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NICCI e-Newsflash

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Economy Highlights (in 8 Months of FY 2011/12)

In totality

- **Commodity Export up by 14.1%**
- **Import up by 16.6 %**
- **Trade Deficit up by 17.1%**

With India

- **Commodity Export up by 14.5%**
- **Import up by 12 %**
- **Trade Deficit up by 11.5%**

With Third Countries

- **Commodity Export up by 13.5%**
- **Import up by 26.3 %**
- **Trade Deficit up by 28.9%**

FDI

- **FDI recorded Rs 6.02 billion in 8 months, last year Rs 5.47 billion in the same period**

FOREX reserves

- **Gross foreign exchange reserves went up by 35.3 per cent to Rs. 368.10 billion in mid-March 2012. Such reserves had declined by 4.2 per cent to Rs. 257.48 billion in the same period last year.**

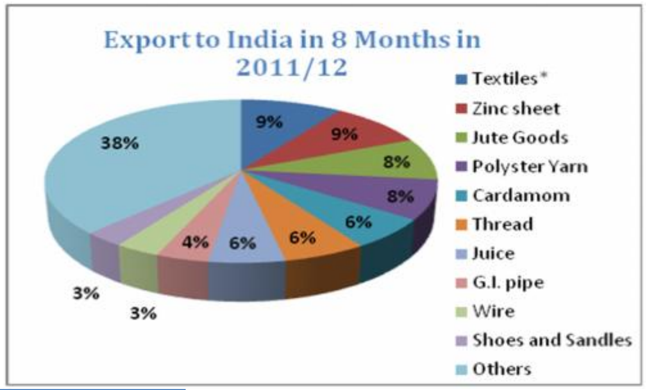
Import of Petroleum products

- **Import of petroleum products has left behind the total export figure of Nepal.**

Review of Nepalese Economy in first 8 months

Exports

Merchandise exports of Nepal in total increased by 14.1 per cent to Rs. 48.56 billion during the first eight months of the current fiscal year 2011/12. Such export had increased by 5.9 per cent to Rs. 42.54 billion compared to the corresponding period last year. However, on monthly basis, merchandise exports declined by 10.4 per cent in February/March (Falgun) this fiscal year.



Export to India (First 8 months) in 2011/12

		NRs In Million	
1	Textiles*	3,110.4	9.5%
2	Zinc sheet	2,928.9	9.0%
3	Jute Goods	2,711.7	8.3%
	(a) Hessian	675.7	2.1%
	(b) Sackings	1,357.2	4.2%
	(c) Twines	678.8	2.1%
4	Polyster Yarn	2,562.0	7.9%
5	Cardamom	1,985.4	6.1%
6	Thread	1,957.4	6.0%
7	Juice	1,807.0	5.5%
8	G.I. pipe	1,244.8	3.8%
9	Wire	1,060.8	3.3%
10	Shoes and Sandals	965.5	3.0%
	Others	12,258.8	37.6%
	Total	**32,592.7**	**100%**

*** includes P.P. fabric**

Source: N R Bank

Exports to India went up by 14.5 per cent during the eight months compared to an increase of 10.1 per cent in the corresponding period the previous year. Exports to other countries also went up by 13.5 per cent. In the corresponding period last year they had fallen by 1.7 per cent.

During the eight months of the FY 2011/12, merchandise imports increased by 16.6 per cent to Rs. 295.24 billion. Such imports had increased by 1.2 per cent to Rs. 253.13 billion in the corresponding period last year.

The increase in the exports to India was mainly ascribed to the increase in the exports of textiles, polyster yarn, G.I. pipe, stone and sand and cardamom, Copper wire rod, among others. Export of Handicraft products, woolen carpets, readymade garments, pashmina, Nepalese paper and paper products and tanned skin, tea among others, increased to other countries.

