

Current Macroeconomic and Financial Situation of Nepal

Based on One Month Data (Ending Mid-August) of 2026/27

Major Highlights

- CPI-based inflation remained at 5.96 percent on y-o-y basis.
- Gross foreign exchange reserves stood at Rs. 3946.23 billion. Such reserve remained 25.84 billion in USD terms. The reserve is sufficient to cover the prospective merchandise and services imports of 18.8 months.
- Current account and balance of payments remained at a surplus of Rs.94.59 billion and Rs.90.34 billion respectively.
- Remittances increased 21.2 percent in NPR terms and 10.2 percent in USD terms. Remittance inflow stood at Rs.215.05 billion.
- Exports increased 61.7 percent and imports increased 31.0 percent.
- Government expenditure amounted to Rs.41.89 billion and revenue mobilization amounted to Rs.92.23 Billion.
- Broad money (M2) decreased by 0.4 percent. On y-o-y basis, M2 expanded by 13.8 percent.
- Deposits at the BFIs decreased by 0.3 percent and private sector credit increased by 0.4 percent. On y-o-y basis, deposits increased by 14.5 percent and private sector credit increased by 7.0 percent.
- The weighted average interbank rate among the BFIs stands at 2.75 percent in the first month of 2026/27.
- Weighted average deposit rate of commercial banks stood 3.15 percent and lending rate stood at 6.48 percent.



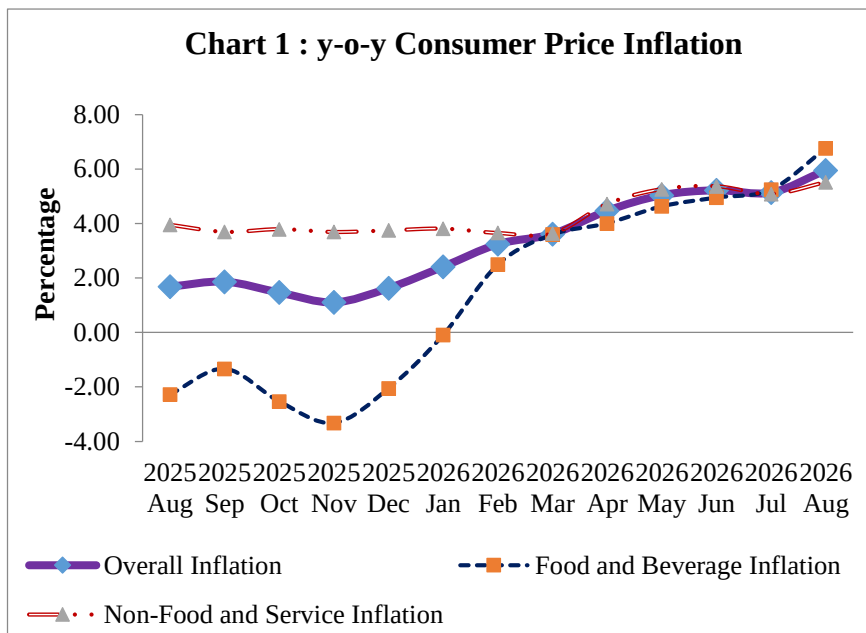
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Economic Research Department

2026 September 18

Inflation

Consumer Price Inflation (CPI)

1. The y-o-y consumer price inflation stood at 5.96 percent in mid-August 2026 compared to 1.68 percent a year ago. Food and beverages inflation stood at 6.77 percent, whereas non-food and services inflation stood at 5.52 percent in the review month. During the same period last year, the price indices of the food and beverages group had decreased by 2.28 percent, and the non-food and services group had increased by 3.95 percent.



2. Under the food and beverages category, the y-o-y price index of the ghee & oil sub-category increased by 15.62 percent, fruit by 15.39 percent, meat & fish by 8.65 percent, vegetables by 6.90 percent, and spices by 4.80 percent.
3. Under the non-food and services category, the y-o-y price index of transportation increased by 13.17 percent, alcoholic drinks by 7.20 percent, clothes and footwear by 5.52 percent, and tobacco products by 4.97 percent.
4. During the review month, the y-o-y price index in rural areas increased by 6.18 percent, while in urban areas, it rose by 5.88 percent.
5. Based on provinces, in the review month, Madhesh Province experienced maximum price inflation with 6.94 percent whereas Sudurpashchim Province experienced minimum price inflation with 4.61 percent.

