

COUNTRY PROFILE REPORT OF ITJ DIVISION, DGCIS, KOLKATA INDIA-NEPAL BILATERAL TRADE RELATIONS

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

The Kingdom of Nepal is a land-locked Asian country in the Himalayan mountain range, with India to the south and east and Peoples Republic of China to the north. Nepal is a member of the UN, SAARC and BIMST-EC. This report emphasises on India-Nepal trade relations, inter-alia. As per available data from DGCIS database India and Nepal have observable bilateral (goods) trade relations primarily in the form of India's exports to and imports from Nepal. There has been observable a huge positive change in India's exports to and imports from Nepal only in FY 2021-22.

2. The economy of Nepal is developing category and largely dependent on agriculture and remittances. The biggest challenges faced by the country in achieving higher economic development are the frequent changes in political leadership as well as corruption. Nepal has used a series of five-year plans in an attempt to make progress in economic development. As per available report of IMF Executive Board Concludes 2023 Article IV Consultation with Nepal and Completes First and Second Reviews under the Extended Credit Facility May 1, 2023 a challenging global and domestic environment last year, including the impact of Russia's war in Ukraine, Nepal continued to make progress with the implementation of the ECF-supported program. The Nepali authorities have taken decisive actions to maintain a stable macroeconomic environment in the context of the post-COVID-19 recovery and global shocks. Directors of IMF also observed the impact that global shocks have had on Nepal through higher commodity prices, and that while the outlook is favourable, inflation remains elevated, and risks are to the downside.

FOREIGN TRADE

3. As per recent available inputs on WITS (World Integrated Trade Solution), the five major merchandise export partners of Nepal are India, United States, Germany, United Kingdom and Turkey. On the other hand five major import partners of Nepal are India, China, Argentina, UAE and Indonesia. Major five exported goods of Nepal are (i) Soya-bean oil (excl. crude) and fractions (ii) Palm oil (excl. crude) and liquid fractions (iii) Carpets and other textile floor coverings, (iv) Cardamoms and (v) Woven fabrics of jute or other textile. On the other hand major five imported goods of Nepal are (i) Petroleum oils, etc, (excl. crude); preparation, (ii) Crude soya-bean oil, (iii) Semi-fin prod, iron or non-alloy steel,, (iv) Petroleum gases and other gaseous hydrocarbons and (v) Transmission apparatus, for radiotelephony incorporate.

4. Nepal's total exports to the world in 2018 were of the order of US\$ 781 million. It has scaled up to US\$ 1,300 million in 2022. Exports from Nepal had steeply increased by 94.85% over 2020 followed by 21.97% decline in 2022. During the period from 2018 to 2022, the annual average compound rate of growth of exports was 13.59%.

5. Nepal's total imports in 2018 were of the order of US\$ 12,858 million and which had touched US\$ 13,744 million mark in 2022 with a 62.44% jump in the year 2021 over 2020. During the period from 2018 to 2022, the annual average compound rate of growth of Imports was 1.68%.

6. Nepal continues an overall Balance of Trade deficit from 2018 to 2022 and that has scaled up to USD -12,444 million in 2022. During the period from 2018 to 2022, the annual average compound rate of growth of total volume of trade was 2.48%.

BILATERAL TRADE WITH INDIA

Merchandise Trade

7. India and Nepal have important bilateral investment ties and trade and commercial cooperation. Both countries have maintained significant relations in various sectors and are working towards achieving new heights in trade and economic relations. Nepal ranked 18th as an export destination of India in FY 2022-23 which was 1.79 % of India's total export value in FY2022-23. In the same financial year imports from Nepal was only 0.12% of India's total import value. Nepal ranked 63th as import partner of India in FY 2022-23.

8. Indo- Nepal total volume of bilateral trade in FY 2018-19 was of the order of US\$ 8,274.34 million. It has scaled up to US\$ 8,920.78 million in FY 2022-23. The annual compound growth rate of total volume of trade during the period from 2018-19 to 2022-23 has been of the order of 1.90% and the trade balance (surplus) position has favoured India highlighting export dynamics between the two nations.

