-February. However, the y-o-y price index of ghee & oil subcategory decreased.

The Wholesale Price Inflation witnessed a decline, plummeting to 2.8% (y-o-y) from 9.7% a year ago. Further, salary and wage rate index increased 5.6% (y-o-y) in mid-February compared to 10.3% a year ago. The salary index and Wage rate index increased 1.1% (y-o-y) and 7% respectively.

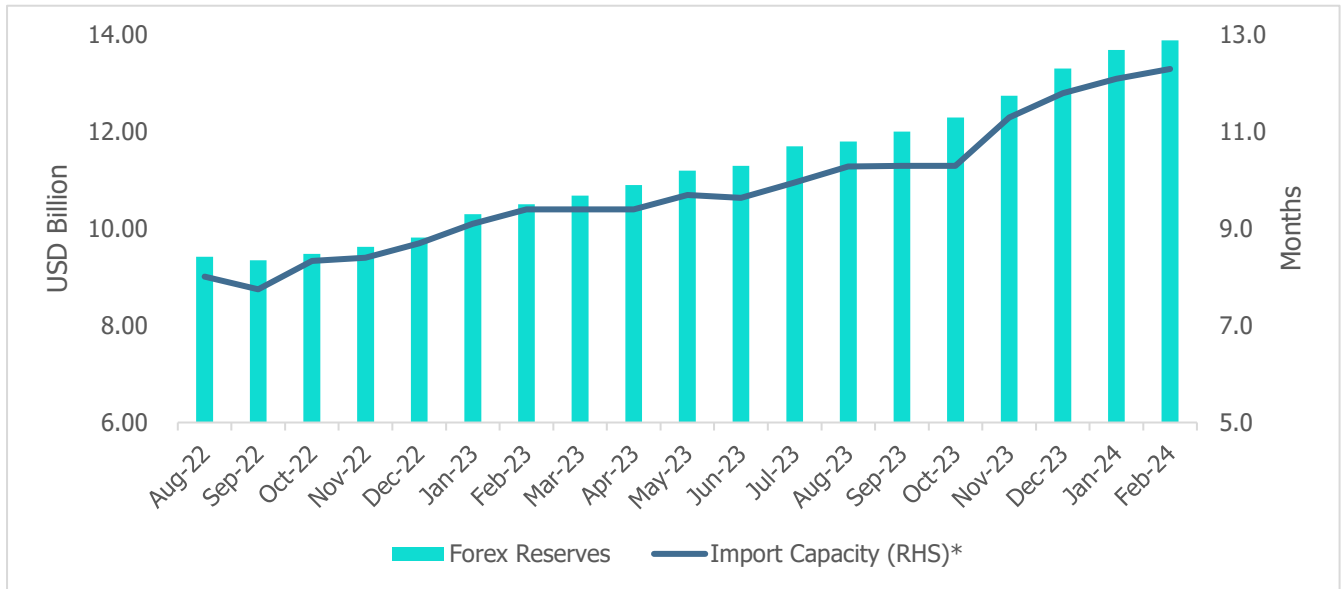
External Sector

Notably, the foreign exchange reserves increased 18.7% to USD 13.89 billion, the historic high record, in mid-February from mid-July. As a result, the foreign exchange reserves are sufficient to cover the prospective merchandise and services imports of 12.3 months. Remittance inflows witnessed a 2% decrease since mid-July, with Rs 106 billion in mid-February.

Nepal's merchandise exports dropped by 6% (y-o-y) to Rs 11.9 billion in the month ending mid-February. On a sequential basis, exports growth registered an uptick following a contraction last month. Meanwhile, merchandise imports increased 2.6% (y-o-y) to Rs 130 billion against a decrease of 15% a year ago in the month ending mid-February. The total trade deficit widened to Rs 118 billion in mid-February from Rs 114 billion in the previous month.

Country's current account surplus stood at Rs 161.7 billion for the first seven months of the fiscal year. In the same period last year, the current account had a deficit of Rs 40.2 billion. The improvement is seen on account of higher net transfers led by remittances. Even FDI investments have increased in the first seven months of this fiscal year as compared to the same period last year.

