NEPAL BRITAIN CHAMBER OF COMMERCE & INDUSTRY
EST. 1995

# Nepal - UK Economic Relations

Trade, Services, Investment & Growth Outlook

**Prepared by:** Nepal Britain Chamber of Commerce & Industry

FOUNDATION & SIGNIFICANCE

# Why the United Kingdom (UK) Matters for Nepal?

## Historical Foundation (Since early 19th Century)

**Sugauli Treaty 1816 :** marked Nepal's first formal engagement with Britain, shaping two centuries of diplomatic and economic ties

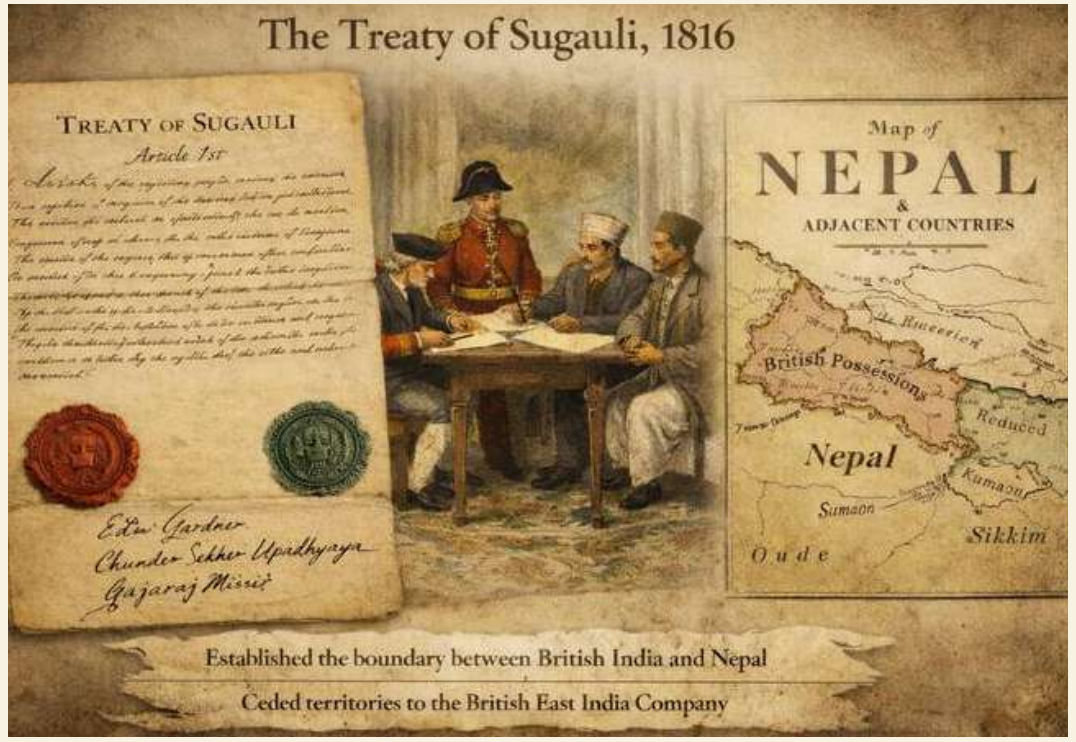
**Treaty of Friendship 1923:** formalized modern relations, trade & mutual recognition

**Nepal's first foreign mission opened in London 1934:** marking the start of sustained diplomatic presence abroad.

**Ambassador-level relations established 1947:** deepening formal diplomatic engagement.

**Centenary of the 1923 Treaty Celebrated in 2023-24:** as milestone of enduring ties

**Source:** Ministry of Foreign Affairs Nepal





100
YEARS OF UK NEPAL
FRIENDSHIP TREATY

FOUNDATION & SIGNIFICANCE

# Why the UK Matters for Nepal?

### Development Partnership

**UK is one of Nepal's earliest development partners** since the 1960s, supporting critical sectors like health, education, and infrastructure

