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YEAR IV | VOLUME 1

# INDUSTRY STATUS REPORT

BASED ON  
THE ONLY  
COMPREHENSIVE  
QUARTERLY  
INDUSTRIAL  
SURVEY OF NEPAL

CNI BUSINESS  
ASSESSMENT SURVEY  
2023 SPECIAL

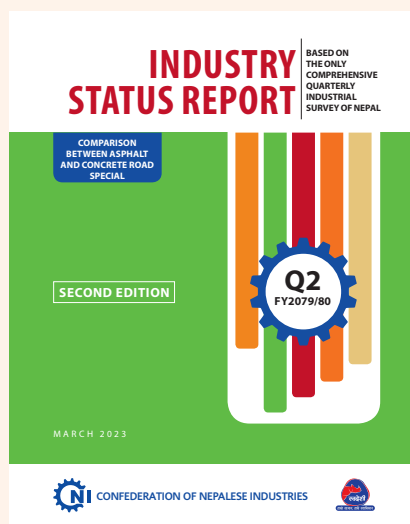


DECEMBER 2023



CONFEDERATION OF NEPALESE INDUSTRIES

# INDUSTRY STATUS REPORT (PREVIOUS EDITIONS)



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## **ACKNOWLEDGMENTS**

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The team would like to extend sincere gratitude towards Mr. Deepak Raj Joshi, Mr. Sujan Karki, Mr. Chetman Syangtan, Ms. Anju Ghimire, Mr. Raju Pokhrel, Ms. Simrik Shrestha, Ms. Spandan Acharya. Also, many thanks to Moti Marasini for designing the ISRs impeccably.

# About Industry Status Report


The Industry Status Report (ISR) provides a comprehensive analysis on the state of various industries in Nepal, leveraging an in-house survey. In Nepal, what explains misdirected policy interventions aimed at private sector growth? The absence of periodically available primary data on Nepali industries is one of the key reasons. Against this backdrop, ISR is produced as an effort to promote evidence-based policy-making. Each quarter, CNI Research Cell conducts an industrial survey and publishes this report to tease out changes across critical variables that either promote or stifle growth in industries.

## Industry Status Report (FY 2080/81, Q1 Edition)

The Industry Status Report (FY 2080/81, Q1 Edition) has the benefit of comparing survey data from four consecutive quarters. The current report covers the first quarter of the fiscal year 2080/81. (i.e. Shrawan to Aswin 2080). The data was gathered from the survey conducted from 27 November to 28 December 2023.

Apart from presenting the findings of the survey, each ISR covers one theme in depth. The First Edition of FY 2079/80 focused on the CNI Business Assessment Survey. The Second Edition of FY 2079/80 covered the Comparison Study of Rigid Pavement and Flexible Pavement. The Third Edition covered CNI's suggestions on Federal Budget 2080/81. The Fourth Edition covers Nepal Rastra Bank's Unified Directives. The First Edition of Fiscal Year 2080/81 discusses the CNI Business Assessment Survey 2023, a follow-up to the previous year's survey to analyze YoY status. Conducted in response to the Government of Nepal's optimistic portrayal of the economy, the survey addresses a perceived gap between official data and the reality at the ground level, particularly within the private sector. While government data suggests stability, the survey aims to capture insights directly from private enterprises, offering a more nuanced understanding of economic conditions in this sector. Serving as a vital tool, the survey gathers firsthand information and perceptions from private sector stakeholders, providing an indicative depiction of the economic landscape.

## What does the survey cover?

<p></p> <p><b>Business Performance:</b> industry capacity utilization, revenue trends, demand in domestic market and market competition, trade</p>	<p></p> <p><b>Finance:</b> interest rates, the share of the loan, access to finance</p>	<p></p> <p><b>Skills and Employment:</b> employment, share of employees that received training</p>	<p></p> <p><b>Industrial Ecosystem:</b> regulation and industry administration, transportation and infrastructure</p>	<p></p> <p><b>Business Outlook:</b> confidence in the industrial sector, new investment plans</p>	<p></p> <p><b>CNI Business Assessment Survey 2023 Special</b></p>
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## KEY STATISTICS (FY 2080/81, Q1 EDITION)



Number of surveyed industries:

**93** ↑ (Q4 64)



Total employees covered:

**21164** ↑ (Q4 14389)



Average employment per company:

**227.57** ↑ (Q4 224.83)



Average operational capacity utilization:

**63.86%** ↑ (Q4 61.77%)



Share of loan on working capital:

**43.22%** ↑ (Q4 34.71%)



Average interest rate on loans:

**11.49%** ↓ (Q4 12.51%)



Average revenue growth rate:

**-5.56%** ↓ (Q4 4% )

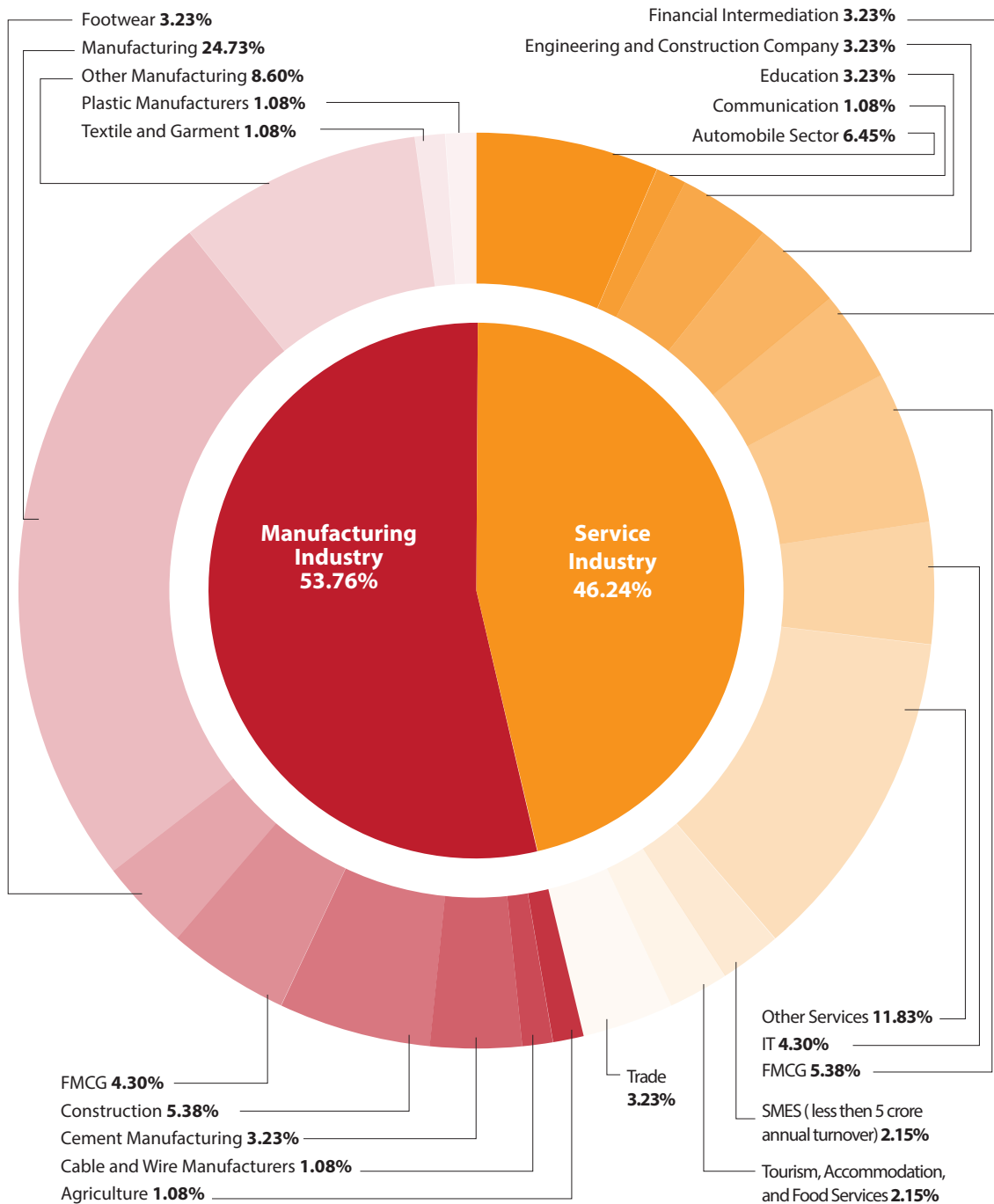


Average share of imported raw materials by the manufacturing industry:

**36.09%** ↑ (Q4 35.02%)

**Note:** Q4 in the parenthesis denotes the fourth quarter of the FY 2079/80

## COMPOSITION OF THE INDUSTRIES SURVEYED



# METHODOLOGY

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The Industrial Status Report (FY 2080/81, Q1 Edition) is based on a quarterly survey of 93 industries.

The respondents are categorised under the Nepal Standard Industrial Classification (NSIC) Code for the purpose of the survey and further aggregated into two distinct industrial sectors: the manufacturing industry, and the service industry. Since most of the agro-based industries in the survey sample were involved in the agro-processing business, they have been subsumed under the manufacturing category.

The sample was drawn from CNI member's network located across Nepal.

Questions are tailored to specific industries. Respondents were asked questions, depending on their respective industries, using a survey platform called KoBoToolbox. The survey questions are available online.

The basic assumption in this report rests on the fact that the respondents have provided correct information.



## THE UNIT OF ANALYSIS

The unit of analysis is one industrial establishment.



# BUSINESS PERFORMANCE

Periodic performance measurement is a vital part of monitoring the growth and progress of any business. This section summarises the performance of industries within key variables in Q1 2080/81 and compares it with the survey responses from previous quarters.

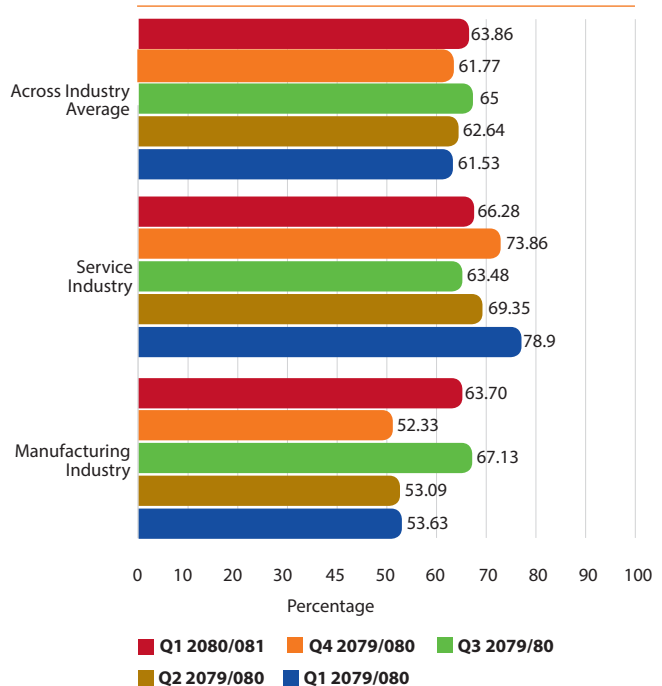
## INDUSTRY CAPACITY UTILIZATION: 63.86%

### KEY INDUSTRY INSIGHT I

On average, the industries were operating at **63.86%** in Q1 80/81 whereas they were operating at 61.77% in Q4 79/80. During Q1 80/81, the service industry was operational at **66.28%**, which has decreased from 73.86% in Q4 79/80.

The capacity utilization of the manufacturing industry in Q1 80/81 remained at **63.70%** while it was 52.33% in Q4 79/80.

### INDUSTRY CAPACITY UTILIZATION

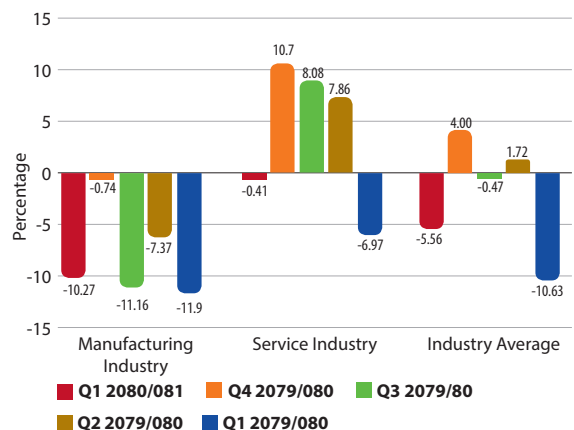


## REVENUE TRENDS: REVENUE GROWTH -5.56%:

### KEY INDUSTRY INSIGHT II

In Q1 80/81, the across-industry-average revenue growth rate was **-5.56%**, whereas it was 4% in Q4 79/80. The revenue growth in the manufacturing sector in Q1 80/81 experienced a decline of 10.27%. It was -0.74% in Q4 79/80. The fall in revenue of the manufacturing sector is seen as a result of a slowdown in the economy.

### REVENUE GROWTH RATE



**GROWTH IN MARKET DEMAND: -11.09% & MARKET COMPETITION: 90.91% (PERCEPTION-BASED QUESTION)**

**KEY INDUSTRY INSIGHT III AND IV**

The survey result shows that the average growth of demand for goods and services was **-11.09%**. The growth in market demand ranges from 70% growth to 85% decline. The demand of manufacturing industries has declined by 8%.