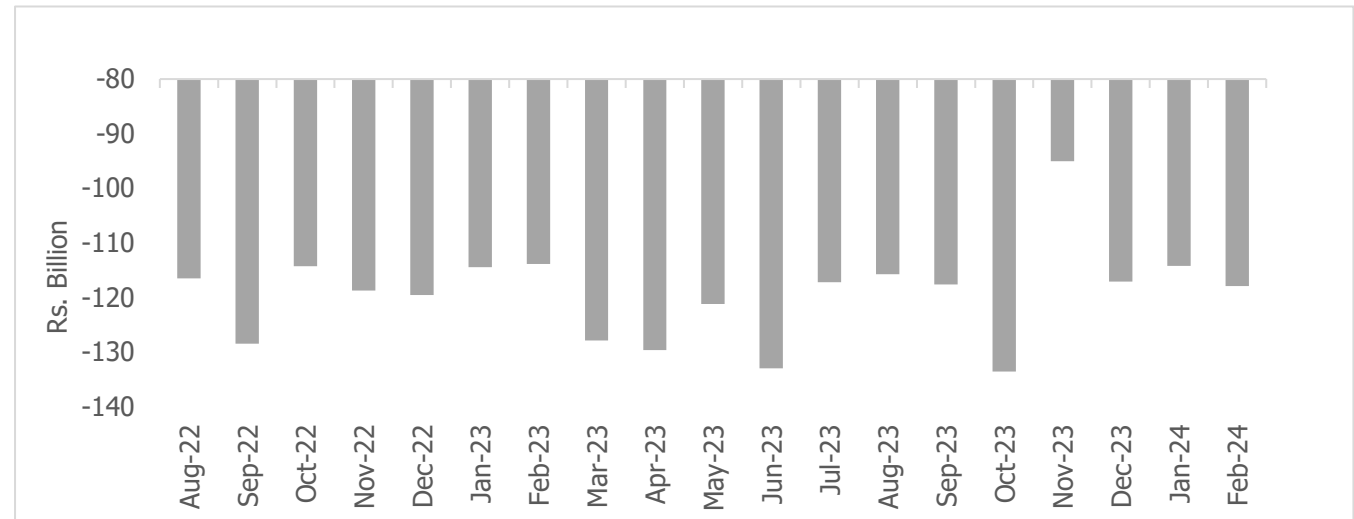
Forex Reserves and Import Cover



Source: Nepal Rastra Bank (*Import capacity includes cover for merchandise & services)

Furthermore, the balance of payments (BoP) recorded a surplus of Rs 297.7 billion in the first seven months of the fiscal year, compared to a surplus of Rs 128.5 billion in the corresponding period of the previous year.

Trade Deficit

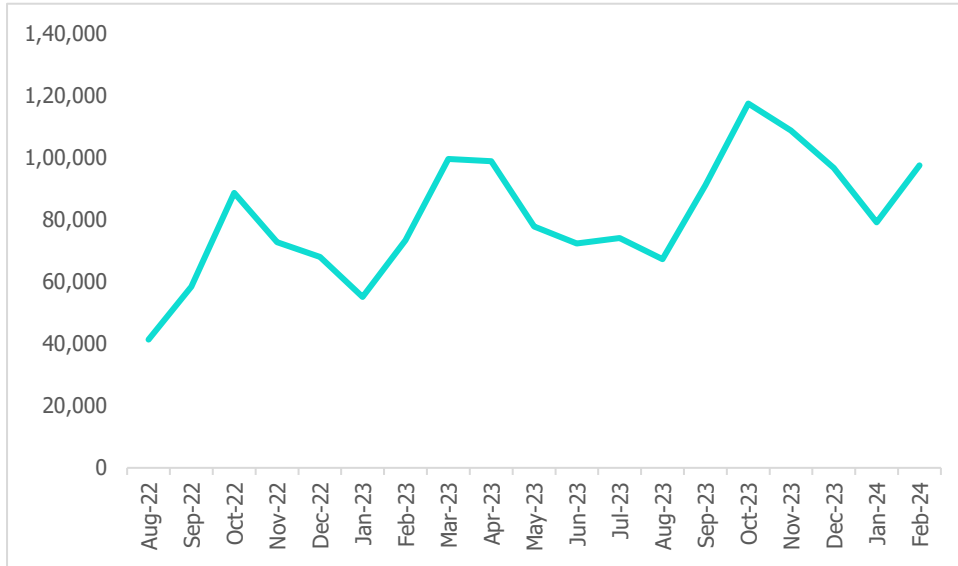


Source: Nepal Rastra Bank

Tourism

Tourist arrivals in Nepal saw a surge in mid-February, reversing from a downward trend for the past 3 months. Tourist arrivals increased 33% (y-o-y) to 97,426 in mid-February. A total of 10.1 lakh tourists visited Nepal in 2023, while there were 6.1 lakh tourists visited in 2022.

