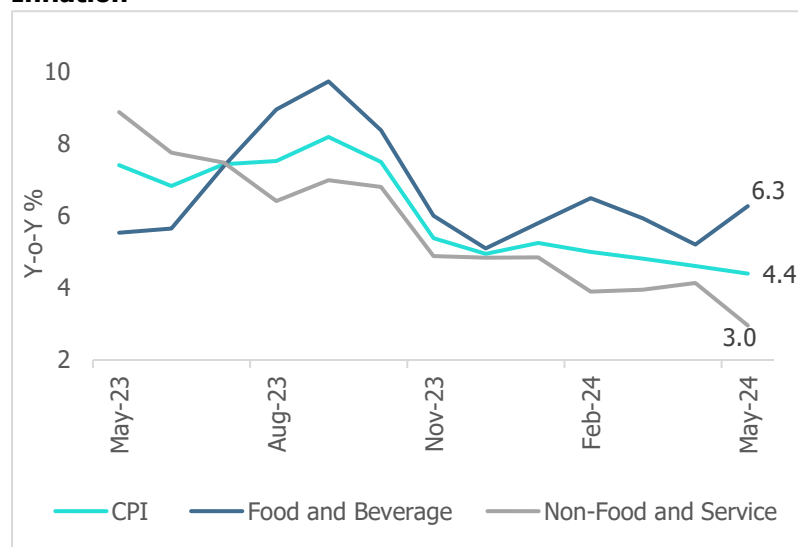


In mid-May 2024, Nepal's macroeconomic situation was marked by moderating inflation and record-high foreign exchange reserves. Moderation in Non-Food and Services category inflation aided the overall consumer price inflation, benefitting consumers. Foreign exchange reserves continued to grow and reached a historical high, providing a buffer against external risks. Nepal's balance of payments remained in surplus, along with high net transfers in the first ten months of the fiscal year. Additionally, there was a month-on-month slowdown in exports and imports.

## Inflation



Source: Nepal Rastra Bank

Nepal's consumer price inflation moderated to 4.4% (y-o-y) in mid-May. Low price rises in non-food and service categories helped in this moderation. Food and Beverage category inflation stood at 6.3% (5.2% last month), while Non-Food and Services category inflation moderated to 3% (4.1% last month).

Within the Non-Food and Services category, the y-o-y price index decreased for communication subcategories, while it increased for miscellaneous goods & services sub-category, education and clothing & footwear.

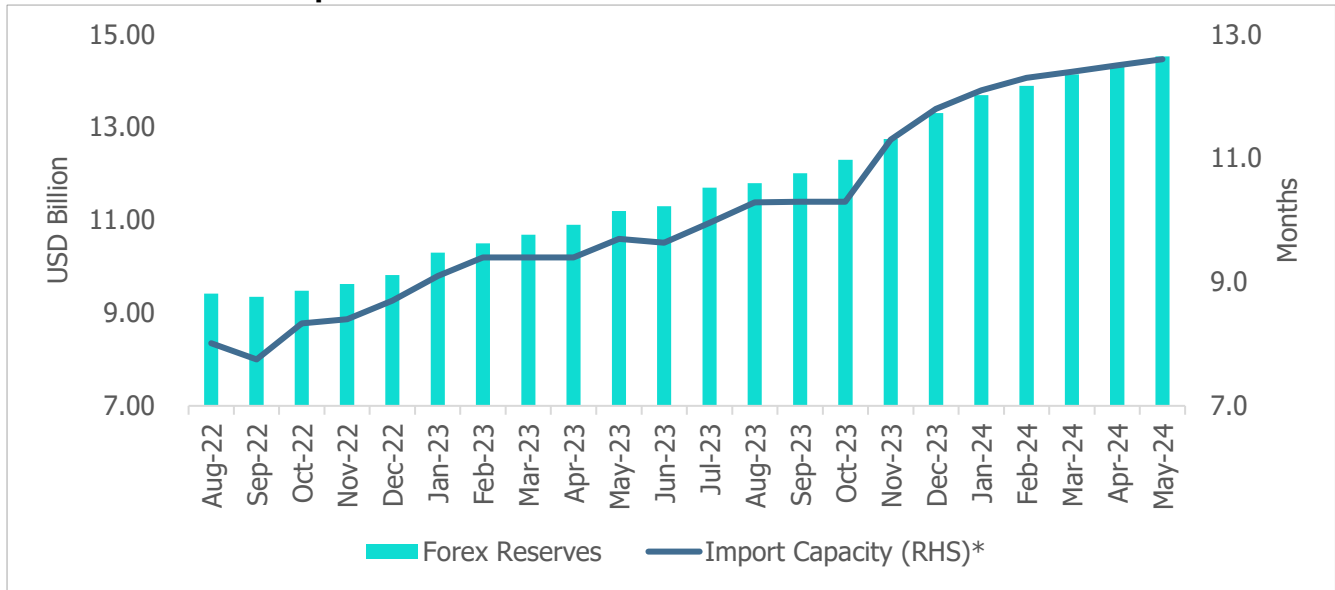
Wholesale price inflation increased to 5.7% (y-o-y) in mid-May from 4.9% a month ago. Moreover, the overall salary and wage rate index moderated to 5.2% (y-o-y) from 5.3% last month. The salary index and wage rate index stood at 1.1% (y-o-y) and 6.5%, respectively.

