

FOREWORD

Since 1987 the annual report on “National Accounts Statistics of Bhutan” has been a regular publication of National Statistical Bureau (NSB), earlier called the Central Statistical Organization (CSO). The report presents the estimates of Gross Domestic Product (GDP) and related macro-economic aggregates like domestic consumption, investment, saving etc.. The main objective of the report is to measure the annual economic performance of the country.

We would like to request all users to take note of the revised figures while using the national accounts report for analysis and planning purposes as the base year of estimates are shifted from 1980 to 2000.

Finally, we would like to express our sincere appreciation to all the government, corporate and private agencies for providing the requested information on time, which is very crucial for the timely production of this report.

We look forward to receiving further cooperation and kind assistance in this endeavor.

November 2005

**National Statistical Bureau
Thimphu.**

SOURCES OF BASIC DATA

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LIVESTOCK
DEPARTMENT OF PUBLIC ACCOUNTS
DEPARTMENT OF REVENUE CUSTOMS
ROAD SAFETY AND TRANSPORT AUTHORITY
BHUTAN BROADCASTING SERVICES CORPORATION
KUENSEL CORPORATION LIMITED
BHUTAN POST
DRUK AIR CORPORATION LIMITED
BHUTAN TELECOM LIMITED
FOOD CORPORATION OF BHUTAN
BHUTAN POWER CORPORATION
MUNICIPALS/CITY CORPORATION
CHUKHA HYDRO POWER CORPORATION
BASOCHU HYDRO POWER CORPORATION
KURICHU HYDRO POWER CORPORATION
FORESTRY DEVELOPMENT CORPORATION LIMITED
DEPARTMENT OF GEOLOGY AND MINES
ROYAL MONETORY AUTHORITY
ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED
BHUTAN NATIONAL BANK
BANK OF BHUTAN
BHUTAN DEVELOPMENT FINANCE CORPORATION LIMITED
ROYAL SECURITIES EXCHANGE OF BHUTAN LIMITED
NATIONAL PENSION AND PROVIDENT FUND
PENDEN CEMENT AUTHORITY LIMITED
DRUCK CEMENT PVT. LIMITED
YANGZOM CEMENT INDUSTRY PVT. LIMITED
ARMY WELFARE PROJECT
ARMY WELFARE SAWMILL
BHUTAN BOARD PRODUCT LIMITED
WOOD CRAFT CENTRE
BHUTAN BOARD EXPORT LIMITED
BHUTAN CRIBIDE AND CHEMICALS PVT. LIMITED
BHUTAN POLYTHINE CO. PVT. LIMITED
BHUTAN POLYMER CO. PVT. LIMITED
KARMA STEEL FACTORY
BHUTAN FERRO ALLOYES LIMITED
DRALA FLOOR MILL
BHUTAN FRUIT PRODUCT LIMITED
KARMA FEEDS
BHUTAN AGRO INDUSTRY LIMITED
EASTERN BHUTAN COAL COMPANY LIMITED
DRUK PLASTERS AND CHEMICLES PVT. LIMITED
TASHI GAS SUPPLY DEPOT
DRUMCHEN GAS SUPPLY DEPOT

<u>SERIAL NO.</u>	<u>CONTENTS</u>	<u>PAGE</u>
1.	Sources of Data	i
2.	Table of contents	1 - 2
3.	National Accounts Statistics-2005	3 - 7
	Background	3
	Economic performance during 2004	
4	Structure of Bhutanese Economy	8 – 9
5.	Sectoral performance	10 – 18
	i. Agriculture	10
	ii. Mining and quarrying	11
	iii. Manufacturing	12
	iv. Electricity and water supply	13
	v. Construction	13 - 14
	vi. Wholesale and retail trade	14
	vii. Restaurants and hotels	14 – 15
	viii. Transport, storage and communication	15 – 16
	ix. Finance, insurance and real estate	17
	x. Community and social services (government)	17 – 18
	xi. Private social and recreational services	18
6.	Gross domestic product by expenditure	18 – 21
7.	Statistical tables	24 – 44
8.	Brief description of UN system of National Accounts	45 - 50

National Accounts Statistics - 2005

I. Background.

The goal of the National Statistical Bureau's (NSB) national income and product accounts is to provide timely, comprehensive and reliable description of the condition of the Bhutanese economy by means of two featured measures – Gross Domestic Product (GDP) and Gross National Income (GNI). The System being a comprehensive set of information, which is indispensable for monitoring, analysis, and evaluation of the performance of the economy has to keep track of every latest available information, as the sources of information have varying degree of timeliness and follow different revision schedule, in fact, it is standard international practice to update the accounts as additional data becomes available. Moreover, it is generally costly to collect information frequently, so naturally the office has to make use of interpolation and extrapolation, for example, an annual observation if its only one time annual data. And also in most of the Organizations or Companies for long they did not have formal record of statistics pertaining to their organization and NSB has to depend on alternative source as a proxy for the estimates. And because of this very reason the estimates of National Accounts Statistics has been based on some indicators i.e. in order to capture the missing information and calculate the output or the contribution to the Gross Domestic Product (GDP).

However, with the pace of economic development the importance of formal record of statistics in every Organization has been gaining momentum for very purpose of analysis and planning.

So, based on the latest updated available information from various stake holders some sectors of National Accounts Statistics has been made slight changes compared with the previous estimates. This was, to keep our users updated on actual progress of the economy. All the revisions were made in line with the United Nations System of National Accounts 1993 (SNA 93) and also this is with the aim to make a move from SNA 1968 to SNA 1993. Moreover this was done in strict adherence to the guidelines provided by the consultant under the Technical Assistance of the Asian Development Bank.

The present series of National Accounts Statistics, alike in the previous estimates, year 2000 remains as its base year, which was changed from 1980 to 2000 in major revision done for the 2003 publication. Users are also cautioned that because of change in some of the sector's deflators (Price Index) only the real output has got revised and not the nominal (current).

ECONOMIC PERFORMANCE – 2005

The economic performance of Bhutan recorded a growth rate of 6.5 percent in Gross Domestic Product in real terms (2000 prices) and at market against the growth rate of 6.8 percent in 2004. This was slightly higher than the projected growth rate of 6.1 per cent for the year 2005. It was a moderate growth compared to the passed years.

The Gross National Income (GNI) was estimated at Nu.35019.7 million in the year 2005 as compared to Nu.28667.2 million in 2004 with the growth of 22.2 percent in the year.

The Gross Domestic Product at market price (GDP) in terms of nominal or current was worked out to be at Nu.37095 million for 2005 compared with Nu.32250.0 million in the year 2004. With the prevailing market exchange rate of Nu.45.32 and Nu.44.10, the country's GDP in \$USD was estimated to be at 818.5 million and 726.4 million for 2005 and 2004 respectively.

The GDP growth rate of 6.8 per cent in the year 2005 over the previous year was achieved mainly because of the better performance by the financial sector which exhibited a growth rate of 28.32 per cent compared to the previous year, this was followed by private, social and recreational services, Hotel & restaurant and Whole sale and retail trade. And with the further increased production of Eastern Bhutan Coal Co. Mining

and Quarrying has gained its momentum in the growth by 13 per cent compared with negative growth in the previous year.

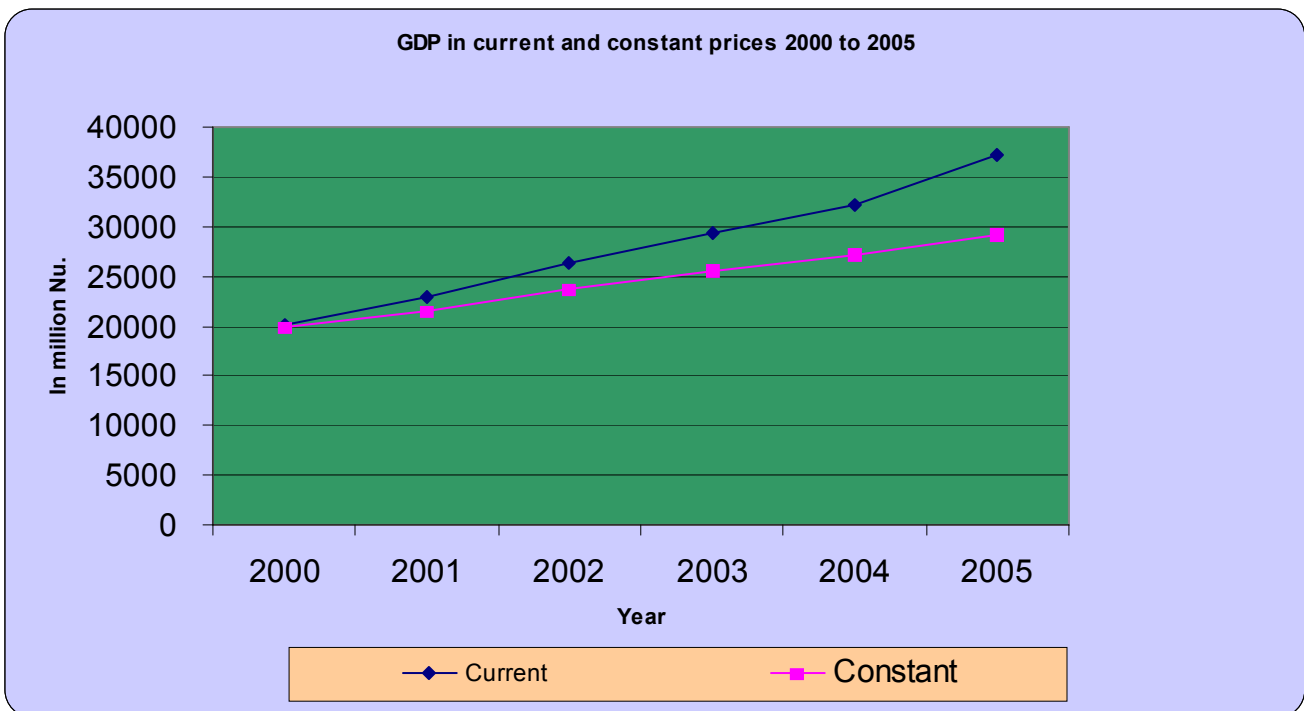
With the economic developmental activities, the industry and the services sectors are growing at the very fast rate, but, however, Bhutan being an agrarian country with more then 70 percent of its population engaged in the subsistence farming,

