PKF TRU Newsletter – October 2026

PKF Nepal Updates

New staff welcomed to PKF Nepal

We are excited to welcome Puskar Diyali, Reazon Thapa, Manish Mahato and Sujin Shrestha to the PKF Nepal team.

Staff leaving PKF Nepal

PKF Nepal bids farewell to team members: Shakti Yadav, Sabin Dhakal and Nischa Sharma as they embark on new career opportunities. We extend our gratitude to our departing colleagues for their valuable contributions throughout their tenure at PKF Nepal and wish them all the best in their future endeavors.

Birthdays

PKF Nepal extends warm birthday wishes to Aparijita Bhattarai, Tirtha Raj Aryal, Bishal Shrestha, Kamla Panthi, Asmita K.C, Bibek Jha, Karuna Shrestha, Naresh Bohara, Shreya Gyawali, Shruti Adhikari, Apitosh Mehta, and Gulsan Kumar Roy whose birthday fell in September.

Celebration of birthdays at PKF Premises

Updates

Notices issued by NRB

Nepal's Macroeconomic and Financial Situation – First Month of FY 2026/27

Nepal Rastra Bank (NRB) has published the Current Macroeconomic and Financial Situation based on one month's data of FY 2026/27. The key developments are as follows:

Inflation: Consumer price inflation rose to 5.96% in mid-August 2026, compared to 1.68% a year earlier. Food and beverage inflation stood at 6.77%, while non-food and services inflation was 5.52%. Wholesale price inflation reached 8.27%.

Foreign Trade: Merchandise exports increased by 61.7% to Rs. 38.70 billion, while imports increased by 31.0% to Rs. 187.44 billion. Consequently, the trade deficit widened by 24.9% to Rs. 148.74 billion. The export-import ratio improved to 20.6% from 16.7% a year earlier.

Remittance: Remittance inflows increased by 21.2% to Rs. 215.05 billion. The number of Nepali workers obtaining first-time foreign employment approval stood at 42,693.

External Sector: The current account recorded a surplus of Rs. 94.59 billion, while the Balance of Payments recorded a surplus of Rs. 90.34 billion. Foreign exchange reserves increased to Rs. 3.95 trillion (USD 25.84 billion), sufficient to cover approximately 21.8 months of merchandise imports and 18.8 months of merchandise and services imports.

Government Finance: Government revenue increased by 9.2% to Rs. 92.23 billion, while expenditure declined by 9.5% to Rs. 41.89 billion during the review period. Tax revenue accounted for Rs. 85.19 billion, with indirect taxes contributing 68.1% of total revenue.

Money Supply and Credit: Broad money increased by 13.8% year-on-year. Deposits with BFIs increased by 14.5% year-on-year to Rs. 8.26 trillion, while private-sector credit increased by 7.0% to Rs. 5.88 trillion.

Interest Rates: Interest rates continued to decline. The weighted average lending rate of commercial banks fell to 6.48%, compared with 7.76% a year earlier, while the average base rate declined to 4.72% from 5.78%.

Banking Sector: As of mid-August 2026, Nepal had 105 BFIs and 11,329 branches. The latest available NPL ratio stood at 5.66%, while the total capital-to-risk-weighted assets ratio was 12.68%.

Capital Market: The NEPSE index stood at 2,643.84 in mid-August 2026, while total market capitalization stood at Rs. 4.55 trillion, equivalent to 68.9% of GDP.

For full report, click here

Amendment to Unified Directive for Class "D" Microfinance Financial Institutions

On 16 September 2026, Nepal Rastra Bank amended the Unified Directive issued to Class "D" licensed microfinance financial institutions for 2082 by adding a provision under Directive No. 13/2082, Clause 3(b).

The amendment provides that where a branch or office of a licensed microfinance financial institution has been damaged or rendered inoperative due to the natural disaster that occurred in Bhadra 2083, the institution may relocate the branch/office or merge it with another nearby branch without obtaining prior approval from Nepal Rastra Bank. The institution is required to notify Nepal Rastra Bank within seven days of such relocation or merger. The provision aims to facilitate the continuity of financial services in disaster-affected areas.