Tourist Arrivals

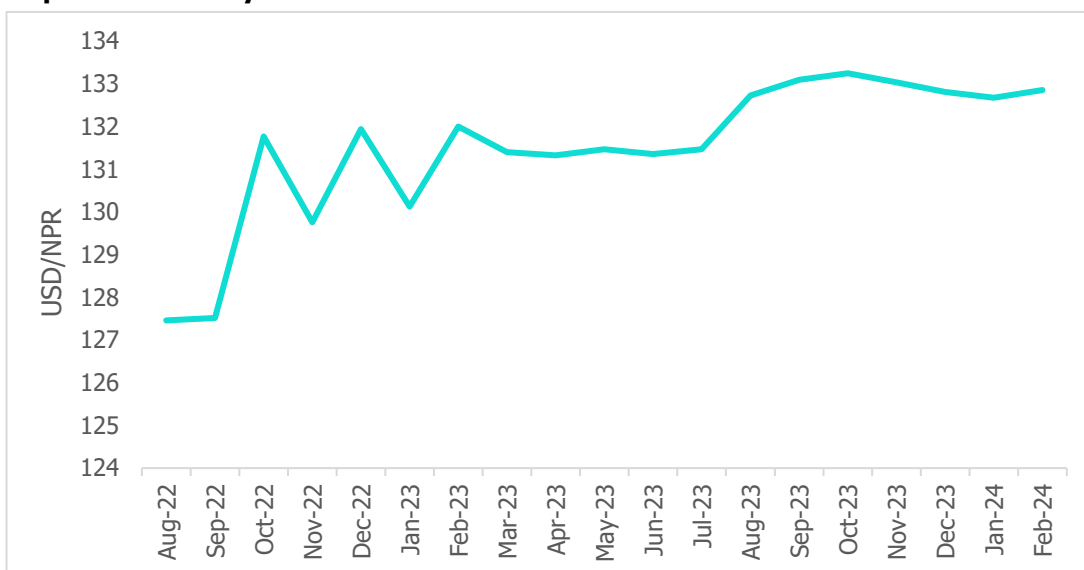


Source: Nepal Rastra Bank

Currency Movements

The Nepalese currency has been relatively stable throughout this fiscal year as against last fiscal year. It has weakened 1.1% from mid-July 2023 to mid-February 2024. The strengthening of the dollar index and the depreciation of the Indian Rupee against the USD have also had an impact on the Nepalese currency.

Nepalese Currency Movement



Source: Nepal Rastra Bank

Monthly Data of Key Economic Variables

Indicators (Mid-Month)	October	November	December	January	February
	2023	2023	2023	2024	2024
Consumer price inflation (y-o-y%)	7.5	5.4	5.0	5.3	5.0
Wholesale price inflation (y-o-y%)	2.8	2.1	2.6	3.4	2.8
Export growth (y-o-y%)	9.8	-25.2	0.9	-12.9	-6.0
Import growth (y-o-y%)	16.1	-20.5	-1.8	-1.5	2.6
Trade deficit (Rs billion)	133.6	95.1	117.1	114.2	117.9
Worker's remittances (Rs billion)	137.0	112.6	135.3	120.0	105.8
Foreign exchange reserves (\$ billion)	12.3	12.8	13.3	13.7	13.9
Domestic credit (y-o-y%)	9.0	8.8	8.5	8.6	8.0
Deposits (y-o-y%)	14.9	14.3	15.0	14.9	14.4
Repo rate (%)	6.5	6.5	5.5	5.5	5.5
Bank rate (%)	7.5	7.5	7.0	7.0	7.0
Weighted average deposit rate (%)	7.9	7.8	7.6	7.3	7.0
Weighted average lending rates (%)	12.1	12.0	11.8	11.4	11.1

Source: Nepal Rastra Bank

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