Table 1: y-o-y Consumer Price Inflation				
Mid-Month				
Particulars	Weight(%)	2025/26 Jul/Aug	2025/26 Jun/Jul	2026/27 Jul/Aug
Overall Inflation	100	1.68	5.14	5.96
Food and Beverages	35.49	-2.28	5.25	6.77
Non-food and Services	64.51	3.95	5.08	5.52

6. In the review month, y-o-y consumer price inflation in the Kathmandu Valley, Terai, Hill and Mountain region stood at 4.81 percent, 6.64 percent, 5.95 percent and 5.10 percent respectively.

Wholesale Price Inflation (WPI)

7. The y-o-y wholesale price inflation stood at 8.27 percent in mid-August 2026 compared to 2.37 percent a year ago.

8. The y-o-y wholesale price inflation of consumption goods stood at negative 0.05 percent, while intermediate goods and capital goods stood at 13.62 percent and 6.45 percent, respectively. The y-o-y wholesale price inflation of construction material stood at 4.89 percent in the review month.

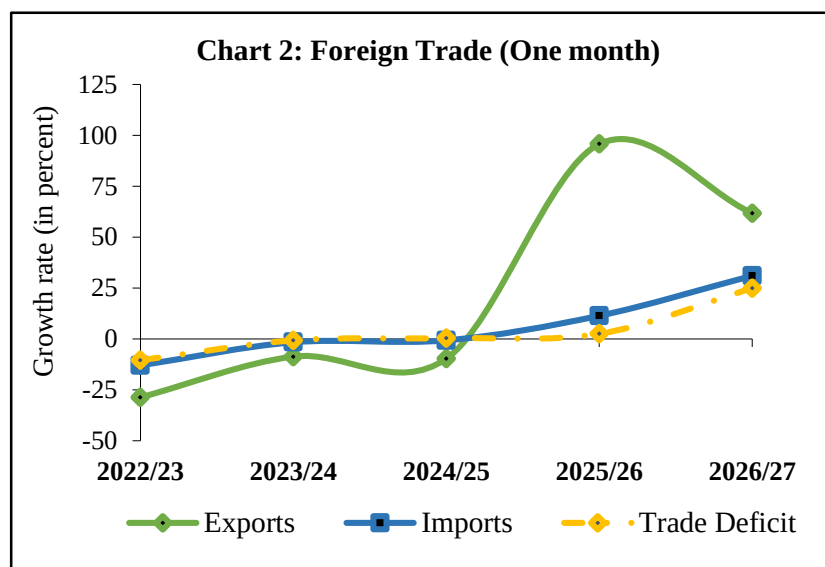
Consumer Price Inflation in Nepal and India

9. The y-o-y consumer price inflation in Nepal remained at 5.96 percent in mid-August 2026. Such inflation in India stood at 4.82 percent in August 2026.

External Sector

Merchandise Trade

10. During the first month of 2026/27, merchandise exports increased 61.7 percent to Rs.38.70 billion compared to a growth of 95.7 percent in the same period of the previous year. Destination-wise, exports to India, China, and other countries increased 71.0 percent, 287.8 percent, and 18.1 percent respectively. Exports of soyabean oil, palm oil, polyester yarn & thread, jute goods and particle board



among others increased whereas exports of medicine (ayurvedic), tanned skin, rosin, herbs, and nepalese paper & paper products among others decreased in the review period.

11. During the first month of 2026/27, merchandise imports increased 31.0 percent to Rs.187.44 billion compared to a growth of 11.4 percent a year ago. Destination-wise, imports from India, China, and other countries increased 22.6 percent, 13.4 percent, and 69.0 percent respectively. Imports of petroleum products, chemical fertilizer, edible oil, oil seeds, and crude soyabean oil among others increased whereas imports of rice/paddy, gold, bitumen, coal, medical equip. & tools among others decreased in the review period.
12. Total trade deficit increased 24.9 percent to Rs.148.74 billion during the first month of 2026/27. Such a deficit had increased 2.5 percent in the corresponding period of the previous year. The export-import ratio increased to 20.6 percent in the review period from 16.7 percent in the corresponding period of the previous year.
13. During the first month of 2026/27, merchandise imports from India against payments in convertible foreign currency amounted Rs.16.81 billion. Such amount was Rs.13.43 billion in the same period of the previous year.