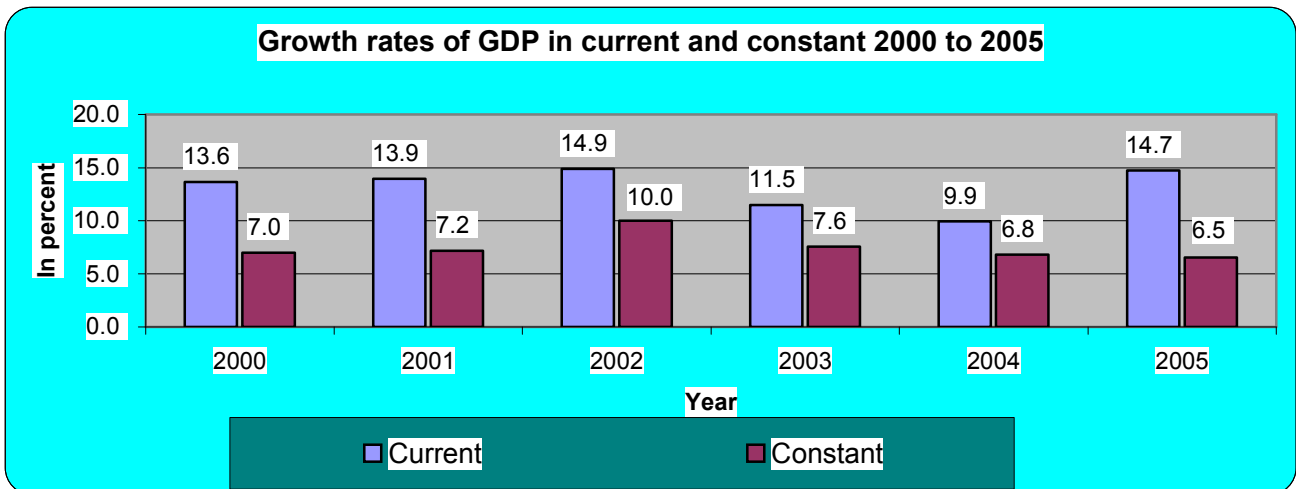
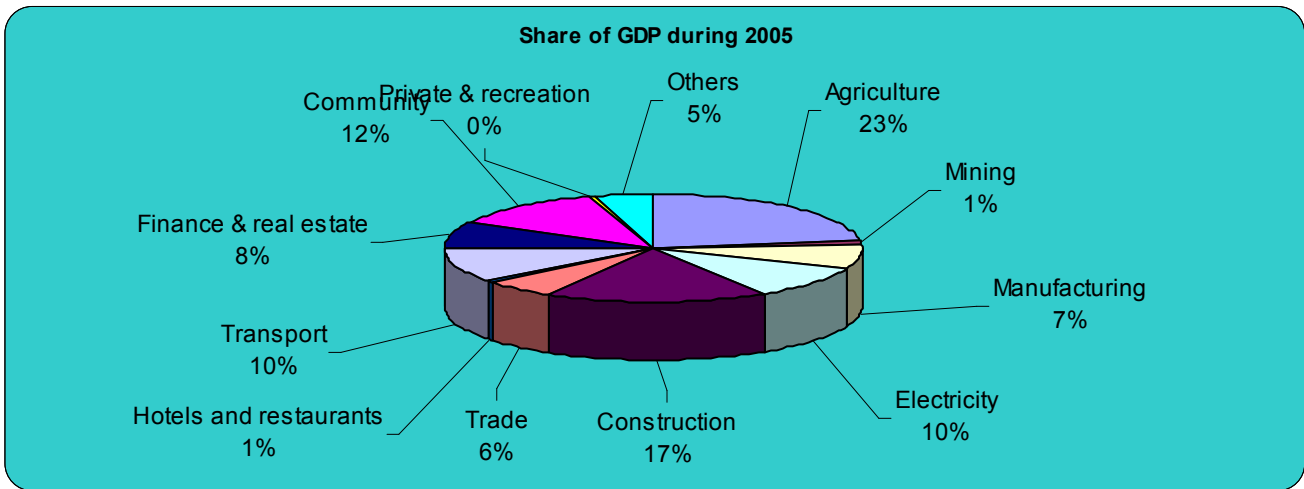
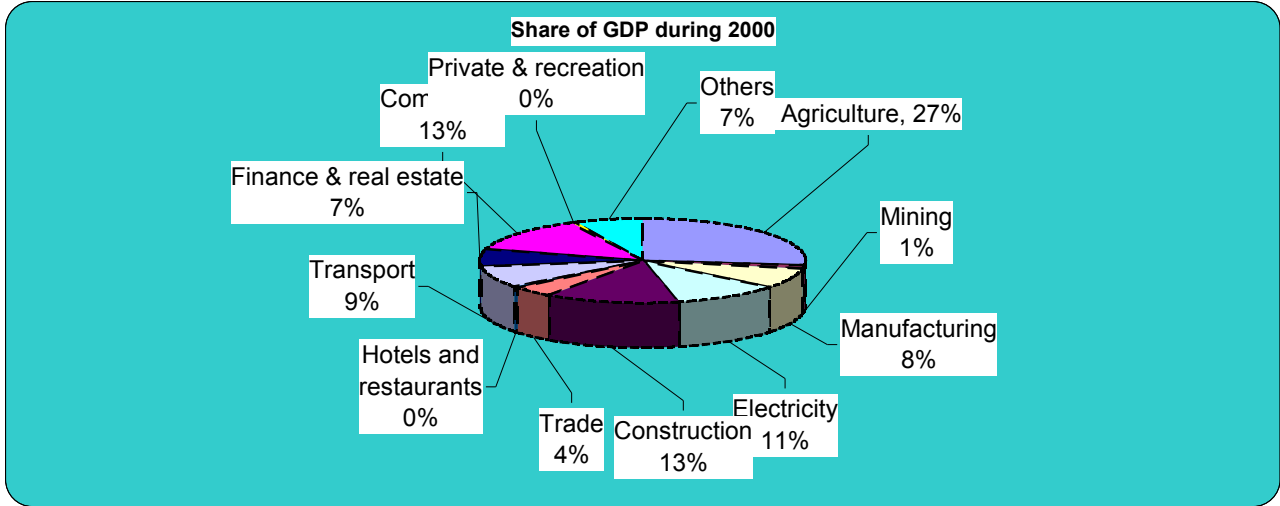
Agriculture sector continuous to be the dominating sector in terms of its share to the Gross Domestic Product, with 22.2 per cent, however, its share to GDP has been gradually dropping since from past five years. Among other sectors construction has a share of 17.1 per cent, which had marginally dropped, compared to the previous years share of 17.5 per cent. This is followed by Community & Social Services and Transport, Storage & communication with a share of 12 per cent and 10.3 percent respectively.

The inflation rate based on GDP implicit deflator indicates 7.7 percent increase for the year 2005 against 3.0 per cent in 2004. This was a significant increase compared to the past years.

Table 1: Key economic Indicator

Description	2003	2004	2005
1). Gross Domestic Product in current@ market price in (million Nu.)	29306.6	32250.0	37095
2). Gross National Income (Million Nu.)			
3). Gross Domestic Product (GDP) annual percentage change			
4). Gross National Income (GNI) annual percent change	7.5	6.9	6.8
5). Gross Domestic Product Implicit price deflator (Inflation rate)			
4). Annual average exchange rate.			
Sectoral share to GDP:			
I) Agriculture, Livestock and Forestry	26.9	25.7	23.7
II) Industries	35.5	34.4	34.6
III) Services	37.6	39.8	41.7





Structure of the Bhutanese Economy

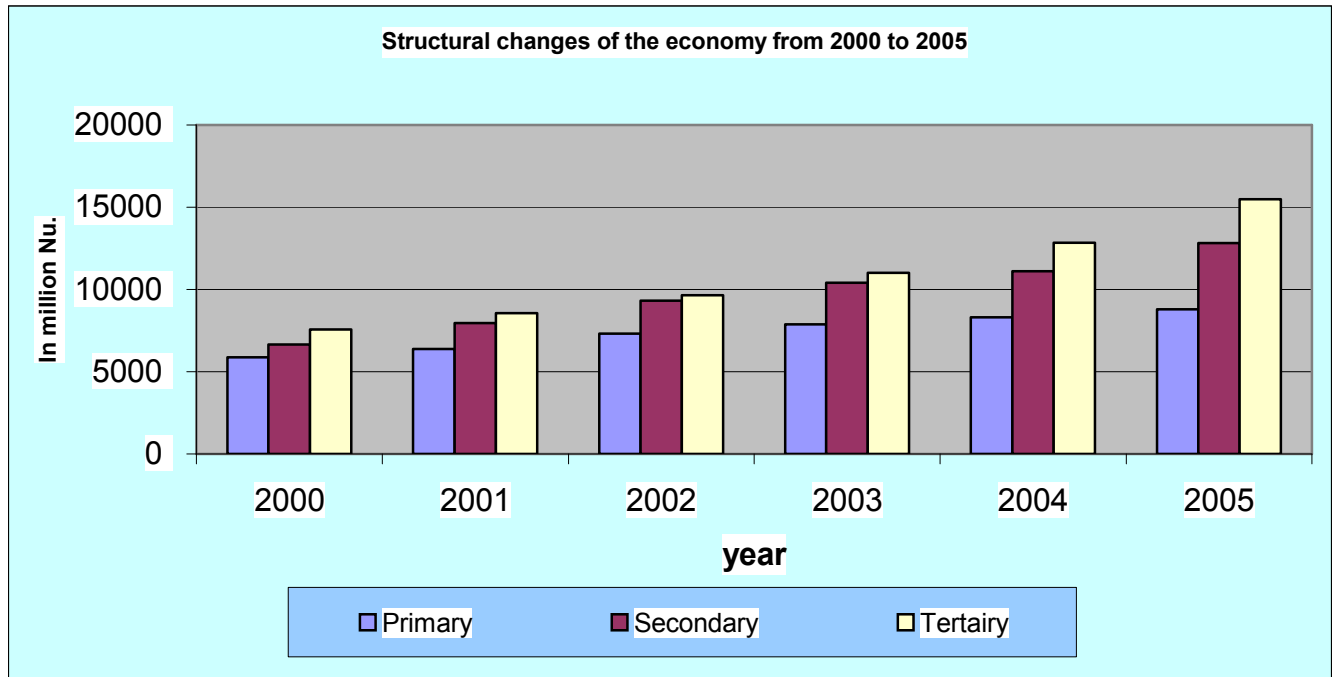
Unlike other developing countries the structure of the Bhutanese economy is undergoing rapid change in the process of development with the share of primary sector exhibiting a sharp fall giving its way to the secondary and service sector development. The value added by the primary sector was recorded at Nu.8793.5 million with the real growth of 1.2 percent compared to registered growth of 1.6 percent in 2004.

The contribution from the secondary sector to the GDP was estimated at Nu.12821.3 million in 2005 compared to the Nu.11106.2 million in 2004 with the recorded growth of 3.4 percent during the year. The service sector recorded Nu.15480.2 million value added in 2005.

In terms of share to the GDP the service sector was recorded as the top contributor with a total share of 41.7 percent and this attributes to development of service sectors such as ever increasing tourism industry, wholesale retail trade and community & social services. The industry exhibited a marginal increase in share by 34.6 percent in 2005 as compared to 34.4 in 2004.

Table. II: GDP by structure

Description	2003	2004	2005
GDP in current Prices	29306.6	32250.0	37095.0
1). Primary	7872.8	8303.6	8793.5
2). Secondary	10414.0	11106.2	12821.3
3). Tertiary	11019.8	12840.2	15480.2
GDP in 2000 prices	25471.4	27225.9	29070.7
1). Primary	6540.6	6647.2	6724.6
2). Secondary	9247.6	6972.2	10001.0
3). Tertiary	9683.2	10906.5	12345.1



Gross Domestic Product by Industry, Sector review:

I). Agriculture, Livestock and Forestry:

Agricultural sector continuous to be the highest contributor to the total Gross Domestic Product with a total contributing of 22.2 percent. Because of the Governments’ constant effort to transform the traditional method of farming to most recent modern (scientific) framing practices, the particular sectors has been growing at a moderate growth rate of 5.0 per cent in current terms.

a). Agriculture proper.

Due to lack of information on agriculture production the growth rate of population has been used as an indicator to extrapolate the estimate. The existing population growth rate of 1.3 percent, based on the latest population census has been used in the 2005 estimates, however, in the past the estimated population growth rate of 2.5 has been used for the estimate with the 2000 agriculture census result as bench mark and with the adjustment of 13 percent under coverage.

The agriculture proper has been growing at the growth rate of 1.3 percent in real terms in 2005 as against 2.1 percent growth in 2004. The share of this sub sector to total GDP has more or less remained marginally same at 9.9 percent in 2005 as compared to 10.8 percent in 2004. Among the major food crops Paddy continuous to be at the tops list in regard to its share to the agriculture sector followed by Maize, Wheat & Barley, Buckwheat & millet, Mustard, Pulses, Chili and others. And of the cash crops Potato has the highest share followed by Oranges, Apples and Cardamom. See the fig. as shown below.

Table II: Gross output of Crops (million. Nu.)

Crops	2003	2004	2005
Paddy	1043.04	1090.29	1136.63
Maize	910.24	951.47	991.92
Wheat/barley	73.34	76.66	79.92
Buckwheat/millet	102.20	106.83	111.37
Apples	127.08	128.00	130.86
Oranges	547.42	730.00	746.34
Potatoes	467.35	495.39	572.84
Ginger	12.65	13.11	15.16
Mustard	33.48	33.00	38.16
Pulses	36.49	38.71	44.77
Chilly	93.63	100.30	115.98
Cardamom	55.68	58.48	67.62

b). Livestock.

The estimation of Value added by the livestock to the GDP was based on all kinds of animal and animal products produced in an economy. The fixed rates and ratios derived from the previous census and survey were made used for the extrapolation of the benchmark estimation because of non-availability of annual information. Further the cretin percent under reporting adjustment were also made.

In real terms, the value added in the Livestock sub sector increased by 2.24 per cent in 2005, which was only 0.34 percent in the year 2004. Though there was a drastic increase in the real growth, its share to the total Gross Domestic Product (GDP) has been showing a declining trend during the passed years.

c). Forestry and Logging.

In current terms the forestry and logging sub sector has declined by (-) 1.9 percent from NU.2052.1 million in 2004 to Nu.2013.9 in the year 2005, the estimation is based on the information provided by the Forestry Development Corporation of Bhutan and this drop in the value added component of the sector can be attributed to the Government policy to maintain 70 percent of the area to under forest cover.

The registered growth of the forestry sector in real terms showed a negative (-) 3.6 percent in 2005 as against 4.32 percent in 2004. And the share of the sector to the total Gross Domestic Product remains at 5.4 percent. The share of the forestry and logging to total GDP has been ranging in between 7-6 percent for the past six years.

Table III: Total Wood production ('000 cft)

Description	2004	2005
Log wood production	2241.64	1919.82
<u>Log wood disposition</u>		
a). Urban	1940.96	1925.87
b). Rural	317.95	285.03



II). Mining and Quarrying.

Mining and Quarrying sectors registered value added of Nu.432.47 million in real terms in 2005 with the real growth of 13.4 percent as compared over the previous year. The non-metallic and iron ore industries provided the much-needed boost during the year. In 2004, because of non-functioning of some of the mining industry the sector experienced negative growth.

Of the non-metallic, the growth was largely attributed to the improved production of coal. Further with the emergence of new iron ore mine had a significant impact on the growth of the sector. The mining and quarrying has a share of 1.5 to the total GDP, though it has shown a robust growth among the sectors its share to the total GDP has increase at a very marginal level compared to the year 2004.

Table V: GVA and the Growth rate (million Nu.)