9. Exports from India to Nepal increased steeply by 41.05% in FY 2021-22 but decreased by 16.24% in very next year i.e. in FY 2022-23 in comparison with 2020-21 and 2021-22 respectively. The annual average compound rate of growth of Exports was 0.99%. On the other hand, imports from Nepal to India significantly increased by 103.67% in FY 2021-22 followed by 38.62% rise in FY 2022-23. During the period from 2018-19 to 2022-23, the annual average compound rate of growth of imports was 13.44%.

A snapshot of Nepal's overall Trade Statistics is presented in Table 1 & 2 and Figure 1 & 2 below.

TABLE - 1							
NEPAL'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND BALANCE OF TRADE							
BETWEEN 2018 TO 2022							
(Figures in USD Million)							
Year	Exports	Percentage Growth in Exports	Imports	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2018	781		12858		13,639		-12077
2019	960	22.92	12325	-4.15	13,285	-2.60	-11365
2020	855	-10.94	9745	-20.93	10,600	-20.21	-8890
2021	1666	94.85	15830	62.44	17,496	65.06	-14164
2022	1300	-21.97	13744	-13.18	15,044	-14.01	-12444
Annual Compound Growth Rate		13.59		1.68			2.48

Figure - 1

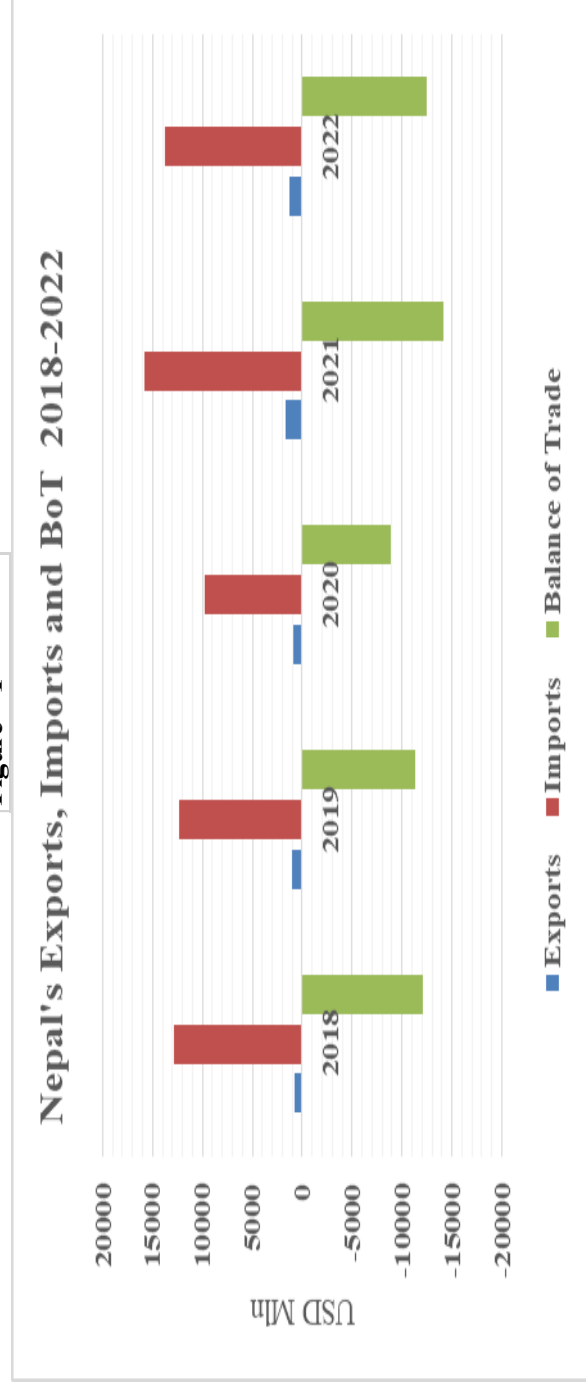


TABLE - 2							
INDIA'S MERCHANDISE EXPORTS & IMPORTS w.r.t. NEPAL							
FY 2018-2019 to 2022-2023							
Year	(Value in USD Million)						
	Exports from India to Nepal	Percentage Growth in Exports	Imports from Nepal to India	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2018-19	7766.20		508.14		8274.34		7258.06
2019-20	7160.35	-7.80	711.61	40.04	7871.96	-4.86	6448.74
2020-21	6838.46	-4.50	673.16	-5.40	7511.62	-4.58	6165.30
2021-22	9645.75	41.05	1371.04	103.67	11016.79	46.66	8274.71
2022-23	8079.26	-16.24	841.52	-38.62	8920.78	-19.03	7237.74
Annual Compound Growth Rate		0.99		13.44		1.90	

Figure 2

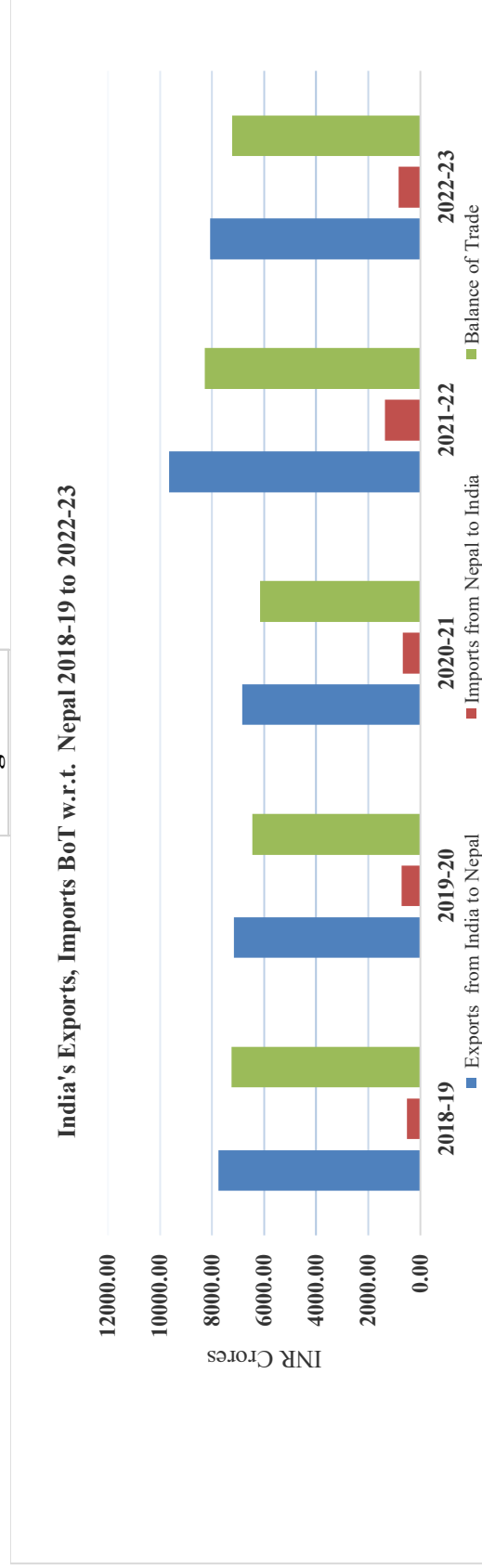


TABLE -3

**INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO NEPAL
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES**

