# Nepal faces economic challenges amid market dips, fiscal reforms, and international cooperation



Economic and governance developments in Nepal are unfolding amid market volatility, reform initiatives, and fiscal pressures, reflecting a complex socio-economic landscape.

The Nepal Stock Exchange (NEPSE) has experienced four consecutive days of decline. On Wednesday, the benchmark index dropped by 32.38 points to close at 2,655, with turnover decreasing to Rs 7.57 billion from Rs 8.32 billion the previous day. Out of the stocks traded, 217 decreased in price, 28 gained, and one remained unchanged. The Development Banks sector led the downward trend with a 2.09% fall.

In commodity markets, gold prices saw a dramatic fall on Wednesday, dropping by Rs 7,500 per tola to Rs 190,400, after a surge the previous day. Silver prices also edged down by Rs 5 per tola, closing at Rs 1,965. The Federation of Nepal Gold and Silver Dealers’ Association attributed these fluctuations to a mix of domestic and international factors, which have unsettled traders.

Regarding fiscal planning, Nepal’s Parliament is preparing for a busy legislative calendar. The government’s policy and program for the fiscal year 2024/25 is scheduled for presentation on 2 May, with pre-budget discussions commencing from 16 May. Speaker Devraj Ghimire, after consulting with party chief whips, finalised the draft schedule and proposed that Parliament hold daily sessions, excluding Saturdays and public holidays, to accommodate the dense agenda including the school education bill.

The World Bank has revised Nepal’s economic growth forecast downward to 4.5% for fiscal year 2024/25 due to structural financial challenges and climate-related disasters such as floods and landslides. The South Asia Development Update 2025 titled "Taxing Times," notes that these factors have undermined productivity and infrastructure, particularly in agriculture and tourism. Growth is expected to modestly rebound to 5.2% in the following fiscal year.

On infrastructure development, a bill has been tabled in Parliament to establish an Alternative Development Finance Fund with an authorised capital of Rs 100 billion and paid-up capital of Rs 25 billion. The Ministry of Finance registered the bill, which aims to foster large-scale investment in high-return infrastructure projects by attracting domestic and foreign capital while ensuring accountability through institutional oversight.

In international cooperation, Nepal and India signed an agreement to establish a joint venture company to build two major cross-border electricity transmission lines. The signing took place in the presence of Nepal’s Energy Minister Deepak Khadka and India’s Power and Urban Affairs Minister Manohar Lal Khattar, designed to strengthen regional energy connectivity and power trade.

Trade imbalances reveal a significant challenge, with Nepal’s trade deficit with China reaching 99.1% of total bilateral trade during the first nine months of the fiscal year. Customs data indicate Nepal’s exports to China amounted to Rs 2.25 billion, while imports stood at Rs 247.75 billion, totalling around Rs 250 billion in trade.

The government has mandated the clear display of Maximum Retail Prices (MRP) on all shoes, slippers, and medicinal products. The Department of Commerce, Supplies and Consumer Protection instructed the Footwear Manufacturers Association and the Chemical and Medical Suppliers Association to comply within a week. Director General Kumar Prasad Dahal chaired the meeting where this compliance timeline was agreed upon.

Concerns about food safety have been raised following the detection of high pesticide residues in vegetables sold at Kathmandu’s Kalimati market. Testing by the Rapid Pesticide Residue Analysis Unit found significant organophosphate contamination levels, including 53.935% in sponge gourd and 39.69% in mustard greens from Dhading district. Contaminated vegetables were destroyed under police supervision.

The government’s subsidy policy for agricultural and livestock insurance is putting pressure on public finances. With an 80% premium subsidy, delays in disbursement have forced some insurers to temporarily halt new policies. In the last fiscal year, Rs 1.61 billion was allocated to subsidies supporting 156,121 policies insuring assets valued at Rs 42.13 billion and generating premiums worth Rs 2.02 billion.

A new Home Ministry complex near Singha Durbar is nearing completion. Designed in the architectural style reminiscent of the Rana era, the five-storey building, including a basement, will consolidate key departments under one roof. Features include over 100 air-conditioned rooms, two elevators capable of carrying 15 people each, and separate stairways for visitors and emergencies, along with modern fire safety systems.

In the Nagdhunga area, damage to homes caused by tunnel construction blasting has led the government to decide on compensation despite contractual responsibilities lying with Hazama Ando Corporation, the project contractor. According to local water committee representatives, 93 homes were damaged—18 fully and 75 partially. The contractor had insured the project for Rs 100 million through Premier Insurance.

Regarding civil service reforms, the Federal Civil Service Bill includes a provision revoking pension benefits for retired civil servants convicted of serious crimes, including corruption, human trafficking, kidnapping, drug smuggling, money laundering, and state-level crimes. Pension and family benefits will cease following a court conviction.

The Mount Everest climbing season has begun with around 300 climbers from 45 countries arriving. The Department of Tourism has issued permits for 37 teams, collecting Rs 550 million in royalties, with 91 expeditions authorised for various peaks generating a total of Rs 630 million in royalties thus far.

India’s Power and Urban Affairs Minister Manoharlal Khattar visited Nepal’s Muktinath Temple on Wednesday, accompanied by Energy Minister Deepak Khadka and a 17-member delegation. The visit included traditional blessings and a ceremonial welcome by local officials and security personnel.

In regional governance, Gandaki Province has launched a centralised “Project Bank” under the Provincial Policy and Planning Commission to streamline project prioritisation and budget allocation. Chief Minister Surendra Raj Pandey inaugurated the system which requires all provincial ministries to register project proposals for review before implementation.

Authorities in Birgunj confiscated four illegal mobile signal boosters used to access Indian telecom services such as Airtel, Jio, and BSNL, bypassing local network restrictions. The District Police Office and Cyber Bureau conducted the operation, with Superintendent Gautam Mishra confirming the devices were used to enhance Indian network signals.

Lumbini Province Chief Minister Chet Narayan Acharya announced that the upcoming fiscal year’s budget would focus on reform and fiscal discipline, reducing the budget from Rs 39 billion to approximately Rs 32 billion. A ceiling will be implemented to avoid deficit budgeting and improve resource efficiency.

In the corporate sector, Govinda Ghimire has taken over as Chief Executive Officer of NMB Bank. Formerly Deputy CEO, Ghimire was appointed by the board on Falgun 23 and assumed office on Baisakh 10, succeeding Sunil KC.

Source: [Noah Wire Services](https://www.noahwire.com)

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