

Nepal Economic Survey 2082/83

vs Kala Legal Economic Outlook — April 2026

A Comparative Analysis of Nepal's Economic Performance, Challenges & Strategic Outlook

MoF Economic Survey

FY 2082/83 (2025/26)

Kala Legal Economic Outlook

April 2026

Macroeconomic Snapshot — FY 2082/83 (2025/26)

3.85%

GDP Growth
Projected

Rs 66T

Economy Size
(Rs Trillion)

\$1,535

Per Capita GNI
(USD)

2.13%

Average
Inflation

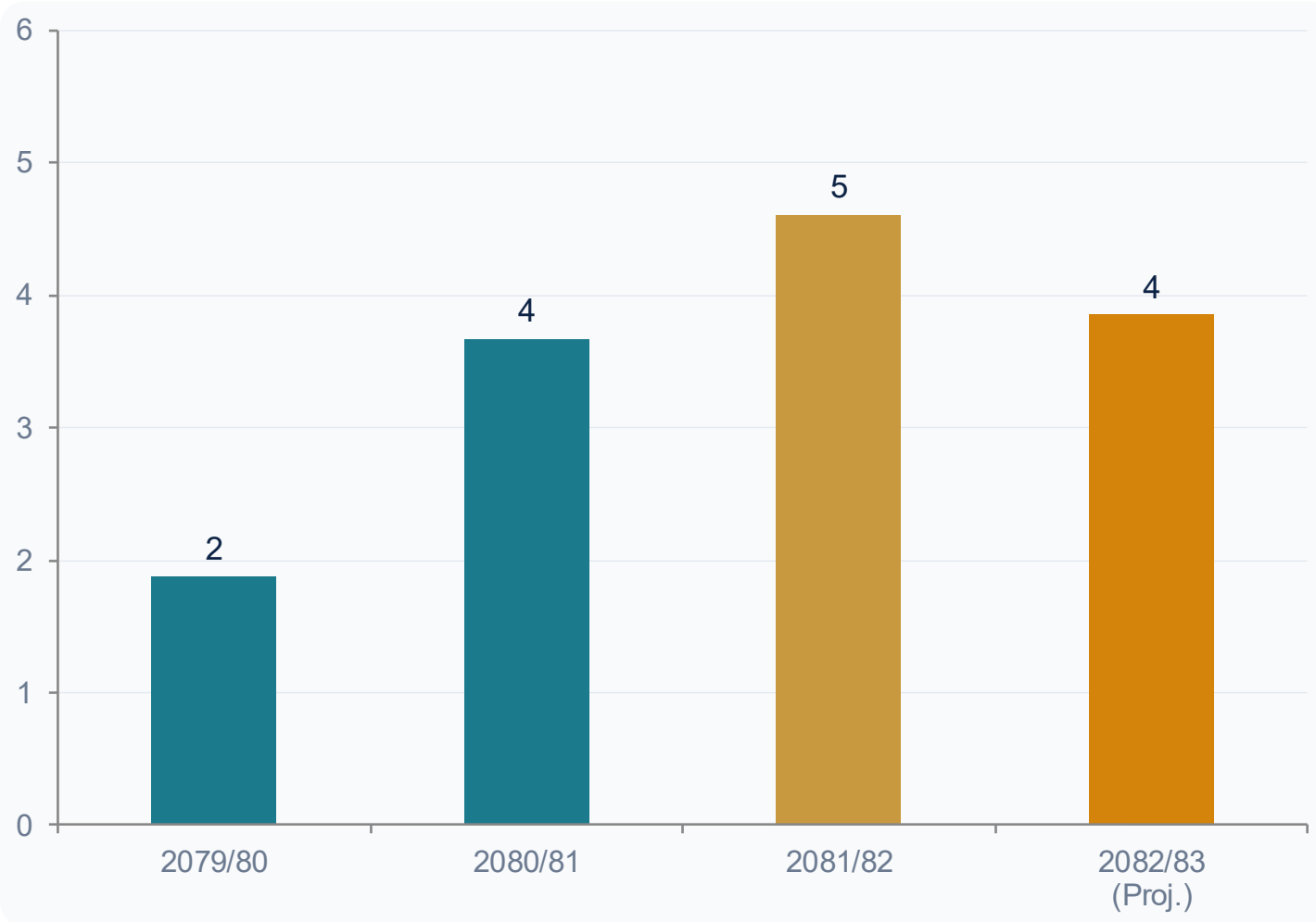
Rs 1.45T

Remittance
Inflow

18.5 mo

Forex Reserve
Import Cover

GDP Growth Trajectory — Nepal (FY 2079/80 to 2082/83)



