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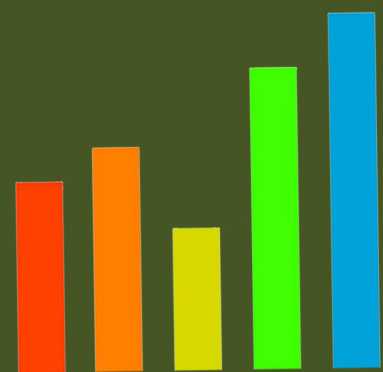
Royal Monetary Authority of Bhutan

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ROYAL MONETARY
AUTHORITY
OF BHUTAN



ANNUAL REPORT
2013/14



ROYAL MONETARY AUTHORITY
OF
BHUTAN

ANNUAL REPORT
2013/14

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PREFACE

This report reviews macroeconomic developments that have taken place in the Bhutanese economy during the fiscal year 2013/14. Nonetheless, some important events that have occurred in the recent past have also been covered. Commentaries on the economic sectors are based on information provided by government authorities, financial institutions, corporate bodies and private sector sources. Time series data on various economic statistics are available in the statistical section of the report. The annexure provides detailed background and updates on selected economic sectors. An overview of events in the global economy and forecasts for the medium term is also presented based on the IMF World Economic Outlook publications. The annual accounts of the RMA are published in accordance with the stipulations of the Royal Monetary Authority of Bhutan Act, 2010.

The RMA Act, 2010 (Chapter X, Articles 166 and 167) also empowers the RMA to collect data from individuals, companies, organizations and government bodies.

All views expressed in this report pertaining to the domestic economy are those of the RMA and do not necessarily represent those of the data sources.

We thank all those who have contributed to the information contained in this report.

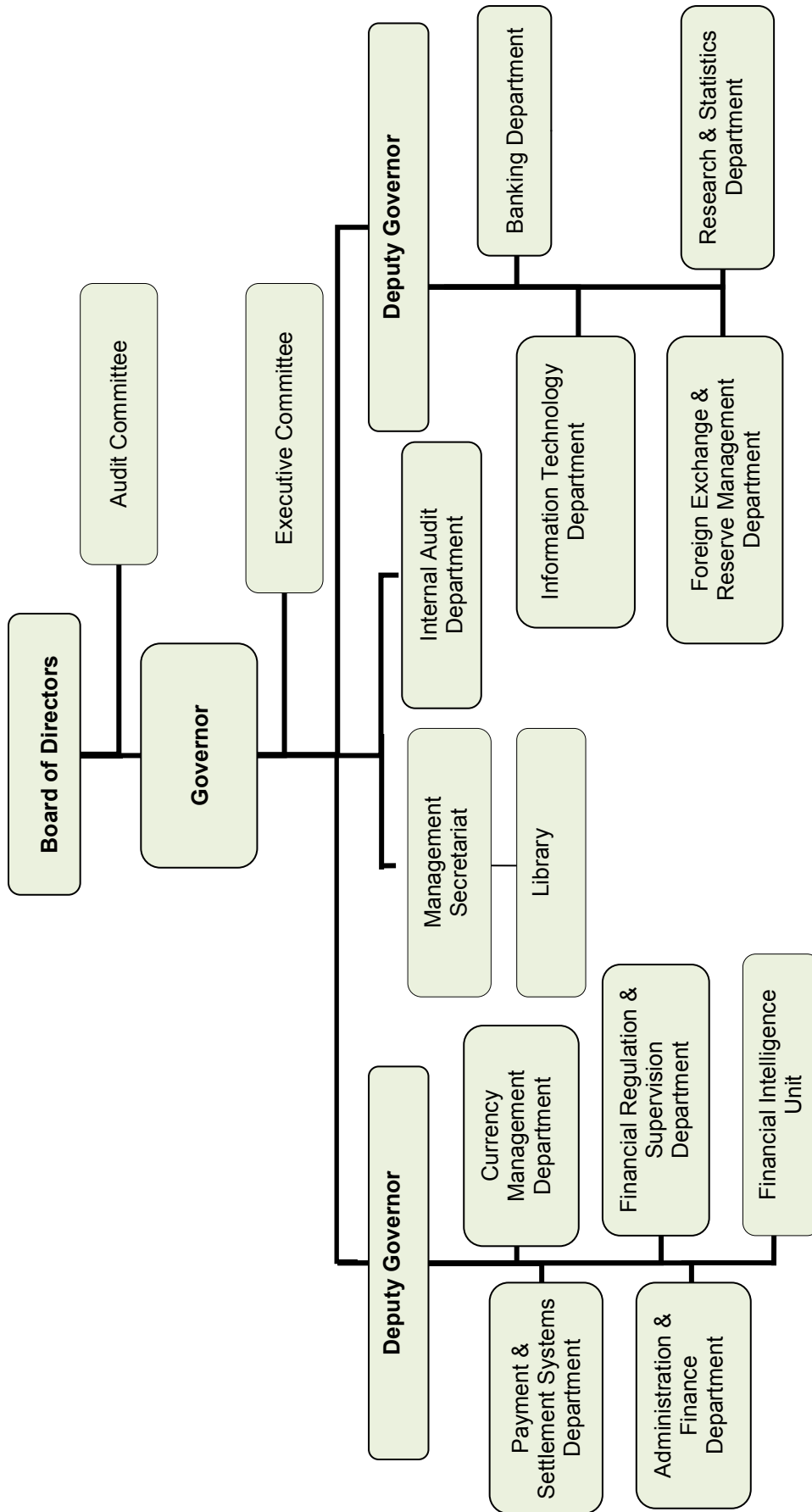
BOARD OF DIRECTORS

Mr. Daw Tenzin Governor Royal Monetary Authority of Bhutan	-	Chairman
Mr. Lam Dorji Secretary Ministry of Finance	-	Deputy Chairman
Mr. Nima Wangdi Secretary Ministry of Health	-	Director
Mr. Sonam Wangchuk Independent Member	-	Director
Mr. Sonam Wangchuk Secretary Gross National Happiness Commission	-	Director
Mr. Pushpa Lal Chhetri Deputy Governor Royal Monetary Authority of Bhutan	-	Director
Ms. Eden Dema Deputy Governor Royal Monetary Authority of Bhutan	-	Director & Member Secretary

MANAGEMENT

1. Governor	Daw Tenzin
2. Deputy Governor	Eden Dema
3. Deputy Governor	Pushpa Lal Chhetri
4. Director, Administration & Finance Department	Phub Dorji Tangbi
5. Director, Banking Department	Phajo Dorjee
6. Director, Currency Management Department	Rinzin Lhamu
7. Director, Financial Regulation & Supervision Department	Tshering Dema
8. Director, Foreign Exchange & Reserve Management Department	Karma Rinzin
9. Director, Information Technology Department	Sherab Jamtsho
10. Director, Internal Audit Department	Julien Gurung
11. Director, Management Secretariat	Namgay Tshering
12. Director, Payment & Settlement Systems Department	J.N. Pradhan
13. Director, Research & Statistics Department	Pema D. Dorjee

ORGANIZATION CHART OF THE RMA



ABBREVIATIONS AND SYMBOLS

Abbreviations

ACC	Anti Corruption Commission
ACU	Asian Clearing Union
ADB	Asian Development Bank
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ASEAN	Association of South East Asian Nations
ATM	Automated Teller Machine
BAS	Bhutan Accounting Standard
BBPL	Bhutan Board Products Limited
BCCL	Bhutan Carbide and Chemicals Limited
BDBL	Bhutan Development Bank Limited
BEA	Bhutan Electricity Authority
BEVL	Bhutan Eco Ventures Limited
BFAL	Bhutan Ferro Alloys Limited
BHP	Basochhu Hydropower Plant
BIL	Bhutan Insurance Limited
BNBL	Bhutan National Bank Limited
BOIC	Business Opportunity and Information Centre
BOBL	Bank of Bhutan Limited
BOP	Balance of Payments
BPC	Bhutan Power Corporation
BPCL	Bhutan Polymers Company Limited
BPM6	Balance of Payments Manual (Sixth edition)
BRCL	Bhutan Resorts Corporation Limited
BTCL	Bhutan Tourism Corporation Limited
CAR	Capital Adequacy Ratio
CASA	Current and Savings Account
CC	Convertible Currency
CHP	Chukha Hydropower Plant
CIB	Credit Information Bureau
COTI	Countries Other Than India
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
CY	Calendar Year (Jan-Dec)
DACL	Druk Air Corporation Limited
DCCL	Dungsum Cement Corporation Limited
DFAL	Druk Ferro Alloys Limited
DGPC	Druk Green Power Corporation Limited
DHPCL	Dagachhu Hydro Power Corporation Limited

DHI	Druk Holding and Investments
DMB	Deposit Money Bank
DPA	Department of Public Accounts, Ministry of Finance
DPL	Dungsam Polymers Limited
DPNBL	Druk PNB Bank Limited
DPCL	Druk Plaster and Chemicals Limited
DPRs	Detailed Project Reports
DRC	Department of Revenue and Customs
DSCL	Druk Satair Corporation Limited
DWAL	Druk Wang Alloys Limited
EBCCCL	S.D Eastern Bhutan Coal Company Limited
EFIC	Export Finance and Insurance Corporation
EFTCS	Electronic Funds Transfer and Clearing System
EJG	Empowered Joint Group
FAM	Familiarization
FCA	Foreign Currency Account
FCB	Food Corporation of Bhutan
FDI	Foreign Direct Investment
FI	Financial Institution
FIRMA	Financial Institutions Ratio Management and Analysis System
FIU	Financial Intelligence Unit
FSA	Financial Services Act
FSDP	Financial Sector Development Program (ADB TA)
FSU	Financial Stability Unit
FY	Fiscal Year (July-June)
GDP	Gross Domestic Product
GEPF	Government Employees Provident Fund
GICI	General Insurance Corporation of India
GNH	Gross National Happiness
GOI	Government of India
GVA	Gross Value Added
G2C	Government to Citizen
ICT	Information and Communication Technologies
IDA	International Development Association (World Bank)
IFAD	International Fund for Agricultural Development (UN)
IG	Inter-governmental
IIP	International Investment Position
IMF	International Monetary Fund
IMS	Institute of Management Studies
INGO	International Non Government/Profit Organization
INR	Indian Rupee
IPO	Initial Public Offering

JICA	Japan International Cooperation Agency
JMCL	Jigme Mining Corporation Limited
JV	Joint Venture
KFAED	Kuwait Fund for Arab Economic Development
KHP	Kurichhu Hydropower Plant
KCL	Kuensel Corporation Limited
LOC	Line of Credit
LPG	Liquid Petroleum Gas
M0	Reserve Money
M1	Narrow Money
M2	Broad Money
MDG	Millennium Development Goals
MFCC	Macroeconomic Framework Coordination Committee
MFCTC	Macroeconomic Framework Coordination Technical Committee
MFSM	Monetary and Financial Statistics Manual
MICE	Meetings, Incentives, Conferences, Exhibitions
MIGA	Multilateral Investment Guarantee Agency
MIPA	Movable and Immovable Property Act
MOEA	Ministry of Economic Affairs
MOF	Ministry of Finance
MOLHR	Ministry of Labour and Human Resources
MOU	Memorandum of Understanding
MW	Megawatt
MTFF	Medium Term Fiscal Framework
NBFI	Non Bank Financial Institution
NDC	Net Domestic Credit
NECS	National Electronic Clearing System
NEFT	National Electronic Funds Transfer System
NFA	Net Foreign Assets
NPL	Non Performing Loans
NPPF	National Pension and Provident Fund
NRB	Non-Resident Bhutanese
NSB	National Statistics Bureau
OD	Other Deposits
ODF	Overdraft Facility
OIN	Other Items Net
OMO	Open Market Operations
PCAL	Penden Cement Authority Limited
PFP	Provident Fund Plan

PNB	Punjab National Bank
POS	Point of Sales
PPI	Producer Price Index
PPN	Purchasing Power of Ngultrum
PPP	Public Private Partnership
PSU	Public Sector Undertakings
RBI	Reserve Bank of India
RCC	Roller Compact Concrete
RGOB	Royal Government of Bhutan
RICBL	Royal Insurance Corporation of Bhutan Limited
RMA	Royal Monetary Authority of Bhutan
RSEBL	Royal Securities Exchange of Bhutan Limited
RSTLAW	RMA Short Term Liquidity Adjustment Window
RCSC	Royal Civil Service Commission
RWCR	Risk Weighted Capital Adequacy Ratio
SAARC	South Asian Association for Regional Cooperation
SAARCFINANCE	Network of SAARC Central Bank Governors and Finance Secretaries
SAME	SAARC Market for Electricity
SBI	State Bank of India
SADC	Swiss Agency for Development and Cooperation
SEACEN	South East Asian Central Banks
SLR	Statutory Liquidity Ratio
SME	Small and Medium Scale Enterprise
STCBL	State Trading Corporation of Bhutan Limited
SWIFT	Society for Worldwide Inter-Bank Financial Telecommunications
TA	Technical Assistance
TBL	T-Bank Limited
TCB	Tourism Council of Bhutan
THP	Tala Hydropower Plant
UNCDF	United Nations Capital Development Fund
UNESCAP	United Nations Economic & Social Commission for Asia & Pacific
UNWTO	United Nations World Tourism Organization
UTB	Unit Trust of Bhutan
VPN	Virtual Private Network

Statistical Abbreviations and Symbols

e	estimated
p	provisional
r	revised estimates
-	the figure is zero or less than half the final digit shown or the item does not exist or the figure is not available
.	the figure is unknown or is not meaningful or is not to be published
---	change within a time series, causing a break in continuity
()	negative
₹	Indian Rupee

Note: Discrepancies in the totals are due to rounding.



MESSAGE FROM THE GOVERNOR

It has been nearly three years since the Royal Monetary Authority of Bhutan had to take several unconventional measures to address pressures from growing external imbalances. These imbalances emanated from deep-rooted, underlying structural factors and manifested as a severe shortage of Indian Rupees in the country. While the last three years were an extremely challenging time for the economy, valuable lessons were also learnt. For the financial sector in particular, it is my hope that the events of the last three years serve as a valuable guide towards more rational lending in the future. Moving forward, it is important that we are not disheartened by the slow pace of recovery and that we persevere with reform efforts. The contraction in Bhutan's economic growth since 2011 has continued, with real GDP hitting an all-time low of 2.1 percent in 2013. However, it should be expected that a recovery process that is sustainable will be gradual given that corrections needed in the economy have to do with addressing our economic fundamentals – boosting domestic production and productivity, increasing exports and diversification.

While growth in most sectors was sluggish, the slowdown in real GDP growth to 2.1 percent in 2013 was driven mainly by declines in the manufacturing, construction and general government sectors. However, the decline in these sectors was not unexpected, following from the measures that were put in place to redress the economic imbalances and temper consumption-related demand for Indian Rupees. Temporary restrictions were placed on personal construction and vehicle loans while the Government also initiated several expenditure rationalization and austerity measures to cut unnecessary costs. The National Statistics Bureau estimates a 2.2 percent real decline in Government's final consumption expenditure in 2013. Both Government and private investment also decreased in 2013 by 22.5 percent and 38.5 percent, respectively. The fiscal deficit in FY 2013/14 was contained at about 4.4 percent of GDP since the increase from 1.2 percent in FY 2011/12.

Credit to the private sector had been growing at an annual average of 33 percent in the years leading up to the 2012 Indian Rupee crunch. In order to curtail credit-financed consumption, which were also exerting a major drain on the country's limited Rupee reserves, loans for personal housing and vehicles were temporarily suspended in 2012. Since then, annual credit growth to the private sector has moderated to 7.1 percent as of June 2013 and further to 6.4 percent as of June 2014. In line with the RMA's stance to lift these restrictions once fiscal measures were put in place, the RMA reintroduced housing and vehicle loans with effect from 1st September 2014 after the Government revised taxes on vehicle imports and introduced new taxes on fuel consumption.

Credit growth however, is expected to pick up immediately to meet pent-up as well as new demand. Going forward, mindful of the dangers of credit-financed consumption, the RMA will continue to vigilantly monitor credit growth, while the Government must also stand ready to implement further fiscal measures should the need arise. With regard to housing loans in particular, the housing sector continues to dominate the loan portfolios of the financial institutions (24.9 percent as of June 2014) and there is a need to better align the supply of housing loans with location-specific demand for housing.

In general, in terms of the asset quality of the financial institutions, the overall NPLs ratio had increased to 12 percent as of June 2014 from 9.7 percent in June 2013, driven by the trade/commerce sector which had the highest NPL (29 percent), followed by the housing sector (17.4 percent), personal loans (15 percent) and the manufacturing/industry sector (13.3 percent). However, the RMA continues to review its macro prudential provisions, revising and amending provisioning requirements in line with underlying economic conditions and trends. The sectoral loan classification and risk weight for loans were further revised effective from December 2013 while several macro prudential rules and regulations (counter-cyclical capital buffer, sectoral capital requirement, leverage ratio, loan to value and loan to income, debt to equity, time varying capital provisioning and margin requirement, distribution of profit, disclosure requirements) are being implemented to mitigate risks emanating from the financial sector and macro-economic imbalances.

The imbalances in the economy have played out in the external sector where the trade deficit has remained elevated at over 20 percent of GDP over the last four years, pushing the current account deficit to 27.3 percent of GDP in FY 2013/14. However, driven by aid inflows, the capital and financial account surplus has been more than sufficient to finance the current account deficit resulting in a buildup of reserves by an equivalent of Nu.6.1 billion during FY 2013/14. As of June 2014, the country's gross external reserves stood at an equivalent of USD 997.9 million of which ₹ 10.1 billion were Indian Rupees and USD 829.3 million were convertible currency reserves. At this juncture however, I must draw your attention to our seemingly comfortable Indian Rupee position and point out that the reserve buildup is still being driven by aid inflows and hydropower financing, which are cyclical and temporary.

While aid inflows continued to finance the current account deficit in general, there has been a concomitant increase in external debt levels – convertible currency debt has reached USD 629.5 million as of June 2014 while Indian Rupee debt stood at ₹ 67.9 billion, increasing by 8.7 percent and 10.6 percent, respectively from a year ago. However, almost all of the convertible currency debt are concessional loans of the Government used to finance various socio-economic development projects while over 70 percent of Indian Rupee debt are hydropower debt. Notably, with the liquidation and non-renewal of the Indian Rupee loan through the overdraft facility from the SBI and PNB, India by June 2013 and repayment of the INR swap loan from the RBI in September 2013, hydropower loans now account for 83.4 percent of outstanding Rupee loan as of June 2014.

With the easing of pressures on the Indian Rupee, lifting of most of the unconventional measures and most importantly, recognition by the Government of the need for reforms to address our structural constraints, the low economic performance of 2013 will be a bottoming out of the GDP with recovery on the horizon. However, concerted and coordinated macroeconomic and structural policies by various stakeholders within the Government as well as the RMA will be key for a sustainable recovery process. As I have always pointed out, the policy imperative is to phase in targeted long-term policy measures to promote and boost domestic productivity and employment, to channel investments into productive sectors, diversify the economy and build the domestic supply and production base. Stakeholders, both within and outside the Government, need to step up inter-agency coordination and cooperation to work together in the reform process.

I would like to thank the Royal Government, the financial sector, the private sector, the media and the general public for their patience and cooperation as we braved the challenges of the last three years. Our resilience and determination has been the result of our collective good fortunes in being blessed with leadership that has been most visionary and benevolent – a force that unites and inspires all Bhutanese during our most trying times. I would like to take this opportunity to offer the RMA’s pledge to Their Majesties the Druk Gyalpo of Bhutan and the Fourth Druk Gyalpo to follow the exemplary examples set by Their Majesties in their self-less service to the people of Bhutan. The launch of the year-long celebrations of the 60th birth anniversary of the Fourth Druk Gyalpo also offers us an opportune moment to re-dedicate ourselves to the service of the Tsa-Wa-Sum.

Tashi Delek and a happy new year to all!

A handwritten signature in black ink, reading "Daw Tenzin". The signature is written in a cursive style with a long horizontal line extending to the right and a loop at the end.

Daw Tenzin
Governor

BHUTAN KEY ECONOMIC INDICATORS

Indicator	2010/11	2011/12	2012/13	2013/14
GDP Growth and Prices (percent change)				
GDP at Constant (2000) Price (a), (b)	11.7	7.9	5.1	2.1
Consumer Prices (c)	8.3	13.5	5.5	8.1
Wholesale Prices (India) (d)	9.9	7.4	4.9	5.6
Government Budget (in millions of Nu.) (e)				
Total Revenue and Grants	28,171.8	32,646.4	30,656.1	33,171.8
Of which: Foreign Grants	10,497.7	12,501.5	9,562.6	11,179.8
Total Expenditure and Net Lending	29,842.4	33,688.0	34,900.8	37,773.3
Current Balance	2,938.9	3,439.2	2,996.9	2,730.6
Overall Balance	(1,670.7)	(1,041.7)	(4,244.7)	(4,601.6)
(in percent of GDP)	(2.3)	(1.2)	(4.4)	(4.4)
Money and Credit (percent change, end of period)				
Broad Money, M2	21.2	(1.0)	18.6	6.6
Credit to Private Sector	29.4	30.1	7.1	6.4
Interest Rates (end of period)				
One Year Deposits	5.3	5.0-6.0	5.0-6.5	5.0-6.5
Lending Rate	10.0-16.0	10.4-16.0	10.0-16.0	10.0-16.0
91-day RMA Bills/ Treasury Bills	2.0	4.1	3.0	2.3
Balance of Payments (in millions of Nu.)				
Trade Balance	(20,835.3)	(19,880.6)	(22,038.3)	(22,426.9)
With India	(15,160.0)	(12,795.1)	(17,218.5)	(17,607.4)
Current Account Balance	(23,621.4)	(19,774.3)	(27,478.3)	(28,525.5)
(In percent of GDP)	(32.6)	(23.3)	(28.2)	(27.3)
With India	(18,171.5)	(15,685.8)	(26,375.4)	(26,808.7)
(In percent of GDP)	(25.1)	(18.5)	(27.1)	(25.7)
RGOB Loans	11,974.7	11,435.1	18,447.1	18,993.6
Of which: India	7,376.8	9,878.4	14,790.8	16,347.5
Errors and Omissions	(1,823.4)	(9,516.7)	2,278.6	3,441.7
Overall Balance	797.5	(9,068.4)	9,212.2	6,068.8
(In percent of GDP)	1.1	(10.7)	9.5	5.8
External Indicators (end of period)				
Gross Official Reserves in millions of USD	796.2	674.3	916.9	997.9
(In months of merchandise imports)	8.4	9.0	12.6	22.7
External Debt (percent of GDP)	79.5	87.4	98.4	101.3
CC debt (percent of GDP)	32.5	34.4	35.5	36.2
Rupee debt (percent of GDP)	47.0	53.0	62.9	65.0
Debt-Service Ratio (f)	51.7	127.1	229.2	26.8

Item	2010/11	2011/12	2012/13	2013/14
Memorandum Items				
(in millions of Nu. unless otherwise indicated)				
Nominal GDP (a), (b)	72,496.6	84,950.0	97,453.0	104,378.1
Ngultrum per USD (fiscal year average)	45.3	50.3	54.9	61.5
Money Supply, M2 (end of period)	50,639.8	50,122.9	59,451.2	63,387.8
Money Supply, M1 (end of period)	30,270.3	31,960.2	37,794.1	39,701.8
Counterparts				
Foreign Assets (Net)	35,144.5	35,168.6	48,566.4	53,886.5
Domestic Credit	30,705.7	46,466.1	52,432.3	52,299.0
Claims on Private Sector	33,625.2	43,734.6	46,824.6	49,838.7
Components				
Currency Outside Banks	6,893.7	6,390.7	5,681.2	5,704.6
Transferable Deposits	23,376.6	25,569.5	32,112.9	33,997.3
Other Deposits	20,369.5	18,162.7	21,657.1	23,686.0
Reserve Money, M0 (end of period)	19,727.6	16,743.1	23,997.4	26,638.2
of which: Banks' Deposits	11,927.4	9,397.7	16,607.6	18,543.7
Money Multiplier (M2/M0)	2.6	3.0	2.5	2.4
Income Velocity (GDP/M2)	1.4	1.7	1.6	1.6
Population Growth Rate (g)	2.5	2.4	3.0	1.5
Unemployment Rate (a), (h)	3.3	3.1	2.1	2.9

a) On a calendar year basis, e.g., the entry under 2013/14 is for 2013. b) Source: National Accounts Statistics 2014, NSB c) The CPI reflected in this table is for the last quarter of the fiscal year. d) Source: Reserve Bank of India. Wholesale Price Index of All Commodities, Base = 2004-05. Effective August 2010, the RBI revised the base year from 1993-04 to 2004-05, creating a break in the continuity and comparison of data. The newly-recalculated WPI commences from April 2004; reference period same as for Bhutan CPI. e) Data for 2013/14 are revised estimates. f) Debt service payments in percent of exports of goods and services. g) Data on CY basis; sourced from NSB; h) Updates sourced from Labour Market Information System, MOLHR.

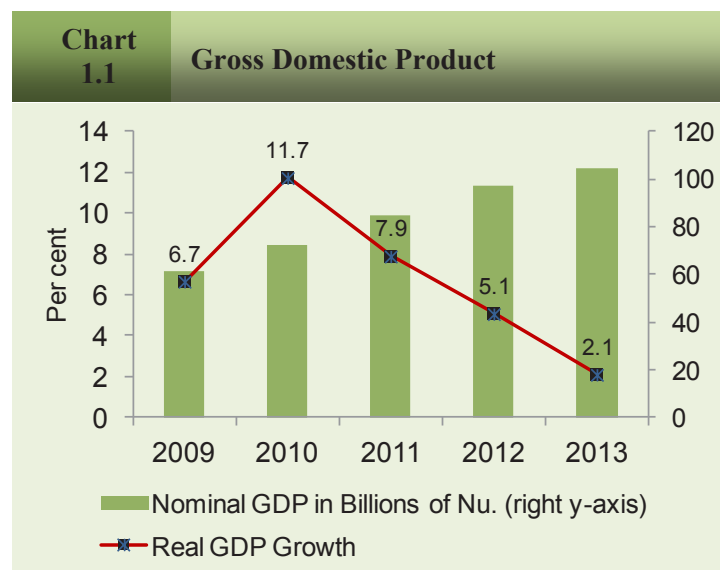


SECTION I

ECONOMIC
REVIEW

1. DOMESTIC ECONOMY

The economy has continued to slow down with **real GDP** growth at 2.1 percent in 2013. Growth in most sectors was sluggish with a few key sectors even declining in 2013. In particular, the manufacturing, construction and general government sectors displayed negative real growth in the year.



Sectors that performed relatively well and contributed to the overall growth in 2013 were mining and quarrying; electricity and water; and agriculture, livestock and forestry (refer Table 1.2).

In terms of the broad sector-wise performance of the economy, growth in 2013 was driven by the secondary sector, with a contribution of 1.5 percentage points to the real GDP growth of 2.1 percent. The contribution of the secondary sector however, has fallen from 2.9 percentage points in 2012. Similarly the contribution of the tertiary sector has been steadily declining since 2011 while the contribution of the primary sector increased from 0.3 to 0.4 percentage points (see Table 1.2).

Bhutan's per capita GDP in 2013 decreased to USD 2,440 from USD 2,533 in 2012.

Meanwhile, the unemployment rate increased from 2.1 percent to 2.9 percent in 2013. Higher rates of unemployment were observed in the age bracket of 20-24 and 25-29 years.

Unemployment rate, 2013 (in percent):

*Male vs. Female: 2.2: 3.7
Urban vs. Rural: 6.3: 1.5*

Youth unemployment rate, 2013 (in percent)

*Male vs. Female: 9.2: 9.9
Urban vs. Rural: 2.8: 4.0*

Bhutan's labour force participation rate increased to 65.3 percent in 2013 from 64.4 percent.

Labour Force Participation Rate, 2013 (in percent):

Male vs. Female: 72.1: 58.9

Source: National Statistics Bureau and Ministry of Labour and Human Resources (Labour Force Survey Report – 2013).

¹The **tertiary sector** consists of wholesale and retail trade; hotel and restaurants; transport, storage and communications; finance, insurance and real estate; general government, and other private and recreational services. The **secondary sector** comprises of mining and quarrying; manufacturing; electricity and water supply; and construction and the **primary sector** consist of crops; livestock; and forestry and logging activities.

Table 1.1 Real GDP Growth by Major Economic Sectors: 2006- 2013

Item	Year-on-year % change							
	2006	2007	2008	2009	2010	2011	2012	2013
Gross Domestic Product	6.9	17.9	4.7	6.7	11.7	7.9	5.1	2.1
Primary Sector	2.5	0.8	0.7	2.7	0.9	2.4	2.3	2.9
Secondary Sector	8.8	40.7	6.2	3.5	12.5	4.1	6.8	3.5
Tertiary Sector	7.3	5.9	4.8	12.2	15.2	13.9	4.3	0.3

Source: National Statistics Bureau. Discrepancies in the figures are due to rounding.

Table 1.2 Contribution to Real GDP Growth by Sector: 2006 - 2013

Sector	Real Contribution to GDP Growth							
	2006	2007	2008	2009	2010	2011	2012	2013
I. PRIMARY SECTOR	0.5	0.2	0.1	0.4	0.1	0.3	0.3	0.4
1. Agriculture, livestock & forestry	0.5	0.2	0.1	0.4	0.1	0.3	0.3	0.4
1.1 Crops	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.2
1.2 Livestock	0.1	0.2	0.0	0.1	0.1	0.0	0.1	0.1
1.3 Forestry & logging	0.3	(0.1)	(0.1)	0.1	(0.1)	0.1	0.1	0.1
II. SECONDARY SECTOR	3.3	15.3	2.8	1.6	5.5	1.8	2.9	1.5
2. Mining & quarrying*	0.3	0.4	0.4	(0.1)	0.2	0.4	(0.0)	0.7
3. Manufacturing	0.9	2.0	0.7	0.6	1.8	0.7	0.6	(0.7)
4. Electricity & water	3.6	12.2	3.0	(0.6)	1.2	(1.1)	(0.1)	1.8
5. Construction	(1.6)	0.7	(1.3)	1.7	2.4	1.8	2.4	(0.3)
III. TERTIARY SECTOR	3.1	2.5	1.8	4.7	6.1	5.7	1.9	0.1
6. Wholesale & retail trade	0.1	0.2	0.0	0.3	1.0	1.1	1.1	0.5
7. Hotels and restaurants	0.2	0.1	0.3	(0.1)	0.0	0.3	0.2	0.2
8. Transport, storage & communication	0.7	0.7	0.5	0.8	1.0	1.2	0.5	0.3
9. Financing, insurance & real estate	1.6	0.9	0.5	0.6	0.8	1.9	(0.7)	0.2
9.1 Finance	1.5	0.7	0.4	0.5	0.7	1.8	(0.7)	0.1
9.2 Real estate	0.0	0.2	0.0	0.1	0.0	0.1	(0.0)	0.1
9.3 Business services	-	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)
10. Community, social & personal services	0.6	0.4	0.3	3.1	1.7	0.5	(0.8)	(0.6)
10.1 Public Administration	(0.2)	(0.0)	0.2	1.4	1.0	0.3	(0.4)	(0.3)
10.2 Education & health	0.7	0.4	0.1	1.7	0.7	0.2	(0.4)	(0.3)
11. Private social, personal & recreational services	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Plus indirect taxes less subsidies	(0.1)	0.1	0.2	(0.0)	1.6	0.8	1.6	(0.5)
Total (Real GDP Growth in %)	6.9	17.9	4.7	6.7	11.7	7.9	5.1	2.0

Source: National Statistics Bureau.

* Mining and Quarrying is now included in the secondary sector. The series was revised from 2012 and backtracked to 2000. Hence the share and composition of the primary sector to the total GDP will be different from the past reported figures. (Note: An entry of "0.0" indicates a marginal value compared to "-" which indicates no value for that particular item)

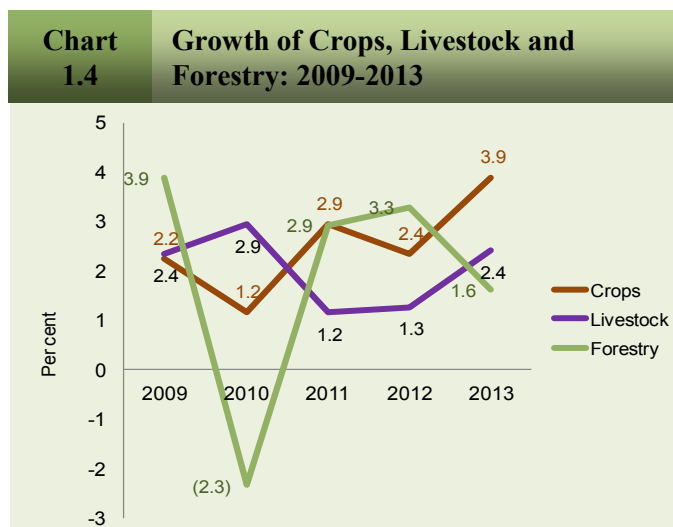
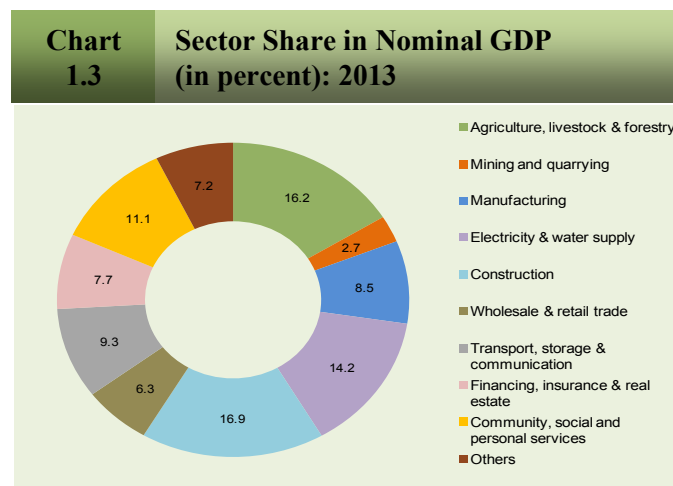
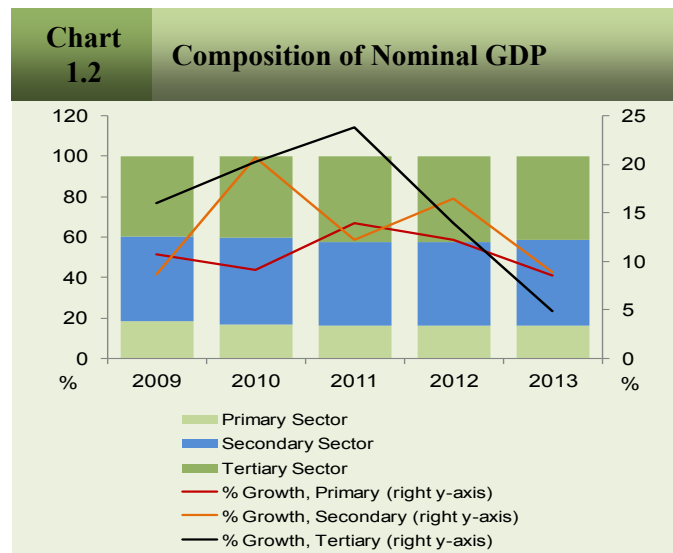
In **nominal** terms, GDP increased by 7.1 percent to Nu.104.4 billion in 2013 from Nu.97.5 billion in 2012.

In terms of the sector shares in nominal GDP, the agriculture, livestock and forestry sector, the construction sector, the electricity and water sector, the general government sector (community, social and personal services), and the transport, storage and communication sector have been the five largest sectors for the last decade. As Chart 1.3 illustrates, these sectors continue to dominate in 2013 as well.

Construction accounted for 16.9 percent of nominal GDP in 2013, followed by agriculture, livestock and forestry at 16.2 percent, electricity and water supply at 14.2 percent, and community and social services at 11.1 percent.

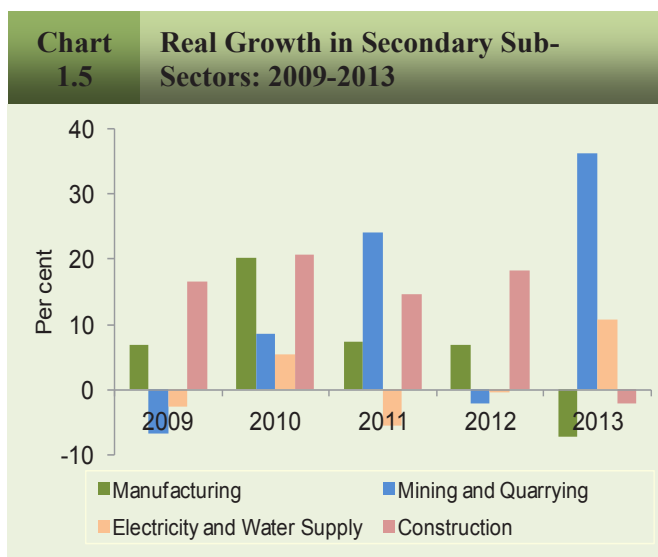
1.1 Primary Sector

The primary sector consisting of crops, livestock, and forestry and logging activities recorded real growth of 2.9 percent in 2013. The sector's share in nominal GDP increased by 0.2 percentage points to 16.2 percent in 2013. Improved growth in the sector was mainly on account of growth in the **crops** sub-sector (3.9 percent in 2013 from 2.4 percent in 2012) followed by growth in **livestock** (2.4 percent from 1.3 percent in 2012). Growth in **forestry and logging** on the other hand, declined from 3.3 percent to 1.6 percent in 2013.



1.2 Secondary Sector

The share of the secondary sector to nominal GDP increased to 42.3 percent in 2013 from 41.6 percent in 2012. However, the annual real growth of the secondary sector has fallen to 3.5 percent in 2013 compared to 6.8 percent in 2012. Within the sector, there was a rebound in the mining and quarrying sub-sector and the electricity and water sub-sector from negative growths in 2012. On the other hand, the manufacturing and construction sub-sectors both recorded negative growth of 7.2 and 2.1 percent, respectively, in 2013.

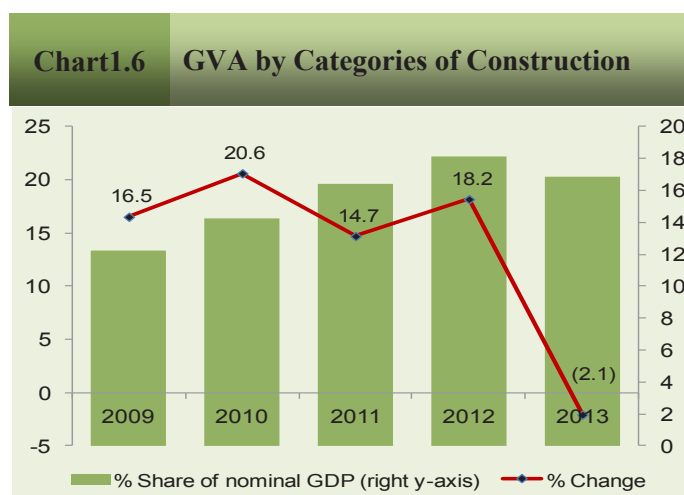


1.2.1 Manufacturing and Construction

The Indian Rupee shortages in 2012 and subsequent temporary restrictions on access to Indian Rupees for private home construction and vehicle imports continued into 2013 and impacted the activities of both the manufacturing and construction sub-sectors. In addition, both Government and private investment decreased in 2013 by 22.5 percent and 38.5 percent, respectively. Within the **manufacturing** sub-sector, a significant decrease was observed in 2013, as domestic sales of major industries declined. As in the past, Bhutan Ferro Alloys Limited continued to record the highest sales share in 2013 accounting for 25 percent of the total industry sales. However, BFAL registered a 1.2 percent decline in sales from 2012 mainly on the account of poor productivity by one of the old production plants.

In the construction sub-sector, from an average five-year growth of around 13 percent, this sub-sector declined drastically in 2013, recording a negative growth of 2.1 percent.

Similarly, GVA from the construction sub-sector at current prices was estimated at Nu.17.6 billion, a negative growth of 0.4 percent from 2012.

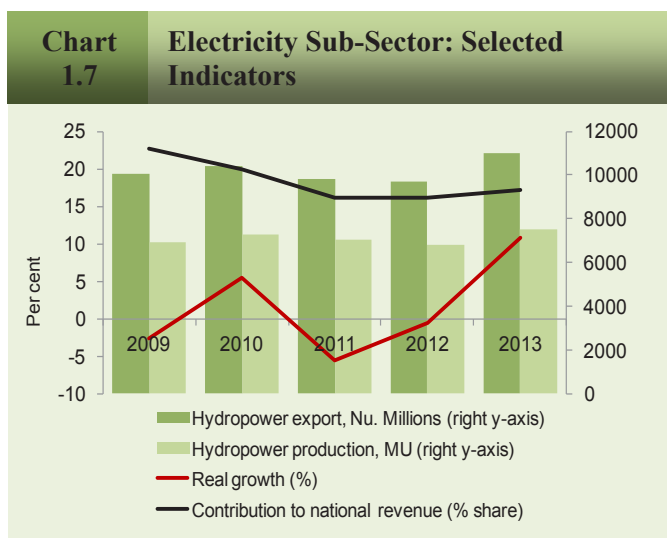


1.2.2 Electricity and Water

Despite the negative growths in the manufacturing and construction sub-sectors, the secondary sector grew in 2013, albeit at a lower rate than in 2012, because of the mining and quarrying and electricity and water supply sub-sectors.

Electricity and water includes electricity generation and distribution, water supply and purification, and the distribution activities of municipal bodies.

There was a major turnaround in the performance of this sub-sector in 2013 with a real growth of 10.7 percent after negative growth in the two preceding years. Growth was mainly due to the increase in hydropower generation by the four generating plants – CHP, BHP, KHP and THP (Table 1.3). Correspondingly, the real value of this sub-sector increased to Nu.9.8 billion from Nu.8.8 billion in 2012, and the share of this sub-sector to nominal GDP increased to 14.2 percent from 12.6 percent in 2012.



	<i>Unit in million</i>				
	2009	2010	2011	2012	2013
Basochhu	320.2	330.0	322.3	299.8	333.2
Chhukha	1,808.3	1,869.6	1,774.1	1,744.5	1,910.1
Kurichhu	370.1	377.7	361.8	360.9	378.6
Tala	4,396.2	4,726.8	4,588.0	4,405.5	4,914.6
TOTAL	6,894.9	7,304.0	7,046.2	6,810.7	7,536.5
	<i>Percent Change over Previous Year</i>				
Basochu	(3.2)	3.1	(2.3)	(7.0)	11.1
Chhukha	0.3	3.4	(5.1)	(1.7)	9.5
Kurichhu	(4.2)	2.0	(4.2)	(0.2)	4.9
Tala	(4.7)	7.5	(2.9)	(4.0)	11.6
TOTAL	(3.3)	5.9	(3.5)	(3.3)	10.7

Source: Respective hydropower plants; 1 unit = 1KWh.

Total energy sales (exports and domestic sales) from the four hydropower plants in 2013 increased by 14.1 percent from the previous year. Contributions to total electricity sales were as follows: THP at 62.4 percent (60.9 percent in 2012), followed by CHP at 29.9 percent (31.2 percent in 2012), KHP at 4.2 percent (4.5 percent in 2012) while the share of BHP remained at 3.4 percent. The export of electricity to India increased by 11.8 percent in 2013, from Nu.9.7 billion in 2012 to Nu.10.9 billion. Overall domestic sales also increased significantly by 43 percent.

A feature report on Bhutan's hydropower sector is presented in **AnnexV**.

1.2.3 Mining and Quarrying

Mining and quarrying registered a real growth of 36.2 percent in 2013 improving sharply from the negative growth of 2.2 percent in 2012, on the back of increased mineral production (Table 1.4). Correspondingly, the share of this sub-sector in total GDP also increased from 2 percent in 2012 to 2.7 percent in 2013.

Items	2009	2010	2011	2012	2013
Dolomite	1,028,993.0	1,210,424.0	1,082,301.0	1,499,535.0	1,740,016.0
Limestone	649,951.0	614,948.0	649,591.0	677,129.0	1,006,235.0
Gypsum	299,736.0	344,034.0	373,520.0	313,230.0	351,421.0
Slate	18,998.0	-	-	-	-
Coal	48,545.0	87,815.0	108,904.0	98,731.0	77,744.0
Quartzite	82,579.0	111,371.0	95,016.0	88,631.0	90,909.0
Stone	511,781.0	438,398.0	1,842,679.0	1,494,467.0	3,303,731.0

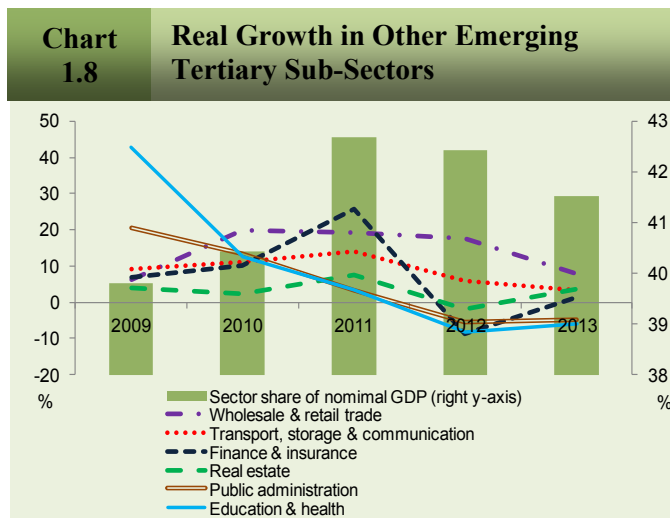
Source: DGM, MoEA (Note: "-" indicates no value for that particular item)

1.3 Tertiary Sector

Bhutan's tertiary sector recorded a sharp decline in its growth rate, from 4.3 percent in 2012 to 0.3 percent in 2013. Its performance at the broad, aggregated level was much lower than the primary and secondary sector. The sector's share in total GDP however remained more or less steady at 41.5 percent.

This sector was driven by steady growth in the hotels and restaurants and personal and recreational sub-sectors, and a positive turnaround in financing, insurance, real estates. The wholesale and retail trade, and transport, storage and communication, sub-sectors displayed positive real albeit slower growth in 2013 compared to 2012.

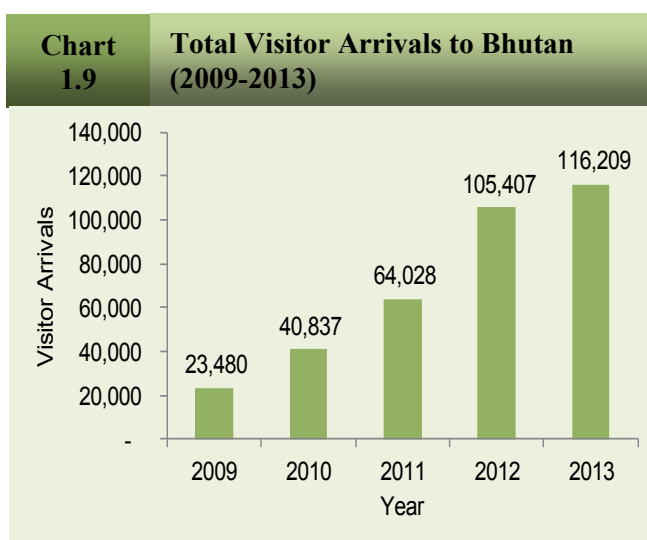
The community, social and personal services (public administration, and education and health) sub-sector continued to record negative real growth for the second consecutive year.



1.3.1 Hotels and Restaurants

Hotels and restaurants continued to grow at a little over 17 percent in 2013 as well, one of the fastest growing sub-sectors in the economy.

The robust performance of this sub-sector is largely attributable to increased number of tourist arrivals¹ during the year (116,209), a growth of 10.2 percent over 2012. The hospitality industry in general did extremely well as indicated by increased tourist earnings, higher occupancy rates, and surge in regional visitors from India, Bangladesh and Maldives. In 2013, the international to regional visitor ratio was at 45:55, with growth rates more significant for the regional segment.



International (US dollar paying) leisure visitor arrivals also continued to grow at a steady rate, increasing to 44,252 arrivals in 2013 from 43,931 arrivals in 2012. Correspondingly, there was an increase in the foreign exchange revenue collection by 1.1 percent from USD 62.8 million in 2012 to USD 63.5 million.

Data on tourist arrivals and revenues is presented in Table 5 while a detailed description of developments in the Bhutanese tourism sector is presented in **Annex IV**.

Table 1.5 Major Source Markets by Arrivals: 2009– 2013

Nationality	2009	2010	2011	2012	2013	% Change from 2012
Malaysia	367	354	788	1,307	2,029	55.2
Singapore	708	785	1,349	1,605	2,037	26.9
China	1,143	1,494	2,896	3,766	4,764	26.5
United States of America	4,786	5,189	6,226	6,007	6,927	15.3
Australia	970	1,318	1,773	1,926	2,043	6.1
Thailand	975	875	2,235	3,573	3,494	(2.2)
Germany	1,587	2,250	2,287	2,880	2,753	(4.4)
United Kingdom	1,968	1,772	2,795	2,466	2,291	(7.1)
France	1,189	1,454	1,585	1,847	1,561	(15.5)
Japan	3,136	2,963	3,943	6,967	4,015	(42.4)
Total	23,480	27,196	36,765	43,931	44,252	

Note: Columns do not add to the year-end totals-only the top 10 source markets are detailed. Year totals are shown at the base of the table. Arrival figures by nationality are including FAM visitors. (Source: Tourism Council of Bhutan.)

The contribution of the hotels and restaurants sub-sector to real GDP growth remained at 0.2 percentage points while its share in total GDP increased to 1.5 percent in 2013 from 1.3 percent in 2012.

¹This figure includes international, regional, business, official and FAM visitors.

1.3.2 *Transport, Storage and Communication*

Activities under this sub-sector include land and air transport services, telecom services, publishing services, and travel services in the economy. This sub-sector registered a growth of 3.3 percent in 2013, which was contributed and sustained by improved performance of the tourism and hospitality industries. The sub-sector's share to nominal GDP decreased to 9.3 percent from 9.5 percent in 2012. Similarly, its contribution to real GDP growth was also registered at 0.3 percentage points from 0.5 percentage points in 2012.

1.3.3 *Financing, Insurance, Real Estate and Business Services*

This sub-sector, which consists of banking services, insurance services, real estates and dwelling services, and other business services, showed an improvement in 2013 with a real growth of 1.9 percent from negative 7.2 percent in 2012. The sub-sector's contribution to real GDP growth improved from negative 0.7 percentage points in 2012 to 0.2 percentage points during 2013, and its share in nominal GDP increased marginally from 7.6 percent in 2012 to 7.7 percent in 2013.

Within the sub-sector, finance and insurance and real estate and dwellings grew by 1.5 percent and 3.6 percent respectively in 2013. On the other hand, business services recorded a negative growth of 1.5 percent in 2013 compared to 18.8 percent in 2012.

1.3.4 *Community, Social Services (General Government)*

General government is one of the major sub-sectors in the economy and in 2013, constituted 11.1 percent of nominal GDP (11.5 percent in 2012). Activities covered under this sub-sector include public administration, and education and health services.

This sub-sector continued to register negative growth in 2013 of 5.2 percent compared to negative 6.4 percent in 2012. Expenditure rationalization and austerity measures that were put in place by the Government to curtail wasteful expenditure and efforts to contain the fiscal deficit have contributed to the negative growth of this sub-sector in the past two years. Government's final consumption expenditure is estimated to have registered a 2.23 percent real decline in 2013. Correspondingly, the share of this sub-sector to nominal GDP fell to 11.1 percent from 11.5 percent in 2012.

1.3.5 *Private, Social and Recreational Services*

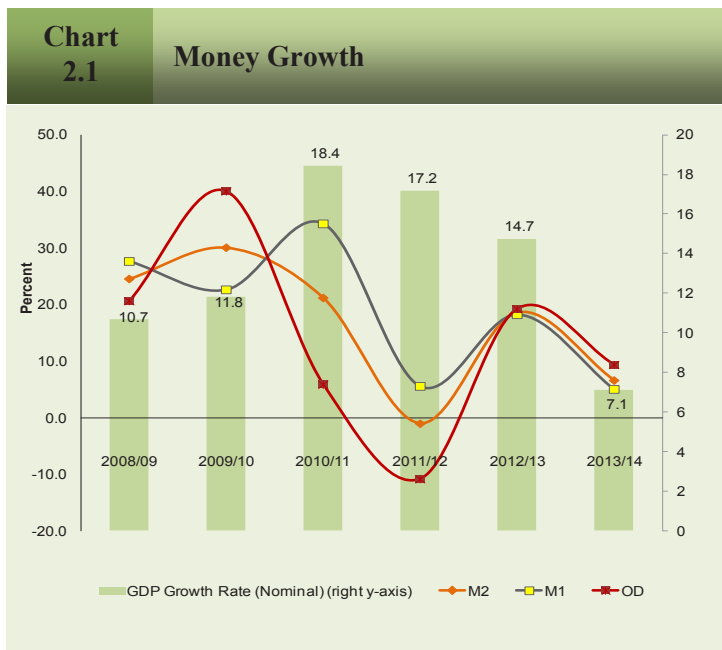
This sub-sector includes activities such as social, recreational and sporting services. In real terms, the sub-sector registered a 2.7 percent growth in 2013, which is more or less the same as in the previous year (2.6 percent). The share of this sub-sector in total nominal GDP continued to constitute less than 1 percent.



2. MONETARY AND FINANCIAL DEVELOPMENTS *

2.1 Monetary Developments

The annual growth of broad money (M2) for the past five years has averaged 18.7 percent, fueled by *transferable deposits*, which comprises of current deposits and savings deposits of the commercial banks. While on the other hand high domestic credit had contributed to high growth in board money. For the year ending June 2014, M2 recorded growth of 6.6 percent compared to 18.6 percent in the previous year. This lower growth in M2 was mainly contributed by narrow money (M1) and other deposits which grew by 5.0 percent and 9.4 percent as compared to 18.3 percent and 19.2 percent, respectively in 2013.



The two major **components** of M2¹ comprises of M1 (narrow money) and other deposits. M1 recorded growth

Since the onset of the rupee shortage the RMA rolled out several policy measures and financial sector reforms to moderate aggregate demand, reduce pressures on Bhutan's external account and international reserves as well as to tighten domestic banking liquidity.

Over the last two years, the Bhutanese financial sector has learned valuable lessons from the buildup of sectoral exposure pressure, and in medium term it is expected that the financial institutions will exercise prudence in their credit policies while assisting the RMA and RGoB to direct finance towards more productive sectors of the economy.

The RMA will continue to strengthen and enhance financial stability in Bhutan.

Overall, RMA's monetary policy will be in line with Bhutan's economic outlook to counter any prospective overheating and pressure on INR reserves.

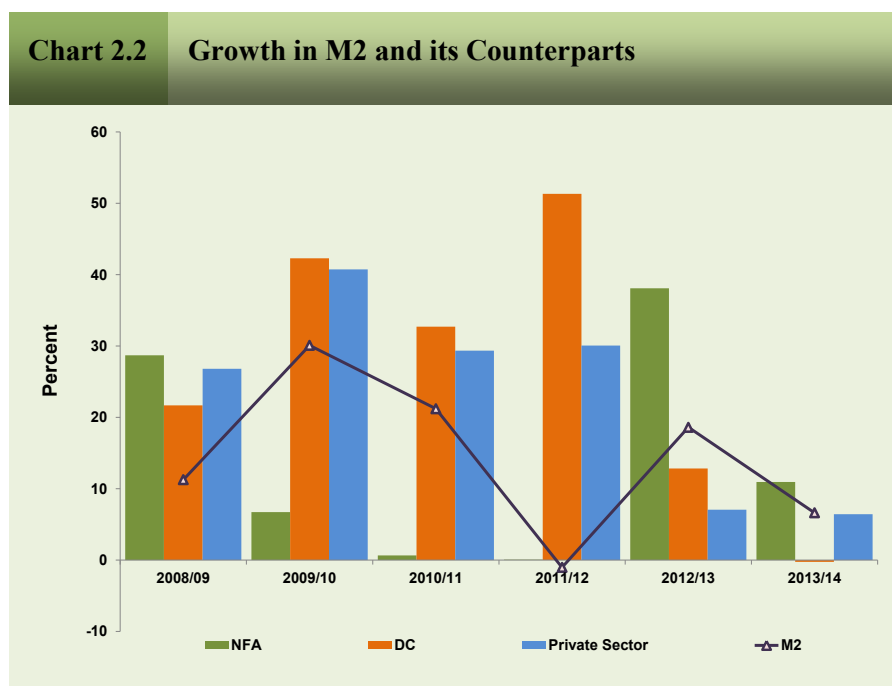
*) For monetary analysis, the balance sheet of banks are classified within the framework of the Monetary and Financial Statistics Manual (MFSM 2000) published by the IMF. Note that the data classification and computation done by the Research and Statistics Department of the RMA is not directly comparable to those compiled and published by the Financial Regulation and Supervision Department of the RMA.

1). Narrow money (M1) = (1) currency outside the RGOB treasury, the RMA, and the vaults of depository institutions; (2) transferable deposits; and (3) other deposits, consisting primarily of negotiable order of withdrawal accounts at commercial banks. Bank reserves are not included in M1.

