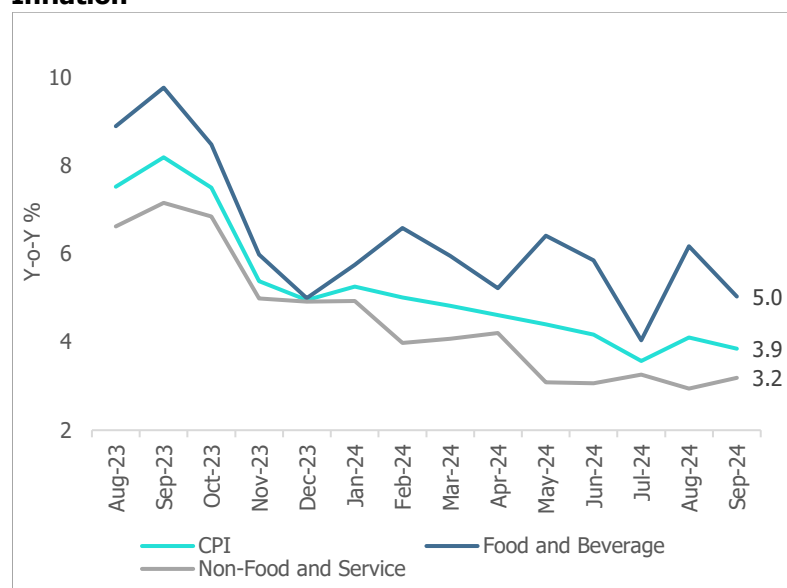


In mid-September 2024, Nepal’s macroeconomic situation was marked by moderating inflation, record-high foreign exchange reserves, and a surge in tourist arrivals. Moderation in food and beverage category inflation aided to the overall consumer price inflation. Foreign exchange reserves continued to grow, reaching an all-time high and providing a buffer against external risks. Nepal's balance of payments remained in surplus, along with high net capital transfers in the first two months of the fiscal year. Additionally, there was a month-on-month uptick in both exports and imports.

Inflation



Source: Nepal Rastra Bank

Nepal’s consumer price inflation eased marginally to 3.9% year-on-year (y-o-y) in mid-September, down from 4.1% in mid-August, driven by a moderation within the food and beverage category to 5.0% (Vs 6.2% in mid-August). This moderation was balanced by an increase in the non-food and services category inflation, reaching 3.2%, compared to 2.9% in the previous month.

Within the food and beverage category, the y-o-y price index decreased for spices sub-category, but increased for pulse and legumes sub-category, vegetable, cereal grains & their products, and fruit.

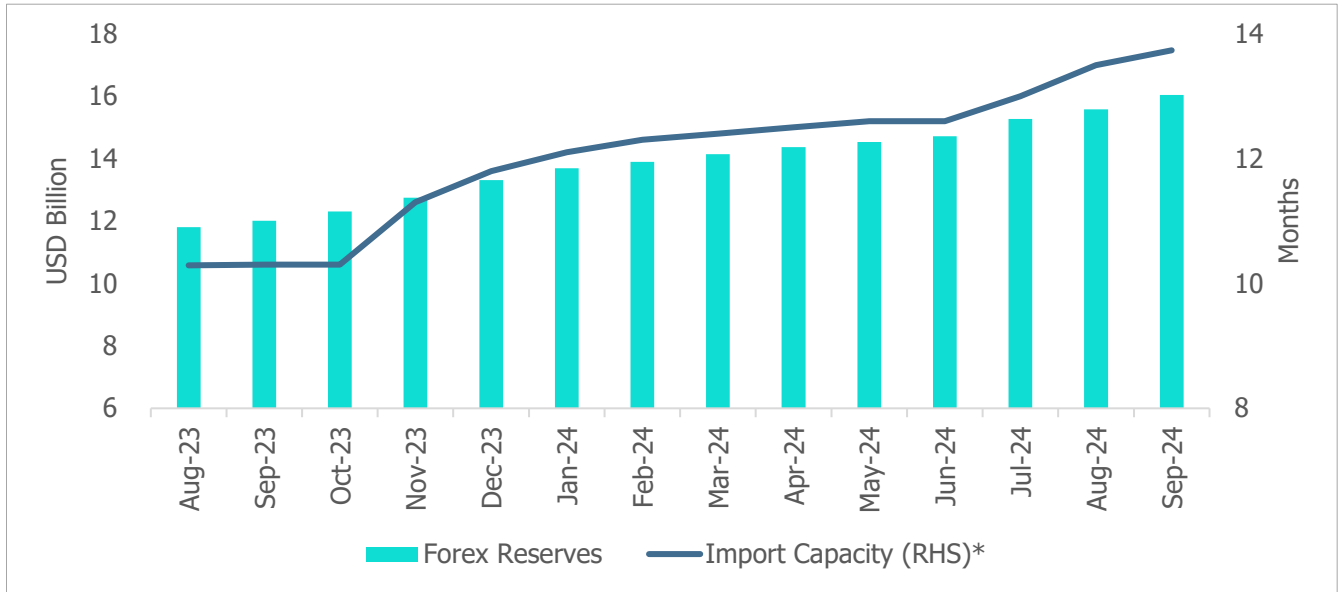
Under the non-food and services category, y-o-y price index increased for miscellaneous goods and services sub-category, alcoholic drinks, clothes & footwear and furnishing & household equipment while it remained constant for insurance and financial services sub-category.

