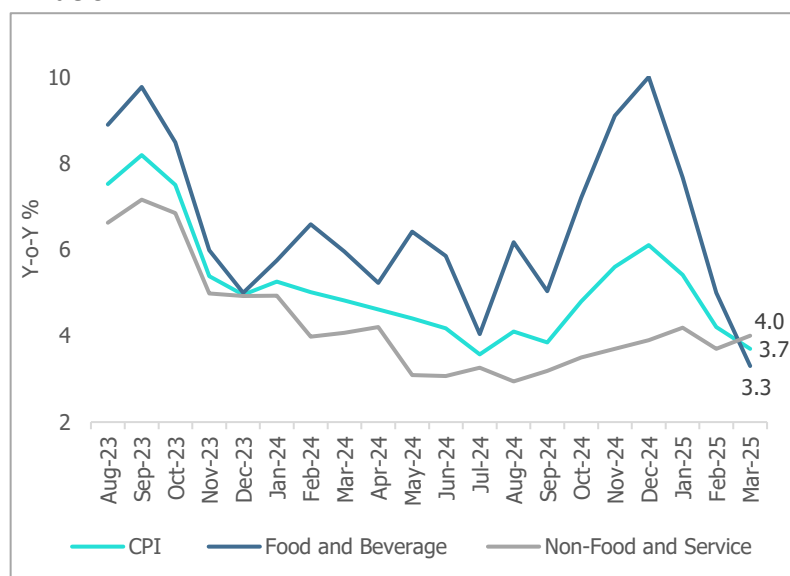


In mid-March 2025, Nepal's economy experienced moderating inflation and a surge in tourist arrivals. Price pressures in the food and beverage category have been witnessing sustained moderation. The trade deficit narrowed to Rs 126 billion in mid-March. During the first eight months of the fiscal year, the balance of payments continued to show a surplus, supported by strong net capital transfers.

Inflation



Source: Nepal Rastra Bank

Nepal's consumer price inflation eased to 3.7% year-on-year (y-o-y) in mid-March from 4.2% in mid-February. This moderation was driven by a decline in food and beverage inflation, which eased to 3.3% from 5% in the previous month. At the same time, inflation in the non-food and services category edged up to 4% from 3.7%.

Within the food and beverage category, the y-o-y price index decreased in the spices, vegetables, and meat and fish subcategories. In contrast, an increase was seen in subcategories such as ghee and oil, pulses and legumes, fruits, and non-alcoholic drinks.

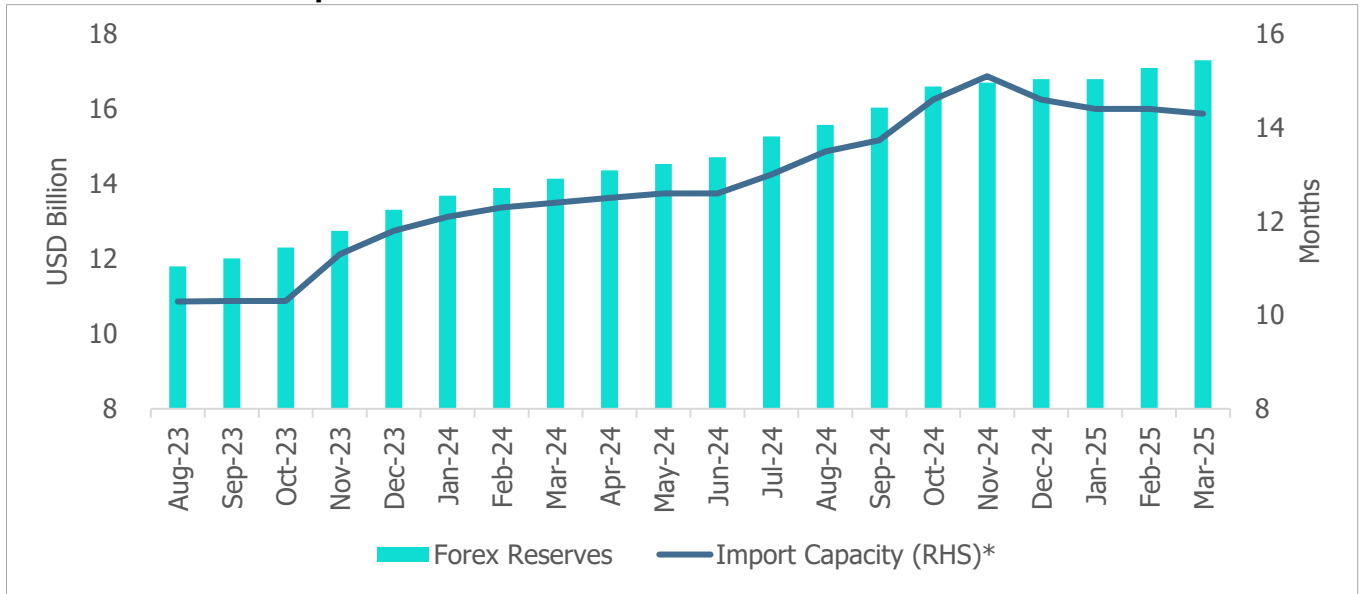
In the non-food and services category, the y-o-y price index rose for sub-categories including miscellaneous goods and services, clothes and footwear, alcoholic drinks, furnishings and household equipment, and transportation.

