

# **Best Stocks to Buy Today in Nepal: 2025 Market Outlook Report**

## **Introduction**

This report provides a comprehensive analysis of the key drivers and trends expected to shape the Nepalese stock market in 2025, offering insights into potential investment opportunities and challenges. Leveraging the most relevant current market information, this report aims to guide investors in making informed decisions by detailing sector-specific prospects and broader macroeconomic influences. The Nepalese equity market (NEPSE) is poised for a dynamic year, influenced by domestic policy shifts, sectoral growth, and global economic currents.

### **1. Expected Easing of Interest Rates by Nepal Rastra Bank**

The Nepal Rastra Bank (NRB), the central bank of Nepal, is widely anticipated to ease its monetary policy in 2025, leading to a reduction in interest rates. This prospective shift is a critical factor for the overall market sentiment and corporate profitability. Lower interest rates directly translate to reduced borrowing costs for corporations across various sectors, including capital-intensive industries like manufacturing and hydropower. Companies will find it cheaper to finance expansion projects, manage working capital, and service existing debts, which can significantly boost their bottom lines and improve their valuation metrics.

Furthermore, a decline in interest rates tends to make equity investments more attractive relative to fixed-income instruments such as bank deposits or government bonds. As the returns on traditional savings vehicles decrease, investors are likely to reallocate capital towards the equity market in search of higher yields. This influx of capital can enhance overall market liquidity, stimulate trading activity, and contribute to a positive investor sentiment, potentially driving up stock prices across the board. The ripple effect of reduced interest rates is expected to foster a more favorable environment for business expansion, capital formation, and ultimately, wealth creation for equity investors.

### **2. Sustained Growth and Expansion in the Tourism and Hospitality Sector**

Building on a robust post-pandemic recovery, Nepal's tourism and hospitality sector is projected to experience continued strong growth throughout 2025. Factors contributing to this sustained expansion include increased international travel, effective marketing campaigns, and ongoing infrastructure development aimed at enhancing tourist accessibility and experience. The sector stands to benefit significantly from rising tourist arrivals and an increase in per-capita spending, indicating a healthy demand trajectory.

This positive outlook presents substantial upside potential for companies listed on NEPSE that operate within the tourism value chain. Specifically, companies in the hotel industry are expected to see improved occupancy rates and average room revenues. Airlines, both domestic and international operators serving Nepal, are likely to benefit from higher passenger volumes. Related service industries, including tour operators, adventure tourism providers, and even local handicraft and souvenir businesses, could also experience a boost in demand. Investors should scrutinize companies with strong brand recognition, strategic locations, efficient operations, and a clear expansion strategy to capitalize on this sector's growth momentum.

### **3. Increased Commissioning of Hydropower Projects and Focus on Energy Exports**

The year 2025 is set to be a landmark period for Nepal's hydropower sector, with several large-scale projects slated for completion and commercial operation. The commissioning of these new power plants will significantly increase Nepal's electricity generation capacity, further cementing its position as a potential energy surplus nation. Crucially, inter-country power trade agreements, particularly with India and Bangladesh, are solidifying and expanding, opening up substantial avenues for energy exports.

This development indicates sustained revenue growth and enhanced export potential for companies in the hydropower sector. While some hydropower stocks have historically faced valuation concerns due to project delays, cost overruns, or regulatory uncertainties, the current focus on project completion and export opportunities offers a clearer path to profitability. Investors should look for companies with diversified project portfolios, strong project management capabilities, and established power purchase agreements (PPAs), especially those with cross-border selling arrangements. The ability to efficiently export surplus energy will be a key differentiator, providing a stable and growing revenue stream for the sector.

### **4. Post-Merger Operational Stability and Market Consolidation in the Insurance Sector**

Following a mandatory merger phase mandated by the regulatory authorities, the Nepalese insurance sector (both life and non-life) is transitioning into a period of consolidated operations in 2025. This phase marks a significant restructuring, aiming to create stronger, more resilient, and more competitive insurance entities. Companies that have successfully navigated the merger process and effectively integrated their operations are now poised for enhanced profitability and a stronger competitive advantage.

The benefits of consolidation include economies of scale, reduced operational overheads through synergy realization, and a broader geographical reach. These

factors are expected to contribute to improved premium growth rates as consolidated entities can leverage larger capital bases and wider distribution networks to capture a greater market share. Furthermore, a streamlined operational structure can lead to improved underwriting performance and better claims management. Investors should identify insurance companies that have demonstrated strong post-merger integration, clear strategies for market expansion, and a robust balance sheet to capitalize on the sector's newfound stability and growth potential.

## **5. Government and SEBON Push for Advanced Capital Market Reforms and Digitalization**

The Securities Board of Nepal (SEBON) and the government are actively pursuing a series of reforms aimed at modernizing and deepening the Nepalese capital market in 2025. These ongoing efforts include the introduction of more sophisticated market instruments, such as Exchange Traded Funds (ETFs) and derivatives, which will provide investors with more diverse investment avenues and risk management tools. Simultaneously, there is a strong focus on enhancing online trading platforms and ensuring faster, more efficient settlement processes.

These reforms are expected to significantly improve market depth and liquidity by attracting a wider range of investors, including institutional players, and by facilitating easier entry and exit from investments. Enhanced digital infrastructure will streamline trading operations, reduce transaction costs, and provide greater accessibility for investors, particularly those in remote areas. Ultimately, these measures are designed to boost overall investor access and confidence in the Nepalese capital market, making it more attractive for both domestic and international participants. Brokers and technology providers facilitating these digital transformations may also present indirect investment opportunities.