### Trade & Investment

**Duty-free access** for Nepali products; key exports include pashmina, handicrafts, carpets, garments

Early UK involvement in **banking, tourism, and education** sectors

## Four Pillars of Bilateral Relations

**Trade & Services**
Bilateral trade foundation

**Education & Skills**
Knowledge partnership

**Tourism & People**
Cultural exchange

**Gurkha Legacy**
Historic bonds

**Source:** Ministry of Foreign Affairs Nepal

# Gurkhas: The Pillar of Nepal–UK Relations

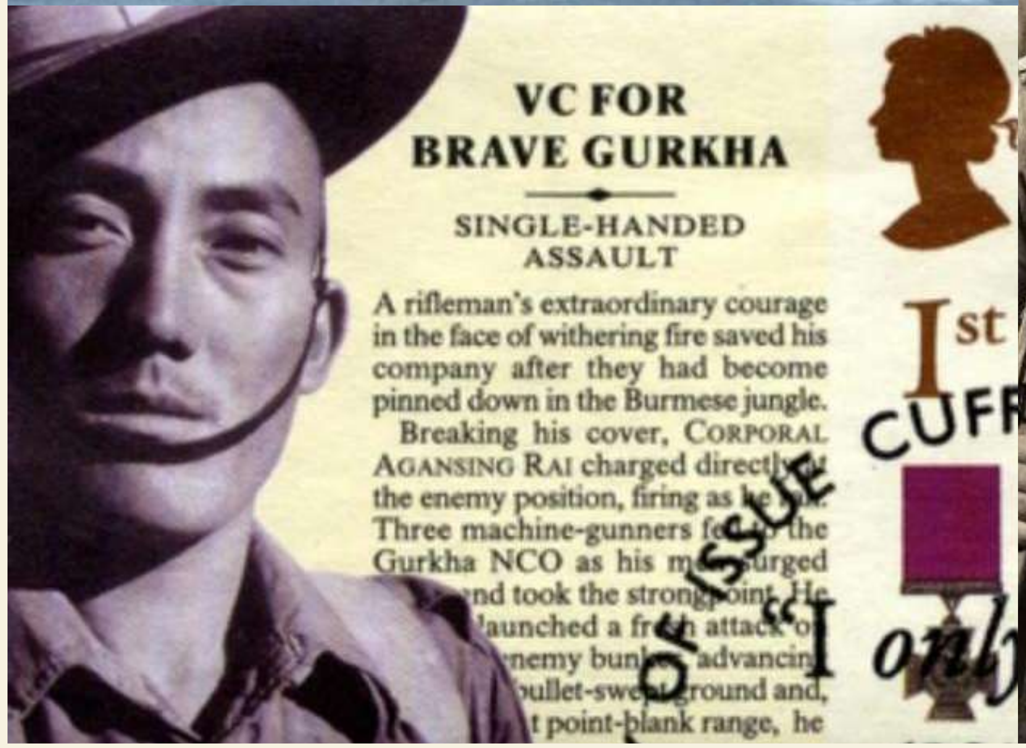
## Key Contributions and Legacies of the Gurkhas:

**Historic Foundation:** Gurkhas have served in the British Army since 1815, following the Anglo-Nepal War.

**Service & Contribution:** Renowned for discipline and bravery, Gurkhas have played critical roles in both World Wars, peacekeeping missions, and modern UK defense operations.

**People-to-People Bond:** Over 200 years of continuous service have created one of the strongest people-to-people bonds between Nepal and the UK.

**Strategic Significance:** The Gurkha legacy extends beyond the military, contributing to diaspora ties, cultural exchange, goodwill and UK-Nepal friendship.