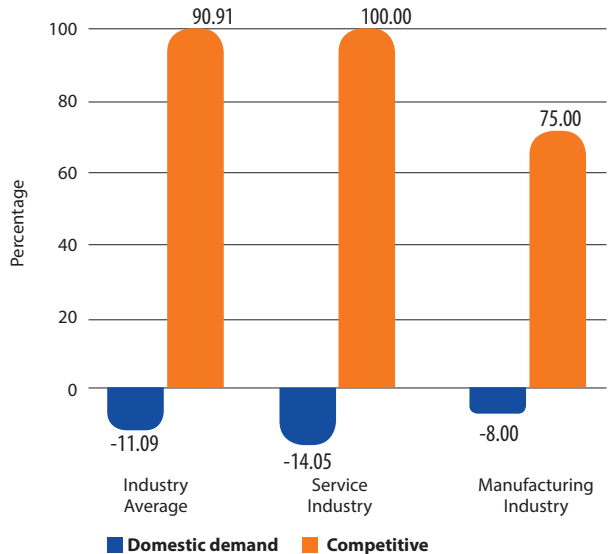
Furthermore, on average **90.91%** of the surveyed industries perceived their goods to be competitive in the market in relation to imported goods, which gives optimism to the domestic industries. The confidence among the domestic businesses regarding their competitiveness and sufficient market demand for domestic products is a critical factor for expanding a broader industrial base in Nepal.

**SHARE OF RAW MATERIALS IMPORTED: 36.09%**

**KEY INDUSTRY INSIGHT V**

The survey results show that manufacturing industries significantly rely on raw materials sourced from global markets. Out of the total raw material required, on average **36.09%** of raw materials was imported from the global market in Q1 80/81. There has been an increase in imports of raw materials as compared to Q4 79/80 which was 35.02%.

**DOMESTIC MARKET DEMAND AND COMPETITIVENESS**

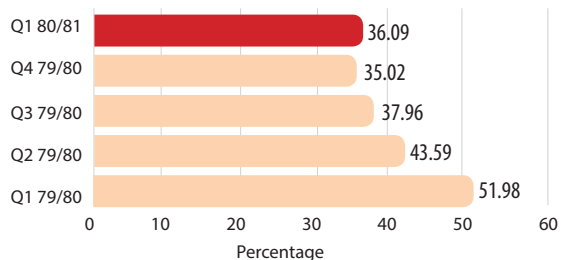


**SHARE OF EXPORT: 44.00%**

**KEY INDUSTRY INSIGHT VI**

In Q1 80/81, **44.00%** of the respondent manufacturing industries successfully exported their goods. Compared to the previous quarter, which recorded an export rate of 32.35%, the export in this quarter has increased. The average proportion of exports out of their production has increased from 11.41% in Q4 79/80 to **22.00%** in Q1 80/81.

**RAW MATERIALS IMPORTED**



# FINANCE

This section provides insights into the ability of industries to access credit and prevailing interest rates.

## SHARE OF LOAN ON WORKING CAPITAL: 43.22%

### KEY INDUSTRY INSIGHT VII

The result of the survey shows that in Q1 80/81, **43.22%** of working capital was met through credit from banks and financial institutions whereas it was 34.71% in Q4 79/80.

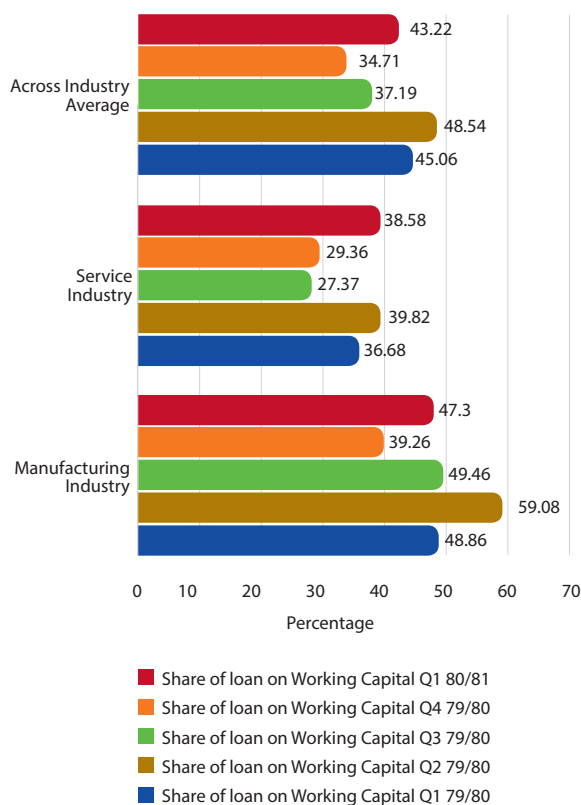
The average rate of interest in working capital loan stands at 11.57% in Q1 80/81 which is a decrease from 12.19% in Q4 79/80.

## INTEREST RATES: 11.49%

### KEY INDUSTRY INSIGHT VIII

In Q1 80/81, the average interest rate on loans was **11.49%** whereas it was 12.51% in Q4 79/80. In Q1 2080/81, average interest rates on loans for manufacturing industries was 11.91% while for service industries it was 11.00%.

### WORKING CAPITAL RATIO



### INTEREST RATES

Sectors	Q1 79/80	Q2 79/80	Q3 79/80	Q4 79/80	Q1 80/81
Across-industry-average	12.77	13.13	11.74	12.51	11.49
Service Industry	12.15	12.78	11.2	12.69	11.00
Manufacturing Industry	12.57	12.94	12.41	12.41	11.91

# SKILLS AND EMPLOYMENT

This section highlights the trends in employment and skills of the employees in the industries.

## TOTAL EMPLOYMENT: 21,164

### KEY INDUSTRY INSIGHT IX

The surveyed industries employed **21,164** staff in total. On average, an industry establishment employed **227.57** individuals, with the range being **5-5000**. This indicates, on average, CNI member networks comprise large business enterprises. With **13,486** employees, the manufacturing industry is the largest employing sector, followed by the service sector with **7678** employees.

