News & News

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nepal

Economic Growth and Poverty Reduction

Among other economic and non-economic parameters high economic growth is necessary condition for poverty reduction in developing and least developed countries like Nepal, according to economists and policy markers.

They believe that an increase in economic growth trickles down to the people through a number of channels such as higher profits and higher salaries, which trigger a multiplier effect in the economy. Higher wages and salaries and employment opportunities that help uplift people's living standard an subsequently contribute to narrow down the level of poverty.

Higher government revenue which is crucial for investment in social overhead capital to upgrade economics of scale and make people's day to day life easier and protect the poor segment of the population with proper safety nets and higher domestic savings and an increased availability of capital for reinvestment.

According to the Rising Nepal, exchanging views "economic growth and poverty reduction" at an interaction programme they pointed out the need for establishing link between trade and poverty. If there is low growth, it adversely affects poverty reduction and creates barriers to economic development.

But Nepal's experience, according to economists is different. The country's economic growth was largely affected by the insurgency in the late 1990s and early 2000. The decade long insurgency had a debilitating effect on the economy. A continuously low growth rate, poor business environment, low economic efficiency and poor social overhead facilities characterized its performance.

The annual growth rate averaged a meager a three percent during the Tenth Five Year Plan (2002-2007). Growth in agriculture remained discouraging, the manufacturing sector growth crawled at around 2%, wholesale and retail trade plunged sharply, exports volume in real terms declined and average tourists arrivals and earning plummeted. The picture was no less bleak on the front of government expenditure. During the period, capital expenditure was almost stagnant, expenditure on social services like health, education, and local development was constant and expenditure on economic services fell.

Despite such a poor record, Nepal was able to reduce poverty dramatically. According to the Nepal Living Standard Survey (NLSS), 2003/04, the production of population below the poverty line plunged to 42% from 31% between 1995/96 and 2003/04 with poverty incidence in rural and urban areas falling t 35% and 10% from 43% and 22% respectively in the same period, said economist S.K. Shrestha.

The official studies, including the NLSS attribute a remarkable non-farm wage rates and rapid urbanization. But still there is no dearth of economists who question the very reliability of the techniques used to measure poverty.

Another irony is that despite the fact that the bulk of the remittances flow into rural areas and agricultural laborers mostly reside in those parts, poverty reduction in such areas was slower than that in the urban areas, he said. Even in the case of urban areas, the growth rate infrastructural development business climate and security situation were not so conducive as to fully explain such a rapid reduction of poverty.

Export to India falls

Total exports fell by 6.9% as against a rise of 0.2% in the corresponding period of the previous year in the first five months of 2007/08, according to the Nepal Rastra Bank.

Of the total exports, export to India plummeted by 9.3% in 2007/08 compared to a marginal growth of 0.9% in the same period of 2006/07, Exports to other countries also posted a decline of 1.4% in comparison to a decline of 1.2% in the comparable period of the previous year.

The decline in the exports to India was primarily attributed to the decrease in the exports of vegetable ghee, toothpaste, chemicals, textiles and wire. Similarly, exports to other countries also dropped arising from the lower exports of woolen carpet, pashmina readymade garments, Nepalese paper & paper products and tanned skin. In the first five months of 2007/08, total imports grew merely by 1.5% compared to a growth of 10.0% in the corresponding period of the previous year. While imports from India rose by 2.4% in the review period compared to its growth of 10.5% in the corresponding period of 2006/07, imports from other countries were at the same level of 9.2% as the comparable period in the previous year.

Export to Bangladesh rises

Nepal's export trade to Bangladesh increased phenomenally during the fiscal year 2006/07 amounting to Rs. 521.5 million compared to Rs. 234.32 million a year earlier. During the year, the export to Bangladesh amounted to 0.8% of the total national exports.

Similarly the imports during the year accumulated to Rs. 286.4 million in comparison to Rs. 104.64 million a year earlier, according to the Trade and Export Promotion Center (TEPC).

The TEPC stated that export trade to Bangladesh occupied the second position in the South Asian region with the export to India standing at Rs. 41.87 billion, Bhutan at 310.96 million and Pakistan at Rs. 126.94 million.

Similarly, import to Nepal was widely dominated by India followed by Bangladesh at 2.86.4 million in the year 2006/07.

TEPC stated that Nepal's total foreign trade volume amounted to Rs. 256.74 billion, an increase of 5.9% as compared to the previous year. The exports amounted to Rs. 59.07 billion and imports Rs. 197.67 billion. The trade with South Asian countries stood at Rs. 42.85 billion while imports from the region amounted to 118.37.