	2004	2005
<u>Gross Value Added.</u>		
2000 Prices	381.24	432.47
Current Prices	439.5	538.0
<u>Growth in percent.</u>		
2000 Prices	-5.2	13.4
Current Prices	-24.3	22.4

Kinds of Mineral Production in Bhutan. 2004-2005

Minerals	Units.	2004	2005
1). Lime stone	MT	560807	536030
2). Dolomite	“	452336	388711
3). Gypsum	“	131236	150585
4). Coal	“	29631	85279
5). Quartzite	“	42599	52694
6). Talc	“	39797	42791
7). Marble	sqft	3385	4005
8). Marble	m3	0	17.66
9). Slate	sqft	126789	2908
10). Granite	“	2152	9435
11). Iron Ore	MT	0	5679
12). Pink & Green Shale	“	0	363
13). Stone	“	252207	16767

Source: Department of Geology and Mines, MTI, Thimphu.

III). Manufacturing.

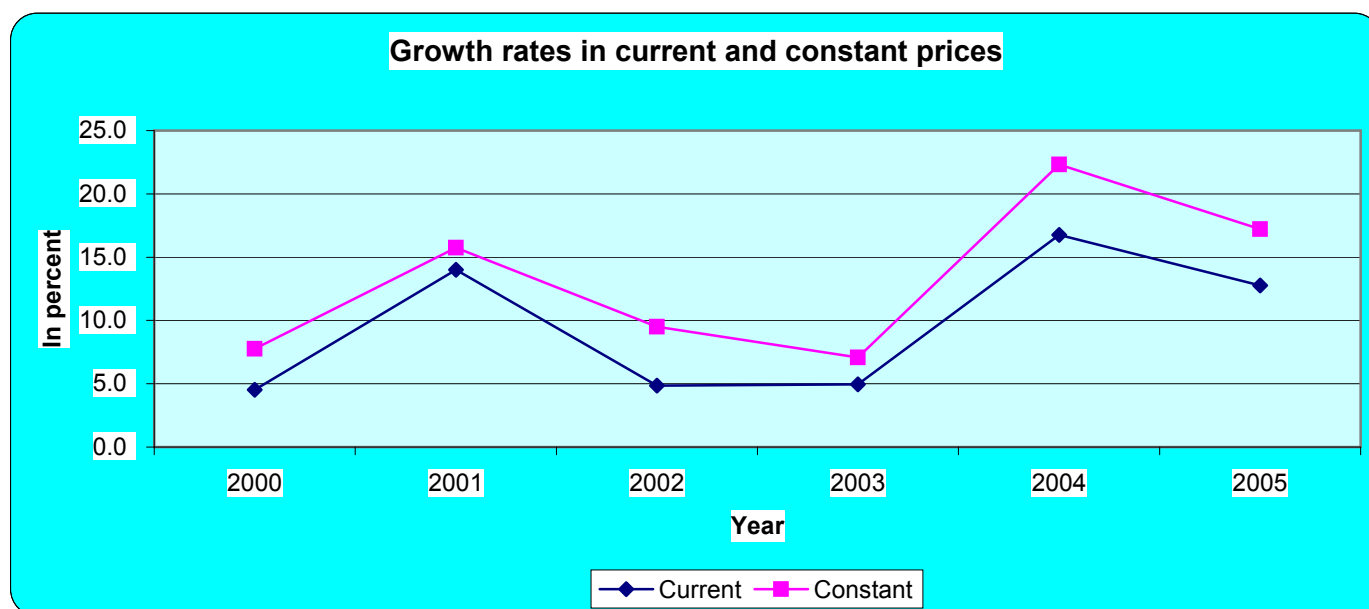
Manufacturing sector consisting of Cement industries, Food industry, Basic Iron & Steel industries, wood based Industries are the some of the major registred industries in the country and it also includes other small-unregistered industries such as weaving, thanka painting clay work etc. However, cement industry has the highest share.

The overall manufacturing sector have registered growth rate of 4.44 per cent in real terms, with its value added component of Nu.2688.3 million in current price after deducting the financial intermediary services (FISM) as against Nu.2383.9 million in 2004. The sector also exhibited a marginal increase in the share to the total GDP by 7.6 per cent in the year 2005 compared to 7.4 in the previous year.

The value added at current prices of a cement industry, a sub sector of the manufacturing sector was Nu.1226.2 million where as the other major industry and the unregistered manufacturing sub sectors have a value added of Nu.619.1 million and Nu.402.0 million respectively.

Table III. GVA of Manufacturing industry

Description	2004	2005
<u>GVA in current, Nu. In million</u>		
a). Cement industry	1081.0	1226.2
b). Major Industries	593.8	619.1
c). Cottage Industries	794.5	909.4
Less FISM	85.9	66.7
Total	2383.9	2688.3
<u>GVA in 2000 Prices, Nu. In million</u>		
a). Cement industry	855.53	898.58
b). Major Industries	470.0	454.00
c). Cottage Industries	629.0	667.00
Less FISM	86.7	68.00
Total	1868.02	1950.9
<u>Share in percent</u>		
a). Cement industry	46	46
b). Major Industries	25	23
c). Cottage Industries	34	34
Less FISM	-5	-3
Total	100	100



IV). Electricity and Water

Unlike other countries, electricity in Bhutan is all generated from the hydropower plants and its quantity of power generation is largely dependent on the monsoon in the summer and the snow in the winter. However, the excessive monsoon rain in the year 2004 has resulted a heavy loss to the power sector with a decline in the real growth of gross value added by (-) 1.7 percent as compared to year 2003.

Despite scanty rainfall and drop in the generation of the Chukha Hydropower Corporation Ltd. (HPCL) and the shutdown of the some mini hydropower plants after the 2004 flood in the east, the power sub sector had recorded a growth of 13.44 percent in real terms compared to previous year. This high growth rate in the sub sector was largely attributed to the commissioning of the Lower Stage of the Basochu Hydropower during the year, which has the installed energy capacity of 40 MW with the mean annual energy generation of 105 million units.

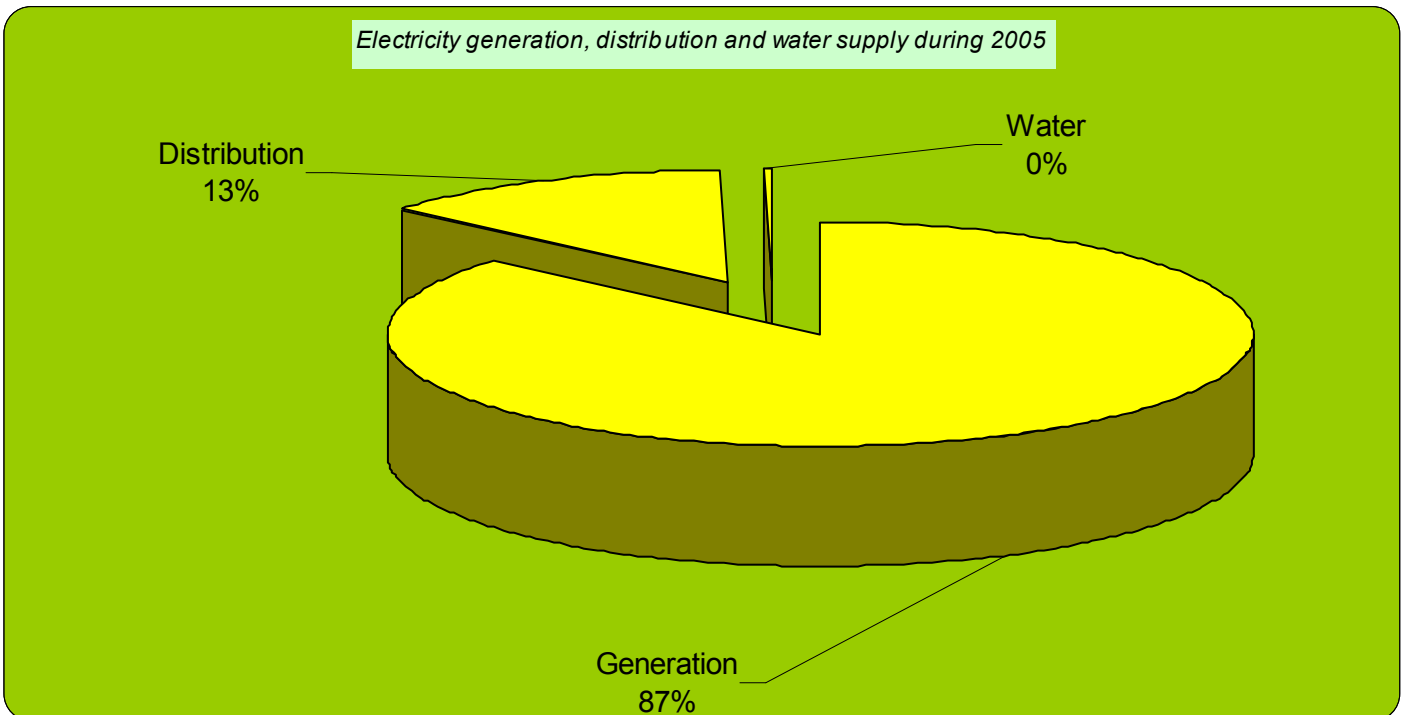
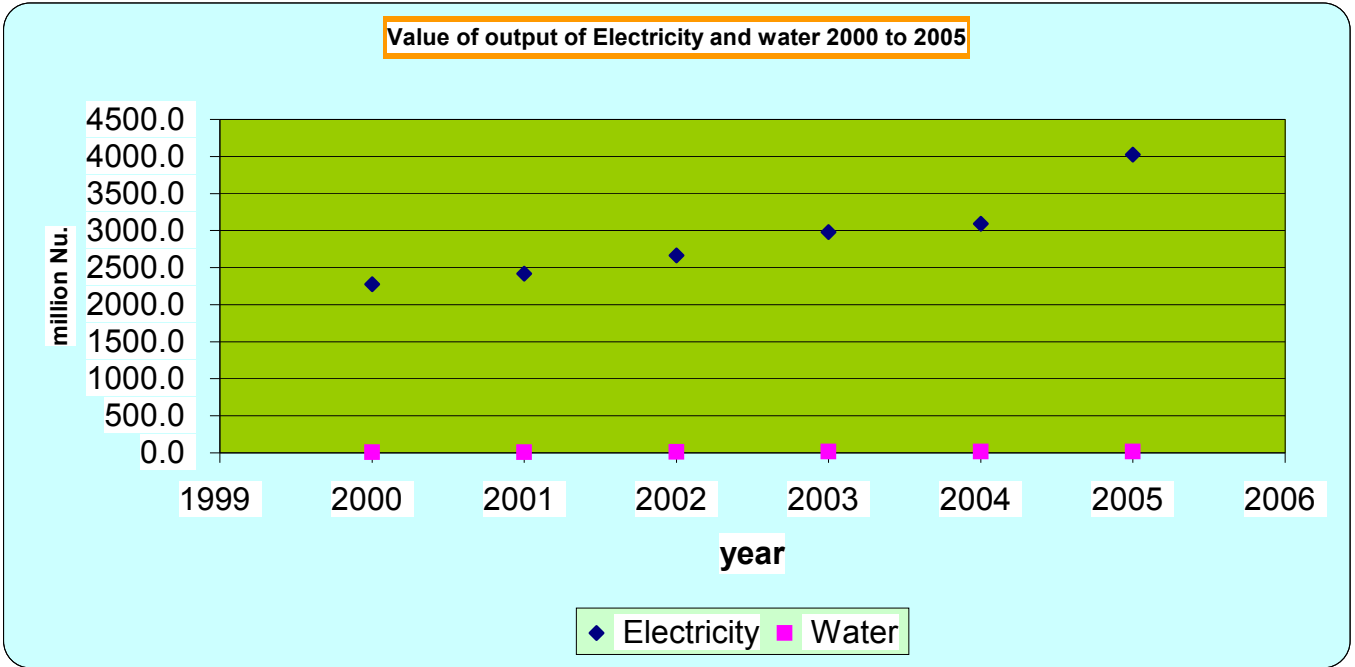
In current terms with the increase in the domestic tariff rate by 12.7 per cent and CHPCL export tariff rate to India from Nu.1.5 to Nu.2.0 per unit, the value added of the electricity sub sector has indicated a growth of 18.7 percent after a sharp decline of (-) 8.0 percent in 2004.

With increase in the outreach of the municipal services in the urban areas especially the water supply and sewerage to the urban residence the value added by the sub sector water to the GDP was estimated to be Nu.13.7 million during the year as compared to Nu.12.5 million in 2004. In real terms it has recorded an annual growth rate of 10 percent as against previous year.

The share of the electricity and water to the total GDP has shown a marginal increase from 9.6 percent in 2004 to 9.9 percent in 2005.

Table V: GVA of electricity and water

Description	2003	2004	2005
Gross value added in current prices			
Generation	2606.0	2622.3	3161.9
Distribution and transmission	735.7	451.0	485.3
Water	10.4	12.5	13.7
Total	3352.0	3085.4	3660.9
Gross value added in current prices			
Generation		9.4	11.6
Distribution and transmission		-38.6	1.6
Water		20.0	10.0



V). Construction sectors declines by 2.9 percent.

The real growth rate of construction sectors in 2000 prices dropped by (-) 2.9 percent during the year as compared to 2004. This was mainly because of the nearing completion of the construction of the Tala Hydroelectric Project Authority, the low class income housing project and the Babisa express highway which have a major impact to the sector over the passed years. Further in 2005 there was drop in the domestic consumption of cement and the logwood.