Kala Legal's View

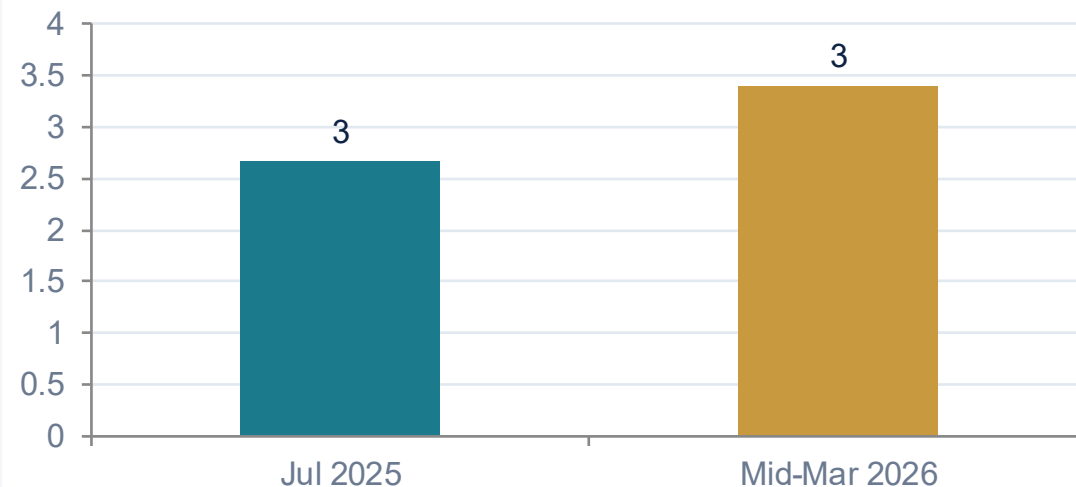
- 1.** Nepal's 10-year average growth of ~4.2% is well below aspirational 6.5–7% needed for prosperity.
- 2.** The FY2082/83 projection of 3.85% signals a slowdown vs 4.61% last year — a concerning reversal.
- 3.** Vietnam-comparable growth rates generate ~4× higher per capita income; Nepal must urgently pivot.
- 4.** Kala Legal calls for a \$100 billion economy target through swift execution, regulatory reform & structural trust.
- 5.** Current compounding trajectory means chronic youth emigration continues without bold intervention.

External Sector Performance — Strengths & Vulnerabilities

Remittance Inflows (Rs Trillion)



Foreign Exchange Reserves (Rs Trillion)



+37.7%

Remittance growth
(YoY 2082/83)

18.5 mo

Import cover
(record high)