**Average employment among sectors.** The manufacturing industries was at the top with **313.63** jobs while the service sector right behind with **153.56** jobs

## NEW HIRING: 2379

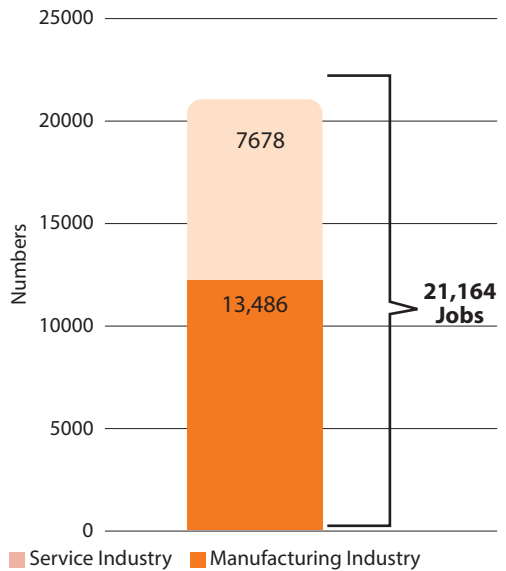
The surveyed industries collectively hired a total of 2379 new staff members, while the number of applicants were 6219. This indicates that, on average, 2.61 individuals applied for one announced position.

## SKILL GAP AND TRAINING: 35.10% RECEIVED TRAINING

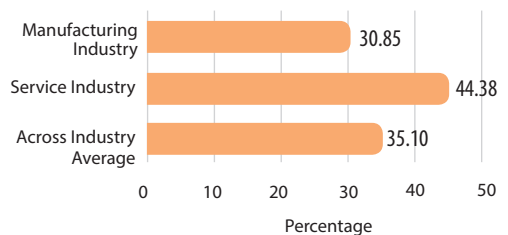
### KEY INDUSTRY INSIGHT X

The survey result shows that across sectors **35.10%** of the total employees received training during Q1 of FY 80/81. The service industry sector trained around **44.38%** of the total workforce, while the manufacturing industry sector provided training to **30.85%** of its employees.

### EMPLOYMENT IN SURVEYED INDUSTRIES



### SHARE OF EMPLOYEE THAT RECEIVED TRAINING



# INDUSTRIAL ECOSYSTEM

This section focuses on the various aspects of the regulatory environment, transportation and infrastructure that have a direct bearing on the competitiveness of industries.

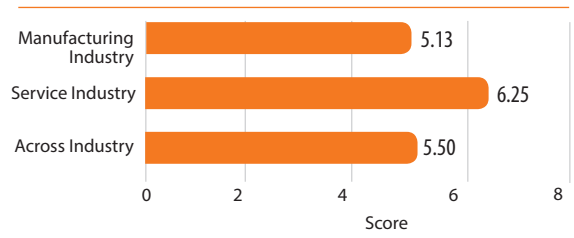
## EXPERIENCE WITH GOVERNMENT ONLINE SERVICE

### KEY INDUSTRY INSIGHT XI

Although the government has been prioritising digitization of the economy, the survey results reveal that respondents on average were not delighted with the quality of online services provided by various public entities. When asked to rank the quality of services on a scale of 1 to 10 (with 1 being the lowest and 10 being the highest) 28 respondents ranked the service. The average score of respondents was 5.50. Manufacturing-industry responded with a score of 5.13, while the service industry with an average score of 6.25.

Govt Online Service	Q1 80/81
Manufacturing	5.13
Service	6.25
Industry Average	5.50

### GOVERNMENT ONLINE SERVICE



## CONSTRAINT TO CURRENT OPERATIONS OF BUSINESS

### KEY INDUSTRY INSIGHT XII

The surveyed respondents identified that the top three constraints for the business operations in the Q1 of FY 80/81 were corruption, prevailing tax rates, and Too Many Visits to Government Offices.

For the manufacturing and service sector the top issue was corruption.

### Constraint to current operations of Business

- Corruption
- Prevailing tax rates,
- Too Many Visits to Government Offices.

## UTILITIES

### ELECTRICITY: 7.02 OUT OF 10 FOR QUALITY OF ELECTRICITY SUPPLIED

#### KEY INDUSTRY INSIGHT XIII

The survey result showed **67.39%** of the industries still use generators as the quality of electricity is not reliable. The respondents also mentioned, since the electricity supply provided by NEA is from a common feeder for an area, this reduces the reliability so a separate feeder is essential for commercial purposes. Those manufacturing industries using generators as alternative sources of energy stated there is an additional **4.83%** of cost increase due to the use of generators.

In response to the question that was asked to the respondents to rate the quality of electricity provided in the scale of 1 to 10, with one being the worst and 10 being the best, the average response was **7.02**.

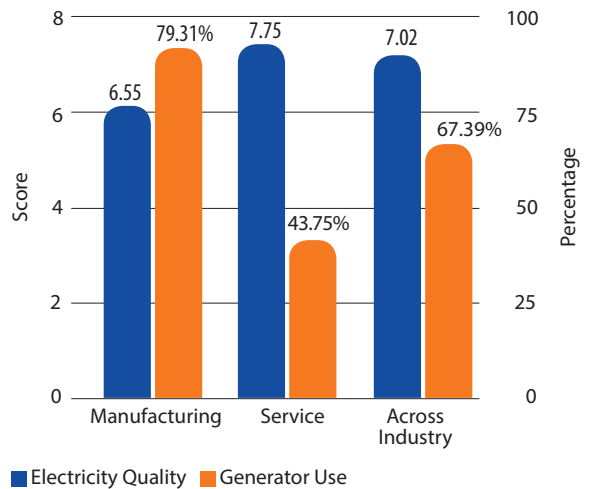
### Major challenges

Out of the 93 respondents, 37 responded to the question, and they had the option to select up to 3 choices from a total of 11 options regarding major challenges of business. Among the responses, Excess Competition Affecting Price Margins, Low Disposable Income Among Nepali Consumers and Access to Finance were the most common responses that respondents wanted to solve.

#### Major Challenges

- Excess Competition Affecting Price Margins
- Low Disposable Income Among Nepali Consumers
- Access to Finance
- Unauthorized goods in the market

#### RATE ELECTRICITY QUALITY



## TRANSPORTATION AND LOGISTIC HURDLES

The respondents identified major challenges of transportation and logistics as quality of roads, frequent road blockage and Trucking Syndicate.

#### Transportation and Logistic Hurdles

Quality of Roads

Frequent road Blockage

Trucking Syndicate

Adequate warehouse facilities

# BUSINESS OUTLOOK

This section presents the confidence level of surveyed industries for their own business and aggregates responses regarding investment plans for the next quarter.

