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Nepal feels no need for IMF loan as tourism income increases

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Dhaka: Nepal feels no need to approach the International Monetary Fund (IMF) for a fresh loan as pressure on foreign exchange reserves is easing following tourism uptick, said the country's central bank governor on August 1.

"At present, our focus is on managing demand to reduce pressure on foreign (exchange) reserves," said Maha Prasad Adhikari, governor of the Nepal Rastra Bank (NRB), noting that rising workers' remittances and tourist arrivals offered a "silver lining" for the economy.

Tourism earnings increased more than three times to NPR 25.52 billion (USD 201.8 million) in the 11 months to end mid-June, compared with the same period a year earlier, though they are still well below pre-pandemic levels.

Remittances from overseas workers, meanwhile, rose 1.5 per cent to USD 7.5 billion during the same period, according to reports.

"It is expected that these developments will help ease external sector pressure in a few months," Adhikari said, about the possibility of seeking an additional loan from the Fund.

His comments came after Finance Minister Janardan Sharma was reinstated on July 31, after a parliamentary probe found no evidence to prove that he was involved in making illegal changes to the budget.

Earlier in 2022, the IMF approved USD 396 million of assistance to Nepal, a 38-month financial assistance arrangement under its Extended Credit Facility, to mitigate the pandemic's impact on its economy.

Before that, IMF approved financial assistance of USD 212 million for Nepal in 2020 after a sharp drop in foreign exchange earnings from tourism and remittances.

Nepal’s external debt has more than doubled to USD 7.77 billion in 2022 from USD 3.8 billion in 2012, according to government estimates.

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