



## Nepal's Foreign Trade updates (First 6 months)

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## Direction of Foreign Trade of Nepal

### Six Months comparison of 3 years

(Rs. in millions)

	2009/10R	2010/11 <sup>R</sup>	2011/12 <sup>P</sup>	Percent Change	
				2010/11	2011/12
<b>TOTAL EXPORTS</b>	<b>30,601.2</b>	<b>32,296.9</b>	<b>35,916.6</b>	<b>5.5</b>	<b>11.2</b>
To India	19,319.2	21,122.2	24,060.7	9.3	13.9
To Other Countries	11,282.0	11,174.7	11,855.9	-1.0	6.1
<b>TOTAL IMPORTS</b>	<b>185,829.7</b>	<b>185,571.0</b>	<b>216,684.5</b>	<b>-0.1</b>	<b>16.8</b>
From India	98,573.8	126,355.7	139,138.5	28.2	10.1
From Other Countries	87,255.9	59,215.3	77,546.0	-32.1	31.0
<b>TOTAL TRADE BALANCE</b>	<b>-155,228.5</b>	<b>-153,274.1</b>	<b>-180,767.9</b>	<b>-1.3</b>	<b>17.9</b>
With India	-79,254.6	-105,233.5	-115,077.8	32.8	9.4
With Other Countries	-75,973.9	-48,040.6	-65,690.1	-36.8	36.7
<b>TOTAL FOREIGN TRADE</b>	<b>216,430.9</b>	<b>217,867.9</b>	<b>252,601.1</b>	<b>0.7</b>	<b>15.9</b>
With India	117,893.0	147,477.9	163,199.2	25.1	10.7
With Other Countries	98,537.9	70,390.0	89,401.9	-28.6	27.0

## Commercial Bank lending grows, interest rates fall

As per Nepal Rastra Bank reports, Commercial banks have shown some aggression in lending over the last two months compared to first six months of the fiscal year because of suppressed credit demand. The surge in lending has also been attributed to the decline in interest rates which is an encouraging sign for lending growth. Average lending rate of commercial banks has come down to 13.72 percent as of mid-January from earlier over 15 percent. Experts had been blaming high lending rates for suppressed credit demand.

Bankers said credit demand is increasing from some specific sectors such as, the construction season began after mid-January, increasing the demand for steel and cement. Similarly, as farmers sell their paddy and sugarcane harvest after January, commercial banks lend to mills during this period. Nepal Rastra Bank (NRB) has also said bank credit has grown in productive sectors. Since the number of banks seek-

ing refinancing from the central bank has increased, this also indicate that bank credit is increasing in productive areas. The central bank provisioned refinancing for banks against their lending in some specific productive areas.

Both deposits and credit grew by around Rs 20 billion in the last two months, according to Nepal Bankers' Association (NBA). The association's figures show that deposits of commercial banks grew to Rs 774 billion as of March 16 from Rs 754 billion in mid-January. Over the period, their lending increased to Rs 574 billion from Rs 555 billion.

However, some bankers said it is too early to depict a conclusion that whether the latest lending growth is sustainable and suggests coming to a conclusion only after analysing figures after the end of the third quarter. This is also because the country is yet to attain political stability and business environment has not improved.

## BoP posts record surplus of 75.9b

The country's balance of payments (BoP) posted yet another record surplus of Rs 75.09 billion as of the seventh month of the current fiscal year. With growing remittance and tourism income, the BoP surplus has continuously been surging over the last few months. According to the Nepal Rastra Bank's report on the country's macro-economic situation released 25th March, remittance rose 35.5 percent and tourism income rose 28.4 percent over the first seven months of this fiscal year. Also, the resource outflow for educational purposes declined by 24.9 percent, boosting foreign exchange reserves. As of the seventh month, inflation stood at 7 percent, a slight rise from the sixth month's figure of 6.8 percent, the lowest in last four years.



## GAN urges for bilateral FTA

Garment entrepreneurs have recommended the government to propose a bilateral Free Trade Agreement during the next Trade and Investment Framework Agreement (TIFA) meeting to avail the facility of Generalised System of Preference (GSP).