## BUSINESS CONFIDENCE: LOW

### KEY INDUSTRY INSIGHT XIV

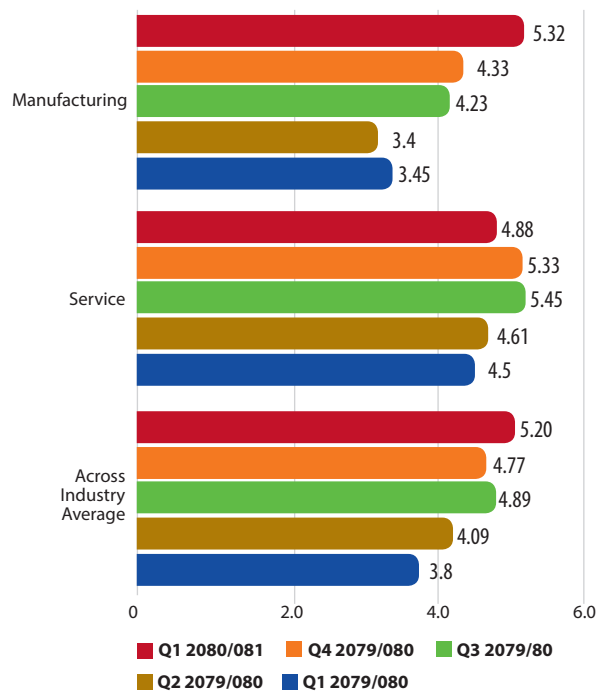
On the whole, industrialists are not optimistic that their business is going to perform well for the next 3 months. When asked to rank the favorability (confidence measures) for their business on a scale of 1 to 10 (with 1 being the least favourable and 10 being the most favourable) in terms of revenue and investment opportunities, regulatory environment, access to finance, labour and better utility facilities, the across-industry-average score is **5.20**. The service industry is comparatively less confident as per the survey respondents. This can be a result of the unfavourable macroeconomic situation. Key Indicator XIV does not paint a conducive environment for businesses currently.

## 52.69% DO NOT HAVE NEW INVESTMENT PLANS

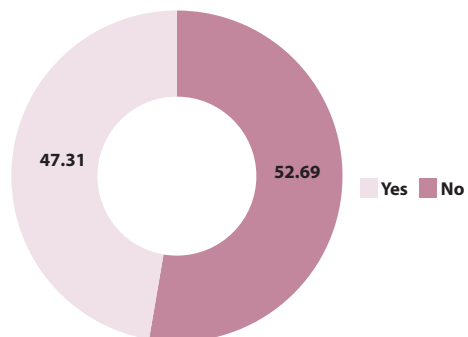
### KEY INDUSTRY INSIGHT XV

The survey result shows that **52.69%** of respondents do not have any new investments planned for the upcoming quarter. This is mostly explained by restricted access to credit. Only **47.31%** of respondents said they have planned for new investment in the upcoming quarter.

### HOW FAVORABLE IS REST OF THE FISCAL YEAR FOR YOUR OWN BUSINESS?



### NEW INVESTMENT PLANS



# CNI BUSINESS ASSESSMENT SURVEY 2023 SPECIAL

## BACKGROUND

The assertion made by the Government of Nepal (GoN) suggests that the overall state of the economy is not dire, however the data published by NRB introduces a divergence between official statistics and the ground-level reality, particularly within the private sector. While the GoN data may portray a relatively positive or stable economic scenario, there appears to be a contrasting narrative when viewed from the lens of private enterprises. In response to this disjunction, a survey was conducted to glean insights directly from the private sector, providing a better understanding of the economic conditions as experienced by businesses and individuals operating within this sector. The survey, in essence, serves as a crucial tool to gather first hand information and perceptions from private sector stakeholders. It aims to provide an indicative portrayal of the economic landscape.

## WHAT DOES THE SURVEY COVER?

CNI Business Assessment Survey 2023 revolves around the impact of ongoing economic slowdown in the country. To understand the consequences of ongoing economic slowdown at a glance, a nonprobability sampling technique was used. Industries and business communities have been selected as the population for this survey. It is a representative sample of the business sectors under the CNI Member network.

- ▶ Did you drop your new investment plan in the current fiscal year (2080/81)?
- ▶ Interest rate of your business loan
- ▶ Interest rate on working capital loan
- ▶ Share of loan on total working capital
- ▶ Did working capital guidelines affect your business?
- ▶ Change in Demand of your product/ services
- ▶ Change in turnover.
- ▶ Change in LC amount.
- ▶ Change in cost of raw materials



## Disclaimer

“The results of Part A and Part B of this publication are based on surveys conducted with partially common samples. There may be discrepancies in the results due to the variation in the characteristics and perspectives of the respondents as there were only partial common respondents in both surveys. These results should be considered as a general indication of trends and should not be used to make definitive conclusions about the population as a whole.”

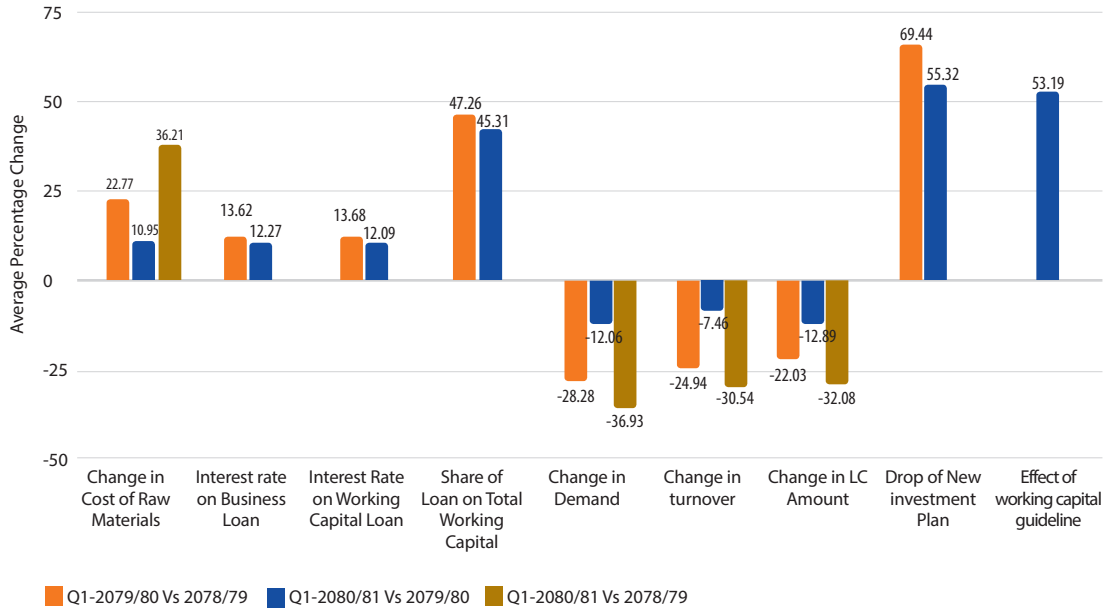
## SURVEY SYNOPSIS

The findings of the survey reveal a lack of economic improvement in the first quarter of the current fiscal year compared to the fiscal year 2079/80. Notably, overall market demand has contracted, accompanied by a continuous rise in raw material prices.