+11.2%

Trade deficit
widened

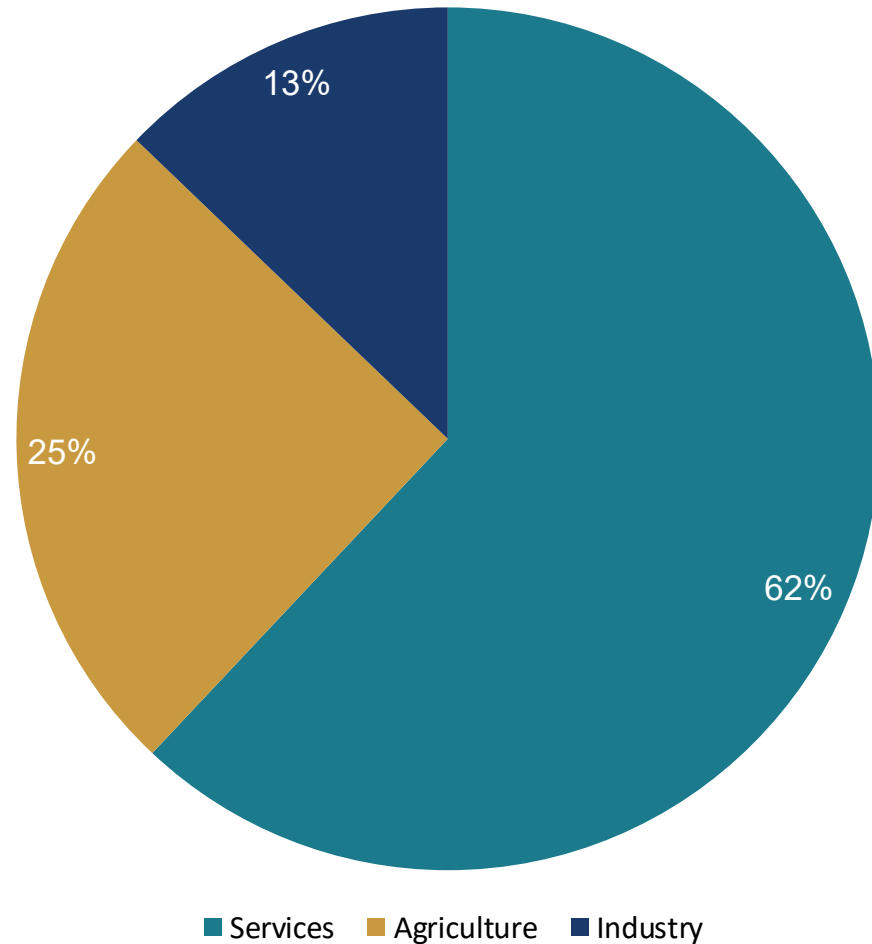
BB-

Sovereign credit
rating (stable)

⚠️ Kala Legal Concern: Despite record remittances and forex reserves, Nepal's trade deficit widened 11.2% to Rs 1.098 trillion. Kala Legal warns that FDI at merely 1/25th of emerging market average and import dependency signal structural vulnerabilities that require urgent export promotion and domestic production reform.

GDP Sectoral Composition & Structural Challenges

GDP by Sector (FY 2082/83)



Services 62.01%

MoF: Remittance-driven consumption, tourism revival, digital payments (QR codes: Rs 125B+), financial services.

Kala Legal:

Services dominate but remain consumption-led. Kala Legal stresses need for IT exports (\$800M–\$1B annually) and DPI acceleration.

Agriculture 25.16%

MoF: Accounts for <25% of GDP, vital for rural livelihoods. Climate risks and low productivity constrain growth.

Kala Legal:

Kala Legal urges evidence-based agriculture over political slogans. 'Zero-chemical' policies need empirical validation for food security.

Industry ~12.8%

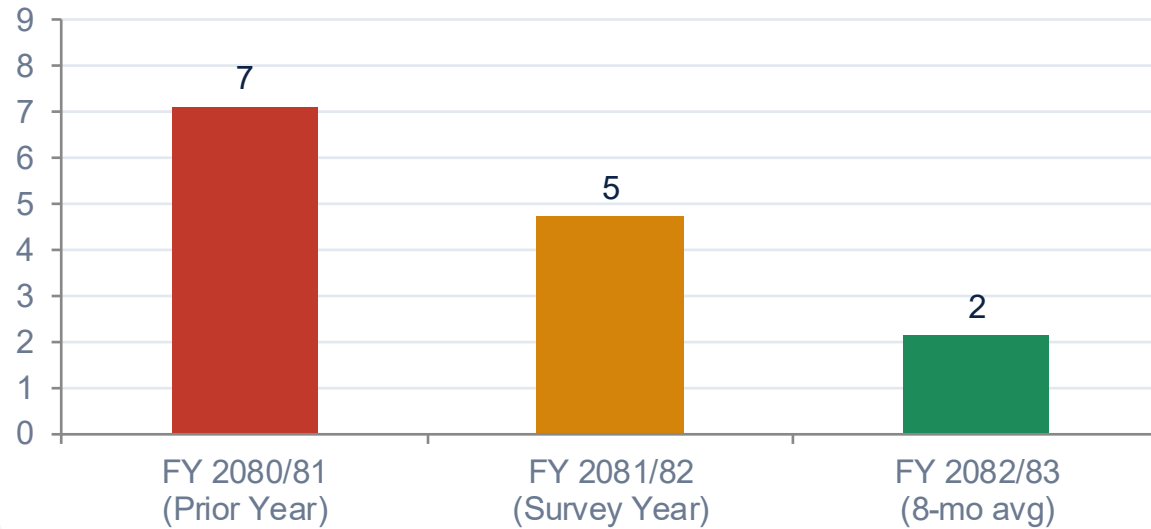
MoF: Weakest link in GDP. Investment approvals: NPR 4.77 trillion (incl. FDI). Electricity capacity: 3,602 MW.

