

















Trade and Competitiveness Monitoring Note



Nepal

| GDP (US\$ billions) (2015) | Population (millions) (2015) | Income per capita (current US\$) (2015) | Poverty rate (2010) | Unemployment rate (2015) | Ease of Doing Business Rank (2015) |
|----------------------------|------------------------------|---|---------------------|--------------------------|------------------------------------|
| 21 | 29 | 732 | 15 | NA | 94 |

Macro Indicators

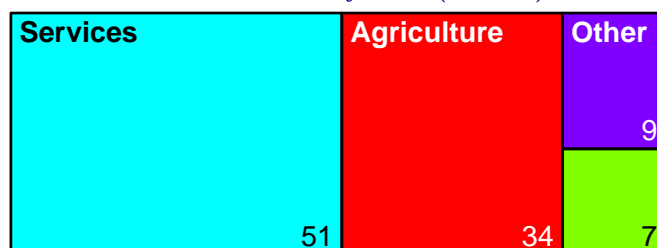
| | Avg 2002-2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
|---|---------------|--------|--------|--------|--------|--------|---|
| GDP growth (annual %) | 3.88 | 4.78 | 4.10 | 5.50 | 3.40 | 3.70 |  |
| Current account balance | -2.39 | 5.45 | 4.02 | 5.46 | 5.67 | 2.59 |  |
| Cash surplus/deficit (% of GDP) | -1.08 | -0.63 | 0.81 | 0.76 | -0.89 | -0.75 |  |
| Gross Fixed Investment (% GDP) | 19.33 | 17.87 | 21.13 | 21.51 | 23.32 | 25.64 |  |
| Gross capital formation (% of GDP) [1] | 28.64 | 34.50 | 36.85 | 36.83 | — | — |  |
| Foreign direct investment, net inflows (% of GDP) [2] | 0.15 | 0.51 | 0.39 | 0.15 | — | — |  |
| Private capital flows, total (% of GDP) [2] | 0.69 | 2.55 | — | — | — | — |  |
| Total Trade in Goods and Services (% of GDP, real terms) | 47.99 | 47.25 | 51.43 | 58.14 | 60.81 | 63.85 |  |
| Trade balance (% GDP, real terms) | -15.62 | -25.61 | -28.49 | -31.25 | -33.41 | -36.11 |  |
| Exports, Goods and Services, annual percent change (real terms) | -3.22 | 1.92 | 10.33 | 23.66 | 5.39 | 5.00 |  |
| Imports, Goods and Services, annual percent change (real terms) | 4.60 | 3.39 | 14.20 | 18.00 | 9.00 | 10.00 |  |
| Personal remittances, received (% of GDP) [1] | 17.14 | 25.43 | 29.00 | 29.18 | — | — |  |
| General government gross debt [3] | 47.26 | 34.46 | 31.95 | 27.70 | 23.45 | 24.50 |  |
| Total reserves in months of imports [1] | 6.68 | 7.61 | 8.56 | — | — | — |  |
| Real Effective Exchange Rate (2010=100) | 85.67 | 90.75 | 90.72 | 93.88 | 95.87 | 99.13 |  |
| Consumer Price Index, annual percent change | 6.67 | 9.45 | 9.04 | 8.37 | 7.50 | 8.20 |  |

Sources: MFM note, [1] World Development Indicators (WDI), [2] UNCTADSTAT, [3] World Economic Outlook (WEO)

Goods Export and Import volume growth, 2012-2015

Data not available

Gross Value Added by Economic Activity 2013 (% GDP)



Source: Development Prospects Group (DECPG)

Source: World Development Indicators (WDI)

Top 5 Exports by % of Total Value, 2014



Imports Categories by % of Total Value, 2014



Source: World Integrated Trade Solution (WITS)