External Sector

Nepal's foreign exchange reserves have been steadily increasing, reaching a record high of USD 16.0 billion in mid-September, a 5% rise since mid-July. These reserves are sufficient to cover 13.7 months of expected merchandise and services imports. Additionally, remittance inflows have grown by 7.1% since mid-July, reaching Rs 126.2 billion in mid-September.

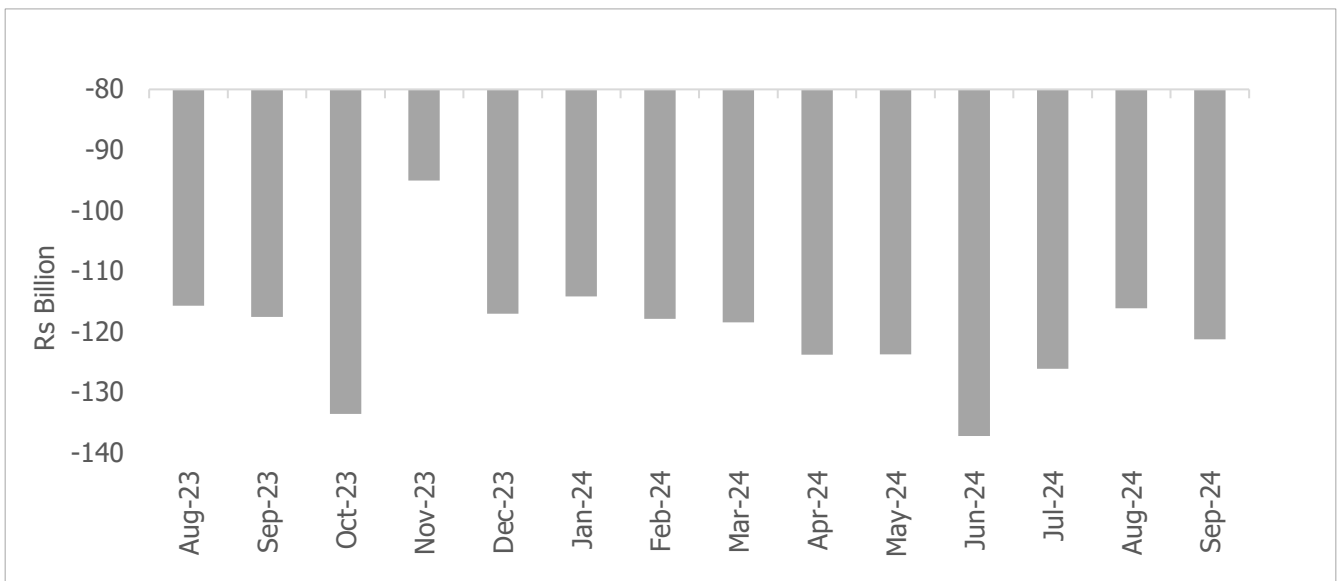
Nepal's merchandise exports contracted marginally by 0.4% (y-o-y) to Rs 12.9 billion in mid-September. However, on a month-on-month basis, export grew by 5.2%, recovering from a 6.8% decline in the previous month. Merchandise imports increased by 2.8% (y-o-y) to Rs 134.2 billion, and sequentially, imports surged by 4.5%. Consequently, the total trade deficit widened to Rs 121.3 billion in mid-September, up from Rs 116.2 billion in the previous month. In mid-September 2023, the trade deficit stood at Rs 117.6 billion.