Afghanistan, Maldives and Sri-Lanka have witnessed a slow progress with the exports standing at Rs. 12.46 million, Rs. 1.02 million and Rs. 3.12 million respectively and imports amounting to Rs. 6.18 million, Rs. 106 thousand and Rs 46.19 million respectively.

Export to vegetable ghee declines

Following the rise in the price of raw materials and a sudden hike in the rate of tax in India, the export of vegetable ghee to India has declined by 50% in the recent days. According to the officials at the Trade and Export Promotion Center (TEPC), the export of vegetable ghee to India until January 14 has gone down by 50% in comparison to the statistics of the last fiscal year.

More than 17900 metric tones of ghee amounting to Rs. 8,48,41,350 was exported however, the volume of export in the fiscal year 2064-65 was 8300 metric tones worth Rs 45,37,63,000/- According to the Nepalese traders export plummeted as a result of India's fixing of export quota and raise in tax.

Air travellers up by 27.7%

The year 2007 registered 27.7% growth in tourist arrivals by air as compared to 2006 with a registered growth of 13% in the international visitors' arrival to Nepal in December only.

According to Nepal Tourism Board, there has been 27.1% growth in the number of tourists as compared to 2006 with the arrival figure reaching 360, 350 an all time high since the year 2000.

"In 2000, the number of visitors arriving to Nepal by air was 376914. Since then, the figure continued to plummet due to various socio-political reasons. One of the main reasons for inspiring growth in 2007 in tourist arrivals is the ongoing peace process and political stability in the county. Another reason is the good air connectivity with many destinations ushered in by the operation of nine new international airlines to Nepal in 2007," the press statement stated.

Nepal, Malaysia agree to increase direct flights

Nepal and Malaysia recently agreed on increasing direct flights by three times to 21 passenger flight and seven cargo flights a week from both the countries.

Following the two-day long review meeting on bilateral air service agreement (ASA) that concluded in Kathmandu recently the officials signed a MOU that paves the way for increasing the number of passenger and cargo flights. The existing ASA grants permission to operate only seven flights a week from both countries.

As per the new agreement, the designated airlines of both countries can operate 21 passenger flights a week, while the limit for cargo service has been fixed at seven flights. The airlines are free to use any type of aircrafts for the service.

The new ASA has also specified provision for fifth freedom rights to the designated airlines, which could be granted following the meeting of aeronautical authorities of both countries.

Tourist arrivals increase by 17.6%

Tourist arrivals to Nepal in last December has increased by 17.6% as compared to November last year.

According to a Nepal Tourism Board press statement and the visitor arrivals data released by Immigration of face, Tribhuvan international Airport showed that the total number of visitors in November reached 34580.

The Korean, Chinese, Australian, American and most of the European markets have performed very strongly regarding growth in the total arrivals.

The major tourist generating non-Asian markets like UK, Germany, France, Spain, the Netherlands and Switzerland also showed encouraging growth.

The major European markets have recorded average growth of 46% in this month. Arrivals from the UK (56.9), Germany (42%), France (50.8%), Spain (27.9%), the Netherlands (48.4%) and Switzerland (69.2%) clearly showed a growing consumer confidence and "this sheds a very positive hope for the Nepalese travel trade" the press statement stated.

According to NTB the USA, Canadian and Australian markets also equally presented a positive hope for further investments in these markets.

SAARC

India's industrial growth plummets to 5.3%

India's industrial growth sharply slowed to 5.3% in November, pulled down by a contraction in the consumer goods sector, according to government data.

Slower growth of exports, which have been hit by a stronger rupee, also appeared to have contributed to the slowdown.

The Index of Industrial Production rose 5.3% in November from a year ago, according to provisional data from the Central Statistical Organization. That was lower than a 12% expansion in the preceding month and 15.8% growth in the same month a year ago. Some economists said the data could be misleading because several festival days fell during November and three could be some delay on the part of companies in reporting production data.

November industrial output was weakened by a 2.6% year on year contraction in the consumer goods sector, which had grown 13.5% in the same month of the previous year.

India aims for 10% economic growth

India aims to achieve 10% economic growth by 2012 but is not immune to a global credit crunch spreading from the United States, Prime Minister Manmohan Singh warned recently.

"There are some clouds on global financial markets following the subprime lending crisis... We cannot be fully immune to international development policymakers.