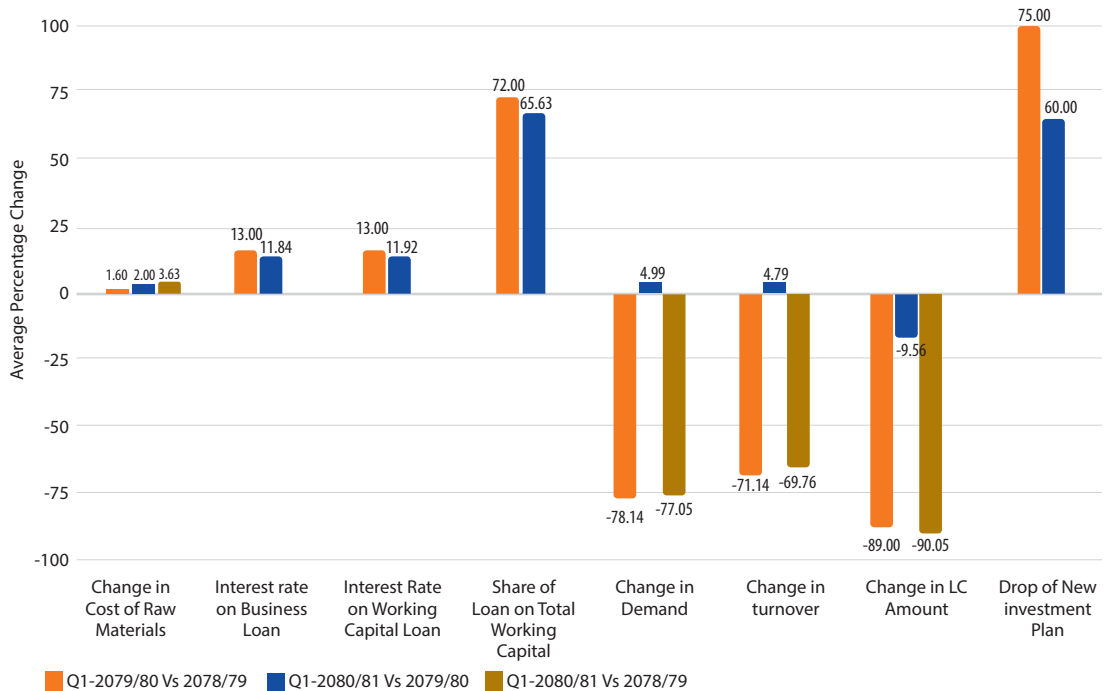
In a comparative study spanning the first quarter of three fiscal years, the survey discloses a substantial decrease of 28.28% in overall market demand for industrial products last year and a further 12.06% this year. The contraction in demand over

the years is staggering, reaching a total of 36.93%. Turnover of industries has also witnessed declines, with a 24.94% decrease last year and a 7.46% decrease in the current financial year. In comparison to the financial year 2078/79, the overall turnover has plummeted by 30.54%. The adverse economic conditions have contributed to persistently low morale among industrialists and businessmen. In the previous fiscal year, 69.44% postponed their investment plans, and this figure remains high at 55.32% in the first quarter of the current fiscal year.