Forex Reserves and Import Cover



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

Trade Deficit



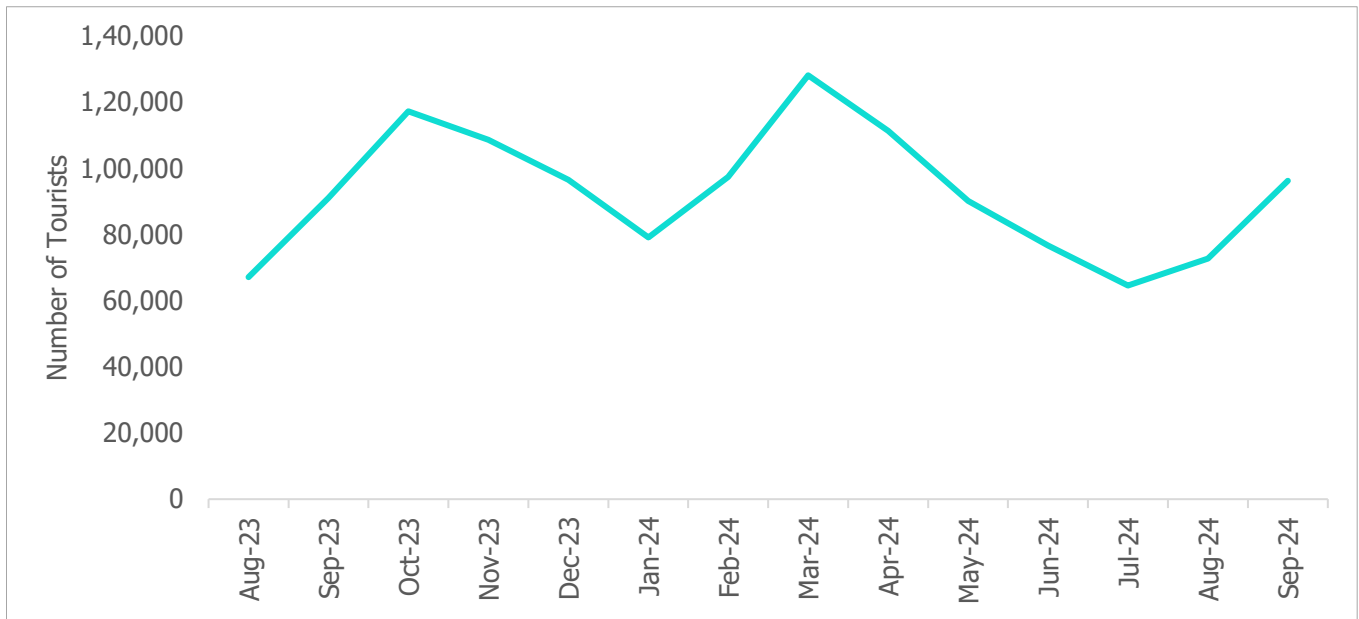
Source: Nepal Rastra Bank

In the first two months of the fiscal year, Nepal's current account registered a surplus of Rs 49.7 billion, up from Rs 24.0 billion in the same period last year. Net capital transfers also increased, reaching Rs 1.2 billion, compared to Rs 0.9 billion during the corresponding period the previous year. Moreover, foreign direct investment inflow (equity only) stood at Rs 2.7 billion, down from Rs 3.0 billion in the same period last year. The balance of payments (BoP) showed a surplus of Rs 101.8 billion during the first two months, up from Rs 55.1 billion surplus recorded in the same period of the previous year.

Tourism

Nepal's tourism sector experienced an upsurge in mid-September, with sequential growth in tourist arrivals by 32.4%, up from 12.6% in the previous month. On a year-on-year basis, tourist arrivals grew by 5.8% in mid-September. Additionally, in the first nine months of 2024, Nepal welcomed 8.2 lakh tourists, compared to 6.9 lakh tourists in the same period last year.