M2 = M1 + Other Deposits (OD). M2 represents money and close substitutes for money. M2 is a broader classification of money and can be measured identically from the asset (*Counterpart*) and liability perspectives (*Component*) of the monetary sector. On the counterpart side, M2 = Net Foreign Assets (NFA) + Net Domestic Credit (NDC) + the Other Items Net (OINs), and from the component side, M2 = M1 + QM.

of 5.0 percent in June 2014 as compared to 18.3 percent in June 2013. The lower growth in M1 was contributed by slower growth in currency in circulation outside the banks and transferable deposits, which grew by 0.4 percent and 5.9 percent respectively during the FY 2013/14. *Transferable deposits comprise of current deposits and saving deposits*, of which current deposits recorded an annual growth rate of negative 6.9 percent, a decrease from Nu.18.9 billion to Nu.17.7 billion as of June 2014. Meanwhile, savings deposits grew by 24.3 percent as compared to 15.2 percent in June 2013 and was responsible for fueling the positive growth in M1. Currency in circulation outside the banks increased marginally from Nu.5.6 billion to Nu.5.7 billion during the FY 2013/14. The other major component of M2 i.e. *Other deposits*, which constitute *time deposits and foreign currency deposits*, grew by 9.4 percent as compared to 19.2 percent in the previous year. This lower growth of other deposits was on account of slower growth observed in time deposits which grew by 7.7 percent down from 22.4 percent in the previous year (See Table 2.1).

On the **counterpart side**, the annual growth in NFA (which includes net convertible currency and net Rupee positions) as of June 2014, was recorded at 11 percent compared to 38.1 percent in June 2013. The net Rupee asset decreased to ₹ 0.3 billion from ₹ 1.5 billion while net convertible currency assets increased to Nu.53.6 billion in June 2014 from Nu. 46.9 billion in June 2013. Domestic credit (comprising of credit to the government (net), other public sectors and private sectors) decreased significantly from an annual growth of 12.8 percent in June 2013 to negative 0.3 percent as of June 2014. The significant decrease on the claims on government (net) as well as lower growth on claims of private sector had attributed to negative growth in the domestic credit. The claims on private sector grew by 6.4 percent as compared to 7.1 percent in 2013.



The term Demand Deposits and Quasi Money has been replaced by Transferable Deposits and Other Deposits as per the MSFM 2000 of IMF.

Table 2.1 Selected Monetary Aggregates

	Nu. in Million. as of June					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
MONEY SUPPLY, M2	32,114.8	41,778.7	50,639.8	50,122.9	59,451.2	63,387.8
MONEY SUPPLY, M1	18,375.0	22,537.7	30,270.3	31,960.2	37,794.1	39,701.8
Counterparts						
1. Foreign Assets (Net)	32,720.6	34,918.5	35,144.5	35,168.6	48,566.4	53,886.5
O/w: Rupee	-3,258.5	-3,070.8	-7,113.4	-9,550.8	1,492.9	265.2
Convertible Foreign Currency	35,979.1	37,989.2	42,257.9	44,719.4	47,073.5	53,621.2
2. Net Domestic Assets	-605.8	6,860.2	15,495.3	14,954.3	10,884.9	9,501.3
Domestic Credit	16,259.9	23,136.5	30,705.7	46,465.0	49,109.2	52,299.0
Claims on Other Public Sector ¹	-2,211.1	-2,857.4	-2,919.5	2,730.4	2,284.6	4,438.4
Claims on Private Sector ²	18,471.1	25,994.0	33,625.2	43,734.6	46,824.6	49,838.7
3. Other Items Net ³	16,865.7	16,276.3	15,210.4	31,510.7	41,547.4	42,797.7
Components						
4. Currency Outside Banks	4,541.8	5,386.5	6,893.7	6,390.7	5,681.2	5,704.6
5. Transferable Deposits	13,833.2	17,151.2	23,376.6	25,569.5	32,112.9	33,997.3
6. Other Deposits	13,739.8	19,241.0	20,369.5	18,162.7	21,657.1	23,686.0
O/w Foreign Currency Deposits	1,110.9	1,301.9	2,958.6	1,520.9	1,283.5	1,733.6
<i>Percent Change over Previous Year</i>						
M2	24.6	30.1	21.2	-1.0	18.6	6.6
M1	27.7	22.7	34.3	5.6	18.3	5.0
1. Foreign Assets (Net)	25.4	6.7	0.6	0.1	38.1	11.0
O/w: Rupee	-265.8	5.8	-131.6	-34.3	115.6	-82.2
Convertible Foreign Currency	33.3	5.6	11.2	5.8	5.3	13.9
2. Domestic Credit	21.7	42.3	32.7	51.3	5.7	6.5
Claims on Other Public Sector ¹	-128.4	-29.2	-2.2	193.5	-16.3	94.3
Claims on Private Sector ²	28.9	40.7	29.4	30.1	7.1	6.4
3. Other Items Net ³	23.3	-3.5	-6.5	107.2	31.9	3.0
4. Currency Outside Banks	24.7	18.6	28.0	-7.3	-11.1	0.4
5. Transferable Deposits	28.6	24.0	36.3	9.4	25.6	5.9
6. Other Deposits	20.6	40.0	5.9	-10.8	19.2	9.4
O/w Foreign Currency Deposits	15.0	17.2	127.2	-48.6	-15.6	35.1

M2= 1 plus 2 minus 3 (Counterpart) and M2= 4 Plus 5 plus 6 (Components); M1=4 plus 5.

Corporations.

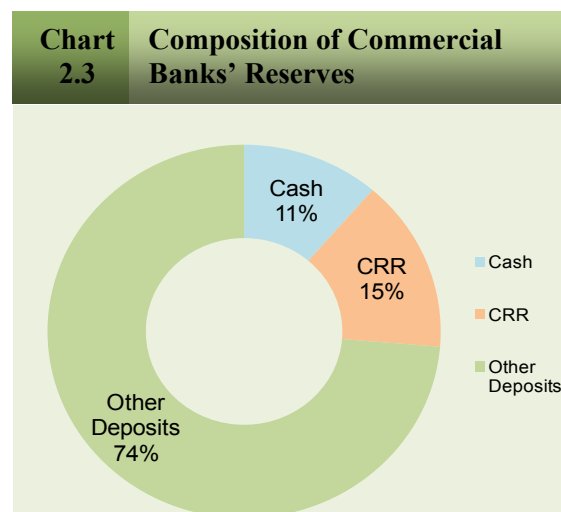
2. Claims on Private Sectors includes Claims on NBFIs.

3. Other Items (Net) includes money market instruments.

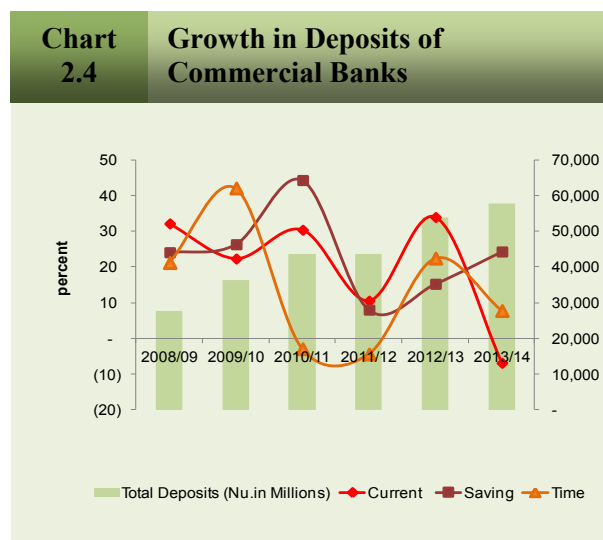
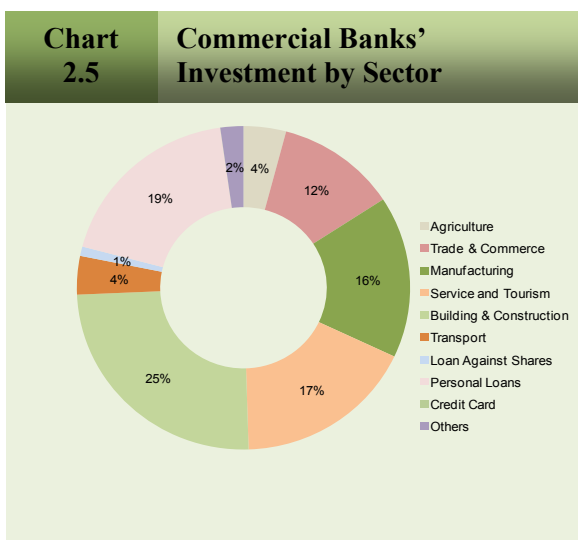
2.2 Developments in the Banking Sector

The performance of the banking sector has been progressive as the total assets increased by 12.5 percent from Nu.71.6 billion as of June 2013 to Nu.80.5 billion as of June 2014.

On the *assets side*, majority of commercial banks' assets were held in the form of investment such as credit, securities and equity investment. As of FY 2013/14 banks' investment amounted to Nu.56.1 billion which represents 69.7 percent of their total assets. Reserves increased by 21.1 percent from Nu.17.4 billion as of June 2013 to Nu.21.1 billion in June 2014, representing 26.2 percent of their total assets. Of their total reserves, 15 percent were absorbed through the CRR, while 11 percent and 74 percent were held as cash in hand and other deposits, respectively. In addition to these reserves (excluding cash in hand), the banks held Nu.3.1 billion worth of foreign assets, denominated in Indian Rupees (Nu.0.6 billion) and convertible foreign currency (Nu.2.4 billion).



On the *liabilities side*, annual growth in total deposits (including foreign currency deposits) recorded 7.3 percent which increased from Nu.53.8 billion to Nu.57.7 billion in FY 2013/14. Of their total deposits liabilities, demand deposits constituted Nu.33.9 billion, time deposits Nu.21.9 billion and foreign currency deposits Nu.1.7 billion. Time deposits and foreign currency deposits increased to Nu.23.7 billion as of June 2014 from Nu.21.7 billion as of June 2013.



On the other hand, the *total loan portfolio* of banks increased by 9.8 percent from Nu.50.3 billion as of June 2013 to Nu.55.3 billion at the end of June 2014. The sector-wise distribution of credit showed the largest share of the credit portfolio under the housing sector with (24.8 percent), followed by services sector (17.5 percent), manufacturing/industry sector (16.1 percent), and trade/commerce (11.7 percent), with the remainder allocated to other sectors.

In order to provide more access to financial services, three new banking licenses were issued in 2010. With the entry of new banks the share composition of deposits as well as credit portfolio has been changing for the existing banks. During the first year of operation of the new banks, they mobilized total deposits amounting to Nu.2.2 billion and as of June 2010 the banking sector as a whole mobilized deposits amounting to Nu.36.4 billion. Since 2010, new licensed commercial banks' deposits have been increasing from Nu.7.7 billion in June 2012 to Nu.10.9 billion in 2013 and as of June 2014, it has increased to Nu.14.3 billion. In terms of percentage, the new commercial banks contributed only 6.1 percent to the overall deposit of the banking sector during their initial year of operation but since then their share has been increasing steadily from 6.1 percent in 2010 to 20.3 percent in 2013 and further to 24.7 percent in 2014.

Table 2.2		Impact of New Commercial Banks: Banking Sector Deposits and Credit							
		End of June							
Bank	Deposits (Nu. Million)				Credit (Nu. Million)				
	2011	2012	2013	2014	2011	2012	2013	2014	
Old Banks									
BOBL	22195.5	20801.4	26814.1	27775.4	11821.6	17045.0	18576.7	20758.5	
BNBL	16771.8	15226.7	16034.5	15641.4	14864.3	17324.5	18149.7	18376.2	
Total	38967.3	36028.1	42848.6	43416.8	26685.9	34369.5	36726.4	39134.7	
New Banks									
BDBL	727.4	2646.8	4143.5	7244.0	4287.9	5350.8	7644.7	10236.1	
T BANK	951.9	1506.1	1990.4	1942.5	1952.2	2354.8	2263.0	2189.0	
DPNBL	3099.5	3551.3	4787.6	5080.0	2195.5	3367.6	3692.9	3715.5	
Total	4778.8	7704.1	10921.4	14266.4	8435.6	11073.2	13600.6	16140.6	
Grand Total	43746.1	43732.2	53770.0	57683.2	35121.5	45442.7	50327.0	55275.4	
% Share of Total Deposits and Credit									
Old Banks	89.1	82.4	79.7	75.3	76.0	75.6	73.0	70.8	
BOBL	50.7	47.6	49.9	48.2	33.7	37.5	36.9	37.6	
BNBL	38.3	34.8	29.8	27.1	42.3	38.1	36.1	33.2	
New Banks	10.9	17.6	20.3	24.7	24.0	24.4	27.0	29.2	
BDBL	1.7	6.1	7.7	12.6	12.2	11.8	15.2	18.5	
T BANK	2.2	3.4	3.7	3.4	5.6	5.2	4.5	4.0	
DPNBL	7.1	8.1	8.9	8.8	6.3	7.4	7.3	6.7	

As the percentage share of new banks to the overall deposits increased steadily over the years, the share of existing commercial banks to total deposits have been declining from 93.9 percent as of June 2010 to 79.7 percent as of June 2013 and further to 75.3 percent in 2014. Although the shares of deposits of existing banks have been decreasing, the deposits they mobilized during the year increased to Nu.43.4 billion from Nu.42.8 billion in the previous year. Meanwhile, new commercial banks' credit levels grew steadily from Nu.11.1 billion in 2012 to Nu. 13.6 billion in 2013 and further to Nu.16.1 billion in 2014, while in percentage terms, the share of existing commercial banks to total credit has declined gradually during the same periods from 75.6 percent in 2012 to 73 percent in 2013 and further to 70.8 percent in 2014, although overall credit has been growing steadily (see Table 2.2).

As depicted in Table 2.3, private sector deposits remain the major source of funds for the banking sector with its share increasing from 66.4 percent in 2010 to 73.6 percent in 2013 and further to 81.8 percent in 2014. After a significant slowdown in the growth of the total deposits of banks experienced in 2012, the growth picked up in 2013 to 24.3 percent but in 2014 the growth was recorded at 6.6 percent which was mainly contributed by higher growth in the savings deposits. Reviewing key financial indicators of the banking sector, the credit to

GDP ratio increased to 53.8 percent in 2014 from 51.5 percent in 2014. Similarly, as of June 2014, the overall savings to credit ratio of the banking sector increased to 29.1 percent from 25.6 percent as of June 2013.

Table 2.3		Key Indicators of the Banking Sector					
		End of June					
Indicator	2009	2010	2011	2012	2013	2014	
Credit Concentration by Institution							
Total banking sector credit (Nu. millions)	20,447.0	27,165.5	35,761.1	46,274.4	51,255.6	56,140.3	
% share of total credit							
Government	5.2	3.9	3.1	2.3	4.2	3.3	
Other Public Sectors ¹	4.6	0.5	2.9	3.2	4.5	7.9	
Private Sectors ²	90.3	95.6	94.0	94.5	91.3	88.8	
Deposit Concentration by Institution							
Total deposits (Nu. millions)	27,573.0	36,392.2	43,746.1	43,732.2	53,770.0	57,683.2	
% share of total deposits							
Government ³	0.0	0.0	0.0	0.0	0.0	0.0	
Other Public Sector	34.6	33.6	31.8	28.4	26.4	18.2	
Private Sector ⁴	65.4	66.4	68.2	71.6	73.6	81.8	
Growth Rates of Deposits by Type							
Total Deposits	25.0	32.6	16.2	3.5	24.3	6.6	
Current deposits	32.1	22.3	30.4	10.5	33.9	-6.9	
Saving deposits	24.1	26.3	44.3	8.0	15.2	24.3	
Time deposits	21.2	42.0	-2.9	-4.4	22.4	7.7	
Ratios (in %)							
Credit to deposit	74.2	74.6	81.7	105.8	95.3	97.3	
Credit to asset	60.3	59.8	66.2	77.6	71.6	69.7	
Savings to credit	28.3	26.9	29.5	24.6	25.6	29.1	
Credit to GDP	33.4	37.5	41.8	54.1	51.5	53.8	

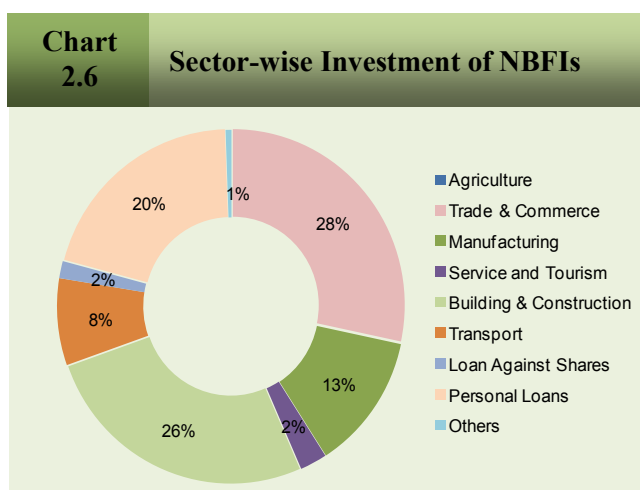
1) Other Public Sector includes Government Corporations and Public Corporations.
2) Private Sector includes loans and advances to Private companies, Individuals and NBFIs.
3) Government is a net borrower from the banking sector
4) Includes Private sector, NBFIs, Individuals and Foreign Currency Deposits.

Table 2.4		Sources of Deposits by Type					
		End of June					
Deposits by Type	2009	2010	2011	2012	2013	2014	
Corporate Deposits as % of Total Deposits	62.6	63.0	56.3	53.2	54.4	50.1	
<i>Of which</i>							
As a percent of total corporate deposits							
Government	19.1	17.3	18.5	20.0	25.7	22.5	
Govt Corporations	40.3	40.0	38.7	37.3	32.4	20.9	
Public Corporations	3.3	2.0	2.7	3.7	1.3	1.6	
Private Companies	16.1	15.6	10.8	14.8	11.6	8.6	
Commercial Banks	11.7	12.9	20.6	15.3	17.1	26.9	
NBFIs	9.5	12.2	8.7	8.8	11.8	19.5	
Retail Deposits as % of Total Deposits	37.4	37.0	43.7	46.8	45.6	49.9	
<i>Of which</i>							
As a percent of total retail deposits							
Individuals	90.0	91.1	86.7	93.2	95.3	94.8	
Foreign Currency	10.0	8.9	13.3	6.8	4.7	5.2	

Source: Financial Regulation and Supervision Department, RMA. This table is to supplement the information on deposits shown in Table 2.3 above. Please note that these figures may not be directly comparable with other tables due to differences in classification methodology.

2.3 Developments in NBFIs

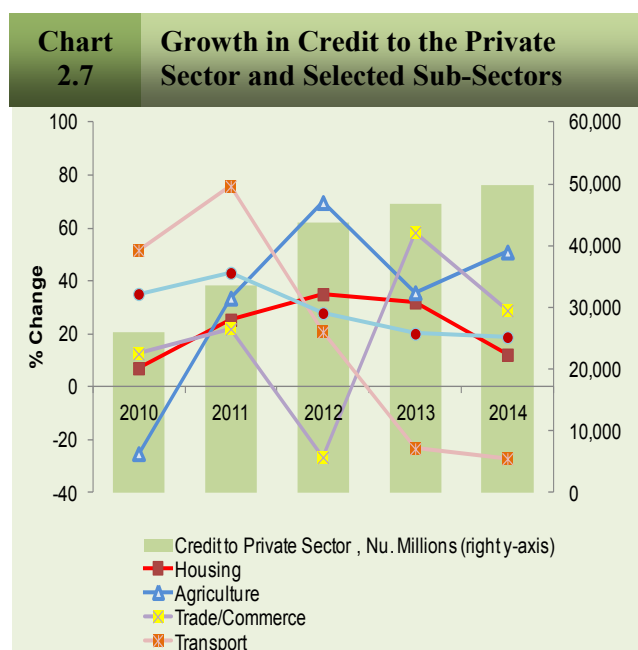
The **total assets** of NBFIs recorded growth of 31.3 percent between June 2013 (Nu.8.3 billion) and June 2014 (Nu.10.9 billion). The growth in assets of the NBFIs was attributed mainly to an increase in claims on the private sector. As of June 2014, the NBFIs' claim on the private sector increased by 22.6 percent from Nu.6.5 billion in June 2013 to Nu.7.9 billion. The NBFIs' overall credit portfolio accounted for 72.5 percent of their total assets as of June 2014.



Similarly, the overall reserves of the NBFIs increased to Nu.1.0 billion as of June 2014, compared to Nu.580.5 million for the same period last year. This increase was mainly due to the increase in deposits with the commercial banks, which increased from Nu.366 million in June 2013 to Nu.995.3 million in June 2014. The NBFIs' reserves accounted for 9.2 percent of their total assets. Of these reserves, 1.2 percent (Nu.12.2 million) was held in the form of cash in hand, while 98.8 percent (Nu.995.3 million) was held in the form of bank balances with banks. On the **liabilities side**, one of the major funding sources of the NBFIs have been domestic borrowings from the financial institutions although there has been other sources such as the sale of life and general insurance policy. During the FY 2013/14 NBFIs borrowed funds amounting to Nu.4.7 billion from the domestic financial institutions up from Nu.3.4 billion in the previous year.

2.4 Developments in Credit Markets

The financial sector's (*banks and non-banks, excluding the NPPF*) overall credit exposure increased from Nu.56.8 billion in 2013 to Nu.63.2 billion as of June 2014 recording a credit growth of 11.3 percent. Since 2012 with the onset of Rupee shortages and issuance of several policy measures by the RMA, overall credit has been growing at the slower rate. During 2014 several of the policy measures were removed and as a result, credit growth is expected to regain its momentum in the near medium term. The banking sector continues to be the lead source of lending for the economy. Of the total loan exposure of Nu.63.2 billion of the financial institutions, banking sector exposure constitute of 87.5 percent while non-banks provided 12.5 percent of credit to the economy. Banking sector credit continued to remain concentrated in the private sector, constituting 90.2 percent of total credit as of June 2014.



In the meantime, the total loan portfolio of the NBFIs increased to Nu.7.9 billion as of June 2014 from Nu. 6.5 billion in June 2013 recording growth rate of 22.6 percent. Among the different sectors, credit to personal loan sector, trade/commerce and manufacturing/industry sector recorded growth of 91.1 percent, 29.9 percent and 28.4 percent, respectively as of June 2014. In terms of concentration of loan portfolio of the non-bank financial institutions, the trade/commerce sector constituted highest share with 28.3 percent, followed by housing sector (26.1 percent), personal loan (20.3 percent) and manufacturing/industry sector (12.6 percent), while the rest were allocated to other sectors of the economy.

In terms of the percentage share of overall credit composition, the **housing sector** remained highest as of June 2014 at 24.9 percent down from 26.5 percent during 2012. Financial institutions' exposure to personal loans has started to expand from 2009 and now constitutes 18.9 percent of total credit with the second highest exposure after the housing sector. Similarly, exposure to the transport sector remains at 4.4 percent of the total loans, which has decreased from 9.5 percentage share in June 2012 due to the imposition of ban on vehicle imports. With the lifting of the import ban on vehicles, the exposure to this sector is expected to rise in the near future. Meanwhile, other sectors (including staff loans, small business and artisans' scheme, and the EDP loan) observed slight increased from 1.9 percent in June 2013 to 2 percent at the end of June 2014 (*See Table 2.5 for details*).

Table 2.5 Loan Exposure of the Financial Sector (*)

Economic Sectors	Nu. in millions, End of June											
	2011			2012			2013			2014		
	Banks	Non banks	Total	Banks	Non banks	Total	Banks	Non banks	Total	Banks	Non banks	Total
Agriculture	657.5	0.0	657.5	1,116.1	0.0	1,116.1	1,514.0	0.0	1,514.0	2,287.1	0.0	2,287.1
Trade & Commerce	2,727.8	1,385.5	4,113.3	2,751.2	1,511.7	4,262.8	5,025.7	1,725.8	6,751.5	6,461.5	2,242.1	8,703.7
Manufacturing	5,981.0	591.0	6,572.0	6,689.0	646.1	7,335.2	9,394.1	774.8	10,168.9	8,920.7	995.2	9,915.9
Service and Tourism	4,624.3	164.6	4,788.9	6,057.5	106.7	6,164.1	7,513.7	143.9	7,657.5	9,696.1	200.0	9,896.1
Building & Construction	8,560.9	1,720.5	10,281.3	11,694.4	1,883.7	13,578.1	13,225.1	2,009.6	15,234.7	13,717.4	2,067.6	15,785.0
Transport	2,671.0	1,129.9	3,800.9	3,795.1	1,086.7	4,881.9	2,920.2	856.9	3,777.1	2,119.7	632.0	2,751.7
Loan Against Shares	197.6	58.0	255.6	488.0	34.0	522.0	504.3	53.0	557.3	516.1	124.4	640.5
Personal Loans	6,197.3	430.2	6,627.5	7,785.3	549.4	8,334.7	9,189.6	841.0	10,030.6	10,312.9	1,606.8	11,919.6
Government (short term loans)	0.0	0.0	0.0	492.1	0.0	492.1	0.0	0.0	0.0	0.0	0.0	0.0
Credit Card	6.3	0.0	6.3	7.1	0.0	7.1	7.7	0.0	7.7	7.2	0.0	7.2
Others	3,497.7	44.5	3,542.2	4,566.9	44.2	4,611.0	1,032.7	46.3	1,078.9	1,236.7	43.5	1,280.2
Total	35,121.5	5,524.1	40,645.6	45,442.7	5,862.5	51,305.2	50,327.0	6,451.3	56,778.3	55,275.4	7,911.6	63,187.0
	% share of total											
Agriculture	17.9	0.0	1.6	2.5	0.0	2.2	3.0	0.0	2.7	4.1	0.0	3.6
Trade & Commerce	74.3	37.8	10.1	6.1	25.8	8.3	10.0	26.8	11.9	11.7	28.3	13.8
Manufacturing	163.0	16.1	16.2	14.7	11.0	14.3	18.7	12.0	17.9	16.1	12.6	15.7
Service and Tourism	126.0	4.5	11.8	13.3	1.8	12.0	14.9	2.2	13.5	17.5	2.5	15.7
Building & Construction	233.3	46.9	25.3	25.7	32.1	26.5	26.3	31.2	26.8	24.8	26.1	25.0
Transport	72.8	30.8	9.4	8.4	18.5	9.5	5.8	13.3	6.7	3.8	8.0	4.4
Loan Against Shares	5.4	1.6	0.6	1.1	0.6	1.0	1.0	0.8	1.0	0.9	1.6	1.0
Personal Loans	168.9	11.7	16.3	17.1	9.4	16.2	18.3	13.0	17.7	18.7	20.3	18.9
Credit Card	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	95.3	1.2	8.7	10.0	0.8	9.0	2.1	0.7	1.9	2.2	0.6	2.0

(*) Excluding the NPPF.

Note: Prior to 2011, Government (short term loans) have been clubbed with other economic sectors and therefore not shown separately. From 2011 onward Government's short term borrowing has been shown separately.

In terms of financial institutions' asset quality (Table 2.6), the overall **NPLs ratio** has increased to 12 percent as of June 2014 from 9.7 percent in June 2013. In absolute terms, the NPL has increased from Nu.5.5 billion to Nu.7.6 billion. As a percentage of total NPL, the trade/commerce sector of the financial institutions observed the highest NPL of 29 percent, followed by the housing sector at 17.4 percent, personal loans at 15 percent and manufacturing/industry sector at 13.3 percent.

Table 2.6 Non-Performing Loans of FIs by Sector of Investment

Sector	Nu. Millions; End of June					% of total NPL
	2010	2011	2012	2013	2014	
Agriculture	110.0	131.2	166.3	218.2	354.3	4.7
Trade/Commerce	216.0	625.2	434.5	1,812.9	2202.2	29.0
Manufacturing/Industry	244.5	546.1	542.3	843.1	1013.4	13.3
Services	424.4	255.1	455.2	476.4	845.3	11.1
Housing	726.0	436.6	503.5	841.9	1324.1	17.4
Transport	178.4	300.8	450.1	492.5	633.5	8.3
Loan Against Shares	1.2	7.6	1.5	8.0	42.1	0.6
Personal Loans	303.9	416.8	483.7	779.6	1138.5	15.0
Government (short term)	0.0	0.0	0.0	0.0	0.0	0.0
Credit Card	0.0	2.2	5.0	6.1	3.9	0.1
Others	15.3	738.0	971.8	51.0	43.3	0.6
Overdraft/Working Capital*	799.3	0.0	0.0	0.0	0.0	0.0
Total NPL	3,019.0	3,459.5	4,014.1	5,529.7	7600.6	100.0
Total Loans	29,775.8	40,645.6	51,305.2	56,778.3	63187.0	
NPL Ratio	10.1	8.5	7.8	9.7	12.0	

*) From 2011, the figures under Overdraft/Working Capital have been allocated to their various sectors for each bank except for BNBL where it has been re-categorized under Others. Source: Financial Institutions (excludes NPPF).

Table 2.6.1 Non-Performing Loans of Banks by Sector of Investment

Sector	Nu. Millions; End of June					% of total NPL
	2010	2011	2012	2013	2014	
Agriculture	110.0	131.2	166.3	218.2	354.3	5.3
Manufacturing/Industry	244.5	483.5	531.4	811.9	976.8	14.6
Trade/Commerce	199.9	319.8	361.7	1,355.6	1880.0	28.0
Services	421.9	252.3	446.5	476.4	818.9	12.2
Housing	626.3	318.0	467.4	832.4	1184.2	17.7
Transport	112.9	134.4	340.2	418.7	464.4	6.9
Loan Against Shares	1.2	1.2	1.5	8.0	42.1	0.6
Personal Loans	264.4	297.8	436.2	585.7	936.6	14.0
Government (short term)	0.0	0.0	0.0	0.0	0.0	0.0
Credit Card	0.0	2.2	5.0	6.1	3.9	0.1
Others	14.8	738.0	971.8	50.0	42.6	0.6
Overdraft/Working Capital*	470.1	0.0	0.0	0.0	0.0	0.0
Total NPL	2,466.1	2,678.4	3,727.9	4,762.9	6703.9	100.0
Total Loans	26,106.8	35,121.5	45,442.7	50,327.0	55274.6	
NPL Ratio	9.4	7.6	8.2	9.5	12.1	

*) From 2011, the figures under Overdraft/Working Capital have been allocated to their various sectors for each bank except for BNBL where it has been re-categorized under Others. Source: Financial Institutions

Table 2.6.2 Non-Performing Loans of Non-Banks by Sector of Investment

Sector	Nu. Millions; End of June					% of total NPL
	2010	2011	2012	2013	2014	
Agriculture/Animal Husbandry	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing/Industry	0.0	62.7	11.0	31.2	36.5	4.1
Trade & Commerce	16.1	305.4	72.8	457.3	322.2	35.9
Service & Tourism	2.5	2.8	8.8	0.0	26.4	2.9
Housing	99.7	118.5	36.1	9.6	139.9	15.6
Transport	68.4	166.3	109.9	73.9	169.2	18.9
Loan Against Shares	0.0	6.3	0.0	0.0	0.0	0.0
Personal	39.5	119.0	47.5	193.8	201.9	22.5
Government (short term)	0.0	0.0	0.0	0.0	0.0	0.0
Credit Card	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.4	0.0	0.0	1.0	0.7	0.1
Overdraft/Working Capital*	329.2	0.0	0.0	0.0	0.0	0.0
Total NPL	555.8	781.1	286.2	766.8	896.8	100.0
Total Loans	3,669.0	5,524.1	5,862.5	6,451.3	7911.6	
NPL Ratio	15.1	14.1	4.9	11.9	11.3	

*) From 2011, the figures under Overdraft/Working Capital have been allocated to their various sectors for each non-bank; non-bank excludes NPPF.

2.5 Developments in Interest Rates

The financial sector continued to experience some movement in their interest rates during the year 2013/14. The savings rates of commercial banks increased marginally from 5.00-5.50 percent range in June 2013 to 5.00-6.00 percent range in June 2014. Interest rates on deposits of commercial banks with a maturity of three months or less than one year grew slightly from the range of 5.00-6.50 percent in 2013 to 5.00-7.00 percent during June 2014. While the deposits with a maturity of one year and above increased from 8.00-8.75 percent range to 8.00-10.00 percent during the same period. On average terms, the deposit rates of the commercial banks increased from 7.25 percent in June 2013 to 7.47 percent during June 2014. Similarly, the lending rates of commercial banks and other financial institutions (other financial institutions includes the RICBL, BIL and NPPF) across major sectors such as housing, manufacturing and service industries witnessed an increase from the range of 12.73-14.63 to 12.73-16.00 and 11.73-13.13 to 11.73-16.00 percent, respectively. On average terms, the overall lending rates of the financial institutions increased from 13.28 percent in June 2013 to 16.58 percent during 2014. (Refer to **Annex III** for details).

2.6 Developments in the Capital Market

In the primary market, Dungsam Polymer Limited (DPL) floated 48.7 percent of its paid up shares to the public through its Initial Public Offering which was overwhelming oversubscribed by 244 percent. Meanwhile in secondary market, T Bank Limited issued the right offer of 800,000 shares at the ratio of 1:2.75 to its existing shareholders and State Trading Corporation Limited issued bonus shares of 900,008 shares at the ratio of 1:1 to its existing shareholders. Due to the new issues through Rights, Bonus and off-market transaction (such as conversion of unsubscribed shares of right issues to Employee Stock purchase plan or private placement, etc.), a total of 6.7 million shares worth of Nu.1.7 billion were listed on the market as additional issues during the year.

The overall traded value including initial public offer, secondary trading, bonus/rights issues increased to 8.4 million shares which amount to Nu.2.1 billion as compare to 17 million shares worth of Nu.1.9 billion in 2013.

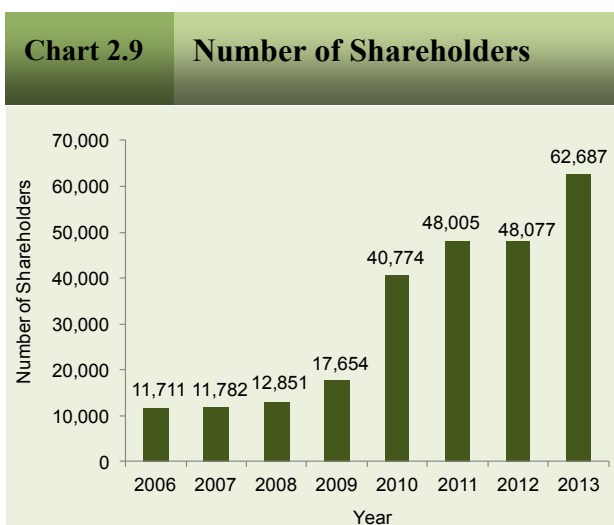
During the year, the securities of Dungsam Polymer Limited was listed on the stock exchange and with the new listing there are now 21 listed companies with the total listed volume of 55,424,319 shares. Market capitalization of the 21 listed companies increased significantly to Nu.19.9 billion as compared to Nu. 17.6 billion in 2012.

Apart from fluctuation in the prices of shares, the increase in market capitalization was attributed to the infusion of new shares in the market through private placement and employee stock purchase plan of TBL shares and DPNB shares, in addition to the new listing of DPL. The total number of share holders with the Central Depository increased to 62,687 as compare to 48,077 in the 2012. The increase in the number of shareholders was mainly on account of initial public offering of DPL, subscription to the employee stock purchase plan issued by TBL, DPNB and the other off-market transactions.

Out of the total securities traded in terms of value in the secondary market, the RICB Securities Ltd. has traded 49.8 percent, followed by BNB Securities Limited with 45 percent, BOB Securities limited with 2.8 percent and BDB Securities limited with 2.4 percent. During the year the Rules on Sale of Shares by promoters/major shareholders and state owned shares was approved by RSEBL's board as part of the Listing Rules and the annual listing fees of the listed companies were also revised. (More information on developments in the stock market is presented in **Annex II** and **Table 32**).

2.7 Monetary Policy Instruments

As stipulated in the RMA Act 2010, the primary function and objective of the RMA is to formulate and implement monetary policy with a view to achieving and maintaining price and financial stability (Chapter II, Section 7). Other secondary objectives that evolve around the primary objectives are to: a) formulate and apply financial regulations and prudential guidelines to ensure the stability and integrity of the financial system as empowered by the Act; b) promote an efficient financial system comparable to international best practices; c) promote, supervise and, if necessary, operate national and international payment and



settlement systems including the electronic transfer of funds by financial institutions, other entities and individuals; d) promote sound practices and good governance in the financial services industry to protect it against systematic risks; and e) promote macro-economic stability and economic growth in Bhutan.

The RMA's monetary policy works largely via its influence on aggregate demand in the economy and has a limited role in explaining the dynamics of domestic supply and structural bottlenecks. The RMA pursues a multi-faceted monetary policy strategy aimed at stability in the credit and financial markets, domestic inflation and growth. This requires the monitoring and analysis of movements of a number of macro indicators including broad money supply, interest rates, credit growth, inflation, trade, capital flows and the fiscal position, along with trends in output. Moreover, the RMA also places large emphasis on financial inclusion and financial literacy programs in collaboration with the government and international development partners including the World Bank.

In the pursuit of monetary policy, the RMA uses the following tools to manage and influence key macroeconomic variables that impact macroeconomic trends and development in the country.

- ***The CRR and SLR:*** Changes in the CRR and SLR addresses non-autonomous, structural mismatches in the liquidity conditions of the economy (such as large mismatches in the growth of domestic deposits, domestic credit and domestic investment).
- ***Policy Rate:*** Unlike the two facility window corridor on deposits and lending as in neighboring India, the RMA operates a single lending facility currently through the RSTLAW. This facility is normally used to address autonomous frictional liquidity mismatches that occur due to (i) liquidity pressures originating from currency demand which is periodic and seasonal in nature; (ii) changes in commercial banks' reserve levels and cash balances maintained with the RMA and, (iii) changes in the government cash balances at the RMA.
- ***RMA Short-term Liquidity Adjustment Window Facility (RSTLAW):*** The RSTLAW provides short-term funds to liquidity-deficient banks to meet daily operational requirements and short term outstanding liabilities, and not for long term lending activities; this is to ensure that liquidity injected through the RSTLAW are prudently utilized and not directed towards further credit creation.
- ***Base Rate:*** The base rate provides a broad framework for assessing the cost of funds for commercial banks. Changes in the monetary policy stance signaling through base rates of the commercial banks influence lending and the deposit rates of the financial sector, thereby having some impact on savings and investment levels in the economy.
- ***Open Market Operations (OMOs):*** OMOs are conducted through periodic auctioning of government Treasury Bills. Treasury Bills are issued (i) to help finance the short term fiscal deficit of the government and (ii) towards liquidity sterilization for monetary policy purposes. Similar to the policy rate, OMOs are more often used to meet shorter-term structural liquidity mismatches than the CRR.

- **Macro-prudential Measures:** Other instruments at the discretion of the RMA include the enforcement of macro-prudential measures and guidelines as embodied in the RMA's Prudential Regulations 2002, to influence the operations of depository institutions, as well as the prudent management of country's foreign exchange balances. Additionally, through moral suasion, the RMA appeals to financial institutions to collectively shoulder social responsibility and operate in a manner that supports the overarching economic policies of the government aimed at poverty reduction and sustainable socio-economic growth.

Box 2.1 Highlights of Major Monetary and Credit Policy (2012-13)

May 2014	<p>With the two main objectives of strengthen the financial system's resilience to economic downturns and other adverse aggregate shocks and to "lean against the wind" by pro-actively limiting the build-up of financial risks, the RMA issues the following Macro-Prudential Rules and Regulations to be implemented by financial institutions:</p> <ul style="list-style-type: none"> (i) <i>Minimum Ceiling on the Leverage Ratio</i> (ii) <i>Counter-cyclical Capital Buffer</i> (iii) <i>Sectoral Capital Requirement</i> (iv) <i>Time Varying Capital Provisioning and Margin Requirements</i> (v) <i>Loan to Value and Loan to Income Restriction</i> (vi) <i>Debt to Equity Ratio for Project Financing</i> (vii) <i>Restriction on Distribution of Profits</i> <p>The Regulation on Credit Rating Agencies was also issued as credit rating agencies play an important role in the financial sector by rectifying inherent information asymmetries. The regulation aims to facilitate better informed decisions on investment; promote a risk-based approach to providing financial services; enhance corporate governance, transparency, accountability and fair dealing; and increase the efficiency of the financial sector in allocating resources to the productive sectors.</p>
September 2014	<p>The RMA reintroduced housing and vehicle loans with effect from September 1, 2014 (after access to Indian Rupees to finance imports of personal transport vehicles and housing construction materials was temporarily suspended in March 2012). With the lifting of ban the RMA issued three following guidelines in order to guide the financial institutions in prudently managing and monitoring credit to these sectors thereby mitigating any potential systemic risk that could arise in future:</p> <ul style="list-style-type: none"> (i) <i>Guideline on Commercial Housing Loan and Home Loan</i> (ii) <i>Guideline on Motor Vehicle Loan</i> (iii) <i>Guideline on Consumer Loan</i>
October 2014	<p>The Investment Advisor and Management Company Regulations, 2014 was issued to replace the Fund Management Company Regulation, 2011 and Investment Advisors Regulations, 2011. The new regulations aim to provide an enabling framework for supplying risk capital to promising enterprises, while providing a pathway for the eventual development of the investment fund industry.</p>

Box 2.2 Base Rate System

With the view to strengthen monetary policy management, the RMA implemented the base rate system in September 2012. The base rate is the minimum rate below which it will not be viable for financial institutions to lend. The base rate also serves as the reference benchmark rate for floating rate loan products, apart from other external market-based benchmark rates. The base rate includes all those cost elements which can be clearly identified and are common across borrowers. The constituents of the base rate comprises (i) interest rate on retail deposits with one year maturity (adjusting for current account and savings account deposits); (ii) adjustment for the negative carry in respect of the CRR and SLR; (iii) un-allocatable overhead costs of financial institutions which would comprise a minimum set of overhead cost elements; and (iv) the average return on the net worth. The actual lending rates charged to borrowers is calculated as the base rate plus borrower-specific charges, which include product-specific operating costs, credit risk premium and tenor premium. In order to make the lending rates responsive to the central bank's policy rate, the financial institutions periodically review and announce their base rates to the public. The main objectives of introducing the base rate system are to: (i) ensure price discovery and competition in the financial sector (ii) promote transparency in the loan pricing system and (iii) reduce impediments to effective transmission of monetary policy signals.

Recent Developments

During May 12-14, 2014, in line with the Base Rate Operational Guidelines, the RMA conducted the Second Base Rate Review Meeting with the commercial banks. For the financial year 2014, the base rate for the commercial banks ranged between 10.32 percent to 11.43 percent and 12 percent for the Non-Bank Financial Institutions. Compared to 2013, the lower limit on the base rate has fallen marginally from 10.81 percent to 10.32 percent this year mainly due to (i) the fall in CASA adjustments on account of the decline in the share of current account balances of the bank through the RMA's sweeping facility; (ii) improvements in banks' profit levels; (iii) growth in the capital base of the banks; and (iv) improvements in the levels of deployable deposits of the banks (Refer Annex III for details). With the aim to promote the flow of credit towards priority sectors, the RMA continued to provide the following exemptions on the base rate framework to the financial institutions:

- Loans for the agricultural sector;
- Loans for small businesses and artisan schemes;
- Entrepreneurship Development Program (EDP) loans;
- Staff incentive loans;
- Loans against fixed deposits;
- Loans which call for renewal, restructuring, enhancement and rescheduling;
- Pension membership loans of the NPPF.

During the review meeting, the RMA and Banks also deliberated on future plans for moving towards a floating interest rate system and quarterly computation of the base rate. The Banks were keen to move forward from annual to quarterly computation of their base rate. Keeping in view the current macroeconomic situation, existence of time lags in data availability and other impeding factors including wide spreads on account of seasonality in banking sector data, the RMA advised the Banks to be more cautious in moving forward with more frequent computation of the base rate for now. Since there is limited demand for short term liquidity in the economy, computing base rates on a quarterly basis may not be beneficial unless the short term credit market improves. The RMA also advised the commercial banks to continue their internal exercise in computing base rate on a quarterly basis for their own internal consumption and for their future credit plans.

2.8 Prices

Bhutan's annual inflation for the quarter ending June 2014 was recorded at 8.6 percent, up by 3.1 percentage points against 5.5 percent in 2013 (year-on-year).

As illustrated in Chart 2.8 and Tables 2.7 and 2.8, the rise in the prices of food items has mainly contributed to the increase of the CPI in the quarter ending June 2014. A significant increase in the prices of **food commodities** was registered at 12.3 percent in Q2 2014, compared to 2.8 percent during the same quarter last year. However, the prices of **non-food items** decreased by 6.1 percent during the second quarter of 2014 compared to 7.1 percent last year.

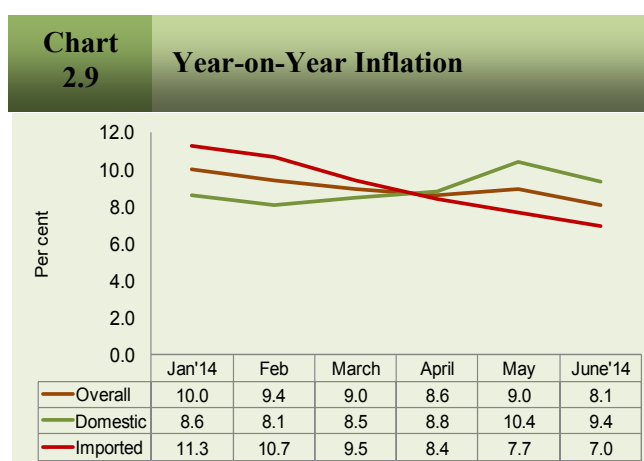
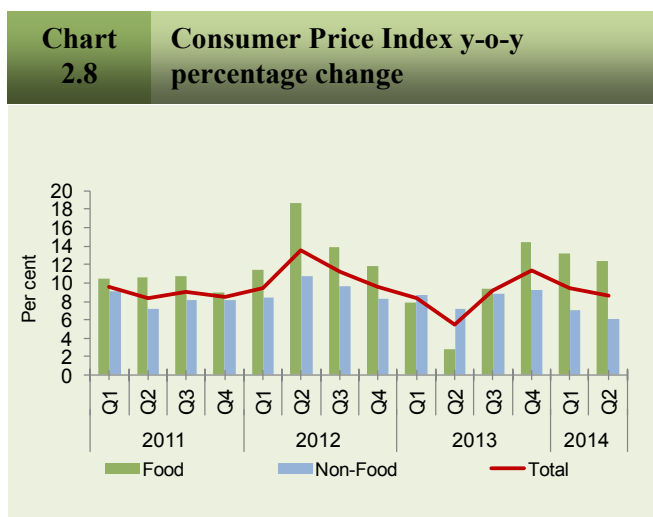
The overall monthly CPI (year-on-year) recorded 8.1 percent increase in June 2014, of which prices of imported goods increased by 7 percent, while domestic goods and services increased by 9.4 percent.

The percentage weights to the overall inflation from imported goods accounted for 52.6 percent while domestic goods and services accounted 47.4 percent for June 2014.

During June 2014, under **food items**, which constitute 39.9 percent of the overall weight assigned in the commodity basket, narcotics saw the highest *year-on-year* increase in prices by 26.7 percent followed by fish 17.4 percent; coffee, tea and cocoa 14.1 percent; wine 13.9 percent; food products n.e.c 13.7 percent; meat 13.7 percent; vegetables 13.2 percent; fruit 12.7 percent; bread and cereals 12 percent; milk, cheese and eggs 11.2 percent; oils and fats 9.6 percent.

Moderate price increases were noted for beer at 6.2 percent; spirits at 3.7 percent; and sugar, jam, honey etc. at 2.4 percent. However, downward price movements in the food group came from a fall in the prices of mineral water, soft drinks and juice products by 0.1 percent.

Whereas, for **non-food items**, the highest *year-on-year* increase in prices was recorded for electricity, gas and other fuels at 14.3 percent followed by glassware, tableware and utensils at 12.2 percent; furniture and furnishing, carpets and other floor at 11.4 percent; household textiles at 3.9 percent; household rental at 9.53 percent; accommodation services and personal care at 7.2 percent each; and footwear at 3 percent.



Other non-food items noted moderate price increases except for tools and equipments for house and garden; telephone and telefax equipment; recreational and cultural services which recorded negative growth during June 2014.

The PPN, as measured by CPI, recorded 87 Ngultrum as of June 2014. This implies, Ngultrum 100 in June 2014 was worth only Ngultrum 87 at December 2012 prices. The Ngultrum value depreciated by 13 percent in the past 12 months due to price increases in the economy.

In June 2014, overall **PPI inflation** grew by 3.6 percent compared to June of the previous year, due to the increase in prices mainly contributed by manufacturing sector by 5 percent and mining sector by 2.5 percent and transport sector by 1.2 percent.

Prices for electricity and water supply recorded a constant increase of 2.9 percent and 4.6 percent respectively in three months (2014). Meanwhile there was a decrease in information and communication sector due to reduction in the rates of internet leased lines (Refer table 2.7 for details).

Table 2.7 Monthly PPI and Percentage Change by Industry, 2014

	Weights (%)	Index level (September 2011=00)							Monthly Inflation (%)			Annual Inflation (%)		
		Apr-13	May-13	Jun-13	Mar-14	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14
All Industry	100.0	107.5	107.7	107.5	111.0	111.3	111.5	111.4	0.3	0.2	(0.1)	3.6	3.5	3.6
Logging	0.7	112.4	112.4	112.4	112.4	112.4	112.4	112.4	-	-	-	-	-	-
Mining and quarrying	5.8	112.5	112.7	113.0	115.8	115.8	115.4	115.8	(0.1)	(0.3)	0.3	2.9	2.4	2.5
Manufacturing	47.7	106.8	107.2	107.3	111.8	112.4	112.9	112.6	0.6	0.4	(0.3)	5.3	5.4	5.0
Electricity, gas, steam and air conditioning supply	35.4	107.9	107.9	107.9	111.1	111.1	111.1	111.1	-	-	-	2.9	2.9	2.9
Water supply, sewerage, waste management and remediation activities	0.1	104.6	104.6	104.6	109.4	109.4	109.4	109.4	-	-	-	4.6	4.6	4.6
Transport	5.9	114.2	114.6	116.4	118.5	118.2	117.6	117.8	(0.3)	(0.5)	0.2	3.5	2.6	1.2
Information and communication	4.5	96.5	96.5	89.8	89.7	89.7	89.7	89.7	-	-	-	(7.0)	(7.0)	(0.1)

Source: National Statistics Bureau.

In terms of the annual movements in the PPI (Table 2.7 and 2.8), the year-on-year percent change in the PPI by **industry** was recorded at 3.6 percent for June 2014 up from negative 0.2 percent in previous year. The overall index rose by 3.6 percent mainly due to increase in all the sectors except for information and communication which registered a negative growth of 0.10 percent due to reduction in the rates of internet leased lines. However, prices for log woods remained same.

Table 2.8 Monthly PPI and Percentage Change by Product, 2014

	Share (%)	Index level (September 2011=00)							Monthly Inflation (%)			Annual Inflation (%)		
		Apr-13	May-13	Jun-13	Mar-14	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14
All Products	100.0	107.5	107.7	107.5	111.0	111.3	111.5	111.4	0.3	0.2	(0.1)	3.6	3.5	3.6
Logging	0.7	112.4	112.4	112.4	112.4	112.4	112.4	112.4	-	-	-	-	-	-
Ores and minerals; electricity, gas and water	5.8	112.5	112.7	113.0	115.8	115.8	115.4	115.8	(0.1)	(0.3)	0.3	2.9	2.4	2.5
Food products, beverages and tobacco; textiles, apparel and leather products	3.6	107.8	107.3	107.2	110.1	111.4	111.3	110.9	1.2	(0.2)	(0.3)	3.4	3.7	3.5
Other transportable goods, except metal products, machinery and equipment	15.4	113.8	114.0	113.9	115.4	115.4	115.5	114.7	0.0	0.1	(0.6)	1.4	1.3	0.7
Metal products, machinery and equipment	28.8	103.1	103.7	103.9	110.1	111.0	111.8	111.7	0.8	0.7	(0.1)	7.7	7.8	7.5
Distributive trade services; accommodation, food and beverage serving services; transport services; and electricity, gas and water distribution services	41.3	108.8	108.9	109.1	112.1	112.0	112.0	112.0	(0.0)	(0.1)	0.0	3.0	2.9	2.6
Business and production services	4.5	96.5	96.5	89.8	89.7	89.7	89.7	89.7	-	-	-	(7.0)	(7.0)	(0.1)

Source: National Statistics Bureau.

According to the year-on-year percentage change by **product** in PPI for June 2014, metal products, machinery and equipment registered the highest growth by 7.5 percent; followed by food products, beverages and tobacco, textiles, apparel and leather products by 3.5 percent; distributive trade services, accommodation, food and beverage serving services, transport services, and electricity, gas and water distribution services by 2.6 percent; ores and minerals, electricity, gas and water by 2.5 percent ; and other transportable goods, except metal products, machinery and equipment by 0.7 percent. Meanwhile, business and production services recorded a negative growth of 0.1 percent.

Table 2.9 CPI Major Component Indicators

	Weight %	Year-on-year % change	
		Q2 2013	Q2 2014
Consumer Price Index (Q2 2012=100)	100.0	5.5	8.6
<i>Of which</i>			
Food & non-alcoholic beverages	36.9	2.4	11.8
Alcoholic beverages, tobacco & narcotics	3.0	8.1	15.7
Clothing & footwear	9.2	10.7	5.7
Housing, water, electricity, gas & other fuels	21.7	7.1	9.7
Furnishing, household equipment & routine household maintenance	2.2	14.2	7.3
Health	4.7	6.1	0.6
Transport	12.0	3.4	3.0
Communication	3.0	(2.3)	(4.7)
Recreation & culture	2.4	7.8	1.6
Education	1.6	8.4	6.1
Restaurants & hotels	1.2	14.2	3.9
Miscellaneous goods & services	2.1	11.5	6.7

Source: National Statistics Bureau.

Table 2.10 Selected CPI Food-Component Indicators

	Weight %	Year-on-year % change					
		Jan'14	Feb	Mar	Apr	May	Jun'14
Consumer Price Index (Q2 2012=100)	40.2						
Food	39.9	12.8	12.3	11.6	11.0	12.5	12.0
Bread & cereals	9.7	14.3	12.4	11.7	10.7	11.5	12.0
Meat	3.1	11.3	11.6	12.7	17.1	14.8	13.7
Fish	1.1	21.2	18.1	15.7	18.6	17.4	17.4
Milk, cheese & eggs	6.9	7.7	7.6	7.7	9.7	11.5	11.2
Oils & fats	3.2	11.7	7.8	6.9	8.2	10.6	9.6
Fruits	1.7	10.6	5.2	5.8	12.5	10.7	12.7
Vegetables	7.8	15.9	19.3	18.0	10.4	15.8	13.2
Sugar, honey, jam etc.	1.0	8.3	7.2	2.7	4.7	2.0	2.4
Food products n.e.c	0.6	19.2	20.5	20.0	17.0	10.8	13.7
Coffee, tea and cocoa	0.7	16.2	11.5	19.8	16.1	13.9	14.1
Mineral water, soft drinks and juices	1.4	3.6	6.9	7.3	6.2	2.5	(0.1)
Spirits	0.7	2.9	6.9	4.0	7.7	7.0	3.7
Wine	0.4	15.0	14.0	14.3	12.7	14.2	13.9
Beer	0.6	11.6	14.9	15.3	11.8	8.5	6.2
Narcotics	1.4	58.0	37.0	48.9	43.0	27.6	26.7

Source: National Statistics Bureau.

3. External Sector

*Bhutan's balance of payments statistics (BOP) are compiled on the basis of the IMF's **Balance of Payments and International Investment Position Manual, sixth edition (BPM6)** from fiscal year 2006/07 onwards. During the transition to BPM6, several **other improvements in data coverage and classification** were also identified and implemented and where possible, these changes have been backtracked to FY 2006/07 as well.*

The new data series was first published last year in the RMA Annual Report 2012/13. Since then, work has continued to improve data quality and expand data coverage, as a result of which several revisions were also made to the data series, in particular for FY 2011/12 and FY 2012/13. In the meanwhile, the RMA is also drafting a formal revisions policy for external sector statistics.