For full circular, click here

Amendments in Unified Directives, 2082 for "A", "B", and "C" class BFIs

On 24 September 2026, Nepal Rastra Bank amended the Unified Directive issued to Class "A", "B" and "C" licensed banks and financial institutions for 2082 through Circular No. 3 (A, B and C) 2083/84. The key amendments are as follows:

Countercyclical Capital Buffer Maintained at Zero

The provision relating to the Countercyclical Buffer under Directive No. 1/2082 has been amended. While the Capital Adequacy Framework, 2015 requires commercial

banks to maintain the buffer in accordance with the prescribed framework, the Countercyclical Buffer has been set at zero percent for FY 2083/84.

Strengthening of Investment Policy and Procedures

The requirements relating to investment policy and procedures under Directive No. 8/2082 have been expanded. Licensed institutions are required to formulate and implement their investment policy only after obtaining approval from the Board of Directors. The policy is required to incorporate measures to minimize speculative risk and cover areas including investment objectives and strategy, eligible investment instruments, classification of investments into banking and trading books, acceptable and unacceptable investments, eligible counterparties, minimum and expected holding periods, and conflict-of-interest arrangements.

Enhanced Investment Risk Management Requirements

The revised provision further requires institutions to establish clear arrangements for investment risk management, including defined responsibilities of ALCO and other relevant committees/units, trading strategies and risk appetite, investment exposure and concentration limits, daily mark-to-market of the trading book, stress testing, and identification, measurement, monitoring and reporting of market, liquidity and other investment-related risks. Institutions are also required to conduct regular internal risk ratings of financial instrument issuers and maintain management reports, breach reports, audit trails, logs and records.

Extension of Permitted Holding Period for Listed Securities

The permitted investment period in the shares and debentures of listed organized institutions has been revised. The previous requirement permitting investment only where the holding period exceeded 6 months has been amended to permit such investment for a period exceeding 45 days. Banks and financial institutions are also prohibited from making short-term investments in the shares of organized institutions through any arrangement.

Revision of Investment Reporting Formats

NRB has added NRB Directive Form No. 8.4(a) and 8.4(b) relating to monthly investment reporting. These forms require institutions to report investment details separately for the banking book and trading book, including the name of the investee company, investment instrument, investment date and amount, sale date and amount, and resulting profit or loss.

For full circular, click here

Notices issued by IRD

Luxury Tax Procedure, 2083

The Inland Revenue Department has issued the Luxury tax procedure, 2083 under the Economic Act, 2083 to facilitate the effective administration of luxury tax. The procedure is effective from 1 Shrawan 2083.

A 2% luxury tax applies to:

- The pre-VAT service value charged by five-star and above hotels and luxury resorts; and
- The pre-VAT value of imported ready-made liquor, with the tax collected at customs at the time of import.

Hotels and resorts covered by the provision must maintain accrual-based records, issue prescribed invoices, and file monthly returns and deposit the collected luxury tax by the 25th of the following month.

Late filing or payment attracts applicable charges and interest, while non-collection, understatement, transaction splitting or tax evasion may result in an additional 25% tax.

For full notice, click here

Global Highlights – Implications for Nepal

Economy and Commodity

RBI's Foreign-Exchange Position

The RBI's net forward dollar liabilities reached a record US$200 billion in August 2026, up US$63 billion from July, following strong foreign-currency inflows. India's foreign-exchange reserves also reached US$785.7 billion. The RBI subsequently used dollar-rupee swaps to manage liquidity and its foreign-exchange position.

What It Means for Nepal:

As the Nepalese rupee is pegged to the Indian rupee, movements in the INR/USD exchange rate directly affect Nepal's exchange rate against the U.S. dollar. The changes in global dollar liquidity affects Nepal's foreign-exchange management.

Federal Reserve Interest Rate

On 16 September 2026, the U.S. Federal Reserve raised the federal funds target range by 25 basis points to 3.75% to 4.00%, citing resilient economic activity and elevated inflation. The decision was approved unanimously by the FOMC (Federal Open Market Committee).

What It Means for Nepal:

Higher U.S. interest rates can support the U.S. dollar and increase global borrowing costs, potentially raising Nepal's cost of servicing dollar-denominated external debt and increasing the cost of imports priced in USD.

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