Kala Legal:

FDI at 1/25th of EM average. Mega-project pipeline of \$8–9B requires blended finance. Regulatory overhaul critical.

Inflation Control & Fiscal Performance

Consumer Price Inflation (%)



Fiscal Indicators Comparison

| Indicator | FY 2080/81 | FY 2081/82 | Trend |
|-------------------|------------|------------------|-------------------|
| Fiscal Deficit | NPR 70.4B | NPR 16.2B | ▼ 77% improvement |
| Revenue Growth | 10.4% | 12.6% | ▲ Improving |
| Public Debt / GDP | ~42% | 43.8% | ▲ Rising slowly |
| Public Debt Total | NPR 2.5T | NPR 2.77T | ▲ Rs 2.767T |

Kala Legal on Inflation Control

Inflation moderation to 4.47% (9-month average) is one of Nepal's strongest economic achievements. Kala Legal attributes this to stable global commodity prices, improved domestic supply, and NRB's accommodative monetary stance. Rural inflation (3.20%) vs. urban (4.69%) reveals distribution gaps needing targeted interventions. Provincial disparity: Madhesh 4.91% vs. Karnali 3.82%.

Kala Legal Fiscal Warning: Public debt at 48.4% of GDP (NPR 2.97T) is manageable but rising. Kala Legal warns that retroactive tax enforcement and unpredictable tax regulations destroy investor confidence and recommends absolute legal certainty, modern double-taxation treaties, and transparent asset repatriation mechanisms to restore FDI credibility.

Financial Sector & Investment Landscape

MoF Economic Survey — Key Findings

- ✓ Investment approvals totaling NPR 4.77 trillion (Dept. of Industry + Investment Board Nepal)
- ✓ All local levels now have bank branches; 1 branch per 2,527 population
- ✓ Life insurance coverage reached 44.17% of the population
- ✓ Electricity access: 99% (incl. alternative energy); installed capacity 3,602 MW
- ✓ Internet penetration: 144.23%; Digital TV: 72% of households
- ✓ QR code transactions exceeded Rs 125 billion by mid-March
- ✓ Sovereign credit rating: BB- (stable outlook, 2025)
- ✓ HDI improved to 0.622; National ID cards issued to 2.21 million
- ✓ FATF grey list efforts intensified; risk-based AML/CFT supervision strengthened

Kala Legal — Critical Assessment

- ⚠ FATF Grey List: Nepal's placement on FATF grey list (2026) severely undermines correspondent banking and international trade finance.
- ⚠ NPL concerns: Persistent stagnation in bank credit growth despite lower lending rates signals weak private sector confidence.
- ⚠ FDI at 1/25th of emerging market average — among the lowest globally. Capital remains trapped in collateral-based, short-term bank lending.
- ◆ Alternative Investment Fund (AIF) Act and Nepal Development Fund needed urgently to channel diaspora capital.
- ◆ Financial Sector Strategy 2025/26–2029/30 & NRB Bill Amendment (3rd) must strengthen central bank independence.
- ◆ IT exports (\$800M–\$1B/yr) need Data Protection Act and Cybersecurity Policy to scale to \$3B+ target.
- ◆ IFC's \$29M data center in Kathmandu signals private capital interest — government must create enabling environment.