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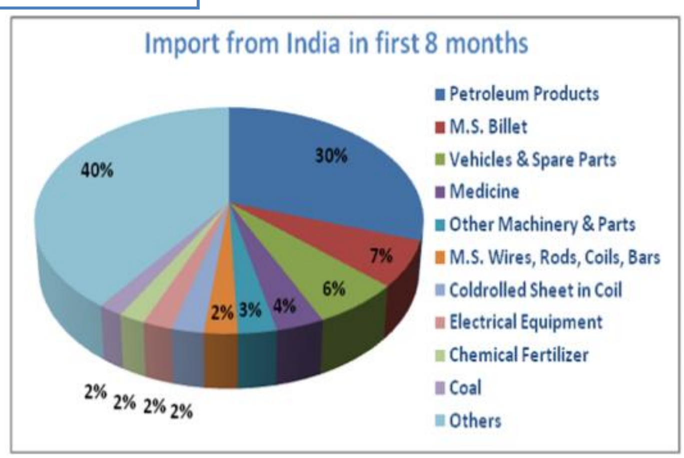


Review of Nepalese Economy contd …..

Imports from India in 8 Months in 2011/12			
			NRs In Million
1	Petroleum Products	58,013.3	30%
2	M.S. Billet	12,437.6	7%
3	Vehicles & Spare Parts	12,082.7	6%
4	Medicine	6,640.5	3%
5	Other Machinery & Parts	5,298.7	3%
6	M.S. Wires, Rods, Coils, Bars	4,557.7	2%
7	Coldrolled Sheet in Coil	4,395.5	2%
8	Electrical Equipment	4,050.0	2%
9	Chemical Fertilizer	3,620.4	2%
10	Coal	3,406.7	2%
	Others	76,771.7	40%
	Total Imports	**191,274.8**	**100%**

Source: N R Bank

Import of petroleum products has gone up drastically tolling the highest in the import list from the last few years. But from the last fiscal year, this figure has increased alarmingly and the figure has remained more than total export value of Nepal. Three simultaneous reasons behind this are continuous increase in import of vehicles and oil, increase in petroleum price at international market and increase in foreign currency rate. (See chart in page 3)

Trade Balance

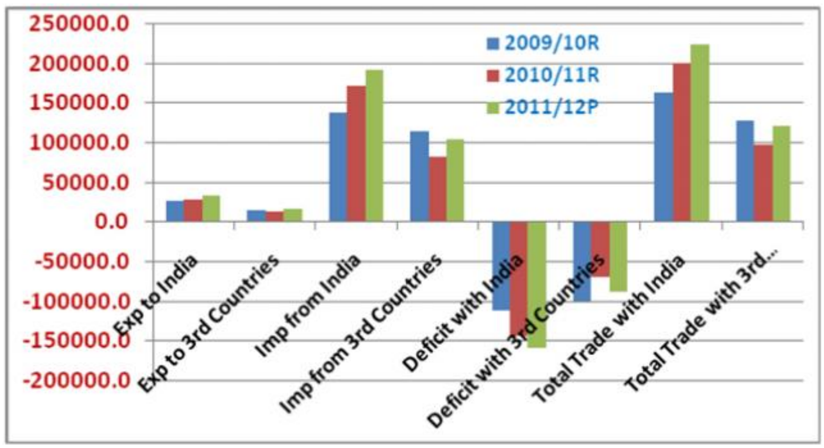
Trade deficit during the eight months went up by 17.1 per cent to Rs. 246.68 billion. Trade deficit had increased by 0.3 per cent in the corresponding period thet previous year. Trade deficit with India increased by 11.5 per cent during the review period compared to a growth of 28.2 per cent in the corresponding period last year. Trade deficit with other countries increased by 28.9 per cent compared to a drop by 30.9 per cent in the corresponding period last year.

Imports

Imports from India increased by 12.0 per cent during the review period compared to a growth of 24.7 per cent in the corresponding period last year.

Likewise, imports from other countries increased by 26.3 per cent compared to a decline by 27.2 per cent in the corresponding period last year.

During the review period, import of petroleum products, coal, chemical fertiliser, readymade garments and agricultural equipments and parts, among others, from India and import of gold, crude soybean oil, silver, edible oil and other machinery and parts, among others, from other countries went up.

