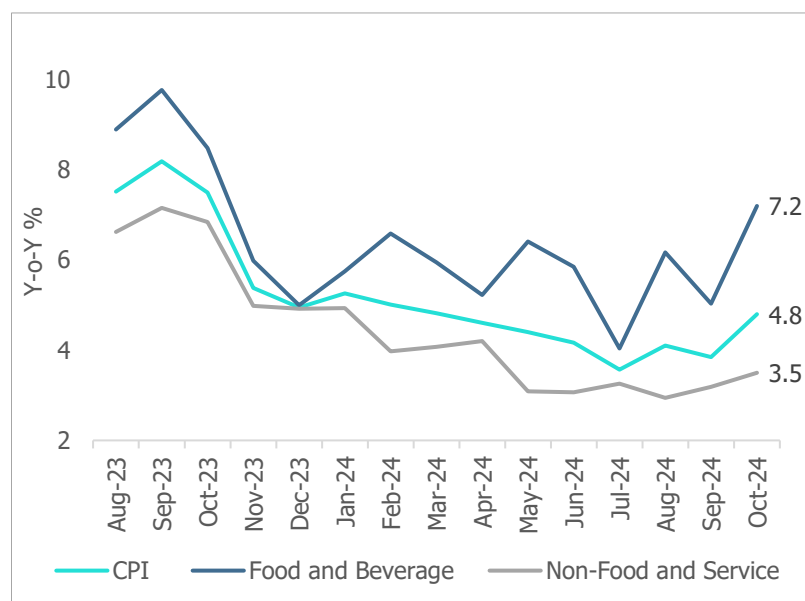


In mid-October 2024, Nepal's macroeconomic landscape was characterised by a rise in inflation, record-high foreign exchange reserves, and a significant increase in tourist arrivals. The country's foreign exchange reserves reached an all-time high, enhancing its buffer against external risks. The trade deficit also narrowed during this period, reflecting improvements in the external economic environment. Additionally, Nepal's balance of payments remained in surplus, supported by strong net capital transfers in the first three months of the fiscal year.

Inflation



Source: Nepal Rastra Bank

Nepal's consumer price inflation rose to 4.8% year-on-year (y-o-y) in mid-October, up from 3.9% in mid-September. Inflation in the food and beverage category increased sharply to 7.2% from 5% in the previous month, while non-food and services category inflation edged up to 3.5% from 3.2%.

Within the food and beverage category, the y-o-y price index saw increases in sub-categories such as vegetables, pulses & legumes, cereal grains & their products, and ghee & oil. Conversely, the price index declined for meat & fish, spices, and sugar & sugar products.

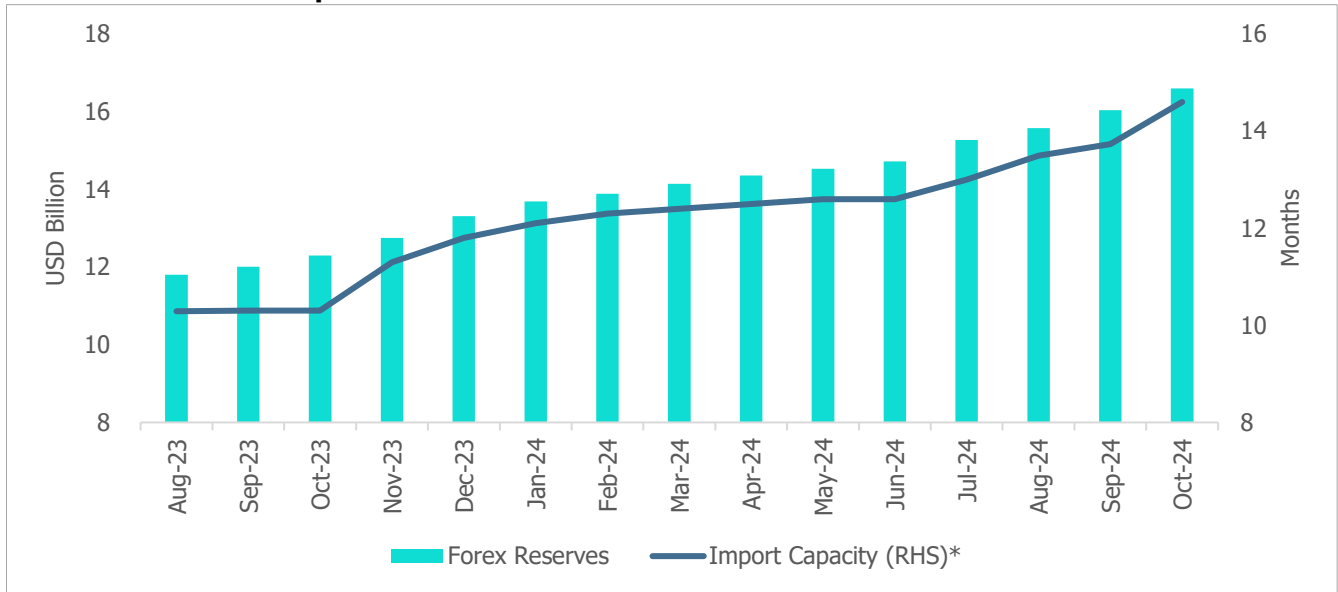
In the non-food and services category, the y-o-y price index rose for sub-categories including miscellaneous goods & services, alcoholic drinks, clothes & footwear, and furnishings & household equipment.