Composition of Foreign Trade

14. As per the Broad Economic Categories (BEC), the final consumption goods, intermediate goods, and capital goods accounted for 71.6 percent, 28.4 percent, and 0.1 percent of the total exports respectively in the review period. In the same period of the previous year, the ratio of the final

consumption, intermediate, and capital goods remained 69.1 percent, 29.9 percent, and 1.0 percent of total exports respectively.

15. On the imports side, the share of final consumption, intermediate, and capital goods remained 38.3 percent, 52.7 percent, and 9.0 percent in the review period. Such ratios were 36.2 percent, 56.2 percent, and 7.6 percent respectively in the same period of the previous year.

Export-Import Price Index

16. The y-o-y unit value export price index, based on customs data, increased 6.5 percent whereas the import price index increased 14.5 percent in the first month of 2026/27. The terms of trade (ToT) index decreased 7.0 percent during the same period.

Services

17. Net services income remained at a deficit of Rs.10.82 billion during the review period. Such income had a deficit of Rs.13.24 billion in the same period of the previous year.

Table 2: Some indicators related to BoP (One month)				
Particulars	Values (in Billion)		Percentage Change	
	2025/2026 ^R	2026/2027 ^P	2025/2026 ^R	2026/2027 ^P
Travel income	5.41	5.43	14.0	0.4
Travel payment	21.70	15.92	-2.8	-26.6
Remittance inflows	177.41	215.05	29.9	21.2
Direct Investment Inflows (Equity only)	0.69	1.01	-13.5	45.6
<i>R=Revised P=Provisional</i>				

18. Under the service account, travel income marginally increased to Rs.5.43 billion in the review period. Such income was Rs.5.41 billion in the same period of the previous year.
19. Under the service account, travel payment decreased 26.6 percent to Rs.15.92 billion, including Rs.10.80 billion for education. In the same period of the previous year, travel payment was Rs.21.70 billion including Rs.14.31 billion for education.

Remittances

20. Remittance inflows increased 21.2 percent to Rs.215.05 billion in the first month of 2026/27 compared to an increase of 29.9 percent in the same period of the previous year.
21. In US Dollar (USD) terms, remittance inflows increased 10.2 percent to 1.40 billion in the review period. Such inflow had increased 25.0 percent in the same period of the previous year.
22. Net secondary income (net transfer) reached Rs.229.98 billion in the review period. Such income was Rs.193.85 billion in the same period of the previous year.
23. The number of Nepali workers, both institutional and individual, taking first-time permit for foreign employment, stands at 42,693 and taking approval for renew entry stands at 27,748. In the same period of the previous year, such numbers were 44,466 and 23,644 respectively.

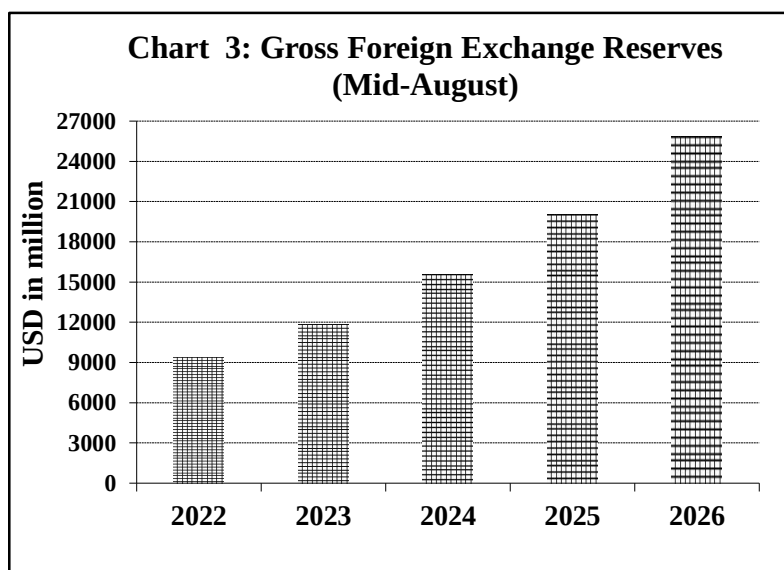
Current Account and Balance of Payments

24. The current account remained at a surplus of Rs. 94.59 billion in the review period. Such surplus was Rs.78.29 billion in the same period of the previous year. In USD terms, the current account registered a surplus of 617.22 million in the review period against a surplus of 562.13 million in the same period of the previous year.