The value added in the current prices is estimated to be Nu.6353.2 million with a growth rate of 12.8 percent in 2005 compared to Nu.5630.4 million in the year 2004. Despite the negative real growth the construction sector has exhibited a high growth of 12.8 percent in current terms, this comparative high growth in current was mainly brought about by the sharp rise in the cost of construction materials during the year. The contribution by the sector to the total GDP stands at 17.1 percent, a marginal drop in 2005 compared with the year 2004. The construction sector remains to be the second highest contributor to the economy after the agriculture.

The domestic cement production has increase from 382351 MT in 2004 to 438853 MT during the year 2005 indicating a growth of 14.7 percent; which is a key indicator for construction sector. Despite the increase in the production, the cement supply to the Govt. agencies and the Pvt. firms has dropped over the past three years leading to significant increase in export of cement.

Table VI. GVA and growth rates, Construction Industry.

<u>Description</u>	<u>2004</u>	<u>2005</u>
<u>Gross value added in current</u>		
Pvt. Construction	4532.8	4947.1
Govt. Construction	1211.4	1529.5
Less FISM	113.8	123.4
Total GVA in current.	5630.4	6353.2
<u>Growth in 2000 prices.</u>		
Pvt. Construction	7.6	-6.6
Govt. Construction	17.0	14.3
Total growth	9.3	-2.6

Table VI). Total cement supply in MT.

<u>Description</u>	<u>2004</u>	<u>2005</u>
Cement supplied to Govt.	20558	15240
Cement supplied to Pvt.	211696	181943
Cement export	153935	217885
Total cement Production:	397547	417424

Wholesale and Retail Trade

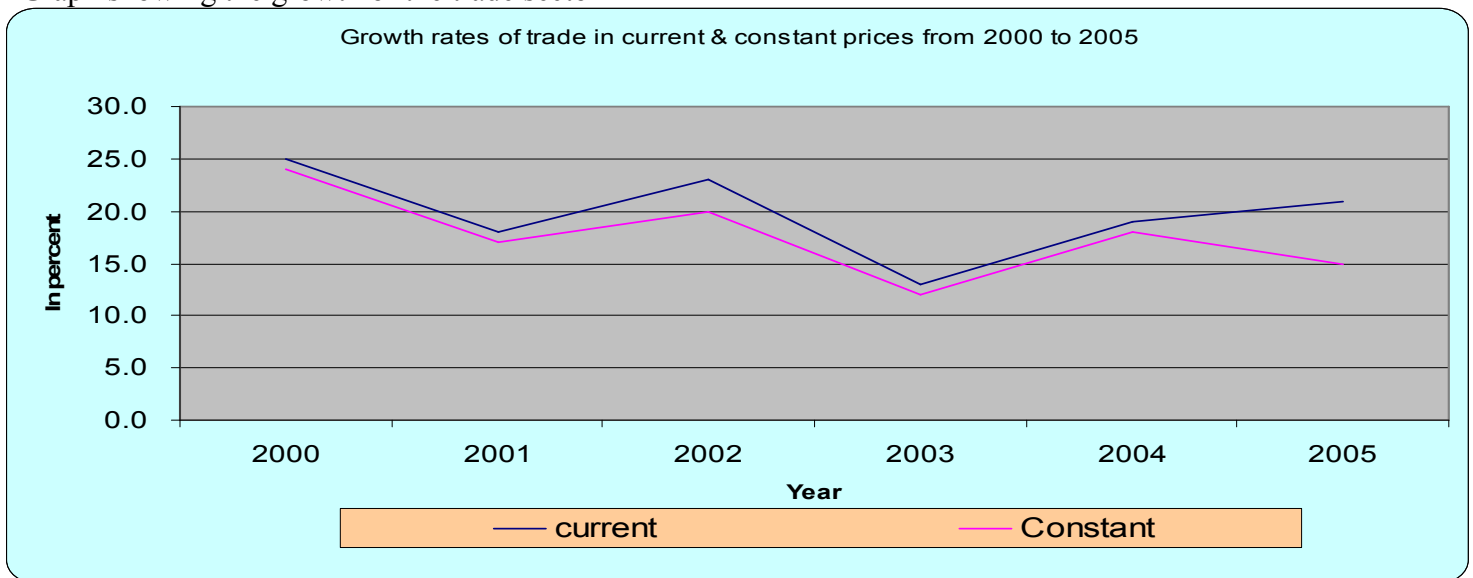
The value added of this sector at current prices was Nu.2144.6 million in 2005 compared to Nu.1785.1 million in 2004 indicating a nominal growth of 20.1 percent for the year 2005. However in the real growth of the wholesale and retail trade was 14.29 percent for the same year as against 19.73 percent in 2004. The continuous double-digit growth in the trade sector can be mainly attributed to the continuous increase in the inflow of the tourist. And in particular another reason for this high growth rate during the year 2005 was possible mainly because of 45 percent allowance provided by the govt. for the entire govt. employee with effect from 1st January 2005 and also subsequence increase in wages and salaries by the Corporate and Pvt. Organization.

Though the trade sector was performing well in terms of its annual growth, however, the sectors share to the total GDP has increased by 5.8 percent in 2005 as against 5.5 percent in 2004.

Table VII. GVA in current and growth rates.

Description	2004	2005
Gross value added in current		
Wholesale and retail trade	1732.8	2080.0
Gas	4.7	6.1
Repair of motor vehicle and Other household appliances	47.6	58.61
Less FISM	59.4	55.7
Total	1666.7	2033.3
Growth in 2000 prices		
Wholesale and retail trade	20.3	14.2
Gas	18.1	23.2
Repair of motor vehicle and Other household appliances	2.3	16.9
Less FISM		
Total Growth	19.7	14.3

Graph showing the growth of the trade sector



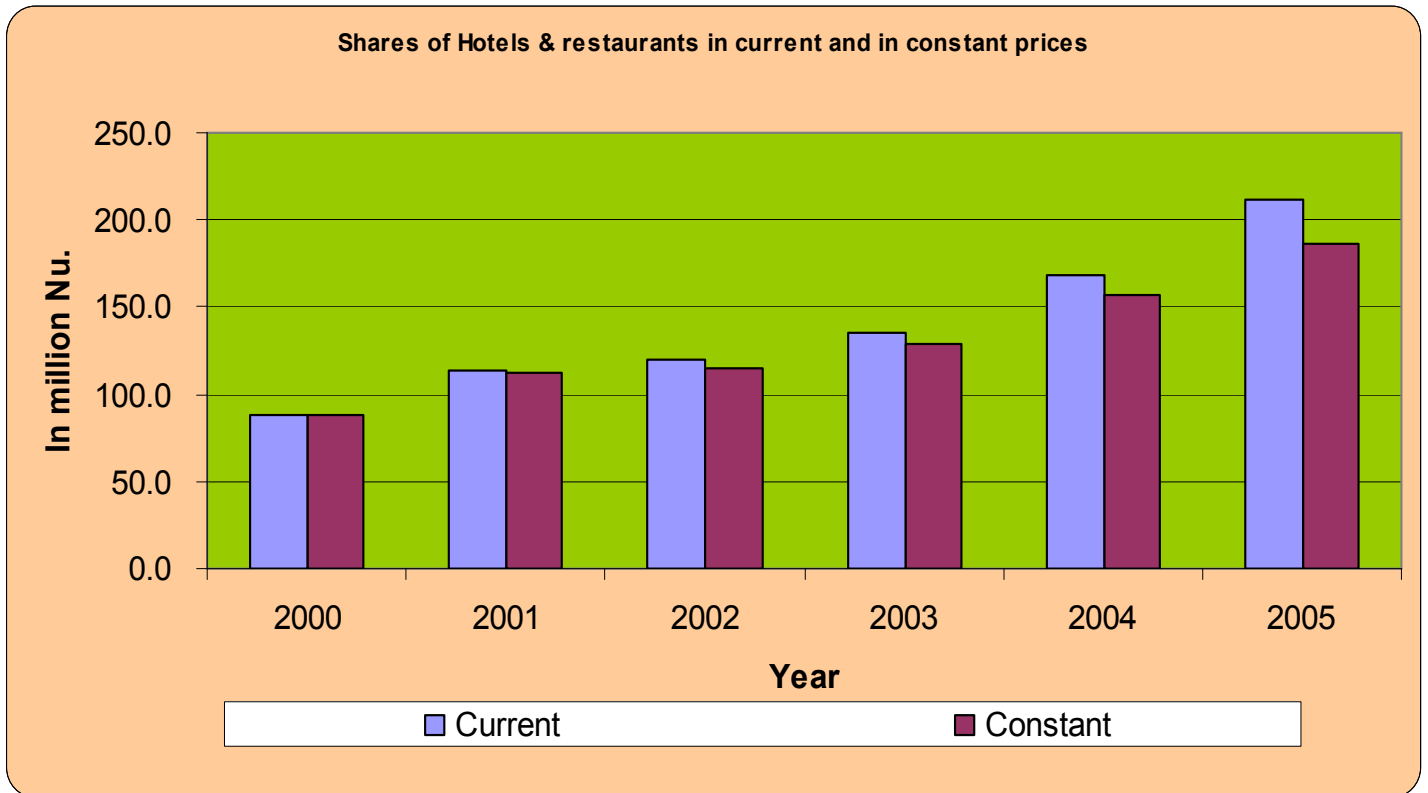
Hotels and restaurants

With the robust increase in the inflow of the foreign dollar paying tourist and the completion of many tourist resorts and hotels in the country has triggered the high growth for the sector.

The value added by the hotel and restaurant was estimated at Nu.217.3 million in 2005 with the registered real growth of 17.79 percent as compared to real growth of 23.17 percent in 2004. The share contribution of the sector to total GDP was estimated to be 0.6 percent, which is one of the lowest share contributions from among the sectors.

Table VIII. GVA and its growths.

Description	2004	2005
Gross value added in current		
Hotel and restaurant	174.5	217.3
Less FISIM	5.8	5.6
Total	168.7	211.7
Growth in 2000 prices	23.2	17.8



Transport Storage and Communication

The total value added of the transport, storage and communication was estimated at Nu.3838.3 million in current prices during the year 2005 and with a real growth of 7.31 percent as compared to 21.95 percent in 2004. The growth of the sector was mainly driven by air transport with the recorded growth rate of 172.49 percent as against growth of 34.3 percent in 2004, and this attributes to the operation of two new airbuses 319 aircraft that came in to operation by the end of the year 2004.

The real growth of the land transport had recorded a diminishing growth of 2.95 percent as compared to recorded growth of 13.6 percent in 2004. This low growth rate during the year can be attributed to nearing completion of big projects like Tala Hydroelectric project and

Table IX: Motor Vehicle Statistics, 2005.

Description	2005
Heavy	4352
Light	15262
Earth Moving Equipments	509
Two Wheelers	7137
Taxi	2050
Others	292
Total	29914

Source: Road Safety & Transport Authority, MOIC, Thimphu

Babisa Express High way. However, the sub sector storage had revived from negative growth (-) 8.2 percent in 2004 to a high growth rate of 26.8 percent in 2005.

The value added component of sub sector communication was estimated to be Nu.630.39 million in current prices with the recorded real growth of 23.1 percent.

The share contribution of the transport, storage and communication sector to the total GDP was recorded at 10.3 percent in 2005 with a marginal increase from 10.2 percent in 2004.

Table X: GVA and growth , Transport Storage & Communication (million Nu.)

Description	2004	2005
GVA in Current Prices		
Transportation	2922.4	3402.7
Storage	20.7	27.8
Communication	502.0	630.4
Less FISIM	57.0	42.1
Total	3388.2	4018.8
Growth in 2000 prices.		
Transportation		
Storage		
Communication		
Less FISIM		
Total		

Finance, insurance and real estate

The value added contribution of finance, insurance and real estate for the year 2005 was estimated to be Nu.2976.4 million with the registered growth rate of 18.56 percent in real terms and its share contribution of 8.0 percent to the total Gross Domestic Product.

Finance:

With the increasing financial activities, the sub sector finance consisting of both banking and non banking sectors made a total value added contribution of Nu.1564.2 million in 2005 with an average annual growth rate of 28.32 percent, this high growth during the year was attributes to better performance of the Royal monetary Authority (RMA) with Nu.344.7 million value added in 2005 followed by Bhutan National Bank (BNB) with Nu.340.0 million.

The share of the sector to the total GDP has grown with 4.2 percent in 2005 as compared to growth of 3.8 percent in 2004.

Real Estate

With the rapid increase in the urban population the demand for the real estate has been ever increasing, however, in fact, the value added by the sub sector real estate was estimated to be Nu.1412.2 million in 2005 as compared to Nu.1001.3 million in 2004. Despite, fast increasing demand for the urban housing the sub sector had exhibited only a marginal growth of 1.19 percent and 1.25 percent respectively in 2005 and 2004. Never the less the share of the sector had recorded a marginal increase over the years with the share contribution of 3.8 percent in 2005 as compared to 3.1 percent in 2004.

Table XI.