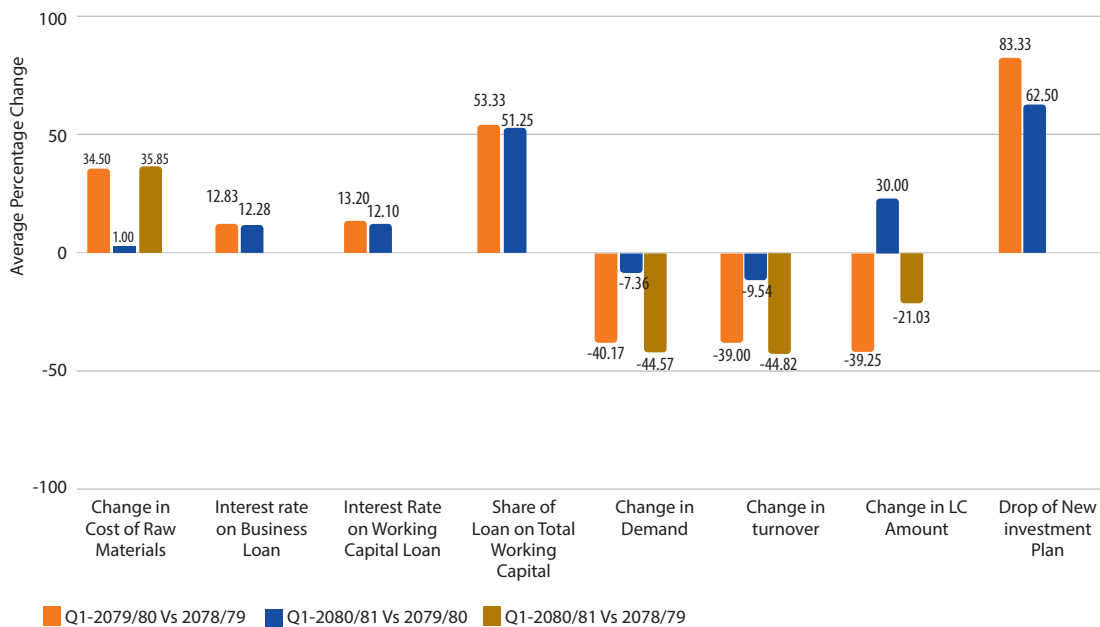
**ALL SECTOR AVERAGE**



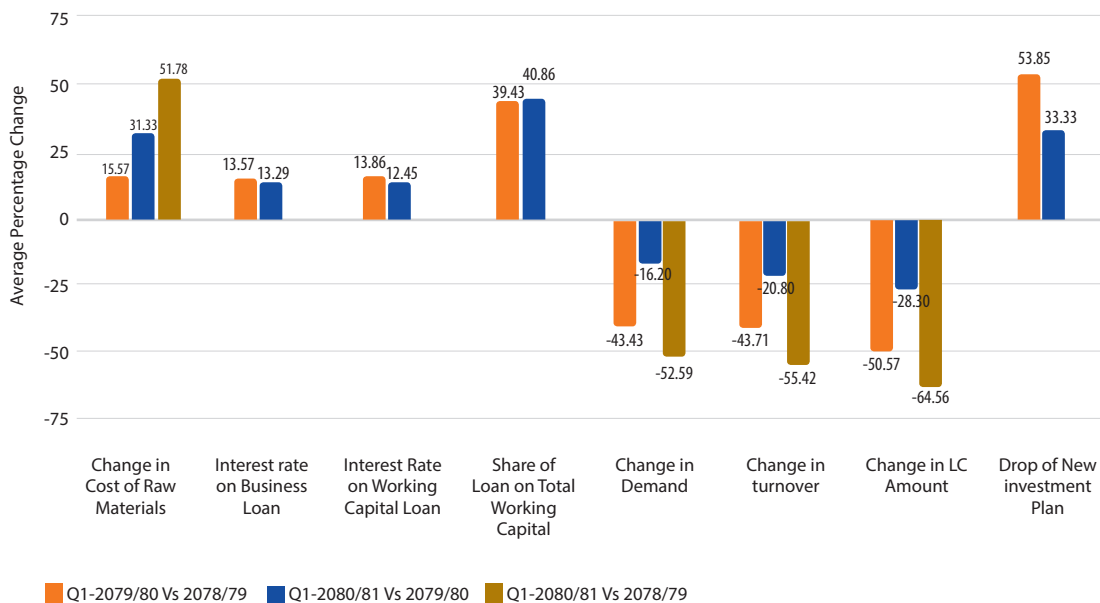
**AUTOMOBILE**



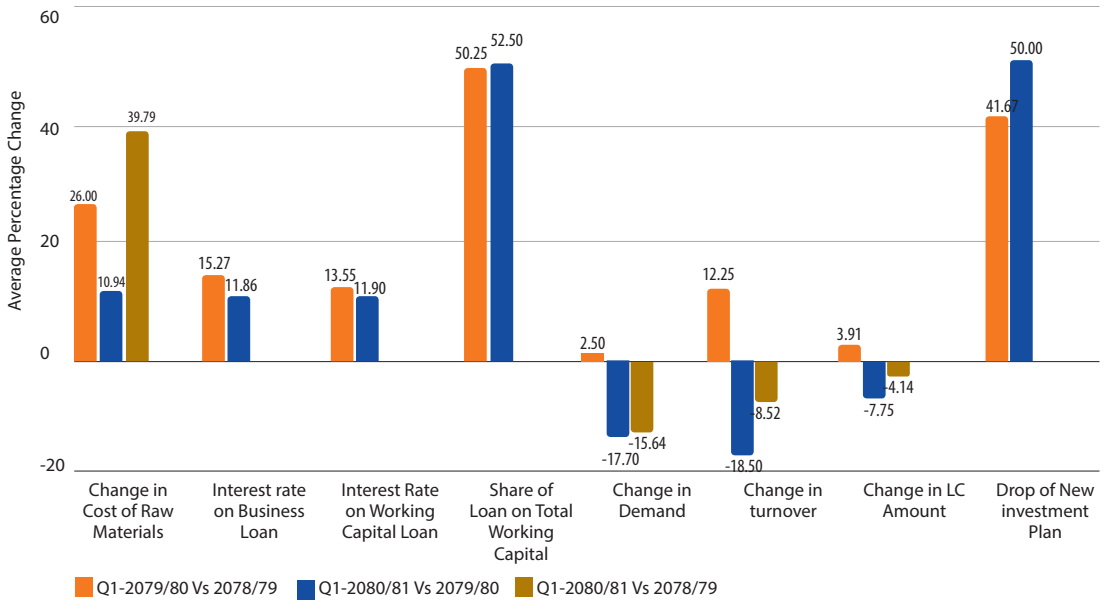
## CEMENT MANUFACTURING



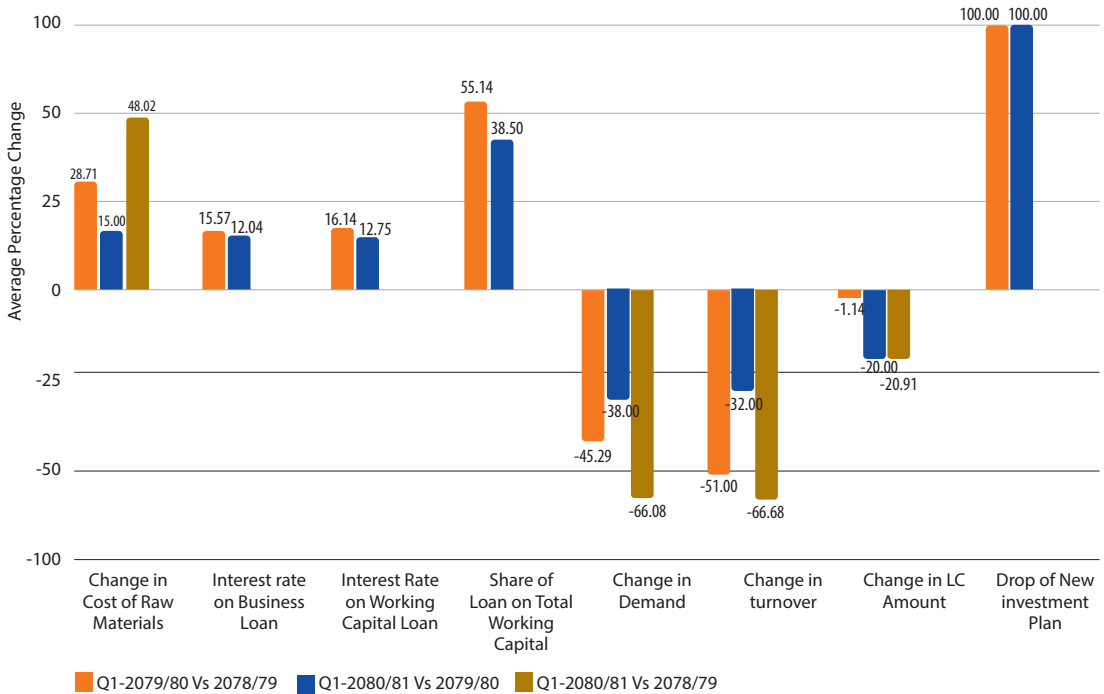
## ENGINEERING AND CONSTRUCTION COMPANY



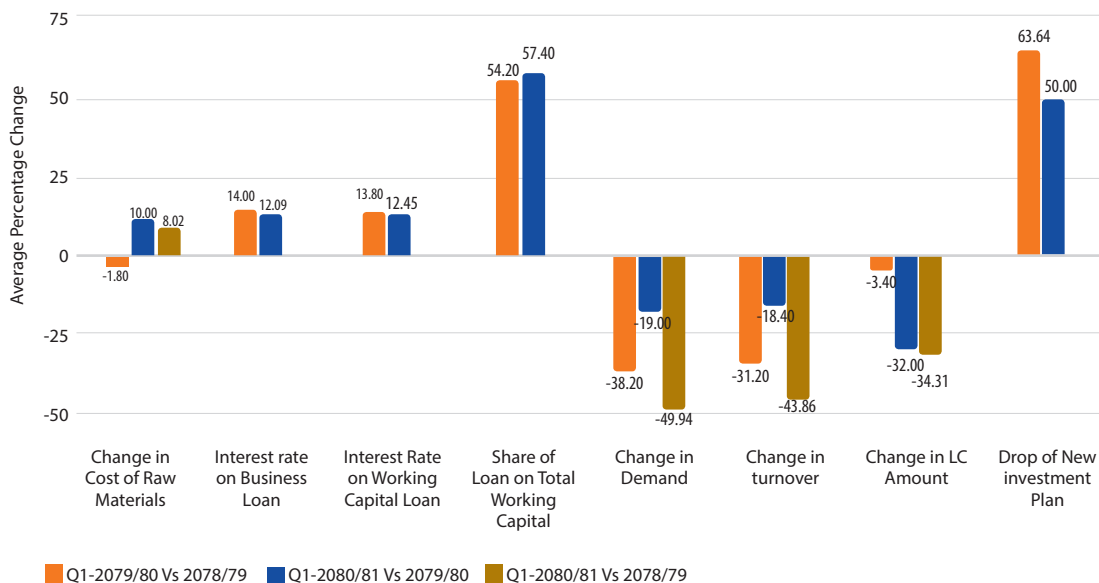
## FMCG



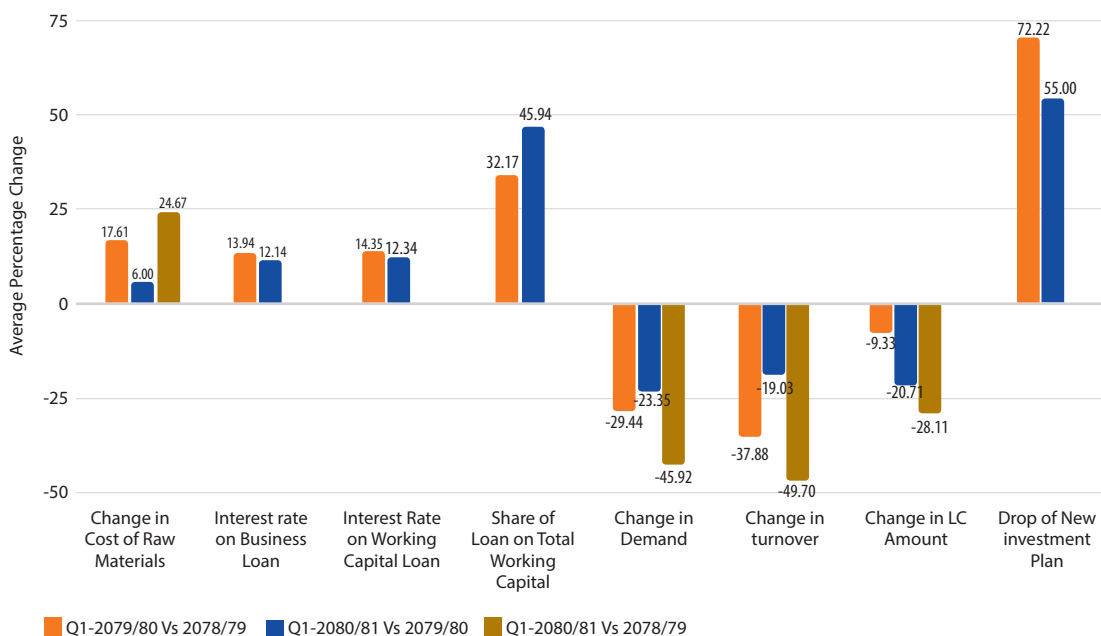
## FOOTWEAR



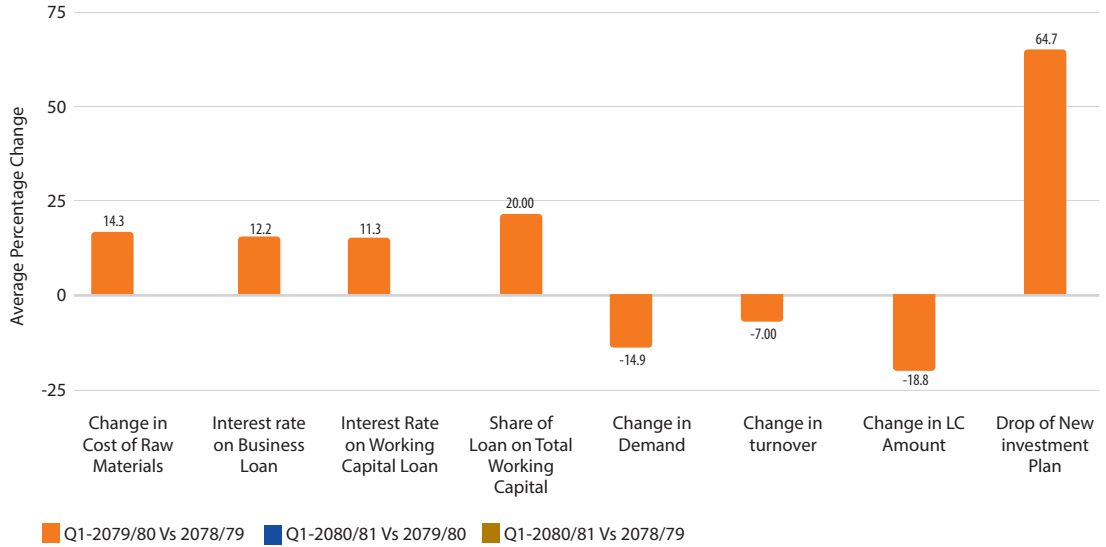
## PLASTIC MANUFACTURER



## OTHER MANUFACTURING



**OTHER SERVICES**





## About CNI

The Confederation of Nepalese Industries (CNI) was established by the captains of Nepal's industrial and corporate sector on April 17, 2002. Its core mandate is to help enhance the business environment for the private sector.

It has a membership base consisting of nearly all of the big corporate houses of Nepal, Nepali blue-chip companies, joint venture companies, etc. spread across a wide and diversified spectrum of industries.

## About CRC

CNI Research Cell was established due to a dearth of evidence-based research on Nepali industries, especially based on primary data. CNI aspires to be a trusted development partner of the Government of Nepal. The data and research generated by CRC is transparent, unbiased and will be kept confidential. The team comprises Deputy Director Mr. Ravi Kumar Prajapati and Officer Ms. Rashmi Poudyal.



CONFEDERATION OF NEPALESE INDUSTRIES