

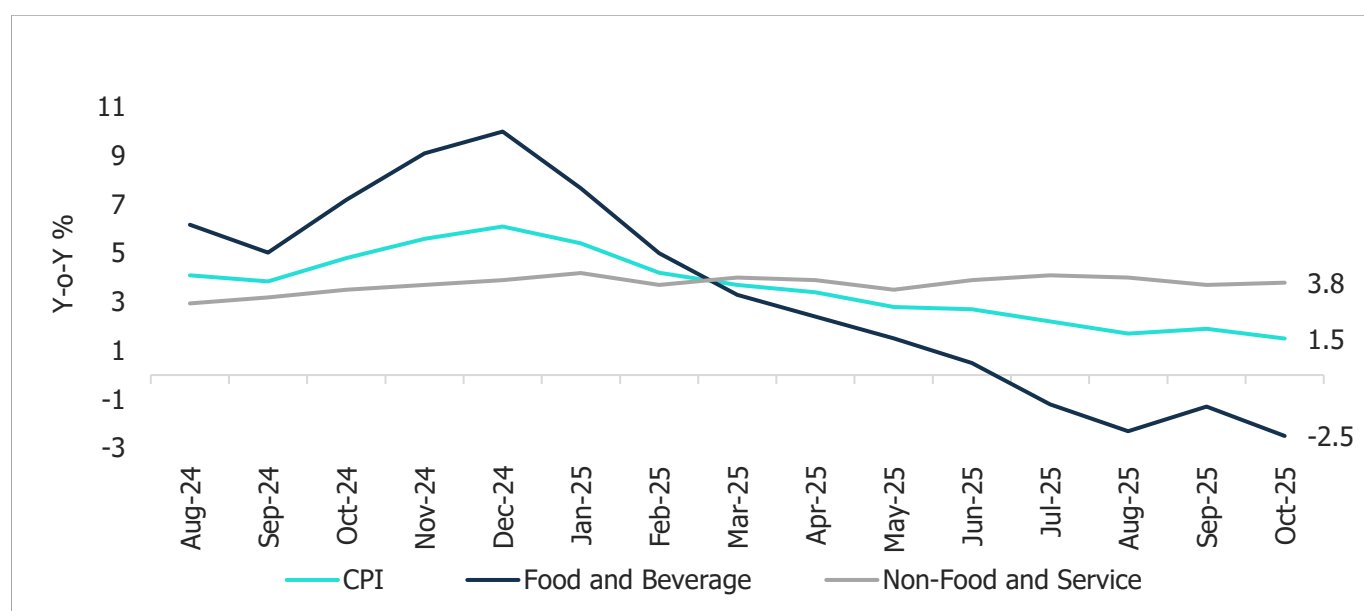
Nepal's macro indicators showed some improvement, although a sustained turnaround is yet to be seen. In mid-October, remittance inflows strengthened and inflation eased, providing some support to domestic demand. The government has stepped up outreach with targeted relief and business-support measures to help stabilise sentiment.

Tourism, despite recent upticks, remains under pressure. Even with over 128,000 arrivals in mid-October, the sector is still some distance from a full recovery. In the near term, Nepal's economic trajectory will hinge on political stabilisation and efforts to rebuild tourism momentum ahead of the winter peak season.

Inflation

Nepal's consumer price inflation eased to 1.5% year-on-year (y-o-y) in mid-October, down from 1.9% in mid-September. The food and beverage category saw deeper deflation, with prices falling 2.5% y-o-y compared to 1.3% a month earlier. Meanwhile, inflation in the non-food and services category inched up slightly to 3.8% from 3.7%.