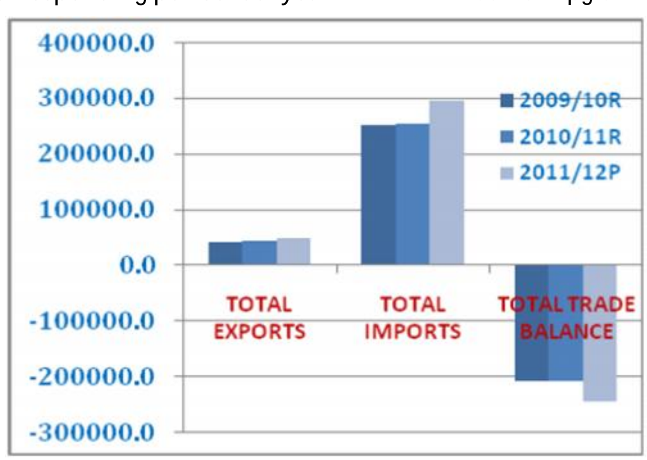


Direction of Foreign Trade*			
Eight Months			
			(Rs. in million)
	2009/10R	**2010/11R**	**2011/12P**
TOTAL EXPORTS	**40184.4**	**42543.0**	**48562.6**
To India	25873.3	28473.8	32592.7
To 3rd Countries	14311.1	14069.2	15969.9
TOTAL IMPORTS	**250060.6**	**253132.6**	**295242.0**
From India	136903.2	170784.8	191274.8
From 3rd Countries	113157.4	82347.8	103967.2
TOTAL TRADE BALANCE	**-209876.2**	**-210589.6**	**-246679.4**
With India	-111029.9	-142311.0	-158682.1
With 3rd Countries	-98846.3	-68278.6	-87997.3
TOTAL FOREIGN TRADE	**290245.0**	**295675.6**	**343804.6**
With India	162776.5	199258.6	223867.5
With 3rd Countries	127468.5	96417.0	119937.1

Source: N R Bank

BOP

Despite increase in trade balance, whopping BoP surplus continues in the review period also. The overall Balance of Payments (BOP) registered its highest ever surplus of Rs. 79.90 billion during the eight months of the FY 2011/12 compared to a deficit of Rs. 11.29 billion in the corresponding period last year. Contd … pg 3



Review of Nepalese Economy contd …..

Comparison of Total Export Figure vis-à-vis import of Petroleum Products in First Eight Months in 3 Consecutive Years (Rs. in million)	2009/10R	2010/11R	2011/12P
TOTAL EXPORTS	**40,184.4**	**42,543.0**	**48,562.6**
To India	25,873.3	28,473.8	32,592.7
To Third Countries	14,311.1	14,069.2	15,969.9
Import of Petroleum Products	**28,806.1**	**44,221.9**	**58,013.3**

Source: N R Bank

The current account registered a surplus of Rs. 37.51 billion compared to a deficit of Rs. 8.79 billion in the corresponding period the previous year. The growth both in the remittances and grants along with the improvement in the service account were the responsible factors for the substantial surplus in the current account.

FOB-based merchandise trade deficit increased by 16.9 per cent to Rs.237.55 billion during the eight months. Such deficit had increased by 0.1 per cent in the corresponding period the previous year.

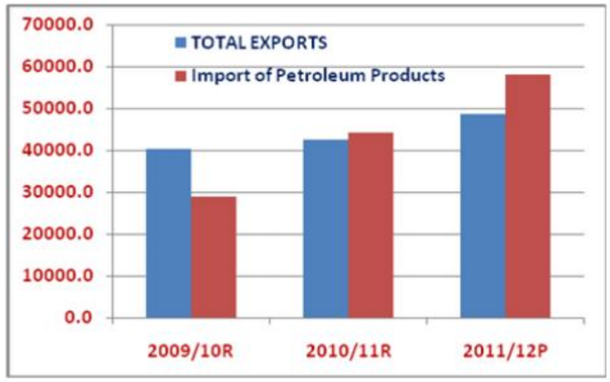
Net service account

Net service account witnessed a surplus of Rs. 11.07 billion during the review period compared to a deficit of Rs. 7.56 billion in the corresponding period last year.

Under services, tourism income rose by 29.9 per cent during the period compared to a decline by 20.7 per cent in the corresponding period last year. The net transfer account registered a growth of 29.7 per cent to Rs. 256.88 billion during the review period. While pension receipts declined by 8.6 per cent to Rs. 17.77 billion, workers' remittances increased by 34.7 per cent to Rs.217.77 billion compared to a growth of 12.3 per cent in the corresponding period the previous year.

