COUNTRY PROFILE REPORT OF ITJ DIVISION, DGCI&S
INDIA-NEPAL BILATERAL TRADE RELATIONS

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

1. 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. As per available data from DGCI&S 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. Economically, Nepal comes under the list of the underdeveloped nations of the world. The economy of Nepal is developing category and largely dependent on agriculture and remittances. 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 Fifth Review under the Extended Credit Facility Arrangement for Nepal March 14, 2025, "The economy continues to face challenges with subdued domestic demand. Economic activity is expected to pick up moderately in FY 2024-25 on account of disruptions caused by the September 2024 floods. Growth is expected to reach 4.2 percent in FY 2024-25, supported by a planned increase in capital spending including on reconstruction, an accommodative monetary policy stance, and additional hydropower generation. Post-flood, supply-side pressures are expected to be short-lived, and average inflation is projected to remain close to the Nepal Rastra Bank's target of about 5 percent. Efforts to mobilize revenues will support development spending and fiscal sustainability. The outlook is subject to important downside risks including those related to possible under-execution of capital spending, financial-sector vulnerabilities, and political fragility".

A snapshot of Nepal's selected economic indicators is as under

TABLE 1

Nepal: Selected Economic Indicators

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
			Est.	Projection					
Output and Prices (annual percent change)									
Real GDP	5.6	2.0	3.1	4.2	5.4	5.0	5.0	5.0	5.0
Headline CPI (period average)	6.4	7.7	5.4	5.2	5.4	5.4	5.4	5.4	5.4
Headline CPI (end of period)	8.1	7.4	3.6	5.5	5.4	5.4	5.4	5.4	5.4
Fiscal Indicators: Central Government (in percent of GDP)									
Total revenue and grants	22.9	19.3	19.2	19.8	20.9	21.5	22.1	22.6	22.6
of which: Tax revenue	19.8	16.2	16.4	17.0	17.8	18.4	19.1	19.6	19.6
Expenditure	26.1	25.2	21.9	24.3	25.0	25.4	25.8	26.2	26.2

Expenses	21.7	20.8	18.6	19.3	19.4	19.5	19.6	19.8	19.8
Net acquisition of nonfinancial assets	4.3	4.4	3.3	5.0	5.6	5.9	6.2	6.4	6.4
Operating balance	1.2	-1.4	0.6	0.5	1.5	2.1	2.5	2.8	2.8
Net lending/borrowing	-3.1	-5.8	-2.7	-4.5	-4.1	-3.8	-3.7	-3.6	-3.6
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial transactions	3.1	5.8	2.7	4.5	4.1	3.8	3.7	3.6	3.6
Net acquisition of financial assets	2.6	-0.9	0.5	1.3	1.3	1.3	1.3	1.3	1.3
Net incurrence of liabilities	5.8	4.9	3.2	5.8	5.4	5.1	5.0	4.9	4.9
Foreign	2.0	1.7	1.6	1.7	1.5	1.4	1.3	1.3	1.4
Domestic	3.7	3.3	1.6	4.1	3.9	3.7	3.7	3.5	3.5
Money and Credit (annual percent change)									
Broad money	6.8	11.4	13.6	10.1	10.1	10.3	10.5	10.7	10.7
Domestic credit	17.9	8.8	6.2	8.2	9.6	10.3	10.5	10.7	10.7
Private sector credit	13.3	4.6	6.1	7.2	8.1	9.1	10.0	10.7	10.7
Gross investment	37.6	31.7	32.9	37.5	39.4	38.3	37.0	35.8	34.7
Gross fixed investment	29.0	25.1	26.1	29.7	31.2	30.4	29.3	28.3	27.5
Private	23.6	21.7	22.7	24.7	25.6	24.5	23.1	21.9	21.1
Central government	5.3	3.4	3.3	5.0	5.6	5.9	6.2	6.4	6.4
Change in Stock	8.7	6.6	6.8	7.8	8.2	8.0	7.7	7.4	7.2
Gross national saving	25.1	30.8	36.7	36.2	35.5	34.5	33.2	32.2	31.0
Private	24.4	32.7	36.5	36.3	34.9	33.3	31.6	30.1	29.1
Central government	0.7	-1.9	0.2	-0.1	0.6	1.2	1.7	2.0	2.0
Balance of Payments									
Current account (in millions of U.S. dollars)	-5,174	-361	1,663	-630	-1,969	-2,166	-2,321	-2,479	-2,760
In percent of GDP	-12.6	-0.9	3.8	-1.3	-3.8	-3.8	-3.7	-3.6	-3.7
Trade balance (in millions of U.S. dollars)	-13,759	-10,699	-10,431	-12,481	-15,053	-15,957	-16,797	-17,678	-18,664
In percent of GDP	-33.4	-26.2	-24.0	-26.7	-29.2	-28.2	-27.0	-25.8	-24.8
Exports of goods (y/y percent change)	43.9	-19.9	-2.5	8.9	9.6	9.1	9.7	9.4	9.4
Imports of goods (y/y percent change)	21.9	-22.0	-2.5	18.4	19.4	6.3	5.7	5.7	6.0
Workers' remittances (in millions of U.S. dollars)	8,326	9,485	10,864	11,151	11,680	12,258	12,766	13,283	13,767
In percent of GDP	20.2	23.2	25.0	23.8	22.7	21.6	20.5	19.4	18.3
Gross official reserves (in millions of U.S. dollars)	8,956	10,954	14,547	15,301	15,004	14,821	14,876	14,897	15,289

