

Under embargo until 12:00 noon. Bangkok Time, Monday, 1 May 2017

NEPAL

GDP (current US\$, billions):	\$20.66	Population (thousands):	28,850
Share of GDP in developing Asia-Pacific:	0.1%	GDP per capita (current US\$):	\$724.50
Share of GDP in South and South-West Asia:	0.5%	Average inflation (2016)	9.7%

- Nepal's economic growth decreased to a decade-low level of 0.6 per cent in 2016 from an already low base of 2.7 per cent in 2015.
- Economic activity has not rebounded from the devastating earthquake that took place in April 2015 and a prolonged border blockade with India in the later part of the year. As a result, industrial output fell notably in 2016 as the earthquake depressed household income and the demand for goods, while the border blockade disrupted the supply of fuel and raw materials from India.
- While higher public investment was planned, inadequate implementation capacity and procedural bottlenecks continued to impede spending.
- Meanwhile, inflation sped up to 9.7 per cent in 2016. In the early part of the year higher price rises were recorded due to the limited supply of products from India, which constitute a large share of the goods consumed in Nepal. Inflation has consistently been close to double-digit levels in past years due to supply-side bottlenecks.
- The growth outlook is set to improve to 4.6 per cent in 2017 and 4.8 per cent in 2018.
- Overall exports should improve owing to an expected economic rebound in India, which accounts for about 60 per cent of total shipments. Exports of garments and apparel would also benefit from duty-free access granted recently by the United States.
- Consumer spending is expected to grow steadily amid stable agricultural income, while fixed investment growth is underpinned by gradual reconstruction efforts.
- The medium-term outlook is supported by policy reform efforts to enhance the business environment, such as streamlining tax administration and offering new investment incentives.
- Ongoing construction of hydropower projects will also help the economy to reap the dividends of its abundant resources and spur manufacturing growth.