



# KCCI - Country Wrap: Nepal (JAN.'19)



## Nepal – a brief overview

Agriculture is considered to be the mainstay of the Nepalese economy, accounting for a little over one-third of GDP and providing a livelihood for more than 70% of the population. It is also dependent on remittances, which amount to as much as 30% of GDP. Industrial activity mainly involves the processing of agricultural products, including pulses, jute, sugarcane, tobacco, and grain. Nepal has considerable scope for exploiting its potential in hydropower, with an estimated 42,000 MW of commercially feasible capacity. Nepal has signed trade and investment agreements with India, China, and other countries, but political uncertainty and a difficult business climate have hampered foreign investment. The United States and Nepal signed a \$ 500Mn Millennium Challenge Corporation Compact in Sep'17 which will expand Nepal's electricity infrastructure and help maintain transportation infrastructure. Nepal's economy is also faced by other challenges including landlocked geographic location, underdeveloped transportation infrastructure, civil strife and labor unrest, and its susceptibility to natural disaster.

## Key Industries and Agri. products of Nepal

The key industries of Nepal include tourism, carpets, textiles, small rice, jute, sugar, and oilseed mills; cigarettes, cement and brick production. Agricultural products of Nepal include pulses, rice, corn, wheat, sugarcane, jute, root crops, milk, water buffalo meat.

## Major trading commodities and partners of Nepal

The major export partners of Nepal are India (53.1%), US (11.8%) and Turkey (7.2%) whereas major export commodities are clothing, pulses, carpets, textiles, juice and jute goods. The country's major import partners are India (70.2%) and China (7.5%) and major import commodities are petroleum products, machinery and equipment, gold, electrical goods and medicines.

## Economic Relations between Pakistan and Nepal

Pakistan and Nepal are situated in the Asian continent and trade between the two can prove to be extremely advantageous considering the low transport costs. Nepalese businessman are comfortable doing business with their Pakistani counter parts and that Pakistan and Nepal have common national and international perspectives with wide scope and potential for boosting trade and commerce. Ambassadors of the two countries have underscored the need for exchanging business delegations to enhance trade and promotion of investment opportunities, assuring full cooperation and support to the business communities in this regard. There are 500 Nepali students undertaking higher studies in the field of medical science, engineering, pharmacy, information technology, social science, management, and mass communication in Pakistan. The Government of Pakistan also provided US\$ 1Mn to the Govt. of Nepal as relief to the victims of flood and landslides in Terai region of Nepal in 2017. In Mar'18, the Prime Minister of Pakistan went on a formal visit to Nepal and urged to take measures to organize the 19th SAARC summit as soon as possible. Emphasis was also made on the need to reactivate Pakistan Nepal Joint Economic Commission and the Joint Business Council to increase bilateral trade.

## Trade between Pakistan and Nepal

The volume of trade between Pakistan and Nepal has not reached to significant levels over the years. In 2017, Pakistan's export to Nepal increased gigantically by 225% to \$ 11.72Mn against exports of mere \$ 3.60Mn in 2016, as Pakistan exported \$ 9Mn worth of sugar. Pakistan's imports from Nepal declined 9.6% during 2017 to \$ 0.93Mn as against imports of \$ 1.03Mn in 2016.