FATF Grey Listing, Political Risks & Reform Agenda

FATF Grey List — Nepal 2026

Kala Legal highlights Nepal's FATF greylisting (2026) as a critical risk:

- Correspondent banking restrictions impact international trade
- MoF survey acknowledges intensified AML/CFT efforts in FY2082 BS
- Risk-based supervision of financial and non-financial institutions underway
- Exit from grey list requires sustained institutional reform & capacity building
- **Kala Legal: Exit timeline likely 2026–2027 if compliance milestones are met**

Political & LDC Graduation Outlook

LDC Extension:

- In 2024, Nepal first met Composite Revenue Index criteria for LDC graduation
- Nepal LDC extension considerations affect trade preferences (GSP+, duty-free access)

Political Risk (Kala Legal 2026–2027 Outlook):

- Post Gen-Z Andolan political transition created new government dynamics
- RSP manifesto vs. government reform program shows policy continuity gaps

• Governance accountability remains critical for investment climate

NRB Bill 2082 (3rd Amendment)

Central bank independence & monetary framework modernization; aligns with IMF 7th review commitments.

BAFIA Amendment

Banking and Financial Institutions Act reform to strengthen financial sector governance and PCA mechanisms.

AIF Act & Nepal Development Fund

Alternative Investment Fund framework to mobilize diaspora capital and institutional investors.

FDI Sector Reform

Streamlined FDI approval, retroactive tax elimination, double-taxation treaties and capital repatriation clarity.

Head-to-Head Comparison: Economic Survey vs Kala Legal Outlook

| Theme | MoF Economic Survey 2082/83 | Kala Legal Outlook — April 2026 |
|-----------------------------|--|---|
| GDP Growth | 3.85% (FY 2082/83 proj.) vs 4.61% in 2081/82 | Warns: slowdown vs avg 4.2% over decade; needs 6.5–7% for transformation |
| Inflation | 2.13% avg (8-month) 4.72% in prior year | Positive development; provides NRB room to ease monetary policy |
| Remittances | Rs 1.45T (+37.7% YoY) Record high | Risk: Over-reliance on remittances; diaspora investment ecosystem urgently needed |
| Forex Reserves | Rs 3.41T 18.5 months Record high | Positive buffer; but warns trade deficit widening (+11.2%) erodes gains |
| FDI & Investment | NPR 4.77T approvals; BB- sovereign rating | FDI at 1/25th EM average. Retroactive taxation & regulatory burden deter capital |
| FATF Status | Intensified AML/CFT efforts noted | Grey listing (2026) is CRITICAL — undermines banking access & trade finance |
| Financial Sector | 99% electricity access; 144% internet penetration | NPL pressure, credit stagnation; NRB & BAFIA reforms essential for resilience |
| Structural Reform | LDC graduation criteria first met in 2024 | Regulatory overhaul needed: 62K+ compliance burdens must be slashed à la India |

Kala Legal: Nepal Economic Transformation Framework (NETF) 2026–2030

1

Digital Public Infrastructure

- Data Protection Act
- Cybersecurity Policy
- Digital payment scaling
- IT exports: \$800M → \$3B

2

Regulatory Reform & Compliance Ease

- Slash 62K+ compliance burdens
- Predictable tax regime
- End retroactive taxation
- 2-yr driver's license → 2 weeks

3

Blended Finance & FDI Attraction

- \$8–9B mega-project pipeline
- AIF Act for diaspora capital
- Double-taxation treaties
- Modern capital repatriation rules

4

Evidence-Based Agriculture & Food Security

- Organic farming evidence agenda
- Nutritional security criteria
- Fertilizer distribution reform
- Value-chain modernization

5

Four-Stakeholder Trust Model

- Govt + Business + Academia + Civil
- Provincial governance platforms
- Outcome-based performance
- Aspirations gap measurement

Conclusions & Policy Recommendations



Macro Stability Achieved

Record remittances (Rs 1.45T), forex reserves (18.5 months), and inflation at 2.13% signal strong macroeconomic fundamentals despite 3.85% growth slowdown.



Growth Insufficient for Transformation

3.85% GDP growth is well below the 6.5–7% needed. Without structural reform, chronic youth emigration and income gaps with peer economies will persist.



FATF Greylisting — Urgent Priority

Nepal's 2026 FATF grey listing is the most critical near-term risk. AML/CFT compliance and NRB reforms must be fast-tracked to restore correspondent banking access.



FDI & Capital Market Reform

End retroactive taxation, pass AIF Act, create double-taxation treaties. FDI at 1/25th EM average is unacceptable given Nepal's geographic and energy advantages.



Regulatory & Structural Overhaul

Nepal must slash compliance burdens (à la India's 62K+ review), modernize agriculture policy with evidence-based frameworks, and accelerate digital public infrastructure.