## External Sector

Nepal's foreign exchange reserves have been steadily increasing, hitting a record high of USD 14.53 billion in mid-May, a 24% rise since mid-July. These reserves can cover 12.6 months of anticipated merchandise and services imports. Additionally, remittance inflows have grown by 7% since mid-July, reaching Rs 116 billion in mid-May.

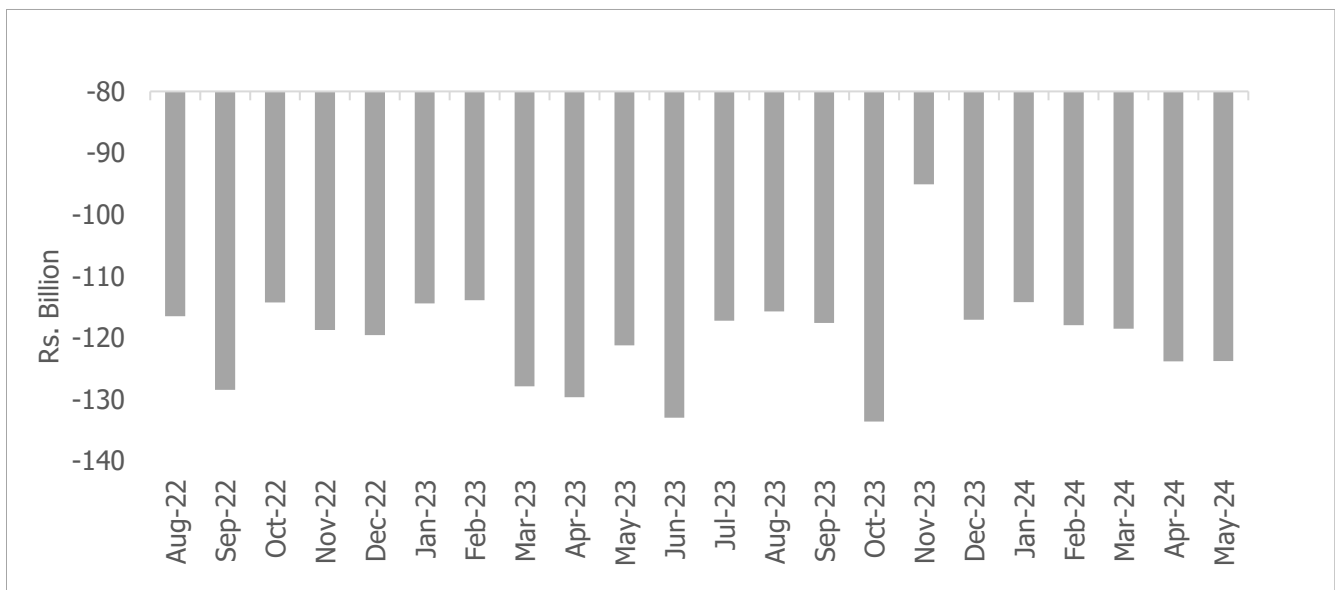
Nepal's merchandise exports contracted by 3% (y-o-y) to Rs 12.2 billion in mid-May. Sequentially, export growth declined by 8%, extending the downward trend from the previous month. Merchandise imports increased by 2% (y-o-y) to Rs 136 billion, reversing a contraction seen in the last 2 months. However, on a sequential basis, imports contracted by 1%. The total trade deficit remained at Rs 124 billion in mid-May.