FDI

Likewise, under the financial account, foreign direct investment of Rs 6.02 billion was recorded during the review period compared to Rs 5.47 billion in the same period a year ago.



FOREX reserves up by 35.3 pc

The gross foreign exchange reserves went up by 35.3 per cent to Rs. 368.10 billion in mid-March 2012 from a level of Rs. 272.15 billion as at mid-July 2011. Such reserves had declined by 4.2 per cent to Rs. 257.48 billion in the corresponding period last year.

Out of total reserve, NRB's reserves increased by 43.1 per cent to Rs. 305.02 billion during the review period from a level of Rs. 213.10 billion as at mid-July 2011. Such reserves had increased by 5.7 per cent during the corresponding period last year.

The reserves in terms of inconvertible foreign exchange increased by 64.6 per cent to Indian Rs. 52.88 billion during the review period. Such reserves had decreased by 37.6 per cent during the corresponding period previous year.

Based on the trend of import during the eight months of the current fiscal year, the current level of reserves is sufficient for financing merchandise imports for 10.1 months and merchandise and service imports for 9.0 months.

Workers working in specially designed and equipped nursery at ***"Ashok Medical and Aromatic Plants Center"*** *recently renamed and* ***run by Dabur Nepal*** *in Kavre, Banepa. Earlier it was known as "Dabur Nepal Medical and Aromatic Plant".*

'Monsoon to be normal in South Asia'

The south-west monsoon rainfall over India and six other South Asian countries is "most likely to be within the normal range" for the coming June to September season, according to the South Asian Climate Outlook Forum (SASCOF) in a news conference in Pune, India, recently. The SASCOF is a sub-regional climate outlook body of the World Meteorological Organisation (WMO), devoted to specific monsoon prediction and outlook needs of countries having similar climatic characteristics. Bangladesh, Bhutan, Maldives, Myanmar, Nepal and Sri Lanka are the other six SASCOF nations where the rain-bearing systems are influenced by the Indian Ocean.

Parts of South Asia may receive below normal rains due to the possibility of the El Nino weather pattern emerging towards the second half of the monsoon season, the climate outlook stated. Monsoon rains, crucial for South Asian agricultural output and economic growth.

Experts suggest for better investment climate

Improvement in the investment environment either through improvement in policies or by providing incentives during the transition phase to partly compensate obstacles could help encourage the private sector which could in turn create more employment and help Nepal achieve the Millennium Development Goals (MDGs), experts said.

"The private sector has created almost 2.5 million jobs in the formal sectors and five million jobs in the informal sectors besides agriculture which is one of the largest employment generators," said former member of National Planning Commission (NPC) Dr Pushkar Bajracharya while presenting his paper 'Millennium Development Goals : The Private Sector Perspective' at a workshop organised by United Nations Economic and Social Commission for Asia and the Pacific, and the NPC in Kathmandu recently.

Without economic development and employment generation goals of education, health, environment and mobilising resources under MDGs cannot be achieved. "Thus, government should define the role of private sector and non-government sector," he said, adding the government alone cannot generate jobs because public sector investment is sizable but not adequate. "The public sector has created only 500,000 jobs."

"Despite the uncertain political environment, power outage, labour militancy, high cost of doing business, and low or no incentives to the private sector, it has been contributing at achieving MDGs as Nepal is amongst a few countries that has achieved some of the MDGs even earlier than projected," added Bajracharya. "But there are still some challenges like sustained employment generation, regional disparity and hiking up national efforts to sustain poverty reduction."

According to the Millennium Development Goals Nepal progress report 2010, the country is on track in achieving most of its MDG targets with a few exceptions, if the prevailing trends persist and efforts are continued or improved.

"The proportion of population living on less than $1-per day stood at 19.7 per cent in 2010 and the target of reducing it to 17 per cent by 2015 is likely," said South Asia Watch on Trade, Economics and Environment (SAWTEE) chair Dr Posh Raj Pandey. "But the proportion of employed people living on less than $1-per day that stood at 22 per cent in 2010, is unlikely to come down to the target of 17 per cent by 2015," he said, adding that the proportion of the population living below the national poverty line which stood at 25.4 per cent in 2010 could come down to 21 per cent by 2015.