## **6. Continued Challenges and Regulatory Scrutiny in the Microfinance Sector**

The microfinance sector in Nepal is expected to continue facing significant challenges in 2025, primarily related to asset quality issues and persistently high non-performing loans (NPLs). The sector has been under increasing regulatory oversight, with authorities implementing stricter guidelines to curb excessive lending, ensure responsible credit practices, and protect borrowers. These challenges necessitate a highly selective investment strategy within this sector.

Investors must focus on microfinance institutions (MFIs) that demonstrate strong governance frameworks, transparent reporting, and robust risk management practices. Key indicators for selective investment include a diversified loan portfolio that mitigates concentration risks, and crucially, effective recovery mechanisms to manage and reduce NPLs. MFIs with a clear social mandate, sustainable business models, and a track record of financial prudence will be better positioned to navigate the regulatory scrutiny and maintain profitability.

Conversely, MFIs with weak internal controls, aggressive lending practices, or high exposure to vulnerable segments may continue to struggle.

## **7. Banking Sector's Focus on Asset Quality Management and Digital Transformation**

In 2025, the Nepalese banking sector is anticipated to prioritize two critical areas: strengthening asset quality management and accelerating digital transformation. Banks are expected to redouble their efforts to manage and potentially reduce non-performing assets (NPAs) amidst lingering economic pressures that might affect loan repayment capabilities. This involves rigorous credit monitoring, proactive risk assessment, and efficient recovery strategies to maintain healthy balance sheets.

Concurrently, banks are investing heavily in digital banking initiatives. This strategic shift aims to enhance customer experience through user-friendly mobile apps, internet banking platforms, and personalized digital services. Digitalization also offers significant operational benefits, including reduced overhead costs through process automation and improved efficiency. Furthermore, digital channels are crucial for expanding financial inclusion, reaching underserved populations, and catering to the evolving demands of a tech-savvy customer base. Banks that successfully integrate these two priorities – maintaining strong asset quality while driving digital innovation – are likely to emerge as leaders in the competitive financial landscape.

## **8. Resilience of Remittance Inflows Supporting Domestic Consumption and Economic Stability**

Remittance inflows from Nepalese migrant workers abroad continue to be a cornerstone of Nepal's economy, and their resilience is expected to persist in 2025. These strong inflows are crucial for bolstering the nation's foreign exchange reserves, providing a vital buffer against external economic shocks. More importantly, remittances significantly support domestic consumption patterns, as a substantial portion is channeled into household spending on goods and services.

This sustained injection of foreign currency and consumer purchasing power contributes directly to overall economic stability. From an investment perspective, this indirectly benefits consumption-oriented sectors such as fast-moving consumer goods (FMCG), retail, and manufacturing industries that cater to domestic demand. Companies operating in these sectors often see a direct correlation between robust remittance inflows and increased sales volumes, making them potentially attractive investment candidates. The stability provided by remittances also reduces overall market volatility and enhances investor confidence in the broader economy.

## **9. Emerging Opportunities and Potential New Listings from Manufacturing and Technology Sectors**

As the Nepalese economy continues its path of diversification, 2025 could mark a period of increasing interest and regulatory incentives for quality manufacturing companies to seek public listings. This reflects a broader governmental push to promote industrialization and reduce reliance on imports. Companies demonstrating strong production capabilities, competitive advantages, and potential for export could present fresh investment opportunities for investors seeking diversification beyond traditional sectors like banking and hydropower.

Furthermore, the gradual emergence of smaller yet innovative technology and IT firms in Nepal is a trend to watch. While currently nascent, some of these companies may eventually seek public offerings as they scale up and gain traction. The growth of the digital economy, increased internet penetration, and a rising skilled workforce are creating a fertile ground for tech startups. Investors with a higher risk appetite and a long-term view might find value in closely monitoring these emerging sectors for potential initial public offerings (IPOs) that could offer significant growth prospects in the future.

## **10. Impact of Global Economic Landscape on Domestic Market Sentiment**

The Nepalese market, while having significant domestic drivers, is not entirely immune to global economic forces. In 2025, the interplay of global inflation trends, potential recessionary pressures in major economies (which could affect remittance flows or international trade), and evolving geopolitical developments will continue to exert influence on domestic investor sentiment. A slowdown in major economies could reduce demand for Nepalese exports or impact the job markets for migrant workers, indirectly affecting the local economy.

Investors must maintain a watchful eye on international economic indicators, including global commodity prices, interest rate decisions by major central banks, and geopolitical stability. A diversified investment portfolio becomes even more critical in such an interconnected global environment, helping to mitigate sector-specific or country-specific risks. While domestic fundamentals remain paramount, understanding the global context is essential for a holistic and informed investment strategy in 2025, allowing investors to anticipate potential headwinds or tailwinds emanating from the international arena.

## **Conclusion**

The year 2025 presents a dynamic and evolving landscape for the Nepalese stock market. Opportunities are emerging from anticipated monetary policy easing, robust growth in tourism and hydropower, and consolidation within the insurance sector. Capital market reforms and digitalization efforts are set to enhance market efficiency and investor confidence. While the microfinance sector faces

ongoing challenges, the banking sector's focus on asset quality and digital transformation promises resilience. The unwavering support from remittance inflows and the potential emergence of new listings in manufacturing and technology add further layers of opportunity. However, investors must remain vigilant to the influence of the global economic landscape. A meticulous, research-backed approach, emphasizing diversification and an understanding of both domestic and international factors, will be key to navigating the market successfully and identifying the best stocks to buy in Nepal for 2025.