Doing Business 2015 Ranks (among all countries)

| | DB 2015 Rank | DB 2016 Rank | Change in Rank |
|-----------------------------------|--------------|--------------|----------------|
| Dealing with Construction Permits | 85 | 78 | 7 |
| Ease of Doing Business Rank | 94 | 99 | -5 |
| Enforcing Contracts | 152 | 152 | 0 |
| Getting Credit | 128 | 133 | -5 |
| Getting Electricity | 128 | 131 | -3 |
| Paying Taxes | 124 | 124 | 0 |
| Protecting Minority Investors | 54 | 57 | -3 |
| Registering Property | 73 | 72 | 1 |
| Resolving Insolvency | 78 | 86 | -8 |
| Starting a Business | 104 | 105 | -1 |
| Trading Across Borders | 59 | 60 | -1 |

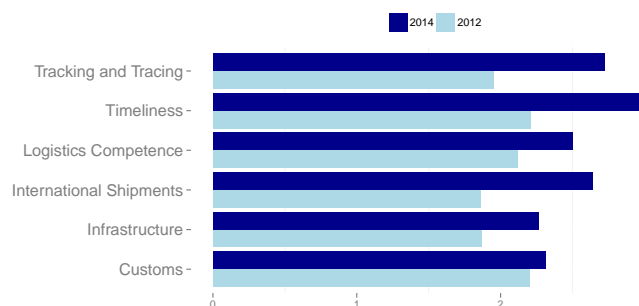
Source: Doing Business Report 2015

WEF Competitiveness Indicators (Scale 1-5, 5=best)



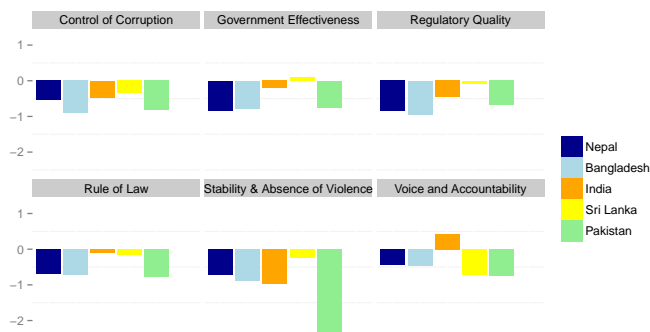
Source: WEF Global Competitiveness Report 2015

Logistics Performance Index (Scale 1-5, 5=best)



Source: Logistics Performance Index (World Bank)

World Governance indicators (Std. score, High=best)



Source: Worldwide Governance Indicators

Trade Policy

| | 2010 | 2014 |
|--|------|------|
| Applied Tariff (Incl. Prefers. and Trade-Weighted) | 13 | 12.7 |
| Binding (%) | 99.4 | 99.5 |
| Dispersion (Standard Deviation) | 10.7 | 10.2 |
| Import duties collected (% of GDP) [1] | — | 7.8 |
| MFN Tariff (Agriculture) | 14 | 14.0 |
| MFN Tariff (Non-Agriculture) | 12.1 | 12.1 |
| MFN Tariff (Simple Average) | 12.3 | 12.3 |
| Services sectors with GATS commitments [1] | — | 77.0 |

Sources: WITS, [1] WTO Trade Profiles

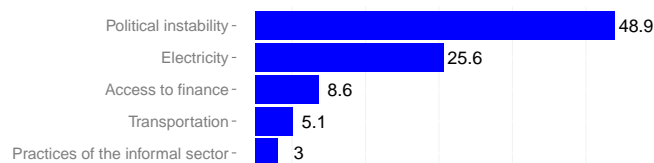
Private Sector's Views

Enterprise Survey 2013

| | South Asia | Nepal | All Countries |
|---|------------|-------|---------------|
| Number of electrical outages in a typical month | 25.40 | 8.70 | 6.30 |
| Percent of firms with a bank loan/line of credit | 27.00 | 35.00 | 34.30 |
| Proportion of investment financed by banks (%) | 14.40 | 12.80 | 14.30 |
| Proportion of investment financed internally (%) | 73.90 | 70.30 | 71.80 |
| Senior management time spent dealing with the requirements of government regulation (%) | 7.20 | 1.40 | 9.90 |

Source: Enterprise Survey 2013

Top 5 constraints according to ES 2013 (% respondents)



Source: Enterprise Survey 2013

Top 5 constraints according to WEF 2015 survey (% respondents among 88 executives)



Source: WEF Global Competitiveness Report 2015