Besides inadequate infrastructure and low productivity, slow progress in development of infrastructure, hesitant private sector and low private investment, and low development spending by the government coupled with low and stagnant economic growth, and resource gap are the bottlenecks in achieving all the MDGs by 2015, added Pandey.

Nepal needs a total resource of Rs 1,395.8 billion but only Rs 944.4 billion is available which accounts for a resource gap of Rs 451.4 billion, to meet MDGs, according to MDG Needs Assessment 2010 report.

Four countries attract 90% Nepali workers in foreign employment

Due to the lack of sufficient job opportunity in the country, the number of Nepali job aspirants heading to foreign shores in search of employment is increasing by 20 percent in recent years.

Out of 107 destination countries recognized by the Government of Nepal, about 90 percent has gone to only 4 countries, viz, Qatar, Malaysia, Saudi Arabia, and UAE. Next country popular among Nepalese workers is Kuwait. However, the Nepali migrant workers heading to Libya, Bahrain and Oman, among others has declined due to the political crisis in the region.

Country	Number
Qatar	84,119
Malaysia	63,237
Saudi Arabia	57,034
UAE	43,996
Kuwait	17,400

Qatar is hosting the show-piece World Cup Football tournament in 2022, the gulf country has been hiring many workers for rapid construction works because of which the number of Nepali workers there in recent years has increased to stand at 84,119 during the review period, said the department of foreign employment. Next reason for attraction to Qatar is speedy processing of visa within one week of application.

Similarly, as Malaysia has given priority to Nepali workers by scrapping the work permits for workers from Bangladesh, the number of Nepali workers in the south-east Asian economic powerhouse has increased to stand at 63237 during the review period, said the department. One of the reason behind attraction to Malaysia are similar climate and culture, and open market economy.

Saudi Arabia, third popular destination of Nepalese workers attracted fifty seven thousand, owing to relatively easy processing of work permit where as fourth one, i.e. UAE, where about fourty four thousand workers have gone for relatively better earning in restaurants, hotels and security sector.

The number of migrant workers has also increased by at 283900 during the 9 months period this year. of the total number of migrants, 5,922 are women workers.

Youth leaders unite to generate employment

Youth groups of eight political parties have united to solve a prominent and persistent problem of the country. The groups, divided in different political philosophies, will work together in the Youth Employment Promotion Campaign and are planning to organise a South Asian Youth Conference in Kathmandu on May 3-5.

The youth groups have united to create jobs and self-reliant businesses, a joint press statement read. “It is an advocacy effort to retain Nepali youth force in the country,” said president of Nepal Tarun Dal Udaya Samsher Rana. “We are fully committed to and honest about creating employment opportunities for the youth.”

According to Central Bureau of Statistics, about 12.7 million Nepalis were unemployed in 2008-09 and every year more than 450,000 Nepalis join the ‘unemployed’ list. Employment opportunities are limited in the country and dependency on the foreign job market has been growing each year.

About 3.5 million Nepalis are believed to be employed abroad and the flow was almost 350,000 last year. According to the Department of Foreign Employment, about 250,112 Nepalis have joined foreign jobs in the first eight months of the current fiscal year. The outflow is expected to touch 400,000 by the end of the current fiscal year.

“The campaign is not against foreign employment but to pressurise the government to think about generating employment at home, the campaign will raise awareness among youth on the pros and cons of foreign employment and will also promote safe migration,” said vice president of Youth Association Nepal Hira KC.

According to the youth leaders, the South Asian Youth Conference will give the final touches to the suggestions collected from the youth of 62 districts and experts. Likewise, youth leaders of South Asian countries will share their experiences, discuss on employment policies and provide practical solutions to the growing unemployment scenario in the country and the region as a whole.

“The conference will influence the government to create new jobs for the youth, explore alternative job areas and markets, attract youth to self-reliant programmes and create awareness on risks associated with foreign employment,” the joint statement read. It will also pressurise the government to implement suggestions collected at the grassroots level.

President Dr Ram Baran Yadav will inaugurate the South Asian regional conference on May 3 and Prime Minister Dr Baburam Bhattarai will deliver the concluding remarks at the end of the conference on May 5.

Industries in India can now purchase power from open market

The government of India has invoked special powers under the Electricity Act and directed the central and state regulators to implement a long-pending reform to allow industrial consumers to buy cheaper power from the open market.