Since several important changes were made to the data, the following section is being featured in this report as well to remind users about the major changes in the data series:

- ***Imports from countries other than India** have been converted from cif to **job basis**. In consultation with the DRC, 20 percent of imports have been reclassified to freight (transportation services) and 1.125 percent to insurance services. Please see Table 3.2 for details on the reconciliation of trade data between the DRC and the RMA.*
- *Grants received by the RGOB as budget support were previously classified entirely as current transfers (secondary income in BPM6). Such **budgetary grants** have now been segregated based on purpose with all grants for **investment purposes to finance gross fixed capital formation** reclassified from the secondary income account into the Capital account as **capital transfers**.*
- *In line with the principle of accrual accounting of the BOP, **accrued interest** on existing **Indian Rupee denominated hydropower loans** have been recorded in the primary income account (debit) as well as to loan liabilities in the financial account. (Data will therefore, not be comparable to the ones published by the Ministry of Finance).*
- *Revisions have been made in the methodology to calculate the debit items for **compensation of employees and workers' remittances** affecting data for FY 2012/13. Until last year, old estimates were either being inflated annually or ratios applied to total external aid. From this year however, information on numbers and salaries of foreign workers from the Department of Immigration and the Ministry of Labour and Human Resources have been used to estimate the debit items for compensation and remittances as well as to estimate **business travel credits** (acquisition of goods and services by short term workers).*
- ***Trade credits**, which represented an important data gap in the past, are now being included for all sources that report transactions in trade credits.*

- Reserve assets **exclude US dollar deposits that were pledged on the Indian Rupee overdraft facility** from the SBI and PNB by the amount of outstanding overdraft during the relevant reference period. The equivalent US dollars of the outstanding overdraft was considered to be encumbered assets and reclassified under other investments.
- **BPM6 sign convention** has been adopted for **all** the components of the BOP from FY 2006/07; the table below shows the changes in sign convention between BPM5 and BPM6:

Item	BPM6	BPM5
Current and capital accounts	Both credits and debits are recorded with positive signs	Credits “+” and debits “-”
Financial account	Increases in assets & liabilities “+” and decreases in assets & liabilities “-”	Increases in assets & decreases in liabilities “-” and decreases in assets & increases in liabilities “+”
Financial account balance (net lending (+) / net borrowing (-) in BPM6)	Calculated as change in assets minus liabilities	Calculated as change in assets plus liabilities

- *Reclassifications that were required in line with BPM6 have been made although the resulting changes have not been significant because of minimal transactions in the reclassified items.*

The transition to BPM6 reporting and other improvements that were effected in the compilation of Bhutan’s BOP statistics have been made possible under the umbrella of the Asia-Pacific module of the 3-year **IMF project funded by the Government of Japan sub-account to improve external sector statistics (IMF-JSA project)**. Since the opening workshop of the project in October 2012, the RMA hosted two technical assistance missions from the IMF in 2013 and also participated in an additional workshop on the Practical Aspects of International Investment Position (IIP) and External Debt Statistics (EDS) compilation. Further improvements in data quality including the reporting of new data sets such as the EDS as well as increasing the frequency and timeliness of existing data sets are envisioned in the remaining years of the project.

As usual, Bhutan’s BOP statistics are compiled and published separately for India and for countries other than India (COTI), while the Overall BOP statement is an aggregation of the BOP with India and BOP with COTI statements. BOP data for FY 2013/14 are provisional.

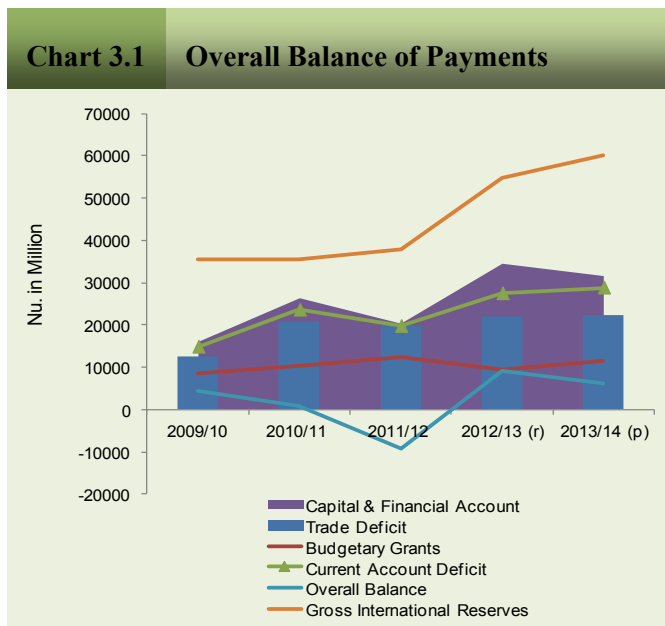
3.1 Overall Balance of Payments

Bhutan’s **current account deficit** increased from Nu.27.5 billion in FY 2012/13 to Nu.28.8 billion in FY 2013/14. The current account deficit continues to remain elevated, reaching an estimated 27.3 percent of GDP in FY 2013/14. While the trade deficit increased only marginally in the year, by 1.8 percent, the deficit has persisted at a large level, reaching Nu.22.4 billion or 21.5 percent of GDP in the year. Deficits also persist in the services and

primary income accounts, with the services deficit in particular almost doubling from last year, but mainly because of improved coverage of data.

In the **capital and financial account**, Indian Rupee denominated hydropower

loans increased by 10.5 percent from ₹ 14.8 billion to ₹ 16.3 billion¹. Additionally, ₹ 9.4 billion, an almost equivalent amount as in the last fiscal year was received in FY 2013/14 as grants for hydropower development. After accounting for other flows in the capital and financial account and the net errors and omissions, against a current account deficit of Nu.28.8 billion, the capital and financial account surplus stood at Nu.31.4 billion. with a subsequent increase in reserves by an equivalent of Nu.6.1 billion.



At the end of the fiscal year, **gross international reserves** stood at USD 997.9 million increasing from USD 916.9 million as of end-June 2013. Reserves were sufficient to finance 13.0 months of merchandise imports while covering 56.9 percent of public external debt. Of the total reserves, USD 829.3 million were convertible currency reserves while ₹ 10.1 billion were Indian Rupee reserves.

In **exchange rate** developments, The Ngultrum averaged Nu.61.5 per US Dollar in the fiscal year, depreciating by 10.8 percent from the previous fiscal year. In terms of June-to-June comparisons, the Ngultrum depreciated by 2.3 percent against the US Dollar between 2013 and 2014. The Ngultrum is pegged at par to the Indian Rupee and as such, the deterioration in the value of the Ngultrum against the US Dollar reflects the pressures that the Indian Rupee faced as a result of the large current account deficit and volatile capital flows in India.

¹ Includes interest during construction of ₹ 3 billion and ₹ 3.6 billion, respectively in each year.

Table 3.1 Overall Balance of Payments and Selected External Indicators

Item	Nu. in Million			USD in Million		
	2011/12 (r)	2012/13 (r)	2013/14 (p)	2011/12	2012/13 (r)	2013/14 (p)
A. Current Account	-19,774.3	-27,499.8	-28,831.5	-393.4	-501.3	-469.0
o.w. India	-15,685.8	-26,375.4	-26,808.7	-312.0	-480.8	-436.1
o.w. COTI	-4,088.4	-1,124.4	-2,022.8	-81.3	-20.5	-32.9
Trade Balance	-19,880.6	-22,038.3	-22,426.9	-395.5	-401.7	-364.8
o.w. India	-12,795.1	-17,218.5	-17,607.4	-254.5	-313.9	-286.4
o.w. COTI	-7,085.5	-4,819.8	-4,819.5	-140.9	-87.9	-78.4
Exports (fob)	30,997.4	29,931.5	32,880.0	616.6	545.6	534.9
o.w: Hydropower Exports	9,798.3	10,323.4	10,247.9	194.9	188.2	166.7
Imports (fob)	50,878.1	51,969.8	55,306.9	1,012.1	947.4	899.7
Services	-4,749.9	-3,395.8	-5,380.1	-94.5	-61.9	-87.5
Credit	5,146.0	6,764.6	8,126.1	102.4	123.3	132.2
Debit	9,896.0	10,160.4	13,506.2	196.9	185.2	219.7
Primary Income	-5,922.4	-9,063.3	-7,127.6	-117.8	-165.2	-116.0
Credit	875.1	965.9	1,164.2	17.4	17.6	18.9
Debit	6,797.5	10,029.1	8,291.8	135.2	182.8	134.9
Balance on Goods, Services & Primary Income	-30,552.9	-34,497.4	-34,934.7	-607.8	-628.8	-568.3
Secondary Income	10,778.7	6,997.5	6,103.2	214.4	127.6	99.3
Credit	12,907.3	8,684.7	7,333.2	256.8	158.3	119.3
o.w: Budgetary Grants	9,020.7	4,716.2	3,856.5	179.4	86.0	62.7
Debit	2,128.6	1,687.1	1,230.0	42.3	30.8	20.0
B. Capital Account	4,755.1	14,459.0	16,901.7	94.6	263.6	275.0
o.w. Budgetary Grants, Credit	3,436.5	4,698.6	7,541.5	68.4	85.7	122.7
o.w. Hydropower Grants, Credit	1,318.6	9,760.4	9,360.2	26.2	177.9	152.3
C. Financial Account¹	-15,467.4	-19,952.9	-14,589.2	-307.7	-363.7	-237.3
Direct investment in Bhutan: net incurrence of liabilities	1,209.7	2,707.8	512.7	24.1	49.4	8.3
Other investment: net acquisition of assets	45.8	955.1	-272.5	0.9	17.4	-4.4
Other investment: net incurrence of liabilities	14,303.5	18,200.1	13,804.1	284.5	331.8	224.6
o.w. INR denominated hydropower loans ²	9,878.4	14,790.8	16,347.5	196.5	269.6	265.9
o.w. CC loans of the RGOB	1,556.7	3,656.3	2,646.2	31.0	66.6	43.0
D. Net Errors & Omissions	-9,516.7	2,300.2	3,413.3	-189.3	41.9	55.5
E. Overall Balance (Reserve Assets)	-9,068.4	9,212.2	6,072.8	-180.4	167.9	98.8
In % of GDP						
Trade Balance (Goods)	-23.4	-22.6	-21.5			
Goods and services (net)	-29.0	-26.1	-26.6			
Current Account Balance	-23.3	-28.2	-27.6			
Overall Balance	-10.7	9.5	5.8			
GDP at current prices ³	84,950.0	97,453.0	104,378.1			
Memorandum Items:						
Gross International Reserves (end of period) ⁴				674.3	916.9	997.9
In months of merchandise imports				9.0	12.6	13.0
Short term external debt as a % of Reserves ⁵				13.6	9.9	0.0
External Debt Outstanding (end of period)				1333.7	1606.8	1759.0
In percent of GDP				88.4	98.4	101.3
Debt Service Ratio (including overdraft facility)				127.1	229.2	26.8
Debt Service Ratio (excluding overdraft facility)				12.9	17.5	26.8
Annual average exchange rate (Nu/USD)				50.3	54.9	61.5
End of period exchange rate (Nu/USD)				56.3	59.7	60.1

¹Net acquisition of financial assets minus net incurrence of financial liabilities; (+) figure denotes net lending and (-) figure denotes net borrowing; excludes reserve assets. ²Includes accrued interest. ³Calendar year GDP used (CY 2011 = FY 2011/12 and so on); Source: NSB. ⁴Excluding pledge on any outstanding overdraft during the reference periods. ⁵Short term external debt by original maturity (RBI Rupee swap and Indian Rupee overdraft facility).

Note: External debt includes only loan liabilities. Debt service ratio is in percent of exports of goods and services.

3.1.1 Goods Trade Account

The **overall trade deficit** increased by 1.8 percent in FY 2013/14 from the last fiscal year. The trade deficits with both India and COTI widened only marginally in the year, by 2.3 percent and less than 0.1 percent, respectively. Exports to India increased by 8.5 percent compared to a 6.1 percent growth in imports, while there was a 25.2 percent growth in exports to COTI vis-à-vis an 8.3 percent increase in the imports.

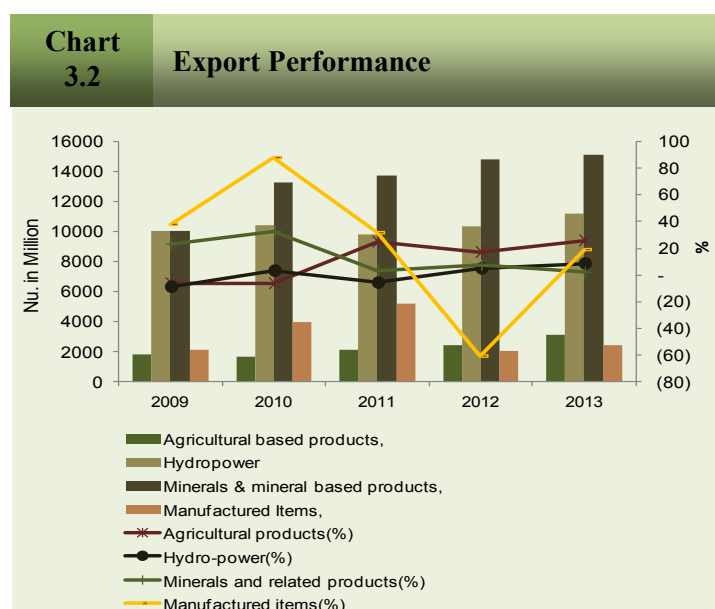
Table 3.2 Nu. in Million	Reconciliation between Merchandise Source Data & Total Goods on a Balance of Payments Basis					
	FY 2011/12		FY 2012/13 (r)		FY 2013/14 (p)	
	Exports	Imports	Exports	Imports	Exports	Imports
Merchandise trade statistics as provided by DRC ¹	21199.1	51134.4	19608.0	51709.2	22632.1	55038.0
Adjustments						
+ Hydropower exports ²	9798.3		10323.4		10247.9	
+ Goods procured in ports by carriers ³		663.1		849.1		1047.3
+ Informal Trade at the Border		1815.2		1210.2		1149.7
+ Net exports of goods under merchandising						
- CIF/FOB adjustment for COTI		2734.6		1798.7		1928.1
+ FOB adjustment for India ⁴						
Total goods on a balance of payments basis	30997.4	50878.1	29931.5	51969.8	32880.0	55306.9

This table shows the additional components added to the trade data sourced from the Department of Revenue & Customs to arrive at the total goods export and import in the balance of payments presentation. ¹Excluding hydropower exports. ²Sourced from respective power plants. ³Includes refuelling at stations abroad by carriers. ⁴To be carried out in 2015.

The following section reviews the trade account in more detail. Since detailed composition of trade data are currently published by the DRC on a calendar year basis, the following section tracks developments in **calendar year 2013**. For the purposes of compiling fiscal year balance of payments, the DRC currently provides the RMA with quarterly aggregates of the trade data Differences in general trends between fiscal year trade account data in the balance of payments and the following section are on account of the difference in the reference periods.

Merchandise Trade, 2013²

Hydropower continues to remain Bhutan's largest **export**, accounting for 35.2 percent of total exports (India plus COTI) in 2013. Hydropower exports increased from Nu.10.3 billion in 2012 to Nu.11.2 billion in 2013. The export of **ferro alloys** (87.1 percent to India) increased from Nu.6.8 billion to Nu.8.0 billion accounting for 25.2 percent of the total exports in 2013.



² This section is based on the *Bhutan Trade Statistics* publications of the DRC and tracks *calendar year* developments in the composition and direction of Bhutan's trade.

Table 3.3 Gross Merchandise Exports

Item	Ngultrum in Million				
	2009	2010	2011	2012	2013
Agricultural based products,	1788.9	1679.3	2099.8	2463.0	3104.6
<i>of which</i>					
<i>Processed food & beverages</i>	326.0	334.9	432.5	478.4	619.9
Hydropower	10072.5	10411.5	9825.0	10323.4	11227.3
Minerals & mineral based products,	10016.0	13290.0	13746.3	14786.9	15084.0
<i>of which</i>					
<i>Base metals and related articles</i>	7061.9	10024.3	10476.0	11221.0	11038.9
Manufactured Items,	2097.1	3943.3	5198.3	2045.1	2436.7
<i>Products of chemical & allied industries</i>	1051.8	1454.5	1476.9	1641.9	1908.8
<i>Plastic & rubber products</i>	308.4	246.1	309.8	331.3	462.7
<i>Textiles, footwear, headgear etc.</i>	67.1	41.5	32.5	47.5	44.7
<i>Magnetic disc/ recorded or/and unrecorded media</i>	619.3	2146.0	3340.7	-	-

Source: Department of Revenue and Customs.

Among other exports, the share of **agriculture based exports** increased from 8.3 percent in 2012 to 9.7 percent in 2013 (Nu.2.5 billion to Nu.3.1 billion). While exports of cardamoms increased by 50.9 percent from Nu.452.6 million to Nu.656.1 million, exports of apples, potatoes and oranges increased by 30.6 percent, 16.4 percent and 14.7 percent, respectively.

Export of **minerals and mineral-based commodities** increased to Nu.15.1 billion from Nu.14.8 billion in 2012, accounting for 47.3 percent

of total exports. Within the category of base metals and related articles, the export of ferro alloys increased by 17.8 percent and accounted for 25.2 percent of the total exports in 2013.

Chart 3.3

Agro & Forestry Based Exports

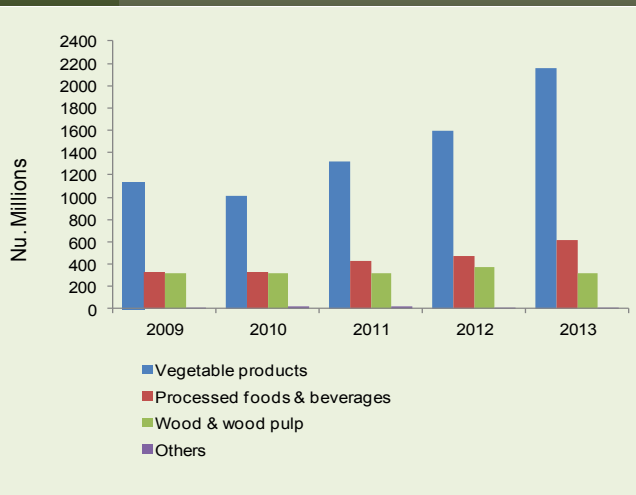
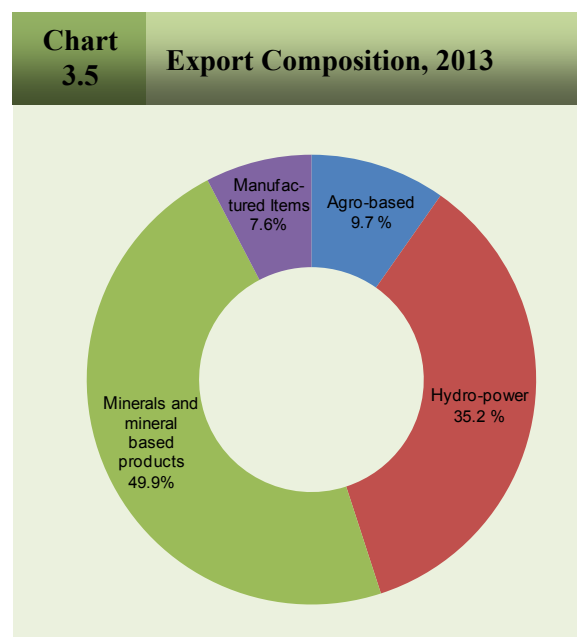
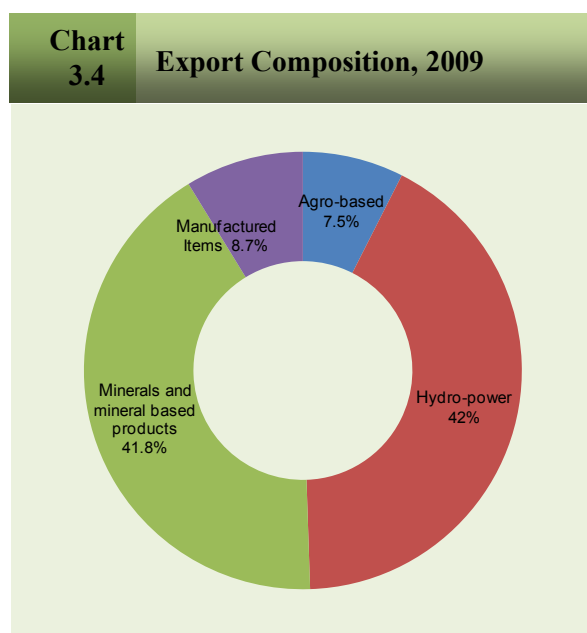


Table 3.4 Commodity Export Performance: Base metals & related articles

Item	Ngultrum in Million					
	2011		2012		2013	
	India	COTI	India	COTI	India	COTI
Iron and Steel	7,393.6	431.7	9,442.4	418.3	9,679.3	1,033.4
Articles of iron and steel	0.0	0.1	0.0	-	0.5	0.1
Copper and articles thereof	2,016.6	-	1,297.9	0.8	305.3	0.2
Aluminium and articles thereof	3.0	-	5.1	-	6.8	-
Tin and articles thereof	7.4	-	15.2	-	11.3	-
Other base metals, lead and miscellaneous articles thereof	623.5	0.1	39.4	1.9	1.7	0.4
TOTAL	10,044.1	431.9	10,800.0	421.0	10,004.9	1,034.0

Source: Department of Revenue and Customs. Note: A figure denoted by 0.0 indicates a marginal value compared to - indicating no value for that particular item.

In terms of the relative share of various categories of goods to total exports between 2009 and 2013, the share of minerals and mineral-based products have increased, while the share of hydropower exports has decreased due to an increase in domestic consumption (Charts 3.4 and 3.5).



While **gross merchandise exports** increased by 7.5 percent to Nu. 31.9 billion from Nu. 29.6 billion in 2012, **gross merchandise imports** decreased by around 1.0 percent in 2013. In the past Bhutan exported software to earn hard currency which was then used to import copper from third country for re-export to India. However the Government stopped issuing the Certificate of Origin (COO) for software which was only packed and labeled in Bhutan and hence there was substantial decline in both the import and export of copper wire. A list of the top twenty non-power commodity exports and imports are provided in Tables 3.5 and 3.6.

Table 3.5 Top Twenty Commodity Exports, 2013 (excluding hydropower)

Item	2013		2012	
	Value (Millions of Nu.)	% Share of total	Value (Millions of Nu.)	% Share of total
Ferro-alloys	8035.9	25.2	6822.5	23.0
Carbides (<i>calcium, silicon, others</i>)	1826.3	5.7	1580.2	5.3
Semi finished products of iron & non alloy steel	1733.5	5.4	1155.0	3.9
Cement (<i>Portland, aluminous, slag, supersulphate</i>)	1568.2	4.9	1341.6	4.5
Dolomite	1110.0	3.5	940.8	3.2
Bars & rods (<i>hot-rolled, of iron or nonalloy steel</i>)	745.9	2.3	1490.7	5.0
Cardamoms	656.1	2.1	434.8	1.5
Gypsum (<i>anhydrite, plasters</i>)	618.4	1.9	552.5	1.9
Oranges	519.1	1.6	452.6	1.5
Plastics (<i>plates, sheets, film etc</i>)	370.7	1.2	256.6	0.9
Potatoes (<i>seeds & other</i>)	360.1	1.1	309.3	1.0
Copper wire	300.4	0.9	1295.5	4.4
Limestone & other calcareous stone	311.0	1.0	248.2	0.8
Cordyceps sinensis	258.9	0.8	101.6	0.3
Particle & similar board	227.2	0.7	227.1	0.8
Marbles, travertine and alabaster	133.1	0.4	105.1	0.4
Wheat or meslin flour	124.8	0.4	114.6	0.4
Ingots (<i>iron & non-alloy steel</i>)	124.0	0.4	285.5	1.0
Mineral water & aerated, sweetened waters	121.7	0.4	120.9	0.4
Apples	98.7	0.3	49.23	0.2
Total exports (including electricity & others)	31853.0	60.4*	29618.4	60.9*

Source: Department of Revenue and Customs. *Share of top twenty non-power exports in total.

Table 3.6 Top Twenty Commodity Imports, 2013

Item	2013		2012	
	Value (Millions of Nu.)	% Share of total	Value (Millions of Nu.)	% Share of total
High speed diesel	5655.3	10.8	4695.3	8.9
Ferrous products (by <i>direct reduction of iron ore</i>)	1888.6	3.6	2178.7	4.1
Motor spirit (<i>gasolene</i>) including aviation spirit (<i>petrol</i>)	1750.3	3.3	1636.3	3.1
Hydraulic turbines, water wheels & regulators	1664.2	3.2	980.4	1.9
Rice	1579.8	3.0	1258.8	2.4
Coal, briquettes & similar solid fuels of coal	1056.5	2.0	898.6	1.7
Wood charcoal	990.7	1.9	994.4	1.9
Bars & rods of iron or non-alloy steel	847.8	1.6	858.8	1.6
Coke & semi-coke of coal	753.9	1.4	856.8	1.6
Ferrous waste & scrap (cast iron, tinned iron or steel e	669.9	1.3	1148.0	2.2
Soyabean oil (<i>crude & other</i>)	567.3	1.1	543.4	1.0
Meat of bovine animals	552.3	1.1	425.0	0.8
Towers & lattice masts (of iron or steel)	521.8	1.0	556.7	1.1
Corrugated iron/non-alloy steel sheets	504.5	1.0	592.0	1.1
Milk powder	468.8	0.9	511.0	1.0
Machine for reception, conversion & transmission of image, data etc (<i>incl. switching & routing</i>)	468.8	0.9	357.7	0.7
Lubricating oils	413.3	0.8	365.7	0.7
Copper wire	379.1	0.7	1420.9	2.7
Manganese ores	362.7	0.7		0.0
Petroleum bitumen	260.7	0.5	704.4	1.3
Total imports (including remaining items)	52315.7	40.8*	52,673.8	43.09*

Source: Department of Revenue and Customs. *Share of respective year top twenty imports in total imports.

Food Trade Balance

As Bhutan's food trade deficit increases steadily over the years, food sufficiency still continues to be a major issue. With an increase of 24.4 percent from 2012, Bhutan's total food trade deficit increased to Nu.5.2 billion from Nu.4.2 billion in 2012. Bhutan imported essential food items worth Nu.6.3 billion in 2013, an increase of 22.9 percent from the previous year.

	2011			2012			2013		
	India	COTI	Total	India	COTI	Total	India	COTI	Total
Selected Food Deficit/Surplus	-3253.1	364.7	-2888.4	-4601.0	407.1	-4193.9	-5690.0	474.0	-5216.0
Export of Selected Food Items	368.8	387.0	755.8	467.3	456.6	923.9	516.0	560.1	1076.1
<i>of which</i>									
<i>Milk, butter & cheese</i>	0.1	0.0	0.1	5.7	0.0	5.7	2.4	-	2.4
<i>Eggs</i>	0.0	0.0	0.0	0.0	-	-	-	-	-
<i>Meat and related products</i>	0.0	0.0	0.0	0.1	-	0.1	0.1	-	0.1
<i>Cereals, of which</i>	0.2	5.7	5.8	0.0	6.3	6.3	0.0	13.1	13.2
<i>Rice</i>	0.0	5.7	5.7	0.0	6.2	6.2	0.0	13.1	13.1
<i>Vegetables, roots, tubers</i>	270.5	3.2	273.7	359.6	6.6	366.2	407.3	6.6	413.9
<i>Edible fruits & nuts</i>	74.3	378.2	452.4	94.4	443.7	538.1	103.2	540.4	643.6
<i>Edible Oils</i>	23.8	0.0	23.8	7.5	-	7.5	2.9	-	2.9
<i>Sugar</i>	0.0	0.0	-	-	-	-	-	-	-
Import of Selected Food Items	3621.9	22.3	3644.2	5068.3	49.5	5117.8	6206.0	86.1	6292.1
<i>of which</i>									
<i>Milk, butter & cheese</i>	659.9	1.3	661.3	968.8	4.2	973.0	1004.6	7.4	1012.0
<i>Eggs</i>	6.8	0.3	7.2	-	-	-	1.3	-	1.3
<i>Meat and related products</i>	631.4	10.5	642.0	1024.3	18.8	1043.1	1321.6	41.8	1363.5
<i>Cereals, of which</i>	1166.1	0.3	1166.4	1369.4	0.5	1369.8	2032.1	18.6	2050.8
<i>Rice</i>	853.5	0.2	853.7	1253.9	0.3	1254.3	1561.2	18.6	1579.8
<i>Vegetables, roots, tubers</i>	243.0	2.6	245.6	451.0	3.7	454.7	468.6	10.2	478.8
<i>Edible fruits & nuts</i>	39.9	1.2	41.1	75.6	2.2	77.8	65.6	5.7	71.3
<i>Edible Oils</i>	661.9	5.8	667.8	906.3	19.9	926.2	978.4	1.9	980.3
<i>Sugar</i>	212.8	0.1	212.9	272.8	0.3	273.1	333.6	0.5	334.1

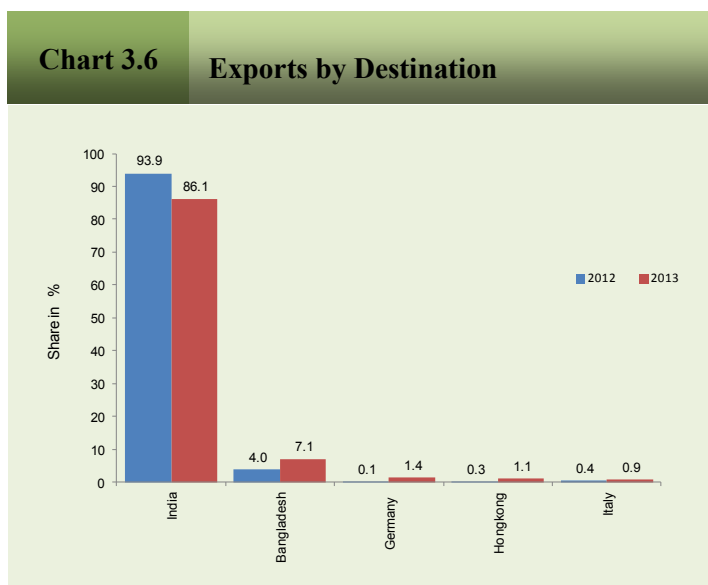
Nu in Million

1) Meat and related products includes all live animals and meat including fish, and excluding eggs, milk, cheese and honey. 2) Cereals include wheat, barley, maize, rice, buckwheat, millet etc.
An entry of "0.00" indicates a marginal value compared to "-" which indicates no value for that particular item.
Source: Bhutan Trade Statistics, Department of Revenue and Customs.

Direction of Trade

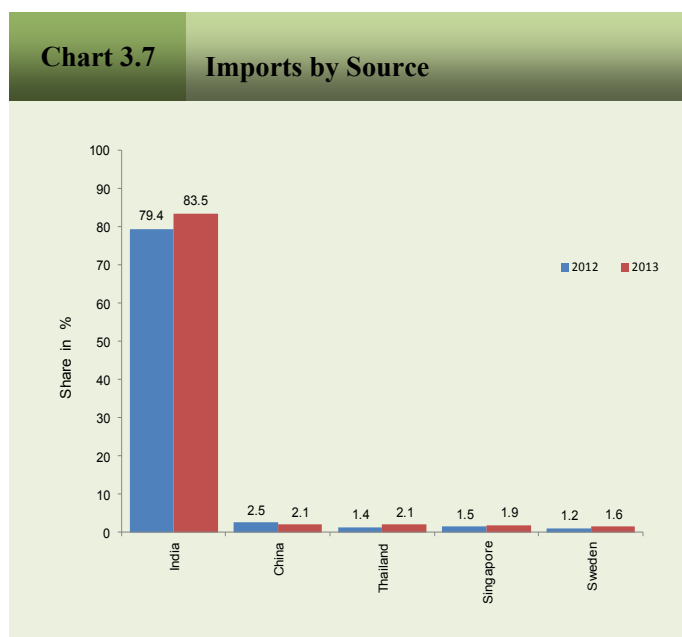
Bhutan's commodity exports to **India** dropped to 86.1 percent in 2013 from 93.9 percent in 2012 (Chart 3.6). Top exports to India include *hydropower* and *ferro alloys*.

The share of exports to **Bangladesh** increased to 7 percent from 4 percent in 2012 (major exports include *oranges*, *cardamoms* and *limestone*). Bangladesh was followed by **Germany** among the top three destinations for exports,



with its share increasing to 1.4 percent from 0.1 percent in 2012, mainly due to the increase in export of *ferro alloys*.

For **imports**, the share of import from **India** increased to 83.5 percent in 2013 from 79.4 percent in 2012 (Chart 3.7). Following India was **China** with a share of 2.1 percent. Some of the major imports from China were *doors, windows, hand tools and crushing and grinding machines*. **Thailand's** share has increased from 1.4 to 2.1 percent; major imports were *polythene and polymers*. The share of import from **South Korea** decreased from 3.1 percent in 2012 (Nu.1.7 billion) to 0.6 percent in 2013 (Nu.280 million). This was mainly due to the decrease in import of copper wire.



3.1.2 Services and Income Accounts

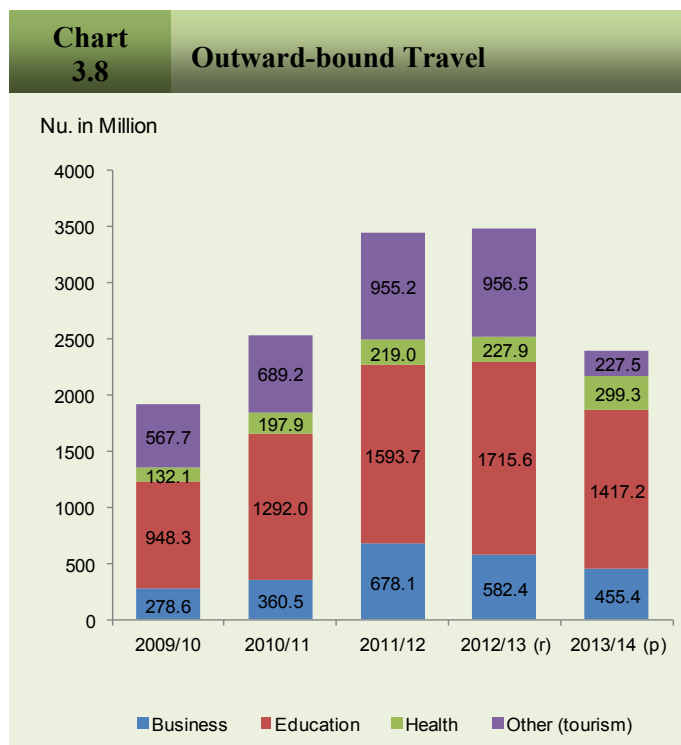
Table 3.8 Overall BOP: Invisibles				
Nu. in Million	2010/11	2011/12	2012/13 (r)	2013/14 (p)
Services	-4,283.1	-4,749.9	-3,395.8	-5,380.1
<i>Services: Credit</i>	3,703.8	5,146.0	6,764.6	8,126.1
<i>Services: Debit</i>	7,986.9	9,896.0	10,160.4	13,506.2
Maintenance and repair services n.i.e.	-	-14.2	-2.4	-195.1
Transport	-1,441.0	-1,383.5	-333.2	-220.7
Travel	-412.8	-327.8	1,080.1	3,086.1
Construction	-1,212.0	-1,548.3	-2,805.6	-2,950.0
Insurance	-155.9	-190.4	-4.8	-46.8
Financial services	-3.6	-6.7	-12.8	-5.0
Charges for the use of intellectual property n.i.e.	-9.4	-2.5	-1.3	-40.7
Telecommunications, computer, and information services	-106.9	-175.5	-124.9	-2,778.6
Other business services (excluding merchanting)	-803.3	-898.0	-972.0	-1,976.7
Government goods and services n.i.e.	-138.2	-203.1	-219.0	-252.5
Primary Income	-4,709.7	-5,922.4	-9,063.3	-7,127.6
<i>Primary Income: Credit</i>	753.6	875.1	965.9	1,164.2
<i>Primary Income: Debit</i>	5,463.3	6,797.5	10,029.1	8,291.8
Compensation of employees ¹	-2,043.2	-1,898.6	-2,077.3	-2,090.2
Direct investment	-208.7	-88.1	-1,089.8	-110.8
Interest on deposits	670.5	813.0	856.0	1,081.1
Interest on debt	-3,128.3	-4,748.8	-6,752.2	-6,007.7
o.w. accrued interest on Indian Rupee hydropower	-1,006.9	-1,979.7	-2,968.1	-3,605.4
Secondary Income	6,206.7	10,778.7	6,997.5	6,103.2
<i>Secondary Income: Credit</i>	8,562.2	12,907.3	8,684.7	7,333.2
<i>Secondary Income: Debit</i>	2,355.5	2,128.6	1,687.1	1,230.0
General Government	7,774.3	11,359.8	7,716.2	5,895.1
of which: Budgetary grants: Credit	6,540.0	9,020.7	4,716.2	3,856.5
Other Sectors	-1,567.6	-581.1	-718.6	208.1
of which: Workers' remittances ¹	-1,651.6	-935.8	-468.2	-64.5
Total Invisibles	-2,786.1	106.4	-5,461.6	-6,404.5
in percent of GDP	-3.8	0.1	-5.6	-6.1

¹ Methodology to estimate debits were revised in 2013 affecting data for FY 2012/13.

Note: All sub-components under each account are being reported on a net basis i.e. as credit minus debit.

The surplus in the secondary income was not sufficient to cover the deficit in the primary income and the services accounts resulting in a net negative balance in the overall **invisibles account**. The net deficit increased from Nu.5.5 billion to Nu.6.4 billion in FY 2013/14 driven by the payments made in the services sector. Accrued interest on the Indian Rupee denominated hydropower loans increased by 21.5 percent while the budgetary grants received by the RGOB fell by 11.7 percent during the fiscal year.

The net **services account** deficit increased by 58.4 percent in the fiscal year. This however was mainly brought about due to expanded data coverage in the services sectors. Within the services account, the net surplus in **travel services** increased from Nu.1.1 billion to Nu.3.1 billion in 2013/14. Among other major items in travel services, gross receipts from **convertible currency paying tourists**³ (Nu.4.1 billion) increased by 16 percent over the last fiscal year, and accounted for 65 percent of the total service credits. On the debit side, expenditure on outbound personal travel decreased by 33 percent which however was more on account of revision in data source and replacement of the old and dated estimation methodology. **Education-related expenditure** continues to account for the highest share (Chart 3.8).



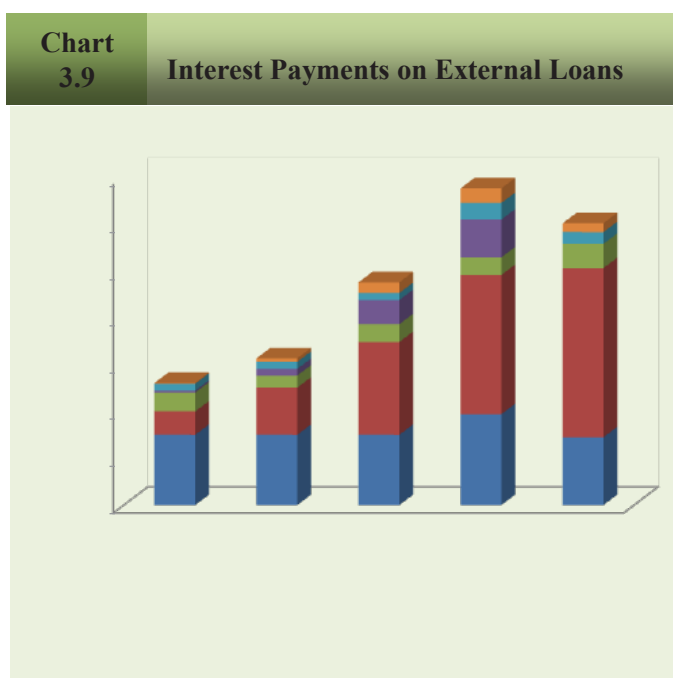
The import of **construction**⁴ **services** (largely from India) increased by 5.1 percent from the last fiscal year to Nu.3.0 billion. These services constituted 21.8 percent of the total services imports for the fiscal year, and were largely related to the development and maintenance of major hydropower projects. The import of **other business services** increased by over 100 percent in the year to Nu.2.0 billion, also driven by the development of hydropower projects. Insurance charges and charges paid for use of intellectual property increased marginally during the year.

In the **primary income account** the net deficit decreased by 21.2 percent from Nu.9.0 billion in FY 2012/13 to Nu.7.1 billion which can be explained by the 11 percent decrease in the interest paid during the year as compared to the 26.3 percent increase in the interest income.

³ TCB figures on international inbound leisure tourists.

⁴ Currently covers data reported by hydropower projects and other enterprises reporting BOP data to the RMA; excludes households.

Actual interest payments on hydropower debt denominated in Indian Rupees amounted to ₹ 1.4 billion during the year while accrued interest on the three ongoing hydropower projects (Punatsangchhu I, Punatsangchhu II and Mangdechhu) amounted to almost ₹ 3.6 billion. Meanwhile, interest payments on convertible currency debt increased from an equivalent of USD 7.2 million to USD 8.7 million. Interest income earned during the year increased from Nu.856 million to Nu.1.1 billion.



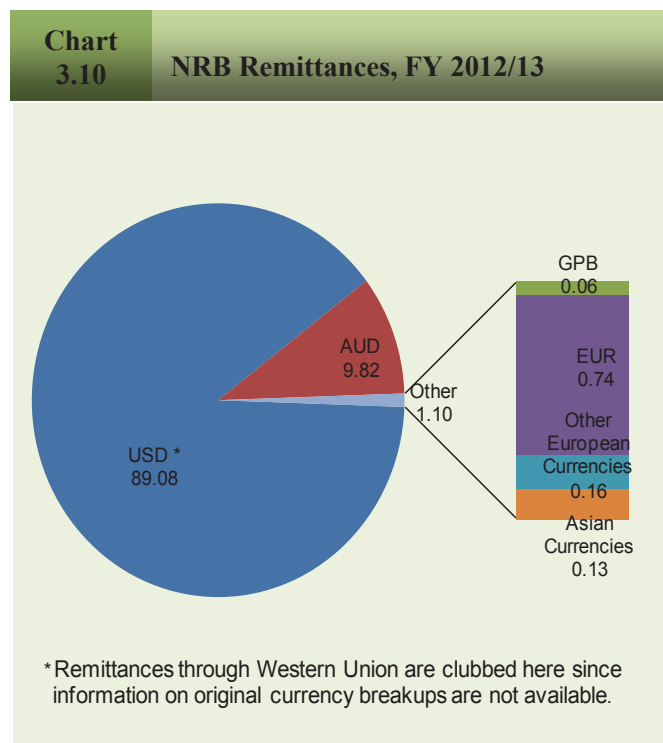
The net surplus in the **secondary income account** fell from Nu.7.0 billion to Nu. 6.1 billion as budgetary grants⁵ received by the RGOB fell by 18.2 percent to Nu.3.9 billion. While budgetary grant inflows from the GOI increased by 43.7 percent to Nu. 2.2 billion, budget support from COTI decreased by 47.5 percent to Nu.1.7 billion.

In terms of outflows, **outward workers' remittances** were estimated

at Nu.831.3 million for 2013/14. On the other hand, inward workers' remittances (**non-resident Bhutanese remittances** through formal channels) increased by 43 percent, from Nu.536.4 million to Nu.766.8 million. A large share of these remittances were denominated in US dollars originating from the United States.

3.1.2 Capital and Financial Account

Inflows in the **capital account** increased by 16.9 percent in FY 2013/14 to Nu.16.9 billion. This was driven largely by increase in budgetary grants received during the year (Nu.4.7 billion to Nu.7.5 billion).



⁵ Budgetary grants for investment purposes to finance gross fixed capital formation have been reclassified as capital transfers in the capital account. The decrease in portion of budgetary grants attributed to the secondary income account was more than the increase in the portion of budgetary grants attributed to capital transfers and total budgetary grants (secondary income receipts + capital transfers) fell by 24.4 percent from Nu.12.5 billion to Nu.9.4 billion in FY 2012/13.

The **financial account**⁶ balance for the year was negative at Nu.14.6 billion (implying a net borrower status for the country). Flows related to direct investment during the year decreased by 81.1 percent from Nu. 2.7 billion to Nu. 512.7 million. Among other investments, total loan liabilities decreased by 24.3 percent during the year owing to a decrease in both the RMA and the RGOB loan liabilities.

After provisioning for net errors and omissions, Bhutan's **overall balance** (change in reserve assets) was positive at Nu.6.1 billion for the year, since the net surplus in the capital and financial account (Nu.31.5 billion) was more than sufficient to finance the current account deficit (Nu.28.8 billion).

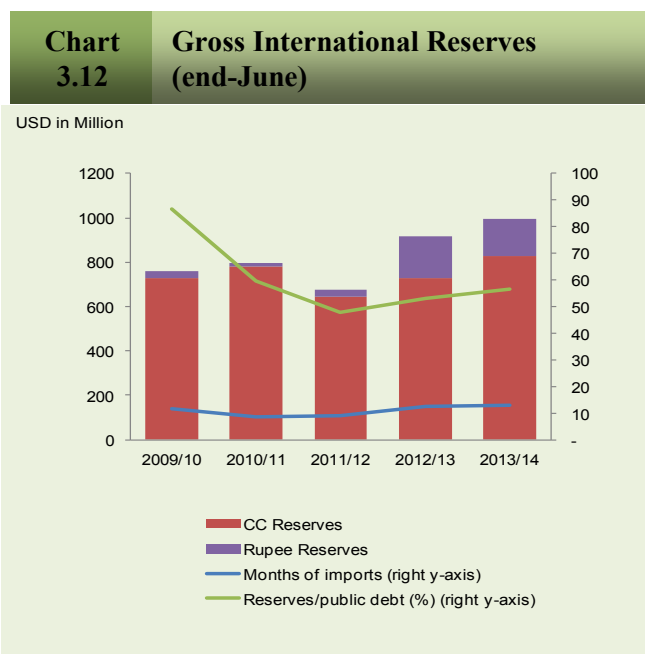
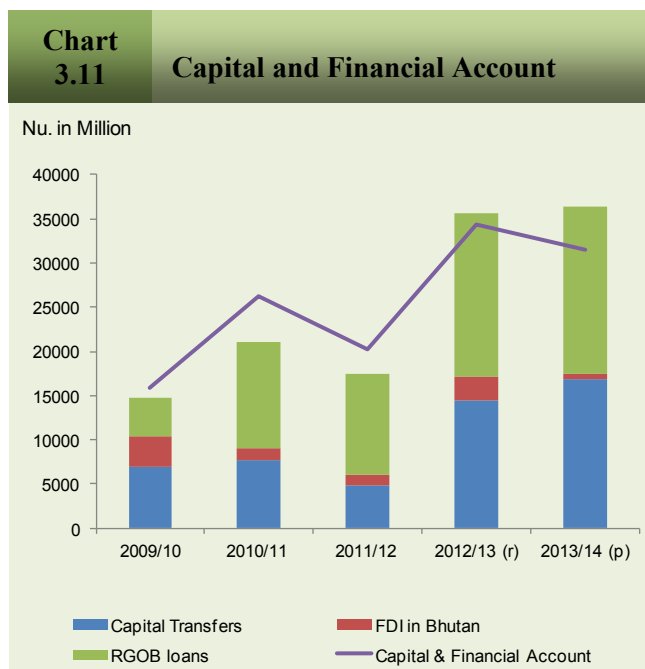
Corresponding to this positive overall balance, the country's **gross international reserves** increased from an equivalent of USD 916.9 million to USD 997.9 between June 2013 and June 2014. Of the total reserves, USD 829.3 million were convertible currency reserves while ₹ 10.1 billion were Indian Rupee reserves.

As of the year ending 2013/14, total reserves were adequate to meet 13.0 months of total merchandise imports (10.5 of imports of goods and services), and 56.7 percent of public external debt outstanding as of June 2014.

The Constitution of Bhutan stipulates that "a minimum foreign currency reserve that is adequate to meet the cost of not less than one year's **essential imports** must be maintained." According to estimations by the Indian Rupee Taskforce⁷ endorsed by the 127th session of the Cabinet, reserve levels of USD 448.9 million were estimated as being required to meet the Constitutional requirement for the year 2012. As of June 2014, Bhutan's gross international reserves level of USD 997.9 million are sufficient to finance an estimated **26.7 months of essential imports**.

⁶ Excluding reserve assets (overall balance).

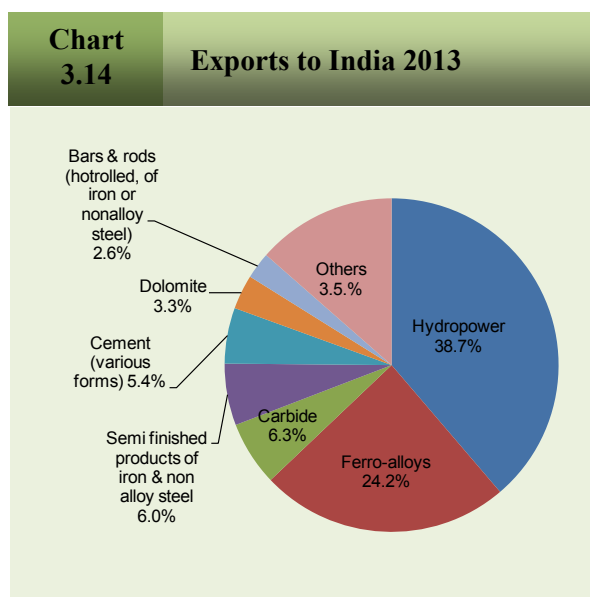
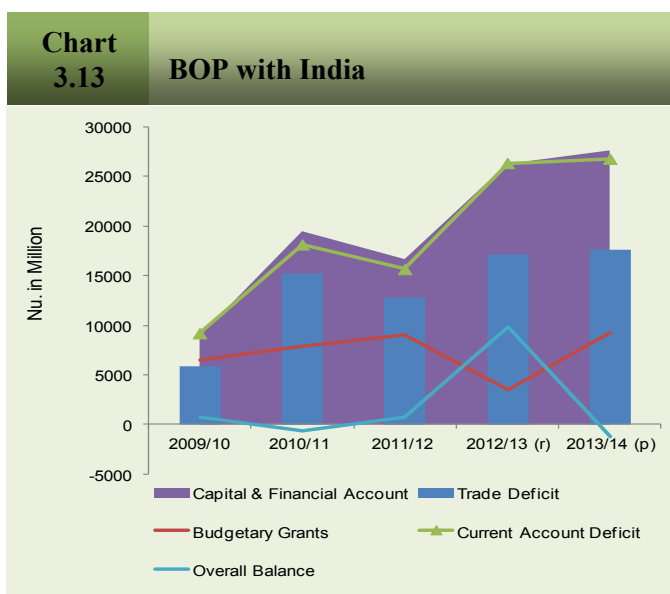
⁷ The Taskforce was formed in January 2012 by executive order from the Prime Minister of Bhutan to conduct an in-depth study on the Indian Rupee shortage issue, examining its causes and ramifications and recommending strategies for consideration by the Government.



3.2 Balance of Payments with India

Bhutan's **current account deficit** with India continued to remain elevated at 25.7 percent in 2013/14. The **trade deficit** increased by 2.3 percent from Nu.17.2 billion to Nu.17.6 billion. with increases in the import for mineral products (24.7 percent) (notably diesel and petroleum) and base metal products (15.9 percent).

In the **income account**, budgetary grants⁸ increased from ₹ 1.5 billion to ₹ 2.2 billion. Interest on debt (including accrued interest on hydropower debt) increased slightly from ₹ 4.9 billion to ₹ 5.1 billion.

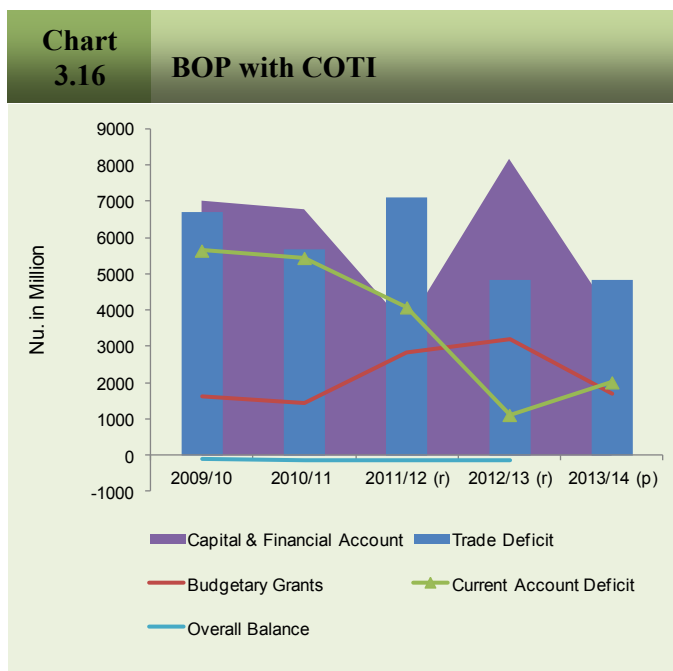


In the **capital and financial account**, capital transfers (grants for budget support and for hydropower projects) increased by 39.3 percent, from ₹ 11.8 billion to ₹ 16.4 billion. A total amount of ₹ 5.4 billion on account of the RBI Rupee SWAP was liquidated during the year decreasing the net loan liabilities by 22.7 percent to ₹ 11.2 billion. Disbursements for the three ongoing hydropower projects amounted to ₹ 14.3 billion. Principal repayments for the external loan of the Dungsam Cement Corporation Ltd. amounted to ₹ 288.6 million for the year while ₹ 1.5 billion were repaid collectively for the Kurichhu and Tala loans. After provisioning for net errors and omissions, Bhutan's **overall balance** with India was negative at Nu.1.2 billion for the FY 2013/14.

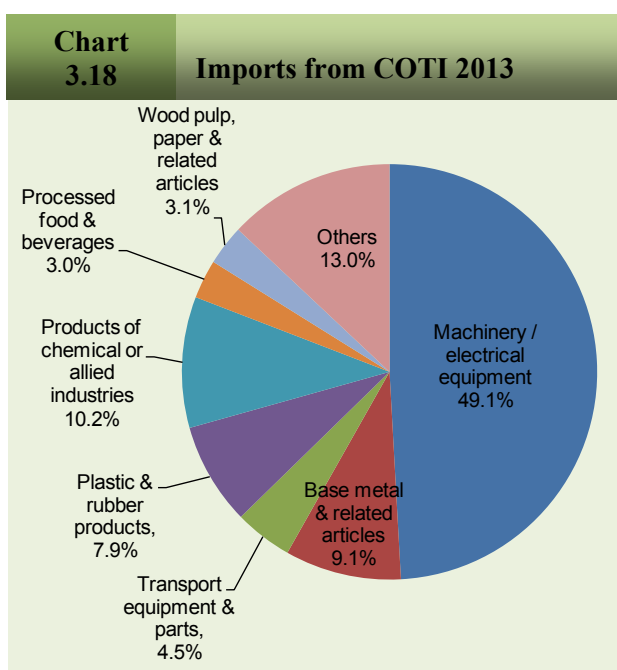
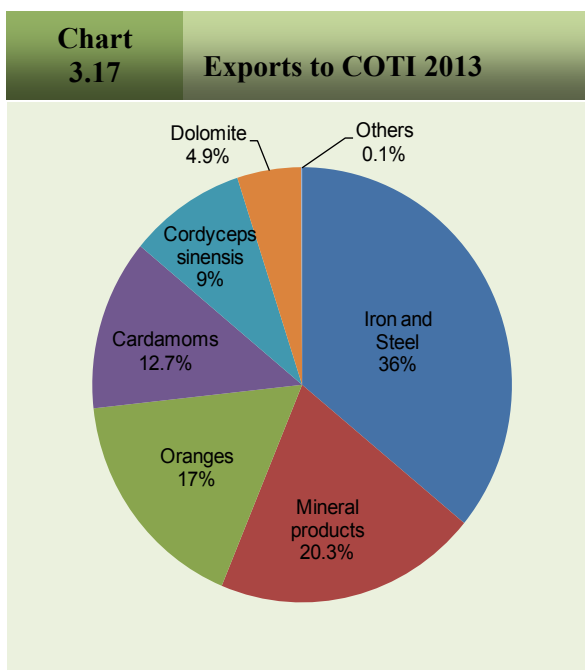
⁸ Budgetary grants for investment purposes to finance gross fixed capital formation have been reclassified as capital transfers in the capital account.

3.3 Balance of Payments with Countries Other Than India

Bhutan's **current account deficit** with COTI increased by 79.9 percent to Nu.2.0 billion in FY 2013/14. Budgetary grants in the income account fell by 47.5 percent (from Nu.3.2 billion to Nu.1.7 billion). The service account also registered a deficit of Nu.93.2 million during the year. The net surplus in the **capital and financial account** also decreased from Nu.8.1 billion in 2012/13 to Nu.3.9 billion in 2013/14 driven by a significant decrease (82.0 percent) in budgetary grants from Nu.2.8 billion to Nu.483.9 million in 2013/14. Disbursements for convertible currency loans also decreased by 25.2 percent during the year.



After provisioning for possible errors and omissions, Bhutan had a positive **overall balance** of Nu.7.3 billion with COTI for 2013/14.



3.4 External Debt

Bhutan's **total outstanding external debt** increased to an equivalent of USD 1.8 billion as of June 2014. Of this, an equivalent of USD 629.5 million was outstanding on convertible currency loans and the remaining ₹ 67.9 billion were outstanding Indian Rupee loans. Of the total Rupee debt, 83.4 percent were outstanding public debt on hydropower projects while 14.7 percent represented debt taken to finance BOP transactions with India (the GOI line of credit). Within the convertible currency loan portfolio, concessional public and publicly guaranteed debt accounted for 99.4 percent while the remaining 0.6 percent represented outstanding external debt of the private sector.

The Government of India remains Bhutan's largest creditor with 63.0 percent of overall external debt at Nu.66.6 billion or 98.1 percent of total Rupee outstanding debt. This is followed by the ADB with USD 259.8 million, the World Bank with USD 182.3 million and the Government of Austria with USD 98.2 million. Bhutan's total debt outstanding stood at 101.3 percent of GDP.