## Trade Potentials with Nepal

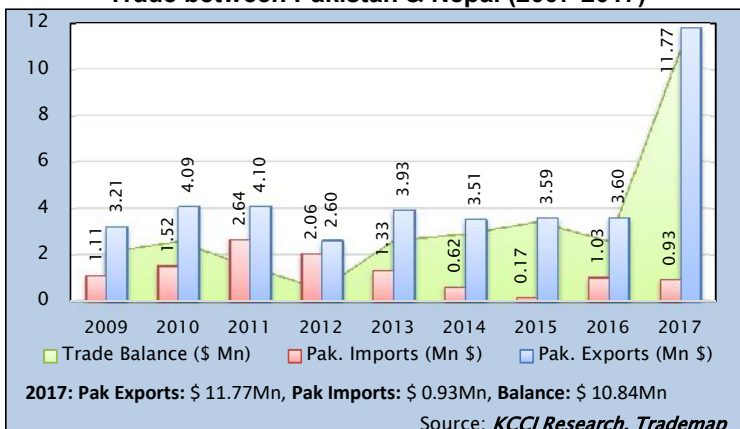
- Tea consumption is one of the highest in Pakistan where Nepal is one of the finest tea producers that can create trade opportunity between the two countries.
- Similarly, in recent past, Nepal has emerged as one of the best quality producer of coffee and have urged upon the Pakistani coffee entrepreneurs to avail advantage of geographic proximity in having these products at competitive price.
- Pakistan and Nepal hold strong potential to enter into joint ventures particularly in the fields of textile, pharmaceutical, health and human development.
- Agriculture has special potential for expansion of bilateral trade; Nepal and Pakistan can explore products of comparative advantage favored by specific climatic zones in both countries.
- Nepal produces large sized cardimoms which Pakistan could import.
- The direct air link between Nepal and Pakistan, will enhance trade relations between the two countries.

## Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	73.39	79.19	7.90%
GDP per Capita	\$	2,500	2,700	8.00%
GDP growth	%	0.60	7.90	7.30%
Forex Reserves	\$ Bn	8.51	9.09	6.88%
External Debt	\$ Bn	4.32	5.85	35.36%
Exports of Goods	\$ Bn	0.76	0.82	7.50%
Imports of Goods	\$ Bn	8.76	11.03	25.96%
Trade Balance	\$ Bn	-8.00	-10.21	-27.71%
Current Account	\$ Bn	1.34	-0.09	-106.95%
CPI	%	9.90	4.50	-5.40%
Prime Lending Rate	%	8.90	11.30	2.40%
Population	Mn	29.0	29.72	2.35%
Unemployment	%	3.2	3.0	-0.20%

Sources: KCCI Research, CIA Factbook

## Trade between Pakistan & Nepal (2007-2017)



## Nepal's Top 10 Trade Items With World (2017)

Top 10 Export Items	(\$ Mn)	Top 10 Import Items	(\$ Mn)
Coffee, tea & spices	78.67	Mineral fuels & oils	1,530.6
Man-made staple fibres	75.01	Iron & steel	947.8
Carpets & floor coverings	68.79	Machinery & appl.	913.5
Apparel, not knitted	58.65	Vehicles not railway	713.9
Prep. of vege., fruit or nuts	45.45	Electrical mach. & equip.	657.6
Iron & steel	42.64	Cereals	409.8
Other made-up textile	32.26	Natural or cultured pearls	369.7
Man-made filaments	30.85	Plastics & articles	367.2
Food industries waste	30.74	Salt, sulphur & stone	317.9
Vegetable textile fibres	26.61	Animal or vegetable fats	297.9

Sources: KCCI Research, Trademap

## Pakistan - Nepal Top 10 Trade Items (2017)

Pakistan Export Items	(\$ Mn)	Pakistan Import Items	(\$ Mn)
Sugars & confectionery	8.98	Pharma. products	0.37
Edible fruit & nuts	0.69	Optical, photo., surgical items	0.12
Glass & glassware	0.66	Organic chemicals	0.10
Optical, photo., surgical	0.55	Oil seeds & oleaginous fruits	0.10
Stone or similar	0.31	Misc. chemical products	0.06
Coffee, tea & spices	0.20	Articles of apparel, not knitted	0.05
Oil seeds & oleaq. fruits	0.08	Raw hides and skins	0.04
Food industries waste	0.05	Electrical machinery & equip.	0.04
Pharma. products	0.05	Machinery, mech. Appl.	0.02
Articles of apparel, knitted	0.04	Other made-up textile articles	0.02

Sources: KCCI Research, Trademap