Consumer Price Inflation



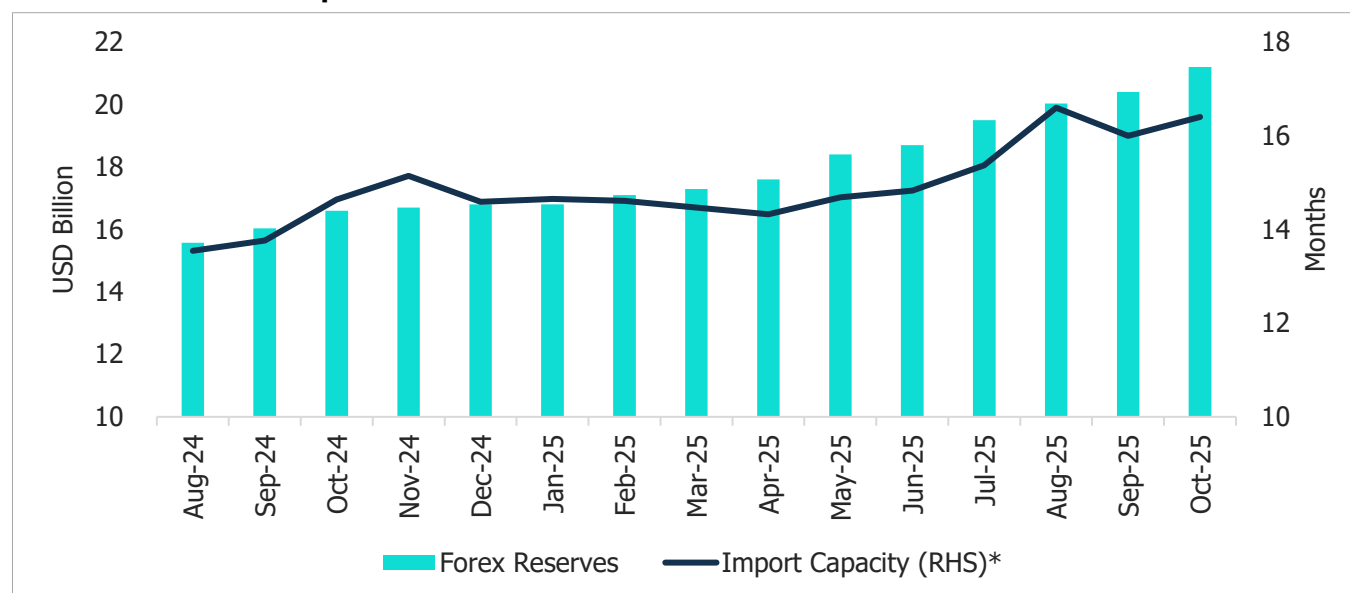
Source: Nepal Rastra Bank

External Sector

In mid-October, Nepal's foreign exchange reserves climbed to a record USD 21.2 billion, an 8.7% increase from mid-July. At this level, reserves are sufficient to cover 16.4 months of projected merchandise and services imports. Remittance inflows also strengthened, rising to Rs 201.2 billion in mid-October from Rs 174.7 billion in the previous month, supporting the external sector stability.

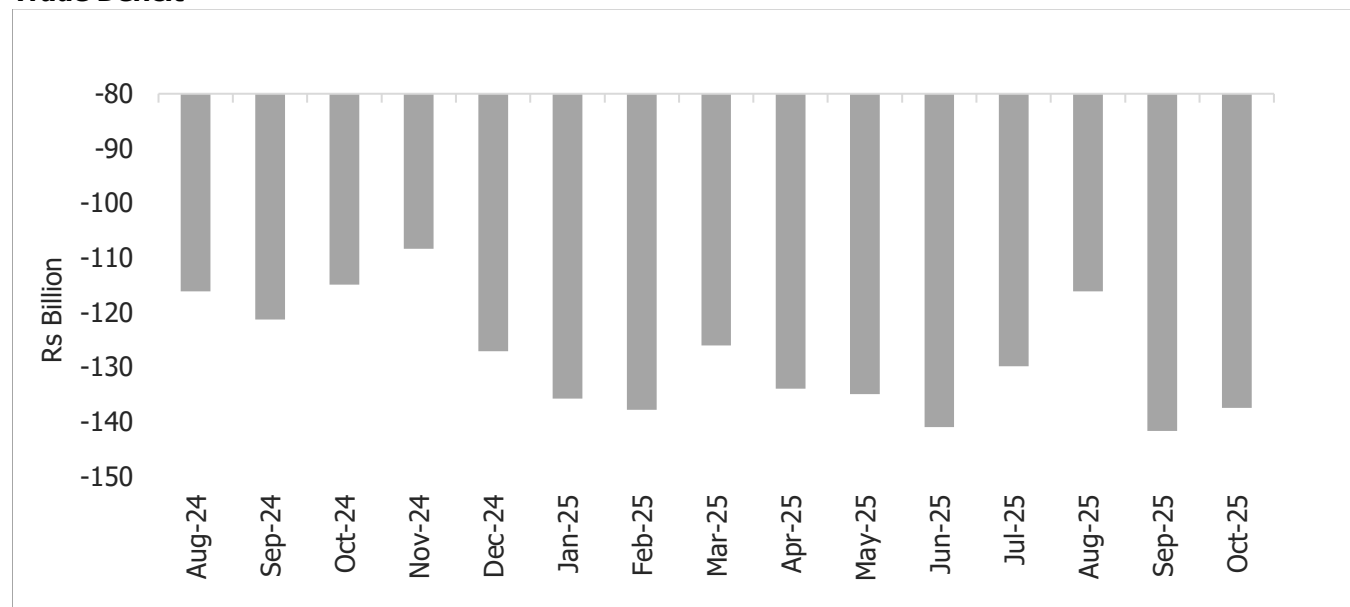
In mid-October, Nepal's merchandise exports inched up to Rs 25.5 billion, from Rs 23.4 billion in the previous month. In contrast, merchandise imports increased marginally over the previous month to Rs 162.9 billion (0.5%). As a result, the trade deficit narrowed slightly to Rs 137.5 billion, compared with Rs 141.7 billion a month earlier.

