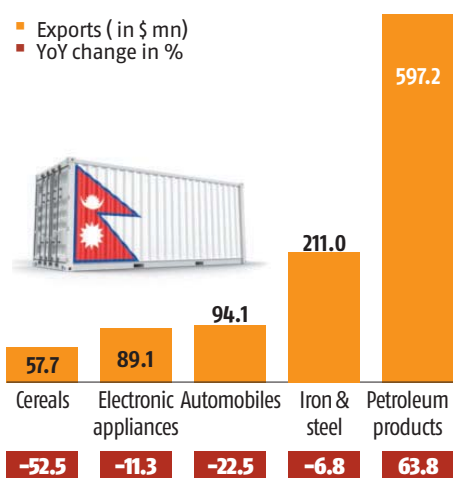


# Non-oil exports to Nepal fell 13% in April-May

## AT A GLANCE

(April-May FY23)

- Exports (in \$ mn)
- YoY change in %



Source: Commerce ministry

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India's export of iron and steel, automobiles, and electronic items to Nepal declined during the April-May period with the Himalayan neighbour discouraging imports of non-essential items in view of its depleting forex reserves.

According to data released by the commerce ministry, non-oil exports to Nepal dropped 13.2 per cent to \$943.2 million during the April-May period.

Nepal was India's 11th largest export destination in FY22 with \$9.6 billion shipments. India enjoyed the third highest trade surplus with Nepal at \$8.3 billion in FY22, preceded by the US (\$32.8 billion) and Bangladesh (\$14.2 billion). A dip in exports to Nepal could adversely impact India's overall trade deficit in FY23 which is already worsening following fears of recession in developed countries. India's trade deficit touched a record \$26.1 billion in June.

Earlier this month, Nepal extended a ban on the import of non-essentials till August-end. Products on the banned list included mobile phones priced over \$300, motorbikes with an engine capacity of over 150 cc, liquor, tobacco products, diamonds, colour TV sets larger than 32 inches, jeeps, cars and vans, dolls, playing cards and snacks.

During the April-May period, automobile exports to Nepal declined 22.5 per cent while iron and steel exports shrank 6.8 per cent. Among major export items, fuel exports rose 63.8 per cent to \$597.2 million.

The country's central bank, Nepal Rastra Bank, in April instructed commercial banks not to open letters of credit (LCs) for importing non-essential items. This is to prevent further decline of the country's foreign exchange reserves. The spike in inward shipments into the country in recent months has led to massive foreign currency outflows, raising concerns of a crisis similar to the one in Sri Lanka.

"This meant only existing orders would be honoured and new orders are not being placed in Nepal. As a result the sale of Indian vehicles to Nepal has gone down in the last few months," said an auto industry source.

Hyundai is the leading exporter to Nepal from India followed by Maruti Suzuki, Tata Motors and Mahindra. By value, Nepal's share among the export destinations at the end of FY22 was 2.4 per cent, the highest since FY18.

Two-wheelers account for 8-10 per cent of total exports from India, but the recent move by Nepal's central bank to ban import of motorcycles over 150 cc will impact the export of two wheelers to the country, the source said.