The European Union grants trade preferences to developing countries under the GSP facility but regarding the United States, Nepal lacks a GSP facility in garment and pashmina products.

"Garment and pashmina products have more than 60 per cent share in the total exports of our country but they have failed to get the GSP facility from the US," said president of Garment Association – Nepal Uday Raj Pandey.



According to the World Trade Organisation (WTO) agreement, we should get 97 per cent duty free in all of our products but we are not getting the facility for



major exportable products that are garment and pashmina, he said. "Besides the US, Japan, the European Union and many other countries have granted us the facility of generalised system of preferences," said Pandey.

"We are hopeful that during the second secretarial level meeting of TIFA in September, the government representatives will focus on bilateral FTA with America," he said. According to Pandey, the government has failed to lobby strongly for a GSP facility for pashmina and garment.

The European community was the first to implement the GSP facility in 1971. Traditionally, it has been admitted that the group of least developed countries (LDC) should receive more favourable treatment than other developing countries.

## CAR UPDATES

Ford Motor Co. laid last week the cornerstone for a new \$1 billion dollar factory at its 460-acre site in Sanand, in the Indian state of Gujarat, which has a reputation for being business friendly and said it will commence production of four-wheelers at the new facility in 2014 for manufacturing engines and vehicles.

Ford's plant will have the capacity to manufacture 240,000 cars and 270,000 engines a year and will generate about 5,000 direct jobs, and indirect employment for many more people when it's complete in 2014. The factory will produce cars for domestic consumers and for export. "We are committed to significantly increasing our manufacturing output and aggressively expanding our business in India," Michael Boneham, Ford India's managing director, said in a statement.



### Ford lays foundation for \$1B India factory



Mr Boneham said the company has until now committed investments of \$2 billion (IRs 10,000 crore) at the Chennai and Sanand facilities. Ford India will bring eight new vehicles to India by mid-decade, the first one being the all-new Fiesta, launched in July 2011. The Figo is being currently shipped to more than 33 countries and will eventually be exported to 50 international markets, he added.

Analysts predict India's growth will bounce back as the economy grows and interest rates fall. IHS expects sales of passenger cars and light trucks in India to more than double in the next eight years, reaching 6.2 million vehicles by 2019.

The Gujarat Government has allotted another 150 acres to Ford India for suppliers. The company has attracted 19 world-class supplier manufacturers to date, he said.

### JLR-Chery tie-up to build vehicles in China

Jaguar Land Rover and China's Chery Automobile Co. plan to start a joint venture to make and sell luxury vehicles in China, the companies said 3rd week of March. Jaguar Land Rover, which is owned by India's Tata Motors, has long wanted to set up shop in China, one of the company's fastest-growing markets.

China accounted for 1 per cent of Jaguar Land Rover sales in 2005, but is now its third largest market after North America and the U.K. China sales rose 60 per cent in 2011 to 42,000 vehicles. The joint venture will manufacture engines as well as Jaguar and Land Rover and joint-venture branded vehicles. The companies also plan to open a research and development facility.



"Demand for Jaguar and Land Rover vehicles continues to increase significantly in China and we believe that JLR and Chery can jointly realize the potential of these iconic brands in the world's largest car market," JLR chief executive Ralf Speth and Chery chief executive Yin

Tongyao said in a joint statement. Chery sold 643,000 vehicles in 2011, making it China's sixth largest passenger vehicle manufacturer. But the companies did not disclose financial details of the deal.

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**GPO Box 13245  
Ace Apartments,  
Narayanchaur, Naxal  
Kathmandu, Nepal.**

**Phone: 977-1-4444607  
Fax: 977-1-4444608  
Email: secretariat@nicci.org  
Web: www.nicci.org**

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## Nepalis now looking for developed countries

While the Middle East and Malaysia remain the largest recipient of Nepali migrant workers, more Nepalis are now heading to other job destinations in Australia, and Europe, according to the Department of Foreign Employment (DoFE).

Qatar which has intensified infrastructure development for the 2022 Soccer World Cup, is the largest host of the Nepali migrant workers, followed by Malaysia, Saudi Arabia, UAE, Kuwait and Bahrain. Nepalis heading for Qatar has surged by 36 percent this year.