Sl. No.	Name of the Merchandise Commodities	Value of Exports										Annual Growth Rates			
		(Value in USD Million)													
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 20-21	20-21 over 21-22	21-22 over 22-23	2018-19	2019-20	2020-21	2021-22	2022-23	
1	Petroleum Products	1784.23	1736.14	1236.41	2317.69	2664.41	-2.70	-28.78	87.45	14.96					
	Share in total export	22.97	24.25	18.08	24.03	32.98									
2	Iron And Steel	1140.03	982.90	930.80	1361.06	900.39	-13.78	-5.30	46.22	-33.85					
	Share in total export	14.68	13.73	13.61	14.11	11.14									
3	Rice (Other Than Basmati)	281.15	245.30	405.26	461.49	245.83	-12.75	65.21	13.88	-46.73					
	Share in total export	3.62	3.43	5.93	4.78	3.04									
4	Drugs Formulations Biologicals	179.76	192.69	177.39	247.40	197.83	7.19	-7.94	39.47	-20.04					
	Share in total export	2.31	2.69	2.59	2.56	2.45									
5	Indl. Machinery For Dairy Etc.	291.58	233.38	231.28	329.00	188.85	-19.96	-0.90	42.25	-42.60					
	Share in total export	3.75	3.26	3.38	3.41	2.34									
6	Plastic Taw Materials	149.85	148.69	159.07	234.30	180.98	-0.77	6.98	47.29	-22.76					
	Share in total export	1.93	2.08	2.33	2.43	2.24									
7	Electric Machinery And Equipments	123.70	135.96	146.56	175.45	157.14	9.91	7.80	19.71	-10.44					
	Share in total export	1.59	1.90	2.14	1.82	1.94									
8	Motor Vehicle/Cars	321.09	235.96	174.09	292.36	150.26	-26.51	-26.22	67.94	-48.60					
	Share in total export	4.13	3.30	2.55	3.03	1.86									
9	Coal, Coke And Briquettes	92.12	68.14	59.79	76.62	141.36	-26.03	-12.25	28.15	84.49					
	Share in total export	1.19	0.95	0.87	0.79	1.75									
10	Products Of Iron And Steel	121.63	122.13	119.00	149.80	137.85	0.41	-2.56	25.88	-7.98					
	Share in total export	1.57	1.71	1.74	1.55	1.71									
	Total export to NEPAL	7766.20	7160.35	6838.46	9645.75	8079.26	-7.80	-4.50	41.05	-16.24					

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

TABLE -4

**INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM NEPAL
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES**

Sl. No	Name of the Merchandise Commodities	(Value in USD Million)												
		Value of Imports					Annual Growth Rates							
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 20-21	20-21 over 21-22	21-22 over 22-23	2021-22 over 2020-21	2021-22 over 2020-21			
1	Vegetable Oils	61.58	279.33	286.08	891.62	253.24	353.61	2.42	211.67	-71.60				
	Share in total imports	12.12	39.25	42.50	65.03	30.09								
2	Mannade Yarn, Fabrics Madeups	53.92	58.71	46.31	70.62	76.51	8.88	-21.12	52.49	8.34				
	Share in total imports	10.61	8.25	6.88	5.15	9.09								
3	Spices	39.47	47.17	58.21	50.20	67.99	19.51	23.40	-13.76	35.44				
	Share in total imports.	7.77	6.63	8.65	3.66	8.08								
4	Iron And Steel	57.75	24.17	10.66	11.85	67.55	-58.15	-55.90	11.16	470.04				
	Share in total import	11.36	3.40	1.58	0.86	8.03								
5	Misc. Processed Items	44.21	38.44	31.10	48.02	61.61	-13.05	-19.09	54.41	28.30				
	Share in total import	8.70	5.40	4.62	3.50	7.32								
6	Jute Hessian	24.89	31.15	32.82	47.85	39.46	25.15	5.36	45.80	-17.53				
	Share in total import	4.90	4.38	4.88	3.49	4.69								
7	Tea	29.07	19.63	30.33	22.72	27.61	-32.47	54.51	-25.09	21.52				
	Share in total import	5.72	2.76	4.51	1.66	3.28								
8	Plywood And Allied Products	0.10	0.21	0.08	0.54	24.86	110.00	-61.90	575.00	4503.70				
	Share in total import	0.02	0.03	0.01	0.04	2.95								
9	Moulded And Extruded Goods	30.79	31.66	27.67	28.88	20.58	2.83	-12.60	4.37	-28.74				
	Share in total import	6.06	4.45	4.11	2.11	2.45								
10	Ayush And Herbal Products	12.07	14.22	23.93	21.52	20.49	17.81	68.28	-10.07	-4.79				
	Share in total import	2.38	2.00	3.55	1.57	2.43								
	Total import from NEPAL	508.14	711.61	673.16	1371.04	841.52	40.04	-5.40	103.67	-38.62				

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGGI&S, M/o C&I