**Forex Reserves and Import Cover**



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

**Trade Deficit**



Source: Nepal Rastra Bank

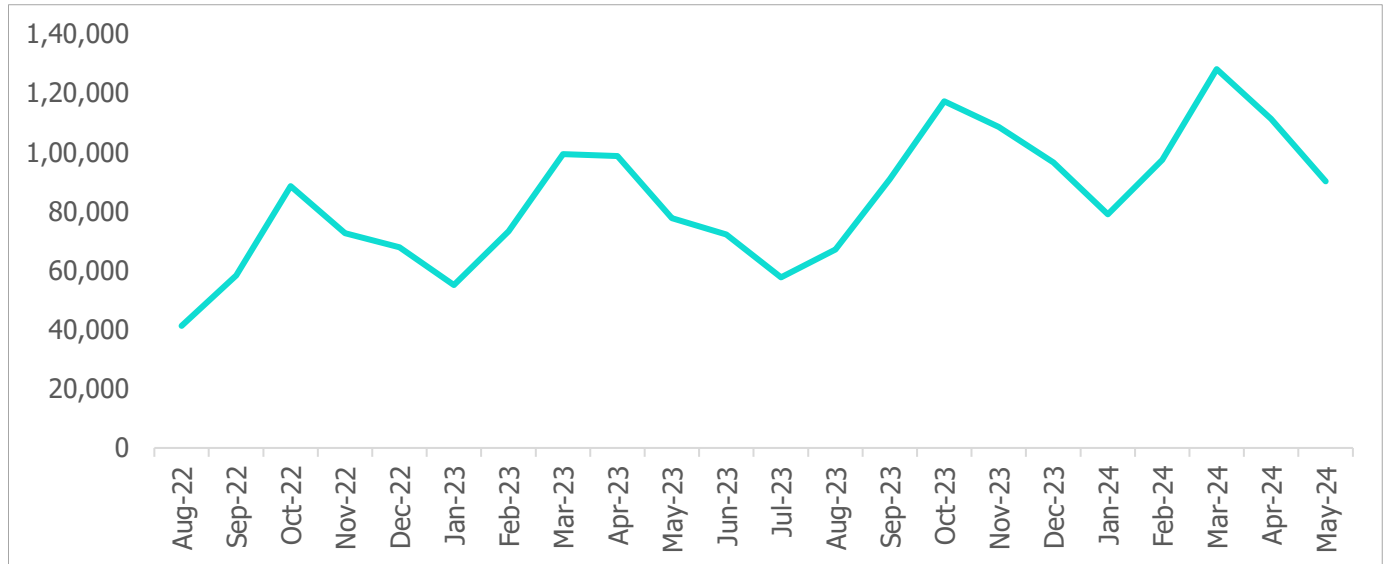
In the first ten months of the fiscal year, Nepal’s current account registered a surplus of Rs 193.3 billion, a significant turnaround from the Rs 63.7 billion deficit during the same period last year. This improvement was driven by high net transfers, supported by strong remittance inflows. Foreign direct investment (FDI) also saw an increase, reaching Rs 7 billion compared to Rs 6.2 billion in the corresponding period last year.

The balance of payments (BoP) showed a surplus of Rs 392.6 billion during the first ten months, rising from the Rs 209.5 billion surplus recorded in the same period of the previous year.

## Tourism

Nepal's tourism sector saw a moderation in mid-May, with year-on-year growth in tourist arrivals at 16%, up from 13% in the previous month. However, tourist arrivals contracted by 19% sequentially. Additionally, in the first five months of 2024, Nepal welcomed 5.1 lakh tourists, compared to 4 lakh tourists in the same period last year.

### Tourist Arrivals



Source: Nepal Rastra Bank

### Monthly Data of Key Economic Variables

Indicators (Mid-Month)	January 2024	February 2024	March 2024	April 2024	May 2024
Consumer price inflation (y-o-y%)	5.3	5.0	4.8	4.6	4.4
Wholesale price inflation (y-o-y%)	3.4	2.8	3.7	4.9	5.7
Export growth (y-o-y%)	-12.9	-6.0	21.3	-1.2	-3.1
Import growth (y-o-y%)	-1.5	2.6	-5.0	-4.2	1.6
Trade deficit (Rs billion)	114.2	117.9	118.5	123.8	123.8
Worker's remittances (Rs billion)	120.0	105.8	122.2	121.4	116.0
Foreign exchange reserves (\$ billion)	13.7	13.9	14.1	14.4	14.5
Domestic credit (y-o-y%)	8.6	8.0	8.4	5.5	5.9
Deposits (y-o-y%)	14.9	14.4	14.6	12.5	12.8
Repo rate (%)	5.5	5.5	5.5	5.5	5.5
Bank rate (%)	7.0	7.0	7.0	7.0	7.0
Weighted average deposit rate (%)	7.3	7.0	6.7	6.5	6.4
Weighted average lending rates (%)	11.4	11.1	10.8	10.6	10.3

Source: Nepal Rastra Bank

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