Forex Reserves and Import Cover



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

Trade Deficit



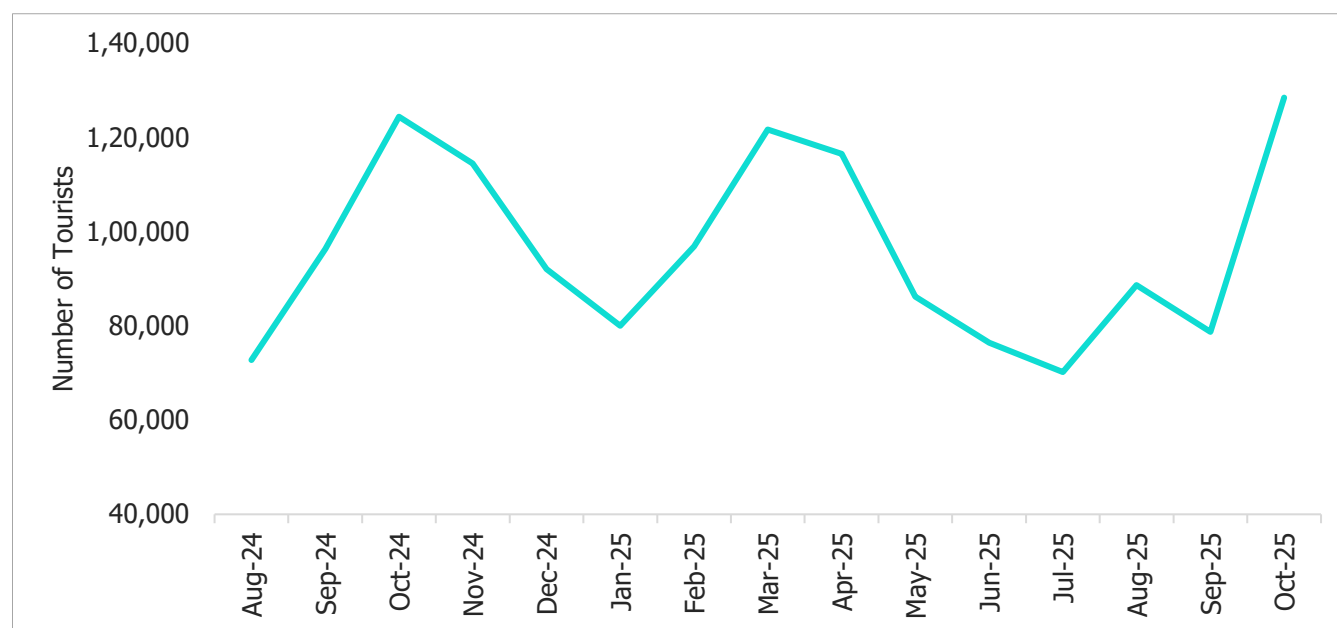
Source: Nepal Rastra Bank

During the first three months of the fiscal year, Nepal posted a current account surplus of Rs 237.6 billion, sharply higher than Rs 115.4 billion in the same period last year, supported by strong remittance inflows. Net capital transfers also rose to Rs 5.5 billion, up from Rs 2 billion a year earlier. However, foreign direct investment (equity only) weakened, falling to Rs 1.7 billion from Rs 4.8 billion in the corresponding period. The balance of payments surplus stood at Rs 264 billion, up from Rs 185 billion in the same period of the previous year.

Tourism

Tourist arrivals in Nepal rose by 63.2% in mid-October compared with the previous month, reflecting a pickup in travel demand. However, on a year-on-year basis, arrivals were up by only around 3%, signalling that the sector's broader recovery remains slow. While the recent improvement is encouraging, sustained growth will depend on political stability and the government's efforts to boost visitor confidence ahead of the winter season.

Tourist Arrivals



Source: Nepal Rastra Bank

Monthly Data of Key Economic Variables

Indicators (Mid-Month)	June	July	August	September	October
	2025	2025	2025	2025	2025
Consumer price inflation (y-o-y%)	2.7	2.2	1.7	1.9	1.5
Wholesale price inflation (y-o-y%)	1.6	1.0	2.4	2.1	1.3
Merchandise export growth (y-o-y%)	126.6	124.6	95.7	81.7	91.7
Merchandise import growth (y-o-y%)	13.5	14.4	11.4	20.8	27.1
Trade deficit (Rs billion)	141.0	129.9	116.2	141.7	137.5
Workers' remittances (Rs billion)	176.3	189.1	177.4	174.7	201.2
Foreign exchange reserves (USD billion)	18.7	19.5	20.0	20.4	21.2
Domestic credit (y-o-y%)	6.0	6.1	5.4	5.5	4.9
Deposits (y-o-y%)	12.0	12.6	12.5	12.5	13.0
Repo rate (%)	5.0	5.0	4.5	4.5	4.5
Bank rate (%)	6.5	6.5	6.0	6.0	6.0
Weighted average deposit rate (%)	4.3	4.2	4.0	4.0	3.9
Weighted average lending rates (%)	8.0	7.9	7.8	7.7	7.5

Source: Nepal Rastra Bank

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