<u>Description</u>	<u>2004</u>	<u>2005</u>
Gross Value Added in Current		
Banking Sector	530.2	626.4
Non Banking Sector	702.3	937.8
Total Gross Value Added	1232.5	1564.2
Growth in 2000 prices		
Banking Sector	24.2	19.5
Non Banking Sector	13.8	35.0
Total Gross Value Added	18.1	28.3

Community and Social services (General Government)

The total value added by the general Govt. in current prices was estimated to be Nu.4471.7 million, with the growth rate of 17 percent as against recorded growth of 4.3 percent in the previous year, and the total share of the sector to Gross Domestic Product had increased by 12.1 percent as against the share of 11.9 percent in 2004. The real growth of the sector was recorded to be 13.16 percent in 2005 compared to 0.61 percent in 2004. The significant increase in the growth was mainly attributed to 45 percent allowance provided to all the government employees with effect from 1st January 2005 and further this was added by launching of the first ever draft constitution of the nation.

However, the value added by the Health and Education sector was estimated to be Nu.1009.0 million with the annual real growth of 8.2 percent.

Private social and recreational services:

Repaid expansion in the output of the sector private social and recreational services mainly attributes to increase in the other economic activity.

The value added by the private social and recreational services was estimated to be Nu.163.7 million in current prices with a recorded nominal growth of 20.1 percent in 2005. However, the sector had exhibited a real growth of 18.7 percent in 2005 as compared to the growth of 18.6 percent, this significant growth during the year can be attributed to increasing number of recreational services that has sprung up in the past two years.

The percentage composition of this sector to the Gross Domestic Product was only 0.4.

Table XII.

Description	2004	2005
GVA in current		
General Government	3822.9	4471.7
Public administration	2866.9	3462.7
Health and Education	956.0	1009.0
Growth in 2000 prices		
General Government	0.6	13.2
Public administration	-1.3	14.7
Health and Education	7.6	8.2

Gross Domestic Product by Expenditure

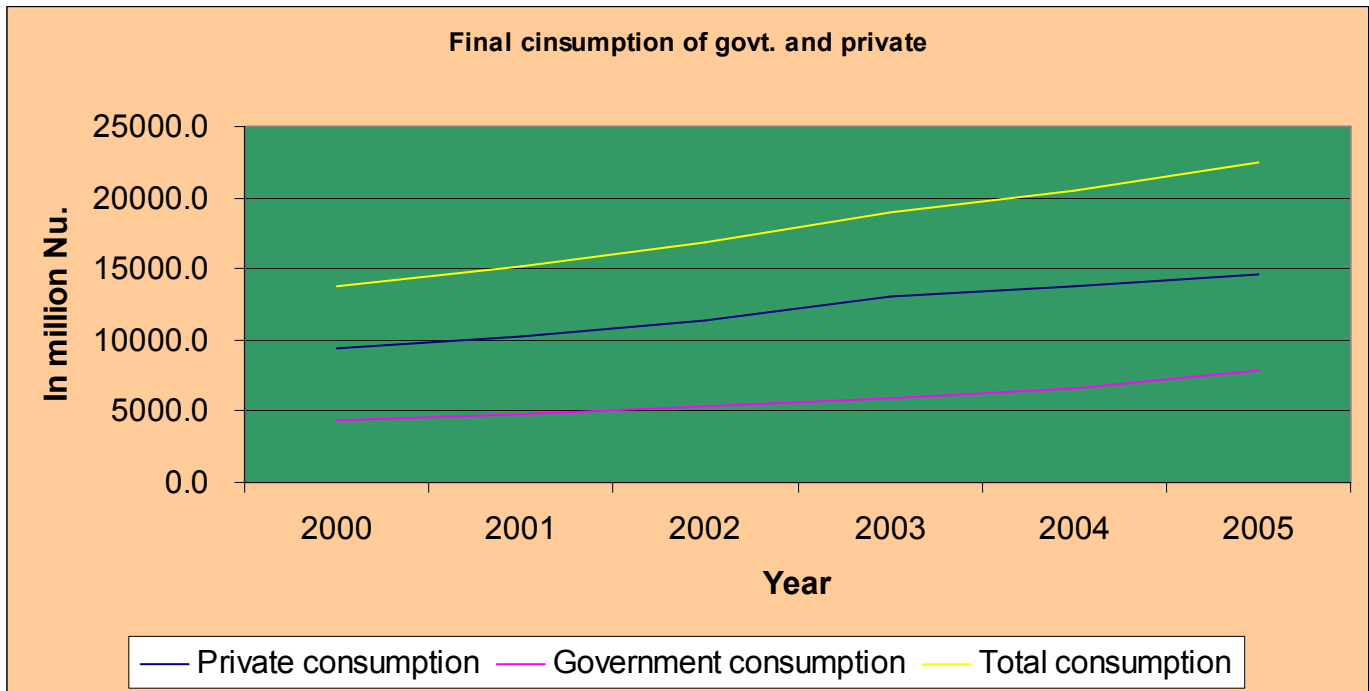
The Gross Domestic Expenditure (GDE) is the alternative measure of the economy after the measurement of Gross Domestic Product by production approach, and its also the expenditure approach to measure Gross Domestic Product to examines final uses of the output by means of such as Pvt. consumption expenditure, Govt. consumption expenditure, capital formation, change in stock and net export (export less import).

The value of Gross Domestic Expenditure is same as the value of GDP and it is taken as the control

total for compilation of GDE, however, any discrepancy in the two estimates was reflected separately as Statistical Discrepancy.

Total Final Consumption Expenditure

The Total Final Consumption Expenditure incurred in the economy was estimated at Nu.22498 million in 2005 compare to recorded expenditure of Nu.20457 million in 2004. The total final consumption expenditure in 2005 had increased by 9.9 percent in current compared to the previous year.



Government Final Consumption Expenditure

With the increasing number of development activities undertaken by the government, the consumption expenditure of the government had exhibited a significant increase by 13 percent in 2005 compared to the growth of 7.4 percent in 2004 with a recorded total expenditure of Nu.7911.5 million during the year. Further the increase in the expenditure attributes to large scale spending in the sphere of education and health, with the government policy to achieve 100 percent literacy.

And construction of rural farm roads provision of rural water supply to improve the sanitation of the rural people were the some of the main cause of increase in the government expenditure. The further bust in the expenditure was provided by the 45 percent allowance provided to the entire government employee with effect from 1st January 2005.

The Private Final Consumption Expenditure

The Pvt. Final Consumption Expenditure was recorded at Nu.14586 million in current prices during the year 2005 and Nu.13807 million in the year 2004 with a current growth of 5.6 percent. In real terms the PCE had recorded an annual growth of 6.3 percent and much of the expenditure was incurred on the housing, water, electricity, gas and other fuels followed by the expenditure on transport.

Gross Domestic Capital Formation

The Gross Domestic Capital Formation consisting of Construction, Machinery & Equipments and Change in stock was recorded at Nu.14108.5 million in 2005 compared to Nu.16028.1 in the year 2004 in current indicating a negative growth of (-) 11.9 percent and this drop was brought about by decline in both the construction and machinery & equipments, however, stock had recorded an increase by Nu.85.8 million. The drop in the capital formation in 2005 was mainly because of drastic

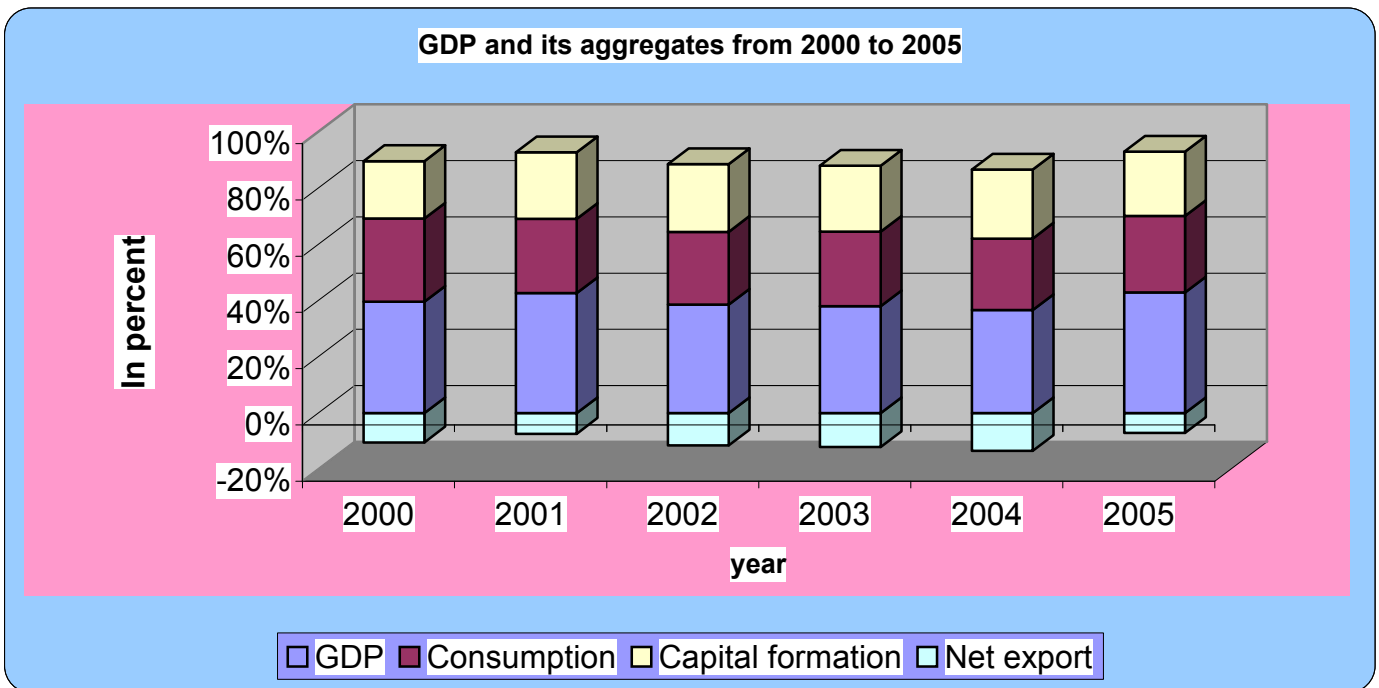
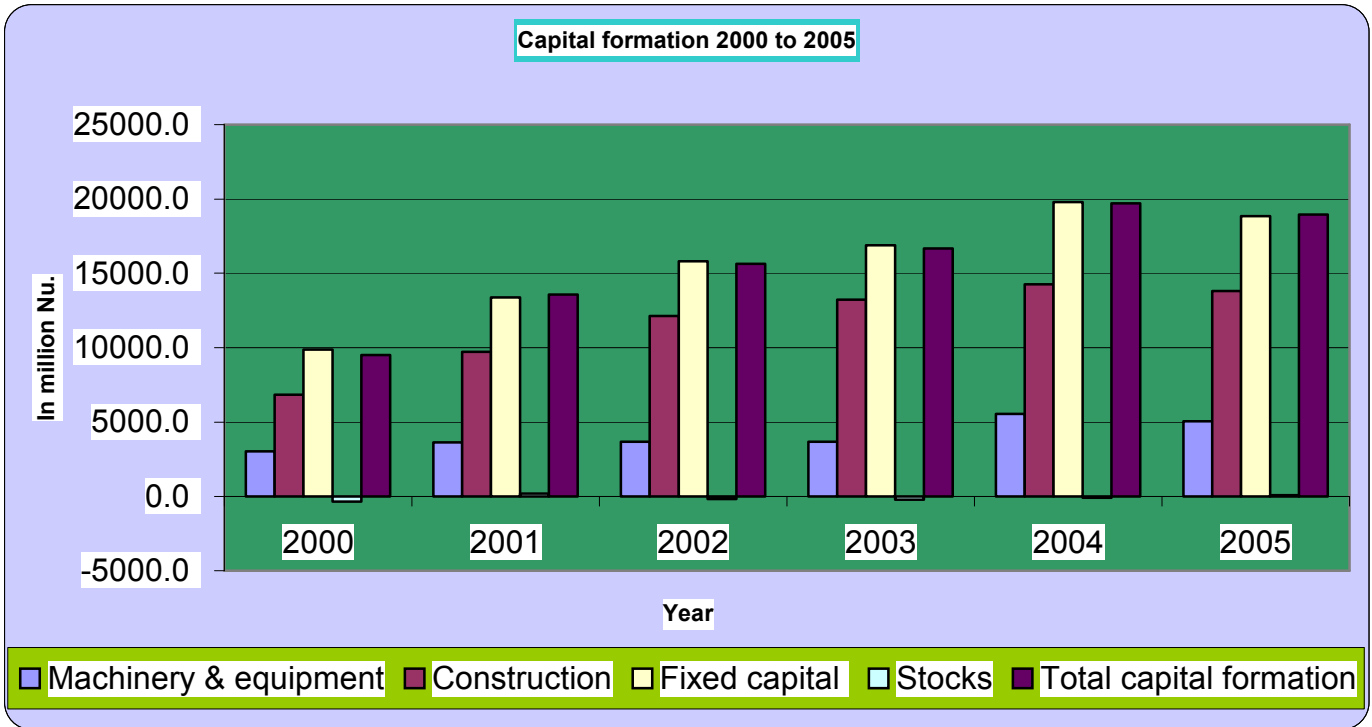
increase in machinery and equipments with the purchase of two-air bus in the year 2004.