External Sector

Nepal's foreign exchange reserves reached a record high of USD 16.6 billion in mid-October, marking an 8.7% increase since mid-July. These reserves are sufficient to cover 14.6 months of expected merchandise and services imports. Moreover, remittance inflows have grown significantly, rising by 22.4% since mid-July to Rs 144.2 billion in mid-October.

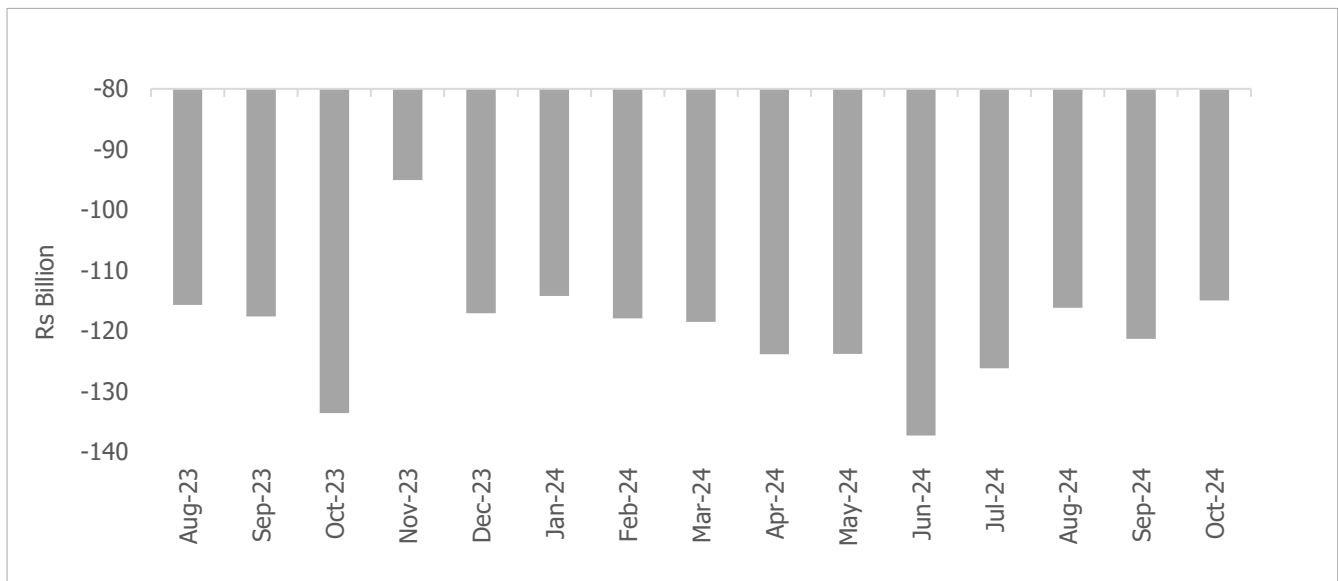
Nepal's merchandise exports contracted by 7.9% (y-o-y) to Rs 13.3 billion in mid-October. Sequentially, exports rose by 3.3%, moderating from the 5.2% growth seen in the previous month. Meanwhile, merchandise imports contracted by 13.4% (y-o-y) to Rs 128.2 billion and declined sequentially by 4.4%. The trade deficit narrowed to Rs 114.9 billion in mid-October, compared to Rs 121.3 billion in the previous month and Rs 133.6 billion in mid-October 2023.