25. In the review period, net capital transfer amounted to Rs.631.19 million. In the same period of the previous year, such transfer amounted to Rs.1.04 billion. Similarly, in the review period, the country received Rs.1.01 billion in foreign direct investment (equity only). In the same period of the previous year, foreign direct investment inflow (equity only) amounted to Rs.691.48 million.
26. Balance of Payments (BOP) remained at a surplus of Rs.90.34 billion in the review period. Such surplus was Rs.89.30 billion in the previous year. In USD terms, the BOP remained at a surplus of Rs.589.54 million in the review period compared to a surplus of Rs. 641.17 million in the same period of the previous year.

Foreign Exchange Reserves

27. Gross foreign exchange reserves increased 1.2 percent to Rs.3946.23 billion in mid-August 2026 from Rs.3897.67 billion in mid-July 2026. In USD terms, the gross foreign exchange reserves increased 2.1 percent to 25.84 billion in mid-August 2026 from 25.31 billion in mid-July 2026.



28. Of the total foreign exchange reserves, the reserves held by NRB increased 1.3 percent to Rs.3517.99 billion in mid-August 2026 from Rs. 3473.19 billion in mid-July 2026. Reserves held by BFIs (except NRB) increased 0.9 percent to Rs.428.22 billion in mid- August 2026 from Rs.424.48 billion in mid-July 2026. The share of Indian currency in total reserves stood at 21.8 percent in mid-August 2026.

Foreign Exchange Reserve Adequacy Indicators

29. Based on the imports of the first month of 2026/27, the foreign exchange reserves of the banking sector are sufficient to cover the prospective merchandise imports of 21.8 months, and merchandise and services imports of 18.8 months. The ratio of reserves-to-GDP, reserves-to-imports, and reserves-to-M2 stood at 59.8 percent, 157.0 percent, and 44.5 percent, respectively, in mid-August 2026. Such ratios were 59.1 percent, 163.4 percent, and 43.8 percent, respectively, in mid-July 2026.

Price of Oil and Gold

30. The price of oil (Crude Oil Brent) in the international market increased 36.7 percent to USD 92.02 per barrel in mid-August 2026 from USD 67.30 per barrel a year ago. The price of gold increased 31.6 percent to USD 4390.70 per ounce in mid-August 2026 from USD 3335.50 per ounce a year ago.

Exchange Rate

31. Nepalese currency vis-à-vis USD appreciated 0.9 percent in mid-August 2026 from mid-July 2026. It had depreciated 2.0 percent in the same period of the previous year. The buying

exchange rate per USD stood at Rs.152.39 in mid-August 2026 compared to Rs.153.72 in mid-July 2026.

Fiscal Situation

Expenditure and Revenue

32. According to the Ministry of Finance, Financial Comptroller General Office (FCGO), the total expenditure of the Government stood at Rs.41.89 billion during the first month of 2026/27. The recurrent expenditure, capital expenditure and financial expenditure amounted to Rs.21.40 billion, Rs.1.33 billion and Rs. 19.15 billion, respectively, in the review period.

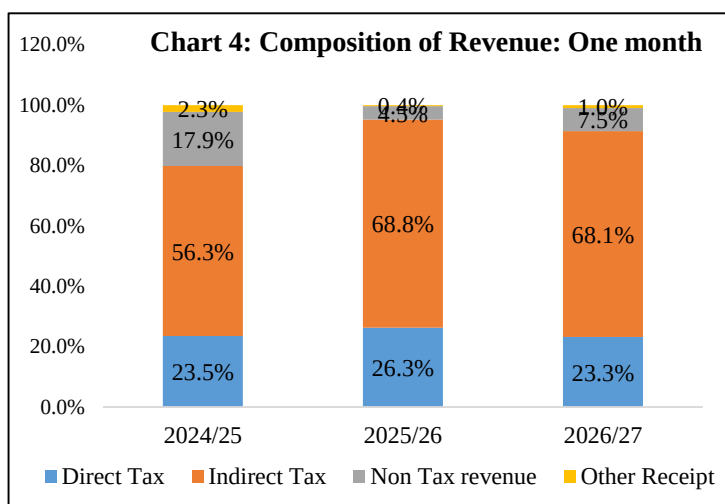
Particulars	Amount (Rs. in Billion)			Percentage Change	
	2024/25	2025/26	2026/27	2025/26	2026/27
Total Expenditure	40.21	46.31	41.89	15.2	-9.5
Recurrent Expenditure	12.38	18.48	21.40	49.2	15.8
Capital Expenditure	8.55	0.73	1.33	-91.5	82.9
Financial Management	19.27	27.10	19.15	40.6	-29.3
Total Revenue	94.74	84.47	92.23	-10.8	9.2
Tax Revenue	77.41	80.67	85.19	4.2	5.6
Non-Tax Revenue	17.33	3.80	7.03	-78.1	85.4