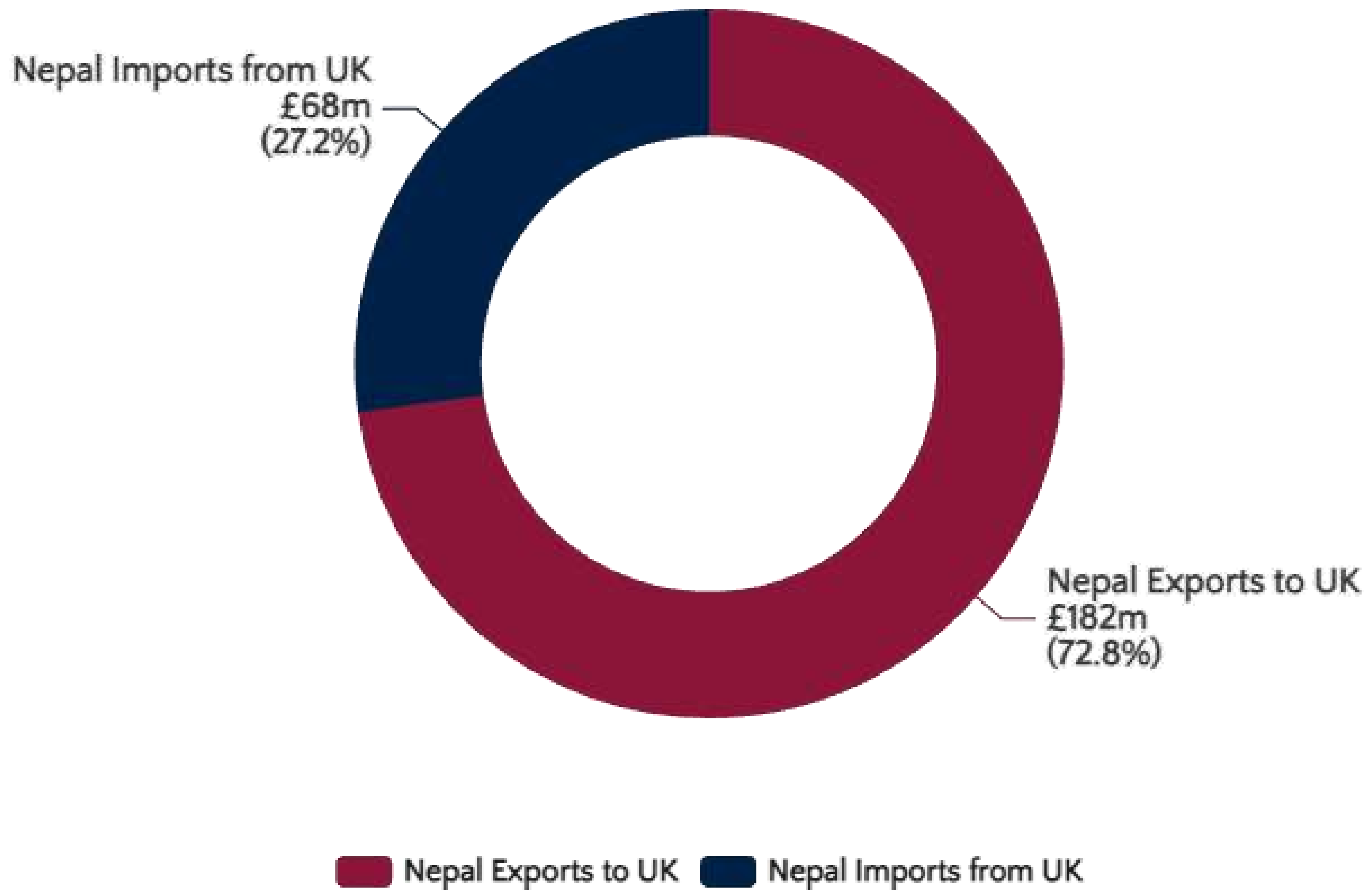

**Source:** UK Ministry of Defence, Ministry of Foreign Affairs Nepal

CURRENT BILATERAL TRADE

# Nepal - UK Trade Snapshot

Timeline: Q3 2024- Q2 2025

## Trade Composition: £250 Million Total




Total Bilateral Trade

**£250M**

Four quarters to Q2 2025

Nepal Exports to UK

**£182M**

**73%**

Nepal Imports from UK

**£68M**

**27%**

Trade Surplus

**£114M**

Nepal maintains surplus

**Source:** UK Office for National Statistics, NBCCI Analysis

**14.1% YoY decline** mainly due to services slowdown

TRADE ANALYSIS

# Nepal's Exports vs Imports

Nepal's Trade Position with the UK (Four quarters to end Q2 2025)

## Net Exporter

To the UK

Nepal maintains a **consistent trade surplus** with the UK, exporting significantly more than it imports, demonstrating strong competitive advantage in key sectors.