In months of prospective imports	7.6	9.3	10.5	9.4	8.7	8.1	7.7	7.2	7.0
Memorandum Items									
Public debt (in percent of GDP)	42.7	47.1	48.2	50.0	50.4	50.6	50.6	50.5	50.5
Nominal GDP (in billions of U.S. dollars)	41.2	40.9	43.4	46.8	51.5	56.6	62.3	68.5	75.3
Nominal GDP (in billions of Nepalese Rupees)	4,977	5,349	5,776	6,333	7,040	7,792	8,623	9,543	10,562
Net International Reserves (in millions of U.S. dollars)	8,821	10,507	14,064	14,744	14,451	14,321	14,440	14,541	15,027
Primary Deficit (in billions of Nepali Rupees)	110	239	76	183	179	175	180	182	204
Primary Deficit (in percent of GDP)	2.2	4.5	1.3	2.9	2.5	2.2	2.1	1.9	1.9
Tax Revenue (in billions of Nepalese Rupees)	984	866	945	1,074	1,250	1,436	1,648	1,868	2,065
Tax Revenue (In percent of GDP)	19.8	16.2	16.4	17.0	17.8	18.4	19.1	19.6	19.6
Private sector credit (in percent of GDP)	94.2	91.7	90.1	88.0	85.6	84.3	83.8	83.8	83.9
Exchange rate (NPR/USD; period average)	120.8	130.8	133.0	…	…	…	…	…	…
Real effective exchange rate (average, y/y percent change)	1.6	1.2	1.4	…	…	…	…	…	…

1/ Fiscal year ends in mid-July.
Note: The NSO adopts a 3 year cycle in its national accounts producing preliminary, revised and final estimates for real GDP growth. In May 2023 growth was revised up in FY 2020-21 from 4.2 percent to 4.8 percent and from 5.3 percent to 5.6 percent in FY 2021-22 in light of new data.
Note: Current baseline forecast is as of January 29, 2025.

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, Turkey and United Kingdom. On the other hand five major import partners of Nepal are India, China, Indonesia, UAE and Argentina. 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) Felt, nes. On the other hand major five imported goods of Nepal are (i) Petroleum oils, etc, (excl. crude); preparation, (ii) Petroleum gases and other gaseous hydrocarbons, (iii) Crude soya-bean oil, (iv) Semi-fin prod, iron or non-alloy steel and (v) Ferrous products.

4. Nepal's total exports to the world in 2018 were of the order of USD 781 million. It was USD 1,300 million in 2022. Exports from Nepal increased by 94.85% in 2021 over 2020 and followed by 21.97%

decline in 2022 over 2021. 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 USD 12,858 million and which was USD 13,744 million 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 was 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%.