Source: Financial Comptroller General Office

33. In the review period, total revenue mobilization of the Government (including the amount to be transferred to provincial and local governments) stood at Rs.92.23 billion. The tax revenue amounted to Rs.85.19 billion and non-tax revenue to Rs.7.03 billion in the review period (Table 3).

Composition of Revenue

34. In the first month of 2026/27, indirect tax remained the largest contributor to total revenue, at 68.1 percent, followed by direct tax (23.3 percent), non-tax revenue (7.5 percent), and other receipts (1.0 percent). Compared with the corresponding period of the previous year, the share of indirect tax and direct tax declined, while the share of non-tax revenue and other receipts increased (Chart 4).



Source: Revenue Management Department

Cash Balance of Government

35. Cash Balance at various accounts of the GoN maintained with NRB remained Rs.361.81 billion (including Provincial Governments and Local Government Account) in mid-August 2026. This balance was Rs.277.46 billion in mid-July 2026.

Provincial Government

Expenditure and Revenue

36. During the first month of 2026/27, total expenditure of provincial governments stood at Rs.14 million, and total resource mobilization stood at Rs.7.43 billion, respectively. Out of the total resource mobilization, fiscal transfer (including revenue sharing) from the federal government

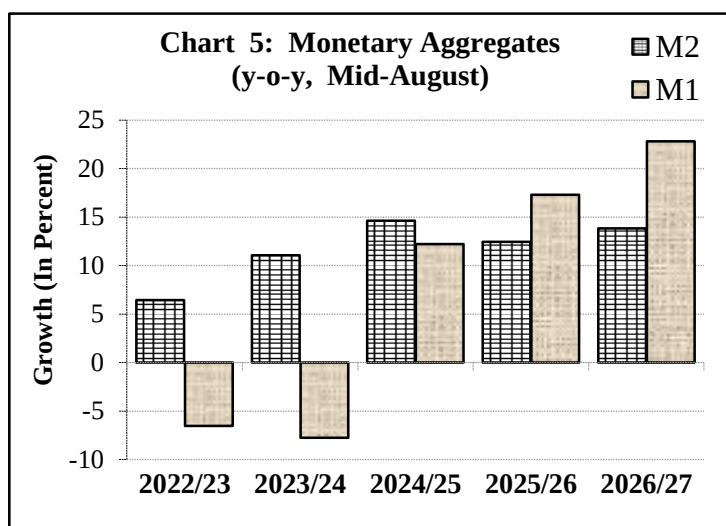
amounted to Rs. 3.83 billion, and provinces' own-source revenue and other receipts amounted to Rs. 2.83 billion.

Monetary Situation

Money Supply

37. Broad money (M2) decreased 0.4 percent in the review period compared to a decrease of 0.7 percent in the corresponding period of the previous year. On a y-o-y basis, M2 expanded 13.8 percent in mid-August 2026.

38. The net foreign assets (NFA), after adjusting foreign exchange valuation gain/loss, increased by Rs.90.34 billion (2.3 percent) in the review period compared to an increase of Rs.89.30 billion (3.4 percent) in the corresponding period of the previous year.



39. Reserve money increased by 1.5 percent in the review period compared to a decrease of 5.6 percent in the corresponding period of the previous year. On a y-o-y basis, reserve money increased 13.6 percent in mid-August 2026.

Domestic Credit

40. Domestic credit decreased by 1.2 percent in the review period compared to a decrease of 1.6 percent in the corresponding period of the previous year. On a y-o-y basis, domestic credit increased by 2.5 percent in mid-August 2026.

41. Monetary Sector's net claims on government decreased by 13 percent in the review period in contrast to a decrease of 10.1 percent in the corresponding period of the previous year. On a y-o-y basis, such claims decreased by 27.5 percent in mid-August 2026.

42. Monetary Sector's claims on the private sector increased by 0.7 percent in the review period compared to an increase of 0.2 percent in the corresponding period of the previous year. On a y-o-y basis, such claims increased 7.1 percent in mid-August 2026.

