



## Mid Term Review of Monetary Policy 2082-83

Nepal Rastra Bank (NRB) released its Monetary Policy for FY 2082/83 on Ashadh 27, 2082, followed by a first quarterly review on Mangsir 15 and a Mid-Term Review on Falgun 12. The reviews highlight favorable macroeconomic trends, including easing inflation, strong foreign reserves, low interest rates, and financial stability. NRB aims to maintain an accommodative monetary policy while refining regulations to boost credit access, financial inclusion, and productive investment.

### 1. Global Economic Context

- The IMF projects global GDP growth of 3.3% in 2025, maintained at the same rate for 2026.
- Advanced economies are projected to grow at 1.8% in 2026; emerging and developing economies at 4.2%.
- Global inflation is forecast to ease to 3.8% in 2026 and 3.4% in 2027, enabling major central banks to maintain accommodative monetary stances.
- Geopolitical tensions and trade polarization present downside risks, though investment in technology is supporting productivity growth.

### 2. Nepal's Domestic Economy

- Nepal's GDP growth for FY 2082/83 is projected at 3.5% per the mid-year budget review.
- Consumer price inflation (year-on-year) declined from 5.41% in Poush 2081 to 2.42% in Poush 2082, driven mainly by lower food & beverage prices (food CPI down 0.09%). Non-food and services inflation stood at 3.81%.
- Wholesale inflation rose from 4.01% (Poush 2081) to 5.17% (Poush 2082), and the wage & salary index increased by 6.03% year-on-year signaling potential upward pressure on inflation going forward.
- Foreign exchange reserves as of Poush 2082 are sufficient to cover 18.1 months of imports of goods and services well above the NRB's minimum threshold of 7 months.
- Remittance inflows surged 39.1% to NPR 1,062.93 billion in the first six months of FY 2082/83 (compared to 4.2% growth in the same period of the prior year).
- The current account recorded a surplus of NPR 42,991 million, and the balance of payments showed a surplus of NPR 50,124 million.
- Merchandise exports grew 43.8% to NPR 142.02 billion; imports grew 14.2% to NPR 939.02 billion.

### 3. Monetary and Financial Sector

- Broad money supply (M2) grew 14.2% year-on-year as of Poush 2082 (up from 10.2% in Poush 2081), primarily driven by rising net foreign assets from remittance inflows.
- Private sector credit grew 3.6% (NPR 197.47 billion) to reach NPR 5,695.17 billion slower than the 5.2% growth in the same period last year.
- Bank and financial institution deposits grew 5.7% (NPR 417.48 billion) to NPR 7,681.35 billion.
- The average non-performing loan (NPL) ratio of BFIs stood at 5.42% as of Poush 2082, up from 4.62% in Ashadh 2082. Among sub-categories: commercial banks 5.26%, development banks 5.75%, and finance companies 11.85%.
- NRB injected net liquidity of NPR 28,699.90 billion through various instruments during the review period, compared to NPR 13,999.80 billion in the same period last year.

### 4. Monetary Policy Implementation Status

- Policy Rate (Bank Rate): Reduced to 4.25% from 4.25%. Standing Deposit Facility (SDF) rate remains unchanged. Interest rate corridor is being gradually narrowed as part of the accommodative stance.
- Average consumer price inflation in the first five months stood at 1.70%, against the annual target of approximately 5.0%.
- NRB issued NPR 200 billion of one-year NRB Bonds (Rinpatra) in Poush 2082 to absorb structural liquidity from the banking system.
- NRB purchased USD 493.04 million through dollar purchases, compared to USD 340.06 million in the same period last year.

## 5. Key Policy Changes and Regulatory Measures

- a) BFIs are now empowered to determine the tenure of permanent working capital loans based on a direct analysis of the borrower's cash flow and financial statements.
- b) The requirement for borrowers to reduce their outstanding working capital loan balance to below 10% for at least seven consecutive days annually has been relaxed to 30%.
- c) Specific relief measures have been introduced for businesses displaced by the expansion of the Mahendra Highway and the Mid-Hill Highway. BFIs may restructure or reschedule loans for these enterprises until mid-July 2026 (Ashadh 2083), provided they recover at least 10% of the interest.
- d) Facilitation will be provided for foreign investment in Data Centers, Cloud Computing, Robotics Labs, and Artificial Intelligence (AI).
- e) Co-financing: BFIs will be encouraged to provide credit through co-financing arrangements for these high-tech projects.
- f) The limit for NDF transactions based on primary capital for BFIs has been increased from 25% to 30%.
- g) A strategy is being adopted to gradually phase out check-based transactions in favor of electronic payment systems.
- h) Circumstantial Defaults: Borrowers unable to repay loans due to "circumstantial reasons" (rather than intentional default) will be given consideration to avoid immediate blacklisting.
- i) If a blacklisted borrower presents a valid reason and initiates repayment, BFIs may remove them from the blacklist for up to six months to facilitate the recovery of arrears..

---

**PKF Comment:** *The Mid-Term Review underscores NRB's sustained commitment to a cautious yet accommodative monetary stance. With inflation remaining well below target and foreign exchange reserves at comfortable levels, the central bank retains sufficient room for further easing should economic growth weaken. The revision to the working capital guidelines is a significant development, addressing a long-standing operational challenge for the private sector. However, the continued rise in NPLs is a growing concern and is likely to prompt stricter NRB supervisory actions in the latter half of the fiscal year. BFIs should proactively assess their credit portfolios, provisioning levels, and loan restructuring strategies.*

---

Complied by: *Yugesh Shrestha*

---

PKF TR Upadhya & Co., 124 Lal Colony Marg, Lal Durbar, Kathmandu, Nepal  
Phone: +977 1 4510927 | 4520026 | Fax: +977 1 4513307 | Email: [trunco@ntc.net.np](mailto:trunco@ntc.net.np) | [www.pkf.trunco.com.np](http://www.pkf.trunco.com.np)

PKF TR Upadhya & Co. is an active member firm of PKF International Limited.

PKF Global refers to the network of member firms of PKF International Limited, each of which is a separate and independent legal entity. PKF International Limited coordinates the activities of PKF Global but provides no services to clients and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Correspondent firms are not members of PKF Global.