## Goods Exports

Niche but Resilient

Goods exports remain **niche but resilient**, with textiles, handicrafts, and specialty foods maintaining steady demand in UK markets.

**Source:** UK Office for National Statistics, NBCCI Analysis

EXPORT BREAKDOWN

# Nepal's Exports to the UK

Composition Analysis: Four quarters to end Q2 2025

## Goods Exports £15M

Traditional and manufactured goods including textiles, handicrafts, and specialty food products.

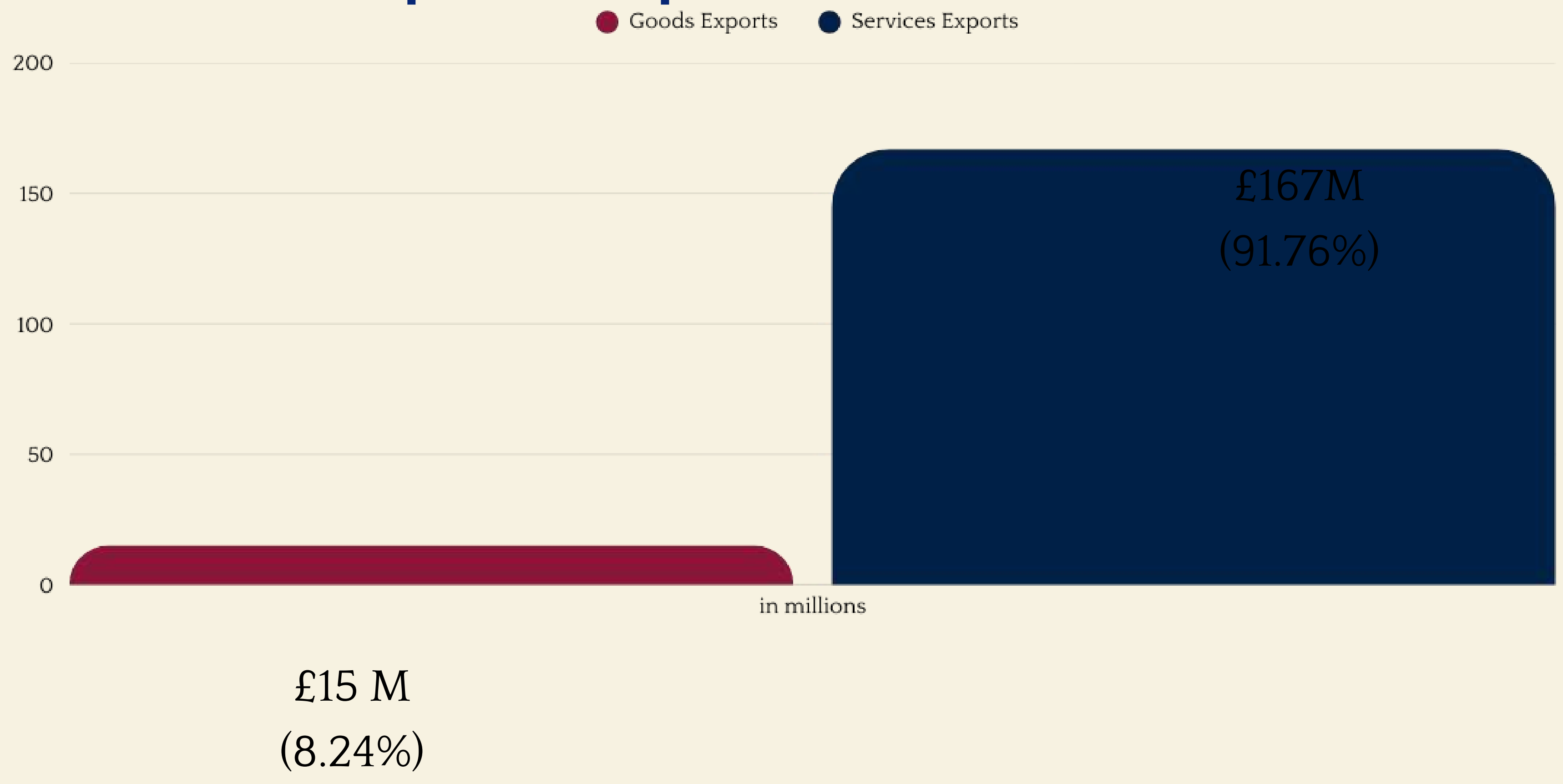
- Apparel & Garments
- Textile Fabrics
- Handicrafts & Artworks
- Specialty Food Products