Overall debt servicing on both convertible currency and Indian Rupee debt for 2013/14 was USD 178.9 million as compared to USD 1.5 billion in 2012/13. A total Amount of ₹ 5.5 billion (principle and interest) on account of the RBI SWAP facility was liquidated during the year. A status report on Bhutan's external debt is included as **Annex VI**. Bhutan's debt service ratio measured as a percent of the export earnings from goods and services decreased to 27.0 percent in 2013/14 from 213.8 percent in 2012/13.

Table 3.9 External Debt Indicators							
Item	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
Debt Outstanding (in millions of respective currency, end of period)							
Total (USD)	795.3	873.7	1,289.3	1,333.7	1,606.8	1,759.0	
Convertible Currency (USD)	347.4	385.4	527.6	524.7	579.3	629.5	
Indian Rupee	21,400.7	22,777.9	34,062.3	45,550.9	61,341.7	67,870.2	
<i>Of which, GOI Line of Credit</i>	<i>3,000.0</i>	<i>3,000.0</i>	<i>3,000.0</i>	<i>6,000.0</i>	<i>10,000.0</i>	<i>10,000.0</i>	
<i>SBI & PNB Overdraft</i>	<i>917.3</i>	<i>1,500.3</i>	<i>4,914.8</i>	<i>5,156.0</i>	-	-	
Debt/GDP ratio (%)							
Total	69.4	66.6	79.5	87.4	98.4	101.3	
Convertible Currency loan	30.3	29.4	32.5	34.4	35.5	36.2	
Indian Rupee loan	39.1	37.2	47.0	53.0	62.9	65.0	
External Debt per Capita (Nu.)	56,622.5	59,641.5	82,862.3	105,771.3	133,231.4	146,807.8	
Debt service ratio (%)							
Total (including OD)	30.5	29.7	51.7	127.1	229.2	26.8	
Convertible Currency loan	16.4	21.4	12.4	14.5	15.8	16.8	
Indian Rupee loan	32.7	31.4	63.5	158.7	285.3	29.7	
Total debt service ratio (excluding OD)	13.8	15.4	12.5	12.9	17.5	26.8	
GDP (Nu. millions)	54,744.3	61,220.6	72,496.6	85,913.0	97,453.0	104,378.1	
*Based on calendar year GDP at current prices. Example, the 2010 GDP figure is used to calculate the ratio for 2010/11.							
**Debt service payments as a percent of the export of goods and services. The total debt service ratio represents the total debt service payments (i.e. on convertible currency & Rupee loans) as a percentage of the total export earnings (from India & other countries). Convertible currency debt service ratio is the debt servicing on convertible currency loans as a percentage of the export earnings from countries other than India. Similarly, the Indian Rupee debt service ratio is the debt servicing on Indian rupee loans as a percentage of the export earnings from India. The debt service ratio for the latest period is calculated based on the previous year's export of goods and services.							
***Debt data published by the RMA include the total external debt of the country (public + private), and are therefore not comparable to data published by the Ministry of Finance which covers only public debt. Furthermore, the RMA uses Calendar Year GDP figures for all ratios to the GDP.							
Sources: DPA (Ministry of Finance), private sector enterprises & RMA.							

3.5 International Investment Position

The **international investment position (IIP)** is the balance sheet of the stock of a country's external financial assets and liabilities. The **net international investment position** is the difference between a country's international financial assets and liabilities and is an indicator of a country's international liquidity and exposure.

Bhutan's **external financial assets** increased by 7.3 percent from end-June 2013 to USD 1,105.0 million as of end-June 2014 driven by increase in reserve assets. **External financial liabilities** increased by 11.3 percent to USD 2,194.5 million because of increase in external debt and currency and deposit liabilities. Bhutan's **net external financial liabilities** increased by 15.7 percent from USD 941.8 million as of June 2013 to USD 1,089.5 million as of June 2014.

The IIP time series featured in this report have been revised (please see footnote to Table 3.10 below) and are therefore not comparable to previously published time series.

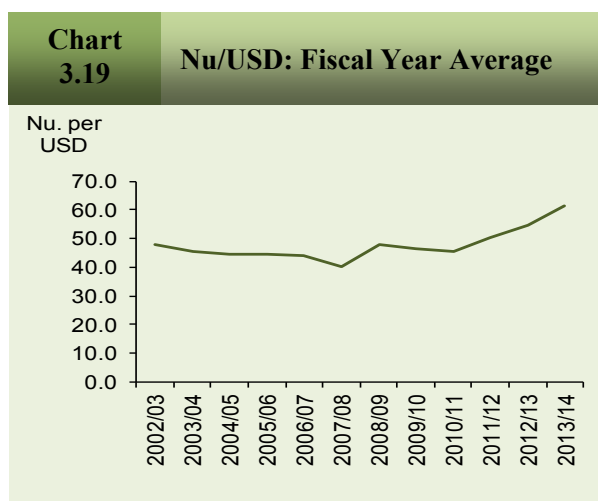
Table 3.10 International Investment Position	Jun-10	Jun-11	Jun-12	Jun-13	Sep-13	Dec-13	USD in Million	
							Mar-14	Jun-14
Net IIP	-137.6	-499.3	-734.0	-941.8	-937.0	-915.9	-1,039.4	-1,089.5
Assets	893.1	1,012.6	861.7	1,029.5	948.7	1,014.7	1,055.7	1,105.0
Currency and deposits	94.5	172.7	154.9	64.0	64.3	65.2	65.2	64.6
Trade credits	41.7	43.7	34.4	47.7	51.7	21.6	23.7	43.0
Reserve assets ¹	756.9	796.2	672.4	917.9	832.7	927.8	966.8	997.4
Liabilities	1,030.6	1,511.9	1,595.8	1,971.4	1,885.7	1,930.5	2,095.0	2,194.5
Direct investment in Bhutan	52.6	66.7	83.0	128.8	130.5	146.0	155.7	145.4
o.w. Equity	50.2	53.0	58.1	103.3	103.2	107.2	116.6	106.3
o.w. Intercompany debt	2.4	13.7	24.9	25.5	27.3	38.8	39.1	39.1
Currency and deposits	80.6	83.2	77.2	88.5	88.4	90.6	107.9	100.8
Loans	888.1	1,349.3	1,422.8	1,730.6	1,643.6	1,670.8	1,806.1	1,928.5
Trade credits	0.4	3.1	3.6	14.4	14.0	14.0	16.1	10.5
SDR allocations	8.9	9.6	9.1	9.0	9.2	9.2	9.3	9.3
Exchange rate to USD (end of period)	46.60	44.72	56.31	59.70	62.78	62.00	60.10	60.09

¹Excludes US dollar pledge on any outstanding overdraft as of the reference date (Differences in value of reserve assets reflected here from gross international reserves appearing elsewhere in the report may be due to exchange rates); **Revisions made to this series: (1) SDR holdings and allocations were sourced from the IMF website and valued using relevant end of period exchange rates. (2) Coverage of data on trade credits and FDI are being continuously improved - historical data are expected to be finalized by end-2015. (3) From June 2013 onwards, C&D liabilities include accrued interest where available.**

3.6 Exchange Rate Developments

The Ngultrum averaged Nu.61.5 per US Dollar in the fiscal year, depreciating by 10.8 percent from the previous fiscal year. In terms of June-to-June comparisons, the Ngultrum depreciated by 2.3 percent against the US Dollar between 2013 and 2014.

The Ngultrum is pegged at par to the Indian Rupee and as such, movements in the Ngultrum vis-à-vis major international currencies are a reflection of developments in India. Throughout the fiscal year, various



factors were responsible for the slide in the Indian Rupee against the US Dollar including widening current account deficit, volatility in capital flows, rising inflation and also the strengthening of US Dollar vis-a-vis other international currencies.

Among other major currencies, the Japanese Yen, depreciated against the US Dollar by 13.2 percent from an average exchange rate of 87.7 Yen per US Dollar in 2012/13 to 101.1 Yen in 2013/14. Meanwhile, the Euro appreciated by 4.8 percent from an average of 0.77 Euro to 0.73 Euro per US Dollar in the same period.

Chart 3.20 Nu/USD: Monthly Movements FY 12/13

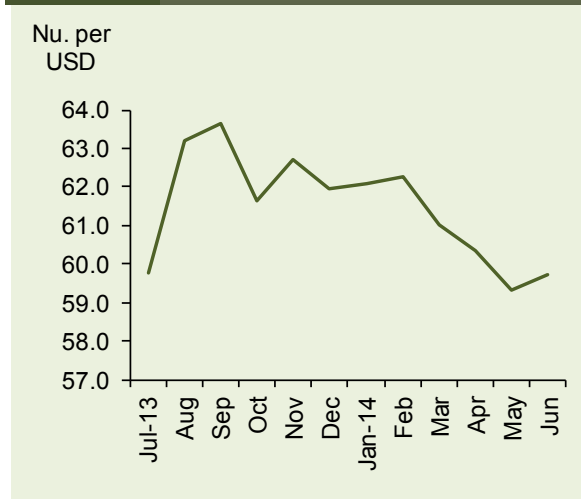
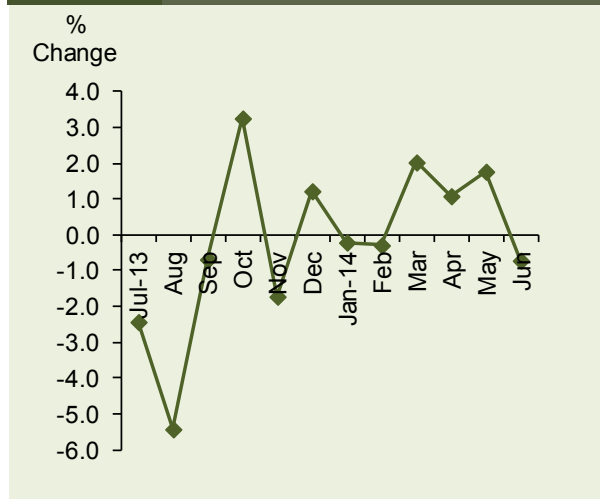


Chart 3.21 Nu/USD: Appreciation (+) /Depreciation (-), FY 11/12



4. GOVERNMENT FINANCE

FY 2013/14 marks the start of the second democratically elected Government's term and ushers in the first year of the 11th Five Year Plan (FYP). The FY 2013/14 budget was formulated based on the resource envelope in line with the priorities of the 11th FYP, while being mindful of its impact on balance of payments, inflation and debt burden. The key fiscal policy initiatives that the Government pursued towards fiscal consolidation was to enhance revenue, curtail wasteful recurrent and non-priority development expenditure.

2013/14 Overall Budget Performance

As per the revised budget for FY 2013/14, the overall fiscal policy stance of the government continued to be progressive, with **total expenditure** increasing by 8.2 percent (from Nu.34.9 billion in FY 2012/13 to Nu.37.8 billion) during the year. The increase was mainly attributed to growth in the spending for both current and capital expenditures, which grew by 6.4 percent and 10.2 percent, respectively.

On the resource front, **total revenue** (including grants) increased by 8.2 percent in 2013/14, compared to negative 6.1 percent in 2012/13. However, in terms of percentage of GDP, total revenue increased marginally by 0.3 percentage points from 31.5 percent during 2012/13.

4.1 Revenue and Grants

Total revenue (including grants) during FY 2013/14 amounted to Nu.33.2 billion, an increase of Nu.2.5 billion from 2012/13. In terms of annual growth, total revenue grew by 8.2 percent during the review year from negative 6.1 percent in 2012/13.

Unlike the past, tax revenue witnessed a decreased growth of negative 0.3 percent compared to the previous year, while non-tax revenue observed an increased growth of 14.2 percent.

As in the past, tax revenue and grants continue to play a dominant role in meeting the government's plan outlay.

The budget for **FY 2014/15**, the second year of the 11th FYP has been prepared based on the resource envelope determined by the MFCC within the macro-economic projections for the medium term in close consultation with key economic agencies. The budget stresses on further rationalizing expenditure and ensuring that the resource gap and fiscal deficit are contained at manageable levels.

As in the past, the Government continued to look for new avenues to curtail expenditure and reduce spending on non-developmental activities. Nevertheless, the budget also supports the broad national aspirations of pursuing GNH. In line with the provisions of the Public Finance Act 2007, the budget was formulated within the Budget Policy and Fiscal Framework Statement (BPFSS) prepared by the Macroeconomic Framework Coordination Committee (MFCC).

Source: National Budget Report (FY 2014/15), and Annual Financial Statements (FY 2012/13), Ministry of Finance.

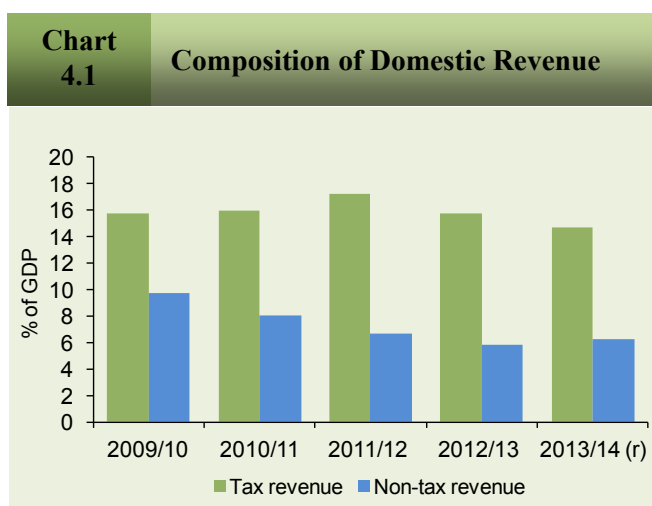
For analytical purposes, the 2013/14 budget (revised in June 2014) is being compared with the 2012/13 actual budget. This Report also highlights the budget outlook for FY 2014/15.

GDP figures used in this Report were sourced from the National Statistics Bureau and from the projections of the MFCTC, MoF.

Domestic revenue (excluding grants) financed 58.2 percent of the total outlay during the review year, decreasing by 2.2 percentage points over the previous year. Of total domestic revenue, tax revenue and non-tax revenue constituted 70.2 percent and 29.8 percent, respectively, while the remaining was on account of other miscellaneous receipts.

Over the past five years, the revenue collection trend recorded an average growth of 5.9 percent per annum.

Except for FY 2013/14, due to significant fall in the revenue collection from excise duty at Nu.2.3 billion (Nu.3.5 billion in FY 2012/13), the tax revenue witnessed a downward revision.



During the review year, in terms of the major components of **tax revenue**, corporate income tax accounted for 34.3 percent (Nu.5.3 billion) of the total tax revenue, followed by sales tax at 16.5 percent (Nu.2.5 billion), and excise duty at 14.8 percent (Nu.2.3 billion). Business income tax from tour operators, contractors, and other miscellaneous business entities amounted to Nu.1.9 billion and collection under personal income tax amounted to Nu.1.2 billion.

Non-tax revenue comprises of administrative fees and charges, capital revenue from the sale of government properties, revenue from government departments, dividend receipts from DHI and other companies, net surplus, interest receipts from corporations and other non-tax revenue. The collection from non-tax revenue for the year stood at Nu.6.5 billion, recording an increase of 14.2 percent over the previous year and accounted for 29.8 percent of total revenue.

Foreign grants in FY 2013/14 (Nu.11.2 billion) financed 29.6 percent of the total budget outlay, an increase from 27.4 percent in previous year and still continue to meet a large portion of the capital expenditure. In percent of GDP, receipts of foreign grants increased marginally from 9.8 percent in 2012/13 to 10.7 percent in 2013/14.

In terms of composition, foreign grants constituted 33.7 percent of total revenue (including grants) in FY 2013/14, compared to 31.2 percent last year. Of this total, 82.3 percent (Nu.9.2 billion) were in the form of project-tied grants and the remaining Nu.2 billion were in the form of program grants.

The Government of India, as a major development partner, alone contributed 67.3 percent of total grants for various development activities. Other donors contributed Nu.3.6 billion to the total grant pool, out of which 30.2 percent (Nu. 3.4 billion) were in the form of project-tied grants and the remaining Nu.0.3 billion towards program grants.

Table 4.1 Highlights of Budgetary Operations, 2009/10-2013/14

	In percent of GDP				
	2009/10	2010/11	2011/12	2012/13	2013/14(r)
Total revenue (including grants)	50.6	38.9	38.4	31.5	31.8
Tax	15.8	16.0	17.3	15.8	14.7
Non-tax	9.8	8.1	6.7	5.8	6.2
Other receipts	6.9	0.3	(0.2)	(0.0)	0.1
Grants ¹	18.2	14.5	14.7	9.8	10.7
Expenditure and net lending	48.8	41.2	39.7	35.8	36.2
Current expenditure	21.1	20.3	19.7	18.6	18.5
Capital expenditure ²	27.7	20.8	20.0	17.2	17.7
Overall balance	1.8	(2.3)	(1.2)	(4.4)	(4.4)
Foreign financing (net)	0.1	0.4	(1.2)	0.5	0.2
Domestic financing (net)	(1.9)	1.9	2.4	3.9	(0.2)
GDP at market prices³	61,220.6	72,496.6	84,950.0	97,453.0	104,378.1

Source: Ministry of Finance.

1/ Grants include both GOI grants and grants from other countries. 2/ Includes net lending.

3/ GDP figures are on calendar year basis (eg., CY 2013 used for FY 2013/14) and sourced from the NSB.

4.2 Expenditure

The **total expenditure** outlay for FY 2013/14 grew by 8.2 percent over the 2012/13 outlay to Nu.37.2 billion. In percent of GDP, total expenditure increased from 35.8 percent in 2012/13 to 36.2 percent in 2013/14. The share of capital and current expenditure to total outlay were 51.4 percent and 48.6 percent, respectively.

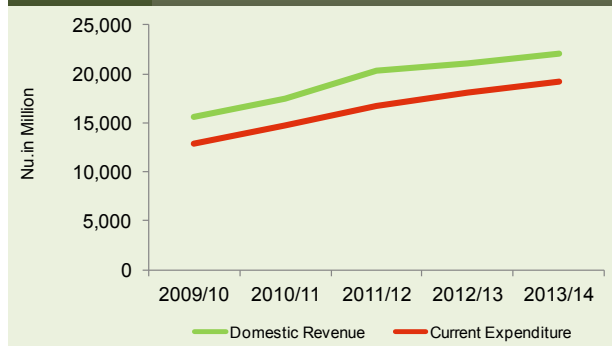
During the year, total **current expenditure** was budgeted at Nu.19.3 billion, an increase of 6.4 percent over the previous year's current outlay. The increase was due to the incorporation of ESP's fund of Nu.0.6 billion released to the Business Opportunity and Information Centre (BOIC) and other externally funded activities and adjustment for the previous year's advances.

Despite the increase in the current expenditure, the domestic revenue has been able to adequately meet the Constitutional requirement of financing the current expenditure. Current expenditure for the year was Nu.19.3 billion and domestic revenue at Nu.21.9 billion.

Correspondingly, **capital expenditure** stood at Nu.20.4 billion, higher by Nu.1.7 billion from the previous year's outlay mainly on account of the incorporation of ESP fund of Nu.2.1 billion for liquidity injection and Nu.0.06 billion for Pre-employment Support Scheme, besides other external funds received during the year.

As illustrated in Table 4.2 in terms of the **sectoral budget allocation** for FY 2013/14, the share of expenditure on economic services (comprised of agriculture, mining and manufacturing industries, roads, housing and community amenities, communications and energy sector) as a percent of total outlay was the highest, increasing from 21.9 percent during 2012/13 to 32.3 percent for the year 2013/14.

Chart 4.2 Domestic Revenue vis-à-vis Current Expenditure



Similarly, the percentage share of the budget outlay allocated to social services (health and education) increased from 19.2 percent to 25.1 percent during the FY 2013/14.

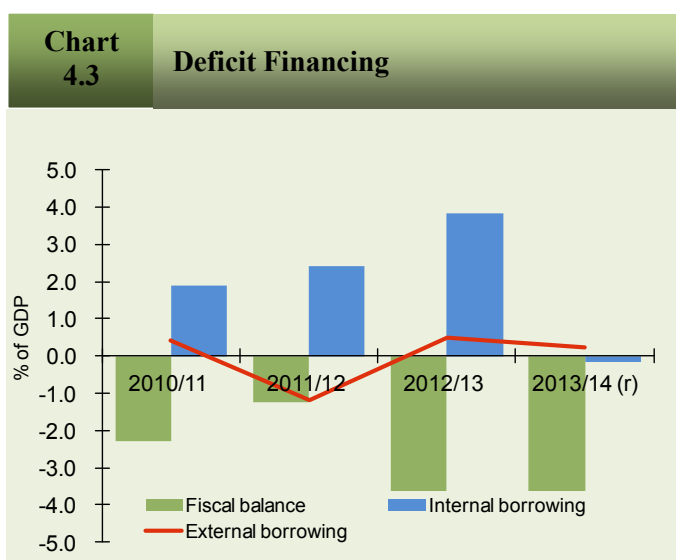
Table 4.2 Highlights of the Budgetary Expenditure: 2009/10 - 2013/14					
	<i>% of total expenditure</i>				
Sectoral expenditure	2009/10	2010/11	2011/12	2012/13	2013/14 (r)
Social services	28.5	25.6	23.1	19.2	25.1
Health	8.7	7.1	7.1	5.6	7.9
Education	19.7	18.5	16.1	13.6	17.2
Economic services	35.3	31.7	27.3	21.9	32.3
General services	15.4	13.0	12.5	10.4	20.0
National debt services	11.6	21.1	28.6	41.6	14.0
Others/1	9.2	8.7	8.5	6.9	8.5

Source: Ministry of Finance.
1/ Others include public order services and cultural services.

4.3 Financing the Deficit

Regardless of the Government's efforts to pursue sustainable fiscal path over the medium term through expenditure rationalization and revenue enhancement measures, the revised budget of 2013/14 resulted in an overall **fiscal deficit** of Nu. 4.6 billion. This represents around 4.4 percent of GDP, which has remained unchanged from 2012/13.

External borrowings to finance the deficit for FY 2013/14 increased from Nu.2.6 billion to Nu.2.8 billion. The net increase of Nu. 0.2 billion was mainly due to increase in disbursement from the Asian Development Bank (ADB) for Green Power Development Project. Meanwhile, a large portion of the remaining resource gap was also financed through domestic sources.



4.4 2014/15 Budget Outlook

The budget for FY 2014/15 stresses on further rationalizing expenditure and ensuring that the resource gap and fiscal deficit are contained at manageable levels. As part of the budget for FY 2014/15, the Government has proposed a few fiscal measures as presented in **Box 4.1** to correct the persistent current account deficit faced by the economy.

The **total budget outlay** for FY 2014/15 has been estimated at Nu.35.4 billion after adjusting net lending of (-) Nu.1.7 billion from total expenditure of Nu.37.1 billion, a decrease of 6.3 percent over the 2013/14 revised budget.

Box 4.1 Major Objectives of the 2014/15 Budget

A. Social sector

- To achieve universal health coverage with improved and equitable access to quality health services;
- Enhancing access to safe and clean drinking water especially in rural areas;
- Continue enhancing access to and sustaining quality education services.

B. Tourism sector

- Target to achieve annual arrival of 200,000 tourists;
- Support activities related to promotion of unique festivals, development of tourism infrastructure and road-side amenities.

C. Urban development, housing and public amenities

- To check unplanned sprawling urban structures in Paro, Trashi Yangtse, Kabisa (Thimphu), Mongar and Lhuentse;
- Infrastructure development of Autsho Town (Lhuentse), Denchi and Rinchenthang Town (Pema Gatshel) and Khitsang Town (Trashi Yangtse);
- Construction of waste water treatment plant at Babesa.

D. Energy

- Preparing DPRs for Kuri Gongri hydropower project, Rotpashong and Chamkharchhu II and IV;
- Pre-feasibility study for Jomori hydropower project and a pilot wind power project;
- Construction of 132 KV Motanga-Phuntshothang (20 km) and 132 KV Kanglung-Phuntshothang (58 km) transmission lines.

E. Agriculture

- To ensure equitable development and alleviate poverty in the rural areas;
- Increase production for import substitution, and increase domestic production of food and dairy products;
- Improvement, maintenance, permanent works and construction of spillover farm roads;
- Support construction and rehabilitation of irrigation channels.

F. Trade, industrial and private sector development

- Generating employment and improving trade balance;
- Geological mapping, mineral exploration and development in a sustainable and environment friendly manner;
- Development of ancillary facilities for Special Economic Zones (SEZs) at Motanga (Samdrup Jongkhar).

G. Communication and Transport

- To promote culture, tradition and social cohesion through usage of ICT;
- Revamp airport security facilities;
- Development of Paro, Bumthang and Yongphula airport;
- To construct 10 more Community Centers at Haa, Mongar, Thimphu, Zhemgang, Gasa and Chhukha.

Source: National Budget Report, 2014/15, Ministry of Finance.

Current expenditure is estimated at Nu.21.9 billion, an increase of 14 percent from FY 2013/14. The reasons for the increase are mainly attributed to increasing cost of maintenance of public infrastructure, establishment cost of new departments/divisions and new Internal

Transport, Storage and Handling (ITSH) costs of School Feeding Program and the provision of Nu.1.8 billion kept for salary revision of public servants. The current budget also includes interest payments (Nu.2.2 billion) and subsidies (Nu.1.4 billion). However, the estimated domestic revenue if realized as projected is expected to sufficiently cover the current expenditure.

For FY 2014/15 **capital expenditure** is estimated at Nu.15.2 billion accounting for about 41 percent of the total expenditure. The capital expenditure outlay is likely to increase during the year as most of the capital expenditure is financed through external grants and borrowings which are incorporated as and when such grants and borrowings are finalized.

A large portion of the **sectoral budget** has been allocated to economic and social sectors during FY 2014/15, given the commitment of the government towards socio-economic development and poverty alleviation.

Keeping in line with the provisions of the Constitution and Public Finance Act, the budget for the FY 2014-15 has been framed within the following three broad budget policies:

1. Expenditure rationalization

- i. To complete on-going works and continue providing standard facilities to Gewogs;
- ii. To maintain operating expenditures such as travel, supplies and materials, entertainment budget, etc., at the level of previous year's budget;
- iii. Except for new establishments and schools, minimized budget for non-development capital expenditure such as furniture, computer and office equipment;
- iv. Except for ambulances and utility vehicles in municipalities, no budget to be provided for purchase of vehicles;
- v. Ex-country travel budget is mainly provided for mandatory meetings, conferences and seminars as per bilateral and multi-lateral agreements;
- vi. Subsidy to be limited to agencies with social mandate for capital works and to cover the revenue deficit;
- vii. No budget for construction of new office buildings;
- viii. Capping the budget for travel expenses at 15% of total wage bill as part of the pay revision;
- ix. Hiring of machineries to implement some of the infrastructure works in the Dzongkhags and Gewogs instead of contracting the works in order to ensure better quality and lesser cost.

2. Sustainable fiscal balance

- i. Domestic revenue to finance some portion of the capital expenditure besides covering current expenditure fully;
- ii. Contain fiscal deficit at an average of 3 percent of GDP during the Plan period.

3. Sustainable resource gap

- i. Avail external borrowings only for socio-economic development programs and projects;
- ii. Loan money shall not be used for operation and maintenance, purchase of vehicles, trainings, study visits, road shows, etc.;

- iii. Implementation of externally financed projects to be commenced only upon receipt of funds from the development partners;
- iv. Realistic estimates to be prepared to avoid cost overruns, fund release must be obtained prior to implementation;
- v. Permit changes in scope of works only after careful technical and financial analysis based on the resources.

Box 4.2 Tax Measures

As part of the FY 2014-15 budget, the Government has proposed the following tax measures to support the growing expenditure of the Government and also to contain the Indian Rupee shortage and other imbalances of the economy.

- i. ***Exempt small and micro businesses in rural areas from Business Income Tax (BIT):*** With effect from Income Year 2014, the Government has decided to exempt small and micro-businesses in rural areas to encourage growth.
- ii. ***Exempt interest income from Personal Income Tax (PIT):*** To encourage savings, interest income from fixed deposits under PIT is proposed to be exempt from income tax. This exemption will also influence improved liquidity in the financial institutions.
- iii. ***Indirect tax measures:*** As a result of the increasing trade deficit, the following measures are being proposed to reduce the outflow of Indian Rupees and Convertible Currencies.
 - a. ***Revision of Sales Tax, Customs Duty and Green Tax on Vehicles***
 - b. ***Introduction of 5 % Green Tax on fuel (petrol and diesel)***
 - c. ***Revision of Customs Duty on medical supplies and aircraft spare parts*** – Few items that fall under the broad category of medical supplies and aircraft spare parts currently having duty and tax are proposed to be included under the zero rates considering that they are exempted under the Fiscal Incentives and Tax Act 2011.
 - d. ***Introduction of 5 % Sales Tax on telecom services***

Source: National Budget Report, 2014/15, Ministry of Finance.

The economic sector, with a budget share of 30 percent, still continues to rank as the priority sector in the budget allocation for 2014/15, followed by the social sector (comprising of the health and education sub-sectors) with a 25 percent stake.

Within the economic sector, the agriculture sub-sector is to receive the highest budget share of 11 percent, followed by roads (7 percent), urban development, housing and public amenities (6 percent), energy (3 percent), and communications sub-sector (2 percent). Similarly, within the social sector, the education sub-sector shall receive the highest share of 17 percent, while the health sub-sector is to receive 8 percent of the budget.

Total revenue including grants, is projected at Nu.32 billion. Of this amount, 55.1 percent is expected to be collected through **taxes**, mainly from corporate income tax (hydropower companies), business income tax, personal income tax, and sales tax and excise duties.

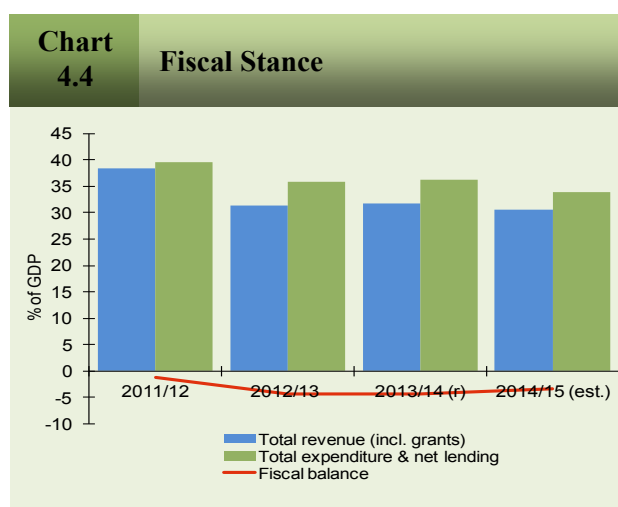
Tax revenue is projected to increase by 14.7 percent in FY 2014/15 due to anticipated increase in higher collections from export tariff revision, commissioning of Dagachhu hydropower and increased corporate tax on account of operation of Dungsum Cement Corporation (DCCL).

Under **non-tax revenue** sources, dividends and interest from corporations are expected to contribute Nu.7 billion (an increase by 7.3 percent) to the total revenue pool. Remaining revenue to be mobilized on account of aid and grants received from donors as well as from other miscellaneous government receipts.

External grants will continue to be an important source of resources projected to constitute 23 percent of the total revenue in FY 2014/15 and cover 48 percent of the capital expenditure. The remaining capital budget during the FY will be financed through loans and RGoB funding.

In FY 2014/15, the economy is projected to experience an **overall fiscal deficit** of Nu.3.4 billion (2.7 percent of GDP) an improvement of Nu 0.8 billion compared to the 2013/14 revised budget.

External borrowings of Nu. 1.6 billion is estimated during the year, out of which Nu.1.2 billion is on account of projected borrowings and Nu.0.3 billion under program borrowings from ADB for South Asia Sub-regional Economic Cooperation (SASEC) Trade Facilitation Program. The World Bank (Nu.0.6 billion) and ADB (Nu.0.5 billion) still rank the highest in terms of borrowings by the Government.



5. WORLD ECONOMY¹

Despite several setbacks, the pace of global economic recovery continued, albeit at a slower and uneven manner during the first half of 2014. In advanced economies, the legacies of the pre-crisis boom and the subsequent crisis (*including high private and public debt*) continued to impact the recovery process. Emerging markets are still adjusting to rates of economic growth lower than those attended in the pre-crisis boom and the post-crisis recovery phase. Other elements such as optimistic financial markets (*with higher equity prices, compressed spreads and very low volatility*) did not translate into pick-up in investment particularly in advanced economies. Against these backdrops, the IMF's global growth forecast for 2014 was revised slightly downwards to 3.3 percent, by 0.1 percentage point from the July 2014 forecast, thus keeping global growth at almost the same level as in 2012 and 2013.

Moving forward, the World Economic Outlook (October 2014) anticipates the global growth to increase up to 3.8 percent in 2015 driven by both the advanced and emerging market economies. Although the global outlook remains optimistic, the prospect of growth across both advanced economies and emerging markets exhibits large heterogeneity. Among advanced economies, growth is projected to pick up, but expected to be slower in the Euro area and Japan and generally faster in the United States and elsewhere. Among major emerging markets, growth is expected to remain high in emerging Asia, with a modest slowdown in China and a pick-up in India.

In some major advanced economies, there are concerns that markets are under-pricing risk and also not fully internalizing the uncertainties surrounding the macroeconomic outlook and their implications for the pace of withdrawal of monetary stimulus. Furthermore, the rising of geopolitical tension, although currently confined to the regions involved, becomes a tangible risk of more widespread disruptions affecting the growth outlook. At the same time, the impact of an aging population on the labor force and weak growth in total factor productivity and low potential growth in advanced economies also affected the pace of recovery during the second half of 2014.

On the other hand, during the first half of 2014, inflation remained below central bank policy targets in advanced economies, indicating that many of these economies have substantial output gaps. In the Euro area, inflation remained below expectations and declined further to 0.4 percent (year over year) in August 2014. In several economies with unemployment greater than the area-wide average, mild deflation in consumer prices continued to prevail. Inflation in the United States increased modestly during the past several months but continued to remain below the Federal Reserve's longer-term objective of 2 percent. In Japan, the headline and core inflation (excluding food and energy) increased, to about 1.3 and 0.6 percent in July 2014 (year over year), respectively which excludes the effects of the consumption tax increase. As projected, inflation in the advanced economies is expected to remain at 1.6 percent in 2014 and 1.8 percent in 2015. In emerging market and developing economies, inflation is projected to decline in 2014 to 5.5 percent, while expected to remain broadly unchanged during 2015. The recent decline

¹ This section has been sourced from the IMF's World Economic Outlook and Global Financial Stability Report (October 2014).

in inflation in emerging market and developing economies reflected the softening of commodity prices – particularly those for food commodities, which have a high weight in the consumer price index baskets for these countries.

The global recovery remains fragile and uneven. The brakes placed on the recovery by high public and private debt in advanced economies are flaking, but at different rates across countries, and unemployment rates and output gaps are still high in some cases. Stagnation risks and low potential growth in these economies remain important medium term concerns. These factors calls for action on two fronts: continued support to domestic demand and the adoption of policies and reforms that can boost supply. Emerging markets continue to underpin world growth but are slowing down from pre-crisis growth rates. There is a need to address underlying structural problems and take on structural reforms – policy challenges that are heterogeneous in nature across countries. At the same time, they need to deal with the implications of monetary policy normalization in the United States and possible shifts in financial market sentiments. Implementation of these policies would underpin stronger and more balanced growth and help to achieve further narrowing of global external imbalances.

According to the Global Financial Stability Report (GFSR), global economic recovery continued to rely heavily on accommodative monetary policies in advanced economies to support demand, encourage corporate investment, and facilitate balance sheet repair. Monetary accommodation remained critical in supporting the economy by encouraging economic risk taking in advanced economies, in the form of increased real spending by households and greater willingness to invest and hire by business sector. According to the GFSR, there are perceptions that prolonged monetary ease may also encourage excessive financial risk taking, in the form of increased portfolio allocations to riskier assets and increased willingness to leverage balance sheets, leaving accommodative monetary policies to face a trade-off between the upside economic benefits and the downside financial stability risks. It recommends that the best way to safeguard financial stability and improve the balance between economic and financial risk taking is to put in place policies that enhance the transmission of monetary policy to the real economy, thus promoting economic risk taking and addressing financial excesses through well-designed macro-prudential measures.

Table 5.1 World Economic Outlook		<i>% change (year-on-year)</i>			
Indicator	Actual		Projection		
	2012	2013	2014	2015	
World Output¹					
World Output	3.4	3.3	3.3	3.8	
Advanced Economies	1.2	1.4	1.8	2.3	
Emerging Market and Developing Economies	5.1	4.7	4.4	5.0	
<i>Memorandum Items</i>					
Emerging and Developing Asia	6.7	6.6	6.5	6.6	
<i>Bhutan</i>	6.5	5.0	6.4	7.6	
<i>India</i>	4.7	5.0	5.6	6.4	
Consumer Prices					
Advanced Economies	2.0	1.4	1.6	1.8	
Emerging Market and Developing Economies	6.1	5.9	5.5	5.6	
<i>Memorandum Items</i>					
Emerging and Developing Asia	4.7	4.7	4.1	4.2	
<i>Bhutan</i>	10.1	8.7	10.2	8.8	
<i>India</i>	10.2	9.5	7.8	7.5	

Source: World Economic Outlook, October 2014, International Monetary Fund.
1) Real GDP growth.

6. MACROECONOMIC INDICATORS FOR THE SAARC REGION¹

Growth in South Asia is expected to rebound from the slowdown in the early part of 2014 pushed by a revival in both domestic and external demand. Global recovery is expected to buoy export growth, remittances and tourism in the region.

Growth forecasts by the Asian Development Bank for South Asia have been revised marginally to 5.4 percent for 2014 (from 5.3 percent) and to 6.1 percent for 2015. Higher growth expectations for the region are based on stronger growth performance in Bangladesh, Nepal and Pakistan and expectations from India.

Rising business confidence and revival of investment in **India** following the election of a new government and broad reforms outlined by the government are expected to improve growth prospects in India and in the region. Growth in **Afghanistan** continued to be driven by private consumption on the demand side and agriculture on the supply side on the back of official development assistance. Risks stem from political uncertainties following the proceedings of the 2014 presidential elections. In **Bangladesh**, higher public investment and exports as well as a revival in workers remittances led to stronger growth performance while sustained higher private sector investment hinges on greater political stability. Tourism continued to underpin growth in **Maldives** while risks stem from high public debt and low capital expenditure. Robust growth in remittances and good agriculture performance underpinned by timely monsoon fuelled growth in **Nepal** while growth however is expected to slow in 2015 because of disappointing monsoon. Reforms by the Government, continued support from development partners and improvements in electricity supply that facilitated increased industrial production were the driving forces behind the much improved growth performance of **Pakistan**. Removing the structural constraints to growth depend on political stability and concerted reform efforts to continue for several years. Strong industrial performance backed by faster growth in construction, textiles and apparels helped maintained steady growth in **Sri Lanka**. While the weather conditions in tea-growing areas were favourable, risks stem from continuation of the first quarter drought that prevailed in most parts of the country.

Consumer inflation has softened and stabilized at lower levels as governments have proactively restrained food inflation and pursued vigilant monetary policies. Concerns over India's persistently high inflation remain while external risks stem from escalation of geopolitical tensions impacting oil prices that could in turn affect economic activity.

Table 6.1 contains selected macroeconomic indicators of SAARC member countries based on updates by respective country central banks and IMF country reports.

¹ Information in this section is sourced from: the Asian Development Outlook 2014 Update and World Economic Outlook, IMF (October 2014), and Regional Economic Outlook Update, IMF (Fall 2014).

Table 6.1 Selected Macroeconomic Indicators for the SAARC Region

I. Output and Prices						
Real GDP	annual % change					
Afghanistan	3.6	21.0	8.4	6.1	14.4	6.4
Bangladesh	6.2	5.7	6.7	6.3	6.2	6.1
Bhutan	4.7	6.7	11.7	7.9	5.1	2.1
India	6.8	8.0	10.3	6.6	4.7	5.0
Maldives	12.2	-3.6	7.1	7.0	3.4	3.7
Nepal	5.8	3.9	4.3	3.8	3.9	5.5
Pakistan	3.7	2.6	3.7	4.4	3.7	4.1
Sri Lanka	6.0	3.5	8.0	8.2	6.3	7.3
Nominal GDP	in USD billions					
Afghanistan	10.5	12.5	15.9	17.9	20.5	20.3
Bangladesh	89.4	100.1	108.1	111.9	122.7	135.1
Bhutan	1.3	1.3	1.6	1.7	1.8	1.7
India	1150.4	1293.5	1603.2	1698.0	1824.8	1972.8
Maldives	1.9	1.9	2.1	2.0	2.2	2.6
Nepal	12.9	15.7	18.3	20.1	19.4	19.2
Pakistan	162.0	174.9	202.8	213.9	231.2	238.9
Sri Lanka	40.7	42.1	49.6	59.2	59.4	66.7
Consumer Prices	annual % change; period average					
Afghanistan	26.8	-12.2	7.7	10.2	5.8	7.2
Bangladesh	6.7	7.3	8.8	10.7	6.8	7.4
Bhutan	7.1	4.8	8.6	10.1	8.6	9.6
India (<i>Industrial workers</i>)	9.1	12.4	10.4	8.4	10.4	9.7
Maldives (<i>National</i>)	12.3	4.0	4.7	12.1	5.4	4.5
Nepal	12.6	9.6	9.5	8.3	9.9	9.1
Pakistan	20.8	11.7	14.1	11.0	7.4	8.6
Sri Lanka ⁽¹⁾	22.6	3.5	6.2	6.7	6.9	4.9
II. Public Finances						
Domestic Revenue and Grants	in % of GDP					
Afghanistan	17.5	20.5	22.0	20.3	24.7	26.6
Bangladesh	10.8	11.5	12.2	11.9	12.5	12.9
Bhutan	42.8	50.6	38.9	38.0	31.5	31.8
India	9.9	19.6	21.0	19.5	20.9	22.0
Maldives	28.5	21.3	24.6	30.4	31.2	31.0
Nepal	16.6	18.0	18.5	18.7	19.3	21.1
Pakistan	14.5	14.0	14.0	12.4	12.8	13.0
Sri Lanka	15.6	15.0	14.9	14.5	13.2	12.4
Expenditures	in % of GDP					
Afghanistan	21.7	22.1	21.1	23.3	24.3	24.5
Bangladesh	14.5	14.6	15.9	18.2	16.6	16.9
Bhutan	40.9	48.8	47.2	43.3	35.8	36.2
India	15.7	28.6	27.6	26.9	28.1	28.4
Maldives	42.0	44.1	40.7	40.6	40.4	37.9
Nepal	19.2	19.0	18.7	19.3	17.9	20.8
Pakistan	19.9	20.3	18.0	20.5	21.5	21.0
Sri Lanka	22.6	24.9	22.9	21.4	19.7	18.3

Indicator *	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Overall Balance	in % of GDP					
Afghanistan	-4.1	-1.6	0.9	-0.4	-0.5	-0.5
Bangladesh	-3.7	-3.1	-3.7	-4.7	-4.1	-4.5
Bhutan	2.0	1.8	-2.3	-1.2	-4.4	-4.4
India (<i>Central govt only</i>)	-6.0	-6.4	-5.1	-7.7	-7.2	-6.4
Maldives	-11.9	-23.4	-12.7	-10.2	-9.2	-4.7
Nepal	-2.6	-1.0	-1.8	-1.3	-2.2	0.4
Pakistan	-5.3	-6.3	-6.6	-4.0	-8.8	-8.0
Sri Lanka	-7.0	-9.9	-8.0	-6.9	-6.4	-5.8
III. Monetary Sector						
Broad Money	annual % change; end of period					
Afghanistan	31.4	33.0	26.9	21.3	8.8	11.9
Bangladesh	19.2	22.4	21.4	16.3	16.7	16.1
Bhutan	24.6	30.1	21.2	-1.0	18.6	6.6
India	19.3	16.9	16.1	13.5	13.6	13.2
Maldives	21.8	12.4	16.5	20.0	14.4	18.4
Nepal	27.3	14.1	12.3	22.7	16.3	20.5
Pakistan	9.6	12.5	15.9	14.4	15.9	12.5
Sri Lanka	8.5	18.6	15.8	19.1	17.6	16.7
Reserve Money	annual % change; end of period					
Afghanistan	64.9	17.1	21.3	21.9	18.7	16.0
Bangladesh	31.9	18.1	21.0	9.0	15.0	15.5
Bhutan	14.2	40.0	-4.1	-15.1	43.3	10.5
India	6.4	17.0	19.1	3.6	6.2	14.4
Maldives	23.1	14.1	-1.3	24.5	23.0	13.0
Nepal	35.3	11.7	7.2	36.4	12.3	9.8
Pakistan	1.9	11.4	17.1	11.4	15.9	12.9
Sri Lanka	1.5	13.1	18.8	21.9	10.2	0.9
Private Sector Credit	annual % change					
Afghanistan	37.9	41.1	34.9	-51.9	-0.2	3.0
Bangladesh	15.5	24.2	25.8	18.5	11.0	12.3
Bhutan	31.1	40.7	29.4	30.1	7.1	6.4
India (excl RBI)	16.4	16.3	21.3	17.1	15.5	13.7
Maldives	29.1	-4.5	-2.0	6.0	-9.0	4.9
Nepal	29.0	14.2	13.1	11.3	20.2	16.4
Pakistan	0.6	3.9	4.0	6.4	-0.6	10.3
Sri Lanka	7.0	-5.8	24.9	34.5	17.6	7.5
Broad Money Velocity						
Afghanistan	3.4	3.0	2.8	2.7	3.1	3.0
Bangladesh	2.1	1.9	1.8	1.8	1.7	1.8
Bhutan	1.7	1.5	1.3	1.7	1.6	1.6
India (GDP/M3)	1.3	1.3	1.3	1.2	1.3	1.3
Maldives	1.9	1.6	1.5	1.4	1.5	1.7
Nepal	1.6	1.5	1.5	1.4	1.3	1.2
Pakistan	2.5	2.9	2.7	2.7	3.0	3.3
Sri Lanka	3.0	2.7	2.7	2.6	2.6	2.5
Broad Money Multiplier						
Afghanistan	1.5	1.8	1.8	1.8	1.8	1.7
Bangladesh	4.7	4.9	4.9	4.6	5.4	5.4
Bhutan	2.2	2.0	2.6	3.0	2.5	2.4
India (M3/M0)	4.3	4.9	4.8	4.7	5.2	5.5
Maldives	2.2	2.2	2.6	2.8	2.4	2.5
Nepal	3.2	3.3	3.9	3.5	3.7	3.2
Pakistan	3.4	3.2	3.4	3.5	3.4	3.4
Sri Lanka (M2b/M0)	5.7	6.0	5.8	5.7	6.0	7.0

Indicator *	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
IV. External Sector						
Export of Goods	annual % change; USD values					
Afghanistan	33.0	2.1	12.3	2.5	2.7	-5.2
Bangladesh	10.1	4.2	41.7	15.0	11.2	11.7
Bhutan	-14.9	3.0	26.8	-7.3	-11.5	-2.0
India	12.2	-2.2	40.4	20.9	-1.0	3.9
Maldives	45.2	-49.0	16.8	75.4	-9.4	0.5
Nepal	0.5	-6.1	13.2	5.0	6.9	6.6
Pakistan	-7.2	9.1	28.6	23.7	0.2	-9.9
Sri Lanka	6.2	-12.6	21.8	22.4	-7.4	6.4
Import of Goods	annual % change; USD values					
Afghanistan	14.8	-0.8	4.5	0.4	11.2	-4.1
Bangladesh	4.2	5.4	41.8	11.7	9.8	14.7
Bhutan	-9.5	36.1	41.7	-10.0	-6.4	-5.5
India	18.8	-3.5	27.6	30.3	0.5	-7.2
Maldives	26.6	-30.3	13.3	34.3	6.1	-1.2
Nepal	14.1	36.4	10.2	3.4	17.9	12.9
Pakistan	-12.9	-0.3	16.4	31.1	-1.6	0.5
Sri Lanka	24.7	-27.6	31.8	50.7	-5.3	-6.2
Current Account Balance	in % of GDP					
Afghanistan	0.9	-2.8	3.9	3.1	3.9	2.5
Bangladesh	2.8	2.7	3.7	-1.5	-0.4	-0.5
Bhutan	-6.6	-24.3	-32.6	-23.0	-25.0	-23.6
India	-2.3	-2.8	-2.6	-4.2	-4.7	-2.2
Maldives	-36.2	-11.4	-8.9	-19.1	-23.0	-20.5
Nepal	4.2	4.2	-2.3	-0.9	4.9	3.4
Pakistan	-5.7	-2.2	0.1	-1.0	-1.1	-1.4
Sri Lanka	-9.5	-0.5	-2.2	-7.8	-6.7	-3.9
Foreign direct investment, net	in USD millions					
Afghanistan	97.6	93.8	95.0	72.7	70.2	59.8
Bangladesh	941.0	913.0	779.0	1194.9	1730.6	1550.0
Bhutan	18.1	74.3	31.1	24.1	21.3	
India	22697.0	22461.0	14939.0	23473.0	18286.0	26386.0
Maldives	175.0	154.0	216.5	449.8	197.6	355.0
Nepal	23.7	38.3	90.3	112.5	102.0	112.0
Pakistan	2646.8	2086.0	1979.2	707.8	1580.6	4377.4
Sri Lanka	691.0	384.0	435.0	896.0	813.0	817.0
External debt	in % of GDP					
Afghanistan (<i>after debt relief</i>)	19.7	9.3	8.2	6.9	6.4	6.2
Bangladesh	25.7	22.3	22.7	23.1	21.9	22.0
Bhutan	69.4	66.6	79.5	87.4	98.4	101.3
India	20.5	18.0	17.3	19.7	22.0	23.3
Maldives	49.9	43.1	41.2	50.0	32.3	29.9
Nepal	26.3	28.0	19.9	22.7	20.1	19.5
Pakistan	32.6	31.5	28.2	23.3	26.5	26.6
Sri Lanka	43.7	49.7	50.1	55.4	62.5	59.6
External debt service	in percent of exports					
Afghanistan	1.2	1.9	0.8	1.0	1.8	1.9
Bangladesh	4.5	3.2	2.9	2.5	2.4	2.5
Bhutan	30.9	30.7	51.7	127.1	213.8	28.0
India	4.4	5.8	4.4	6.0	5.9	5.9
Maldives	5.1	2.9	2.5	2.8	3.4	2.9
Nepal (<i>in % of current receipts</i>)	3.1	10.2	11.5	11.1	10.6	9.8
Pakistan	19.7	17.2	16.7	11.3	14.5	19.0
Sri Lanka	15.1	22.4	16.7	12.8	21.3	25.7

Indicator *	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Gross international/official reserves	in USD millions					
Afghanistan	3591.0	4209.0	5321.0	6209.0	6771.0	7447.0
Bangladesh	7444.0	7471.0	10750.0	10912.0	10364.0	15315.0
Bhutan	704.4	759.4	796.2	674.3	916.9	997.9
India	251985.0	279057.0	304818.0	294398.0	292647.0	297287.0
Maldives	240.6	261.0	349.9	334.9	304.6	340.0
Nepal	2907.0	2872.0	2759.0	3836.0	4960.0	5614.0
Pakistan	13971.0	9527.0	13112.0	15662.0	10856.0	6047.0
Sri Lanka	2401.9	5357.4	7196.0	6749.0	7106.0	7495.0
Import Cover of Reserves	gross reserves in months of imports					
Afghanistan	5.3	6.0	6.4	7.3	7.1	8.2
Bangladesh	3.6	3.3	3.2	2.6	2.1	2.2
Bhutan	13.9	11.5	8.4	9.0	20.7	22.7
India	8.4	11.1	9.5	7.1	7.0	7.8
Maldives	2.1	3.2	3.8	2.7	2.4	3.1
Nepal	6.0	5.4	5.8	7.2	7.4	8.2
Pakistan	4.8	3.3	3.9	4.0	1.4	2.2
Sri Lanka (Central Bank + Government)	2.0	6.3	6.4	3.2	4.0	3.5
Exchange Rate per U.S. dollar	period average					
Afghanistan	50.3	50.2	46.5	47.8	51.7	55.4
Bangladesh	68.8	69.2	71.2	70.7	79.1	79.9
Bhutan	47.8	46.7	45.3	50.3	54.9	61.5
India	45.9	47.4	45.6	47.9	54.4	60.5
Maldives	12.8	12.8	12.8	15.4	15.4	15.4
Nepal	76.9	74.5	71.9	81.0	88.0	95.9
Pakistan	78.6	83.9	85.6	89.3	96.9	102.9
Sri Lanka	108.3	114.9	113.1	110.6	127.6	130.0

* Datas are on a calendar year basis. For example, entry under 2006/07 is for CY 2006. (1) Sri Lanka: Rebased CPI(2006/07 =100) has replaced old CPI (2002=100) from June 2011

Sources : Respective Annual Reports,16th SAARCFINANCE E-Newsletter,IMF Country Reports,ADB annual report,world bank



SECTION II

**GOVERNANCE &
ORGANIZATIONAL
DEVELOPMENT**

1. FUNCTIONS OF THE ROYAL MONETARY AUTHORITY OF BHUTAN

In accordance with the **Royal Monetary Authority Act of Bhutan 2010**¹, the functions of the RMA can be summarized as follows:

a) **Formulate and Implement Monetary Policy**

The primary objective of the RMA is to formulate and implement monetary policy with a view to achieving and maintaining price stability. In view of the close economic and financial ties between Bhutan and India, an *exchange rate target* was chosen, i.e., the one-to-one peg between the Ngultrum and the Indian Rupee. Monetary policy, which is aimed at achieving price stability, is confined to the support of the peg, which involves the provision of at least 100 percent reserve backing for all Ngultrum issued, the avoidance of a large Ngultrum liquidity build-up, together with additional confidence-building measures for the Ngultrum, implying, for example, credible RMA and government policies.

b) **Supervision and Regulation of the Financial Sector**

A secondary objective is to formulate and apply financial regulations and prudential guidelines to promote good governance and to ensure stability and integrity of the financial system against potential systemic risks. In general, this activity, which in quite a few countries is carried out by a separate institution, involves ensuring that deposit money banks and other financial institutions conduct their business on a sound prudential basis and according to the various laws and regulations in force. This also includes the licensing of financial institutions.

In the “small economy case” and/or countries at a relatively early stage of economic and institutional development, there is a very good case for making the central bank responsible for financial institutions’ supervision (including all financial institutions) on account of economies of scale and the central bank’s financial sector expertise.

c) **Promotion of Financial Sector Stability and Development**

This refers to the establishment and promotion of an effective financial system, comparable to international best practice, ensuring that financial transactions necessary for the smooth functioning of the economy can be carried out with a minimum amount of cost and time involved. In this connection, the RMA has to be a facilitator of advanced clearing and transfer systems, promoting, supervising and if necessary, operating national and international payments and settlement systems including the electronic transfer of funds by financial institutions, other entities and individuals. Of importance are also the establishment of a deposit insurance system, the availability of certain specialized institutions, which could be represented, for example, by an industrial development bank, an agricultural development bank, and micro-finance institutions, and the facilitation of a money market, primary and secondary markets for securities, a foreign exchange market, and a capital market.

¹ *The RMA Act of Bhutan 2010 supersedes the RMA Act, 1982.*

All of this shall in turn be carried out to promote macro-economic stability and economic growth in Bhutan.

d) **The Bank of Issue²**

The RMA has the sole right to issue notes and coins for the purpose of directly influencing the amount of currency in circulation outside banks, thereby providing the economy with sufficient, if possible, non-inflationary liquidity.

e) **The Bankers' Bank**

This function includes the acceptance of deposits as prudential reserves for banks (e.g., minimum reserves), the willingness to discount commercial and government papers, and the commitment to act as the “lender of last resort” to banks in the case of short-term liquidity shortages. It also involves the provision of central clearance facilities for inter-bank transactions.

f) **The Government's Bank**

The RMA is the banker and the fiscal agent for the government, and may be the depository of the government. The central bank also may make temporary advances to the government.

g) **The Advisor to the Government**

The RMA may advise the government on any matter relating to its functions, powers, and duties. The RMA may also be requested to advise the government on any matter related to its functions, powers, and duties, the credit conditions in the country, or any proposal, measures, and transactions relating thereto.

h) **The Guardian of the Country's External Reserves**

The RMA is the depository of the official external assets of the country, including gold and foreign currency reserves. Guarding international reserves usually also implies the responsibility for the exchange rate policy (in Bhutan, the external value of the Ngultrum is declared by the government on recommendation of the RMA's Board, while the RMA has to implement and support it), and reserve management, with a view to the prudential management of the funds, with due regard to *safety, liquidity and profitability*, in that order. In Bhutan, as in various other developing countries (e.g., in India), reserve management also includes the formulation, implementation, monitoring, and enforcement of foreign exchange regulations.

All functions are carried out under the general supervision of the Board of Directors by the RMA's executive management team with the close support of its departments. The Internal Audit Department and Management Secretariat along with the Executive Committee report directly to the Governor while the other departments report to their respective Deputy Governors. The *Executive Committee* was formed in accordance with Chapter IV, Sections

² Bhutan's currency notes are printed by the UK-based firm De La Rue Currency and the German firm Giesecke & Devrient. Since 2002, minting of the 1 Ngultrum coin has been replaced by the reintroduction of the Nu. 1 denomination currency note, although some coins remain in circulation.

29, 31 and 56 of the RMA Act, 2010 and comprises the two Deputy Governors and four Directors of the RMA. The Executive Committee assists the Governor in the implementation of the Board's policy decisions as well as any other matters pertaining to the RMA. For a comprehensive outline of the organization structure, please see the *RMA organization chart* in the first section of the report.