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

TABLE - 2

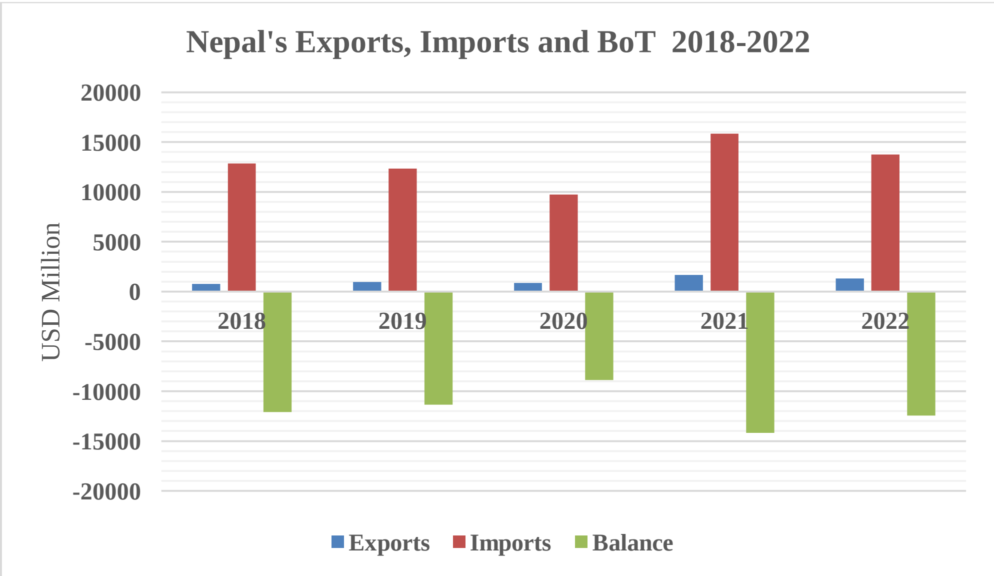
NEPAL'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND BALANCE OF TRADE BETWEEN 2018 TO 2022

(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**	

NOTE : Figures relate to calendar year (January to December)
SOURCE : UN COMTRADE PUBLICATION

FIGURE-1



BILATERAL TRADE WITH INDIA

Merchandise Trade

7. India is Nepal's largest trading partner and a crucial investor, with bilateral trade volume growing substantially over the years, though the balance of trade is in India's favour. 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 14th as an export destination of India in FY 2024-25 which was 1.67 % of India's total export value in FY 2024-25. In the same financial year imports from Nepal was only 0.18% of India's total import value. Nepal ranked 53rd as an import partner of India in FY 2024-25.

8. Indo- Nepal total volume of bilateral trade in FY 2020-21 was of the order of USD 7,511.62 million. It was USD 8,611.55 million in FY 2024-25. The annual compound growth rate of total volume of trade during the period from 2020-21 to 2024-25 has been of the order of 3.48% 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 1.72%. On the other hand, imports from Nepal to India significantly increased by 103.67% in FY 2021-22 followed by 38.62% down in 2022-23 compared to the previous FY. During the period from 2020-21 to 2024-25, the annual average compound rate of growth of imports was 17.68%.

A snapshot of India's merchandise trade statistics w.r.t. Nepal is presented in **Table 3 and Figure 2**.

