



# MARKET REVIEW NEPAL

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*An outlook on a potential market highlighting the scopes for business expansion of both local footwear brands and export manufacturers.*

**Nepal** is a mountainous landlocked country located between India and Tibet, known for its majestic view of its' Himalayan range and deep valleys. Nepalese are culturally rooted and their strong resiliency shows their nature to combat difficult conditions. Being 150th economy in the world, they are considered one of the least developed countries due to political and financial conditions. Like Bangladesh, Nepal is also in the transition phase to graduate from a Least developing country. With an average annual income of \$1,230 it is one of the lower-middle-income countries.

Nepalese are extremely loyal to their culture and citizenship. A country with 83% of its population living in rural areas, with few urban centers. The geographic isolation creates a preference to live a secluded life. Regions with more education access have seen some transformation in cultural aspects. In the Kathmandu region, the recent cosmopolitan fashion transformation is more visible.

Capital  
**KATHMANDU**

Size  
**147181 km<sup>2</sup>**

Total Export  
**\$1.74B (2021)**

Export to BD  
**\$15.3B (2021)**

Total Import  
**\$15.3B (2021)**

Import from BD  
**\$116M (2021)**



**POPULATION SIZE**  
30 MIL (APPROX.)

DEMOGRAPHICS:  
BELOW AGE 35: 60%.



**MAJOR INDUSTRIES**  
Tourism, Carpets, Textiles, Rice, Jute, Sugar, and Oilseed mills; Cigarettes, Cement, and Brick production.



**GDP\$**  
\$36.3 Billion (2021 est.)

68.2% Growth in 10 years



**GNP \$ per capita**  
\$3800 (2021 est.)



**LANDLOCKED.**  
SHARING BORDERS WITH INDIA & CHINA

ROADS & RAIL TRANSPORT.

## Local Footwear Market

Nepal is highly dependent on the import of footwear. Most of its footwear is imported from neighboring countries (i.e. India, China, and Bangladesh). With a rising younger population, there has been a shift from retail to e-commerce. In 2022, 65% of footwear demand was being met by local footwear manufacturing. However, illegal import of footwear through different channels is flooding their market impacting local production.

Consumer buying pattern has seen a shift to a rise in fashion e-commerce buying. Currently, the Nepalese Footwear e-commerce market is expected to reach US\$24.3 million by 2023, which would be 14.8% of the e-commerce market. It is also expected that a compounded annual

growth rate for the next 4 years will be at 4.9% and mounting to US\$29.4 million by 2027 (Source:eCommerceDB). Post covid, domestic brand sales have been peaking. Brands like Caliber Shoes, Dullah Shoes, and Black Horse Shoes are focused on increasing their production as they are forecasting demand growth. 80% of the Nepalese shoes produced for domestic market, have their raw material mainly sourced from China, India, and others.

## Footwear Export Industry

To boost local manufacturing for export, the Government of Nepal implemented policies such as cash subsidies, special concessions on bank loans for footwear enterprises, and budget appropriation for basic training for advancing employment opportunities. FMAN (Footwear

Manufacturers of Nepal) has been seen welcoming this support received from the Government.



# MAJOR TRADE REGULATORY ASSOCIATIONS

## Footwear Manufacturers Association of Nepal (FMAN)

Their activities include advocacy in the policy sphere, working in accordance with FNCCI for the development of footwear industrial zones.

## Federation of Nepalese Chambers of Commerce and Industries (FNCCI)

FNCCI is the nationally and internationally recognized umbrella organization of the private sector in Nepal.

## Others

Federation of Handicrafts Association of Nepal (FHAN)

Leather Footwear and Goods Manufacturing Association of Nepal (LFGMAN)

Felt Industries Association of Nepal (FIAN)

Source: World Bank



FOOTWEAR EXPORT VALUES

\$10M



MAJOR EXPORTING DESTINATIONS

INDIA  
75.4%

DENMARK & GERMANY  
4-4.5%

REST  
<3%



FOOTWEAR IMPORT VALUES

\$78.2M



IMPORT PARTNERS

CHINA  
82.9%

INDIA  
12.6%

Source: OECWORLD

# TRADE RELATION BETWEEN NEPAL & BANGLADESH

Bilateral trade relations and agreements should be reassessed and improved to increase trade between the countries. Treaties such as SAARC & SAFTA could enhance the trade relationship and create better opportunities; such as preferential market access to more products, non-tariff barriers, and transit agreements. Current deals between the two nations

include signing a 25-year long-term agreement on the export of 40MW electricity from Nepal via an Indian transmission line. Tariffs. Except for the Tariff amount, an agreement has been reached to sign a long-term agreement as stated in *The Economic Times*.

To migrate from LDC status, Nepal needs to diversify their export and Bangladesh could

be a very good option. Tariff and para-tariff barriers put constraints on its export with Bangladesh. If preferential trade agreement can be developed, an improved bilateral trade can happen. The talks on the collaboration of these two nations can consciously improve bilateral trade and economic cooperation based on equality and mutual benefit.

## Bangladesh-Nepal Trade Bonhomie

Bangladesh identified **140 products** for duty-free market access.



**Potential products:** RMG, furniture, plastic footwear, and steel



Bangladesh has a sensitive list of **987 products** for LDCs and **993** for non-LDCs



**Major Bangladeshi exports to Nepal:** agricultural products, jute and jute goods, engineering products, pharmaceutical products, paper and paper board



**Imported items:** vegetable products, prepared foodstuffs, zinc and articles, products of the chemical or allied industries



**Nepal** has a sensitive list of **998 products** for LDCs and **1,036** for non-LDCs



Source: *The Business Standard*