The key responsibilities of **the nine departments**, the *Financial Intelligence Unit* and the *Management Secretariat* can be summarized as follows:

- * ***The Management Secretariat*** extends administrative and policy-related assistance to the Governor. It interfaces between the Governor's Office and other Departments within the RMA, as well as with other government and non-government Bhutanese and international organizations. The Management Secretariat also attends to the RMA's communication policy.
- * ***The Internal Audit Department*** examines the risks that the RMA faces, reviewing the adequacy of the controls in place to protect it from those risks, and verifies that the controls are working as intended.
- * ***The Banking Department*** maintains the main accounts of the Government, the financial institutions' accounts, the foreign exchange accounts and the central accounts.
- * ***The Foreign Exchange and Reserve Management Department*** drafts, implements, monitors, and enforces the foreign exchange regulations with the objective of facilitating external trade and promoting orderly foreign exchange payments. The Department also manages Bhutan's foreign reserves with regard to safety, liquidity and profitability, in that order and provides information on exchange rates as well.
- * ***The Information Technology Department*** is responsible for developing and maintaining the RMA's IT system and providing IT support services within the organization, e.g., IT planning and monitoring, hardware management and support, and applications systems and database development, management and support.
- * ***The Research and Statistics Department*** is the primary compiler of Bhutan's monetary and financial statistics and the balance of payments and international investment position statistics. The Department is responsible for the production of the RMA's major publications – the Annual Report, Selected Economic Indicators, Monthly Statistical Bulletin and the RMA's annual Monetary Policy Statement. The Department also engages in policy-oriented research on emerging macroeconomic issues for the RMA management and policy makers.
- * ***The Administration and Finance Department*** is responsible for administrative and budgetary matters, including work related to inventory and stores, maintenance of personnel records, leave management, maintenance of the administrative accounts and preparation and review of the RMA's annual budget. The Department is also responsible for the RMA's human resource management and development, bridging present and future human resource gaps by matching RMA officials with training opportunities in-country and abroad.

- * ***The Currency Management Department*** is responsible for the printing of notes and minting of coins, the supply of notes and coins, and the exchange or destruction of currency notes and coins that are not fit for circulation in order to ensure the provision of adequate and quality supplies of currency notes and coins to the public.
- * ***The Financial Regulation and Supervision Department*** issues and monitors regulations to ensure the efficient functioning of the country's banking and financial system and licenses new financial institutions. The Department regularly supervises all financial institutions by means of on-site and off-site inspections on the basis of internationally accepted financial sector practices.
- * ***The Financial Intelligence Unit (FIU)*** was formally established with the enactment of the Financial Services Act (FSA), 2011. While the FIU initially operated as part of the FRSD since October 2010, it was officially instituted as a separate unit from the FRSD on May 16, 2013. Section 141 to 149 of the FSA provides the basis for the operation of the FIU as well as the detailed regulations to be issued to deal with specific elements of the Anti-Money Laundering (AML) and the Combating the Financing of Terrorism (CFT) regulation.

The Financial Intelligence Unit (FIU)

During the 83rd RMA Board meeting which was held on 28th September, 2012 the *Anti-Money laundering and Combating the Financing of Terrorism Regulation 2012* was approved. AML/CFT regulation covers a wide range of provision and sanctions relating to AML/CFT activities in Bhutan, and provides detailed requirements for reporting entities and the framework for the work of the FIU.

Bhutan became a member to the Asia Pacific Group (APG) on Money Laundering on July 2011 as its 41st member. The Asia/ Pacific Group on money laundering was established in 1997 with 13 founding members and now consists of 41 active members making it the largest FATF regional body in the world.

Bhutan has obligations under international law (*Financial Action Task Force* recommendations) and as a global citizen to respond to the threat of money laundering and the terrorism financing. The FIU aims to ensure that the Kingdom is protected from the misuse of its financial system and from the movement of criminal proceeds or funds destined for terrorist organisations.

To ensure that the national response to money laundering and terrorism financing is coordinated effectively and fully implemented, a National Coordinating Committee and Working Committee have been put in place. Members consist of the FIU, RMA, and senior and mid-level officials from Anti-Corruption Commission, Royal Bhutan Police, Department of Revenue and Customs, Office of the Attorney General, Bhutan Narcotic Control Agency, Ministry of Home and Cultural Affairs (Bureau of Law and Order), and the Ministry of Foreign Affairs.

- * *The Payment and Settlement Systems Department* is responsible for the development, regulation, oversight and efficiency of the payment and settlement systems in the country which currently includes the Cheque Truncation System, National Electronic Clearing System Credit, National Electronic Clearing System Debit, National Electronic Funds Transfer and the Bhutan Financial Switch. The Department is also responsible for monitoring the operations under SWIFT as well as coordinating SAARC and Asian Clearing Union payments.

2. OVERVIEW OF ORGANIZATIONAL DEVELOPMENTS 2013/14

GOVERNANCE

Eight meetings of the Board of Directors of the RMA were held during FY 2013/14. The meetings continued to focus on addressing Rupee related issues, while other policy and administrative matters were also deliberated on. The INR currency SWAP facility, reserve position, and the implementation and adoption of the Bhutan Accounting Standards (BAS) and the Maya Declaration were some of the key issues discussed.

The Board endorsed the issuance of guidelines on the re-introduction of housing, vehicle and consumer loans. Various regulations were discussed, revised and approved, including the *Foreign Exchange Regulations, 2013, Investment Advisor and Management Company Regulations, Credit Rating Agency Regulation, Macro-Prudential Regulations, Central Registry Regulations, Loss Adjuster Regulations, and Staff Regulations.*

RECENT ACTIVITIES AND DEVELOPMENTS

• Financial Sector Regulations and Other Infrastructure

In line with the provisions of the **Financial Services Act of Bhutan, 2011**, the RMA's Financial Regulation and Supervision Department continued to draft and finalize several regulations and guidelines to strengthen the RMA's role as Bhutan's integrated financial regulator. The following three sets of regulations were issued during the FY 2013/14 (the first two were drafted in conjunction with the Capital Development Master Plan (2012-2014) for Bhutan, and the third regulation was drafted as part of efforts to achieve the financial sectors stability in Bhutan):

- i. The **Investment Advisor and Management Company Regulations** was issued in October 2014 to license investment advisory services and fund management companies, with the main objective to collect, advise, manage and channel funds into productive sectors as well as to develop investment markets in Bhutan. This regulation is a combination of and supersedes the Fund Management Company Regulations and the Investment Advisor Regulations, both issued in 2011.
- ii. The **Regulation on Credit Rating Agencies** in Bhutan was issued in May 2014 to license credit rating business in Bhutan. The regulation was issued to support and develop markets for debt securities in order to provide access to alternative sources of raising funds/capitals to borrowers, and in a manner that is cheap, convenient and transparent.
- iii. The **Macro-Prudential Rules and Regulations** was issued on 7 May, 2014, to support and strengthen financial sectors stability and macroeconomic growth. The monitoring framework and tools include: (i) counter-cyclical capital; (ii) sectoral capital requirements; (iii) leverage ratio; (iv) loan to value and loan to income; (v) debt to equity; (vi) time varying capital provisioning and margin requirement; (vii) distribution of profit.

The RMA, in consultation with Ministry of Finance and Ministry of Economic Affairs, formulated the **Capital Market Master Plan (2012-2014)** to develop Bhutan's capital markets, strengthen the role and mandate of the Royal Securities Exchange of Bhutan Ltd, and more importantly, build domestic supply in the economy. In addition, the RMA is also in the process of setting up the **Financial Stability Unit (FSU)** under the RMA's Financial Regulation and Supervision Department to conduct regular macro-prudential surveillance, monitoring and mitigation of potential risks to financial stability in Bhutan.

Following the 98th RMA Board meeting, the RMA issued **Operational Guidelines** on phasing out temporary restriction of loans for housing, vehicle and consumer from commercial banks effective 1 September, 2014. Several micro prudential provisions are outlined in the Operational Guidelines, offering check and balance while provisioning loans. The restriction on loans was imposed in March 2012 as temporary measures to correct macroeconomic imbalances in the country.

Copies of all regulations and guidelines are available on the RMA website.

- **Financial Inclusion Policy**

The **Financial Inclusion Policy (FIP)** for Bhutan is still in final draft form awaiting Government approval. The RMA became a member of the **Alliance for Financial Inclusion (AFI)** in November 2010. The AFI is a global network of developing and emerging countries aimed to create a platform to share experience and knowledge and discuss issues related to financial services access for the larger segment of a country's population. As part of the AFI network, the RMA agreed to uphold the principles of the "**Maya Declaration**" which emphasizes several initiatives that the RMA has committed to, including: developing and implementing a Financial Literacy Master Plan; issuing Deposit and Non-Deposit Taking Micro Finance regulations and E-Money regulations; and implementing Mobile Payment System in Bhutan.

The success of the Financial Inclusion Policy hinges on several factors, such as: the provision of products at prices that are neither exploitative for the clients nor unsustainable for the providers; convenient access, whether physically or in terms of the amount of time and money spent; and, the ability of the people to harness and take meaningful advantage of the services that are available.

- **Revision in Foreign Exchange Provision**

The RMA made further amendments to the **Foreign Exchange Regulation, 2013** on the import and export of foreign currencies, and effective from May 14 2014, the following limits apply: (i) convertible currencies in cash up to USD 10,000 at the customs point; (ii) convertible currencies in cash over and above USD 10,000 only upon declaring the sources at the customs point.

In line with the re-opening of housing, vehicle and consumer loans, the RMA phased out its temporary measures restricting Rupee access for personal housing construction and motor vehicle imports, effective from September 1 2014. As per the revised **Operational Guidelines for Indian Rupee Transactions** (*issued on March 14, 2014*), access to Rupee for construction and motor vehicle imports via the banking channel continue to be largely unlimited subject only to the submission of proper evidence and documentation (e.g. pro-

forma invoice, travel documents, import/export license, service contract etc.) in the interest of legitimacy and transparency. The revised Guidelines were made available to the commercial banks and is available from the Foreign Exchange Department of the RMA.

- **Central Registry**

The **Central Registry for Secured Transactions** in Bhutan was formally established on 1 July 2014 within the RMA to encourage secured transactions and ease collateral requirements in movable and immovable property of the borrower to avail any kind of loans. The Central Registry will also help in monitoring and securing lender-borrower/creditor-debtor transactions and effectively improve access to credit. Some of the benefits from the Central Registry are:

- Access to credit by the SME and MSMEs sector
- Reduce level of informal lending activities
- Strengthen the private and financial sectors for overall economic development
- Reduce legal risks in secured financial transactions
- Provide a sound framework for ordering priorities among competing claimants to the same item of the charged collateral.

- **Development in Currency Management**

In order to replenish depleted stocks of Nu.5 and Nu.100 denominated bank notes, the RMA printed fresh banknotes in these denominations. The above denominations are expected to go into circulation by mid-January 2015. In addition, the RMA re-issued around 24 million proceed pieces of various denomination notes in circulation, while about 11.41 million pieces of unfit notes of various denominations were destroyed during the year. As part of the RMA's efforts to minimize the risks of counterfeit notes and sensitize the general public on this issue, the RMA publicized security features of the banknotes and counterfeit detection technique through visual media and print as well as to bank staff.

The International Mint (World Coin Association) and the Singapore Mint were allotted full rights to mint, market, and sell Bhutanese-theme based commemorative coins (gold and silver) outside Bhutan. In turn, the RMA received Nu.0.40 million as royalty from the sale of commemorative coins in 2014.

- **Development in Financial Intelligence Unit (FIU)**

In line of the Financial Action Task Force recommendation, the National Risk Assessment Group was formed in order to prepare the **Mutual Evaluation Report** for Bhutan. The aim of this report is to assess national risks, review and ensure the level of compliance of the AML/CFT system with international standards. The report is expected to be completed by November 2015. At the same time, the RMA is also in the process of applying for the EGMONT membership with assistance from the Korean Financial Intelligence unit and Bangladesh Financial Intelligence Unit. Formed in 1995, the EGMONT group is an informal international gathering of financial intelligence units, serving as a forum to enhance international cooperation and coordination to respond to the threats of money laundering and terrorist financing.

In order to foster institutional cooperation and to facilitate the sharing of information on financial intelligence related to money laundering and terrorist financing within the country as well as outside, the FIU-RMA signed an MoU with the Anti-Corruption Commission (ACC) of Bhutan on 9 July 2014, followed by signing of MoU with the Bangladesh Financial Intelligence Unit (BFIU) and the Korea Financial Intelligence Unit (KFIU) on July 17, 2014.

KNOWLEDGE MANAGEMENT

During the FY 2013/14, to further enhance human resource capacity and strengthen the operations and administration of the various departments in the RMA, 116 officers attended trainings, programs, seminars, and workshops ex-country related to:

- *Financial Markets and Financial Instrument;*
- *Central Banks and Financial Sector Legal Framework;*
- *Anti-Money Laundering and Combating the terrorist Financing*
- *Regional Investment Management and Financial Monitoring;*
- *Stress Testing Banks;*
- *Macroeconomic policy and Management;*
- *Risk based Supervision and Auditing;*
- *External debt management;*
- *Monetary and Exchange Rate Policy;*
- *Payment and settlement system;*
- *Financial Statement Analysis;*
- *Information technology;*
- *Financial Markets Analysis;*
- *Talent development and Human Resources Management.*

Officials also attended courses related to the compilation of *balance of payments* and *international investment position statistics* and *monetary and financial statistics*. In addition, officials of the RMA attended study visits and various meetings including the 14th, 15th and 16th SAARC Payment Council Meeting, the 2nd SAARC Public Debt Managers Meeting, 2nd SAARC Insurance Regulators Meeting, the 14th Financial Inclusion Strategy Peer Learning Meeting, the 16th and 17th SAARCFINANCE Coordinators Meeting, 43rd Board of Directors of ACU annual Meeting, AFI Global Policy Forum (GPE) and Swift Annual Chairperson Meeting, IMF/World Bank Annual Meeting, and the APG's Annual and Technical Assistance Meeting.

In-country, the RMA continued to be actively involved in the following national consultations, trainings, seminars and workshops organized by various agencies in the country:

- *Seminar on Trade finance;*
- *Government and Private Sector Stakeholders workshop on Public Private Partnership (PPP);*
- *Training program in Cyber Security;*
- *Macroeconomic Framework Coordination and Technical Committee Workshop;*
- *Training on Financial Investigation and Asset Recovery;*
- *Consultative Workshop on Updating the National Strategy for Development of Statistics ;*

- *IMF-JSA workshop for Asian Countries on the compilation of FDI statistics;*
- *Training on effective communication, presentation and graphics (Photoshop and in-design);*

STATUS OF STAFF

As of June 2014, the RMA's staff strength totaled 173, consisting of 3 Executives, 83 Officers (47.9 percent of the total) and 90 Assistants (52.1 percent). Of the total, 173 employees were stationed at Head Office, while 9 employees were at the Regional Clearing Houses located in Phuentsholing, Gelephu and Mongar Dzongkhags.

3. RMA ANNUAL AUDITED ACCOUNTS, FY 2013/14

In accordance with Section 164 of the Royal Monetary Authority Act of Bhutan 2010, the annual audit of the Authority's accounts for the period ending June 30, 2014 was carried out by M/S V. Sankar Aiyar & Co. a chartered accountancy firm from New Delhi, India, from August to September 2014.

In this overview of the RMA's Annual Audited Accounts, FY 2012/13 is referred to as 2013 and FY 2013/14 as 2014. Factors that influenced the RMA's annual accounts for the year 2014 are summarized below.

BALANCE SHEET

The total assets and liabilities of the Authority grew by 2 percent from Nu.61 billion in 2013 to Nu.62 billion in 2014.

LIABILITIES

Total Liabilities of the RMA are made up of three major components: *Capital and Reserves*, *Foreign liabilities*, and *Domestic liabilities*.

Capital and Reserves, the first component of total liabilities, includes mainly *Paid-up Capital*, *General Reserves*, *Revaluation Reserves*, and *Special Reserves*. This category of liabilities increased by 6.0 percent in the current year mainly due to plough back of current year's surplus to the General Reserve from Nu 1.7 billion to Nu. 2.0 billion.

Special Reserves is the accumulated earnings on the USD 60 million deposit placed by Kuwait Central Bank with the RMA since December 2006. This fund is maintained by the RGoB with the RMA. The balance in this account reduced to Nu. 249 million in 2014 after adjusting Nu.2.0 million loss suffered during the year due to low average rate of return (1.4 percent) on the investments against 1.5 percent interest cost on the Kuwait Central Bank deposit.

Other Reserves which comprises of the Capital Reserves Grant and Clearing House Reserves, remained constant at Nu.0.2 million during the period of 2013 and 2014.

*Foreign Liabilities*³, the second component of total liabilities declined by 26 percent from Nu.20 billion in 2013 to Nu.15 billion in 2014. This decrease was mainly due to liquidation of the RBI SWAP borrowings, and SBI and PNB overdraft facilities. However, there has been some increase in the liabilities to IMF and government due to currency revaluation and government FC deposits respectively in 2014.

*Domestic Liabilities*⁴, the final component of total liabilities increased by 20 percent mainly on account of an increase in the commercial banks' current account balances, CRR deposits, sweeping accounts of the government owned companies and currency in circulation.

³ Consists of dues to the IMF, government and government agencies' foreign currency accounts, deposits of other foreign financial institutions such as the World Bank, ADB, ARC and Kuwait Central Bank, GOI Stand-by credit facility.

⁴ Consists of notes and coins in circulation, due to banks, due to government (MoF Refundable deposit & MoF revaluation reserve), sweeping accounts and other miscellaneous liabilities.

ASSETS

The **total assets** of the RMA comprises of *Foreign Assets*, *Domestic Assets*, and *Non-Financial Assets*.

Foreign Assets, the first component of total assets, grew by 9.0 percent from Nu.56 billion in 2013 to Nu.61 billion in 2014 as indicated by the growth in balances with banks in India and abroad. *Domestic Assets*, the second component of total assets, decreased from Nu.4.1 billion to Nu 0.3 billion in 2014 mainly due to non-availability of T-Bills deposited into the RMA current account. Meanwhile, *Non-Financial Assets*, including gross fixed assets, inventories and other assets, also declined by 4.0 percent from Nu.0.5 billion in 2013 to Nu.0.4 billion in 2014, largely attributed to rectification of the huge outstanding accounts receivables.

INCOME AND EXPENDITURE

In 2014, RMA's total operating income recorded marginal decline of 1.0 percent from Nu.1.2 billion to Nu.1.1 billion. Interest earnings, which form 96 percent of total operating income, grew by 4.0 percent from Nu.1.0 billion to Nu.1.1 billion due to improvement in rupee reserve, earning some interest on its investment. Sizeable decrease in the earnings on the Ways and Means Advances to the government also contributed to the marginal decrease in the overall interest income. Other income also recorded the decrease mainly because no substantial sale of convertible currencies during the year in comparison to the previous year.

On the expenditure side, total operating expenses grew by 11 percent from Nu.0.2 billion in 2013 to Nu.0.3 billion in 2014. In the current year, the highest share of expenditure was incurred on security printing and minting which grew by 11 percent (security printing and minting accounted for 27.7 percent of total operating expenses during the year). Expenses on security printing & minting increased from Nu.69 million to Nu.77 million mainly on account of printing of Nu.5 and Nu.100. The interest payments on foreign deposits saw marginal increase during the year due to unfavorable exchange rate fluctuation at the time of payment.

As a result, RMA has generated a net surplus of Nu.312 million during the year as compared to previous year's deficit of Nu.321 million. This surplus is being transferred to the General Reserves.

Costs on Monetary Policy Instruments

To address the large external imbalances, particularly with India, and in order to safeguard developmental activities and ensure timely payments for essential BoP transactions, the RMA continued to resort to the GoI standby credit facility with total INR debt at the end of the financial year, remaining at Nu.10 billion. However, the costly overdraft facility availed from SBI and PNB as well as the RBI SWAP facility were all liquidated at the end of the financial year through the sale of USD 200 million in June 2013. Consequently, during the year, the total *cost of monetary policy*⁵ decreased by 54 percent from Nu. 1.2 billion to Nu. 0.6 billion.

⁵ Debt service payments incurred on the GOI Standby Credit Facility.



SECTION III

STATISTICAL
TABLES

TABLE 1. GROSS DOMESTIC PRODUCT AT CURRENT PRICES

Sector	Year												Share of GDP in 2013 (%)
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013			
1. Agriculture, livestock and forestry	7,635.1	8,066.4	8,707.2	9,234.1	10,078.3	11,158.7	12,177.8	13,868.4	15,558.3	16,889.0	16.2		
1.1 Crops	3,480.7	3,684.9	3,925.7	4,377.0	5,060.6	5,668.2	6,530.1	7,665.4	8,635.2	9,580.5	9.2		
1.2 Livestock	1,991.1	2,261.2	2,466.5	2,530.9	2,624.5	2,894.9	3,109.7	3,473.2	3,996.8	4,289.7	4.1		
1.3 Forestry and logging	2,163.2	2,120.4	2,315.0	2,326.2	2,393.2	2,595.5	2,538.0	2,729.8	2,926.3	3,018.8	2.9		
2. Mining and quarrying *	439.6	549.8	877.8	890.5	1,252.0	1,392.0	1,616.9	1,941.7	1,962.0	2,867.3	2.7		
3. Manufacturing	2,296.2	2,570.9	3,098.0	4,033.2	4,593.4	5,017.2	6,324.2	7,044.8	8,623.1	8,878.5	8.5		
4. Electricity and water	3,085.4	3,634.5	5,339.9	10,082.0	11,552.2	11,813.4	12,763.6	11,911.6	12,303.1	14,801.5	14.2		
5. Construction	5,741.1	6,219.2	6,019.7	6,781.0	6,251.0	7,469.7	10,308.9	13,916.6	17,669.8	17,602.4	16.9		
6. Wholesale and retail trade	1,725.7	2,088.9	2,317.2	2,497.1	2,694.6	2,935.3	3,752.6	4,641.8	5,917.6	6,526.9	6.3		
7. Hotels and restaurants	168.7	211.7	301.0	368.1	569.2	537.6	608.0	948.7	1,298.8	1,536.1	1.5		
8. Transport, storage and communication	3,295.1	3,890.5	4,095.1	4,468.8	5,365.8	5,989.9	6,943.3	8,526.1	9,256.0	9,743.5	9.3		
9. Financing, insurance and real estate	2,280.3	2,918.2	3,472.6	4,105.4	4,576.5	4,962.1	5,545.9	7,007.7	7,412.1	8,064.8	7.7		
9.1 Finance	1,279.0	1,809.7	2,293.9	2,801.5	3,174.3	3,466.2	3,987.7	5,136.8	5,385.0	5,781.1	5.5		
9.2 Real estate	1,001.3	1,108.5	1,178.7	1,297.4	1,374.0	1,460.3	1,507.7	1,815.3	1,947.3	2,198.0	2.1		
9.3 Business services	3,822.9	4,471.7	4,895.0	5,311.8	5,930.4	7,963.3	9,262.5	10,882.2	11,249.0	11,536.5	0.1		
10. Community, social and personal services	2,636.7	3,120.1	3,220.8	3,370.2	3,762.7	4,728.4	5,517.3	6,478.0	6,775.7	6,981.5	6.7		
10.1 Public Administration	1,186.1	1,351.6	1,674.1	1,941.6	2,167.7	3,235.0	3,745.2	4,404.2	4,473.2	4,555.0	4.4		
10.2 Education and health	144.3	172.3	212.6	241.9	267.7	276.4	298.0	338.0	390.1	436.4	0.4		
11. Private social, personal and recreational services	1,211.3	1,317.9	1,337.6	1,442.5	1,613.1	1,704.9	2,895.1	3,922.4	5,813.0	5,495.3	5.3		
12. Plus indirect taxes less subsidies	31,845.5	36,112.1	40,673.5	49,456.6	54,744.3	61,220.6	72,496.6	84,950.0	97,453.0	104,378.1	100.0		
Gross Domestic Product													
Nominal GDP Growth Rate (%)	9.9	13.4	12.6	21.6	10.7	11.8	18.4	17.2	14.7	7.1			

Source: National Accounts Statistics, 2014, National Statistics Bureau. Discrepancies in the figures are due to rounding.

TABLE 2. GROSS DOMESTIC PRODUCT IN 2000 PRICES

Sector	Year											Growth: 2012 to 2013 (%)	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013			
Ngutrum in Million													
1. Agriculture, livestock and forestry	5,979.7	6,043.4	6,196.1	6,246.5	6,290.7	6,458.0	6,513.0	6,670.2	6,820.4	7,020.8	2.9		
1.1 Crops	2,824.1	2,860.9	2,898.1	2,942.3	2,997.0	3,064.3	3,100.2	3,191.4	3,266.4	3,393.4	3.9		
1.2 Livestock	1,646.8	1,727.6	1,765.3	1,811.7	1,821.4	1,864.2	1,919.0	1,941.2	1,965.8	2,013.5	2.4		
1.3 Forestry and logging	1,508.8	1,454.9	1,532.7	1,492.5	1,472.3	1,529.4	1,493.8	1,537.6	1,588.1	1,613.9	1.6		
2. Mining and quarrying*	381.3	446.6	531.4	649.7	780.2	726.3	788.1	978.7	956.8	1,303.2	36.2		
3. Manufacturing	2,055.0	2,214.4	2,468.7	3,086.8	3,349.4	3,579.9	4,302.4	4,616.4	4,929.7	4,573.7	(7.2)		
4. Electricity and water	2,981.8	3,262.4	4,316.3	8,071.4	9,146.3	8,904.1	9,389.4	8,872.3	8,821.8	9,768.9	10.7		
5. Construction	4,819.8	4,701.2	4,247.5	4,465.9	4,009.6	4,672.2	5,635.1	6,464.0	7,639.3	7,481.3	(2.1)		
6. Wholesale and retail trade	1,633.1	1,878.1	1,901.2	1,975.7	1,992.6	2,116.3	2,540.0	3,027.9	3,556.2	3,835.3	7.8		
7. Hotels and restaurants	157.0	186.0	246.1	264.4	384.5	334.9	347.8	491.0	576.6	675.3	17.1		
8. Transport, storage and communication	2,447.9	2,660.6	2,856.5	3,083.2	3,247.1	3,546.8	3,941.0	4,488.9	4,749.0	4,905.3	3.3		
9. Financing, insurance and real estate	1,991.1	2,553.8	3,004.7	3,281.8	3,447.2	3,661.0	3,973.1	4,841.0	4,492.6	4,576.4	1.9		
9.1 Finance	1,291.7	1,846.1	2,285.1	2,505.1	2,644.5	2,823.6	3,109.3	3,912.0	3,573.9	3,627.2	1.5		
9.2 Real estate	699.4	707.7	719.6	771.8	782.9	813.5	832.1	894.0	877.2	908.3	3.5		
9.3 Business services				4.9	19.8	23.9	31.7	35.0	41.6	41.0	(1.4)		
10. Community, social and personal services	3,378.5	3,752.6	3,912.2	4,037.2	4,160.8	5,350.2	6,047.3	6,254.2	5,852.0	5,549.9	(5.2)		
10.1 Public administration	2,330.3	2,618.4	2,574.2	2,561.5	2,640.0	3,178.8	3,602.2	3,723.0	3,524.9	3,358.3	(4.7)		
10.2 Education and health	1,048.3	1,134.2	1,338.0	1,475.7	1,520.9	2,171.4	2,445.2	2,531.2	2,327.1	2,191.6	(5.8)		
11. Private social, personal and recreational services	127.0	144.4	166.5	178.0	187.3	191.0	194.8	200.2	205.5	211.0	2.7		
12. Plus indirect taxes less subsidies	1,009.8	1,038.9	1,014.2	1,059.2	1,128.4	1,121.0	1,760.0	2,112.7	2,903.2	2,655.3	(8.5)		
Gross Domestic Product	26,962.0	28,882.5	30,861.4	36,399.7	38,124.0	40,661.7	45,432.0	49,017.4	51,503.1	52,556.4	2.1		
Real GDP Growth Rate (%)	5.9	7.1	6.9	17.9	4.7	6.7	11.7	7.9	5.1	2.1			

Source: National Accounts Statistics, 2014, National Statistics Bureau. Discrepancies in the figures are due to rounding.

TABLE 3. SALES OF MAJOR INDUSTRIES

Industry	Ngultrum in Million												
	Period												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
											I	II	
(1) Army Welfare Project	233.8	240.0	279.4	88.0	315.1	302.1	327.8	573.8	712.4	805.8	798.3	222.9	191.2
Exports to India	20.8	13.7	25.8	10.5	37.9	18.3	10.6	26.4	11.6	7.1	23.2	6.6	4.7
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	213.1	226.3	253.6	77.5	277.2	283.7	317.2	547.4	700.7	798.7	775.2	216.3	186.5
(2) Bhutan Board Products Limited	546.2	394.6	381.7	102.9	400.0	397.8	413.7	298.9	320.4	296.4	310.2	69.8	99.1
Exports to India	418.7	332.7	297.3	83.6	328.8	301.1	305.2	123.3	258.3	236.8	239.1	57.5	76.5
Exports to Countries other than India	-	1.1	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	26.2	60.9	84.4	19.2	71.1	96.6	108.5	175.6	62.1	59.5	71.1	12.3	22.6
(3) Bhutan Carbide & Chemicals Ltd.	731.6	760.2	765.3	366.3	1,366.2	1,877.3	1,083.8	1,404.1	1,632.5	1,270.4	1,539.7	478.1	440.7
Exports to India	714.7	712.8	759.5	385.6	1,392.5	1,652.9	1,023.1	1,338.4	1,557.2	1,235.5	1,539.7	477.9	440.6
Exports to Countries other than India	-	-	-	(22.8)	-	-	-	-	-	-	-	-	-
Sales within Bhutan	16.9	47.4	5.8	3.5	(3.4)	224.4	60.7	65.7	75.4	34.9	-	0.2	0.1
(4) Bhutan Fruit Products Limited	174.1	69.4	134.7	32.3	148.5	560.8	201.2	169.8	192.7	231.3	166.5	48.7	60.3
Exports to India	145.0	54.9	108.3	25.5	120.6	426.3	169.0	137.1	160.2	192.1	131.5	37.6	45.2
Exports to Countries other than India	8.5	2.8	4.0	0.8	3.2	2.0	5.0	3.5	4.0	3.1	6.2	0.7	1.7
Sales within Bhutan	20.5	11.7	22.3	6.0	24.7	132.6	27.2	29.2	28.6	36.1	28.8	10.4	13.4
(5) Bhutan Polythene Company Ltd	59.2	56.5	66.7	18.3	79.9	39.2	72.7	95.2	120.5	134.4	75.2	31.7	35.7
Exports to India	5.3	0.7	9.9	2.2	3.7	1.4	4.3	5.0	3.3	3.3	-	-	-
Exports to Countries other than India(*)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	53.8	56.4	56.8	16.2	76.2	37.8	68.4	90.2	117.2	131.1	75.2	31.7	35.7
(6) Penden Cement Authority Ltd.	851.8	807.0	1,359.1	400.2	1,663.6	1,327.5	1,784.6	1,936.6	1,840.6	1,982.9	1,821.6	822.4	481.1
Exports to India	265.1	278.5	781.6	256.5	840.4	912.6	1,106.9	856.3	567.8	783.5	939.5	255.7	252.3
Exports to Countries other than India	-	-	-	-	237.2	1.9	18.7	-	-	-	-	-	-
Sales within Bhutan	586.7	528.5	577.5	143.6	586.0	413.0	659.0	1,080.3	1,272.8	1,199.4	882.1	566.7	228.8

TABLE 3. SALES OF MAJOR INDUSTRIES, CONTINUED

Industry	Ngultrum in Million													
	Period		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
	I	II												
(7) Bhutan Ferro Alloys Limited	748.3	651.2	678.3	1,130.9	1,886.4	1,898.8	1,711.8	1,920.0	1,815.5	2,084.0	2,058.6	509.0	509.6	
Exports to India	712.9	643.0	658.3	1,091.6	1,825.4	1,813.2	1,707.9	1,780.5	1,668.4	1,972.6	1,997.7	508.1	509.3	
Exports to Countries other than India	24.2	5.0	15.0	37.5	57.7	83.2	3.2	126.9	126.4	103.8	55.8	-	-	
Sales within Bhutan	11.2	3.3	5.0	1.8	3.4	2.4	0.7	12.5	20.7	7.7	5.1	0.9	0.3	
(8) Bhutan Agro Industries Limited	34.9	34.6	45.2	11.8	50.5	57.6	71.4	77.9	83.0	100.9	122.1	27.2	46.1	
Exports to India	11.4	7.6	10.9	2.3	8.4	8.9	6.8	10.3	6.6	10.4	8.2	1.8	4.6	
Exports to Countries other than India	2.8	0.5	0.2	0.1	0.5	0.3	0.8	0.1	-	-	-	-	-	
Sales within Bhutan	20.6	26.6	34.0	9.4	41.6	48.4	63.8	67.5	76.5	90.5	113.9	25.4	41.5	
(9) S.D. Eastern Bhutan Coal Company Ltd.	26.0	180.0	203.0	51.5	222.5	337.7	197.3	243.6	441.8	473.3	578.7	163.2	214.2	
Exports to India	8.5	38.7	76.0	29.9	105.0	167.3	47.9	198.8	237.1	132.8	-	-	6.3	
Exports to Countries other than India	-	47.2	39.8	5.9	33.7	18.7	39.1	6.7	25.3	50.2	21.9	-	31.0	
Sales within Bhutan	17.6	94.1	87.2	15.7	83.7	151.7	110.3	165.5	179.5	290.4	556.8	163.2	176.9	
(10) Druk Satair Corporation Limited	140.4	172.9	258.4	76.3	242.6	338.5	468.8	473.6	527.5	494.6	600.5	202.1	186.6	
Exports to India	112.3	130.5	223.9	63.6	194.6	285.7	399.6	407.8	437.3	415.0	493.9	163.7	135.1	
Exports to Countries other than India	2.1	8.2	6.1	4.2	12.1	11.3	23.6	23.4	48.1	41.2	53.0	28.5	28.3	
Sales within Bhutan	26.0	34.2	28.4	8.5	35.9	41.5	45.6	42.3	42.1	38.5	53.5	9.9	23.2	
(11) Druk Plaster & Chemicals Limited	31.3	40.5	49.2	11.4	44.5	42.4	51.9	64.4	58.3	50.1	29.8	5.9	8.1	
Exports to India	31.3	40.2	49.0	11.3	43.5	40.9	51.7	63.8	57.6	18.0	9.5	-	-	
Exports to Countries other than India	-	0.1	-	-	0.5	1.0	-	-	-	-	-	-	-	
Sales within Bhutan	-	0.2	0.2	0.1	0.5	0.5	0.2	0.6	0.7	32.0	20.3	5.9	8.1	
TOTAL	3,476.3	3,407.4	4,220.8	2,289.9	6,442.4	7,179.8	6,384.9	7,385.0	7,745.2	7,924.1	8,101.2	2,581.0	2,272.7	
Exports to India	2,445.9	2,253.1	3,000.7	1,962.6	4,900.7	5,628.7	4,832.9	4,947.7	4,965.3	5,007.1	5,382.3	1,508.9	1,474.6	
Exports to Countries other than India	37.7	64.8	65.1	25.7	344.8	118.4	90.4	160.6	203.8	198.1	136.9	29.2	61.0	
Sales within Bhutan	992.6	1,089.6	1,155.1	301.6	1,196.8	1,432.7	1,461.5	2,276.7	2,576.1	2,718.8	2,582.0	1,042.9	737.1	

Source : Respective Industry. (1) Alcoholic beverages. (2) Particle boards. (3) Calcium carbide. (4) Processed vegetables and fruits. (5) High Density Polythene (HDPE) Pipe. (*) Deemed export. (6) Cement. (7) Ferro Silicon. (8) Processed vegetables and fruits. (9) Coal. (10) Gypsum dust & Gypsum boulders. (Note: An entry of "0.0" indicates a marginal value compared to "-". " " which indicates no value for that particular item)

TABLE 4. SALES OF HYDROPOWER PLANTS

Period	Ngultrum in Million														
	Total Sales					Exports ⁽¹⁾					Domestic Sales ⁽²⁾				
	Total	Basochu	Chukha	Kurichhu	Tala	Total	Chukha	Kurichhu	Tala	Total	Basochu	Chukha	Kurichhu	Tala	
2000	2,307.4	-	2,307.4	-	-	2,189.6	2,189.6	-	-	117.8	-	117.8	-	-	
2001	2,237.9	-	2,175.1	62.8	-	2,097.4	2,034.9	62.5	-	140.5	-	140.2	0.3	-	
2002	2,594.1	91.1	2,132.6	370.5	-	2,347.4	1,983.1	364.3	-	246.8	91.1	149.5	6.2	-	
2003	2,875.0	107.3	2,337.3	430.4	-	2,603.5	2,186.0	417.5	-	271.5	107.3	151.3	12.8	-	
2004	3,077.4	192.2	2,361.8	523.5	-	2,711.7	2,203.3	508.4	-	365.7	192.2	158.4	15.1	-	
2005	3,780.5	325.4	2,908.2	546.9	-	3,194.0	2,665.0	529.0	-	586.5	325.4	243.1	18.0	-	
2006	5,581.8	388.7	3,592.9	537.5	1,062.6	4,978.8	3,459.5	518.0	1,001.3	603.0	388.7	133.4	19.6	61.3	
2007	10,994.4	372.9	3,807.9	523.3	6,290.4	10,034.3	3,749.1	392.1	5,893.1	960.0	372.9	58.7	131.1	397.3	
2008	11,885.5	398.2	3,795.9	526.7	7,164.8	11,032.6	3,724.5	349.0	6,959.2	852.9	398.2	71.4	177.7	205.6	
2009	10,991.7	381.6	3,748.4	476.7	6,385.0	10,072.5	3,666.6	307.9	6,098.0	919.2	381.6	81.8	168.8	287.0	
2010	11,321.0	390.7	3,761.4	517.5	6,651.4	10,411.5	3,687.4	327.4	6,396.7	909.6	390.7	74.1	190.1	254.7	
2011	10,584.8	382.1	3,466.7	452.9	6,283.1	9,825.0	3,419.2	267.9	6,137.9	759.8	382.1	47.5	185.0	145.2	
2012	10,477.8	356.5	3,269.5	471.0	6,380.8	9,714.5	3,215.3	274.3	6,224.9	763.3	356.5	54.3	196.7	155.9	
2013	12,005.4	355.2	3,727.8	485.1	7,437.3	11,011.4	3,597.9	301.4	7,112.1	993.9	355.2	129.9	183.7	325.2	
2014															
Q1	966.2	52.3	315.5	117.9	480.5	336.0	193.5	-	142.6	630.2	52.3	122.0	117.9	337.9	
Jan	374.4	20.4	124.3	40.2	189.6	158.7	81.7	-	77.0	215.7	20.4	42.6	40.2	112.6	
Feb	271.8	15.8	83.5	38.5	133.9	68.9	42.6	-	26.3	202.9	15.8	40.9	38.5	107.6	
Mar	320.0	16.0	107.6	39.3	157.0	108.4	69.1	-	39.3	211.6	16.0	38.5	39.3	117.7	
Q2	2,442.7	64.2	817.1	140.4	1,421.0	1,962.8	770.3	53.3	1,139.2	479.9	64.2	46.7	87.1	281.9	
Apr	337.0	13.1	123.1	31.3	169.4	135.7	93.3	-	42.4	201.3	13.1	29.9	31.3	127.0	
May	741.8	17.3	248.7	49.0	426.9	576.5	231.8	19.8	325.0	165.3	17.3	16.9	29.2	101.9	
Jun	1,363.9	33.8	445.3	60.1	824.7	1,250.6	445.3	33.5	771.8	113.3	33.8	-	26.5	53.0	

Source: Respective hydropower plants. (1) Power tariff for export to India: Nu.2.25 per unit for CHP with retrospective effect from January 1, 2013 (revised from Nu.2 per unit on February, 2014); Nu.1.8 per unit for KHP (revised from Nu.1.75 per unit from Jan. 2008) & THP (2) Power tariff for domestic sales: Nu.0.13 per unit for royalty energy (15% of total to government; revised from Nu.0.3 per unit from August 2010) and Nu.1.20 for the rest (industrial use mainly from KHP). BHP sales are to CHP at Nu.1.2 per unit. Domestic sales are exclusive of demand charges. Note: Export sales reflected here are net of any payments for the import of power from India in each month.

TABLE 5. TOURIST ARRIVALS AND REVENUES (*)

Period	2008		2009		2010		2011		2012		2013		2014		% Change in 2014	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
	Q1	5,355	7.1	3,662	4.7	5,719	7.2	6,259	7.4	7,653	10.0	8,956	11.8	8,071	10.2	(10)	(13.0)
Jan	532	0.6	667	0.7	552	0.5	786	0.7	1,496	1.3	1,042	0.9	1,316	1.3	26	45.7
Feb	1,311	1.5	811	0.9	1,358	1.4	1,602	1.7	1,810	2.0	2,649	2.8	2,515	2.5	(5)	(11.1)
Mar	3,512	5.1	2,184	3.0	3,809	5.3	3,871	5.0	4,347	6.7	5,265	8.1	4,240	6.5	(19)	(20.3)
Q2	5,904	7.9	6,770	8.9	5,559	7.2	7,780	9.6	10,903	15.1	10,203	14.3	13,993	18.7	37	30.7
Apr	3,173	4.4	4,263	5.8	3,059	4.4	4,104	5.5	5,871	9.2	5,268	8.4	7,030	11.5	33	36.1
May	1,862	2.4	1,743	2.1	1,747	2.1	2,399	2.9	2,697	3.6	2,647	3.5	3,243	4.6	23	30.1
Jun	869	1.1	764	0.9	753	0.7	1,277	1.2	2,335	2.3	2,288	2.3	3,720	2.6	63	12.4
Q3	4,899	6.5	5,098	6.9	5,288	5.7	7,836	9.2	9,229	12.4	8,589	12.3				
Jul	1,085	1.0	858	0.8	862	0.8	1,601	1.6	1,583	1.5	1,325	1.5				
Aug	1,386	1.4	1,220	1.3	1,300	1.4	2,443	2.4	2,670	2.5	2,673	2.5				
Sep	2,428	4.1	3,020	4.7	3,126	3.5	3,792	5.2	4,976	8.3	4,591	8.3				
Q4	11,478	17.3	7,950	11.5	10,372	14.9	15,614	21.5	16,144	25.3	16,533	26.1				
Oct	6,162	9.8	4,326	6.7	5,888	8.9	8,163	11.9	8,359	14.5	8,642	15.1				
Nov	4,126	6.0	2,607	3.5	3,265	4.6	5,059	7.1	5,013	7.9	5,230	8.2				
Dec	1,190	1.5	1,017	1.2	1,219	1.4	2,392	2.5	2,772	2.8	2,661	2.8				
Total	27,636	38.8	23,480	31.9	26,938	35.0	37,489	47.7	43,929	62.7	44,281	64.5	22,064	28.9		

Source : Tourism Council of Bhutan. (*) Convertible currency paying tourists. Gross revenues are inclusive of tour operators' revenue and tax.

TABLE 6. MONETARY SURVEY

Ngultrum in Million

End of Period	Assets							
	Total	Foreign Assets(Net)			Domestic Credit			
		Total	Rupee	Convertible Foreign Currency	Total	Public Sector		
						Claims on Govt. (net)	Other Public Sector*	Private Sector**
2004	24,874.8	17,327.3	5,446.6	11,880.8	7,547.5	1,470.2	917.5	5,159.8
2005	29,072.3	21,369.0	4,779.5	16,589.5	7,703.2	161.8	810.6	6,730.8
2006	33,537.5	24,425.4	3,786.0	20,639.4	9,112.1	(918.7)	884.6	9,146.2
2007	38,802.2	27,711.9	4,059.5	23,652.4	11,090.3	(2,001.8)	1,045.2	12,047.0
2008	46,647.3	35,822.9	3,471.1	32,351.8	10,824.4	(6,890.9)	892.9	16,822.4
2009	59,058.9	38,721.5	2,532.9	36,188.7	20,337.4	(724.9)	706.6	20,355.7
2010	71,193.3	42,030.8	3,069.1	38,961.7	29,162.5	(2,060.4)	414.4	30,808.4
2011	79,600.9	39,290.7	(1,902.3)	41,192.9	40,310.2	(1,198.9)	1,246.6	40,262.5
2012								
Jan	81,475.3	37,177.0	(1,745.8)	38,922.7	44,298.3	1,346.5	1,256.8	41,695.0
Feb	79,693.2	34,523.1	(4,516.6)	39,039.7	45,170.1	1,428.1	1,269.8	42,472.2
Mar	79,999.9	33,007.9	(7,740.9)	40,748.8	46,992.0	2,769.7	1,254.6	42,967.8
Apr	77,195.3	32,075.2	(9,712.7)	41,787.9	45,120.2	100.9	1,468.1	43,551.2
May	81,784.3	33,727.7	(10,968.8)	44,696.5	48,056.6	2,831.6	1,628.1	43,596.9
Jun	81,998.2	35,532.1	(9,550.8)	45,082.9	46,466.1	1,245.8	1,485.7	43,734.6
Jul	79,813.0	32,376.1	(11,806.3)	44,182.4	47,436.9	1,810.4	1,473.2	44,153.3
Aug	83,139.3	34,023.7	(10,285.4)	44,309.1	49,115.6	3,037.7	1,474.6	44,603.3
Sep	82,349.3	34,718.6	(9,841.0)	44,559.6	47,630.7	1,370.9	1,461.2	44,798.6
Oct	85,059.2	33,699.0	(11,715.3)	45,414.3	51,360.1	4,687.5	1,802.4	44,870.2
Nov	87,300.7	34,453.3	(12,912.1)	47,365.4	52,847.4	6,052.3	1,667.6	45,127.5
Dec	87,180.9	36,209.3	(14,920.2)	51,129.6	50,971.5	4,167.4	1,645.4	45,158.8
2013								
Jan	85,242.3	33,053.9	(15,723.3)	48,777.2	52,188.4	5,170.5	1,653.2	45,364.7
Feb	85,187.2	32,387.0	(17,886.6)	50,273.6	52,800.3	5,296.0	1,843.0	45,661.3
Mar	95,549.8	42,710.2	(10,493.0)	53,203.2	52,839.6	4,952.1	1,836.9	46,050.6
Apr	89,332.3	37,816.9	(15,176.1)	52,993.0	51,515.4	3,359.2	1,606.2	46,550.1
May	92,252.7	39,562.2	(15,842.9)	55,405.2	52,690.5	4,175.3	1,830.1	46,685.2
Jun	100,998.6	48,566.4	1,492.9	47,073.5	52,432.3	3,323.1	2,284.6	46,824.6
Jul	99,636.9	44,984.9	(2,528.5)	47,513.4	54,652.0	5,169.4	2,252.2	47,230.4
Aug	102,691.5	48,512.4	(4,291.1)	52,803.5	54,179.2	5,097.7	2,366.9	46,714.5
Sep	98,567.1	46,204.6	(5,570.9)	51,775.5	52,362.5	2,859.4	2,305.6	47,197.5
Oct	100,713.0	48,700.0	(4,015.8)	52,715.8	52,013.0	2,356.6	1,815.7	47,840.7
Nov	102,166.6	51,440.6	(3,598.6)	55,039.2	50,726.0	663.2	1,612.9	48,449.9
Dec	99,352.3	51,342.7	(3,757.2)	55,099.9	48,009.6	(2,388.5)	1,646.3	48,751.8
2014								
Jan	101,986.4	51,362.8	(4,113.7)	55,476.6	50,623.5	(779.8)	2,575.3	48,828.1
Feb	102,832.0	53,117.6	(4,088.5)	57,206.1	49,714.4	(1,859.5)	2,619.3	48,954.5
Mar	103,040.4	51,837.5	(4,423.3)	56,260.9	51,202.9	(480.6)	2,866.1	48,817.4
Apr	100,929.1	49,405.6	(5,023.9)	54,429.5	51,523.4	98.4	2,915.1	48,509.9
May	106,022.5	56,775.0	4,459.9	52,315.1	49,247.5	(2,960.1)	2,800.2	49,407.4
Jun	106,185.5	53,886.5	265.2	53,621.2	52,299.0	(1,978.0)	4,438.4	49,838.7

*) Other Public Sector includes claims on Govt. Corporations and Other Public Corporations.

***) Private Sector includes Claims on NBFIs.

Note: The monetary survey data is not directly comparable with the past data as there has been reclassification in the Government Deposits with banks and foreign borrowing of the BDBL:

(i) Due to the problem of mis-classification of government accounts held by the commercial banks, adjustments have been made to make the public sector accounts more realistic.

(ii) Due to changes in the classification of foreign liabilities (others), the external borrowing of the BDBL has been reclassified as the domestic borrowing as this borrowing was lent by the Government to the BDBL.

TABLE 6. CONTINUED
Monetary Survey

Ngultrum in Million

End of Period	Liabilities							
	Total	Broad Money (M2)						Other Items Net *
		Total	Money (M1, Narrow Money)				Other Deposits**	
			Total	Currency Outside Banks	Transferable Deposits**	NBFI Deposits		
2004	24,874.8	18,428.9	8,892.9	2,070.7	6,822.2	-	9,536.0	6,445.9
2005	29,072.3	20,869.3	10,235.0	2,404.4	7,830.6	-	10,634.3	8,203.0
2006	33,537.5	24,671.8	12,553.4	2,762.5	9,790.9	-	12,118.4	8,865.7
2007	38,802.2	27,686.9	17,491.8	3,246.0	14,245.8	-	10,195.1	11,115.3
2008	46,647.3	31,387.4	16,236.5	3,842.2	12,394.3	-	15,151.0	15,259.9
2009	59,058.9	43,862.8	22,622.8	4,980.1	17,642.7	-	21,240.0	15,196.2
2010	71,193.3	51,112.1	29,042.9	5,608.5	23,434.4	-	22,069.1	20,081.2
2011	79,600.9	53,228.6	33,199.6	6,910.6	26,289.0	-	20,029.0	26,372.3
2012								
Jan	81,475.3	55,179.0	33,503.9	6,703.8	26,800.1	-	21,675.1	26,296.3
Feb	79,693.2	53,620.2	31,515.3	6,616.9	24,898.4	-	22,104.9	26,073.0
Mar	79,999.9	53,144.5	33,269.6	6,597.8	26,671.8	-	19,874.9	26,855.4
Apr	77,195.3	49,280.9	29,012.4	6,078.2	22,934.2	-	20,268.5	27,914.5
May	81,784.3	52,145.8	33,735.9	5,932.5	27,803.4	-	18,409.9	29,638.4
Jun	81,998.2	50,122.9	31,960.2	6,390.7	25,569.5	-	18,162.7	31,875.3
Jul	79,813.0	49,666.1	30,935.8	5,973.1	24,962.8	-	18,730.3	30,146.9
Aug	83,139.3	52,720.5	33,021.1	6,094.8	26,926.2	-	19,699.5	30,418.7
Sep	82,349.3	53,814.1	32,414.3	5,776.6	26,637.7	-	21,399.8	28,535.2
Oct	85,059.2	55,631.9	32,478.5	6,022.6	26,455.9	-	23,153.4	29,427.3
Nov	87,300.7	57,576.5	32,912.3	5,358.5	27,553.9	-	24,664.2	29,724.1
Dec	87,180.9	56,245.0	33,251.8	5,276.6	27,975.2	-	22,993.2	30,935.9
2013								
Jan	85,242.3	53,306.1	29,744.7	5,343.1	24,401.6	-	23,561.4	31,936.2
Feb	85,187.2	52,068.6	28,636.6	5,234.7	23,401.9	-	23,432.1	33,118.6
Mar	95,549.8	55,576.0	32,895.6	5,180.0	27,715.6	-	22,680.3	39,973.8
Apr	89,332.3	51,196.8	30,185.4	5,217.3	24,968.0	-	21,011.4	38,135.5
May	92,252.7	52,238.2	31,557.0	5,118.2	26,438.8	-	20,681.2	40,014.5
Jun	100,998.6	59,451.2	37,794.1	5,681.2	32,112.9	-	21,657.1	41,547.4
Jul	99,636.9	55,338.1	33,019.3	5,675.0	27,344.3	-	22,318.8	44,298.8
Aug	102,691.5	55,511.1	32,915.3	5,303.5	27,611.8	-	22,595.8	47,180.4
Sep	98,567.1	57,748.6	34,432.2	5,072.5	29,359.7	-	23,316.4	40,818.5
Oct	100,713.0	60,266.1	36,718.3	5,346.6	31,371.7	-	23,547.8	40,446.9
Nov	102,166.6	60,158.3	33,296.9	5,704.8	27,592.1	-	26,861.4	42,008.2
Dec	99,352.3	58,209.9	34,077.9	5,406.2	28,671.7	-	24,131.9	41,142.4
2014								
Jan	101,986.4	60,572.2	36,531.7	5,675.6	30,856.1	-	24,040.5	41,414.2
Feb	102,832.0	61,239.6	35,306.4	5,324.4	29,982.0	-	25,933.3	41,592.3
Mar	103,040.4	58,876.3	34,175.2	5,246.6	28,928.5	-	24,701.1	44,164.1
Apr	100,929.1	58,900.1	34,089.3	4,802.2	29,287.2	-	24,810.8	42,029.0
May	106,022.5	62,784.2	38,721.1	5,249.3	33,471.8	-	24,063.1	43,238.4
Jun	106,185.5	63,387.8	39,701.8	5,704.6	33,997.3	-	23,686.0	42,797.7

*) Other Items Net includes Money Market Instruments (RGoB T-Bills).

**) The terms Demand Deposits and Quasi Money are replaced by Transferable Deposits and Other Deposits.

TABLE 7. ROYAL MONETARY AUTHORITY OF BHUTAN - MONETARY AND FINANCIAL STATISTICS

Ngultrum in Million

End of Period	Assets								
	Total	Foreign Assets			Claims on DMBs	Claims on Govt.	Claims on Private Sector	Claims on NBFIs	Govt. Securities
		Total	Rupee	Convertible Foreign Currency					
2004	13,933.6	13,000.5	2,709.6	10,290.9	895.4	37.0	0.7	-	-
2005	18,220.4	17,351.6	2,539.7	14,811.9	768.3	100.0	0.5	-	-
2006	18,510.7	18,397.7	200.8	18,197.0	103.1	-	9.9	-	-
2007	25,812.7	24,483.3	2,588.8	21,894.5	160.4	-	11.5	-	1,157.5
2008	33,509.3	33,377.9	2,291.9	31,086.0	114.6	-	16.8	-	-
2009	39,114.7	38,928.1	3,830.4	35,097.7	170.8	-	15.8	-	-
2010	42,963.3	42,711.5	4,919.3	37,792.2	232.0	-	19.7	-	-
2011	40,782.1	40,047.4	273.8	39,773.6	715.3	-	19.4	-	-
2012									
Jan	39,052.5	37,562.7	154.0	37,408.7	913.7	556.8	19.2	-	-
Feb	39,594.6	37,171.8	122.6	37,049.1	1,088.4	1,315.7	18.8	-	-
Mar	41,166.1	38,781.1	253.8	38,527.3	1,237.1	1,129.2	18.7	-	-
Apr	41,098.7	40,298.4	264.4	40,034.0	782.0	-	18.3	-	-
May	46,830.7	43,534.4	347.2	43,187.2	1,851.0	1,425.7	19.5	-	-
Jun	45,053.9	43,896.3	229.9	43,666.4	182.2	956.5	18.8	-	-
Jul	44,578.5	43,102.9	314.5	42,788.3	1,350.8	105.6	19.2	-	-
Aug	43,875.0	43,143.0	188.1	42,954.9	285.5	427.2	19.3	-	-
Sep	44,848.9	42,582.9	231.4	42,351.4	2,247.5	-	18.6	-	-
Oct	46,919.3	43,489.0	182.3	43,306.7	1,669.8	1,742.4	18.1	-	-
Nov	49,517.3	45,854.8	165.3	45,689.5	1,744.6	1,900.0	17.9	-	-
Dec	53,286.2	47,910.9	137.3	47,773.6	3,457.9	1,900.0	17.4	-	-
2013									
Jan	48,847.2	46,538.0	163.3	46,374.7	1,425.9	866.2	17.0	-	-
Feb	49,027.8	47,274.8	149.9	47,124.9	317.6	1,418.8	16.5	-	-
Mar	51,183.7	49,836.2	174.5	49,661.6	1,021.0	310.3	16.2	-	-
Apr	50,743.8	50,562.0	121.5	50,440.5	166.1	-	15.7	-	-
May	53,061.0	52,447.1	221.9	52,225.2	472.9	126.4	14.6	-	-
Jun	59,822.6	55,665.5	10,706.4	44,959.0	2,243.6	1,900.0	13.5	-	-
Jul	54,259.0	51,938.0	6,688.2	45,249.8	406.6	1,900.0	14.3	-	-
Aug	58,478.2	55,742.7	5,249.8	50,492.8	620.9	2,100.0	14.6	-	-
Sep	55,249.1	52,835.8	3,605.2	49,230.7	1,269.3	1,129.7	14.3	-	-
Oct	57,166.3	54,983.7	5,170.4	49,813.3	873.2	1,295.6	13.8	-	-
Nov	58,106.4	57,847.1	5,669.2	52,177.9	246.4	-	13.0	-	-
Dec	59,044.7	57,928.2	5,746.5	52,181.7	1,104.1	-	12.5	-	-
2014									
Jan	59,209.0	56,949.3	4,890.5	52,058.8	1,434.6	812.2	12.9	-	-
Feb	59,037.2	57,491.6	5,026.8	52,464.8	1,533.1	-	12.5	-	-
Mar	58,597.8	57,296.2	5,076.9	52,219.3	1,049.9	239.5	12.2	-	-
Apr	55,622.8	54,457.3	4,262.5	50,194.8	1,152.9	-	12.6	-	-
May	63,044.9	62,528.8	13,436.9	49,091.9	360.5	143.1	12.6	-	-
Jun	60,870.5	60,575.3	9,493.1	51,082.2	281.6	-	13.6	-	-

Note: An entry of "0.0" indicates a marginal value compared to "-" which indicates no value for that particular item.