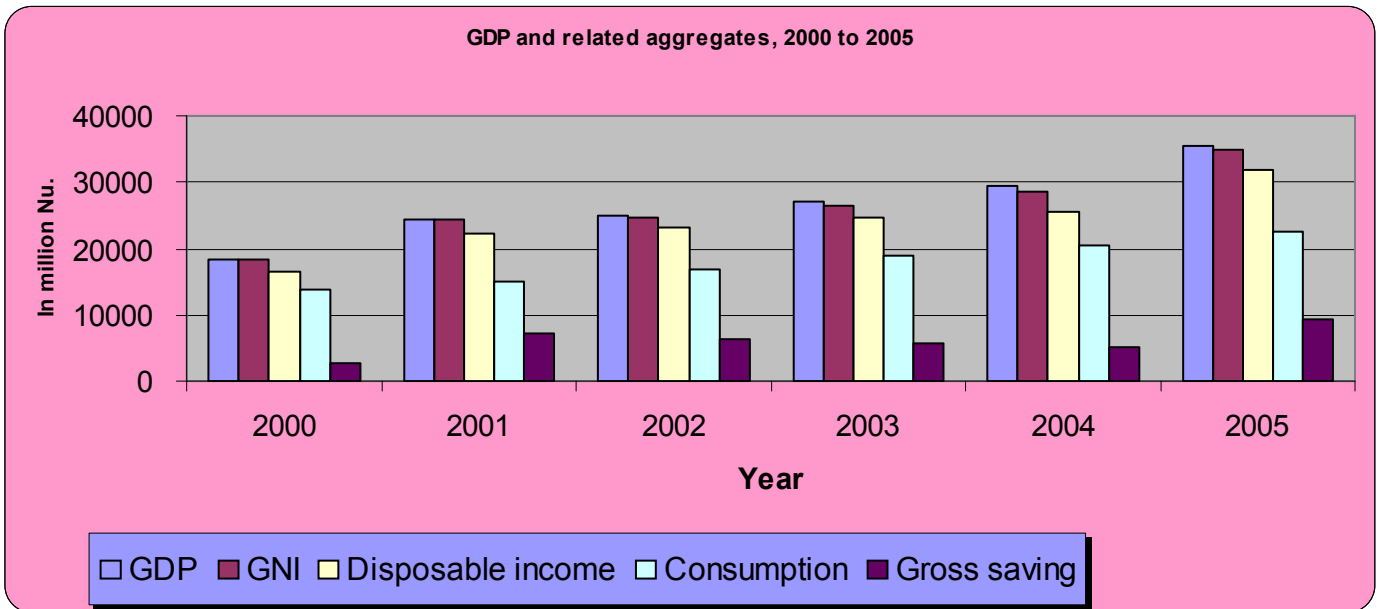
Export of Goods and Services

The total receipt from the export of goods and services in the year 2005 was estimated at Nu.10870.7 million in current prices with the growth rate of 33.5 percent. And in the real terms the total value of exported was recorded at Nu.1087.7 million with the growth rate of 26.8 percent and this significant increase can be attributed to increasing export of electricity from Chukha and Kurichu, further the increasing number of Bhutanese people working abroad.

Import of Goods and services

The total payment made for the import of goods and services was recorded at Nu.18796.2 million in the year 2005 compared to Nu.20464.4 in 2004. Despite the increasing import of merchandise goods and services, it had indicating a decline in the import by (-) 8.2 percent compared over the previous year, this attributes to import of two new aircraft by the government, which made a significant impact on the import in the year 2004, where as the year 2005 observed a normal import of goods and services.





Consumer Price Index.

The consumer price index is a single number used to measure changes in the average retail prices of a fixed market basket of goods and services commonly purchased by an average household in Bhutan. It shows how much, on an average, the prices of goods and services have increased or decreased from a particular reference base year.

The figure calculated in the table is an annual average inflation rate till 2005 and for 2006 the latest figure for quarter 1 and quarter 2 is shown. The annual average inflation rate is widely used as an indicator to measure the changes in prices and also to monitor the price movement in the economy.

The purchasing power of Ngultrum (PPN) indicates the decrease or increase in the value of Ngultrum from the base Ngultrum of Nu.1.00.

The inflation rate as measured by CPI during 2005 is 5.31 percent as compared to 4.43 % in 2004. Among the food and non-food, the food has shown the highest rate of 5.7 % in 2005 and the non-food of 9.24 % in 2000. The implicit GDP deflator works to 7.7 % in 2005 indicating inflation rate bases on CPI is 2 % lower than the GDP deflator.

STATISTICAL TABLES

Table 1.0: Gross Domestic Product and its related aggregate.

Description	2000	2001	2002	2003	2004	2005
GDP at current market prices (GDP)	18,423.7	24,484.9	25,019.1	27,033.1	29,414.2	35,607.6
Net Income from abroad	(22.3)	(11.2)	(369.9)	(669.8)	(747.0)	(587.9)
Income received	704.7	663.4	542.2	498.9	444.0	484.0
-Income paid	727.0	674.6	912.2	1,168.7	1,191.0	1,071.9
Gross National Income	18,401.4	24,473.7	24,649.2	26,363.3	28,667.2	35,019.7
Net Current Transfer from Abroad	1,982.9	2,091.7	1,384.4	1,669.0	3,082.0	3,082.0
Current transfer received	3,945.0	4,208.0	3,659.0	3,991.0	5,718.0	5,718.0
- Current transfer paid	1,962.1	2,116.3	2,274.6	2,322.0	2,636.0	2,636.0
Gross Disposable Income (GDI)	16,418.5	22,382.0	23,264.8	24,694.3	25,585.2	31,937.7
Final Consumption Expenditure	13,746.9	15,122.4	16,805.5	18,914.4	20,456.4	22,497.7
PCE	9,416.0	10,281.3	11,415.1	12,994.9	13,806.7	14,586.2
+ GCE	4,331.0	4,841.1	5,390.4	5,919.5	6,649.7	7,911.5
Gross Saving (S)	2,671.5	7,259.6	6,459.3	5,779.9	5,128.7	9,440.0
Gross Domestic Capital Formation (I)	9,512.1	13,559.1	15,638.3	16,682.4	19,722.5	18,959.5
Net Lending or (net borrowing) (NL)	(6,840.6)	(6,299.5)	(9,179.0)	(10,902.6)	(14,593.8)	(9,519.5)

Table 2.0 : Gross domestic product by kind of activity at current prices

Sectors	2000	2001	2002	2003	2004	2005
1. Agriculture, livestock & forestry	5568.4	6036.9	6884.1	7292.2	7864.1	8255.5
1.1 agriculture proper	2516.0	2681.9	3000.4	3191.7	3480.7	3684.9
1.2 livestock	1747.4	1930.0	2007.0	2163.0	2331.2	2556.7
1.3 forestry and logging	1305.1	1425.1	1876.7	1937.6	2052.1	2013.9
2. Mining and quarrying	301.4	343.6	439.5	580.5	439.5	538.0
3. Manufacturing	1627.3	1855.1	1945.1	2041.7	2383.9	2688.3
4. Electricity and water	2255.3	2279.2	2657.7	3352.0	3085.3	3660.9
5. Construction	2761.4	3818.4	4711.2	5020.3	5630.4	6353.2
6. Wholesale & Retail Trade	882.1	1045.2	1282.9	1446.6	1725.7	2088.9
7. Hotels and restaurants	88.1	113.2	119.7	135.3	168.7	211.7
8. Transport, storage & communication	1799.7	2083.0	2452.0	2626.0	3295.1	3838.3
9. Financing, insurance and real estate	1374.5	1595.5	1433.5	1924.2	2233.8	2976.4
8.1. Finance and Insurance	743.4	950.2	717.2	1002.3	1232.5	1564.2
8.2. Real Estate & dwellings	631.1	645.3	716.3	921.9	1001.3	1412.2
10. Community, social services	2813.8	3037.3	3342.0	3663.6	3822.9	4471.7
10.1 Public administration	2049.6	2262.4	2556.1	2778.0	2866.8	3462.7
10.2 Education and health	764.2	774.9	785.8	885.6	956.0	1009.0
11. Private social, personal & recreational Services	96.2	99.3	108.3	118.6	136.3	163.7
12. Plus: taxes net of subsidies	491.4	550.7	878.1	1067.9	1392.6	1668.2
Gross domestic product	20059.7	22857.3	26254.1	29269.1	32178.3	36914.6

Table 3: Gross Domestic Product by kind of activity in 2000 prices

Sectors	2000	2001	2002	2003	2004	2005
1. Agriculture, livestock & forestry	5568.4	5849.2	6009.2	6138.4	6266.0	6292.1
1.1 Crops	2516.0	2616.9	2689.4	2765.6	2824.1	2860.9
1.2 Livestock	1747.4	1887.7	1919.1	1926.5	1933.1	1976.4
1.3 Forestry and logging	1305.1	1344.6	1400.8	1446.3	1508.8	1454.8
2. Mining and quarrying	301.4	352.4	389.1	402.2	381.2	432.5
3. Manufacturing	1627.3	1655.9	1732.8	1769.5	1868.0	1951.0
4. Electricity and water	2255.3	2184.6	2560.7	3030.3	2980.2	3284.1
5. Construction	2761.4	3460.9	4328.7	4447.8	4818.9	4678.7
6. Wholesale and retail trade	882.1	1028.7	1233.8	1378.0	1633.1	1878.1
7. Hotel and restaurant	88.1	111.5	115.1	128.8	157.0	186.0
8. Transport, storage & communication	1799.7	1843.7	2000.3	2007.4	2447.9	2627.0
9. Financing, insurance & real estate	1374.5	1534.1	1296.1	1745.2	1944.2	2305.0
9.1. Finance	743.4	937.0	747.2	1054.4	1244.7	1597.2
9.2. Real estate	631.1	597.2	548.9	690.8	699.4	707.7
10. Community, social & personal services	2813.9	2847.4	3050.7	3287.8	3307.9	3743.4
10.1 Public administration	2049.7	2187.7	2412.1	2567.8	2533.6	2905.5
10.2 Education and health	764.2	659.7	638.6	720.0	774.3	837.8
11. Private social & recreational services	96.2	97.2	100.3	109.5	119.9	142.4
12. Plus indirect taxes less subsidies	491.4	532.5	828.6	987.1	1230.7	1400.7
Gross Domestic Product	20059.7	21498.3	23645.6	25432.0	27155.0	28920.9

Table 4 : Sectoral growth rates over the preceding year in current Prices

Sectors	2000	2001	2002	2003	2004	2005
1. Agriculture, livestock & forestry	10.3	8.4	14.0	5.9	7.8	5.0
1.1 agriculture proper	9.8	6.6	11.9	6.4	9.1	5.9
1.2 livestock	8.7	10.4	4.0	7.8	7.8	9.7
1.3 forestry and logging	13.5	9.2	31.7	3.2	5.9	-1.9
2. Mining and quarrying	-16.2	14.0	27.9	32.1	-24.3	22.4
3. Manufacturing	4.5	14.0	4.9	5.0	16.8	12.8
4. Electricity and water	-2.5	1.1	16.6	26.1	-8.0	18.7
5. Construction	40.3	38.3	23.4	6.6	12.2	12.8
6. Wholesale & Retail Trade	24.6	18.5	22.7	12.8	19.3	21.0
7. Hotels and restaurants	0.7	28.5	5.7	13.1	24.6	25.5
8. Transport, storage & communication	10.0	15.7	17.7	7.1	25.5	16.5
9. Financing, insurance and real estate	14.0	16.1	-10.2	34.2	16.1	33.2
9.1. Finance and Insurance	19.6	27.8	-24.5	39.8	23.0	26.9
9.2. Real Estate & dwellings	8.0	2.3	11.0	28.7	8.6	41.0
10. Community, social services	20.2	7.9	10.0	9.6	4.3	17.0
10.1 Public administration	-6.7	10.4	13.0	8.7	3.2	20.8
10.2 Education and health	-6.7	1.4	1.4	12.7	8.0	5.5
11. Private social, personal & recreational. Services		3.2	9.1	9.5	14.9	20.1
12. Plus indirect taxes, net subsidies	-20.9	12.1	59.5	21.6	30.4	19.8
Gross Domestic product	12.4	13.9	14.9	11.5	9.9	14.7