External Sector

In mid-March, Nepal's foreign exchange reserves hit a peak of USD 17.3 billion, marking a 13.3% rise since mid-July. These reserves adequately cover 14.3 months of anticipated merchandise and service imports. Remittance inflows rose to Rs 151.2 billion in mid-March, compared to Rs 137.5 billion the month before.

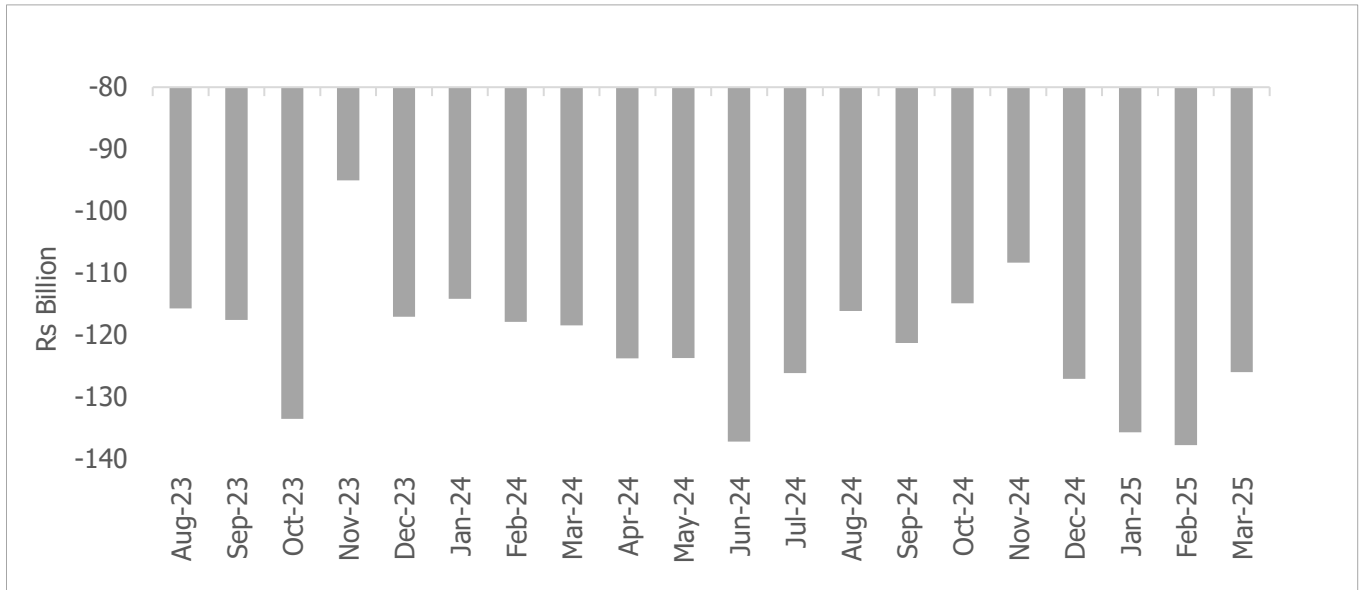
In mid-March, Nepal's merchandise exports surged 124.6% (y-o-y) to Rs 31 billion. Sequentially, exports rose by 9%. Export growth was majorly driven by an increment in the exports of soyabean oil, polyester yarn and thread, tea, particle board and cardamom during the first eight months of the fiscal year. Meanwhile, merchandise imports rose 18.7% (y-o-y) to Rs 157 billion. The trade deficit narrowed to Rs 126 billion in mid-March, down from Rs 137.8 billion in the previous month, but higher than Rs 118.5 billion in mid-March 2024.