TABLE 7. CONTINUED
Royal Monetary Authority of Bhutan

Ngultrum in Million

End of Period	Liabilities									
	Total	Reserve Money		Foreign Liabilities			Govt. Deposits	RMA Bills Outstanding	Capital Account	Other Items (Net)
		Total	Of which: Currency Outside Banks	Total	Rupee	Others				
2004	13,933.6	9,222.6	2,070.7	-	-	-	1,087.6	200.0	205.8	3,217.6
2005	18,220.4	12,732.9	2,404.4	-	-	-	835.2	100.0	1,058.2	3,494.1
2006	18,510.7	12,284.8	2,762.5	-	-	-	1,495.7	100.0	1,039.9	3,590.3
2007	25,812.6	14,933.3	3,246.0	-	-	-	2,578.8	2,000.0	1,072.8	5,227.7
2008	33,509.3	15,528.4	3,842.2	-	-	-	7,477.2	1,019.9	1,076.2	8,407.6
2009	39,114.7	21,741.2	4,980.1	3,000.0	3,000.0	-	3,239.3	2,022.3	1,006.5	8,105.4
2010	42,963.3	27,248.6	5,608.5	3,000.0	3,000.0	-	4,110.8	1,021.4	3,183.1	4,399.4
2011	40,782.1	21,173.4	6,910.6	3,000.0	3,000.0	-	2,782.8	44.0	3,096.4	10,685.5
2012										
Jan	39,052.5	23,854.2	6,703.8	2,761.8	2,761.8	-	792.5	-	3,194.9	8,449.1
Feb	39,594.6	20,490.9	6,616.9	5,048.1	5,048.1	-	2,674.1	4.2	3,191.4	8,186.1
Mar	41,166.1	18,161.4	6,597.8	8,892.3	8,892.3	-	1,411.7	7.7	3,223.2	9,469.7
Apr	41,098.7	14,675.7	6,078.2	10,809.3	10,809.3	-	1,750.0	11.9	3,184.9	10,666.8
May	46,830.7	17,614.5	5,932.5	12,693.6	12,693.6	-	454.3	16.3	3,273.6	12,778.3
Jun	45,053.9	16,743.1	6,390.7	11,173.3	11,173.3	-	783.7	26.0	3,014.2	13,313.5
Jul	44,578.5	13,709.3	5,973.1	14,192.0	14,192.0	-	1,107.3	26.0	3,036.3	12,507.5
Aug	43,875.0	16,657.5	6,094.8	11,444.4	11,444.4	-	200.0	29.9	3,086.6	12,456.5
Sep	44,848.9	17,091.2	5,776.6	12,303.8	12,303.8	-	695.6	29.9	3,101.6	11,626.8
Oct	46,919.3	19,066.2	6,022.6	13,221.4	13,221.4	-	212.0	29.9	2,967.1	11,422.6
Nov	49,517.3	19,621.7	5,358.5	13,853.2	13,853.2	-	288.0	29.9	2,940.0	12,784.4
Dec	53,286.2	19,148.4	5,276.6	16,363.5	16,363.5	-	2,322.4	29.9	2,878.7	12,543.4
2013										
Jan	48,847.2	16,548.6	5,343.1	17,264.0	17,264.0	-	337.8	-	3,045.9	11,650.9
Feb	49,027.8	14,346.7	5,234.7	18,940.4	18,940.4	-	412.4	-	3,084.4	12,243.9
Mar	51,183.7	17,043.0	5,180.0	12,786.7	12,786.7	-	882.2	-	3,032.4	17,439.4
Apr	50,743.8	12,494.3	5,217.3	16,018.0	16,018.0	-	2,161.1	-	2,881.2	17,189.2
May	53,061.0	14,132.6	5,118.2	16,776.8	16,776.8	-	730.8	-	2,755.5	18,665.3
Jun	59,822.6	23,997.4	5,681.2	10,032.0	10,032.0	-	736.9	-	2,726.4	22,330.0
Jul	54,259.0	17,100.4	5,675.0	10,100.9	10,100.9	-	2,226.5	-	2,672.2	22,159.0
Aug	58,478.2	17,596.4	5,303.5	10,176.6	10,176.6	-	1,730.2	-	2,738.1	26,237.0
Sep	55,249.1	21,925.1	5,072.5	10,042.6	10,042.6	-	1,805.9	-	2,856.6	18,618.8
Oct	57,166.3	24,796.0	5,346.6	10,089.0	10,089.0	-	919.3	-	2,802.4	18,559.6
Nov	58,106.4	24,275.1	5,704.8	10,136.4	10,136.4	-	1,317.1	-	2,834.6	19,543.2
Dec	59,044.7	21,953.1	5,406.2	10,136.4	10,136.4	-	5,279.4	-	2,834.9	18,840.9
2014										
Jan	59,209.0	23,044.8	5,675.6	10,099.8	10,099.8	-	4,284.4	-	2,868.5	18,911.4
Feb	59,037.2	22,703.0	5,324.4	10,143.2	10,143.2	-	4,551.9	-	2,875.6	18,763.6
Mar	58,597.8	24,727.9	5,246.6	10,143.2	10,143.2	-	3,516.6	-	3,007.1	17,203.0
Apr	55,622.8	22,040.4	4,802.2	10,059.1	10,059.1	-	2,738.1	-	3,004.7	17,780.5
May	63,044.9	27,861.6	5,249.3	10,106.2	10,106.2	-	6,135.7	-	3,047.8	15,893.7
Jun	60,870.5	26,638.2	5,704.6	10,000.0	10,000.0	-	3,854.8	-	3,013.6	17,363.8

TABLE 8. DEPOSIT MONEY BANKS - MONETARY AND FINANCIAL STATISTICS

Ngultrum in Million

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector *	Claims on Private Sector	Claims on NBFIs
			Total	Rupee	Others					
2004	19,532.3	6,608.1	4,326.8	2,737.0	1,589.8	2,520.8	781.8	135.8	4,962.7	196.3
2005	21,879.2	9,423.8	4,017.4	2,239.9	1,777.5	897.0	701.3	109.3	6,461.2	269.2
2006	26,484.0	9,858.4	6,027.7	3,585.3	2,442.4	577.0	741.8	142.8	8,648.4	487.9
2007	28,621.0	11,734.7	3,228.6	1,470.7	1,757.9	577.0	661.8	383.4	11,517.5	518.0
2008	35,349.4	14,619.6	2,445.0	1,179.2	1,265.8	586.3	527.0	365.9	16,250.4	555.2
2009	45,506.8	19,152.5	2,793.5	1,702.5	1,091.0	2,514.4	657.0	49.6	19,753.1	586.7
2010	58,638.7	23,065.9	2,319.3	1,149.7	1,169.5	2,050.4	363.9	50.5	29,968.2	820.4
2011	59,808.9	14,492.0	2,243.3	824.0	1,419.3	1,583.9	489.5	757.1	39,678.3	564.7
2012										
Jan	61,522.1	14,631.3	2,376.1	862.0	1,514.1	1,582.1	493.0	763.8	40,946.3	729.5
Feb	64,281.4	15,372.4	2,399.4	408.8	1,990.5	2,786.5	500.3	769.5	41,899.9	553.5
Mar	61,443.8	11,068.8	3,119.1	897.5	2,221.6	3,052.2	491.1	763.5	42,628.1	320.9
Apr	58,756.0	9,318.0	2,586.1	832.2	1,753.9	1,850.9	718.1	750.0	43,212.0	320.9
May	62,477.2	12,524.7	2,886.8	1,377.5	1,509.3	1,860.3	860.3	767.8	43,019.9	557.4
Jun	59,623.5	10,540.0	2,809.1	1,392.6	1,416.5	1,073.0	717.8	767.9	43,158.5	557.3
Jul	59,843.5	7,958.8	3,465.3	2,071.2	1,394.1	2,812.1	724.3	748.9	43,558.6	575.5
Aug	61,911.8	10,717.6	2,325.1	970.9	1,354.2	2,810.5	728.9	745.7	44,008.4	575.6
Sep	63,502.7	10,755.5	4,439.5	2,231.4	2,208.1	2,066.4	730.4	730.8	44,204.6	575.5
Oct	64,918.3	11,675.2	3,431.5	1,323.8	2,107.7	3,157.2	952.8	849.6	44,326.8	525.3
Nov	67,557.1	13,887.9	2,451.7	775.8	1,676.0	4,440.3	945.9	721.7	44,584.4	525.2
Dec	68,513.0	12,474.5	4,662.0	1,306.0	3,356.0	4,589.8	935.5	709.9	44,407.4	734.0
2013										
Jan	66,763.4	11,340.6	3,779.9	1,377.4	2,402.5	4,642.0	943.2	710.0	44,613.7	734.0
Feb	65,679.5	9,849.6	4,052.5	903.9	3,148.6	4,289.6	949.0	894.0	44,870.6	774.1
Mar	69,624.2	10,568.1	5,660.7	2,119.1	3,541.6	5,524.0	946.8	890.0	45,472.6	561.8
Apr	63,607.1	6,673.4	3,272.9	720.4	2,552.5	5,520.3	1,400.3	205.9	45,985.1	549.3
May	65,709.7	8,537.5	3,892.0	712.0	3,180.0	4,779.6	1,624.2	205.9	46,134.1	536.5
Jun	71,596.5	17,408.1	2,932.9	818.4	2,114.5	2,159.9	2,080.5	204.1	46,117.8	693.3
Jul	66,838.8	8,726.8	3,147.8	884.3	2,263.5	5,495.9	2,047.7	204.5	46,444.9	771.2
Aug	68,216.7	11,475.8	2,946.3	635.6	2,310.7	4,727.9	2,162.2	204.8	45,947.1	752.8
Sep	72,446.5	16,010.5	3,411.4	866.6	2,544.8	3,535.7	2,110.9	194.7	46,441.8	741.4
Oct	72,291.6	16,863.3	3,805.3	902.8	2,902.5	1,980.4	1,621.2	194.5	46,835.2	991.6
Nov	74,250.4	18,490.3	3,730.0	868.6	2,861.3	1,980.4	737.6	875.3	47,733.2	703.7
Dec	72,598.5	15,771.1	3,550.9	632.7	2,918.2	2,890.9	773.2	873.1	47,909.5	829.8
2014										
Jan	75,798.1	17,201.8	4,513.3	1,095.6	3,417.8	2,692.4	1,404.9	1,170.4	47,906.9	908.4
Feb	76,914.1	16,891.2	5,769.2	1,027.8	4,741.4	2,692.4	1,407.8	1,211.5	48,055.7	886.2
Mar	74,783.7	15,631.5	4,684.5	643.0	4,041.5	2,796.5	1,484.5	1,381.6	48,062.0	743.2
Apr	75,580.0	16,323.7	5,007.4	772.7	4,234.7	2,836.5	1,472.6	1,442.6	47,724.6	772.7
May	79,124.8	19,544.8	4,352.5	1,129.3	3,223.2	3,032.4	1,578.0	1,222.2	48,741.1	653.8
Jun	80,539.4	21,088.0	3,311.2	772.1	2,539.0	1,876.8	3,123.3	1,315.0	48,902.0	923.0

* With effect from 1st January 2011, claims on joint corporations were reclassified as claims on public sector as per new reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 8. CONTINUED
Deposit Money Banks

Ngultrum in Million

End of Period	Liabilities										
	Total	Demand Deposits (1)	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Domestic Borrowings	Capital Accounts	Other Items (Net)
					Total	Rupee*	Others				
2004	19,532.3	6,822.2	8,947.3	588.7	-	-	-	-	-	1,823.7	1,350.4
2005	21,879.2	7,830.6	10,131.5	502.8	-	-	-	-	-	2,029.4	1,384.9
2006	26,484.0	9,790.9	11,386.5	731.9	-	-	-	-	-	2,272.7	2,302.1
2007	28,621.0	14,245.8	9,243.7	951.4	-	-	-	-	-	2,581.1	1,598.9
2008	35,349.4	12,394.3	14,081.4	1,069.5	-	-	-	-	-	3,326.4	4,477.8
2009	45,506.8	17,642.7	20,262.4	977.6	-	-	-	-	-	3,783.4	2,840.8
2010	58,638.7	23,434.4	20,814.1	1,255.0	-	-	-	-	1,417.9	6,149.6	5,567.6
2011	59,808.9	26,289.0	18,468.5	1,560.5	-	-	-	-	1,330.5	9,451.2	2,709.1
2012											
Jan	61,522.1	26,800.1	20,064.9	1,610.2	-	-	-	-	1,329.6	9,317.6	2,399.7
Feb	64,281.4	24,898.4	20,582.9	1,522.0	-	-	-	-	1,323.6	9,107.8	6,846.7
Mar	61,443.8	26,671.8	18,301.7	1,573.3	-	-	-	-	1,603.9	9,172.2	4,120.9
Apr	58,756.0	22,934.2	18,693.3	1,575.1	-	-	-	-	1,531.9	9,662.7	4,358.7
May	62,477.2	27,803.4	16,760.6	1,649.4	-	-	-	-	1,871.4	10,055.9	4,336.5
Jun	59,623.5	25,569.5	16,641.8	1,520.9	-	-	-	-	1,263.6	10,263.0	4,364.7
Jul	59,843.5	24,962.8	17,352.0	1,378.3	-	-	-	-	1,262.6	9,836.2	5,051.5
Aug	61,911.8	26,926.2	18,462.7	1,236.8	-	-	-	-	1,256.7	10,115.0	3,914.4
Sep	63,502.7	26,637.7	20,026.1	1,373.7	-	-	-	-	1,256.7	10,335.2	3,873.4
Oct	64,918.3	26,455.9	21,794.4	1,359.0	-	-	-	-	1,256.7	10,409.8	3,642.5
Nov	67,557.1	27,553.9	23,370.2	1,294.0	-	-	-	-	1,333.7	10,434.1	3,571.3
Dec	68,513.0	27,975.2	21,644.0	1,349.2	-	-	-	-	1,278.7	12,480.2	3,785.6
2013											
Jan	66,763.4	24,401.6	22,099.0	1,462.4	-	-	-	-	1,277.7	12,651.2	4,871.4
Feb	65,679.5	23,401.9	22,023.4	1,408.7	-	-	-	-	1,271.8	12,454.8	5,119.0
Mar	69,624.2	27,715.6	21,177.4	1,503.0	-	-	-	-	1,271.8	12,441.4	5,515.0
Apr	63,607.1	24,968.0	19,438.1	1,573.3	-	-	-	-	1,271.8	12,678.8	3,677.1
May	65,709.7	26,438.8	19,153.1	1,528.1	-	-	-	-	1,430.5	12,389.5	4,769.7
Jun	71,596.5	32,112.9	20,373.6	1,283.5	-	-	-	-	1,374.6	13,011.1	3,440.8
Jul	66,838.8	27,344.3	21,189.5	1,129.3	-	-	-	-	1,374.6	12,833.8	2,967.4
Aug	68,216.7	27,611.8	21,301.6	1,294.2	-	-	-	-	1,368.6	12,884.8	3,755.7
Sep	72,446.5	29,359.7	22,034.1	1,282.4	-	-	-	-	1,368.6	12,780.5	5,621.2
Oct	72,291.6	31,371.7	22,278.0	1,269.8	-	-	-	-	1,368.6	12,856.7	3,146.7
Nov	74,250.4	27,592.1	25,484.0	1,377.4	-	-	-	-	1,362.8	13,195.2	5,238.9
Dec	72,598.5	28,671.7	22,797.5	1,334.4	-	-	-	-	1,308.5	13,428.7	5,057.7
2014											
Jan	75,798.1	30,856.1	22,546.9	1,493.7	-	-	-	-	1,307.6	13,157.4	6,436.4
Feb	76,914.1	29,982.0	23,409.6	2,523.7	-	-	-	-	1,301.6	13,465.1	6,232.2
Mar	74,783.7	28,928.5	22,104.6	2,596.5	-	-	-	-	1,193.5	13,335.0	6,625.6
Apr	75,580.0	29,287.2	22,701.7	2,109.1	-	-	-	-	1,623.5	14,704.5	5,154.1
May	79,124.8	33,471.8	22,045.1	2,018.0	-	-	-	-	1,622.8	14,630.7	5,336.4
Jun	80,539.4	33,997.3	21,952.3	1,733.6	-	-	-	-	1,136.9	15,117.2	6,602.1

(1) Demand Deposits includes Savings Deposits. (*) Between 1994-2000, Rupee Liabilities were consolidated under Other Liabilities. From January 2001 onwards, Rupee Liabilities are shown separately.

Note: An entry of "0.0" indicates a marginal value compared to "-" which indicates no value for that particular item.

TABLE 9. BANK OF BHUTAN LIMITED - MONETARY AND FINANCIAL STATISTICS

Ngultrum in Million

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector *	Claims on Private Sector	Claims on NBFIs
			Total	Rupee	Others					
2004	13,013.2	5,386.2	3,552.9	2,196.5	1,356.4	1,079.4	718.1	128.2	1,996.0	152.5
2005	14,404.5	7,565.9	3,009.8	1,869.8	1,140.0	200.0	652.2	101.8	2,642.5	232.4
2006	16,930.9	7,647.5	4,320.0	3,136.3	1,183.7	-	633.5	135.3	3,660.4	534.2
2007	18,431.2	10,139.2	2,437.7	1,205.6	1,232.1	-	580.3	375.8	4,333.9	564.3
2008	19,645.0	9,387.2	1,690.5	888.3	802.2	-	527.0	358.3	7,130.5	551.5
2009	24,905.4	13,306.6	1,640.9	1,235.0	405.9	-	605.7	42.1	8,727.1	583.0
2010	27,908.6	15,373.8	815.9	446.6	369.3	527.0	124.6	42.1	10,358.9	666.3
2011	24,766.0	7,824.1	1,188.9	589.6	599.3	558.7	482.9	144.7	14,265.0	301.7
2012										
Jan	25,078.9	7,689.1	1,172.4	392.9	779.5	557.0	486.8	144.2	14,727.2	302.3
Feb	27,202.5	9,531.9	1,072.6	252.9	819.7	555.0	490.7	149.6	15,101.2	301.6
Mar	24,107.7	5,661.5	1,546.0	604.8	941.2	545.5	481.6	133.6	15,438.0	301.7
Apr	23,111.6	4,228.0	1,530.3	628.3	902.0	543.8	711.8	128.0	15,668.1	301.6
May	25,381.9	6,887.3	1,208.4	565.6	642.8	546.4	718.5	134.1	15,585.6	301.7
Jun	25,904.1	7,210.0	1,437.9	909.4	528.5	546.0	711.1	130.4	15,567.2	301.6
Jul	25,770.5	6,148.1	2,383.2	1,722.6	660.6	543.4	716.7	119.4	15,540.0	319.7
Aug	27,640.9	9,068.3	1,065.1	545.3	519.7	541.9	722.6	112.3	15,811.1	319.7
Sep	27,530.3	8,149.0	1,914.1	1,132.1	782.0	541.3	717.2	93.6	15,795.5	319.6
Oct	28,417.6	9,134.3	1,898.9	970.8	928.1	535.0	716.5	83.4	15,729.8	319.7
Nov	29,795.6	9,543.6	1,602.2	530.5	1,071.7	1,818.4	723.1	89.2	15,699.5	319.6
Dec	27,571.8	8,237.8	1,579.7	614.2	965.5	970.8	722.5	82.2	15,450.4	528.4
2013										
Jan	26,248.3	6,905.7	1,931.4	697.1	1,234.2	527.0	728.6	78.4	15,548.8	528.4
Feb	25,299.8	5,656.1	2,223.0	681.2	1,541.9	527.0	733.1	78.8	15,562.1	519.6
Mar	28,469.3	7,544.8	3,383.6	1,399.8	1,983.8	527.0	728.4	69.4	15,708.8	507.3
Apr	25,395.5	5,734.6	1,968.7	415.4	1,553.3	527.0	733.2	58.9	15,878.3	494.8
May	26,748.9	6,991.3	1,946.2	452.0	1,494.1	527.0	739.6	59.0	16,003.6	482.3
Jun	33,291.7	12,793.0	1,614.7	299.9	1,314.8	1,632.9	795.2	54.8	15,947.3	453.8
Jul	26,979.3	5,565.7	1,792.1	378.9	1,413.2	2,487.2	751.3	55.3	15,800.6	527.1
Aug	28,494.1	7,939.7	1,690.2	326.1	1,364.1	1,719.2	758.6	55.8	15,819.9	510.7
Sep	29,932.9	10,031.2	1,815.7	350.4	1,465.3	527.0	763.5	54.1	16,227.3	514.1
Oct	30,000.8	10,237.3	2,180.2	637.0	1,543.1	146.3	732.3	53.9	16,173.5	477.4
Nov	31,260.2	11,202.0	2,361.7	515.7	1,846.0	146.3	737.6	53.8	16,282.4	476.4
Dec	30,367.2	10,335.4	2,170.6	330.9	1,839.7	105.4	773.2	52.5	16,310.8	619.2
2014										
Jan	33,184.4	12,163.0	2,938.3	609.1	2,329.2	105.4	917.8	344.2	16,118.0	597.7
Feb	32,809.0	10,576.9	3,902.0	712.2	3,189.9	105.4	923.3	379.9	16,345.8	575.7
Mar	30,300.5	9,005.1	3,039.0	434.6	2,604.4	105.4	1,002.3	353.0	16,246.5	549.2
Apr	31,724.7	10,291.0	3,031.2	453.0	2,578.2	105.4	997.5	414.6	16,362.7	522.4
May	35,223.1	13,735.6	2,932.7	731.7	2,201.0	105.4	1,105.9	393.1	16,455.0	495.4
Jun	37,423.3	14,382.3	1,898.8	484.4	1,414.5	1,463.4	2,009.3	417.4	16,489.1	763.1

* With effect from 1st January, 2011 claims on Joint Corporations has been reclassified as claims on Public Sector as per new (FIRMA) reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 9. CONTINUED
Bank of Bhutan Limited

Ngultrum in Million

End of Period	Liabilities										
	Total	Demand Deposits	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Domestic Borrowings	Capital Accounts	Other Items (Net)
					Total	Rupee*	Others				
2004	13,013.2	5,479.2	4,710.4	507.6	-	-	-	-	-	1,081.1	1,234.9
2005	14,404.5	6,373.7	5,414.8	348.6	-	-	-	-	-	1,192.5	1,075.0
2006	16,930.9	7,671.3	5,366.3	411.4	-	-	-	-	-	1,353.6	2,128.3
2007	18,431.2	11,718.0	4,736.7	600.0	-	-	-	-	-	1,456.0	(79.5)
2008	19,645.0	9,271.4	4,218.5	810.1	-	-	-	-	-	1,808.2	3,536.7
2009	24,905.4	13,774.4	4,352.3	654.7	-	-	-	-	-	2,172.8	3,951.2
2010	27,908.6	14,092.6	4,325.6	695.9	-	-	-	-	-	2,596.5	6,198.1
2011	24,766.0	16,635.6	3,363.2	1,016.5	-	-	-	-	-	3,046.2	704.4
2012											
Jan	25,078.9	17,435.8	3,357.2	997.5	-	-	-	-	-	3,086.6	201.8
Feb	27,202.5	15,953.9	3,352.1	805.0	-	-	-	-	-	2,904.3	4,187.2
Mar	24,107.7	15,424.5	3,241.4	777.9	-	-	-	-	-	3,174.2	1,489.7
Apr	23,111.6	14,653.2	3,193.8	749.2	-	-	-	-	-	3,303.6	1,211.9
May	25,381.9	17,483.7	3,173.1	597.7	-	-	-	-	-	3,339.0	788.3
Jun	25,904.1	16,973.8	3,233.7	594.0	-	-	-	-	-	3,406.0	1,696.8
Jul	25,770.5	16,293.2	3,276.0	609.5	-	-	-	-	-	3,053.6	2,538.1
Aug	27,640.9	18,391.2	3,275.9	561.2	-	-	-	-	-	3,103.7	2,308.8
Sep	27,530.3	17,322.4	3,834.0	675.0	-	-	-	-	-	3,450.6	2,248.3
Oct	28,417.6	16,967.6	3,871.7	724.2	-	-	-	-	-	3,497.7	3,356.5
Nov	29,795.6	18,287.0	3,887.7	677.7	-	-	-	-	-	3,291.5	3,651.6
Dec	27,571.8	17,776.5	3,971.8	657.7	-	-	-	-	-	3,451.4	1,714.4
2013											
Jan	26,248.3	15,427.7	4,078.3	750.9	-	-	-	-	-	3,687.1	2,304.4
Feb	25,299.8	13,868.7	4,112.4	684.9	-	-	-	-	-	3,567.6	3,066.2
Mar	28,469.3	16,812.2	3,939.3	838.0	-	-	-	-	-	3,716.1	3,163.6
Apr	25,395.5	14,956.1	3,821.1	877.3	-	-	-	-	-	3,754.1	1,986.9
May	26,748.9	15,753.8	3,844.7	849.5	-	-	-	-	-	3,670.8	2,630.1
Jun	33,291.7	22,129.8	3,894.9	789.4	-	-	-	-	-	3,783.6	2,694.0
Jul	26,979.3	16,923.7	4,579.0	597.8	-	-	-	-	-	3,664.9	1,213.9
Aug	28,494.1	16,766.1	4,831.3	838.8	-	-	-	-	-	3,755.2	2,302.6
Sep	29,932.9	17,931.2	4,454.1	833.4	-	-	-	-	-	3,737.6	2,976.7
Oct	30,000.8	18,701.6	6,174.8	784.1	-	-	-	-	-	3,738.8	601.6
Nov	31,260.2	16,105.8	7,085.3	871.4	-	-	-	-	-	3,850.1	3,347.5
Dec	30,367.2	17,453.9	6,666.4	542.4	-	-	-	-	-	3,776.9	1,927.6
2014											
Jan	33,184.4	19,398.2	6,583.7	736.1	-	-	-	-	-	3,521.1	2,945.3
Feb	32,809.0	17,346.2	6,715.4	1,421.2	-	-	-	-	-	3,903.6	3,422.5
Mar	30,300.5	16,873.7	5,395.7	1,228.8	-	-	-	-	-	3,792.9	3,009.4
Apr	31,724.7	17,115.8	5,788.0	1,256.1	-	-	-	-	-	4,470.1	3,094.7
May	35,223.1	20,744.3	5,821.6	1,164.2	-	-	-	-	-	4,333.1	3,160.0
Jun	37,423.3	20,681.1	5,958.6	1,135.7	-	-	-	-	-	4,332.8	5,315.2

(*) Between 1994-2000, Rupee Liabilities were consolidated under Other Liabilities. From January 2001 onwards, Rupee Liabilities are shown separately.

TABLE 10. BHUTAN NATIONAL BANK LIMITED - MONETARY AND FINANCIAL STATISTICS

Ngultrum in Million

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector *	Claims on Private Sector	Claims on NBFIs
			Total	Rupee	Others					
2004	6,519.1	1,221.9	773.9	540.4	233.4	1,391.4	63.7	7.6	2,966.8	93.8
2005	7,474.7	1,857.9	1,007.6	370.1	637.5	647.0	49.1	7.6	3,818.6	86.9
2006	9,553.1	2,210.9	1,707.6	448.9	1,258.7	527.0	108.2	7.6	4,988.0	3.7
2007	10,189.8	1,595.5	790.8	265.1	525.8	527.0	81.5	7.6	7,183.6	3.7
2008	15,704.4	5,232.4	754.5	290.9	463.6	586.3	-	7.6	9,119.9	3.7
2009	20,601.4	7,833.2	1,152.6	467.5	685.1	527.0	51.3	7.6	11,026.0	3.7
2010	20,896.1	6,127.7	734.2	172.8	561.4	527.0	234.3	7.6	13,261.7	3.7
2011	22,551.6	4,394.6	929.4	130.6	798.8	527.0	0.4	585.9	15,892.4	221.9
2012										
Jan	22,988.0	4,360.4	770.9	142.1	628.8	527.0	0.4	590.0	16,315.2	424.2
Feb	23,631.0	4,675.6	983.5	61.7	921.8	527.0	0.4	593.3	16,602.3	248.9
Mar	24,495.9	5,349.0	1,305.3	143.5	1,161.8	527.0	0.4	597.4	16,697.7	19.2
Apr	22,553.6	3,683.9	900.8	148.1	752.6	527.0	0.4	589.4	16,832.9	19.2
May	22,968.7	4,211.0	702.1	68.9	633.2	527.0	0.4	601.1	16,907.9	19.2
Jun	21,102.7	2,114.3	1,053.8	222.8	831.1	527.0	0.4	604.9	16,783.0	19.2
Jul	21,036.5	2,101.7	792.5	167.2	625.3	527.0	-	596.9	16,999.2	19.2
Aug	21,056.0	1,954.2	864.6	142.3	722.3	527.0	-	600.9	17,090.1	19.2
Sep	22,306.9	2,517.8	1,556.8	233.6	1,323.2	527.0	7.0	604.7	17,074.3	19.2
Oct	22,814.8	3,318.9	1,197.7	113.3	1,084.4	527.0	7.1	596.6	17,148.3	19.2
Nov	23,920.9	4,922.1	636.5	126.9	509.5	527.0	7.0	600.4	17,208.7	19.2
Dec	25,489.9	4,644.0	2,446.5	134.4	2,312.1	527.0	-	592.3	17,260.9	19.2
2013										
Jan	25,593.3	6,030.0	1,209.9	119.3	1,090.7	527.0	-	596.2	17,211.0	19.2
Feb	25,959.4	5,907.1	1,427.5	66.6	1,360.9	527.0	-	779.8	17,298.7	19.2
Mar	26,165.3	6,104.6	1,493.3	65.2	1,428.1	527.0	-	785.3	17,235.9	19.2
Apr	22,985.4	3,539.7	1,057.5	183.7	873.8	527.0	667.1	111.7	17,063.3	19.2
May	22,400.7	3,265.1	770.4	29.2	741.2	527.0	672.7	111.6	17,034.7	19.2
Jun	21,768.1	2,209.4	801.0	144.5	656.5	527.0	1,285.3	114.0	16,812.1	19.2
Jul	23,153.5	3,376.3	925.5	204.7	720.9	527.0	1,296.4	113.9	16,890.6	23.8
Aug	23,217.1	3,799.5	970.9	147.0	823.9	527.0	898.4	113.6	16,883.9	23.8
Sep	24,180.3	4,622.4	1,268.6	295.2	973.4	527.0	694.7	105.3	16,938.4	23.8
Oct	23,221.0	3,873.9	1,362.2	114.7	1,247.5	146.3	675.0	105.3	17,034.5	23.8
Nov	23,198.6	3,925.8	1,047.6	219.5	828.1	146.3	-	785.7	17,269.3	23.9
Dec	24,086.0	4,815.4	1,002.6	206.4	796.2	105.4	-	791.3	17,347.4	23.9
2014										
Jan	24,277.1	4,857.2	1,071.1	257.5	813.6	105.4	-	796.9	17,422.5	23.9
Feb	24,898.9	5,292.6	1,255.0	149.9	1,105.2	105.4	-	802.0	17,420.0	24.0
Mar	25,197.3	5,939.3	873.3	146.8	726.6	105.4	-	807.6	17,447.7	24.0
Apr	24,881.7	5,311.4	1,623.3	181.9	1,441.4	105.4	-	790.5	16,970.6	80.5
May	23,537.9	4,249.7	958.5	150.3	808.2	105.4	-	784.7	17,415.9	23.7
Jun	21,684.2	2,112.8	1,057.4	143.1	914.3	77.5	64.2	801.6	17,546.6	24.1

* With effect from 1st January 2011, claims on Joint Corporations were reclassified as claims on Public Sector as per new (FIRMA) reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 10. CONTINUED
Bhutan National Bank Limited

Ngultrum in Million

End of Period	Liabilities										
	Total	Demand Deposits (1)	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Domesti Borrowings	Capital Accounts	Other Items (Net)
					Total	Rupee	Others				
2004	6,519.1	1,343.0	4,236.9	81.1	-	-	-	-	-	742.6	115.5
2005	7,474.7	1,456.7	4,716.7	154.2	-	-	-	-	-	836.9	310.1
2006	9,553.1	2,119.6	6,020.2	320.5	-	-	-	-	-	919.1	173.7
2007	10,189.8	2,528.0	4,507.1	351.4	-	-	-	-	-	1,125.1	1,678.2
2008	15,704.4	3,125.8	9,862.9	259.4	-	-	-	-	-	1,518.1	938.2
2009	20,601.4	3,866.8	15,910.1	322.9	-	-	-	-	-	1,610.6	(1,108.9)
2010	20,896.1	7,370.5	14,288.8	320.3	-	-	-	-	-	1,794.1	(2,877.5)
2011	22,551.6	6,479.3	11,240.3	525.9	-	-	-	-	-	4,078.0	228.2
2012											
Jan	22,988.0	5,189.9	12,853.4	526.3	-	-	-	-	-	3,936.0	482.5
Feb	23,631.0	5,355.1	13,006.2	630.6	-	-	-	-	-	3,950.3	688.9
Mar	24,495.9	7,934.9	10,355.5	775.1	-	-	-	-	-	3,749.8	1,680.6
Apr	22,553.6	5,363.1	10,817.5	805.9	-	-	-	-	-	3,995.3	1,571.8
May	22,968.7	5,465.4	8,936.9	859.0	-	-	-	-	-	4,274.7	3,432.6
Jun	21,102.7	5,463.3	8,866.0	897.4	-	-	-	-	-	4,345.9	1,530.1
Jul	21,036.5	4,930.1	9,019.7	722.2	-	-	-	-	-	4,289.3	2,075.2
Aug	21,056.0	5,024.2	9,431.6	631.9	-	-	-	-	-	4,458.1	1,510.1
Sep	22,306.9	5,254.0	10,465.6	636.5	-	-	-	-	-	4,330.6	1,620.2
Oct	22,814.8	5,858.7	11,849.2	634.1	-	-	-	-	-	4,290.6	182.1
Nov	23,920.9	5,582.0	13,366.1	615.4	-	-	-	-	-	4,350.4	6.9
Dec	25,489.9	5,309.4	11,715.9	690.7	-	-	-	-	-	6,088.0	1,686.0
2013											
Jan	25,593.3	5,540.0	11,844.7	710.7	-	-	-	-	-	5,998.3	1,499.5
Feb	25,959.4	5,661.1	11,846.1	723.0	-	-	-	-	-	5,992.1	1,737.0
Mar	26,165.3	6,573.0	11,648.6	664.2	-	-	-	-	-	5,780.1	1,499.5
Apr	22,985.4	6,041.0	9,769.7	695.2	-	-	-	-	-	5,978.6	501.0
May	22,400.7	5,901.7	9,469.1	677.8	-	-	-	-	-	5,786.1	566.0
Jun	21,768.1	5,849.1	9,691.3	494.1	-	-	-	-	-	6,097.7	(364.1)
Jul	23,153.5	6,139.7	9,589.3	531.4	-	-	-	-	-	6,070.9	822.3
Aug	23,217.1	6,462.5	9,415.5	401.5	-	-	-	-	-	6,076.2	861.4
Sep	24,180.3	6,958.0	9,409.8	384.9	-	-	-	-	-	6,042.3	1,385.4
Oct	23,221.0	6,936.5	9,043.5	417.6	-	-	-	-	-	6,051.3	772.1
Nov	23,198.6	6,826.6	9,324.2	385.7	-	-	-	-	-	6,075.0	587.1
Dec	24,086.0	6,478.5	9,424.5	542.7	-	-	-	-	-	6,264.8	1,375.5
2014											
Jan	24,277.1	6,601.3	9,159.4	511.5	-	-	-	-	-	6,304.8	1,700.1
Feb	24,898.9	6,808.0	9,954.1	655.5	-	-	-	-	-	6,285.6	1,195.6
Mar	25,197.3	7,262.3	9,724.0	637.6	-	-	-	-	-	6,265.5	1,308.0
Apr	24,881.7	7,426.5	9,877.5	674.1	-	-	-	-	-	6,743.9	159.7
May	23,537.9	7,593.8	8,861.7	694.0	-	-	-	-	-	6,748.7	(360.3)
Jun	21,684.2	7,207.2	7,996.2	438.1	-	-	-	-	-	6,747.4	(704.5)

(1) Demand Deposits include Saving Deposits.-In January 1997, the Unit Trust of Bhutan was converted to Bhutan National Bank (the second commercial bank in the country).

**TABLE 11. BHUTAN DEVELOPMENT BANK LIMITED (*)
MONETARY AND FINANCIAL STATISTICS**

Ngultrum in Million

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector **	Claims on Private Sector	Claims on NBFIs
			Total	Rupee	Others					
2010	3,937.2	295.5	-	-	-	-	5.0	0.9	3,635.9	-
2011										
Jan	4,035.3	303.7	-	-	-	87.7	316.1	1.4	3,326.5	-
Feb	4,175.8	313.3	-	-	-	-	-	6.3	3,856.3	-
Mar	4,523.3	418.6	-	-	-	-	4.8	1.4	4,098.5	-
Apr	4,672.6	435.5	-	-	-	-	4.7	1.4	4,231.0	-
May	4,701.8	373.5	-	-	-	-	5.0	1.4	4,321.9	-
Jun	4,715.9	426.5	-	-	-	-	5.0	1.4	4,283.0	-
Jul	4,745.2	402.4	-	-	-	-	6.2	1.4	4,335.3	-
Aug	4,808.2	403.7	-	-	-	-	6.4	1.4	4,396.7	-
Sep	5,027.3	587.6	-	-	-	-	6.5	1.4	4,431.8	-
Oct	4,997.0	471.5	-	-	-	-	6.2	1.4	4,518.0	-
Nov	5,065.2	483.2	-	-	-	-	6.1	1.4	4,574.6	-
Dec	5,046.9	489.3	-	-	-	-	6.2	1.4	4,547.0	3.0
2012										
Jan	5,094.5	473.0	-	-	-	-	5.9	4.4	4,611.3	-
Feb	5,435.4	567.1	-	-	-	100.0	9.3	1.4	4,754.7	3.0
Mar	5,592.6	639.0	-	-	-	-	9.2	4.4	4,940.1	-
Apr	5,881.8	754.9	-	-	-	-	6.0	4.4	5,116.6	-
May	6,243.7	642.1	326.6	326.6	-	-	6.0	4.4	5,264.6	-
Jun	5,784.2	428.7	-	-	-	-	6.3	4.4	5,344.7	-
Jul	5,944.2	478.3	-	-	-	-	7.7	4.4	5,453.9	-
Aug	5,930.9	424.0	-	-	-	-	6.3	4.4	5,496.2	-
Sep	6,172.8	464.9	-	-	-	-	6.2	4.4	5,697.4	-
Oct	6,488.4	371.7	-	-	-	-	211.2	4.4	5,901.2	-
Nov	6,620.2	385.4	-	-	-	-	215.8	4.4	6,014.6	-
Dec	6,656.6	387.0	14.8	14.8	-	-	213.0	7.4	6,034.4	-
2013										
Jan	6,805.7	378.9	14.4	14.4	-	-	214.6	7.4	6,190.5	-
Feb	7,021.0	393.8	13.7	13.7	-	-	215.9	7.4	6,390.2	-
Mar	7,609.9	737.1	13.1	13.1	-	-	218.5	7.4	6,633.8	-
Apr	7,841.6	684.2	12.3	12.3	-	-	-	7.4	7,137.7	-
May	8,360.6	959.8	11.9	11.9	-	-	212.0	7.4	7,169.6	-
Jun	8,284.3	621.1	11.0	11.0	-	-	-	7.4	7,644.7	-
Jul	9,008.0	907.8	16.6	16.6	-	56.8	-	7.4	8,019.4	-
Aug	8,675.5	595.2	13.9	13.9	-	56.8	505.2	7.4	7,497.0	-
Sep	8,940.4	743.1	15.4	15.4	-	-	506.8	7.4	7,667.8	-
Oct	9,051.2	732.5	14.8	14.8	-	-	213.9	7.4	7,793.9	288.7
Nov	9,171.7	725.3	13.3	13.3	-	-	-	7.4	8,425.7	-
Dec	9,360.9	841.2	11.8	11.8	-	-	-	7.4	8,500.4	-
2014										
Jan	9,490.3	773.1	9.7	9.7	-	-	487.1	7.4	8,113.0	100.0
Feb	9,714.0	739.4	8.5	8.5	-	-	484.5	7.4	8,374.3	100.0
Mar	10,223.0	946.9	7.0	7.0	-	100.0	482.2	7.4	8,679.5	-
Apr	10,539.6	1,012.2	4.2	4.2	-	100.0	475.0	7.4	8,940.8	-
May	11,535.4	1,542.4	13.2	13.2	-	295.9	472.2	7.4	9,204.3	-
Jun	12,718.0	2,168.3	10.2	10.2	-	295.9	906.4	7.4	9,329.8	-

(*) BDBL received its licence to operate as a specialized deposit-taking commercial bank on March 1, 2010.

** With effect from 1st January 2011, claims on Joint Corporations were reclassified as claims on Public Sector as per new (FIRMA) reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 11. CONTINUED
Bhutan Development Bank Limited

Ngultrum in Million

End of Period	Liabilities										
	Total	Demand Deposits	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Domestic Borrowings	Capital Accounts	Other Items (Net)
					Total	Rupee	Others*				
2010	3,937.2	338.4	147.0	-	-	-	-	-	1,417.9	1,342.6	691.2
2011	4,035.3	339.4	151.0	-	-	-	-	-	1,417.0	1,274.6	853.4
Jan	4,175.8	344.7	156.7	-	-	-	-	-	1,411.1	1,268.2	995.1
Feb	4,523.3	386.6	169.1	-	-	-	-	-	1,511.1	1,242.6	1,214.0
Mar	4,672.6	485.9	215.1	-	-	-	-	-	1,411.3	1,252.4	1,307.8
Apr	4,701.8	464.6	1,031.2	-	-	-	-	-	1,547.7	1,298.5	359.8
May	4,715.9	463.3	264.1	-	-	-	-	-	1,547.9	1,323.9	1,116.7
Jun	4,745.2	494.9	270.2	-	-	-	-	-	1,470.5	1,360.0	1,149.6
Jul	4,808.2	531.3	273.2	-	-	-	-	-	1,390.6	1,396.2	1,216.9
Aug	5,027.3	906.7	676.3	-	-	-	-	-	1,390.6	1,380.5	673.2
Sep	4,997.0	592.0	679.0	-	-	-	-	-	1,390.6	1,470.9	864.6
Oct	5,065.2	618.6	683.3	-	-	-	-	-	1,385.5	1,513.3	864.5
Nov	5,046.9	692.8	728.8	-	-	-	-	-	1,330.5	1,555.9	738.9
Dec											
2012	5,094.5	607.3	781.8	-	-	-	-	-	1,329.6	1,562.8	813.0
Jan	5,435.4	603.7	1,151.5	-	-	-	-	-	1,323.6	1,527.8	828.7
Feb	5,592.6	646.4	1,567.8	-	-	-	-	-	1,323.6	1,516.0	538.7
Mar	5,881.8	675.1	1,693.9	-	-	-	-	-	1,323.6	1,469.5	719.7
Apr	6,243.7	719.9	1,871.3	-	-	-	-	-	1,318.6	1,512.7	821.3
May	5,784.2	771.0	1,875.7	-	-	-	-	-	1,263.6	1,544.9	328.9
Jun	5,944.2	1,045.8	2,273.1	-	-	-	-	-	1,262.6	1,514.4	(151.6)
Jul	5,930.9	901.1	2,484.5	-	-	-	-	-	1,256.7	1,529.4	(240.8)
Aug	6,172.8	925.1	2,528.6	-	-	-	-	-	1,256.7	1,481.3	(18.8)
Sep	6,488.4	955.0	2,659.5	-	-	-	-	-	1,564.1	1,564.1	53.1
Oct	6,620.2	1,033.0	2,777.9	-	-	-	-	-	1,333.7	1,744.9	(269.2)
Nov	6,656.6	945.6	2,691.4	-	-	-	-	-	1,278.7	1,816.1	(75.2)
Dec											
2013	6,805.7	1,008.2	2,849.6	-	-	-	-	-	1,277.7	1,884.4	(214.2)
Jan	7,021.0	1,017.3	2,935.4	-	-	-	-	-	1,271.8	1,816.1	(19.6)
Feb	7,609.9	1,063.3	2,837.1	-	-	-	-	-	1,271.8	1,772.5	665.1
Mar	7,841.6	1,155.3	2,883.4	-	-	-	-	-	1,271.8	1,783.1	747.9
Apr	8,360.6	1,192.0	2,802.4	-	-	-	-	-	1,430.5	1,786.8	1,148.9
May	8,284.3	1,196.8	2,946.6	-	-	-	-	-	1,374.6	1,930.3	836.0
Jun	9,008.0	1,252.5	3,373.9	-	-	-	-	-	1,374.6	1,928.7	1,078.4
Jul	8,675.5	1,301.5	3,510.3	-	-	-	-	-	1,368.6	1,906.1	589.0
Aug	8,940.4	1,332.5	3,529.2	-	-	-	-	-	1,368.6	1,835.2	875.0
Sep	9,051.2	1,577.1	3,417.4	-	-	-	-	-	1,368.6	1,879.1	808.9
Oct	9,171.7	1,608.3	3,344.2	-	-	-	-	-	1,362.8	2,055.5	800.9
Nov	9,360.9	1,687.7	3,411.5	-	-	-	-	-	1,308.5	2,199.3	753.8
Dec											
2014	9,490.3	1,630.1	3,446.6	-	-	-	-	-	1,307.6	2,184.5	921.5
Jan	9,714.0	1,625.1	3,428.5	-	-	-	-	-	1,301.6	2,080.7	1,278.1
Feb	10,223.0	1,426.2	3,546.1	-	-	-	-	-	1,193.5	2,070.8	1,986.5
Mar	10,539.6	1,500.7	3,723.2	-	-	-	-	-	1,623.5	1,990.8	1,701.4
Apr	11,535.4	1,531.9	3,997.1	-	-	-	-	-	1,622.8	1,999.0	2,384.6
May	12,718.0	2,622.9	4,621.1	-	-	-	-	-	1,136.9	2,489.0	1,848.2
Jun											

*)Due to changes in the classification of foreign liabilities (others), the external borrowing of the BDBL has been reclassified as the domestic borrowing as this borrowing was lent by the Government to the BDBL.

TABLE 12. DRUK PNB BANK LIMITED - MONETARY AND FINANCIAL STATISTICS (*)

Ngultrum in Million

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector **	Claims on Private Sector	Claims on NBFIs
			Total	Rupee	Others					
2010	4,228.7	1,835.9	673.9	440.1	233.8	-	-	-	1,568.5	150.4
2011										
Jan	3,873.5	1,248.1	653.3	272.8	380.6	-	-	-	1,785.9	186.2
Feb	4,099.7	1,536.9	512.3	216.6	295.7	-	-	-	1,864.4	186.2
Mar	4,193.5	1,687.4	463.7	216.0	247.7	-	-	-	1,856.2	186.2
Apr	3,915.3	1,457.1	396.9	344.7	52.3	-	-	-	1,975.9	85.3
May	4,035.5	962.2	920.4	258.3	662.2	-	-	-	2,067.6	85.3
Jun	3,496.7	1,007.9	306.9	217.8	89.1	-	-	-	2,096.6	85.3
Jul	3,967.0	1,358.1	351.8	37.5	314.4	-	-	-	2,171.7	85.3
Aug	4,219.2	1,206.0	455.5	395.0	60.5	199.0	-	-	2,273.5	85.3
Sep	3,632.5	1,004.1	38.5	11.7	26.8	199.0	-	-	2,305.5	85.3
Oct	4,152.3	1,301.2	384.5	307.4	77.0	-	-	-	2,381.3	85.3
Nov	4,650.5	1,629.3	527.3	463.3	64.0	-	-	-	2,408.6	85.3
Dec	4,548.7	1,694.0	38.2	19.8	18.4	-	-	-	2,781.4	35.1
2012										
Jan	5,411.4	2,005.6	363.5	281.5	82.0	-	-	-	3,042.3	-
Feb	4,937.2	1,534.2	276.2	46.8	229.4	-	-	-	3,126.8	-
Mar	4,381.0	953.0	206.9	105.1	101.8	-	-	-	3,221.0	-
Apr	4,215.6	855.4	90.2	2.9	87.3	-	-	-	3,269.9	-
May	4,727.5	878.7	538.8	312.3	226.5	-	135.5	-	2,938.0	236.5
Jun	4,175.7	557.3	250.8	204.1	46.7	-	-	-	3,131.1	236.5
Jul	4,366.4	695.8	186.5	95.8	90.6	-	-	-	3,247.5	236.6
Aug	4,351.8	492.2	326.2	233.8	92.4	-	-	-	3,296.8	236.6
Sep	4,839.2	394.0	871.2	786.7	84.5	-	-	-	3,337.5	236.6
Oct	4,524.2	567.8	226.7	146.0	80.7	149.8	18.1	137.2	3,238.3	186.3
Nov	4,573.3	885.2	115.6	28.2	87.5	-	-	-	3,386.2	186.3
Dec	5,534.9	1,317.9	550.7	477.5	73.1	90.6	-	-	3,389.4	186.3
2013										
Jan	5,387.7	1,215.4	552.0	478.1	73.9	47.4	-	-	3,386.5	186.3
Feb	4,729.2	746.9	339.2	100.8	238.4	47.4	-	-	3,360.4	235.3
Mar	4,717.2	321.6	733.8	611.9	122.0	-	-	-	3,626.5	35.3
Apr	4,547.1	710.7	162.3	45.0	117.4	-	-	-	3,638.8	35.3
May	5,502.5	694.7	1,095.2	158.7	936.5	-	-	-	3,677.6	35.0
Jun	5,479.0	1,406.5	379.6	245.9	133.7	-	-	-	3,472.6	220.3
Jul	4,985.2	827.1	265.5	144.2	121.3	169.2	-	-	3,503.1	220.3
Aug	5,177.1	1,046.7	209.9	95.8	114.1	169.2	-	-	3,533.0	218.3
Sep	6,665.2	2,479.2	277.6	179.3	98.3	169.2	145.9	-	3,390.0	203.5
Oct	7,262.8	2,967.6	179.8	79.7	100.1	397.5	-	-	3,516.3	201.7
Nov	7,948.9	3,564.5	225.7	79.3	146.5	397.5	-	-	3,557.7	203.5
Dec	5,639.0	1,381.6	325.1	51.0	274.1	198.5	-	-	3,547.0	186.7
2014										
Jan	5,926.3	1,629.5	420.1	151.7	268.4	-	-	-	3,690.0	186.7
Feb	6,916.4	2,523.6	511.4	74.5	436.9	-	-	-	3,694.9	186.5
Mar	6,529.9	1,461.6	724.7	23.8	700.9	498.1	-	191.7	3,483.7	170.0
Apr	5,859.9	1,416.1	304.8	104.5	200.3	498.1	-	192.5	3,278.5	169.8
May	6,262.6	1,745.6	371.7	168.8	202.8	498.1	-	-	3,512.7	134.6
Jun	6,064.0	2,101.9	246.6	55.7	190.9	-	143.5	51.6	3,384.6	135.8

(*) Reports on the two new deposit-taking commercial banks (Druk PNB Bank Ltd. and T Bank Ltd.) are available from April 2010.

** With effect from 1st January 2011, claims on Joint Corporations were reclassified as claims on Public Sector as per new (FIRMA) reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 12. CONTINUED
Druk PNB Bank Limited

Ngultrum in Million

End of Period	Liabilities										
	Total	Demand Deposits	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Domestic Borrowings	Capital Accounts	Other Items (Net)
					Total	Rupee	Others				
2010	4,228.7	1,451.7	1,599.1	238.8	-	-	-	-	-	296.8	642.3
2011											
Jan	3,873.5	1,416.6	1,713.6	381.6	-	-	-	-	-	305.7	56.0
Feb	4,099.7	1,404.4	1,884.8	278.2	-	-	-	-	-	309.7	222.7
Mar	4,193.5	2,045.2	1,421.0	373.3	-	-	-	-	-	322.6	31.5
Apr	3,915.3	1,906.3	1,373.6	70.6	-	-	-	-	-	329.0	235.8
May	4,035.5	1,591.6	1,396.6	657.9	-	-	-	-	-	335.1	54.3
Jun	3,496.7	1,631.9	1,431.6	36.1	-	-	-	-	-	334.9	62.3
Jul	3,967.0	1,687.2	1,620.8	320.7	-	-	-	-	-	343.9	(5.6)
Aug	4,219.2	3,092.3	1,294.8	20.6	-	-	-	-	-	493.2	(681.7)
Sep	3,632.5	1,782.5	1,812.4	18.6	-	-	-	-	-	496.5	(477.6)
Oct	4,152.3	1,864.3	1,833.5	22.3	-	-	-	-	-	497.8	(65.5)
Nov	4,650.5	2,572.5	1,893.7	18.1	-	-	-	-	-	493.9	(327.6)
Dec	4,548.7	2,031.2	1,817.4	18.1	-	-	-	-	-	496.7	185.2
2012											
Jan	5,411.4	3,151.2	1,740.6	86.4	-	-	-	-	-	489.6	(56.5)
Feb	4,937.2	2,662.1	1,742.2	86.4	-	-	-	-	-	479.0	(32.5)
Mar	4,381.0	2,273.1	1,785.8	20.3	-	-	-	-	-	469.4	(167.6)
Apr	4,215.6	1,839.5	1,645.8	20.0	-	-	-	-	-	624.8	85.4
May	4,727.5	3,751.9	1,671.0	192.6	-	-	-	-	-	662.8	(1,550.9)
Jun	4,175.7	1,858.2	1,663.6	29.5	-	-	-	-	-	676.7	(52.3)
Jul	4,366.4	1,931.6	1,702.9	46.5	-	-	-	-	-	678.7	6.7
Aug	4,351.8	1,941.9	1,910.3	43.6	-	-	-	-	-	718.2	(262.4)
Sep	4,839.2	2,461.9	1,776.0	62.1	-	-	-	-	-	748.1	(208.9)
Oct	4,524.2	1,997.7	1,899.2	0.8	-	-	-	-	-	751.3	(124.8)
Nov	4,573.3	2,028.9	1,819.0	0.8	-	-	-	-	-	762.0	(37.3)
Dec	5,534.9	3,177.0	1,731.7	0.8	-	-	-	-	-	767.8	(142.4)
2013											
Jan	5,387.7	1,701.4	1,790.6	0.8	-	-	-	-	-	779.2	1,115.7
Feb	4,729.2	2,217.9	1,705.8	0.8	-	-	-	-	-	769.8	34.9
Mar	4,717.2	2,599.9	1,466.0	0.8	-	-	-	-	-	801.2	(150.6)
Apr	4,547.1	2,363.8	1,678.1	0.8	-	-	-	-	-	807.9	(303.4)
May	5,502.5	3,173.0	1,729.6	0.8	-	-	-	-	-	816.7	(217.6)
Jun	5,479.0	2,405.2	2,382.4	0.0	-	-	-	-	-	829.2	(137.8)
Jul	4,985.2	2,524.2	2,023.6	0.0	-	-	-	-	-	833.4	(396.0)
Aug	5,177.1	2,609.3	1,904.5	53.9	-	-	-	-	-	809.7	(200.2)
Sep	6,665.2	2,624.4	3,437.9	64.1	-	-	-	-	-	818.6	(279.8)
Oct	7,262.8	3,651.0	2,806.3	68.1	-	-	-	-	-	824.6	(87.1)
Nov	7,948.9	2,528.7	4,527.8	120.2	-	-	-	-	-	828.3	(56.1)
Dec	5,639.0	2,535.4	2,063.4	249.3	-	-	-	-	-	791.4	(0.5)
2014											
Jan	5,926.3	2,728.4	2,089.9	246.1	-	-	-	-	-	746.1	115.8
Feb	6,916.4	3,485.9	2,116.2	446.9	-	-	-	-	-	828.0	39.3
Mar	6,529.9	3,107.7	2,120.5	730.1	-	-	-	-	-	801.8	(230.3)
Apr	5,859.9	2,743.7	1,988.4	178.8	-	-	-	-	-	963.2	(14.3)
May	6,262.6	3,086.3	2,047.8	159.9	-	-	-	-	-	994.5	(25.9)
Jun	6,064.0	2,868.2	2,051.9	159.9	-	-	-	-	-	1,004.0	(19.9)

TABLE 13. T BANK LIMITED - MONETARY AND FINANCIAL STATISTICS (*)

Ngultrum in Million

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector**	Claims on Private Sector	Claims on NBFIs
			Total	Rupee	Others					
2010	1,668.0	429.5	95.2	90.3	5.0	-	-	-	1,143.3	-
2011										
Jan	1,712.8	394.5	70.7	65.0	5.7	-	-	-	1,247.6	-
Feb	1,945.7	537.6	45.4	44.4	1.0	-	-	-	1,362.7	-
Mar	2,159.1	443.4	58.8	50.6	8.2	-	-	-	1,657.0	-
Apr	2,181.3	482.0	37.3	28.3	9.0	-	-	-	1,661.9	-
May	2,433.5	507.2	52.3	34.6	17.7	-	-	-	1,874.0	-
Jun	2,547.4	540.1	55.1	41.8	13.3	-	-	-	1,952.2	-
Jul	2,590.0	545.2	58.4	42.9	15.5	-	-	-	1,986.4	-
Aug	2,665.4	628.9	32.9	25.0	7.9	-	-	60.5	1,943.0	-
Sep	2,761.3	621.4	58.7	52.5	6.2	-	-	22.3	2,055.9	3.0
Oct	2,745.3	600.7	34.5	27.8	6.8	-	-	22.2	2,084.9	3.0
Nov	2,761.0	607.8	22.4	19.9	2.5	-	-	25.4	2,102.4	3.0
Dec	2,895.6	588.1	86.8	84.1	2.7	-	-	25.2	2,192.5	3.0
2012										
Jan	2,949.3	601.4	69.3	45.5	23.8	-	-	25.2	2,250.4	3.0
Feb	3,075.2	668.1	67.0	47.4	19.6	-	-	25.2	2,314.9	-
Mar	2,866.5	446.1	60.9	44.2	16.7	-	-	28.2	2,331.3	-
Apr	2,993.4	575.9	64.8	52.9	12.0	-	-	28.2	2,324.5	-
May	3,155.4	692.6	110.9	104.1	6.8	-	-	28.2	2,323.8	-
Jun	2,656.9	229.6	66.6	56.3	10.3	-	-	28.2	2,332.4	-
Jul	2,725.9	276.6	103.1	85.6	17.5	-	-	28.2	2,318.0	-
Aug	2,932.3	520.5	69.4	49.5	19.8	-	-	28.2	2,314.3	-
Sep	2,653.5	227.9	97.4	79.0	18.4	-	-	28.2	2,300.0	-
Oct	2,673.4	228.0	108.2	93.7	14.5	-	-	28.0	2,309.3	-
Nov	2,647.1	246.6	97.4	90.1	7.3	-	-	27.8	2,275.4	-
Dec	3,259.7	889.2	70.3	65.0	5.2	-	-	28.0	2,272.2	-
2013										
Jan	2,728.3	351.3	72.2	68.5	3.7	-	-	28.0	2,276.8	-
Feb	2,670.1	333.9	49.1	41.6	7.4	-	-	28.0	2,259.1	-
Mar	2,662.5	330.1	36.8	29.1	7.7	-	-	28.0	2,267.6	-
Apr	2,837.5	470.5	72.0	64.0	8.0	-	-	28.0	2,267.0	-
May	2,697.0	352.2	68.4	60.3	8.1	-	-	27.9	2,248.5	-
Jun	2,773.5	378.0	126.4	117.1	9.4	-	-	28.0	2,241.0	-
Jul	2,712.8	305.6	148.0	139.9	8.1	-	-	28.0	2,231.2	-
Aug	2,652.9	350.3	61.4	52.7	8.7	-	-	28.0	2,213.3	-
Sep	2,727.7	447.1	34.3	26.3	7.9	-	-	27.9	2,218.3	-
Oct	2,755.7	342.5	68.3	56.5	11.8	-	-	27.9	2,317.0	-
Nov	2,671.1	363.0	81.6	40.9	40.7	-	-	28.4	2,198.1	-
Dec	3,145.6	879.1	40.8	32.6	8.1	-	-	21.9	2,203.8	-
2014										
Jan	2,920.1	260.7	74.0	67.5	6.5	-	-	21.9	2,563.4	-
Feb	2,575.8	240.4	92.2	82.8	9.4	-	-	22.3	2,220.8	-
Mar	2,533.1	266.1	40.5	30.8	9.7	-	-	21.9	2,204.6	-
Apr	2,574.2	280.5	44.0	29.2	14.8	40.0	-	37.7	2,172.0	-
May	2,565.7	259.0	76.3	65.1	11.2	40.0	-	37.0	2,153.3	-
Jun	2,649.9	322.7	98.2	78.8	19.4	40.0	-	37.0	2,152.0	-

(*) Reports on the two new deposit-taking commercial banks (Druk PNB Ltd. and T Bank Ltd.) are available from April 2010.