Table 5 : Sectoral growth rates over the preceding year in 2000 Prices

Sectors	2000	2001	2002	2003	2004	2005
1. Agriculture, livestock & forestry	4.60	5.04	2.74	2.15	2.08	0.42
1.1 Crops	4.69	4.01	2.77	2.83	2.11	1.30
1.2 Livestock	5.06	8.03	1.66	0.39	0.34	2.24
1.3 Forestry and logging	3.84	3.03	4.18	3.25	4.32	-3.58
2. Mining and quarrying	-2.85	16.96	10.40	3.38	-5.22	13.44
3. Manufacturing	3.23	1.76	4.64	2.12	5.57	4.44
4. Electricity & water	-9.82	-3.13	17.21	18.34	-1.65	10.20
5. Construction	32.82	25.33	25.07	2.75	8.34	-2.91
6. Wholesale and retail trade	23.63	16.62	19.94	11.68	18.51	15.00
7. Hotel and restaurant	-0.41	26.53	3.23	11.84	21.91	18.53
8. Transport, storage & communication	1.37	2.45	8.50	0.35	21.95	7.31
9. Financing, insurance & real estate	18.57	11.61	-15.52	34.66	11.40	18.56
8.1. Finance	17.55	26.03	-20.25	41.12	18.05	28.32
8.2. Real estate	19.79	-5.37	-8.09	25.86	1.25	1.19
10. Community, social & personal services	1.60	1.19	7.14	7.77	0.61	13.16
9.1 Public administration	-21.12	6.74	10.26	6.46	-1.33	14.68
9.2 Education and health	-21.12	-13.68	-3.19	12.74	7.55	8.20
11. Private social & recreational services		1.03	3.15	9.13	9.55	18.73
12. Plus indirect taxes less subsidies	-24.03	8.37	55.60	19.12	24.68	13.81
Total GDP Growth	5.90	7.17	9.99	7.55	6.78	6.50

Table 6 : Sector-wise Shares to GDP in current prices

Sectors	2000	2001	2002	2003	2004	2005
1. Agriculture, livestock & forestry	27.8	26.4	26.2	24.9	24.4	22.4
1.1 agriculture proper	12.5	11.7	11.4	10.9	10.8	10.0
1.2 livestock	8.7	8.4	7.6	7.4	7.2	6.9
1.3 forestry and logging	6.5	6.2	7.1	6.6	6.4	5.5
2. Mining and quarrying	1.5	1.5	1.7	2.0	1.4	1.5
3. Manufacturing	8.1	8.1	7.4	7.0	7.4	7.3
4. Electricity and water	11.2	10.0	10.1	11.5	9.6	9.9
5. Construction	13.8	16.7	17.9	17.2	17.5	17.2
6. Wholesale & Retail Trade	4.4	4.6	4.9	4.9	5.4	5.7
7. Hotels and restaurants	0.4	0.5	0.5	0.5	0.5	0.6
8. Transport, storage & communication	9.0	9.1	9.3	9.0	10.2	10.4
9. Financing, insurance and real estate	6.9	7.0	5.5	6.6	6.9	8.1
9.1. Finance and Insurance	3.7	4.2	2.7	3.4	3.8	4.2
9.2. Real Estate & dwellings	3.1	2.8	2.7	3.1	3.1	3.8
10. Community, social services	14.0	13.3	12.7	12.5	11.9	12.1
10.1 Public administration	10.2	9.9	9.7	9.5	8.9	9.4
10.2 Education and health	3.8	3.4	3.0	3.0	3.0	2.7
11. Private social, personal & recreational services	0.5	0.4	0.4	0.4	0.4	0.4
Plus: taxes net of subsidies	2.4	2.4	3.3	3.6	4.3	4.5
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0

Table 7 : Sector-wise Shares to GDP in 2000 prices

Sectors	2000	2001	2002	2003	2004	2005
1. Agriculture, livestock & forestry	27.8	27.2	25.4	24.1	23.1	21.8
1.1 Crops	12.5	12.2	11.4	10.9	10.4	9.9
1.2 Livestock	8.7	8.8	8.1	7.6	7.1	6.8
1.3 Forestry and logging	6.5	6.3	5.9	5.7	5.6	5.0
2. Mining and quarrying	1.5	1.6	1.6	1.6	1.4	1.5
3. Manufacturing	8.1	7.7	7.3	7.0	6.9	6.7
4. Electricity, gas & water	11.2	10.2	10.8	11.9	11.0	11.4
5. Construction	13.8	16.1	18.3	17.5	17.7	16.2
6. Wholesale and retail trade	4.4	4.8	5.2	5.4	6.0	6.5
7. Hotel and restaurant	0.4	0.5	0.5	0.5	0.6	0.6
8. Transport, storage & communication	9.0	8.6	8.5	7.9	9.0	9.1
9. Financing, insurance & real estate	6.9	7.1	5.5	6.9	7.2	8.0
8.1. Finance	3.7	4.4	3.2	4.1	4.6	5.5
8.2. Real estate	3.1	2.8	2.3	2.7	2.6	2.4
10. Community, social& personal services	14.0	13.2	12.9	12.9	12.2	12.9
9.1 Public administration	10.2	10.2	10.2	10.1	9.3	10.0
9.2 Education and health	3.8	3.1	2.7	2.8	2.9	2.9
11. Private social & recreational services	0.5	0.5	0.4	0.4	0.4	0.5
12. Plus indirect taxes less subsidies	2.4	2.5	3.5	3.9	4.5	4.8
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0

Table 8 : Gross Domestic Product by Major sector in current prices (million Nu.)

Current prices	2000	2001	2002	2003	2004	2005
1. Primary	5869.8	6380.5	7323.6	7872.8	8303.6	8793.5
2. Secondary	6644.0	7952.6	9314.1	10414.0	11099.6	12702.3
3. Tertiary	7545.9	8524.2	9616.4	10982.3	12775.1	15418.8
Total GDP	20059.7	22857.3	26254.1	29269.1	32178.3	36914.6

Table 9 : Gross Domestic Product by major sector in 2000 prices (million Nu.)

Constant prices	2000	2001	2002	2003	2004	2005
1. Primary	5869.8	6201.6	6398.3	6540.6	6647.2	6724.6
2. Secondary	6644.0	7301.4	8622.2	9247.6	9667.1	9913.8
3. Tertiary	7545.9	7995.3	8625.0	9643.7	10840.7	12282.5
Total GDP	20059.7	21498.3	23645.6	25432.0	27155.0	28920.9

Table 10: Shares to the GDP in current Prices

Current prices	2000	2001	2002	2003	2004	2005
1. Primary	29.3	27.9	27.9	26.9	25.8	23.8
2. Secondary	33.1	34.8	35.5	35.6	34.5	34.4
3. Tertiary	37.6	37.3	36.6	37.5	39.7	41.8
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0

Table 11: Shares to the GDP in 2000 Prices

Constant prices	2000	2001	2002	2003	2004	2005
1. Primary	29.3	28.8	27.1	25.7	24.5	23.3
2. Secondary	33.1	34.0	36.5	36.4	35.6	34.3
3. Tertiary	37.6	37.2	36.5	37.9	39.9	42.5
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0

Table 12: Financial Intermediary Services (FISM) in Current Prices

Economic Sector	2000	2001	2002	2003	2004	2005
Agriculture	0.24	0.31	0.5	0.42	0.35	0.07
Manufacturing	31.78	42.8	42.6	53.5	85.9	66.7
Building & Construction	24.46	38.9	50.9	63.6	113.8	123.4
Trade & commerce	21.55	37.6	40.4	37.5	65.2	61.4
Transport	41.40	50.8	44.9	44.5	57.0	42.1
Personal Consumption Exp.	39.99	127.4	62.1	147.9	93.1	180.6
Total FISIM in mil nu	159.43	297.84	241.36	347.40	415.24	474.19

Table 13: Financial Intermediary Services (FISM) in Constant Prices

Economic Sector	2000	2001	2002	2003	2004	2005
Agriculture	0.24	0.30	0.51	0.44	0.36	0.07
Manufacturing	31.78	42.2	44.3	56.2	86.7	68.0
Building & Construction	24.46	38.4	53.0	66.9	114.8	125.8
Trade & commerce	21.55	37.1	42.1	39.4	65.8	62.5
Transport	41.40	50.1	46.7	46.7	57.5	42.9
Personal Consumption Exp.	39.99	125.7	64.6	155.5	93.9	299.2
Total FISIM in mil nu	159.43	293.83	251.19	365.29	419.09	598.40

Table 14: Gross Domestic Product by expenditures in current prices (million Nu.)

Description	2000	2001	2002	2003	2004	2005
Final consumption expenditure	13,746.9	15,122.4	16,805.5	18,914.4	20,456.4	22,497.7
Household and NPISH	9,416.0	10,281.3	11,415.1	12,994.9	13,806.7	14,586.2
General government	4,331.0	4,841.1	5,390.4	5,919.5	6,649.7	7,911.5
Gross domestic capital formation	9,512.1	13,559.1	15,638.3	16,682.4	19,722.5	18,959.5
Construction	6,835.2	9,724.1	12,133.3	13,227.0	14,249.5	13,796.0
Machinery and equipment	3,030.5	3,642.3	3,671.6	3,679.2	5,554.7	5,064.3
Change in inventory	(353.5)	192.8	(166.6)	(223.7)	(81.7)	99.2
Net export of goods and services	(4,835.4)	(4,196.7)	(7,424.7)	(8,563.7)	(10,764.8)	(5,850)
Export of goods and services	5,720.3	6,425.2	4,436.5	4,894.2	9,699.6	12,946.6
Imports of goods and services	10,555.7	10,621.9	11,861.2	13,457.9	20,464.4	18,796.2
Total Expenditure on GDP	18,423.70	24,484.9	25,019.1	27,033.1	29,414.2	35,607.6

Table 15: Gross Domestic Product by Expenditure in 2000 Prices.

	2000	2001	2002	2003	2004	2005
Final consumption expenditure	13,746.9	14,553.8	15,629.0	18,258.4	19,040.6	20,624.8
Household and NPISH	9,416.0	9,872.3	10,542.3	12,786.8	13,163.8	13,986.2
General Government	4,331.0	4,681.5	5,086.7	5,471.7	5,876.8	6,638.6
Gross domestic capital formation	9,512.2	12,378.4	14,084.5	13,956.6	16,028.1	14,108.5
Construction	6,835.2	8,623.3	10,712.9	10,661.3	11,059.7	9,689.6
Machinery and equipment	3,030.5	3,568.9	3,529.3	3,503.0	5,037.0	4,333.1
Change in inventory	(353.5)	186.3	(157.7)	(207.7)	(68.5)	85.8
Net export of goods and services	(4,835.4)	(4,058.3)	(7,006.4)	(7,915.8)	(9,513.5)	(4,911.6)
Export of goods and services	5,720.3	6,213.3	4,186.5	4,523.9	8,572.1	10,870.7
Imports of goods and services	10,555.7	10,271.5	11,192.9	12,439.7	18,085.6	15,782.4
Total Expenditure on GDP	18,423.7	22,873.9	22,707.1	24,299.3	25,555.2	29,821.7

Table 16: Estimates of government and private savings (in mn. Nu.)

Year	2000	2001	2002	2003	2004	2005
Revenue	4677.3	4668.2	5061.9	4820.4	5411.0	7055.8
Government consumption	4,331.0	4,841.1	5,390.4	5,919.5	6,649.7	7,911.5
Government saving	346.3	-172.9	-328.5	-1099.1	-1238.8	-855.7
Gross saving	2671.5	7259.6	6459.3	5779.9	5128.7	9440.0
Private saving	2325.3	7432.5	6787.8	6879.0	6367.5	10295.7

Table 17: Gross Domestic Capital Formation in current Prices

In current prices	2000	2001	2002	2003	2004	2005
--------------------------	-------------	-------------	-------------	-------------	-------------	-------------

1. Machinery and equipment	3,030	3,642	3,672	3,679	5,555	5,064
Govt.	973	1,035	1,368	655	813	611
Private	2,058	2,608	2,304	3,025	4,741	4,454
2. Construction	6,835	9,724	12,133	13,227	14,250	13,796
Government	2,108	2,530	2,728	1,993	2,423	3,059
Private	4,728	7,194	9,406	11,234	11,827	10,737
Gross fixed capital formation	9,866	13,366	15,805	16,906	19,804	18,860
Change in stock	(354)	193	(167)	(224)	(82)	99
Gross domestic capital formation	9,512	13,559	15,638	16,682	19,723	18,960

Table 18: Gross Domestic Capital Formation in 2000 price

	2000	2001	2002	2003	2004	2005
1. Machinery and equipment	3,031	3,569	3,529	3,503	5,037	4,333
Government.	973	1,014	1,315	623	738	523
Private	2,058	2,554	2,214	2,879	4,299	3,811
2. Construction	6,835	8,623	10,713	10,661	11,060	9,690
Government	2,108	2,243	2,408	1,607	1,880	2,148
Private	4,728	6,380	8,304	9,055	9,179	7,541
Gross fixed capital formation	9,866	12,192	14,242	14,164	16,097	14,023
Change in stock	(354)	186	(158)	(208)	(69)	86
Gross domestic capital formation	9,512	12,378	14,084	13,957	16,028	14,109

Table 19: Account 1: Gross Domestic Product and Expenditure in Current Prices

Years	2000	2001	2002	2003	2004	2005
-------	------	------	------	------	------	------

OUT-GOING						
Compensation of employees & operating surplus	15969	21691	21668	23146	24946	30363
Consumption of fixed capital	1964	2243	2473	2819	3075	3576
Indirect taxes less subsidies.	491	551	878	1068	1393	1668
Gross Domestic Product	18424	24485	25019	27033	29414	35607

INCOMING						
Govt. final consumption	4331	4841	5390	5920	6650	7912
Private final consumption	9416	10281	11415	12995	13807	14586
Increase in stocks	-354	193	-167	-224	-82	99
Gross fixed capital formation	9866	13366	15805	16906	19804	18860
Exports of Goods & Services	5720	6425	4436	4894	9700	12947
Less import of goods and services	10556	10622	11861	13458	20464	18796
Expenditure on the Gross domestic product	18424	24485	25019	27033	29414	35607

Table 20: Account 2: National Disposable Income and its Appropriation

Years	2000	2001	2002	2003	2004	2005
--------------	-------------	-------------	-------------	-------------	-------------	-------------

OUT - GOING						
Govt. final consumption	4331	4841	5390	5920	6650	7912
Private final consumption	9416	10281	11415	12995	13807	14586
Net Saving	2366	3427	5262	5235	4889	7351
Appropriation of disposable income	16112	18549	22067	24149	25346	29849

INCOMING						
Compensation of employees & operating surplus	15969	21691	21668	23146	24946	30363
Compensation of employees from ROW(net)	-2309	-5773	-1493	-1665	-3328	-4676
Net Property and entrepreneurial income from ROW	-22	-11	-370	-670	-747	-588
Indirect taxes less of subsidies	491	551	878	1669	1393	1668
Current transfers from ROW (net)	1983	2092	1384	1669	3082	3082
Disposable Income	16112	18549	22068	24149	25346	29849

Table 21: Account 3: Income and outlay account in current prices.

