

Nepal: Post-Gen Z protests delivered historic vote for political change | Credendo

Event

On 5 March, the first general elections since the violent and deadly Gen Z protests of September 2025 led to the historic victory of ex-mayor of Kathmandu, Balen Shah, a famous rapper in the country. His Rastriya Swatantra Party (RSP), formed in 2022, won by a landslide and unprecedentedly secured an exclusive majority for his future government. The RSP got 182 seats out of 275 available in parliament compared to a mere 25 seats for the previously ruling Communist Party – from ex-PM Sharma Oli, who had to step down after the Gen Z protests –, which only came third. Aged 35 years old, Shah will become Nepal's youngest PM ever.

Impact

After a political transition under an interim government, real political change has been endorsed by a large majority of the population. This outcome is a big shake-up in Nepal's political system after decades of recurrent political instability around a few dominant parties. PM Shah's strong mandate should allow his government to ensure political stability for some time and implement reforms. As Shah's success lies in the wide support of the youth, he and a new generation of politicians will be eager to keep their trust by taking steps against systemic corruption, raising transparency and adopting better governance. A digitalisation drive is also to expect.

However, the hardest is to come for this newcomer in a rigid political landscape and after multiple pledges of policy changes. Shah will have the challenging task of not only launching the promised (political) reforms, but also preventing party infighting, combatting powerful vested interests, improving economic diversification and creating more job opportunities for a mostly young population – ambitioning at the same time to slow down the long-standing emigration trend. Attracting more investments from India and China, its two giant neighbours and economic partners, will also be an important aspect of Nepal's foreign policy to contribute to its future GDP growth.

The Iran war will complicate the start of Shah's mandate, as the Nepalese economy is hit by higher energy costs and curtailed energy supply from India. Moreover, the expected global economic slowdown and reduced crucial remittances (i.e. two-thirds of the country's current account receipts) from the Gulf will harm its manufacturing sector and (comfortable) foreign exchange reserves respectively. Sharply disrupted or cancelled transit flights in the Gulf will also affect tourism in Nepal, an important economic activity.

Despite an improved political outlook, the Iran war clouds Nepal's macroeconomic prospects in 2026. Hence, the outlook is negative for the ST political risk (3/7) and business environment risk (E/G).

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