** With effect from 1st January 2011, claims on Joint Corporations were reclassified as claims on Public Sector as per new (FIRMA) reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 13. CONTINUED
T Bank Limited

Ngultrum in Million

End of Period	Liabilities										
	Total	Demand Deposits	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Domesti Borrow-ings	Capital Accounts	Other Items (Net)
					Total	Rupee	Others				
2010	1,668.0	181.2	453.7	-	-	-	-	-	-	119.7	913.4
2011											
Jan	1,712.8	153.4	474.3	-	-	-	-	-	-	137.5	947.6
Feb	1,945.7	184.8	494.6	-	-	-	-	-	-	142.2	1,124.0
Mar	2,159.1	235.3	523.0	-	-	-	-	-	-	215.1	1,185.8
Apr	2,181.3	294.1	482.2	-	-	-	-	-	-	238.6	1,166.3
May	2,433.5	236.1	578.3	-	-	-	-	-	-	234.2	1,384.9
Jun	2,547.4	266.0	685.8	-	-	-	-	-	-	225.6	1,369.9
Jul	2,590.0	280.1	775.2	-	-	-	-	-	-	236.7	1,298.0
Aug	2,665.4	420.5	806.2	-	-	-	-	-	-	236.1	1,202.5
Sep	2,761.3	352.5	1,011.9	-	-	-	-	-	-	242.5	1,154.3
Oct	2,745.3	385.4	1,236.4	-	-	-	-	-	-	244.9	878.6
Nov	2,761.0	397.0	1,233.8	-	-	-	-	-	-	252.2	878.1
Dec	2,895.6	450.1	1,318.9	-	-	-	-	-	-	274.3	852.3
2012											
Jan	2,949.3	416.0	1,331.9	-	-	-	-	-	-	242.6	958.9
Feb	3,075.2	323.6	1,330.9	-	-	-	-	-	-	246.4	1,174.4
Mar	2,866.5	392.9	1,351.0	-	-	-	-	-	280.3	262.8	579.5
Apr	2,993.4	403.4	1,342.3	-	-	-	-	-	208.3	269.6	769.9
May	3,155.4	382.4	1,108.2	-	-	-	-	-	552.9	266.8	845.1
Jun	2,656.9	503.2	1,002.9	-	-	-	-	-	-	289.5	861.3
Jul	2,725.9	762.1	1,080.3	-	-	-	-	-	-	300.2	583.3
Aug	2,932.3	667.7	1,360.4	-	-	-	-	-	-	305.6	598.6
Sep	2,653.5	674.4	1,422.0	-	-	-	-	-	-	324.5	232.6
Oct	2,673.4	677.0	1,514.7	-	-	-	-	-	-	306.1	175.6
Nov	2,647.1	623.0	1,519.5	-	-	-	-	-	-	285.3	219.3
Dec	3,259.7	766.7	1,533.2	-	-	-	-	-	-	356.9	602.8
2013											
Jan	2,728.3	724.3	1,535.8	-	-	-	-	-	-	302.3	165.9
Feb	2,670.1	636.9	1,423.6	-	-	-	-	-	-	309.2	300.5
Mar	2,662.5	667.2	1,286.4	-	-	-	-	-	-	371.5	337.4
Apr	2,837.5	451.9	1,285.8	-	-	-	-	-	-	355.1	744.7
May	2,697.0	418.2	1,307.3	-	-	-	-	-	-	329.0	642.4
Jun	2,773.5	531.9	1,458.4	-	-	-	-	-	-	370.4	412.7
Jul	2,712.8	504.3	1,623.8	-	-	-	-	-	-	335.9	248.8
Aug	2,652.9	472.4	1,640.0	-	-	-	-	-	-	337.6	203.0
Sep	2,727.7	513.7	1,203.2	-	-	-	-	-	-	346.9	664.0
Oct	2,755.7	505.5	836.0	-	-	-	-	-	-	363.0	1,051.3
Nov	2,671.1	522.7	1,202.4	-	-	-	-	-	-	386.3	559.6
Dec	3,145.6	516.2	1,231.8	-	-	-	-	-	-	396.3	1,001.3
2014											
Jan	2,920.1	498.1	1,267.3	-	-	-	-	-	-	401.0	753.7
Feb	2,575.8	716.7	1,195.3	-	-	-	-	-	-	367.2	296.6
Mar	2,533.1	258.6	1,318.4	-	-	-	-	-	-	404.0	552.0
Apr	2,574.2	500.5	1,324.6	-	-	-	-	-	-	536.5	212.5
May	2,565.7	515.4	1,316.9	-	-	-	-	-	-	555.4	178.0
Jun	2,649.9	618.0	1,324.5	-	-	-	-	-	-	544.1	163.3

TABLE 14. ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED - FINANCIAL STATISTICS

Ngultrum in Million

End of Period	Assets										
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector *	Claims on Private Sector	Claims on DMBs	Claims On NBFIs
			Total	Rupee	Others						
2004	1,428.4	47.6	3.6	0.1	3.5	-	-	20.8	1,345.2	8.1	3.0
2005	1,657.6	47.1	9.6	0.1	9.5	-	-	14.9	1,574.9	8.1	3.0
2006	1,773.0	71.0	10.7	0.0	10.6	-	-	18.2	1,611.9	58.1	3.0
2007	2,030.7	98.6	7.5	0.0	7.5	-	-	37.3	1,876.3	8.1	3.0
2008	2,600.7	332.9	31.1	0.0	31.1	-	-	46.1	2,178.1	9.4	3.0
2009	3,328.9	313.7	30.0	0.0	30.0	0.3	-	43.7	2,928.8	9.4	3.0
2010	5,584.1	330.1	1.8	0.0	1.7	62.1	0.2	69.1	4,708.5	409.4	3.0
2011	6,446.5	223.1	1.4	0.0	1.3	-	-	14.0	5,406.9	798.1	3.0
2012											
Jan	6,458.9	164.4	1.4	0.0	1.3	-	-	14.0	5,478.0	798.1	3.0
Feb	6,522.6	211.0	1.4	0.0	1.3	-	-	14.0	5,495.1	798.1	3.0
Mar	6,661.6	326.3	1.4	0.0	1.3	-	-	47.7	5,528.9	754.4	3.0
Apr	6,710.1	304.1	1.4	0.0	1.3	-	-	14.0	5,599.5	788.1	3.0
May	6,662.2	253.6	1.4	0.0	1.3	-	-	14.0	5,607.1	783.1	3.0
Jun	6,783.3	415.6	3.5	0.0	3.5	-	-	14.0	5,549.1	798.1	3.0
Jul	6,748.9	337.3	3.5	0.0	3.5	-	-	14.0	5,573.0	818.1	3.0
Aug	6,845.5	350.2	2.3	0.0	2.3	-	-	14.0	5,607.9	868.1	3.0
Sep	6,756.5	198.1	2.3	0.0	2.3	-	-	14.0	5,650.9	888.1	3.0
Oct	7,048.0	167.4	2.3	0.0	2.3	-	-	14.0	5,688.1	1,173.1	3.0
Nov	7,119.2	202.1	2.3	0.0	2.3	-	-	14.0	5,674.7	1,223.1	3.0
Dec	7,223.0	306.9	2.3	0.0	2.3	-	-	14.0	5,673.7	1,223.1	3.0
2013											
Jan	7,274.9	356.7	2.3	0.0	2.3	-	-	14.0	5,755.7	1,143.1	3.0
Feb	7,403.6	296.9	2.4	0.0	2.3	-	-	14.0	5,944.2	1,143.1	3.0
Mar	7,571.4	354.2	2.4	0.0	2.3	-	-	14.0	6,054.7	1,143.1	3.0
Apr	7,549.8	375.6	2.4	0.0	2.3	-	-	14.0	6,061.7	1,093.1	3.0
May	7,682.1	413.4	2.4	0.0	2.3	-	-	14.0	6,156.2	1,093.1	3.0
Jun	7,873.1	536.0	2.4	0.0	2.3	-	-	14.0	6,112.7	1,193.1	15.0
Jul	8,310.1	656.8	2.4	0.0	2.3	-	-	14.0	6,228.8	1,393.1	15.0
Aug	8,237.5	473.5	2.4	0.0	2.3	-	-	14.0	6,339.6	1,393.1	15.0
Sep	8,201.1	320.2	2.4	0.0	2.3	-	-	14.0	6,456.5	1,393.1	15.0
Oct	8,244.8	280.9	0.0	0.0	-	-	-	14.0	6,541.8	1,393.1	15.0
Nov	8,301.5	231.9	0.0	0.0	-	-	-	14.0	6,647.4	1,393.1	15.0
Dec	8,283.4	232.3	26.3	0.0	26.3	-	-	13.5	6,582.7	1,393.1	35.5
2014											
Jan	9,316.5	999.1	7.5	4.9	2.6	-	-	14.0	6,867.8	1,393.1	35.0
Feb	9,273.6	781.9	9.1	6.5	2.6	-	-	14.0	7,040.5	1,393.1	35.0
Mar	9,111.7	425.1	6.7	4.0	2.6	-	-	14.0	7,147.9	1,483.1	35.0
Apr	9,567.1	550.2	7.2	4.6	2.6	-	-	14.0	7,277.7	1,683.1	35.0
May	9,751.9	565.9	12.3	9.7	2.6	-	-	14.0	7,441.5	1,683.1	35.0
Jun	10,367.2	970.6	15.5	12.9	2.6	-	-	14.0	7,549.0	1,783.1	35.0

* With effect from 1st January 2011, claims on Joint Corporations were reclassified as claims on Public Sector as per new (FIRMA) reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 14. CONTINUED

Royal Insurance Corporation of Bhutan Limited

Ngultrum in Million

End of Period	Liabilities							
	Total	Life Fund	Private Provident Fund *	Group Insurance Fund	Credit from DMBs	Credit from NBFIs	Capital Accounts	Other Items (Net)**
2004	1,428.4	87.2	73.8	210.7	94.5	400.0	306.4	255.7
2005	1,657.6	116.9	93.8	233.2	170.5	350.0	373.0	320.2
2006	1,773.0	153.6	117.7	253.9	172.4	300.0	445.1	330.3
2007	2,030.7	199.0	141.4	303.8	-	480.0	531.5	375.1
2008	2,600.7	261.4	183.4	206.1	-	780.0	644.1	525.7
2009	3,328.9	342.3	233.1	433.7	-	1,184.0	799.8	336.0
2010	5,584.1	472.4	308.3	498.4	300.0	2,661.0	974.4	369.5
2011	6,446.5	-	-	-	500.0	2,638.0	1,210.5	2,098.1
2012								
Jan	6,458.9	-	-	-	500.0	2,438.0	1,136.0	2,384.9
Feb	6,522.6	-	-	-	500.0	2,438.0	1,067.8	2,516.8
Mar	6,661.6	-	-	-	500.0	2,438.0	968.5	2,755.2
Apr	6,710.1	-	-	-	500.0	2,438.0	930.1	2,842.0
May	6,662.2	-	-	-	650.0	2,438.0	938.7	2,635.6
Jun	6,783.3	-	-	-	650.0	2,438.0	1,312.0	2,383.3
Jul	6,748.9	-	-	-	650.0	2,438.0	1,216.2	2,444.8
Aug	6,845.5	-	-	-	650.0	2,438.0	1,152.4	2,605.1
Sep	6,756.5	-	-	-	650.0	2,438.0	1,353.9	2,314.6
Oct	7,048.0	-	-	-	850.0	2,438.0	1,321.9	2,438.1
Nov	7,119.2	-	-	-	850.0	2,438.0	1,441.9	2,389.3
Dec	7,223.0	-	-	-	650.0	2,615.0	1,507.1	2,451.0
2013								
Jan	7,274.9	-	-	-	650.0	2,615.0	1,485.9	2,523.9
Feb	7,403.6	-	-	-	687.9	2,723.0	1,443.4	2,549.4
Mar	7,571.4	-	-	-	675.3	2,723.0	1,416.5	2,756.6
Apr	7,549.8	-	-	-	663.0	2,774.3	1,463.0	2,649.5
May	7,682.1	-	-	-	650.5	2,774.3	1,441.5	2,815.8
Jun	7,873.1	-	-	-	608.6	2,739.3	1,624.4	2,900.8
Jul	8,310.1	-	-	-	596.0	2,739.3	1,318.3	3,656.5
Aug	8,237.5	-	-	-	583.2	2,739.3	1,342.3	3,572.8
Sep	8,201.1	-	-	-	648.9	3,128.0	1,727.7	2,696.6
Oct	8,244.8	-	-	-	615.6	3,099.5	1,636.7	2,893.0
Nov	8,301.5	-	-	-	611.9	3,095.7	1,631.3	2,962.6
Dec	8,283.4	-	-	-	740.7	2,898.4	1,764.6	2,879.8
2014								
Jan	9,316.5	-	-	-	719.2	3,894.5	1,727.9	2,974.9
Feb	9,273.6	-	-	-	696.2	3,888.0	1,781.2	2,908.2
Mar	9,111.7	-	-	-	654.0	3,858.0	1,818.2	2,781.5
Apr	9,567.1	-	-	-	627.2	4,104.0	1,796.2	3,039.8
May	9,751.9	-	-	-	627.2	4,098.5	1,696.1	3,330.0
Jun	10,367.2	-	-	-	867.9	3,817.8	2,133.9	3,547.5

*) The Government Employee Provident Fund (GEPF) was transferred to National Pension and Provident Fund from 2002 and thereafter only Private Provident Fund was retained with the RICBL.

**) Starting from January 2011, Private Provident Fund, Group Insurance Fund and Life Insurance Fund are clubbed with Other Items Net based on new reporting format introduced by the FRSD.

TABLE 15. BHUTAN INSURANCE LIMITED - FINANCIAL STATISTICS (*)

Ngultrum in Million

End of Period	Assets										
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Public Sector **	Claims on Private Sector	Claims on DMBs	Claims On NBFIs
			Total	Rupee	Others						
2010	230.2	60.9	-	-	-	-	-	-	123.3	46.0	-
2011											
Jan	270.4	51.2	-	-	-	-	-	-	173.1	46.0	-
Feb	276.5	36.0	-	-	-	-	-	-	194.6	46.0	-
Mar	289.6	40.9	-	-	-	-	-	-	208.7	40.0	-
Apr	284.4	32.4	-	-	-	-	-	-	212.0	40.0	-
May	285.5	33.7	-	-	-	-	-	-	211.8	40.0	-
Jun	306.3	54.7	-	-	-	-	-	-	211.6	40.0	-
Jul	324.3	60.6	-	-	-	-	-	-	223.8	40.0	-
Aug	327.9	56.3	-	-	-	-	-	-	231.5	40.0	-
Sep	315.8	8.3	-	-	-	-	-	-	267.5	40.0	-
Oct	365.4	49.3	-	-	-	-	-	-	276.2	40.0	-
Nov	356.6	26.7	-	-	-	-	-	-	289.9	40.0	-
Dec	367.3	23.7	-	-	-	-	-	-	303.6	40.0	-
2012											
Jan	362.2	11.4	-	-	-	-	-	-	310.8	40.0	-
Feb	368.8	11.6	-	-	-	-	-	-	317.2	40.0	-
Mar	380.4	25.2	-	-	-	-	-	-	315.2	40.0	-
Apr	384.2	23.8	-	-	-	-	-	-	320.5	40.0	-
May	397.5	19.0	-	-	-	-	-	-	338.5	40.0	-
Jun	418.1	40.4	-	-	-	-	-	-	337.7	40.0	-
Jul	453.7	64.9	-	-	-	-	-	-	348.8	40.0	-
Aug	441.9	17.8	-	-	-	-	-	-	384.1	40.0	-
Sep	444.0	25.1	-	-	-	-	-	-	378.9	40.0	-
Oct	447.8	43.2	-	-	-	-	-	-	374.6	30.0	-
Nov	449.4	47.3	-	-	-	-	-	-	372.0	30.0	-
Dec	437.8	32.8	-	-	-	-	-	-	364.9	40.0	-
2013											
Jan	442.0	34.7	-	-	-	-	-	-	367.3	40.0	-
Feb	453.6	41.6	-	-	-	-	-	-	372.0	40.0	-
Mar	441.3	32.0	-	-	-	-	-	-	369.3	40.0	-
Apr	430.7	33.1	-	-	-	-	-	-	367.7	30.0	-
May	424.1	28.1	-	-	-	-	-	-	366.0	30.0	-
Jun	437.4	44.5	-	-	-	-	-	-	363.0	30.0	-
Jul	436.2	36.5	-	-	-	-	-	-	369.7	30.0	-
Aug	446.5	43.6	-	-	-	-	-	-	372.9	30.0	-
Sep	439.9	40.6	-	-	-	-	-	-	369.3	30.0	-
Oct	448.3	52.6	-	-	-	-	-	-	365.8	30.0	-
Nov	454.7	41.0	-	-	-	-	-	-	383.8	30.0	-
Dec	452.8	48.0	-	-	-	-	-	-	374.8	30.0	-
2014											
Jan	462.9	59.4	-	-	-	-	-	-	373.4	30.0	-
Feb	457.1	56.7	-	-	-	-	-	-	370.3	30.0	-
Mar	450.8	49.6	-	-	-	-	-	-	371.2	30.0	-
Apr	530.6	56.7	-	-	-	-	-	-	379.0	95.0	-
May	541.1	43.0	-	-	-	-	-	-	378.0	120.0	-
Jun	544.0	37.0	-	-	-	-	-	-	386.9	120.0	-

(*) Reports on the newly established BIL are available from April 2010.

** With effect from 1st January 2011, claims on Joint Corporations were reclassified as claims on Public Sector as per new reporting format by the Financial Regulation and Supervision Department of the RMA.

TABLE 15. CONTINUED
Bhutan Insurance Limited

Ngultrum in Million

End of Period	Liabilities								
	Total	General Insurance Reserve Fund	Life Insurance Fund	Private Provident Fund	Group Insurance Fund	Credit from DMBs	Credit from NBFIs	Capital Accounts	Other Items (Net)*
2010	230.2	50.0	-	13.2	-	50.0	-	109.7	7.3
2011									
Jan	270.4	-	-	-	-	85.0	-	122.6	62.8
Feb	276.5	-	-	-	-	85.0	-	128.4	63.1
Mar	289.6	-	-	-	-	85.0	-	136.7	67.8
Apr	284.4	-	-	-	-	85.0	-	143.0	56.4
May	285.5	-	-	-	-	85.0	-	145.7	54.9
Jun	306.3	-	-	-	-	85.0	-	160.2	61.1
Jul	324.3	-	-	-	-	85.0	-	172.9	66.5
Aug	327.9	-	-	-	-	85.0	-	176.7	66.1
Sep	315.8	-	-	-	-	85.0	-	170.3	60.5
Oct	365.4	-	-	-	-	85.0	40.0	176.6	63.8
Nov	356.6	-	-	-	-	85.0	40.0	166.4	65.2
Dec	367.3	-	-	-	-	85.0	40.0	127.3	115.0
2012									
Jan	362.2	-	-	-	-	85.0	40.0	137.2	100.0
Feb	368.8	-	-	-	-	85.0	50.0	131.6	102.2
Mar	380.4	-	-	-	-	85.0	60.0	145.0	90.4
Apr	384.2	-	-	-	-	85.0	70.0	138.3	91.0
May	397.5	-	-	-	-	85.0	70.0	142.0	100.5
Jun	418.1	-	-	-	-	85.0	70.0	264.4	(1.2)
Jul	453.7	-	-	-	-	85.0	70.0	290.8	8.0
Aug	441.9	-	-	-	-	85.0	70.0	289.8	(2.9)
Sep	444.0	-	-	-	-	85.0	70.0	301.2	(12.2)
Oct	447.8	-	-	-	-	35.0	-	470.6	(57.8)
Nov	449.4	-	-	-	-	35.0	-	471.7	(57.3)
Dec	437.8	-	-	-	-	35.0	-	264.1	138.7
2013									
Jan	442.0	-	-	-	-	35.0	-	480.1	(73.1)
Feb	453.6	-	-	-	-	35.0	-	465.2	(46.6)
Mar	441.3	-	-	-	-	35.0	-	462.0	(55.6)
Apr	430.7	-	-	-	-	35.0	-	450.6	(54.9)
May	424.1	-	-	-	-	35.0	-	439.5	(50.4)
Jun	437.4	-	-	-	-	35.0	-	464.0	(61.5)
Jul	436.2	-	-	-	-	35.0	-	449.0	(47.9)
Aug	446.5	-	-	-	-	35.0	-	455.7	(44.2)
Sep	439.9	-	-	-	-	35.0	-	459.8	(54.9)
Oct	448.3	-	-	-	-	35.0	-	448.8	(35.5)
Nov	454.7	-	-	-	-	35.0	-	459.7	(40.0)
Dec	452.8	-	-	-	-	35.0	-	272.9	144.8
2014									
Jan	462.9	-	-	-	-	35.0	-	478.0	(50.1)
Feb	457.1	-	-	-	-	35.0	-	305.0	117.1
Mar	450.8	-	-	-	-	35.0	-	315.4	100.4
Apr	530.6	-	-	-	-	-	-	438.2	92.5
May	541.1	-	-	-	-	-	-	441.8	99.3
Jun	544.0	-	-	-	-	-	-	415.8	128.2

*) Starting from January 2011, Private Provident Fund, Group Insurance Fund and Life Insurance Fund are clubbed with Other Items Net based on new reporting format introduced by the FRSD.

TABLE 16. AUCTIONS OF GOVERNMENT TREASURY BILLS*

Auction/Tap Sale No.	Auction / Tap Sale Date	Maturity in Days	Bids (millions of Nu.)		Discount Rate (%)
			Received	Accepted	
R201	14-Dec-09	91	5,287.4	2,000.0	2.50
R202	17-Mar-10	90	3,003.0	1,500.0	1.99
R203	8-Jul-10	90	2,730.0	1,000.0	2.75
R205	21-Mar-11	90	1,001.0	500.0	0.50
R206	15-Aug-11	91	1,300.0	300.0	0.39
R208	18-Nov-11	90	1,300.0	500.0	1.49
R209	14-Feb-12	90	210.0	800.0	5.00
R210	27-Feb-12	30	210.0	1,000.0	3.00
R212	14-May-12	90	800.0	800.0	5.00
R215	16-Aug-12	30	2,550.0	2,100.0	4.12
R216	12-Sep-12	30	2,010.0	1,000.0	2.25
R217	8-Oct-12	30	2,350.0	1,100.0	2.72
R218	13-Oct-12	30	2,010.0	1,000.0	2.25
R219	8-Nov-12	30	2,350.0	1,100.0	3.50
R221	8-Dec-12	30	2,350.0	1,100.0	3.50
R222	12-Dec-12	30	2,010.0	1,000.0	2.25
R223	18-Dec-12	30	2,200.0	1,000.0	3.50
R224	7-Jan-13	30	1,100.0	1,100.0	3.50
R225	9-Jan-13	30	3,000.0	1,500.0	3.00
R226	16-Jan-13	60	2,100.0	1,000.0	3.00
R227	4-Feb-13	60	3,000.0	1,500.0	3.00
R228	9-Feb-13	70	1,500.0	1,500.0	3.00
R229	15-Mar-13	90	1,500.0	1,500.0	3.00
R230	4-Apr-13	90	1,500.0	1,500.0	3.00
R231	20-May-13	30	1,500.0	750.0	3.00
R232	10-Jul-13	90	4,400.0	2,500.0	3.00
R233	7-Oct-13	60	2,500.0	1,500.0	4.26
R234	7-Oct-13	90	2,550.0	200.0	3.00
R235	5-Dec-13	90	5,700.0	2,500.0	2.93
R236	4-Mar-14	90	5,750.0	2,500.0	2.28
R237	20-Aug-14	30	3,500.0	1,500.0	0.49
R238	20-Aug-14	60	2,900.0	1,500.0	0.97
R239	20-Aug-14	90	2,500.0	1,000.0	1.24***
R240	20-Oct-14	60	7,000.0	2,000.0	0.35
R241	20-Oct-14	91	3,500.0	1,000.0	0.88
R242	18-Dec-14	90	5,000.0	2,000.0	0.24

N.B.* The issue of RMA Bills has been discontinued w.e.f. December 14, 2009 and has been replaced by the issue of Govt. Treasury Bills thereafter.

Multi-price system being followed with the issue of R233,R235,R236,R237,R238,R239 and R242.

***1.24% is the weighted average of the multi price of 1.48% and 0.99%.

TABLE 17. FINANCIAL SECTOR INVESTMENT BY ECONOMIC ACTIVITY

<i>Ngultrum in Million</i>		<i>End of June</i>							
Economic Sector/Source	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture	238.3	306.6	562.2	658.1	492.2	657.5	1,116.1	1,514.0	2,287.1
BOBL	0.7	0.8	1.7	2.0	2.9	3.2	3.0	1.1	0.3
BNBL	-	-	-	-	-	-	-	-	0.8
BDBL	235.5	304.2	558.6	656.1	488.4	652.8	1,111.3	1,511.4	2,283.7
T Bank Limited	-	-	-	-	-	-	-	-	1.5
Druk PNB Limited	-	-	-	-	0.9	1.5	1.8	1.5	0.8
RICBL	2.0	1.6	1.8	-	-	-	-	-	-
BIL	-	-	-	-	-	-	-	-	-
Trade/Commerce	1,766.7	2,194.9	3,402.5	4,231.3	4,761.7	4,113.3	4,262.8	6,751.5	8,703.7
BOBL	668.3	712.6	1,004.1	975.4	735.3	1,022.9	990.4	964.3	970.6
BNBL	602.6	851.2	1,480.6	2,142.3	2,359.1	304.7	360.0	2,461.3	3,601.6
BDBL	87.7	138.8	261.9	297.0	366.8	385.1	467.5	665.0	945.2
T Bank Limited	-	-	-	-	2.4	475.4	448.2	475.1	471.5
Druk PNB Limited	-	-	-	-	214.2	539.7	485.1	460.0	472.6
RICBL	408.0	492.2	655.9	816.6	1,083.8	1,377.4	1,478.5	1,642.8	2,173.1
BIL	-	-	-	-	-	8.1	33.2	83.1	69.0
Manufacturing/Industry	2,021.5	2,678.9	3,297.5	4,702.0	5,085.7	6,572.0	7,335.2	10,168.9	9,915.9
BOBL	854.5	1,173.2	1,190.3	2,056.3	1,836.2	2,205.0	2,737.4	2,919.4	3,184.2
BNBL	761.5	1,060.3	1,466.5	1,907.9	2,357.8	2,634.0	2,641.1	5,027.0	4,216.7
BDBL	263.1	271.3	400.9	453.2	450.4	533.5	542.9	686.9	780.3
T Bank Limited	-	-	-	-	72.8	136.0	177.9	240.8	217.0
Druk PNB Limited	-	-	-	-	11.5	472.5	589.7	519.9	522.5
RICBL	142.4	174.1	239.9	284.7	357.0	568.3	615.2	749.0	973.0
BIL	-	-	-	-	-	22.7	31.0	25.9	22.2
Services	1,506.9	2,035.1	2,693.6	3,177.6	4,352.8	4,788.9	6,164.1	7,657.5	9,896.1
BOBL	806.9	1,115.8	1,179.7	1,408.4	1,853.0	1,629.1	2,084.2	2,824.8	4,362.8
BNBL	235.0	380.3	826.0	1,018.4	1,303.2	1,733.9	2,072.5	2,438.9	2,606.7
BDBL	327.7	477.3	607.8	679.7	871.8	927.9	1,185.2	1,499.2	1,825.4
T Bank Limited	-	-	-	-	20.0	94.3	155.8	176.9	245.3
Druk PNB Limited	-	-	-	-	288.8	239.1	559.8	573.9	655.9
RICBL	137.3	61.7	80.1	71.1	16.0	164.6	106.7	123.6	183.0
BIL	-	-	-	-	-	-	-	20.3	17.0
Housing	3,938.2	4,999.1	5,661.2	6,072.6	7,615.8	10,281.3	13,578.1	15,234.7	15,785.0
BOBL	806.1	1,157.3	1,416.7	1,564.7	1,894.6	2,677.2	4,316.4	5,160.0	5,317.4
BNBL	1,955.2	2,655.1	3,138.4	3,318.2	3,828.9	4,459.3	5,460.4	5,767.7	5,661.1
BDBL	491.1	507.0	431.4	383.3	414.1	527.3	612.4	895.6	1,324.7
T Bank Limited	-	-	-	-	169.6	377.6	470.2	477.6	480.9
Druk PNB Limited	-	-	-	-	189.5	519.6	835.0	924.2	933.3
RICBL	685.8	679.7	674.7	806.5	1,119.1	1,709.0	1,876.9	1,999.1	2,047.2
BIL	-	-	-	-	-	11.5	6.7	10.5	20.4
Transport	828.8	942.6	1,172.1	1,515.2	2,298.7	3,800.9	4,881.9	3,777.1	2,751.7
BOBL	430.3	428.7	458.6	610.9	682.8	575.6	1,279.2	958.3	747.1
BNBL	277.7	303.8	438.1	497.5	680.1	1,140.1	1,458.9	1,136.1	793.2
BDBL	29.6	83.0	118.7	128.1	213.6	342.3	394.0	302.5	202.3
T Bank Limited	-	-	-	-	35.3	380.0	424.6	340.2	246.4
Druk PNB Limited	-	-	-	-	67.1	233.0	238.4	183.0	130.6
RICBL	91.2	127.1	156.8	278.7	619.8	996.2	904.8	712.0	503.5
BIL	-	-	-	-	-	133.7	181.9	145.0	128.5
Loan Against Shares	36.6	50.5	109.0	148.5	201.9	255.6	522.0	557.3	640.5
BOBL	0.2	6.8	8.7	27.7	1.1	57.8	161.2	146.0	118.8
BNBL	35.2	27.9	78.6	97.6	156.8	130.8	104.3	93.0	133.0
BDBL	0.8	-	-	-	-	-	-	-	-
T Bank Limited	-	-	-	-	-	0.1	18.0	15.1	14.3
Druk PNB Limited	-	-	-	-	-	8.8	204.5	250.2	250.0
RICBL	0.4	15.8	21.7	23.2	44.1	58.0	26.2	45.7	96.4
BIL	-	-	-	-	-	-	7.8	7.3	27.9

TABLE 17. FINANCIAL SECTOR INVESTMENT BY ECONOMIC ACTIVITY, CONTINUED

<i>Ngultrum in Million</i>		<i>End of June</i>							
Economic Sector/Source	2006	2007	2008	2009	2010	2011	2012	2013	2014
Personal Loans	879.4	1,163.0	1,861.7	3,367.9	4,552.5	6,627.5	8,334.7	10,030.6	11,919.6
BOBL	187.0	288.6	785.8	2,058.7	2,403.9	3,519.0	5,101.9	5,274.5	5,724.1
BNBL	607.3	738.9	854.8	872.4	1,035.8	1,162.6	811.6	971.1	1,136.5
BDBL	5.5	26.0	42.8	152.5	452.0	893.1	1,012.8	2,058.0	2,591.0
T Bank Limited	-	-	-	-	200.6	488.9	434.6	351.7	316.2
Druk PNB Limited	-	-	-	-	43.8	133.7	424.4	534.3	545.1
RICBL	79.6	109.4	178.3	284.4	416.3	421.1	494.5	797.4	1,535.4
BIL	-	-	-	-	-	9.0	55.0	43.6	71.4
Government (short term loans)	-	-	-	-	-	-	492.1	-	-
BOBL	-	-	-	-	-	-	-	-	-
BNBL	-	-	-	-	-	-	492.1	-	-
BDBL	-	-	-	-	-	-	-	-	-
T Bank Limited	-	-	-	-	-	-	-	-	-
Druk PNB Limited	-	-	-	-	-	-	-	-	-
RICBL	-	-	-	-	-	-	-	-	-
BIL	-	-	-	-	-	-	-	-	-
Credit Card	-	-	-	-	-	6.3	7.1	7.7	7.2
BOBL	-	-	-	-	-	-	-	0.8	2.5
BNBL	-	-	-	-	-	6.3	7.1	6.9	4.7
BDBL	-	-	-	-	-	-	-	-	-
T Bank Limited	-	-	-	-	-	-	-	-	-
Druk PNB Limited	-	-	-	-	-	-	-	-	-
RICBL	-	-	-	-	-	-	-	-	-
BIL	-	-	-	-	-	-	-	-	-
Others*	81.7	116.3	243.5	383.5	434.4	3,542.2	4,611.0	1,078.9	1,280.2
BOBL	65.3	78.4	120.4	145.0	141.6	131.8	371.3	327.3	330.7
BNBL	16.0	17.7	100.5	197.3	231.4	3,292.5	3,916.6	247.7	221.9
BDBL	-	19.7	21.8	40.6	20.2	25.9	24.7	26.2	283.4
T Bank Limited	-	-	-	-	20.0	-	225.4	185.5	196.0
Druk PNB Limited	-	-	-	-	8.4	47.4	28.9	246.0	204.7
RICBL	0.3	0.5	0.7	0.6	12.8	18.0	22.0	18.8	13.0
BIL	-	-	-	-	-	26.6	22.2	27.5	30.5
Total	11,298.0	14,486.9	19,003.5	24,256.7	29,795.8	40,645.6	51,305.2	56,778.3	63,187.0

*) Others includes Staff Loans, Entrepreneur Development Program and Small Business and Artisans Scheme.

Note: Prior to 2011, Government (short term loans) have been clubbed with other economic sectors and therefore not shown separately. From 2011 onward Government's short term borrowing has been shown separately. This may explain differences in Financial Sector Investment data featured in other RMA publications.

TABLE 18. SUMMARY OF THE CONSUMER PRICE INDEX

Second Quarter of 2013 = 100		Period													
		2011				2012				2013				2014	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Item	Weight in % ¹⁾	Index													
Food	39.9	174.5	177.7	182.1	185.1	93.9	102.0	100.2	100.0	102.0	104.8	109.4	114.5	115.5	117.7
Non-food	60.1	146.1	149.3	152.7	155.4	94.1	98.2	99.5	100.0	103.2	105.2	108.4	109.3	110.5	111.7
Total	100.0	155.1	158.3	162.0	164.8	94.1	99.6	99.8	100.0	102.7	105.0	108.8	111.3	112.5	114.0
Percentage change on the previous year															
Food	39.9	10.5	10.6	10.7	9.0	11.4	18.7	13.9	11.8	7.9	2.8	9.4	14.5	13.3	12.3
Non-food	60.1	9.2	7.1	8.1	8.2	8.4	10.7	9.7	8.3	8.7	7.1	8.9	9.3	7.0	6.1
Total	100.0	9.6	8.3	9.0	8.5	9.5	13.5	11.2	9.5	8.4	5.5	9.1	11.3	9.5	8.6
PPN	1.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	1.0	0.9	0.9	0.9	0.9

Source: National Statistics Bureau. -1) 2003 Household Income and Expenditure Survey; includes rent. 2. Base year used for PPN Q2, 2013 is of December 2012 and the figures represented is month-on-month. 3. The CPI reflected in this table is for the last quarter of each fiscal year. As of the Q2, 2013 the NSB has increased the weight of food in the CPI from 31.67% to 39.92%, and correspondingly decreased the weight for non-food from 68.33% to 60.08%.

Table 18.1: Month-on-Month Index and Annual Percentage Change : Domestic

December 2012 = 100		2014											
		Index											
		Percent change (%)											
Item	Weight in percent %	Jan	Feb	Mar	Apr	May	Jun	Jan	Feb	Mar	Apr	May	Jun
Food	17.2	117.1	117.1	117.1	117.9	118.3	119.8	15.2	12.6	13.5	13.5	14.0	13.7
Non-food	30.2	108.6	109.3	110.2	110.8	113.3	113.5	5.1	5.6	5.7	6.3	8.4	7.0
Total	47.4	111.9	112.1	112.8	113.3	115.1	115.7	8.6	8.1	8.5	8.8	10.4	9.4

Source : National Statistics Bureau

Table 18.2: Month-on-Month Index and Annual Percentage Change : Imported

December 2012 = 100

Item	Weight in percent %	2014											
		Index						Percent change (%)					
		Jan	Feb	Mar	Apr	May	Jun	Jan	Feb	Mar	Apr	May	Jun
Food	22.8	113.6	114.5	114.4	115.9	117.1	118.2	13.0	13.4	12.5	11.1	12.0	10.9
Non-food	29.8	112.0	111.6	111.3	111.4	110.3	110.7	10.0	8.7	7.2	6.4	4.5	4.1
Total	52.6	112.7	112.9	112.6	113.4	113.2	113.9	11.3	10.7	9.5	8.4	7.7	7.0

Source : National Statistics Bureau

Table 18.3: Annual and Monthly PPI and Inflation by Industry

Sectors	Weights (%)	Index level (September 2011=00)												Monthly Inflation (%)			Annual Inflation (%)		
		Apr-13						May-13						Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14
		Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14
All Industry	100.0	107.5	107.7	107.5	111.0	111.3	111.5	111.4	0.3	0.2	(0.1)	3.6	3.5	3.6	3.6	-	-		
Logging	0.7	112.4	112.4	112.4	112.4	112.4	112.4	112.4	-	-	-	-	-	-	-	-	-		
Mining and quarrying	5.8	112.5	112.7	113.0	115.8	115.8	115.4	115.8	(0.1)	(0.3)	0.3	2.9	2.4	2.5	2.9	2.4	2.5		
Manufacturing	47.7	106.8	107.2	107.3	111.8	112.4	112.9	112.6	0.6	0.4	(0.3)	5.3	5.4	5.0	5.3	5.4	5.0		
Electricity, gas, steam and air conditioning supply	35.4	107.9	107.9	107.9	111.1	111.1	111.1	111.1	-	-	-	2.9	2.9	2.9	2.9	2.9	2.9		
Water supply; sewerage, waste management and remediation activities	0.1	104.6	104.6	104.6	109.4	109.4	109.4	109.4	-	-	-	4.6	4.6	4.6	4.6	4.6	4.6		
Transport	5.9	114.2	114.6	116.4	118.5	118.2	117.6	117.8	(0.3)	(0.5)	0.2	3.5	2.6	1.2	(7.0)	(7.0)	(7.0)		
Information and communication	4.5	96.5	96.5	99.8	89.7	89.7	89.7	89.7	-	-	-	-	-	-	-	-	-		

Source: National Statistics Bureau. (Note: An entry of "0.0" indicates a marginal value compared to "-" which indicates no value for that particular item)

Table 18.4: Annual and Monthly PPI Inflation by Product

Description	Share (%)	Index level (September 2011=00)												Monthly Inflation (%)			Annual Inflation (%)		
		Apr-13						May-13						Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14
		Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14
All Products	100.0	107.5	107.7	107.5	111.0	111.3	111.5	111.4	0.3	0.2	(0.1)	3.6	3.5	3.6	3.6	-	-		
Logging	0.7	112.4	112.4	112.4	112.4	112.4	112.4	112.4	-	-	-	-	-	-	-	-	-		
Ores and minerals; electricity, gas and water	5.8	112.5	112.7	113.0	115.8	115.8	115.4	115.8	(0.1)	(0.3)	0.3	2.9	2.4	2.5	2.9	2.4	2.5		
Food products, beverages and tobacco, textiles, apparel and leather products	3.6	107.8	107.3	107.2	110.1	111.4	111.3	110.9	1.2	(0.2)	(0.3)	3.4	3.7	3.5	3.4	3.7	3.5		
Other transportable goods, except metal products, machinery and equipment	15.4	113.8	114.0	113.9	115.4	115.4	115.5	114.7	0.0	0.1	(0.6)	1.4	1.3	0.7	1.4	1.3	0.7		
Metal products, machinery and equipment	28.8	103.1	103.7	103.9	110.1	111.0	111.8	111.7	0.8	0.7	(0.1)	7.7	7.8	7.5	7.7	7.8	7.5		
Distributive trade services; accommodation, food and beverage serving services; transport and distribution services	41.3	108.8	108.9	109.1	112.1	112.0	112.0	112.0	(0.0)	(0.1)	0.0	3.0	2.9	2.6	(7.0)	(7.0)	(7.0)		
Business and production services	4.5	96.5	96.5	99.8	89.7	89.7	89.7	89.7	-	-	-	-	-	-	-	-	-		

Source: National Statistics Bureau. (Note: An entry of "0.0" indicates a marginal value compared to "-" which indicates no value for that particular item)

TABLE 19. INDIAN WHOLESALE PRICE INDEX OF ALL COMMODITIES

Period	Year											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
	Index											
Jan	178.7	101.0	105.2	112.3	117.3	124.2	134.8	147.4	158.2	170.3	179.1	
Feb	179.8	101.1	105.4	112.4	118.8	122.9	134.8	146.0	159.3	170.2	178.9	
Mar	179.8	101.5	105.5	112.7	121.4	123.2	135.8	148.0	161.0	170.6	179.8	
Apr	97.5	102.8	107.6	114.4	123.5	124.6	138.3	152.1	163.5	171.3	180.2	
May	98.0	102.5	108.5	114.6	124.0	125.5	138.8	152.4	163.9	171.6	181.7	
Jun	98.2	102.9	109.7	114.8	127.3	126.4	139.4	153.1	164.2	172.7	182.6	
Jul	99.2	104.0	110.6	115.6	128.6	127.8	140.6	154.2	165.8	175.5		
Aug	100.6	104.1	111.3	115.9	128.9	129.3	140.7	154.9	166.6	177.5		
Sep	100.5	104.8	112.0	116.0	128.5	129.9	141.5	156.2	168.4	179.7		
Oct	100.7	105.2	112.5	116.3	128.6	130.5	142.4	157.0	168.7	180.7		
Nov	101.5	105.4	112.4	116.7	126.7	132.4	143.1	157.4	168.8	181.5		
Dec	100.5	104.7	112.1	116.6	124.3	132.9	145.4	156.9	168.6	179.2		
	Percentage change on the previous year											
Jan	6.5	(43.5)	4.2	6.7	4.5	5.9	8.5	9.3	7.3	7.6	5.2	
Feb	6.1	(43.8)	4.3	6.6	5.7	3.5	9.7	8.3	9.1	6.8	5.1	
Mar	4.8	(43.5)	3.9	6.8	7.7	1.5	10.2	9.0	8.8	6.0	5.4	
Apr	(43.7)	5.4	4.7	6.3	8.0	0.9	11.0	10.0	7.5	4.8	5.2	
May	(43.5)	4.6	5.9	5.6	8.2	1.2	10.6	9.8	7.5	4.7	5.9	
Jun	(43.4)	4.8	6.6	4.6	10.9	(0.7)	10.3	9.8	7.3	5.2	5.7	
Jul	(42.8)	4.8	6.3	4.5	11.2	(0.6)	10.0	9.7	7.5	5.9		
Aug	(42.1)	3.5	6.9	4.1	11.2	0.3	8.8	10.1	7.6	6.5		
Sep	(42.8)	4.3	6.9	3.6	10.8	1.1	8.9	10.4	7.8	6.7		
Oct	(42.8)	4.5	6.9	3.4	10.6	1.5	9.1	10.3	7.5	7.1		
Nov	(42.6)	3.8	6.6	3.8	8.6	4.5	8.1	10.0	7.2	7.5		
Dec	(43.2)	4.2	7.1	4.0	6.6	6.9	9.4	7.9	7.5	6.3		

Source: Reserve Bank of India. Effective August 2010, the RBI has revised the base year from 1993-04 to 2004-05, creating a break in the continuity and comparison of data. The newly-calculated WPI commences from the month of April 2004 onwards.

TABLE 20A. ANNUAL OVERALL BALANCE OF PAYMENTS ESTIMATES
(Break in series from FY 2006/07: this table features revised series from FY 2006/07 onwards)

Item	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 (revised)	2012/13 (revised)	2013/14 (provisional)
A. CURRENT ACCOUNT										
Goods and Services	(10,487.4)	(1,695.7)	3,707.5	(4,485.5)	(3,631.2)	(14,863.5)	(23,621.4)	(19,774.3)	(27,478.3)	(28,525.5)
Goods: Net (Trade Balance)	(12,852.0)	(6,069.7)	2,190.5	(4,490.7)	(5,547.0)	(15,884.0)	(25,118.5)	(24,630.6)	(25,434.1)	(27,807.0)
Exports (fob)	(11,099.0)	(5,496.7)	3,469.8	(1,836.4)	(3,529.0)	(12,568.3)	(20,835.3)	(19,880.6)	(22,038.3)	(22,426.9)
Imports (fob)	9,457.1	13,959.8	25,333.8	24,170.8	24,343.0	24,480.1	30,160.1	30,997.4	29,931.5	32,880.0
Services	20,556.0	19,456.5	21,863.9	26,007.2	27,872.0	37,048.4	50,995.4	50,878.1	51,969.8	55,306.9
Credit	(1,753.1)	(573.0)	(1,279.3)	(2,654.3)	(2,018.0)	(3,315.8)	(4,283.1)	(4,749.9)	(3,395.8)	(5,380.0)
Debit	1,894.9	2,313.8	2,661.2	2,206.9	2,700.0	3,210.0	3,703.8	5,146.0	6,764.6	8,126.2
Primary Income	3,647.9	2,886.8	3,940.5	4,861.2	4,718.0	6,525.8	7,986.9	9,896.0	10,160.4	13,506.2
Credit	(707.7)	(312.5)	(15.0)	(1,399.3)	(1,560.4)	(3,335.7)	(4,709.7)	(5,922.4)	(9,041.7)	(7,127.6)
Debit	537.2	813.3	1,161.9	1,397.6	1,012.6	762.4	753.6	875.1	965.9	1,164.2
Secondary Income	1,244.9	1,125.8	1,176.9	2,796.9	2,573.0	4,098.1	5,463.3	6,797.5	10,007.6	8,291.8
Credit	3,072.3	4,686.5	1,532.1	1,404.5	3,476.3	4,356.2	6,206.7	10,778.7	6,997.5	6,409.1
o.w. Budgetary grants	5,492.8	7,313.7	3,832.2	3,456.4	5,181.9	6,435.0	8,562.2	12,907.3	8,684.7	7,639.1
Debit	5,033.0	6,424.7	3,299.4	2,574.8	4,001.7	4,669.7	6,540.0	9,020.7	4,716.2	4,162.4
B. CAPITAL ACCOUNT	2,420.5	2,627.2	2,300.1	2,051.8	1,705.6	2,078.8	2,355.5	2,128.6	1,687.1	1,230.0
o.w. Budgetary grants for investment *	4,586.4	1,751.5	3,229.5	3,360.6	3,269.2	6,985.6	7,609.7	4,755.1	14,459.0	16,595.8
C. FINANCIAL ACCOUNT **										
Direct Investment in Bhutan: net incurrence of liabilities	1,973.1	4,095.6	(6,089.8)	(936.8)	(4,613.5)	(8,933.9)	(18,632.7)	(15,467.4)	(19,952.9)	(14,556.7)
o.w. Equity capital	401.5	273.9	6,409.9	125.0	865.8	3,468.6	1,408.8	1,209.7	2,707.8	512.7
Other Investment	-	-	3,185.4	29.9	349.1	753.3	770.5	589.3	2,619.0	611.7
Other Investment: Net Acquisition of Financial Assets	1,571.7	3,821.6	320.1	(811.8)	(3,747.7)	(5,465.3)	(17,223.9)	(14,257.7)	(17,245.1)	(14,044.0)
Other Investment: Net Incurrence of Financial Liabilities										
o.w. RGOB loans ***			821.7	512.6	(396.4)	57.9	(147.6)	45.8	955.1	(272.5)
o.w. Other loans	2,939.4	3,474.7	501.6	1,324.4	3,351.4	5,523.2	17,076.3	14,303.5	18,200.1	13,771.6
D. Net Errors & Omissions	89.2	347.0	(37.8)	(638.8)	1,318.1	4,359.0	11,974.7	11,435.1	18,447.1	18,993.6
E. Overall Balance	3,009.3	1,057.7	(7,605.6)	876.8	2,321.1	3,354.0	(1,823.4)	(9,516.7)	2,278.6	3,441.7
F. Reserve Assets	(918.6)	5,209.1	5,421.2	688.6	6,572.6	4,410.0	797.5	(9,068.4)	9,212.2	6,068.8
	(918.6)	5,209.1	5,421.2	688.6	6,572.6	4,410.0	797.5	(9,068.4)	9,212.2	6,068.8

* Segregation of budgetary grants into Secondary Income and Capital Transfers carried out from FY 2006/07 onwards. ** Net acquisition of financial assets minus net incurrence of financial liabilities; (+) figure denotes net lending and (-) figure denotes net borrowing. Excludes reserve assets. *** Includes hydropower loans and accrued interest. Note on general sign convention: (+) = increase in assets or under the IMF-JSA project to improve external sector statistics in the Asia-Pacific region and also includes other improvements in data coverage and classifications that were carried out in 2013. Please refer to Section I Economic Review 3. External Sector for details.

TABLE 20B. QUARTERLY OVERALL BALANCE OF PAYMENTS ESTIMATES

Item	FY11/12: (revised in December 2014)				FY12/13: (revised in December 2014)				FY13/14: (revised in Dec 2014)				FY13/14: (provisional)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
A. CURRENT ACCOUNT													
Goods and Services	89.1	(2,875.2)	(9,367.7)	(7,620.4)	(2,378.6)	(10,968.1)	(8,912.3)	(5,219.4)	(4,585.8)	(5,188.9)	(9,715.4)	(9,035.5)	
Goods: Net (Trade Balance)	(1,837.4)	(4,940.2)	(9,363.4)	(8,499.6)	(1,658.5)	(8,335.1)	(8,759.3)	(6,681.2)	(3,409.4)	(5,767.7)	(9,036.3)	(9,593.5)	
Exports (fob)	(724.8)	(4,181.9)	(7,695.3)	(7,278.6)	(1,330.9)	(7,356.1)	(7,793.0)	(5,558.3)	(2,601.0)	(5,777.6)	(7,495.2)	(6,553.2)	
Imports (fob)	10,869.0	8,082.6	5,740.2	6,305.7	10,487.0	6,476.6	5,303.6	7,664.3	10,783.3	7,738.8	6,197.4	8,160.5	
Services	11,593.8	12,264.5	13,435.5	13,584.2	11,817.8	13,832.7	13,096.6	13,222.5	13,384.2	13,516.3	13,692.6	14,713.8	
Credit	(1,112.6)	(758.3)	(1,658.1)	(1,221.0)	(327.6)	(979.0)	(966.3)	(1,123.0)	(808.5)	9.9	(1,541.1)	(3,040.3)	
Debit	1,033.3	1,636.5	1,195.1	1,281.1	1,544.4	2,038.7	1,404.2	1,777.3	1,779.9	2,768.5	1,293.1	2,284.6	
Primary Income	2,145.9	2,394.7	2,853.2	2,502.1	1,872.1	3,017.7	2,370.5	2,900.2	2,588.4	2,758.6	2,834.3	5,324.9	
Credit	(776.4)	(841.9)	(2,561.6)	(1,742.4)	(1,679.4)	(3,529.5)	(1,326.2)	(2,506.6)	(2,043.5)	(1,359.9)	(1,298.4)	(2,425.8)	
Debit	198.6	259.4	191.4	225.8	236.9	245.6	238.5	244.8	258.9	317.8	265.4	322.1	
Secondary Income	975.0	1,101.3	2,753.0	1,968.1	1,916.3	3,775.2	1,564.7	2,751.4	2,302.4	1,677.7	1,563.8	2,747.9	
Credit	2,702.9	2,906.9	2,547.4	2,621.5	959.3	896.5	1,173.2	3,968.4	867.2	1,938.7	619.3	2,983.8	
Debit	3,242.9	3,385.6	3,133.7	3,145.1	1,528.4	1,440.6	1,360.1	4,355.6	1,288.8	2,251.9	783.1	3,315.3	
o.w. Budgetary grants	2,255.2	2,255.2	2,255.2	2,255.2	1,179.0	1,179.0	1,179.0	1,179.0	976.3	1,732.8	507.0	946.4	
Debit	540.0	478.7	586.4	523.6	569.0	544.0	186.9	387.2	421.6	313.1	163.8	331.4	
B. CAPITAL ACCOUNT													
o.w. Budgetary grants for investment	859.1	1,537.9	1,498.9	859.1	1,720.3	1,174.7	5,174.7	6,389.4	1,743.2	4,270.1	4,569.2	6,013.2	
C. FINANCIAL ACCOUNT *													
Direct Investment in Bhutan	(2,279.8)	5,738.4	(9,909.0)	(9,017.0)	(8,591.7)	(8,258.5)	(3,525.1)	422.5	3,026.6	(4,192.2)	(6,828.4)	(6,562.6)	
o.w. Equity capital	356.6	339.3	306.1	207.7	130.6	1,979.0	302.9	295.3	162.3	43.4	111.8	195.2	
Other Investment	143.9	201.7	144.1	99.6	130.6	1,933.1	302.9	252.5	162.0	142.7	111.8	195.2	
Other Investment: Net Acquisition of Financial Assets	(1,923.2)	6,077.7	(9,602.9)	(8,809.3)	(8,461.1)	(6,279.5)	(3,222.2)	717.8	3,188.9	(4,148.8)	(6,716.6)	(6,367.5)	
Other Investment: Net Incurrence of Financial Liabilities	864.9	439.1	(101.8)	(1,156.3)	2,652.7	(3,496.0)	(183.7)	1,982.0	431.3	(1,951.8)	88.7	1,159.3	
o.w. RGOB loans **	2,788.1	(5,638.7)	9,501.1	7,653.0	11,113.8	2,783.6	3,038.5	1,264.2	(2,757.6)	2,197.0	6,805.4	7,526.8	
o.w. Other loans	492.8	1,513.4	2,511.5	6,917.4	6,386.7	1,549.2	2,074.2	8,437.0	3,651.6	1,500.0	6,049.0	7,793.0	
D. Net Errors & Omissions	1,986.2	(7,188.0)	7,159.6	993.0	4,543.7	1,749.1	1,171.4	(7,262.8)	(5,481.3)	(146.1)	(71.4)	(71.4)	
E. Overall Balance	5,800.3	(5,201.2)	(7,736.0)	(2,379.9)	(5,834.9)	6,195.6	240.1	1,677.8	1,249.3	1,028.5	1,316.9	(152.9)	
F. Reserve Assets	9,028.4	(12,276.9)	(5,695.8)	(124.1)	2,098.5	4,660.7	27.6	2,425.4	(4,619.9)	4,302.0	2,999.2	3,387.4	
F. Reserve Assets	9,028.4	(12,276.9)	(5,695.8)	(124.1)	2,098.5	4,660.7	27.6	2,425.4	(4,619.9)	4,302.0	2,999.2	3,387.4	

* Net acquisition of financial assets minus net incurrence of financial liabilities; (+) figure denotes net lending and (-) figure denotes net borrowing; Excludes reserve assets. ** Includes hydropower loans and accrued interest. Note on general sign convention: (+) = increase in assets or liabilities; (-) = decrease in assets or liabilities. Note on quarterly breakdowns: where quarterly breakdowns of data are currently unavailable from source, fiscal year data have been divided among the quarters and may explain the large variations in the net errors and omissions within a fiscal year.