## Services Exports £167M

Service-based exports including tourism, labor and professional services driving Nepal's economy.

- Travel & Tourism Services
- Labor-Related Services
- Professional & Business Services

## Export Composition Visualization



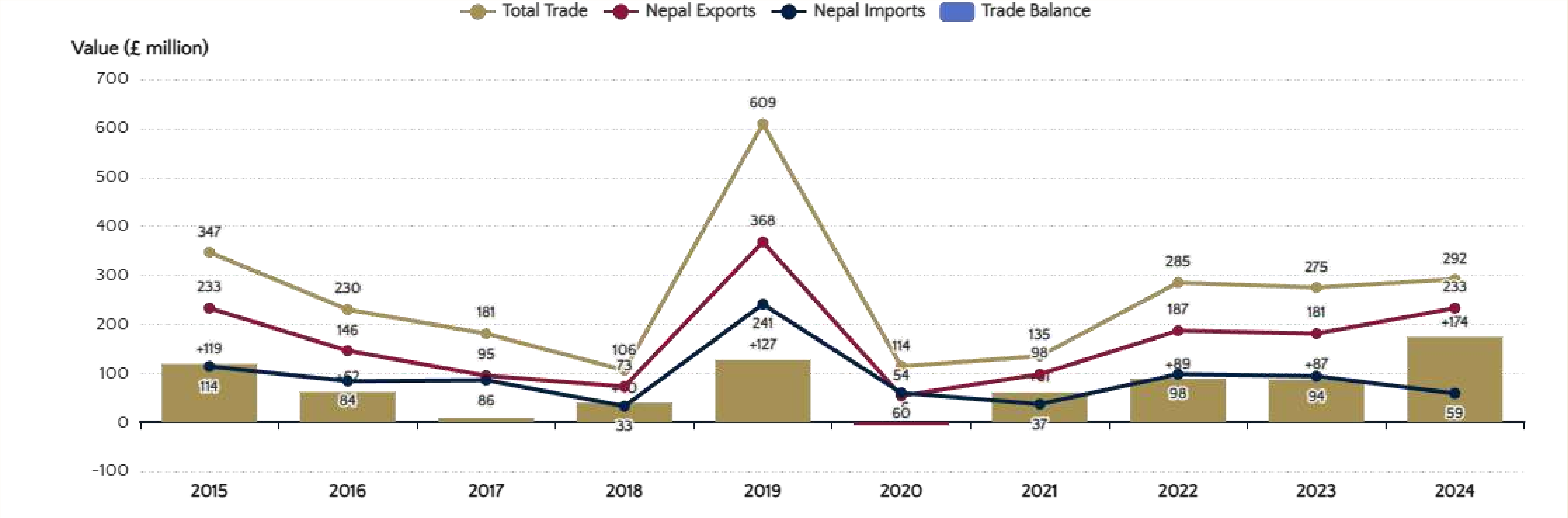

Services: 92% of Total Exports

**Source:** UK Office for National Statistics, NBCCI Analysis

HISTORICAL TREND ANALYSIS

# Nepal - UK Trade Over Time

Bilateral Trade Trend: 2015-2024 (£ million)




Peak Trade Year
**2019: £609M**

Highest Surplus
**2024: +£174M**

Consistent Surplus
**8 of 10 Years**

**Source:** UK Office for National Statistics, NBCCI Analysis

GOODS TRADE ANALYSIS

# Top Nepalese Goods Exported

Latest four quarters breakdown (£ million)