Forex Reserves and Import Cover



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

Trade Deficit



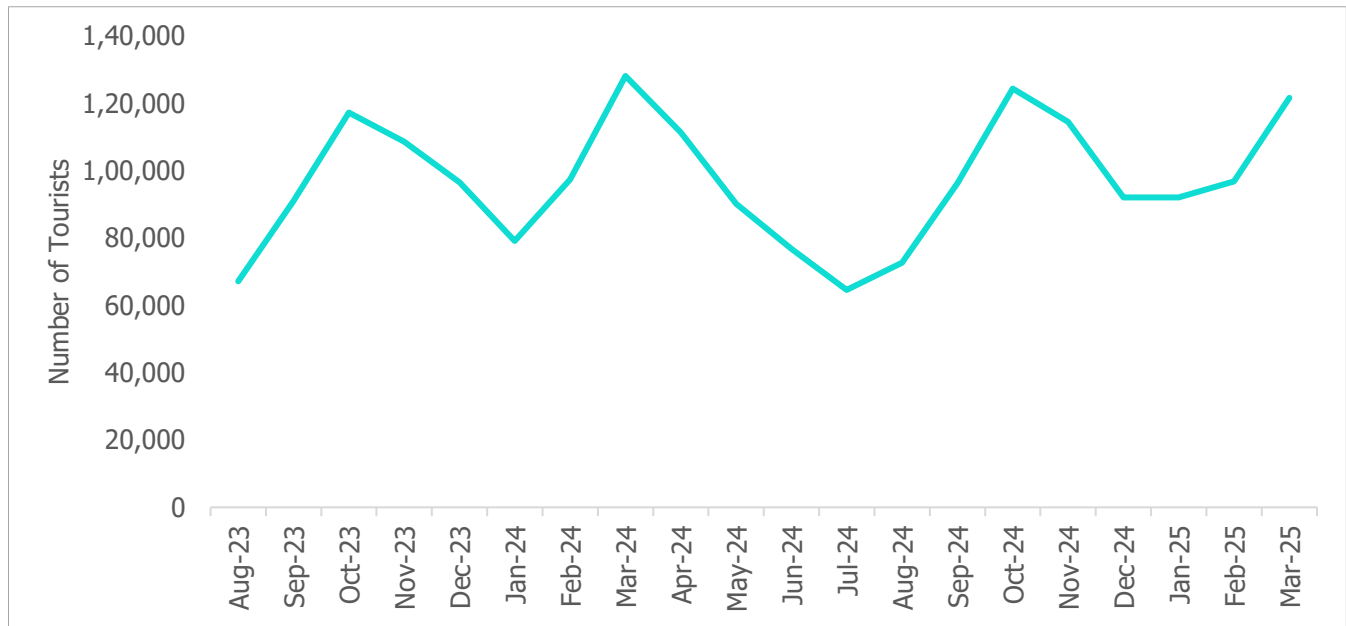
Source: Nepal Rastra Bank

During the first eight months of the fiscal year, Nepal's current account stayed in surplus at Rs 180.1 billion, higher than the Rs 167.4 billion reported the previous year. Net capital transfers climbed to Rs 6.4 billion, a rise from Rs 3.9 billion in the same period last year. Meanwhile, foreign direct investment (equity only) grew to Rs 8.5 billion, up from Rs 5.6 billion. Additionally, the balance of payments (BoP) registered a surplus of Rs 310.4 billion during the first eight months, compared to Rs 327.6 billion in the same period of the previous year.

Tourism

In mid-March, Nepal's tourism sector experienced a sequential pickup in tourist arrivals, increasing by 25.6%. However, compared to the previous year, arrivals decreased by 5.1%. In total, Nepal welcomed 8.1 lakh tourists during the first eight months of the fiscal year, a rise from the 7.9 lakh recorded in the same period last year.

Tourist Arrivals



Source: Nepal Rastra Bank

Monthly Data of Key Economic Variables

Indicators (Mid-Month)	November	December	January	February	March
	2024	2024	2025	2025	2025
Consumer price inflation (y-o-y%)	5.6	6.1	5.4	4.2	3.7
Wholesale price inflation (y-o-y%)	5.2	6.5	4.0	3.5	4.4
Merchandise export growth (y-o-y%)	47.5	66.0	113.7	139.5	124.6
Merchandise import growth (y-o-y%)	17.1	14.2	27.7	28.1	18.7
Trade deficit (Rs billion)	108.3	127.1	135.8	137.8	126.0
Workers' remittances (Rs billion)	114.3	118.8	122.7	137.5	151.2
Foreign exchange reserves (\$ billion)	16.7	16.8	16.8	17.1	17.3
Domestic credit (y-o-y%)	5.1	4.9	4.8	4.3	3.9
Deposits (y-o-y%)	12.6	10.9	9.9	9.7	9.5
Repo rate (%)	5.0	5.0	5.0	5.0	5.0
Bank rate (%)	6.5	6.5	6.5	6.5	6.5
Weighted average deposit rate (%)	5.0	4.8	4.8	4.6	4.5
Weighted average lending rates (%)	9.1	8.9	8.7	8.5	8.4

Source: Nepal Rastra Bank

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