

Poverty & Equity Brief

October 2025

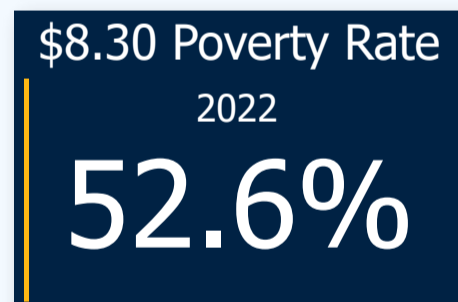
NEPAL

Nepal's widening income gap is a threat to the country's decade-long poverty reduction success, with disparities now fueling political instability, jeopardizing economic progress. Income-based inequality is high, with a Gini index of 47—comparable to many unequal developed countries. The average per capita income of Nepal's wealthiest 20% is nearly twice that of the bottom 40% and more than four times that of the poorest 20%. This stark disparity contrasts sharply with consumption-based inequality, which remains relatively low at a Gini index of 30, masking the true extent of economic stratification.

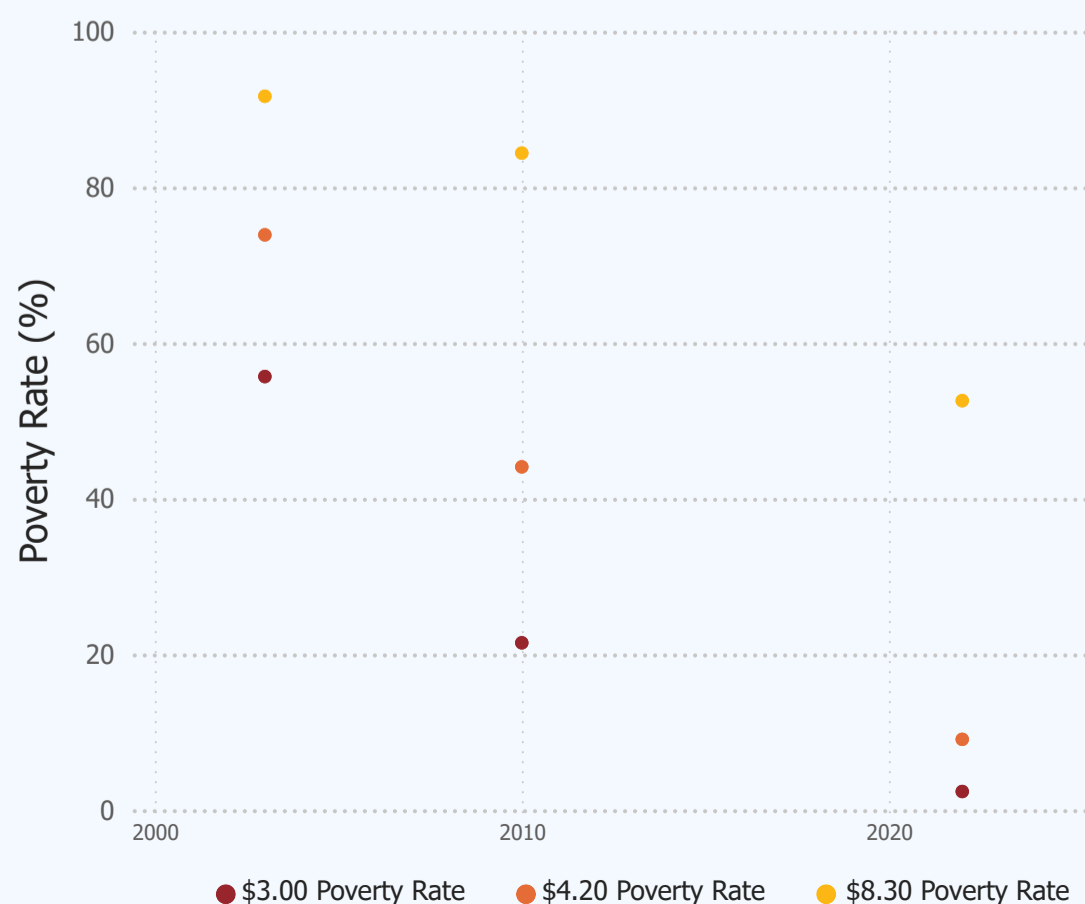
The inequality gap has become a source of social unrest. Youth unemployment stands at 22.7%, driven by limited local job creation that forces workers to seek opportunities abroad. This economic frustration recently boiled over in Gen Z protests that ousted the government and parliament, highlighting how rising vulnerability and inequality can destabilize Nepal's political foundations. The political unrest could reverse economic gains. GDP growth is projected to decline in FY26, with the forecasted poverty rate rising to 6.6% from the pre-protest estimate of 6.2%.