### Clothing & Apparel
**£7.2M**
48% of goods exports

### Textile Fabrics
**£4.7M**
31% of goods exports

### Misc. Food
**£0.8M**
5% of goods exports

### Art & Handicrafts
**£0.7M**
5% of goods exports

### Other Manufactures
**£0.3M**
2% of goods exports

**Source:** UK Office for National Statistics, NBCCI Analysis

IMPORT ANALYSIS

# Nepal's Imports from UK

What Nepal Buys: £68 Million Total (Four quarters to end Q2 2025)

### Pharmaceuticals

Medicines & healthcare products

### Machinery

Industrial & mechanical equipment

### Vehicles

Cars & transport equipment

### Scientific Instruments

Capital & research equipment

### Beverages

Alcoholic & specialty beverages

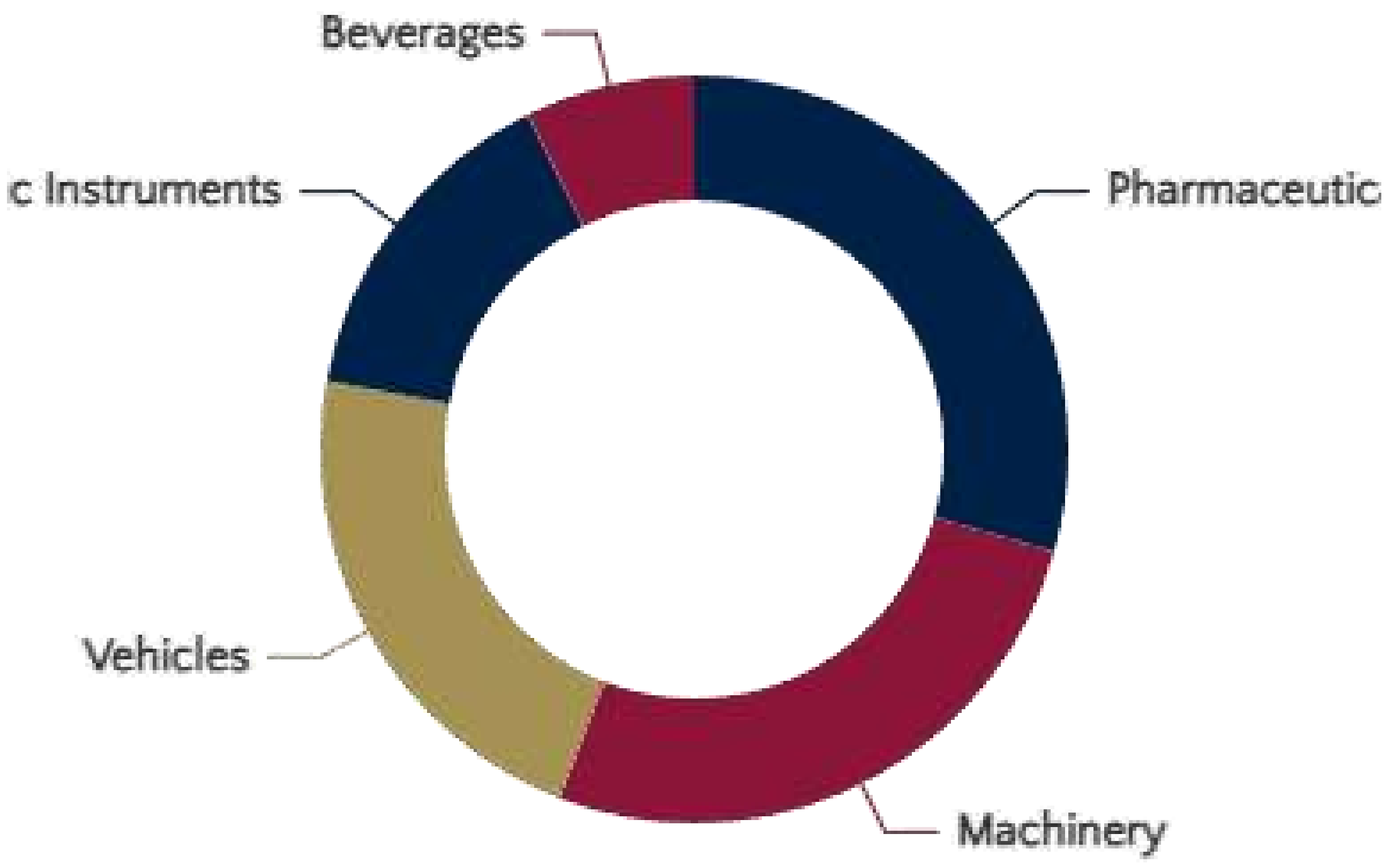

**Source:** UK Office for National Statistics, NBCCI Analysis

IMPORT ANALYSIS

# Nepal's Imports from UK

What Nepal Buys: £68 Million Total (Four quarters to end Q2 2025)

## Import Categories: Value Distribution




High-Value Imports

### Machinery & Vehicles

Capital-intensive goods for infrastructure and industrial development

Essential Imports

### Pharmaceuticals

Critical healthcare products and medicines

Consumer Goods

### Beverages & Instruments

Specialty consumer and research products

**Source:** UK Office for National Statistics, NBCCI Analysis

SERVICES TRADE

# Trade in Services

Nepal's Strongest Leverage Point with the UK

## Nepal's Services Advantage

Nepal exports **far more services to the UK than it imports**

| Services Exports | Trade Surplus | Services Share |
| --- | --- | --- |
| £167M | £~100M | 92% |

### Tourism & Travel

**Strong UK demand** for Nepal's unique tourism offerings including cultural heritage, adventure tourism, and Himalayan experiences.

- Himalayan treks & expeditions
- Cultural & heritage tourism
- Adventure & eco-tourism

### Professional Services

**Emerging sector** with UK demand for remote professional services, IT support, and business process outsourcing.

- IT & digital services
- Business process outsourcing
- Customer support services

### Key Strategic Insight

Services trade is Nepal's **strongest leverage point** with the UK

Export Ratio

**10:1**

MARKET PENETRATION

# UK Market Share in Nepal

Trade Penetration Analysis (2024)