But, according to DoFE data, number of workers leaving for developed countries like Japan, South Korea, Germany, Italy, Australia, Canada and the USA has surged by massive 83.22 percent in the first eight months of the current fiscal year. The number of workers leaving for the Middle East and Malaysia jobs for the same period has increased by 17.73 percent, and average growth is 18.45%.

The rising trend of workers' departure for employment in developed countries is increasing through personal contacts and support extended by their relatives or Non-Resident Nepalis staying abroad. Manpower agencies were also capable of sending workers, but unlike in the case of Malaysia and Gulf countries the developed countries do not demand in bulk. During the review period under the Employment Permit System (EPS), South Korean hired 1,687 workers, up from 1,189 individuals last year. Japan, which took in 326 Nepali workers last year, received 770 individuals this year following increase in demand for Nepali workers in hotel and restaurant lines. Japan had hired many cooks and waiters in restaurant line. Demand for Nepali workers from other Asian countries including Hong Kong, Oman, Turkey, Macau, Singapore and China has also increased.

<b>(First 8 months in 2011-12)</b>	
Qatar	74938
Malaysia	58165
Saudi Arabia	47820
UAE	39979
Kuwait	15583
South Korea	1687
Japan	770
Israel	570
Italy	120

## 6 Indian brands among world's 500 best, Tata in top 50, 108 Asian brands make the cut

Global Consultancy firm "Brand Finance" has just released its top 500 brands of the world. The list was topped by technology giant Apple which replaced internet major Google and emerged as the most valuable brand with a brand valuation of \$70.60 billion. Apple has climbed 7 places to become the top brand in the world. Google is placed at number two and Microsoft is placed at number three, with a brand value of \$45.8 billion, followed by IBM, Wal-Mart, Samsung, GE, Coca Cola, Vodafone and Amazon in top ten. Amazon jumped from 32 to 10.

Korea's Samsung takes its place in the top 10. Samsung is now ranked 6th, up from its 2011 ranking of 18th. Samsung is the only Asian brand in the top 10. Japan's NTT Group ranked at 14 and Toyota ranked at 15 are the other top Asian brands.

Asia as a whole has 108 brands present in the top 500. These includes 1 brand from Saudi Arabia and 3 from UAE. Japan is best in Asia with 52 brands. China followed with 26, Korea has 11, India has 6, Hong Kong and UAE have 3, Malaysia, Singapore and Taiwan had 2 each and Saudi Arabia had 1.

As many as six Indian brands including -- Tata, Airtel, State Bank of India, Reliance, Indian Oil Corporation and Infosys - have been named among world's 500 best brands this year by 'Brand Finance'.

Tata is the only Indian brand making it to the top 50, as per the latest ranking. Tata has improved its ranking in the coveted list from 50 in 2011 to 44 this year. Its brand value has also increased to \$16.3 billion this year from \$15.8 billion a year ago, the valuation consultancy Brand Finance said. Historically, Tata's brand equity has always been very strong with the group having been regarded as one of the world's most reputable organisations for a number of decades.

Airtel and Infosys gained impressively from their 2011 rankings. Airtel with a brand value of \$5.22 billion was ranked 186th this year (284 in 2011, brand value of \$3.68 billion) and Infosys with a brand value of \$3.62 billion climbed to 296 position (381 in 2011, brand value of \$2.90 billion). State Bank of India slipped to 218th slot (from 171 in 2011), Reliance to 235 (from 133 in 2011) and Indian Oil Corporation to 292 (from 234 in 2011).

Among brands in India, while Tata, Airtel and Infosys have improved their positions, State Bank of India, Reliance Industries and state-owned Indian Oil Corporation slipped from their last year's rankings. However, Bharat Petroleum, Wipro and ICICI bank which were present in 2011, but have dropped from the 2012 list.

Taiwan's HTC has jumped more than 100 places. It was placed at 367 in 2011. HTC now stands at 252. Facebook jumped from 283 to 102. Nokia, the only brand from Finland, has dropped from 92 to 194.