

The latest macroeconomic update unveiled by Nepal Rastra Bank (NRB) on Tuesday sharply contradicts the assurances made by Finance Minister Janardan Sharma, who said the country was not going to face any economic crisis as warned by experts.

While unveiling the country's economic condition three days ago, after suspending NRB governor Mahaprasad Adhikari last week, Sharma claimed that the country would not face any economic crisis as the country had enough foreign exchange reserve to purchase merchandise goods for more than six months. However, the central bank's latest macroeconomic update has revealed that the inflow of remittances has depleted, trade deficit ballooned and foreign currency to be earned from the tourism sector as well as foreign loans, grants and foreign direct investment has dwindled sharply, exerting pressure on the current account and balance of payments.

During the last eight months, the country's merchandise import increased by 38.6 per cent to Rs 1,308.73 billion against a merchandise export of just Rs 147.75 billion. Soybean oil and palm oil constitute the largest portion of merchandise exports and they are only processed or packaged here, and do not contribute to earning foreign currency.

The country imported petroleum products worth Rs 185.17 billion in the last eight months, which is more than the total export during the period. It means Nepal's total export is insufficient even to import petroleum products alone. Import of luxury and essential goods was halted during the pandemic period for almost two years. Once the pandemic period was over, massive imports of petroleum products, transport equipment, vehicles and spare parts, other machinery parts, medicines, crude palm oil and soybean oil, gold and other commodities soared during the review period.

It created an unprecedented pressure on the foreign exchange reserve, which could not sustain the balance of payments. With the prices of petroleum products soaring by many folds in the international market due to the war between Russia and Ukraine, prices of other essential goods have automatically jumped beyond the purchasing capacity of low-income families.

In a bid to control the outflow of the country's depleting foreign exchange reserve, Nepal Bankers' Association itself has decided not to issue letters of credit for the import of luxury goods. However, the Finance Ministry has not taken any step to keep the foreign exchange reserve at the desired level. The Finance Minister has only said the government bodies would reduce fuel consumption by 20 per cent. It shows the government does not have any plan to increase export and add more foreign currency reserve to its treasury.