### Total Imports

**0.4%**

UK share of Nepal's total import market

### Goods Imports

**0.1%**

UK share in Nepal's goods import market

### Services Imports

**2.0%**

UK share in Nepal's services import market

### Strategic Implication

Significant room to grow UK-Nepal trade depth and diversity. Current market penetration levels indicate substantial untapped potential for expansion across all sectors.

Opportunity
**Scale Trade Volume**

Strategy
**Diversify Sectors**

**Source:** Nepal Rastra Bank, UK Office for National Statistics, NBCCI Analysis

INVESTMENT FLOWS

# Foreign Direct Investment

FDI Stock & Investment Opportunities

## UK FDI in Nepal

2023 Stock Value

**£21M**

UK direct investment stock in Nepal

Moderate but growing UK investment presence in key sectors, with significant potential for expansion in infrastructure, energy, and services.

## Nepal FDI in UK

2023 Stock Value

**<£0.5M**

Nepal direct investment stock in UK

Limited but emerging Nepalese investment in the UK, primarily in diaspora-owned businesses and small-scale ventures.


**Source:** Nepal Rastra Bank, UK Office for National Statistics, NBCCI Analysis

INVESTMENT FLOWS

# Foreign Direct Investment

FDI Stock & Investment Opportunities

## Priority Investment Opportunities for UK Firms in Nepal

### Renewable Energy & Hydropower

Vast untapped hydropower potential

### Tourism & Hospitality

Premium hotels & eco-resorts

### IT & Digital Services

Growing tech sector with skilled workforce

### Infrastructure & Logistics

Transport & urban development

### Education & Skills

Vocational training & higher education

Investment Potential: £500M+

**Source:** Nepal Rastra Bank, UK Office for National Statistics, NBCCI Analysis

ECONOMIC PROJECTIONS

# Nepal's Economic Outlook

IMF Projections: 2024-2026

## Key Economic Indicators: Growth Trajectory

### GDP Growth

2024 → 2026F

**3.7% → 5.2%**

Accelerating growth trajectory

### GDP (USD)

2024 → 2026F

**$42.9B → $49.1B**

14.4% growth in GDP

### GDP per Capita

2024 → 2026F

**$1.4K → $1.7K**

21% increase per capita

### Trade Potential Implication

**Rising domestic demand strengthens Nepal-UK trade potential.** As Nepal's economy grows, demand for UK goods and services will increase significantly.