Deposit Mobilization

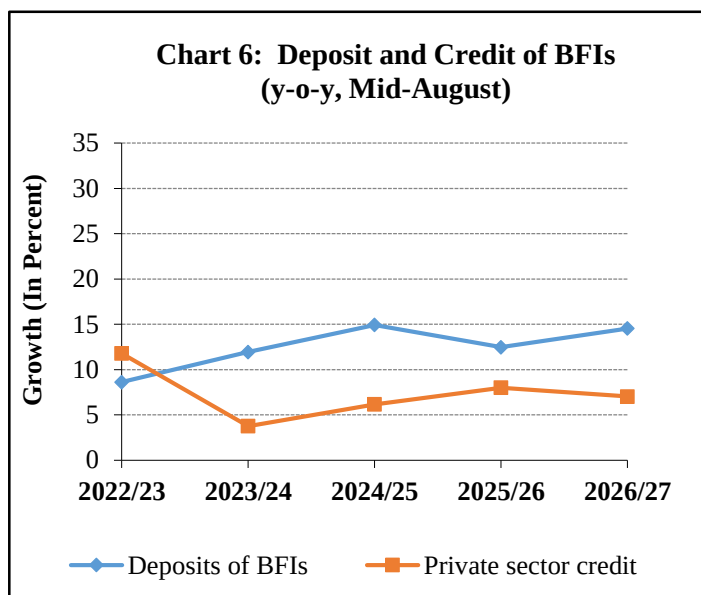
43. Deposits at BFIs decreased by Rs.20.71 billion (0.3 percent) to 8256.21 billion in the review period compared to a decrease of Rs.55.79 billion (0.8 percent) in the corresponding period of the previous year. On a y-o-y basis, deposits at the BFIs expanded 14.5 percent in mid-August 2026.

Table 4: Deposits at Banks and Financial Institutions (Percentage Share)				
Deposits	Mid-July		Mid-August	
	2025	2026	2025	2026
Demand	7.1	8.1	5.6	7.3
Saving	36.8	47.0	37.5	47.6
Fixed	48.3	35.3	48.4	35.6
Other	7.8	9.5	8.5	9.5

44. The share of demand, savings and fixed deposits in total deposits stood at 7.3 percent, 47.6 percent and 35.6 percent respectively in mid-August 2026. Such shares were 5.6 percent, 37.5 percent and 48.4 percent respectively a year ago (Table 4).
45. The share of institutional deposits in total deposits of the BFIs stood at 33.3 percent in mid-August 2026. Such a share was 35.1 percent a year ago.

Credit Disbursement

46. Private sector credit from the BFIs increased by Rs.23.58 billion (0.4 percent) in the review period to Rs.5880.64 billion compared to a decrease of Rs.2.93 billion (0.1 percent) in the corresponding period of the previous year. On a y-o-y basis, credit to the private sector from the BFIs increased by 7.0 percent in mid-August 2026.



47. The shares of private sector credit from the BFIs to non-financial corporations and households stand at 62.3 percent and 37.7 percent, respectively, in mid-August 2026. Such shares were 62.7 percent and 37.3 percent a year ago.
48. In the review period, private sector credit from commercial banks and finance companies increased by 0.5 percent and 0.1 percent, respectively, whereas private sector credit from development banks decreased by 0.3 percent.
49. Out of the total outstanding credit of the BFIs as of mid-August 2026, 15.3 percent is against the collateral of current assets (such as agricultural and non-agricultural products) and 63.0 percent against land and building. Such ratios were 14.8 percent and 64.4 percent, respectively, a year ago.
50. In the review period, outstanding loan of the BFIs to the mines sector increased by 3.7 percent, metal productions, machinery, and electrical tools and fitting by 3.0 percent, construction by 2.1 percent, service industries by 1.8 percent, transportation, communications and public services by 1.2 percent, transportation equipment production and fitting by 0.8 percent, wholesale and retailers by 0.3 percent, production by 0.3 percent, whereas finance, insurance, and fixed assets sector decreased by 5.1 percent, agriculture by 0.9 percent, and consumable loan by 0.6 percent.
51. In the review period, term loan from the BFIs increased by 1.5 percent, trust receipt (import) loan by 1.0 percent, real estate loan (including residential personal home loan) by 0.7 percent, hire purchase loan by 0.1 percent, whereas deprived sector loan decreased by 7.3 percent, overdraft by 2.6 percent, cash credit loan by 1.1 percent, and demand and other working capital loan by 0.5 percent.