Geographic disparities compound the problem. Sudurpashchim province has the highest poverty rate at 34.2%, followed by Karnali at 26.7%. These regions also lag critically in infrastructure—with longer distances to paved roads and lower electricity access than national averages. Most municipalities with the highest poverty rates cluster in these two provinces. Yet the largest absolute numbers of poor people inhabit the densely populated areas of Bagmati and Lumbini provinces, while Madhesh and Lumbini account for the largest shares of the poor population at 25.1% and 22.8%, respectively. Despite these challenges, Nepal has achieved remarkable poverty reduction over the past decade. The national poverty headcount rate has declined to 20.3%—nearly 6 million Nepalese—marking substantial improvement since 2010. Extreme poverty, defined by the \$3.00/day threshold, fell to 2.4% in 2022, while the \$4.20/day poverty rate dropped to 9.1% and is projected to decline further to 7.1% by 2025.

Living standards have improved across multiple dimensions, with greater access to electricity, shorter travel times to public hospitals, and expanded paved road networks. Labor emigration remains the primary coping strategy for workers navigating the sluggish job market, with remittances playing a vital role in sustaining household welfare. Between 2011 and 2023, remittance inflows accounted for 32% of total poverty reduction, preventing 2.6 million people from falling into poverty. However, Nepal's progress remains vulnerable to political uncertainties, economic shocks, and climate disasters. Millions risk falling back into poverty due to these persistent weaknesses and vulnerabilities, making addressing inequality not just a social imperative but an economic necessity for sustained development.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	5,911.7	20.3	2022
International Poverty Line (\$3.00/day)	724.0	2.4	2022
Lower Middle Income Class Poverty Line (\$4.20/day)	2,704.3	9.1	2022
Upper Middle Income Class Poverty Line (\$8.30/day)	15,637.8	52.6	2022
Multidimensional Poverty Measure		4.4	2022

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	8.0	Daily consumption less than US\$3.00 per person	2.4
Rural population	11.6	At least one school-aged child is not enrolled in school	3.3
Males	8.6	No adult has completed primary education	13.4
Females	9.5	No access to limited-standard drinking water	9.7
0 to 14 years old	12.9	No access to limited-standard sanitation	14.1
15 to 64 years old	7.4	No access to electricity	5.9
65 and older	9.0		
Without education (16+)	13.1		
Primary education (16+)	8.5		
Secondary education (16+)	3.8		
Tertiary/post-secondary education (16+)	N/A		

Note:

N/A denotes a missing/removed value, while N/A* refers to a value which was removed due to having fewer than 30 observations.

The rates in the Poverty by Group table above are shown at the \$4.20 lower-middle income line.

Data for the Poverty by Group table is derived from a 2022 survey and data for the Multidimensional Poverty Components table is derived from a 2022 survey.

Poverty Data & Methodology

The National Statistics Office of Nepal produces poverty estimates based on the Nepal Living Standard Survey (NLSS). Previous NLSS Surveys (1995-96, 2003-04, 2010-11) were conducted based on The World Bank's Living Standards Measurement Survey. The new NLSS-IV (2022-23) incorporated updates in alignment with current international best practices. The NLSS-IV used a sampling frame from the 2021 population census and is representative of the national population, across three agricultural seasons, and within 15 urban/rural analytical domains. Nepal uses the cost of basic needs methodology to define its national poverty line, which it revised using the NLSS-IV in 2023. As a result, the official 2023 welfare aggregate and poverty indicator are not strictly comparable to 2011.

The national poverty line is the aggregate of the food and non-food poverty lines. The new official national poverty line in 2022/23 is 72,908 Nepali rupees/person/year and it will be used for monitoring national and provincial poverty trends going forward. International poverty estimates are based on the international poverty line of \$3.00/person/day in 2021 US dollars, converted to Nepali rupees using the 2021 Purchasing Power Parity.

Harmonization

The numbers in this report are based on SARMD. The South Asia Micro Database (SARMD) is a regional database of socio-economic indicators established in 2014 and managed by the SAR Data and Stats Team. It includes household surveys covering 8 countries. It follows the Global Monitoring Database (GMD) Harmonization guidelines, including the construction of the welfare aggregate which is used for the Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.