TABLE - 3

INDIA'S MERCHANDISE EXPORTS & IMPORTS w.r.t. NEPAL

FY 2020-2021 to 2024-2025

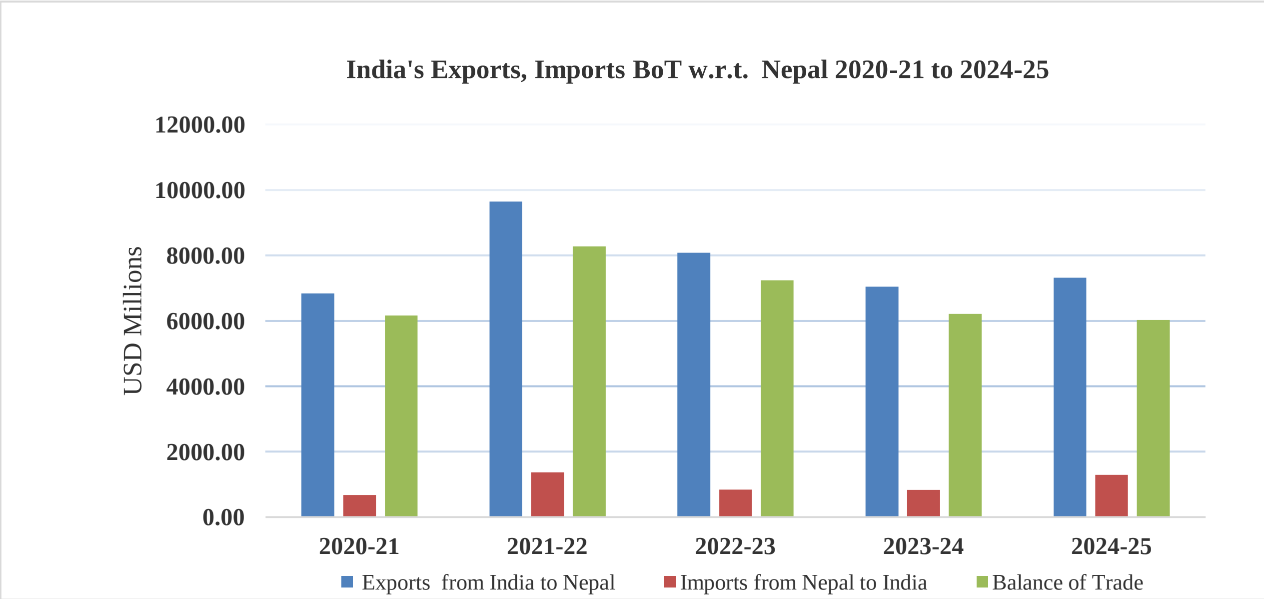
(Value in USD Million)

Year	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
2020-21	6838.46		673.16		7511.62		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
2023-24	7041.02	-12.85	829.71	-1.40	7870.73	-11.77	6211.31
2024-25	7320.69	3.97	1290.86	55.58	8611.55	9.41	6029.83
Annual Compound Growth Rate		**1.72**		**17.68**		**3.48**	

NOTE : Figures related to Financial Year (April to March)

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

Figure 2



10. Additionally, **from Tables 4 & 5 presented** below the following are stated:

a. **Petroleum Products**, **Iron And Steel** and **Drugs Formulations Biologicals** occupied the top three slots in India's exports to Nepal in FY 2024-25. **Petroleum Products** occupied the 28.13% share of export value of India to Nepal.

b. **Vegetable Oils, Iron And Steel** and **Manmade Yarn, Fabrics Made ups** are the three major commodities in India's imported list from Nepal in FY 2024-25. India imported **Vegetable Oils,** from Nepal with a share of 35.63% of total imports value from Nepal to India in FY 2024-25.

TABLE -4

INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO NEPAL 2020-21 TO 2024-25 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2020-21	2021-22	2022-23	2023-24	2024-25	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23	24-25 over 2023-24
1	**Petroleum Products**	**1236.41**	**2317.69**	**2664.41**	**2067.02**	**2059.37**	**87.45**	**14.96**	**-22.42**	**-0.37**
	Share in total export	18.08	24.03	32.98	29.36	28.13				
2	**Iron And Steel**	**930.80**	**1361.06**	**900.39**	**75.95**	**780.78**	**46.22**	**-33.85**	**-91.56**	**928.02**
	Share in total export	13.61	14.11	11.14	1.08	10.67				
3	**Drugs Formulations Biologicals**	**177.39**	**247.40**	**197.83**	**210.67**	**224.88**	**39.47**	**-20.04**	**6.49**	**6.75**
	Share in total export	2.59	2.56	2.45	2.99	3.07				
4	**Electric Machinery And Equipments**	**146.56**	**175.45**	**157.14**	**182.28**	**210.93**	**19.71**	**-10.44**	**16.00**	**15.72**
	Share in total export	2.14	1.82	1.94	2.59	2.88				
5	**Plastic Taw Materials**	**159.07**	**234.30**	**180.98**	**182.64**	**207.41**	**47.29**	**-22.76**	**0.92**	**13.56**
	Share in total export	2.33	2.43	2.24	2.59	2.83				
6	**Rice (Other Than Basmati)**	**405.26**	**461.49**	**245.83**	**103.98**	**181.44**	**13.88**	**-46.73**	**-57.70**	**74.50**
	Share in total export	5.93	4.78	3.04	1.48	2.48				
7	**Indl. Machinery For Dairy Etc.**	**231.28**	**329.00**	**188.85**	**147.24**	**170.02**	**42.25**	**-42.60**	**-22.03**	**15.47**
	Share in total export	3.38	3.41	2.34	2.09	2.32				
8	**Two And Three Wheelers**	**195.02**	**245.29**	**104.94**	**96.18**	**156.00**	**25.78**	**-57.22**	**-8.35**	**62.20**
	Share in total export	2.85	2.54	1.30	1.37	2.13				
9	**Coal, Coke And Briquittes**	**59.79**	**76.62**	**141.36**	**130.26**	**138.09**	**28.15**	**84.49**	**-7.85**	**6.01**
	Share in total export	0.87	0.79	1.75	1.85	1.89				
10	**Cosmetics And Toiletries**	**106.40**	**118.73**	**116.63**	**117.27**	**123.91**	**11.59**	**-1.77**	**0.55**	**5.66**
	Share in total export	1.56	1.23	1.44	1.67	1.69				
	Total export to NEPAL	**6838.46**	**9645.75**	**8079.26**	**7041.02**	**7320.69**	**41.05**	**-16.24**	**-12.85**	**3.97**