Liquidity Management

52. In the review period, NRB absorbed, on a transaction basis, a total liquidity of Rs.2273.30 billion, including Rs.379.50 billion through deposit collection auction and Rs.1893.80 billion through

standing deposit facility (SDF). In the corresponding period of the previous year, Rs.3638.35 billion net amount of liquidity was absorbed through various instruments of open market operations. As of mid-August 2026, the total outstanding amount of liquidity absorbing instruments was Rs.1265.80 billion, which includes Deposit Collection of Rs.865.80 and NRB Bond of Rs. 400 billion.

53. In the review period, NRB injected liquidity of Rs.101.87 billion through the net purchase of USD 665.8 million from the foreign exchange market. Liquidity of Rs.77.52 billion was injected through the net purchase of USD 554.2 million in the corresponding period of the previous year.
54. The NRB purchased Indian currency (INR) equivalent to Rs.39.90 billion through the sale of USD 260.0 million in the review period. INR equivalent to Rs.28.06 billion was purchased through the sale of USD 200 million in the corresponding period of the previous year.

Interbank Transactions

55. In the review period, interbank transactions of the BFIs amounted to Rs.127.28 billion on a turnover basis, including Rs.120.5 billion interbank transactions among commercial banks, and Rs.6.78 billion among other financial institutions (excluding transactions among commercial banks). In the corresponding period of the previous year, such transactions were Rs.94.94 billion, including Rs.87.49 billion among commercial banks, and Rs.7.45 billion among other financial institutions (excluding transactions among commercial banks).

Interest Rate

56. The weighted average interbank rate among the BFIs, which was 2.75 percent a year ago, remained at 2.75 percent in the review month (Table 5).
57. The average base rates of commercial banks, development banks and finance companies stood at 4.72 percent, 6.14 percent and 6.95 percent respectively in the first month of 2026/27. The average base rates of commercial banks, development banks, and finance companies were 5.78 percent, 7.28 percent, and 8.87 percent, respectively, in the corresponding month a year ago.

58. Weighted average deposit rates of commercial banks, development banks and finance companies stood 3.15 percent, 3.51 percent and 4.18 percent respectively in the review month. Weighted average deposit rate of commercial banks, development banks and finance companies were 4.02 percent, 4.67 percent and 5.85 percent respectively in the corresponding month a year ago. Likewise, the weighted average lending rate of commercial banks, development banks and finance companies stood 6.48 percent, 7.70 percent and 8.52 percent respectively in the review month. Such rates of commercial banks, development banks and finance companies were 7.76 percent,

Table 5: Weighted Average Interest Rate (percent)		
Types	Mid-August 2025	Mid-August 2026
91-days Treasury bills rate	2.65	-
Interbank rate of BFIs	2.75	2.75
Base Rate		
Commercial Banks	5.78	4.72
Development Banks	7.28	6.14
Finance Companies	8.87	6.95
Deposit Rate		
Commercial Banks	4.02	3.15
Development Banks	4.67	3.51
Finance Companies	5.85	4.18
Lending Rate		
Commercial Banks	7.76	6.48
Development Banks	9.09	7.70
Finance Companies	9.98	8.52

9.09 percent and 9.98 percent respectively in the corresponding month a year ago.

Financial Access

59. As of mid-August 2026, a total of 105 BFIs, including 20 commercial banks, 17 development banks, 16 finance companies, 51 microfinance financial institutions and 1 infrastructure development bank, are in operation. The number of BFI branches (including microfinance financial institutions) stood at 11,329 in mid-August 2026, compared with 11,332 in mid-July 2026 (Table 6).

Table 6: Number of BFIs and their Branches*						
Bank and Financial Institutions	Number of BFIs			Branches of BFIs		
	mid-July 2025	mid-July 2026	mid-August 2026	mid-July 2025	mid-July 2026	mid-August 2026
Commercial Banks	20	20	20	5099	4941	4937
Development Banks	17	17	17	1132	1112	1112
Finance Companies	17	16	16	291	294	294
Microfinance Financial Institutions	52	51	51	5004	4985	4986
Infrastructure Development Bank	1	1	1	-	-	-
Total	107	105	105	11526	11332	11329

*Updated information is available at <http://emap.nrb.org.np/>

60. As of mid-August 2026, the number of deposit accounts in 'A', 'B', and 'C' class BFIs is 63 million 666 thousand 452, while the number of loan accounts is 2 million 44 thousand 826 (Table 7).