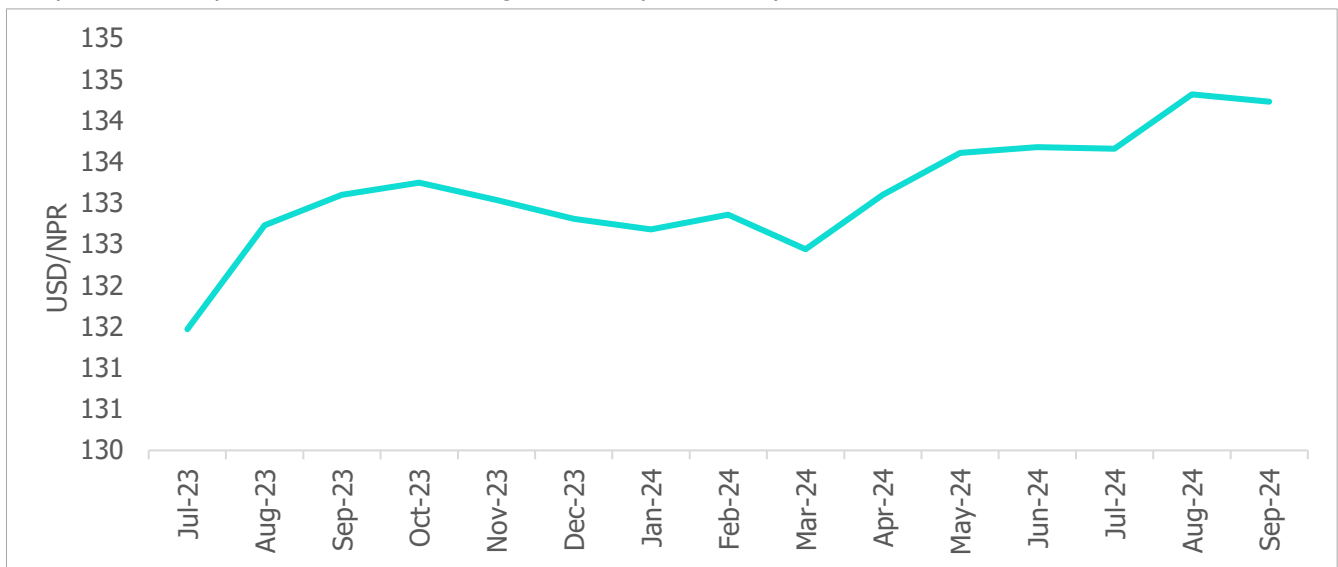
Tourist Arrivals



Source: Nepal Rastra Bank

Currency Movement

The Nepalese currency depreciated by 0.4% against the US dollar in FYTD 2024/25 (up to mid-September), compared to a depreciation of 1.2% during the same period last year.



Source: Nepal Rastra Bank

Monthly Data of Key Economic Variables

Indicators (Mid-Month)	May	June	July	August	September
	2024	2024	2024	2024	2024
Consumer price inflation (y-o-y%)	4.4	4.2	3.6	4.1	3.9
Wholesale price inflation (y-o-y%)	5.7	5.5	4.4	3.7	2.8
Merchandise Export growth (y-o-y%)	-3.1	3.2	-3.2	-9.6	-0.4
Merchandise Import growth (y-o-y%)	1.6	3.2	6.5	-0.7	2.8
Trade deficit (Rs billion)	123.8	137.3	126.2	116.2	121.3
Worker's remittances (Rs billion)	116.0	128.9	117.8	136.9	126.2
Foreign exchange reserves (\$ billion)	14.5	14.7	15.3	15.6	16.0
Domestic credit (y-o-y%)	5.9	5.8	6.1	7.7	6.3
Deposits (y-o-y%)	12.8	12.6	13.0	14.9	13.8
Repo rate (%)	5.5	5.5	5.5	5.0	5.0
Bank rate (%)	7.0	7.0	7.0	6.5	6.5
Weighted average deposit rate (%)	6.4	6.2	5.8	5.7	5.5
Weighted average lending rates (%)	10.3	10.2	9.9	9.7	9.5

Source: Nepal Rastra Bank

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