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

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

TABLE -5

INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM NEPAL 2020-21 TO 2024-25 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2020-21	2021-22	2022-23	2023-24	2024-25	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23	24-25 over 2023-24
1	**Vegetable Oils**	**286.08**	**891.62**	**253.24**	**76.87**	**459.88**	**211.67**	**-71.60**	**-69.65**	**498.26**
	Share in total imports	42.50	65.03	30.09	9.26	35.63				
2	**Iron And Steel**	**10.66**	**11.85**	**67.55**	**108.41**	**103.48**	**11.16**	**470.04**	**60.49**	**-4.55**
	Share in total imports	1.58	0.86	8.03	13.07	8.02				
3	**Manmade Yarn, Fabrics Made ups**	**46.31**	**70.62**	**76.51**	**80.59**	**90.53**	**52.49**	**8.34**	**5.33**	**12.33**
	Share in total imports.	6.88	5.15	9.09	9.71	7.01				
4	**Jute Hessian**	**32.82**	**47.85**	**39.46**	**34.15**	**82.70**	**45.80**	**-17.53**	**-13.46**	**142.17**
	Share in total import	4.88	3.49	4.69	4.12	6.41				
5	**Plywood And Allied Products**	**0.08**	**0.54**	**24.86**	**58.81**	**73.26**	**575.00**	**4503.70**	**136.56**	**24.57**
	Share in total import	0.01	0.04	2.95	7.09	5.68				
6	**Spices**	**58.21**	**50.20**	**67.99**	**75.77**	**67.88**	**-13.76**	**35.44**	**11.44**	**-10.41**
	Share in total import	8.65	413.29	8.08	413.29	5.26				
7	**Misc. Processed Items**	**31.10**	**48.02**	**61.61**	**66.64**	**63.07**	**54.41**	**28.30**	**8.16**	**-5.36**
	Share in total import	4.62	3.50	7.32	8.03	4.89				
8	**Tea**	**30.33**	**22.72**	**27.61**	**22.87**	**30.78**	**-25.09**	**21.52**	**-17.17**	**34.59**
	Share in total import	4.51	1.66	3.28	2.76	2.38				
9	**Other Jute Manufactures**	**18.69**	**15.50**	**16.85**	**17.08**	**25.65**	**-17.07**	**8.71**	**1.36**	**50.18**
	Share in total import	2.78	1.13	2.00	2.06	1.99				
10	**Cmnt. Clinkr. And Asbstos Cmnt.**			**3.02**	**24.70**	**24.49**			**717.88**	**-0.85**
	Share in total import			0.36	2.98	1.90				
	Total import from NEPAL	**673.16**	**1371.04**	**841.52**	**829.71**	**1290.86**	**103.67**	**-38.62**	**-1.40**	**55.58**

NOTE : Figures relate to each Financial Year (April to March)
SOURCE : DGCI&S, M/o C&I