But "it is possible with the correct set of policies …. we will not only be able to maintain this momentum of high growth into the near future but may be able to raise it to 10%," Singh told the National Development Council.

India grew by 9.1% in the first half of the financial year to March 2008, second only to China, and the boom has drawn a flood of foreign investment.

The council was being asked to approve India's 11th Five Year Plan, an economic roadmap calling for 10% growth by 2012.

Business confidence in India up

India Inc's business confidence picked up for the second half of the current fiscal (October-March 2007-08) after a decline during April - September 2007, according to CII's business outlook survey. However, business confidence still remains lower than the corresponding period last fiscal.

CII's business confidence index for October-March period, at 66.3, saw an increase of 2.4 points from April-September 2007. However, the index was down by 5.5 points when compared to the corresponding period last fiscal. Business confidence, constructed as a weighted average of the current situation index (CSI) and the expectations index (EI), was higher among services (68.3) as compared to manufacturing firms (65.1), the CII survey noted.

Bangladesh calls for regulatory cooperation

Bangladesh called for regulatory cooperation to integrate the South Asian stock exchanges.

Finance Adviser to the caretaker government Mirza Azizul Islam made the call at the opening the second South Asian Capital Markets Conference-2008 in Dhaka recently.

He also urged immediate progress in automatic listing of companies in the regional exchanges, development of human resources for the capital markets, cooperation in Information and Communication Technology and convergence of mutual cooperation in the event of international shocks.

He emphasized on regional cooperation among the stock exchanges considering the contribution of trade, foreign direct investment and trans border movement of equity capital to GDP.

The two-day conference was organized by South Asian Federation of Exchanges (SAFE) and Dhaka Stock Exchange (DES) jointly, with more than 150 participants, amid at discussing the prospect of integrating the regional stock exchanges.

The participants sought regulatory cooperation to integrate the stock markets of the region and introduce cross border trade.

Sri-Lanka negotiates more deals

Sri Lanka is negotiating more free trade and investment deals with other countries to increase trade and foreign investment, the Foreign Affairs Ministry said recently.

Two rounds of talks were held in January with neighbors India and Pakistan on free trade and investment agreements while the first negotiations on an investment promotion and protection agreement with Kuwait was concluded in Colombo on January 30.

"Since the commencement of the year 2008, Sri Lanka has been actively engaged in a series of negotiations in trade and investment agreements with key countries from within and outside the region."

The 11th round of technical level negotiations with India on the proposed Comprehensive Economic Partnership Agreement (CEPA) between Sri Lanka and India was held during January 2-4 in Colombo.

The second review meeting of the Pakistan - Sri Lanka free trade deal and first round of technical level talks on a Comprehensive Economic Partnership Agreement with Pakistan was held on January 24-25 in Colombo.

Sri Lanka has so far concluded over 26 investment promotion and protection agreements designed to create a conducive legal environment to generate the flow of foreign capital, the statement said.

Cooperation accord between FPCCI & YCCI

Federation of Pakistan Chambers of Commerce & Industry (FPCCI) has signed a cooperation agreement with Federation of Yemen Chambers of Commerce and Industry.

According to information reaching FPCCI in Karachi recently the accord was signed at Prime Minister Secretariat Sanaa Yemen in the presence of Prime Ministers of both the countries.

Under the cooperation agreement, the apex bodies of the private sector will act more closely to intensify interaction between the business communities of both the countries.

Both the chambers will jointly open new avenues for promotion of bilateral trade and economic relations and facilitate and encourage their members for participation in trade fairs and exhibitions of each other countries.

SCCI-Iran joint trade commission

The Sarhad Chamber of Commerce and Industry (SCCI) recently suggested establishment of a joint-trade commission and Pak-Iran Chamber of Commerce and Industry for further trade relations between the two neighboring countries.

Haji Mubammad Asif President of SCCI made the suggestion during a meeting with Commercial Consular of Iranian Consulate at Peshawar, Hashmat Ullah Athar Zadey who called on Peshawar.

The traders have also demanded of the governments of both the countries to decrease the tariff rate on different items in order to bolster bilateral trade between the two states.

ASIA

China to see 11% growth in 2008

China will see a 6th consecutive year of double-digit economic growth in 2008, despite government efforts to bring about a slowdown, a government think tank was quoted as saying recently.

Asia's second largest economy is forecast to expand by about 11% in 2008, down just marginally from this year's prediction of 11.6% growth, the China Securities Journal reported.

It was citing an authoritative annual economy bluebook released by the Chinese Academy of Social Sciences, the nation's top government think tank.