Years	2000	2001	2002	2003	2004	2005
OUTGOING						
Increase in stock	-354	193	-167	-224	-82	99
Gross Fixed Capital Formation	9866	13366	15805	16906	19804	18860
Purchase of intangible assets nec.						
Net Lending to the rest of the world	-6841	-6300	-9179	-10903	-14594	-9520
Gross Accumulation	2672	7260	6459	5780	5129	9440

INCOMING						
Net Saving	2366	3427	5262	5235	4889	7351
Consumption of fixed capital	1964	2243	2473	2819	3075	3576
Capital transfer from ROW (net)	-1657	1590	-1275	-2273	-2836	-1487
Finance of Gross Accumulation	2672	7260	6460	5780	5129	9440

Table 22: Account 4: All accounts - External current transactions in current prices.

Years	2000	2001	2002	2003	2004	2005
OUTGOING						
Exports of goods and services	5720	6425	4436	4894	9700	12947
Compensation of employees from ROW						
Property and entrepreneurial from ROW	705	663	542	499	444	484
Other current transfers from ROW	3945	4208	3659	3991	5718	5718
Current receipts	10370	11297	8638	9384	15862	19149

INCOMING						
Imports of goods and services	10556	10622	11861	13458	20464	18796
Compensation of employees to ROW	2309	5773	1493	1665	3328	4676
Property and entrepreneurial to ROW	727	675	912	1169	1191	1072
Other current transfers to ROW	1962	2116	2275	2322	2636	2636
Surplus of the Nation on						
Surplus of the Nation on current transaction	-5184	-7889	-7903	-9230	-11758	-8032
Disposal of current receipts	10370	11297	8638	9384	15862	19149

**TABLE 23. CONSUMER PRICE INDEXES - FOOD AND NON FOOD COMPONENTS,
BHUTAN. 3rd Qtr. 2003=100**

ITEM	2000	2001	2002	2003	2004	2005	2006	
	INDEX						Q1	Q2
FOOD	95.60	97.06	99.14	100.39	102.49	108.37	110.32	114.63
NON - FOOD	87.64	93.22	96.23	99.89	105.42	110.82	113.97	116.61
TOTAL	92.34	95.49	97.86	100.27	104.49	110.04	112.81	115.98
ANNUAL AVERAGE INFLATION RATE								
FOOD	0.95	1.53	2.15	1.46	2.29	5.74	2.13	6.76
NON - FOOD	9.24	6.41	3.23	3.74	5.79	5.12	3.58	5.90
TOTAL	4.01	3.41	2.48	2.60	4.43	5.31	3.13	6.13
PURCHASING POWER OF NGULTRUM (PPN)	1.08	1.05	1.02	1.00	0.96	0.91	0.89	0.86

BRIEF DESCRIPTION OF UNITED

NATIONS *System of National Accounts (SNA):*

The United Nations *System of National Accounts* (SNA) gives a complete description of the economic system. It consists of a coherent, consistent and integrated set of macroeconomic accounts and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules for the purposes of economic analysis and policy-making. The certain key aggregates of the System, such as GDP / GNP and NDP per capita have acquired an identity of their own and are widely used by analysts, politicians, press, business community and public at large as summary for the global indicators of economic activity and welfare. Movements of such aggregates, and their associated price and volume measures are used to evaluate the overall performance of an economy and hence to judge the relative success or failure of economic policies pursued by the nation. ***Gross Domestic Product*** (GDP) is a measure of production. The level of production is important because it largely determines how much a country can afford to produce, generate income, consume and save. It represents the aggregated final results of the production activities of all the production entities (Units) located within the territorial or geographical

boundary of a country in a year or in an accounting year.

Production activities are normally those, which result in the production of goods and services for sale in the market and for own use. The Government activities related to public administration, defense and activities of non-profit institution should also be counted as economic activities even when their output is not sold in the market on a commercial basis. GDP includes the construction of buildings by households and enterprises for their own use, and the production of crops and livestock in the farms for self-consumption. This is simply because there are usually close market parallels for these activities. However, unpaid services rendered by housewives and other household members are not included in GDP. The variants of GDP are ***Net Domestic Product*** (NDP), ***Gross National Product*** (GNP) and ***Net National Product*** (NNP). All these can be estimated at factor cost and at market prices. Further, all the above flows are measured in current and constant prices. Interrelations among these flows can be seen from the Table 1 presented in this report. The establishments producing goods and services can be classified

upon the nature of goods and services produced by them into various categories termed as groups,

major groups, divisions and major divisions. Major divisions represent the largest categories into which production activities can be classified. For measuring gross domestic product, *the UN System of National Accounts* (SNA) suggests the classification of the producers activities into nine major divisions like :-

- (1). *Agriculture, hunting, forestry and fishing.*
- (2). *Mining and quarrying.*
- (3). *Manufacturing.*
- (4). *Electricity and water.*
- (5). *Construction.*
- (6). *Wholesale and retail trade*
- (7). *Hotels and restaurants.*
- (8). *Transport, storage and communication.*
- (9). *Financing, insurance, real estate and business services.*
- (10). *Community, social and personal Services (Govt.).*
- (11). *Private, social and recreational services*

The above classification is also briefly known as *the Industrial classification of all Economic Activity*. Generally some part of the total output of

each sector is purchased by other sectors to be used in the process of production as an intermediate consumption. Therefore, to estimate the value of gross domestic product of that particular sector, the total value of output of the sector minus its intermediate consumption is taken as its contribution to GDP. The GDP is represented by the aggregated value of gross domestic product of all the sectors and is also equal to the value of goods and services produced domestically which are available for final uses like consumption, saving and export.

Methods/ Approaches:

As per the SNA, there are three approaches for the measurement of GDP, which are known as

- (i) *The Production approach ,*
- (ii) *The Income approach and*
- (iii) *The Expenditure approach* explained briefly below.

The Production approach is a simple method. In economics, production means making a thing more useful by processing or addition to the utility which can be valued and which is scarce in relation to demand is known as value added or

product. Thus, **production** means, " **Value added**". The gross value of output (GVO) minus the value of intermediate consumption (IC) is equal to gross value added or GDP. e.g. :-

$$\text{GVO} - \text{IC} = \text{GDP}.$$

The Income approach can be measured as the sum of incomes paid out to employees by the Producer known as compensation of employees (CE), operating surplus (OS) of the producer and the consumption of the fix capital (CFC), which is also known as depreciation. The sum of all the three elements covering payments to the factors of production is also equal to gross value added at factor costs. If we add indirect taxes (IT) less subsidies on production, the measurement would be at producer's values.

e.g. :- $\text{CE} + \text{OS} + \text{CFC} + (\text{IT}) = \text{GDP}.$

The Production approach and the Income approach give the same results. Thus, in an accounting year value of product (total value added) is the same as income earned by Factors of production.

The Expenditure approach is an aggregated approach, which accounts private consumption; government consumption, capital formation and net export ¹/ during an accounting

year. In other words, it is the sum of final consumption expenditure (FCE) of households / private and Government, Gross domestic capital formation (GDCF) or investment and Net export (export-import).

E.g.: - $\text{FCE} + \text{GDCF} + \text{Net Export} = \text{GDP}.$

The Final uses of GDP: -

The Final uses of GDP are Final consumption expenditure (FCE); Gross domestic capital formation and Net export (Export minus Import).

The Final consumption expenditure: -

The ultimate objective of economic activity is the final consumption of goods and services by directly by households or organized or financed collectively by government or by Private non-profit institutions. The final consumption consists of those goods or services, which are acquired and used either collectively or individually, by households in order to satisfy the needs or wants of the persons of which they are composed, during an accounting period. An individual

consumption good or service is one acquired by individual households for the exclusive use of those households. A collective consumption service is a service provided to the community as a whole or to a particular section of the community and which is acquired and used by all members of the community. The final consumers are (a)

¹-/ *Export of goods and services less import of goods and services*

Households² /, **(b) Non-profit bodies**³ / and **(c) Government**⁴ /.

In Bhutan, non-profit bodies form part of the government sector. Therefore, final consumers consist of only general government bodies and resident households. In other words, the final consumption of the households is measured as the outlays of resident households on new durable and non-durable goods and services less their net sales of second hand goods, scraps and wastes. **The**

²-/ *The household consumption expenditure consists of the total expenditure, both actual and imputed, made by resident households for the purpose of acquiring individual consumption goods and services.*

³-/ *The Non-profit institution consumption expenditure is also like government consumption expenditure, which consists of expenditure on current non-durable goods and services serving households in the domestic market and abroad reduced by their sales of second hand goods, scraps and wastes. The consumption expenditures of non-resident households in the domestic market are excluded from consumption estimate as they are treated as export.*

⁴-/ *The total expenditures made by general government on both individual government goods and services and collective consumption services. It consist expenditures of the government on all types of goods and services of current nature (non-durable goods) including their purchases abroad for their embassies and extra-territorial bodies excluding goods of current nature sold by them in the accounting year and their expenditures on compensation of employees. Government consumption expenditure do not include transfers made by the government to the households and to the business communities ; and expenditure of government on gross capital formation of assets.*

Gross Capital Formation is made up of **Gross Fixed Capital Formation** (GFCF) and **increase/decrease in stocks**. GFCF is measured as outlays (purchases and own-account production) of industries, general government (producers of government services) and non-profit bodies on additions of new durable goods to their stocks of fixed assets less their net sales of similar second-hand and scrapped goods. Excluded are the outlays of government services on durable military goods⁵ /.

Included are the outlays on

acquisitions of reproducible and non-reproducible durable goods, the outlays on the reclamation, clearing and leveling of land for purposes of agriculture or construction, the outlays on clearing of forest for timber tracts, plantations, vineyards until they become productive, the acquisition of breeding stock, drought animals, dairy cattle and the transfer costs in connection with purchases and sales of land, mineral deposits and wells etc.

Increase / decrease in stocks is measured as the

⁵-/ *Consist of durable goods, which are purely for military use such as destructive military weapons, ships, planes, vehicles and others, the sole purpose of which is to use in, armed conflicts, a process which is evidently not production. It is proposed that durable military goods should be treated as capital goods if the same kind of good is acquired by civilian users for the purpose of production and if the good is regularly use in a same way as civilian.*

difference between the stocks of materials, semi-processed or finished products or supplies held by producers pending their sale or for other use; work-in-progress in construction projects, livestock raised for slaughter, merchandise held by resident industries; stocks of strategic materials and emergency stocks of important products held by the government bodies, at the beginning and at the end of the accounting period, both valued at approximate average prices ruling over the period.

The consumption of fixed capital (depreciation) accounts the difference between flows recorded "gross" and flow recorded "net" in the system. E.g. gross capital formation less consumption of fixed capital derives net capital formation. The consumption of fixed capital is the declining value of the durable goods between the beginning and

end of the accounting period. The decline in value is attributed by the deterioration in the physical qualities in the course of production, deterioration due to passage of time, normal accidental damage and normal obsolescence due to technological progress in production method.

The Net Export is the difference between export and import. The export of goods and services consists of actual or imputed sales, or gifts or grants, of goods and services from resident to non-resident economic units and vice versa. The

exports & imports of goods and services in balance of payments are related to movement of goods and services and other flows between custom frontiers or the territorial limits of the country. Thus, in national accounts, exports of goods and services consist of the outward movement of merchandise across the custom frontier and of other goods across the boundaries of the domestic territory including the direct purchases in the country of extra-territorial organizations and non-resident persons.

Exports of services include the cost of transport and insurance services provided by the resident

producers of the country. Merchandise exports are expressed in f.o.b. (free on board). Import of goods and services include the value of inward movement of merchandise across the custom frontier of a country and of other goods across the boundaries of the domestic territory including direct purchases of the government services and the residents of the country abroad. Imports also include the charges of resident producers for transport and insurance services in respect of these imports. Merchandise imports are valued at C.I.F. (cost, insurance and freight).