**Source:** International Monetary Fund (IMF), World Economic Outlook Database

CHAMBER OVERVIEW

# Role of NBCCI

Nepal Britain Chamber of Commerce & Industry

## The Bridge

Connecting Nepalese exporters with UK buyers

NBCCI serves as the **critical bridge** between Nepal and UK business communities, facilitating trade, investment, and economic cooperation through comprehensive support services.

### Trade Missions

Organizing bilateral trade missions to connect businesses and explore market opportunities in both countries.

### B2B Matchmaking

Facilitating targeted business-to-business connections and partnerships between Nepalese and UK companies.

### Investment Promotion

Promoting investment opportunities and supporting investors through market entry and expansion processes.

### Policy Dialogue

Engaging in policy advocacy and dialogue to improve trade facilitation and bilateral economic cooperation.

### Strategic Focus Areas

- Export diversification support
- Investment facilitation services
- SME capacity building programs
- Digital trade promotion initiatives

FUTURE STRATEGY

# Strategic Way Forward

Action Plan to Strengthen Nepal-UK Economic Ties

## Diversify Export Basket

Expand beyond traditional sectors

**Strategy:** Develop new export categories including IT services, specialty manufacturing, and agro-processing to reduce dependency on textiles and tourism.

- → IT & software development services
- → Organic & processed food products
- → Specialty manufacturing & components

## Move Up Value Chain

Enhance product & service quality

**Strategy:** Transform from low-cost to high-value provider through innovation, quality improvement, and brand development in textiles and services.

- → Branded textile & fashion products
- → Premium tourism & hospitality services
- → Specialized professional services

## Promote as Destination

Attract investment & services trade

**Strategy:** Position Nepal as premier investment destination for UK firms in energy, tourism, IT, and infrastructure through targeted promotion.

- → Investment promotion campaigns
- → Sector-specific trade missions
- → Business facilitation services

## Strengthen Institutions

Enhance bilateral cooperation

**Strategy:** Deepen institutional collaboration through regular dialogue, joint working groups, and capacity building programs.

- → Regular bilateral economic dialogue
- → Joint trade facilitation measures
- → Business capacity building programs

**Target Outcome**

Double bilateral trade to **£500M by 2030**

Growth Target

**100%**

FINANCIAL HUB

# City of London as an International Financial Centre

### Global Markets

The largest centre for derivatives, foreign exchange, and international insurance globally

### Capital Access

The LSE hosts 1,900+ companies from 60+ countries. Nepal can access AIM and GDRs to raise capital for hydropower, roads, and urban development

### Green Finance

London's Sustainable Bond Market offers Nepal a pathway to issue green and social bonds for clean energy and resilient infrastructure projects

## London's Global Reach

### Nepal Can Leverage London to Fund Infrastructure Growth

| GFCI Ranking | Market Cap | Listed Firms |
| --- | --- | --- |
| #1 | $5.9T | 1,900+ |

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CONCLUSION

# Nepal–UK Economic Ties

### Export-Led

Nepal maintains a consistent trade surplus with the UK, demonstrating strong competitive advantage

### Services Backbone

Services are the cornerstone of bilateral trade, accounting for over 90% of Nepal's exports

### Scale Potential

With targeted strategy, trade and investment can scale significantly

## Nepal–UK Partnership

### Historic, Resilient, and Future-Ready

| Established Relations | Trade Volume | Trade Surplus |
| --- | --- | --- |
| 1816 | £250M | £114M |

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# Connect with us:

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We'd love to hear from you and explore opportunities to work together.