Consumer inflation is likely to rise 4.5% this year and 4% next year, the paper said, citing the think tank.

The report said a tendency of economic overheating was getting worse, and that excessive economic growth, particularly growth in investment spending, should be reduced.

As part of its efforts to rein in the economy, in 2007. China has raised interest rates five times and increased the money banks must keep on reserve nine times.

It has also stepped up restriction on lending and land supplies, as well as administrative controls in some sectors such as the property market.

Japan's economy to slow down

Japan's economic growth will "slowdown for the time being" due to declining investment in housing but will eventually pick up to post modest expansion the central bank chief said recently.

"The economy is seen to slow down for the time being due to stagnating housing investment," Bank of Japan governor Toshihiko Fukui told a parliamentary panel.

"But it will start picking up afterwards to post modest expansion," he said.

Japan's economic growth fell short of expectations last year because of the slump in activity in housing construction following the introduction of stricter earthquake resistance standards.

China opens more markets

A China US economic summit ended recently in China with China agreeing to give foreign firms more access to some of its financial services markets, but ruling out any faster rise in the value of its currency to help reduce its massive trade surplus with the rest of the world.

The two nations also signed a series of agreements including pacts to improve the safety of food and drug exports, to boost tourism and to increase cooperation in environmental protection and the energy sector.

The United States believes that the "artificially low" value of the Chinese currency limited foreign access to some of China's markets and the poor enforcement of intellectual property rights are giving Chinese manufacturers an unfair advantage over foreign competitors, fuelling an export-driven trade surplus with the rest of the world which in the first 11 months of 2007 reached $238.13 billion.

Assessments of Japanese economy

Japanese finance officials gave conflicting economic assessments recently, will the central bank chief predicting a slowdown in Japan while the economy minister said she saw no sign of one.

But both said that downside risks were growing for Japan, the world's second largest economy, amid soaring oil prices, volatile markets and an uncertain outlook for the US economy a key export market.

"The Japanese economy is slowing due to the drop in housing investment and will likely keep slowing for the time being," Bank of Japan Gov. Toshihiko Fukui told a parliament panel.

"Still, the economic recovery cycle is still intact and the economy is expanding as a trend," Fukui said.

China's trade, surplus surges

China's trade surplus soared nearly 50% in 2007 to a record, despite safety worries about Chinese products and a slowdown in export growth late in the year, according to government data released recently.

The sharp rise could add to pressure on Beijing to action currency controls and import barriers, possibly giving ammunition to US lawmakers who are calling for trade sanctions.

WORLD

US productivity at fastest pace

US worker productivity roared ahead at the fastest pace in four years in the summer while wage pressures dropped sharply.

The Labor Department reported recently that productivity, the amount of output per hour of work, was up at an annual rate of 6.3% in the third quarter, the best showing since the summer of 2003, and far bigger than had been expected. Meanwhile, wage pressures slowed with unit labor costs dropping at a rate of 2% in the third quarter, the biggest decline in four years.

US jobless rate hits 5%

Wary employers clamped down on hiring and pushed the unemployment rate to a two-year high of 5% in December an ominous sign that the US economy may slide into recession. President George W. Bush explored a rescue package, including a tax cut, with his economic advisers.

Gripped by uncertainty, government and private employers last month added the fewest new jobs to their payrolls in more than four years. In fact, employment at private companies alone actually declined. The Labor Department's report released recently, provided evidence of an economy greatly strained by a housing slump and a credit crunch.

UK becomes the hub of financial services export

With London continuing to hold the top spot as the world's most important international financial centre, ahead of New York City, the financial sector services have emerged as the largest exporting item for the UK.

While New York sources a large volume of business from its domestic market, London has the largest share of international financial markets. In fact banking has been the single largest contributor to the UK export basket, with net exports totaling £12.2 billion, followed by insurance with £3.5 billion and securities dealing with 3 billion.

The financial sector is also the largest contributor to the UK's balance of payments and the major contributor to GDP and employment. Within the UK, the importance of London is core to its international position but other cities such as Edinburgh, Glasgow, Leeds, Manchester, Birmingham and Bristol are also emerging as important financial centers.

German Industrial output falls

German industrial production contracted by 0.3% in October from the previous month, mainly owing to lower output in the energy sector, figures released in last December by the economy ministry showed.

Energy production fell by 3.6% on the month, the ministry said, amid slowing growth of the biggest euro zone economy.

"Combined with less positive barometers, it indicates a globally more measured growth dynamic" for German industries, the ministry said.

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