Forex Reserves and Import Cover



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

Trade Deficit



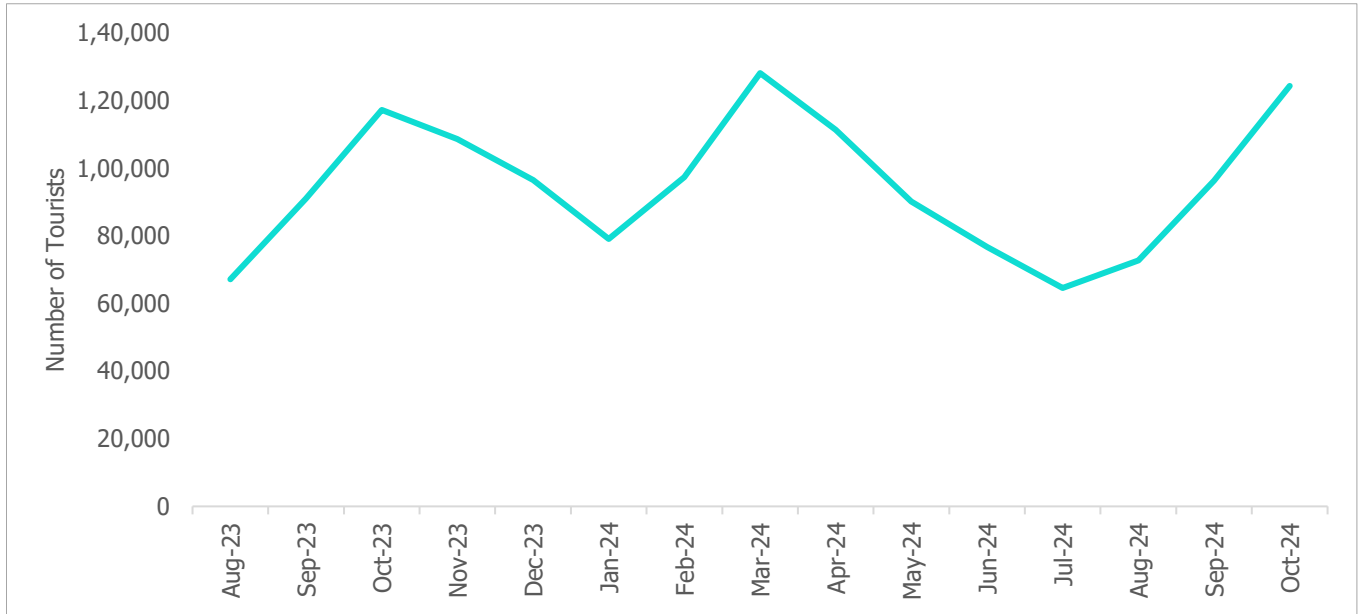
Source: Nepal Rastra Bank

During the first three months of the fiscal year, Nepal's current account posted a surplus of Rs 111.9 billion, higher than the Rs 59.7 billion recorded in the same period last year. Net capital transfers rose to Rs 2 billion, compared to Rs 1.2 billion during the same period a year ago. Foreign direct investment inflows (equity only) also increased, reaching Rs 4.8 billion from Rs 3.4 billion, previously. Additionally, the balance of payments (BoP) registered a surplus of Rs 185 billion during the first three months, up from Rs 101.7 billion in the corresponding period last year.

Tourism

Nepal's tourism sector witnessed a boost in mid-October, with tourist arrivals increasing sequentially by 29.2%, following a 32.4% rise in the previous month. On a year-on-year basis, arrivals grew by 6% in mid-October. Cumulatively, Nepal welcomed 9.4 lakh tourists during the first ten months of 2024, up from 8.1 lakh during the same period last year.