The move will help 15,000 large consumers particularly the sick textile, cement and steel industrial units in states like Punjab and Tamil Nadu by ensuring regular supply of electricity at competitive rates and boost business of power bourses and 52 power traders including NTPC, PTC India, Tata Power, Reliance Infrastructure, Jindal Steel, Essar Power, JSW Energy, GMR Energy and Indiabulls.

"...the ministry of power, govt of India, in exercise of powers under section 107 of the Electricity Act 2003 hereby issues direction to the central commission to take all necessary steps, including framing of appropriate regulations to implement the provisions of open access...," the power ministry of India said in a directive issued on April 26.

Section 107 of the Act authorises the government to issue final and binding policy directives to central electricity commission in public interest.

Traders and large consumers lauded the move but said issues remained with state machinery that have been impeding implementation of the ’open access’ reform, introduced in Electricity Act 2003 as a powerful tool to induce competition in power sector.

Open access refers to enabling buyers an option to choose source of electricity and giving them right on transmission and distribution system for transfer of power. Distribution companies that fear losing their high paying industrial consumers are impeding implementation of the reform despite directives from power and law ministries asking regulators and distribution companies to set free large industries consuming more than a megawatt of power.

NTPC Vidyut Vyapar Nigam, power-trading arm of the company, said it was a good beginning to ensure reliable power to industries provided they have the requisite infrastructure. *Source: ET Bureau*

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9th BCGSI meeting held at Pokhara

The 9th meeting of the India-Nepal Bilateral Consultative Group on Security Issues (BCGSI) was held in Pokhara from 26-27 April 2012. Shri Akhilesh Mishra, Joint Secretary, Ministry of External Affairs, Government of India led the Indian delegation while the Nepalese side was led by Mr. Deepak Dhital, Joint Secretary, Ministry of Foreign Affairs, Government of Nepal.

The meeting discussed security issues of mutual interest as well as ways to strengthen the bilateral cooperation in security matters. India reiterated its commitment to continue its support for the upgradation and modernization of Nepalese security forces by making available the required technical and physical support in accordance with the needs and priorities listed by Government of Nepal. India has agreed to enhance the slots made available for training of Nepal Army personnel in India in various fields. Government of Nepal has offered course vacancies to Indian Army in Nepal including for UN peace keeping operation. The two sides also agreed to enhance bilateral cooperation between their security forces by undertaking joint training exercises and organizing joint sports and adventure activities. India agreed to favourably consider Nepal's request to provide instructors and teachers for advanced courses including basic science courses and for attachment of Nepalese trainees and trainers at various institutions in India.

The two sides agreed to share information at operational level to effectively address cross border crimes including smuggling of contrabands, arms trafficking, human trafficking and poaching. The two sides also agreed to cooperate in the field of disaster management.

The Indian delegation witnessed exercises mounted by Nepal Army's High Altitude and Mountain Warfare School in Jomsom, Mustang on 27 April 2012. It has been agreed that the next meeting of the BCGSI would be held in February 2013 in India.

Six Indian companies in race for Afghan mines

A consortium of four state-owned Indian companies - SAIL, Nalco, Hindustan Copper and Mineral Exploration Corp - has been shortlisted to invest in new gold and copper deposits in Afghanistan.

Two private players - Monnet Ispat & Energy and Jindal Steel & Power - have also made the cut, opening up the possibility of a public-private partnership for a strategic bid by the Indian metals majors.

The Indian companies are among the 25 chosen from 41 firms from the US, UK, Australia, Canada, UAE, Turkey and Afghanistan.

If a public-private partnership fructifies between Indian companies, it would be on the lines of AFISCO, the consortium of PSUs and private players which bagged the rights to explore nearly a billion tonnes of iron ore reserves in Afghanistan's Hajigak region.

Jindal Steel and Monnet Ispat, which were part of AFISCO, confirmed their selection on an individual basis for developing copper and gold deposits

An Afghan mines ministry official said, "The shortlist includes big investors from Canada, Australia and the UAE, and this should ensure interesting and tough competition. We will encourage everyone to participate in the bids."

A Nalco official said the consortium of PSUs has been given access to the data centre. "The consortium will prepare its proposal for investment after studying the data," he added. Expressions of interest for individual or all four blocks are expected by July 2012.

Source: ET Bureau