Table 7: Numbers of Deposit and Loan accounts of BFIs				
Banks and Financial Institutions	Number of deposit accounts		Number of loan accounts	
	2025 mid-August	2026 mid-August	2025 mid-August	2026 mid-August
Commercial Banks	51,615,759	54,668,436	1,643,791	1,719,336
Development Banks	7,543,037	7,904,875	266,884	259,897
Finance Companies	999,637	1,093,141	58,572	65,593
Total	60,158,433	63,666,452	1,969,247	2,044,826

Financial Soundness Indicators

61. As per the preliminary data, the core capital to Risk Weighted Assets (RWA) of the BFIs stood at 9.89 percent, and the total capital to RWA stood at 12.68 percent on average in mid-August 2026. Likewise, the net liquid assets-to-deposits ratio of the BFIs stood at 37.59 percent. As of mid-July 2026, the non-performing loan (NPL) ratio of the BFIs stood at 5.66 percent.

Electronic Transactions

62. From mid-July to mid-August 2026, debit card users conducted 9.65 million transactions amounting to Rs.71.08 billion. Similarly, 78.65 million transactions worth Rs.580.56 billion were conducted through mobile banking, and 72.44 million transactions worth Rs.164.43 billion were conducted through QR code payments.

Capital Market

63. NEPSE index stood at 2643.84 in mid-August 2026 compared to 2788.37 in mid-August 2025.

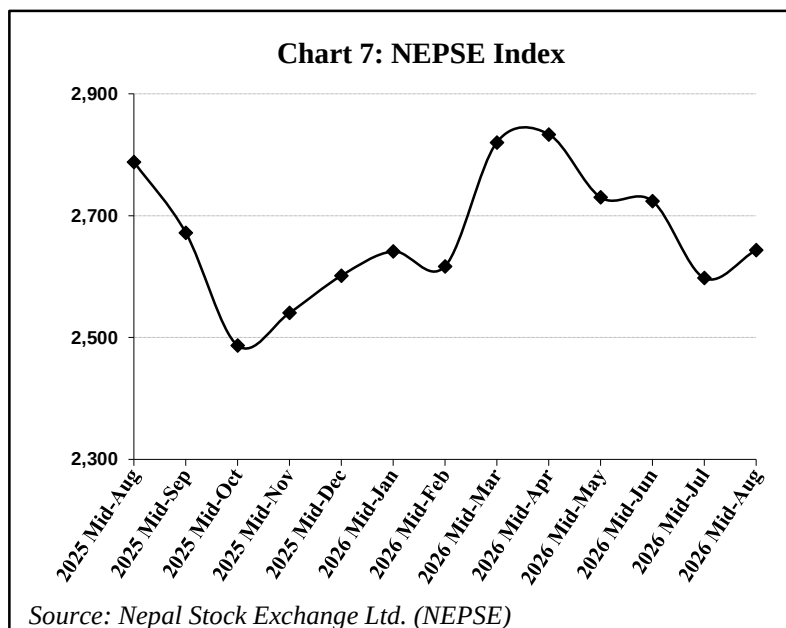
64. Stock market capitalization in mid-August 2026 stood at Rs.4547.75 billion compared to Rs.4656.27 billion in mid-August 2025. The ratio of market capitalization to GDP stood at 68.90 percent in mid-August 2026 compared to 75.10 percent in mid-August 2025.

65. The number of companies listed on NEPSE reached 305 in mid-August 2026. Of these, 133 are BFIs and insurance companies, 111 are hydropower companies, 31 are manufacturing and processing industries, 9 are hotels, 7 are investment companies, 4 are trading companies, and 10 are others. The number of companies listed on NEPSE was 274 in mid-August 2025.

66. The share of BFIs and insurance companies in stock market capitalization is 50.9 percent in mid-August 2026. Such a share of hydropower companies is 18.3 percent, manufacturing and processing industries is 8.5 percent, investment companies is 6.7 percent, trading companies is 4.0 percent, hotels is 3.2 percent, and other companies is 8.3 percent.

67. The paid-up value of 9.59 billion shares listed on NEPSE stood at Rs.945.54 billion in mid-August 2026.

68. Securities worth Rs.6.90 billion were listed on NEPSE during the first month of 2026/27. These securities comprise ordinary shares worth Rs. 6.45 billion and bonus shares worth Rs. 451 million.



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