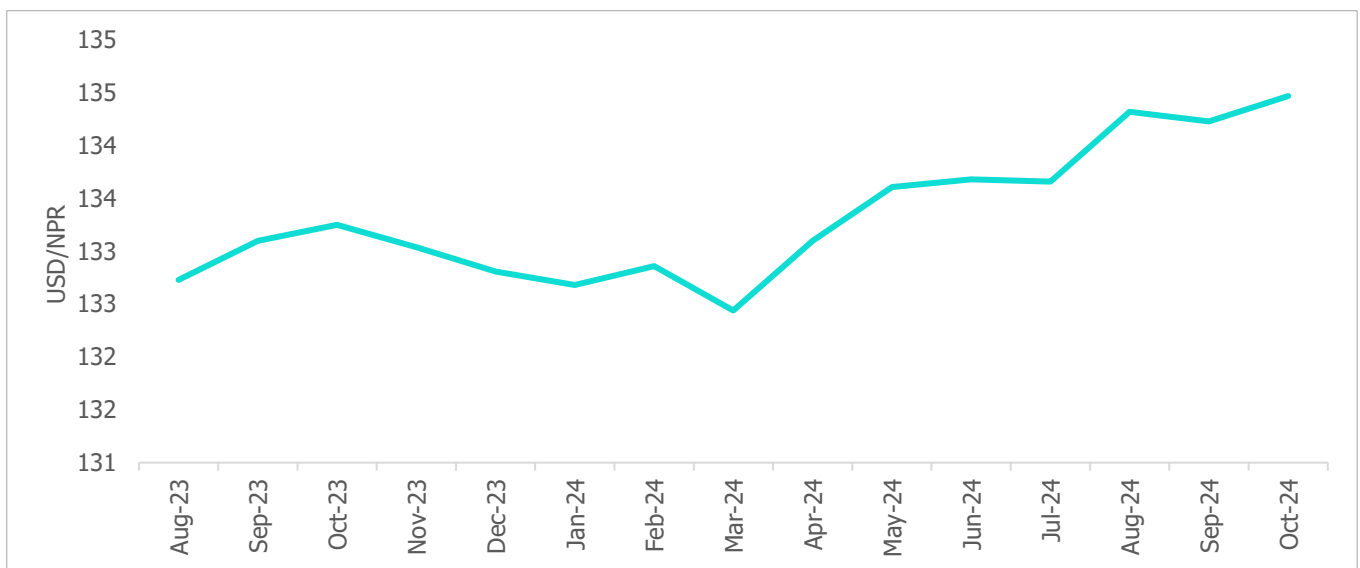
Tourist Arrivals



Source: Nepal Rastra Bank

Currency Movement

The Nepalese currency experienced a 0.6% depreciation against the US dollar in FYTD 2024/25 (up to mid-October), compared to the 1.4% depreciation during the same period last year.



Source: Nepal Rastra Bank

Monthly Data of Key Economic Variables

Indicators (Mid-Month)	June	July	August	September	October
	2024	2024	2024	2024	2024
Consumer price inflation (y-o-y%)	4.2	3.6	4.1	3.9	4.8
Wholesale price inflation (y-o-y%)	5.5	4.4	3.7	2.8	5.5
Merchandise Export growth (y-o-y%)	3.2	-3.2	-9.6	-0.4	-7.9
Merchandise Import growth (y-o-y%)	3.2	6.5	-0.7	2.8	-13.4
Trade deficit (Rs billion)	137.3	126.2	116.2	121.3	114.9
Worker's remittances (Rs billion)	128.9	117.8	136.9	126.2	144.2
Foreign exchange reserves (\$ billion)	14.7	15.3	15.6	16.0	16.6
Domestic credit (y-o-y%)	5.8	6.1	7.7	6.3	6.1
Deposits (y-o-y%)	12.6	13.0	14.9	13.8	12.8
Repo rate (%)	5.5	5.5	5.0	5.0	5.0
Bank rate (%)	7.0	7.0	6.5	6.5	6.5
Weighted average deposit rate (%)	6.2	5.8	5.7	5.5	5.2
Weighted average lending rates (%)	10.2	9.9	9.7	9.5	9.3

Source: Nepal Rastra Bank

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