TABLE 21A. ANNUAL BALANCE OF PAYMENTS ESTIMATES WITH INDIA
(Break in series from FY 2006/07: this table features revised series from FY 2006/07 onwards)

Item	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 (revised)	2012/13 (revised)	2013/14 (provisional)
Ngultrum in Million										
A. CURRENT ACCOUNT	-5,253.9	-2,344.6	3,248.2	-3,497.7	-3,554.4	-9,211.2	-18,171.5	-15,685.8	-26,375.4	-26,808.7
Goods and Services	-6,211.8	-4,824.8	3,244.0	-2,453.1	-2,834.8	-8,372.5	-18,203.4	-16,426.7	-21,105.0	-22,894.2
Goods: Net (Trade Balance)	-3,601.2	-3,170.7	4,447.6	-27.8	-593.2	-5,855.3	-15,160.0	-12,795.1	-17,218.5	-17,607.4
Exports (fob)	8,661.1	10,610.5	20,911.0	21,721.8	22,936.0	22,461.9	25,460.6	27,546.8	27,559.3	29,909.8
Imports (fob)	12,262.3	13,781.1	16,463.4	21,749.7	23,529.2	28,317.2	40,620.6	40,342.0	44,777.8	47,517.3
Services	-2,610.6	-1,654.1	-1,203.6	-2,425.2	-2,241.7	-2,517.2	-3,043.4	-3,631.6	-3,886.5	-5,286.8
Credit	253.9	443.9	455.9	416.5	422.7	433.0	559.7	688.8	1,493.5	1,829.3
Debit	2,864.6	2,098.0	1,659.5	2,841.8	2,664.4	2,950.2	3,603.1	4,320.4	5,380.0	7,116.1
Primary Income	-938.3	-701.0	-642.0	-1,882.7	-2,380.4	-3,627.7	-5,051.2	-6,398.2	-8,597.7	-7,314.1
Credit	181.5	255.0	112.5	270.9	72.5	18.8	83.4	6.9	4.3	390.3
Debit	1,119.8	955.9	754.5	2,153.5	2,452.8	3,646.5	5,134.6	6,405.1	8,602.0	7,704.4
o.w. interest on hydropower loans *			209.6	1,519.0	1,608.5	1,996.6	2,504.4	3,477.2	4,906.0	5,050.9
Secondary Income	1,896.2	3,181.2	646.2	838.1	1,660.9	2,789.0	5,083.2	7,139.1	3,327.3	3,399.6
Credit	2,958.7	4,186.9	1,781.6	2,082.9	2,984.0	4,128.2	6,572.8	8,762.8	4,708.0	4,473.9
o.w. Budgetary grants	2,628.0	3,417.2	1,386.6	1,347.5	2,042.1	3,007.6	5,129.5	6,180.9	1,513.7	2,175.7
Debit	1,062.6	1,005.7	1,135.4	1,244.8	1,323.1	1,339.2	1,489.6	1,623.7	1,380.7	1,074.3
B. CAPITAL ACCOUNT	4,586.4	1,751.5	3,165.6	3,323.6	3,111.5	6,541.4	6,405.3	4,141.2	11,780.8	16,417.9
o.w. Budgetary grants for investment **			2,637.7	3,323.6	2,352.8	3,476.4	2,753.3	2,822.6	2,020.4	7,057.7
o.w. Grants for hydropower development	4,161.6	1,306.0	528.0	0.0	758.7	3,065.0	3,652.0	1,318.6	9,760.4	9,360.2
C. FINANCIAL ACCOUNT ***	1,853.1	2,324.8	1,064.6	-392.6	-3,178.7	-2,367.4	-13,063.0	-12,520.3	-14,470.8	-11,188.2
Direct Investment in Bhutan: net incurrence of liabilities			31.3	33.0	92.7	354.0	359.7	334.4	759.1	153.6
o.w. Equity capital	0.0	0.0	0.0	0.0	52.0	201.0	211.9	260.6	725.3	148.9
Other Investment	1,853.1	2,324.8	1,095.9	-359.6	-3,086.0	-2,013.4	-12,703.3	-12,186.0	-13,711.7	-11,034.6
Other Investment: net acquisition of financial assets			821.7	500.4	-447.7	113.0	-168.3	-114.7	766.5	-605.7
Other Investment: net incurrence of financial liabilities	1,853.1	2,324.8	-274.2	860.0	2,638.3	2,126.5	12,535.0	12,071.2	14,478.2	10,428.9
o.w. Hydropower loans *	0.0	0.0	-274.2	-1,171.2	274.1	1,293.2	7,376.8	9,878.4	14,790.8	16,347.5
o.w. Other loans	-1,970.1	-2,182.3	-7,707.3	-44.7	-2,966.0	1,052.9	-1,900.8	-234.0	336.8	-5,698.5
D. Net Errors & Omissions	-784.6	-450.6	-2,358.1	173.8	-230.1	750.5	-604.0	741.7	9,836.0	-1,234.5
F. Reserve Assets	-784.6	-450.6	-2,358.1	173.8	-230.1	750.5	-604.0	741.7	9,836.0	-1,234.5

* Includes accrued interest (from FY 2006/07 onwards), and are therefore not comparable with figures published by the Ministry of Finance. ** Segregation of budgetary grants into Secondary Income and Capital Transfers carried out from FY 2006/07 onwards. *** Net acquisition of financial assets minus net incurrence of financial liabilities; (+) figure denotes net lending and (-) figure denotes net borrowing; Excludes reserve assets. Note on general sign convention: (+) = increase in assets or liabilities; (-) = decrease in assets or liabilities.

The Net Errors and Omissions figure in FY 2012/13 can be largely attributed to the sale of USD 200 million for Indian Rupees in the fiscal year. Since the re-composition of reserves between the US dollar and the Rupee took place at the end of the fiscal year and a majority of the sales proceeds were not immediately used to meet payment obligations, Indian Rupee reserves registered a huge

Launched for the first time in FY 2012/13, Bhutan's BOP statistics have been revised in line with IMF BPM6 methodology (from FY 2006/07 onwards), replacing BPM5 methodology. Revisions were made under the IMF-JSA project to improve external sector statistics in the Asia-Pacific region and also includes other improvements in data coverage and classifications that were carried out in 2013. Please refer to Section I Economic Review 3. External Sector for details.

TABLE 21B: QUARTERLY BALANCE OF PAYMENTS ESTIMATES WITH INDIA

Ngultrum in Million

Item	FY11/12: FY11/12: (revised in December 2014)		FY12/13: FY12/13: (revised in December 2014)		FY13/14: FY13/14: (revised in Dec 2014)		FY13/14: Q4 (provisional)	
	Q1	Q2	Q3	Q4	Q1	Q2		Q3
A. CURRENT ACCOUNT	877.5	-2,977.8	-7,674.2	-5,911.4	-2,532.3	-9,243.3	-9,564.6	-5,035.4
Goods and Services	28.7	-3,792.5	-6,741.8	-5,921.2	-694.5	-6,519.7	-8,378.1	-5,512.8
Goods: Net (Trade Balance)	721.8	-2,953.1	-5,463.3	-5,100.5	-164.0	-5,750.6	-7,190.5	-4,113.5
Exports (fob)	9,620.7	6,707.8	5,171.3	6,047.0	10,089.1	5,909.3	4,365.7	7,195.1
Imports (fob)	8,899.0	9,660.9	10,634.7	11,147.5	10,253.1	11,659.9	11,556.2	11,308.6
Services	-693.1	-839.4	-1,278.4	-820.7	-530.5	-769.0	-1,187.7	-1,399.3
Credit	244.4	121.5	133.1	189.9	438.4	422.4	234.7	397.9
Debit	937.4	960.8	1,411.5	1,010.6	969.0	1,191.4	1,422.4	1,797.2
Primary Income	-920.1	-1,042.1	-2,663.0	-1,773.0	-1,826.6	-2,678.5	-1,470.8	-2,621.7
Credit	0.0	6.9	0.0	0.0	0.0	0.0	0.0	4.3
Debit	920.1	1,049.0	2,663.0	1,773.0	1,826.6	2,678.5	1,470.8	2,626.0
o.w. Interest on hydropower loans *	449.5	432.1	1,894.6	700.9	801.8	1,815.3	816.9	1,472.1
Secondary Income	1,769.0	1,856.8	1,730.6	1,782.8	-11.2	-45.1	284.4	3,099.1
Credit	2,193.4	2,231.0	2,181.6	2,156.8	462.2	408.2	405.6	3,431.9
o.w. Budgetary grants	1,545.2	1,545.2	1,545.2	1,545.2	378.4	378.4	378.4	378.4
Debit	424.5	374.2	451.1	374.0	473.4	453.3	121.2	332.8
B. CAPITAL ACCOUNT	705.6	1,384.4	1,345.4	705.6	1,050.7	505.1	4,505.1	5,719.9
o.w. Budgetary grants for investment	705.6	705.6	705.6	705.6	505.1	505.1	505.1	505.1
o.w. Grants for hydropower development	0.0	678.8	639.8	0.0	545.6	0.0	4,000.0	5,214.8
C. FINANCIAL ACCOUNT **	-1,422.2	6,001.7	-8,839.6	-8,260.2	-8,084.2	-4,600.7	-2,708.2	922.3
Direct Investment in Bhutan: net incurrence of liabilities	28.8	93.2	109.9	102.5	73.6	343.7	197.7	144.1
o.w. Equity capital	0.0	65.1	119.0	76.5	73.6	319.8	197.7	134.2
Other Investment	-1,393.4	6,094.9	-8,729.7	-8,157.7	-8,010.6	-4,257.0	-2,510.5	1,066.3
Other Investment: net acquisition of financial assets	844.1	411.9	-67.9	-1,302.9	2,645.9	-3,532.2	-171.4	1,824.1
Other Investment: net incurrence of financial liabilities	2,237.5	-5,683.0	8,661.8	6,854.9	10,656.5	724.8	2,339.1	757.8
o.w. Hydropower loans *	255.3	1,398.1	2,009.4	6,215.5	5,883.6	-509.7	1,526.7	7,890.2
o.w. Other loans	1,986.2	-7,128.0	7,159.6	1,056.2	4,549.3	1,813.3	1,171.4	-7,197.2
D. Net Errors & Omissions	-3,507.6	8,387.5	-2,493.1	-2,620.8	-5,746.0	3,130.6	3,218.6	9,356.6
E. Overall Balance	-502.2	792.5	17.8	433.7	856.6	-1,006.8	867.3	9,118.8
F. Reserve Assets	-502.2	792.5	17.8	433.7	856.6	-1,006.8	867.3	9,118.8

* Includes accrued interest (from FY 2006/07 onwards), and are therefore not comparable with figures published by the Ministry of Finance. ** Net acquisition of financial assets minus net incurrence of financial liabilities; (+) figure denotes net lending and (-) figure denotes net borrowing; Excludes reserve assets. Note on general sign convention: (+) = Increase in assets or liabilities; (-) = Decrease in assets or liabilities.

Note on quarterly breakdowns: where quarterly breakdowns of data were unavailable from source, fiscal year data was divided among the quarters and may explain the large variations in the net errors and omission within a fiscal year.

TABLE 22A. ANNUAL BALANCE OF PAYMENTS ESTIMATES WITH COUNTRIES OTHER THAN INDIA
(Break in series from FY 2006/07: this table features revised series from FY 2006/07 onwards)

Item	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12 (revised)	2012/13 (revised)	2013/14 (provisional)
A. CURRENT ACCOUNT										
Goods and Services	-5,233.5	648.8	459.4	-987.9	-76.8	-5,652.3	-5,449.9	-4,088.4	-1,102.9	-1,716.8
Goods: Net (Trade Balance)	-6,640.2	-1,245.0	-1,053.5	-2,037.7	-2,712.2	-7,511.5	-6,915.0	-8,203.8	-4,329.1	-4,912.8
Exports (fob)	-7,497.8	-2,326.1	-977.8	-1,808.6	-2,935.8	-6,713.0	-5,675.3	-7,085.5	-4,819.8	-4,819.5
Imports (fob)	795.9	3,349.3	4,422.8	2,449.0	1,406.9	2,018.2	4,699.5	3,450.6	2,372.2	2,970.1
Services	8,293.7	5,675.4	5,400.5	4,257.6	4,342.7	8,731.2	10,374.8	10,536.1	7,192.0	7,789.7
Credit	857.6	1,081.1	-75.7	-229.1	223.7	-798.6	-1,239.7	-1,118.4	490.7	-93.2
Debit	1,641.0	1,869.9	2,205.3	1,790.4	2,277.3	2,777.0	3,144.1	4,457.3	5,271.1	6,296.8
Primary Income										
Credit	783.4	788.8	2,281.0	2,019.4	2,053.6	3,575.6	4,383.8	5,575.6	4,780.5	6,390.1
Debit	230.6	388.5	627.0	483.3	819.9	292.0	341.5	475.8	444.1	186.5
Secondary Income										
Credit	355.7	558.3	1,049.4	1,126.7	940.1	743.6	670.2	868.2	961.6	773.8
Debit	125.1	169.8	422.4	643.4	120.2	451.6	328.7	392.4	1,405.6	587.4
Other Investment										
Credit	1,176.1	1,505.3	885.9	566.5	1,815.4	1,567.2	1,123.6	3,639.6	3,670.3	3,009.5
Debit	2,534.0	3,126.9	2,050.6	1,373.5	2,197.9	2,306.8	1,989.5	4,144.5	3,976.7	3,165.2
B. CAPITAL ACCOUNT										
o.w. Budgetary grants	2,405.0	3,007.5	1,912.7	1,227.3	1,959.7	1,662.1	1,410.6	2,839.9	3,202.4	1,986.7
Debit	1,357.9	1,621.5	1,164.7	807.0	382.5	739.6	865.9	504.9	306.4	155.7
C. FINANCIAL ACCOUNT										
o.w. Budgetary grants for investment*	0.0	0.0	63.9	37.0	157.8	444.1	1,204.4	614.0	2,678.2	178.0
Debit	120.0	1,770.8	-7,154.4	-544.2	-1,434.8	-6,566.5	-5,569.7	-2,947.1	-5,482.1	-3,368.5
Direct Investment in Bhutan: net incurrence of liabilities	401.5	273.9	6,378.5	92.0	773.1	3,114.6	1,049.1	875.3	1,948.7	359.0
o.w. Equity capital			3,185.4	29.9	297.1	552.3	558.7	328.8	1,893.8	462.8
Other Investment	-281.5	1,496.8	-775.8	-452.1	-661.7	-3,451.9	-4,520.6	-2,071.7	-3,533.4	-3,009.4
Other Investment: net acquisition of financial assets***				12.3	51.3	-55.2	20.7	160.5	188.6	333.3
Other Investment: net incurrence of financial liabilities				464.4	713.0	3,396.7	4,541.3	2,232.3	3,722.0	3,342.7
o.w. RGOB loans	1,086.2	1,149.9	813.6	532.4	1,043.9	3,065.8	4,597.9	1,556.7	3,656.3	2,646.2
o.w. Other loans	89.2	347.0	-37.8	-72.3	-40.5	-99.4	-154.5	-123.3	-135.3	-71.8
D. Net Errors & Omissions	4,979.4	3,240.1	101.7	921.5	5,287.0	2,301.1	77.4	-9,282.7	-7,681.2	5,473.6
E. Overall Balance	-134.1	5,659.7	7,779.3	514.8	6,802.8	3,659.5	1,401.5	-9,810.1	-623.8	7,303.3
F. Reserve Assets	-134.1	5,659.7	7,779.3	514.8	6,802.8	3,659.5	1,401.5	-9,810.1	-623.8	7,303.3

* Segregation of budgetary grants into Secondary Income and Capital Transfers carried out from FY 2006/07 onwards. ** Net acquisition of financial assets minus net incurrence of financial liabilities; (+) figure denotes net lending and (-) figure denotes net borrowing. Excludes reserve assets. Note on general sign convention: (+) = increase in assets or liabilities; (-) = decrease in assets or liabilities. *** Data currently compiled from FY 2007/08.

The Net Errors & Omissions figures in FY 2011/12 and FY 2012/13 can be largely attributed to the sale of US dollar reserves for Indian Rupees in the two fiscal years for around USD 200 million each. The counter entry for the subsequent decrease in dollar reserves are in the BOP with India statement and therefore contribute to the large and negative NEO for the BOP with COTI. Please refer to Section I Economic Review 3. External Sector for details.

Launched for the first time in FY 2012/13, Bhutan's BOP statistics have been revised in line with IMF BPM6 methodology (from FY 2006/07 onwards), replacing BPM5 methodology. Revisions were made under the IMF-JSA project to improve external sector statistics in the Asia-Pacific region and also includes other improvements in data coverage and classifications that were carried out in 2013. Please refer to Section I Economic Review 3. External Sector for details.

TABLE 22B. QUARTERLY BALANCE OF PAYMENTS ESTIMATES WITH COUNTRIES OTHER THAN INDIA

Ngultrum in Million

Item	FY11/12		FY11/12		FY12/13		FY12/13		FY13/14		FY13/14		FY13/14:
	: Q1	: Q2	: Q3	: Q4	: Q1	: Q2	: Q3	: Q4	: Q1	: Q2	: Q3	: Q4	(provisional)
	(revised in December 2014)				(revised in December 2014)				(revised in Dec 2014)				
A. CURRENT ACCOUNT	-788.4	102.6	-1,693.5	-1,709.1	153.7	-1,724.8	652.3	-184.1	-914.7	482.2	-269.6	-1,014.7	
Goods and Services	-1,866.1	-1,147.7	-2,611.7	-2,578.4	-964.0	-1,815.4	-381.1	-1,169.5	-1,826.1	-531.0	-929.9	-1,625.7	
Goods: Net (Trade Balance)	-1,446.6	-1,228.8	-2,232.0	-2,178.1	-1,166.9	-1,605.5	-602.5	-1,444.8	-1,673.3	-1,384.7	-795.7	-965.8	
Exports (fob)	1,248.2	1,374.8	568.9	258.7	397.8	567.4	937.9	469.1	852.6	614.2	668.4	834.9	
Imports (fob)	2,694.8	2,603.6	2,800.9	2,436.8	1,564.8	2,172.8	1,540.4	1,914.0	2,526.0	1,998.9	1,464.1	1,800.7	
Services	-419.5	81.1	-379.7	-400.2	202.9	-209.9	221.4	276.3	-152.8	853.6	-134.2	-659.9	
Credit	789.0	1,515.0	1,062.0	1,091.3	1,106.0	1,616.3	1,169.5	1,379.4	1,345.1	2,383.7	950.8	1,617.3	
Debit	1,208.5	1,433.9	1,441.7	1,491.5	903.1	1,826.3	948.1	1,103.0	1,497.9	1,530.0	1,085.0	2,277.2	
Primary Income					147.2	-851.0	144.6	115.1	40.3	39.8	71.2	35.2	
Credit	198.6	252.5	191.4	225.8	236.9	245.6	238.5	240.5	149.8	244.4	183.7	195.9	
Debit	54.9	52.3	90.0	195.2	89.7	1,096.6	93.9	125.4	109.5	204.6	112.6	160.7	
Secondary Income					933.9	1,050.1	816.8	838.7	871.0	973.5	589.1	575.9	
Credit	1,049.4	1,154.6	952.1	988.4	1,066.1	1,032.4	954.5	923.7	921.7	1,021.2	617.1	605.2	
o.w. Budgetary grants	710.0	710.0	710.0	710.0	800.6	800.6	800.6	800.6	626.3	682.8	358.1	319.5	
Debit	115.5	104.4	135.3	149.7	95.6	90.8	65.7	54.4	50.7	47.8	27.9	29.3	
B. CAPITAL ACCOUNT	153.5	153.5	153.5	153.5	669.6	669.6	669.6	669.6	63.3	61.7	10.5	42.5	
o.w. Budgetary grants for investment	153.5	153.5	153.5	153.5	669.6	669.6	669.6	669.6	63.3	61.7	10.5	42.5	
C. FINANCIAL ACCOUNT *	-857.6	-263.3	-1,069.4	-756.8	-507.6	-3,657.8	-816.9	-499.8	1,089.4	-1,911.3	-1,787.4	-759.1	
Direct Investment in Bhutan: net incurrence of liabilities	327.8	246.2	196.2	105.2	57.0	1,635.2	105.2	151.3	27.6	33.7	108.4	189.3	
o.w. Equity capital	143.9	136.6	25.2	23.1	57.0	1,613.3	105.2	118.3	27.3	137.8	108.4	189.3	
Other Investment	-529.8	-17.1	-873.2	-651.6	-450.6	-2,022.6	-711.7	-348.5	1,117.0	-1,877.6	-1,678.9	-569.9	
Other Investment: net acquisition of financial assets	20.7	27.2	-33.9	146.6	6.8	36.2	-12.3	157.9	320.9	-199.0	176.3	35.1	
Other Investment: net incurrence of financial liabilities	550.5	44.3	839.3	798.2	457.3	2,058.8	699.4	506.4	-796.1	1,678.6	1,855.2	605.0	
o.w. RGOB loans	237.5	115.3	502.1	701.9	503.0	2,059.0	547.5	546.8	77.1	786.5	1,051.8	730.7	
o.w. Other loans	0.0	-60.0	0.0	-63.2	-5.5	-64.2	0.0	-65.6	0.0	-71.8	0.0	0.0	
D. Net Errors & Omissions	9,307.9	-13,588.7	-5,242.9	241.0	-89.0	3,065.0	-2,978.5	-7,678.7	4,372.8	-13.0	2,098.9	-985.1	
E. Overall Balance	9,530.6	-13,069.3	-5,713.5	-557.8	1,241.9	5,667.5	-839.7	-6,693.4	2,431.9	2,442.3	3,627.2	-1,198.1	
F. Reserve Assets	9,530.6	-13,069.3	-5,713.5	-557.8	1,241.9	5,667.5	-839.7	-6,693.4	2,431.9	2,442.3	3,627.2	-1,198.1	

* Net acquisition of financial assets minus net incurrence of financial liabilities; (+) figure denotes net lending and (-) figure denotes net borrowing; Excludes reserve assets. ** Includes accrued interest (from FY 2006/07 onwards), and therefore are not comparable with figures published by the Ministry of Finance. Note on general sign convention: (+) = increase in assets or liabilities; (-) = decrease in assets or liabilities.

Note on quarterly breakdowns: where quarterly breakdowns of data were unavailable from source, fiscal year data was divided among the quarters and may explain the large variations in the net errors and omission within a fiscal year.

TABLE 23. GROSS INTERNATIONAL RESERVES (*)

End of Period	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
1. Rupee Reserves (INR millions)	3578.3	3127.7	769.6	858.2	628.1	1378.6	774.6	1516.3	11352.2	10134.7
Royal Monetary Authority of Bhutan	2069.7	1507.4	136.3	135.1	118.4	137.3	91.2	229.9	10706.4	9494.5
Bank of Bhutan Limited	1079.4	938.9	387.4	435.8	373.0	923.0	329.4	857.3	229.8	447.9
Bhutan National Bank Limited	429.1	681.4	245.9	287.3	136.7	196.3	99.5	171.8	56.5	61.9
T Bank Limited	-	-	-	-	-	50.0	39.8	53.3	115.7	74.9
Druk PNB Limited	-	-	-	-	-	72.1	214.7	204.1	243.8	55.5
2. Convertible Currency Reserves (USD millions)	281.3	418.5	589.5	527.2	662.2	730.7	778.9	647.4	726.7	829.3
Royal Monetary Authority of Bhutan ⁽¹⁾	250.5	372.3	510.7	503.9	637.5	699.3	731.8	623.6	692.7	789.1
Bank of Bhutan Limited	21.0	29.6	47.3	11.2	7.6	15.4	35.1	9.0	21.6	22.7
Bhutan National Bank Limited	9.9	16.5	31.5	12.1	17.0	15.8	10.0	14.2	10.6	14.8
T Bank Limited	-	-	-	-	-	0.0	0.2	0.1	0.1	0.1
Druk PNB Limited	-	-	-	-	-	0.2	1.7	0.5	1.7	2.5
3. Total reserves in USD millions (1+2)	363.6	486.3	608.4	547.1	675.2	759.5	796.2	674.3	916.9	997.9
4. Exchange rates used	43.51	46.08	40.75	42.95	48.51	47.87	44.72	56.31	59.70	60.09
5. Months of Merchandise Imports ⁽²⁾										
Total Reserves	9.2	13.8	13.6	10.8	14.1	11.8	8.4	9.0	12.6	13.0
Rupee Reserves	3.5	2.7	0.6	0.5	0.3	0.6	0.2	0.5	3.0	2.6
Convertible Currency Reserves	17.7	40.8	53.4	63.8	88.8	48.1	40.3	41.5	72.4	76.8
6. Months of Imports (Merchandise + Services)										
Total Reserves	7.8	12.0	11.5	9.1	12.1	10.0	7.2	7.5	10.6	10.5
Rupee Reserves	2.8	2.4	0.5	0.4	0.3	0.5	0.2	0.4	2.7	2.2
Convertible Currency Reserves	16.2	35.8	37.5	43.3	60.3	34.1	28.3	27.1	43.5	42.2

(*) Excludes cash in hand of commercial banks.

(1) Convertible currency reserves of RMA have been revised in 2013 to exclude the US dollar pledge on any outstanding overdraft as of each reference period. Reserves also exclude (from July 2007 onwards) the local currency component of Bhutan's IMF Quota and the Kuwait Fund Investment; (2) Imports on fob basis. Figures differ from previous publications due to revision in import figures of 2013/14. Data for 2013/14 onwards are based on provisional import figures for 2013/14 and are subject to change.

TABLE 24A. COMPOSITION OF IMPORTS FROM INDIA

Ngultrum in Million

SI	IMPORT CATEGORY	2007	2008	2009	2010	2011	2012	2013	Share of Total in (2013)	% change over 2012
1	Live Animals & Animal Products	682.5	776.4	984.9	1,180.6	1,299.6	1,995.0	2,331.1	5.3	16.8
2	Vegetables, Fruits, Nuts, Coffee, Tea, Spices, Cereals, Grains & Seeds	976.7	1,121.5	1,290.3	1,523.4	1,840.3	2,748.5	3,260.9	7.5	18.6
3	Animal or Vegetable Fats & Oils	365.2	480.7	407.7	489.9	661.9	906.3	978.4	2.2	8.0
4	Processed Foods & Beverages	763.1	822.5	1,009.8	1,213.0	1,477.7	1,707.0	1,812.4	4.2	6.2
5	Mineral Products inc. oils & fuels	3,790.4	4,933.5	4,996.8	7,263.4	8,796.0	11,625.1	12,848.2	29.4	10.5
6	Products of Chemical & Allied Industries	626.8	750.9	821.2	1,081.2	1,358.3	1,850.1	1,885.0	4.3	1.9
6.1	<i>Medicine / Pharmaceutical Products</i>	92.3	132.7	131.4	108.4	141.4	276.2	200.3	0.5	(27.5)
7	Plastic & Rubber Products	473.8	458.7	557.5	794.8	1,105.8	1,561.8	1,627.8	3.7	4.2
8	Wood and Wood pulp products	561.5	823.2	1,126.5	1,375.4	1,879.0	1,940.7	1,911.9	4.4	(1.5)
8.1	<i>Wood and Wood Products</i>	272.8	516.5	684.8	869.0	1,276.0	1,242.9	1,200.0	2.7	(3.4)
8.2	<i>Wood Pulp Products</i>	288.7	306.7	441.8	506.4	603.0	697.8	711.8	1.6	2.0
9	Textiles, Footwear & Hats/Headgear	251.0	251.7	286.9	368.2	418.8	750.8	738.6	1.7	(1.6)
10	Articles of Stone, Plaster, Cement, Asbestos,	317.4	305.7	356.2	500.0	727.3	967.8	926.0	2.1	(4.3)
10.1	<i>Ceramic Products</i>	129.5	111.3	142.3	224.7	350.4	439.9	340.9	0.8	(22.5)
11	Pearls and Products of Precious/Semi-precious Metal & Stones	760.9	0.7	1.4	0.6	1.0	0.7	16.2	0.0	2,328.1
12	Base Metals and Articles of Base Metal	1,955.0	2,948.3	3,270.8	5,431.8	6,181.6	8,930.6	7,535.0	17.3	(15.6)
13	Machinery, Mechanical/Electrical Appliances & Equipment and Parts	2,270.3	2,066.6	2,420.1	4,698.7	4,499.3	4,501.7	6,550.7	15.0	45.5
13.1	<i>Magnetic Discs & Media</i>	4.7	2.5	22.1	13.4	15.1	24.3	-	-	(100.0)
14	Transport Vehicles & Aircraft and Engines & Parts	1,060.1	1,322.0	1,953.2	2,964.1	4,409.4	1,766.9	625.5	1.4	(64.6)
15	Optical, Photographic, Cinematographic & Measuring Equipment	101.9	131.1	162.1	129.4	271.8	209.4	256.3	0.6	22.4
16	Handicrafts, Works of Art, Collectors' Pieces & Personal Effects	0.1	0.0	0.0	0.7	0.0	0.2	0.0	0.0	(82.7)
17	Miscellaneous Manufactured Products	143.0	146.2	195.2	313.7	263.1	363.0	362.5	0.8	(0.1)
	TOTAL	15,099.5	17,339.5	19,840.8	29,329.1	35,190.8	41,825.6	43,666.4	100.0	4.4

TABLE 24B. COMPOSITION OF EXPORTS TO INDIA

Ngultrum in Million

SI	EXPORT CATEGORY	2007	2008	2009	2010	2011	2012	2013	Share of Total in (2012)	% change over 2012
1	Live Animals & Animal Products	13.4	0.2	4.9	2.7	0.2	5.8	2.5	0.0	(55.8)
1.1	Raw/Hides & Skins	0.6	0.1	-	-	-	-	-	-	-
2	Vegetables, Fruits, Nuts, Coffee, Tea, Spices, Cereals, Grains & Seeds	307.1	241.7	606.7	452.7	595.3	783.2	976.7	3.4	24.7
2.1	Potatoes	149.9	119.8	401.9	197.3	250.7	309.2	360.1	1.2	16.5
3	Animal or Vegetable Fats & Oils	1,875.3	605.3	3.9	13.4	23.8	7.5	2.9	0.0	(60.7)
3.1	Palm Oil	481.6	-	0.1	-	0.1	0.2	-	-	(100.0)
4	Processed Foods & Beverages	368.0	276.3	318.9	317.5	406.5	441.2	578.9	2.0	31.2
5	Mineral Products inc. oils & fuels	1,809.1	2,161.6	2,519.0	2,782.4	2,573.2	2,931.0	3,308.9	11.4	12.9
6	Electricity	10,034.3	11,032.6	10,072.5	10,411.5	9,825.0	10,323.4	11,227.3	38.7	8.8
7	Products of Chemical & Allied Industries	783.3	893.6	1,050.9	1,453.9	1,476.5	1,638.6	1,885.1	6.5	15.0
8	Plastic & Rubber Products	275.7	214.1	308.4	246.0	309.8	331.3	462.6	1.6	39.6
9	Wood and Wood Pulp Products	305.6	306.6	323.2	319.6	317.4	369.5	314.6	1.1	(14.9)
9.1	Wood Pulp Products	2.6	7.1	9.9	8.2	11.8	19.8	17.6	0.1	(11.2)
10	Textiles, Footwear & Hats/Headgear	444.9	291.0	66.5	41.4	32.1	47.2	44.0	0.2	(6.8)
11	Articles of Stone, Plaster, Cement, Asbestos, Ceramics & Glass	113.1	122.3	80.6	74.1	120.6	126.5	152.4	0.5	20.5
12	Base Metals and Articles of Base Metal	6,302.2	5,250.9	7,012.7	9,833.5	10,044.1	10,800.0	10,004.9	34.5	(7.4)
13	Machinery, Mechanical Appliances & Electrical Equipment and Parts	60.0	52.0	8.9	2.6	2.6	6.3	3.7	0.0	(41.3)
14	Transport Vehicles & Aircraft and Engines & Parts	-	-	-	-	-	-	0.3	0.0	-
15	Optical, Photographic, Cinematographic & Measuring Equipment	0.6	0.1	-	0.0	0.0	-	0.0	0.0	-
16	Handicrafts, Works of Art, Collectors' Pieces & Personal Effects	0.0	0.0	-	0.0	0.0	0.1	0.1	0.0	9.9
17	Miscellaneous Manufactured Products	31.1	31.8	39.1	49.3	34.3	14.2	14.2	0.0	0.3
	TOTAL	22,723.7	21,480.0	22,416.2	26,000.9	25,761.5	27,825.6	28,979.2	100.0	4.1

Source: Bhutan Trade Statistics, Department of Revenue & Customs.

An entry of "0.00" indicates a marginal value compared to "-" which indicates no value for that particular item.

TABLE 25A. COMPOSITION OF IMPORTS FROM COUNTRIES OTHER THAN INDIA

SI	IMPORT CATEGORY	2005	2006	2007	2008	2009	2010	2011	2012	2013	Share of Total in % (2013)	% Change over 2012
1	Live Animals & Animal Products	2.4	2.1	3.2	12.8	7.8	7.7	12.2	23.0	49.2	0.6	114.3
2	Vegetables, Fruits, Nuts, Coffee, Tea, Spices, Cereals, Grains & Seeds	20.9	7.0	14.2	10.4	4.7	36.3	216.4	133.2	64.3	0.7	(51.7)
3	Animal or Vegetable Fats & Oils	93.3	1,285.4	1,689.8	485.5	6.4	19.0	5.8	19.9	1.9	0.0	(90.6)
3.1	<i>Palm Oil (Crude & Other)</i>	28.6	1,212.0	1,580.0	483.6	5.8	9.3	0.0	-	-	-	
4	Processed Foods & Beverages	151.2	153.3	164.9	179.7	151.3	212.0	264.8	224.4	261.6	3.0	16.6
5	Mineral Products inc. oils & fuels	16.2	38.2	48.4	94.7	63.1	80.9	140.6	144.7	151.5	1.8	4.8
6	Products of Chemical & Allied Industries	125.8	114.7	105.5	158.2	149.7	236.3	510.6	340.6	882.3	10.2	159.1
6.1	<i>Medicines / Pharmaceutical Products</i>	50.5	55.9	35.1	40.8	18.2	12.5	383.8	41.5	448.4	5.2	981.2
7	Plastic & Rubber Products	240.4	276.5	257.8	353.7	282.6	412.5	478.5	515.9	691.2	8.0	34.0
8	Wood and Wood Products	13.3	22.8	17.7	44.7	5.0	7.2	22.5	14.4	18.0	0.2	24.8
9	Wood Pulp Products	44.5	30.4	97.8	153.2	53.3	39.0	233.3	39.3	270.5	3.1	588.1
10	Textiles, Footwear & Hats/Headgear	555.9	449.9	259.6	388.5	97.2	168.8	178.3	206.4	272.4	3.1	32.0
11	Articles of Stone, Plaster, Cement, Asbestos, Ceramics & Glass	10.4	13.4	9.6	36.8	14.9	39.6	28.9	197.5	52.0	0.6	(73.7)
11.1	<i>Ceramic Products</i>	3.4	6.0	4.7	25.3	4.9	13.3	8.8	10.1	11.8	0.1	16.6
12	Pearls and Products of Precious/Semi-precious Metal & Stones	13.8	3.6	0.0	109.5	136.7	17.1	83.0	62.0	70.9	0.8	14.4
13	Base Metals and Articles of Base Metal	837.6	1,782.6	2,102.9	827.9	1,134.8	2,571.0	2,384.1	2,839.9	783.7	9.1	(72.4)
14	Machinery, Mechanical/Electrical Appliances & Equipment and Parts	1577.3	1,309.4	1,393.4	2,084.8	2,810.7	4,461.2	5,754.1	5,058.8	4,248.8	49.1	(16.0)
14.1	<i>Magnetic Discs & Media (recorded/unrecorded)</i>	0.6	17.0	1.6	34.7	18.5	46.2	8.0	10.9	-	-	
15	Transport Vehicles & Aircraft and Engines & Parts	425.8	264.3	377.8	865.7	495.2	1,024.9	2,971.9	732.4	390.7	4.5	(46.7)
16	Optical, Photographic, Cinematographic & Measuring Equipment	82.9	173.3	68.5	301.6	157.6	309.8	88.5	169.3	240.0	2.8	41.8
17	Handicrafts, Works of Art, Collectors' Pieces & Personal Effects	0.1	0.1	2.5	1.0	0.5	1.6	0.9	1.1	3.3	0.0	192.5
18	Miscellaneous Manufactured Products	28.3	31.1	32.4	47.2	110.7	100.9	122.2	125.6	197.0	2.3	56.8
	TOTAL	4240.0	5,958.1	6,646.1	6,155.6	5,682.2	9,746.1	13,496.6	10,848.2	8,649.3	100.0	(20.3)

Ngultrum in Million

TABLE 25B. COMPOSITION OF EXPORTS TO COUNTRIES OTHER THAN INDIA

Ngultrum in Millions		2005	2006	2007	2008	2009	2010	2011	2012	2013	Share of Total in % (2013)	% Change over 2012
SI	EXPORT CATEGORY	2005	2006	2007	2008	2009	2010	2011	2012	2013	Share of Total in % (2013)	% Change over 2012
1	Vegetables, Fruits, Tea, Spices, Cereals, Grains & Animal Products	356.8	284.1	284.0	462.0	523.5	554.9	729.9	817.9	1,186.0	41.3	45.0
1.1	Oranges	225.5	176.2	160.9	226.5	352.2	304.7	306.5	419.3	489.0	17.0	16.6
1.2	Apples	68.8	33.7	16.2	24.9	32.7	76.0	71.6	18.6	51.4	1.8	176.5
1.3	Cardamoms	50.2	48.9	29.6	76.0	49.0	105.8	250.6	256.2	365.6	12.7	42.7
2	Processed Foods & Beverages	5.3	4.6	8.1	6.7	7.1	17.4	25.9	37.2	41.0	1.4	10.2
3	Mineral Products inc. oils & fuels	226.2	249.0	270.8	314.4	353.8	408.8	576.4	508.1	583.3	20.3	14.8
3.1	Limestone & other calcareous stone	57.9	86.2	84.6	125.3	141.8	236.1	281.9	255.1	307.1	10.7	20.4
3.2	Dolomite	79.0	63.3	20.3	-	74.0	72.0	142.6	111.5	141.5	4.9	26.9
3.3	Bituminous Coal	43.0	40.3	28.0	18.2	38.0	6.6	8.8	54.8	29.4	1.0	(46.4)
4	Products of Chemical & Allied Industries	30.1	3.5	0.6	1.6	0.9	0.6	0.4	3.4	23.7	0.8	605.6
5	Plastic & Rubber Products	5.4	15.5	10.2	0.1	0.0	0.1	0.0	0.0	0.1	0.0	110.0
6	Wood and Wood Products	1.5	0.6	0.4	4.5	0.0	0.0	0.7	0.6	1.4	0.0	139.7
7	Wood Pulp Products	28.6	62.8	13.8	0.6	0.6	0.9	0.0	0.2	0.7	0.0	233.8
8	Textiles, Footwear & Hats/Headgear	0.2	9.0	16.2	3.3	0.6	0.1	0.3	0.3	0.8	0.0	149.1
9	Articles of Stone, Plaster, Cement, Asbestos, Ceramics & Glass	0.3	2.0	0.2	0.8	0.7	0.3	0.0	0.2	0.4	0.0	127.1
10	Articles of Precious/Semi-precious Metals	135.4	11.5	33.5	28.7	0.0	0.0	0.1	0.0	0.0	0.0	(80.0)
11	Base Metals and Articles of Base Metal	4.8	12.1	41.2	284.4	49.2	190.8	431.9	421.0	1,034.0	36.0	145.6
12	Machinery, Mechanical & Electrical Appliances, Equipment & Parts & Aircraft Parts	619.2	3,628.4	4,452.7	0.3	619.3	2,146.0	3,340.7	-	0.2	0.0	
12.1	Recorded or Unrecorded media (discs, tapes, smart cards)	546.8	3,626.7	4,451.3	0.0	619.3	2,146.0	3,340.7	-	-	-	
13	Handicrafts, Works of Art, Philatelic Products & Personal Effects	2.6	0.4	2.9	2.3	1.7	1.9	0.3	2.1	1.5	0.1	(29.3)
14	Miscellaneous Manufactured Products	0.0	0.3	0.5	0.8	0.8	1.2	1.1	1.7	0.7	0.0	(57.3)
	TOTAL	1416.3	4,283.8	5,135.3	1,110.6	1,558.4	3,323.1	5,108.0	1,792.8	2,873.8	100.0	60.3

Source: Bhutan Trade Statistics, Department of Revenue & Customs.

An entry of "0.00" indicates a marginal value compared to "-" which indicates no value for that particular item.

TABLE 26. DIRECTION OF TRADE *

Ngultrum in Million

Item	2007	2008	2009	2010	2011	2012	2013
Exports							
India	22,723.7	21,480.0	22,415.5	26,000.9	25,761.5	27,825.6	17,751.9
Bangladesh	469.6	632.4	758.0	906.1	1,226.7	1,172.2	1,465.0
Germany	4.9	2.0	0.3	0.4	81.5	30.3	298.3
Hongkong	2,764.3	105.3	677.6	2,188.3	3,404.9	79.1	234.7
Italy	4.4	0.0	0.1	15.5	119.3	125.0	191.1
Netherlands	0.0	0.1	0.3	0.2	3.9	70.1	154.7
France	0.1	0.4	0.0	0.6	0.2	0.1	152.1
Belgium	5.1	11.2	2.0	-			111.5
Nepal	54.3	195.8	84.8	39.7	76.1	107.4	87.1
Japan	21.2	66.0	2.7	132.5	130.1	113.7	65.7
Others	1,811.4	97.6	32.4	40.4	65.2	94.9	113.6
Total	27,859.1	22,590.6	23,973.9	29,324.4	30,869.5	29,618.4	20,625.7
Imports							
India	15,099.5	17,339.5	19,840.8	29,329.1	35,190.8	41,825.6	43,666.4
China	402.7	844.7	487.3	611.0	878.3	1,330.2	1,089.3
Thailand	224.9	410.8	348.9	988.1	1,223.7	740.6	1,080.9
Singapore	1,109.7	964.8	744.0	903.0	1,844.5	783.5	969.7
Sweden	306.2	240.7	462.4	550.3	581.4	609.2	817.0
Austria	26.3	24.6	128.4	78.2	345.0	939.7	695.5
Germany	125.4	285.0	222.7	362.0	639.2	223.9	304.2
Japan	460.1	1,098.9	558.5	845.1	1,536.6	1,260.7	295.7
Switzerland	76.2	131.3	194.1	176.8	342.7	392.7	292.2
South Korea	644.5	286.7	383.8	2,004.7	2,916.2	1,658.9	280.8
Others	3,269.8	1,868.2	2,152.0	3,226.8	3,189.0	2,908.8	2,824.0
Total	21,745.4	23,495.1	25,522.9	39,075.2	48,687.4	52,673.8	52,315.7
Share in percent							
Exports							
India	81.6	95.1	93.5	88.7	83.5	93.9	86.1
Bangladesh	1.7	2.8	3.2	3.1	4.0	4.0	7.1
Germany	0.0	0.0	0.0	0.0	0.3	0.1	1.4
Hongkong	9.9	0.5	2.8	7.5	11.0	0.3	1.1
Italy	0.0	0.0	0.0	0.1	0.4	0.4	0.9
Netherlands	0.0	0.0	0.0	0.0	0.0	0.2	0.8
France	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Belgium	0.0	0.0	0.0	-	-	-	0.5
Nepal	0.2	0.9	0.4	0.1	0.2	0.4	0.4
Japan	0.1	0.3	0.0	0.5	0.4	0.4	0.3
Others	6.5	0.4	0.1	0.1	0.2	0.3	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Imports							
India	69.4	73.8	77.7	75.1	72.3	79.4	83.5
China	1.9	3.6	1.9	1.6	1.8	2.5	2.1
Thailand	1.0	1.7	1.4	2.5	2.5	1.4	2.1
Singapore	5.1	4.1	2.9	2.3	3.8	1.5	1.9
Sweden	1.4	1.0	1.8	1.4	1.2	1.2	1.6
Austria	0.1	0.1	0.5	0.2	0.7	1.8	1.3
Germany	0.6	1.2	0.9	0.9	1.3	0.4	0.6
Japan	2.1	4.7	2.2	2.2	3.2	2.4	0.6
Switzerland	0.4	0.6	0.8	0.5	0.7	0.7	0.6
South Korea	3.0	1.2	1.5	5.1	6.0	3.1	0.5
Others	15.0	8.0	8.4	8.3	6.5	5.5	5.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bhutan Trade Statistics, Department of Revenue and Customs. *By latest year rankings.

An entry of "0.00" indicates a marginal value compared to "-" which indicates no value for that particular item.

TABLE 27. EXTERNAL DEBT: DISBURSEMENTS BY SECTOR

USD & Indian Rupees in Million		Sector	Creditor	2009/10		2010/11		2011/12 ⁽¹⁾		2012/13		2013/14		Total ¹	
				USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
I. Concessional and Publicly Guaranteed Debt															
Agriculture & Forestry															
		Agri. Marketing & Entip. Promotion Program	IFAD	3.0	3.9	3.0	3.9	2.7	3.5	3.5	3.5	2.6	59.9		
		Market Access & Growth Intensification Project	IFAD	3.0	3.9	3.0	3.9	1.8	0.5	0.5	0.0	0.0	12.8		
		Strg. Regional Cooperation for Wildlife Protection in Asia Proj.	World Bank	-	-	0.9	2.8	0.9	2.8	2.8	1.8	0.9	5.4		
Education															
		Basic Skills Dev. Proj.	ADB	3.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	-	63.0		
		Education Development Proj.	World Bank	-	0.0	-	0.0	-	-	-	-	-	7.4		
				3.7	0.3	0.0	0.0	0.0	-	-	-	-	33.6		
Financial Sector															
		Financial Sector Dev. Program (b)	ADB	0.3	4.5	0.3	4.5	3.5	0.1	0.1	-	-	28.3		
		Financial Sector Dev. Proj.	ADB	-	4.2	-	4.2	3.1	-	-	-	-	11.8		
				0.3	0.3	0.3	0.3	0.3	0.1	0.1	-	-	1.4		
Transport & ICT															
		Road Network Project	ADB	10.9	6.6	10.9	6.6	2.4	-	-	-	-	68.5		
Multi Sector															
		Urban Infrastructure Dev. Proj.	ADB	3.1	32.7	3.1	32.7	2.7	50.4	50.4	13.6	226.8			
		Decentralized Rural Dev. Project	World Bank	1.4	4.2	1.4	4.2	2.4	7.3	7.3	4.7	21.4			
		Dev. Policy Financing for Inst. Strengthening	World Bank	1.6	0.2	1.6	0.2	0.3	-	-	-	71.6			
		Second Urban Development Proj.	World Bank	-	-	-	-	-	-	-	-	11.6			
		First Development Policy Credit	World Bank	-	2.0	-	2.0	-	3.0	3.0	1.0	6.0			
		Second Development Policy Credit	World Bank	-	26.4	-	26.4	-	36.7	36.7	-	26.4			
		Remote Rural Communities Dev. Proj.	World Bank	-	-	-	-	-	0.3	0.3	5.7	6.0			
		Urban Infrastructure Project	ADB	-	-	-	-	-	-	-	2.1	2.1			
		SASEC Trade Facilitation Prog.	ADB	-	-	-	-	-	3.1	3.1	-	3.1			
		Strengthening Economic Management Program	ADB	-	-	-	-	-	-	-	-	-			
		Additional Financing for UDP II		-	-	-	-	-	-	-	0.1	0.1			
Industry															
		Dungsam Cement Corp Ltd	EXIM, PNB, SBI, UBI	-	1,500.0	-	1,500.0	-	420.0	420.0	-	-	36.0	1,920.0	
				-	-	-	-	-	-	-	-	-	1,920.0		

TABLE 27. EXTERNAL DEBT: DISBURSEMENTS BY SECTOR, CONTINUED

Sector	Creditor	2009/10		2010/11		2011/12 (*)		2012/13		2013/14		Total ¹	
		USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
Energy													
Green Power Dev. Proj. (Special Operations)	ADB	51.2	2,376.0	66.5	7,951.8	31.5	9,480.6	25.4	13,637.6	36.6	14,271.3	288.8	69,907.9
Green Power Dev. Proj. (Ordinary Operations)	ADB	14.9		3.7		7.1		2.0		0.7		28.4	
Green Power Dev. Proj. - Additional Financing	ADB	13.3		25.7		9.2		2.0		0.7		51.0	
Dagachhu Hydroelectric Proj.	Govt. of Austria	4.3		25.4		8.7		9.1		-		47.5	
The Financing of Rural Electrification	Govt. of Austria					0.6		1.2		3.4		5.2	
Rural Elect. Proj. (Phase I)	JICA	18.6		11.6		3.5		1.2		1.4		36.6	
Rural Electrification Project (Phase II)	JICA					2.4		10.0		1.3		13.7	
Punatsangchu-I Hydroelectric Proj.	Govt. of India		2,376.0		5,568.5		5,091.0		5,821.0		4,656.6		25,738.1
Punatsangchu-II Hydroelectric Proj.	Govt. of India				1,638.0		2,475.0		5,240.4		4,675.6		14,029.0
Mangdechhu Hydroelectric Proj.	Govt. of India				745.3		1,914.6		2,814.8		4,939.1		10,413.8
Other													
GOI Line of Credit	Govt. of India	-	4,756.8	-	16,388.3	-	43,485.5	-	77,495.9	-	-	13.4	152,902.3
OD Facility	SBI & PNB						3,000.0		4,000.0				10,321.8
RBI SWAP	RBI		4,756.8		16,388.3		40,485.5		68,086.0				136,884.5
									5,409.9				5,409.9
Total (Concessional and Publicly Guaranteed Debt)		72.1	7,132.8	114.6	25,840.1	42.8	53,386.1	79.4	91,133.4	52.7	14,271.3	784.6	224,730.2
II. Other Loans²													
		-		-		-		-		-		41.0	
TOTAL (Publicly + Non-Publicly Guaranteed Debt)		72.1	7,132.8	114.6	25,840.1	42.8	53,386.1	79.4	91,133.4	52.7	14,271.3	825.6	224,730.2

Source: Dept. of Public Accounts & private sector enterprises. 1) Total disbursements are cumulative from 1981/82; Only those projects with ongoing disbursements are shown here while the total includes other loans with completed disbursements. 2) Includes private sector debt on non-concessional terms. (*) From FY 2011/12 onwards, quarterly disbursements have been converted using the respective quarter average exchange rates to the USD (previously total disbursements in a fiscal year were converted using the end of year average exchange rate).

TABLE 28. EXTERNAL DEBT SERVICING BY SECTOR (*)

Sector	2011/12		2012/13		2013/14	
	USD	Rupee	USD	Rupee	USD	Rupee
	Interest	Interest	Interest	Interest	Interest	Interest
	Principal	Principal	Principal	Principal	Principal	Principal
I. Concessional and Publicly Guaranteed Debt						
Agriculture & Forestry	0.40		0.40		0.41	
	1.40		1.37		1.44	
Small Farm Dev. Proj.	0.03		0.03		0.02	
	0.15		0.14		0.14	
T/gang Mongar Dev. Proj.	0.02		0.02		0.02	
	0.10		0.10		0.10	
Punakha Wangdi Valley Dev. Proj.	0.02		0.02		0.02	
	0.08		0.07		0.08	
1st Eastern Zone Agricultural Proj.	0.03		0.03		0.03	
	0.11		0.11		0.11	
2nd Eastern Zone Agricultural Proj.	0.07		0.07		0.07	
	0.35		0.34		0.34	
Forestry I	0.03		0.03		0.03	
	0.20		0.19		0.19	
Forestry II	0.00		0.00		0.00	
	0.04		0.04		0.04	
Forestry III	0.04		0.03		0.04	
	0.12		0.12		0.18	
Chirang Hill Irrigation Proj.	0.01		0.01		0.01	
	0.05		0.05		0.05	
Highland Livestock Dev. Proj.	0.04		0.04		0.03	
	0.22		0.21		0.22	
Agri. Marketing & Entp. Promotion Program	0.09		0.10		0.11	
	0.00		0.00		0.00	
Market Access & Growth Intensification Project	0.00		0.01		0.03	
	0.00		0.00		0.00	
Strg. Regional Cooperation for wildlife Protection in Asia Proj.			0.00		0.00	
			0.00		0.00	
Education	0.55		0.52		0.51	
	1.03		1.00		1.69	
Primary Education Proj.	0.02		0.02		0.02	
	0.19		0.19		0.19	
Second Education Proj.	0.11		0.09		0.10	
	0.31		0.30		0.30	
Technical and Voc. Edn. Train. Proj.	0.04		0.04		0.03	
	0.20		0.20		0.20	
Basic Skills Dev. Proj.	0.12		0.11		0.10	
	0.32		0.32		0.32	
Education Development Proj.	0.26		0.26		0.25	
	0.00		0.00		0.67	
Financial Sector	0.21		0.23		0.23	
	0.29		0.28		0.28	
Bhutan Development Bank Ltd	0.02		0.01		0.02	
	0.10		0.10		0.10	
Financial Sector Dev. Program (a)	0.04		0.04		0.04	
	0.09		0.09		0.09	
Financial Sector Dev. Program (b)	0.09		0.11		0.11	
	0.00		0.00		0.00	
Dev. Finance Loan Proj.	0.05		0.05		0.04	
	0.09		0.09		0.09	
Financial Sector Dev. Project	0.01		0.01		0.01	
	0.00		0.00		0.00	

TABLE 28. EXTERNAL DEBT SERVICING BY SECTOR, CONTINUED

Sector	2011/12		2012/13		2013/14	
	USD	Rupee	USD	Rupee	USD	Rupee
	Interest	Interest	Interest	Interest	Interest	Interest
	Principal	Principal	Principal	Principal	Principal	Principal
Transport & ICT	0.57		0.54		0.48	
	2.53		2.49		3.24	
Road Works Mechanization Proj.	0.05		0.04		0.02	
	0.23		0.23		0.23	
East West Highway Maintenance	0.05		0.05		0.04	
	0.11		0.11		0.17	
Road Improvement Proj.	0.20		0.17		0.13	
	0.47		0.46		0.46	
Rural Telecom Network Exp. Proj	0.00		0.00		0.00	
	1.71		1.70		1.78	
Road Network Proj.	0.27		0.28		0.28	
	0.00		0.00		0.61	
Multi Sector	0.74		0.98		1.65	
	1.29		1.27		1.29	
Multi Project I	0.03		0.03		0.02	
	0.23		0.22		0.23	
Multi Project II	0.08		0.06		0.05	
	0.46		0.45		0.46	
Urban Infrastructures Improv. Proj.	0.09		0.08		0.06	
	0.13		0.13		0.13	
Urban Infrastructure Dev. Proj.	0.08		0.11		0.18	
	0.00		0.00		0.00	
Urban Development Proj.	0.08		0.08		0.08	
	0.23		0.23		0.23	
Rural Access Proj.	0.08		0.08		0.09	
	0.25		0.24		0.24	
Decentralized Rural Dev. Proj.	0.05		0.05		0.05	
	0.00		0.00		0.00	
Dev. Policy Financing for Inst. Strengthening	0.09		0.09		0.09	
	0.00		0.00		0.00	
Second Urban Dev. Proj.	0.02		0.02		0.04	
	0.00		0.00		0.00	
First Development Policy Credit	0.14		0.19		0.19	
	0.00		0.00		0.00	
Second Development Policy Credit			0.19		0.74	
			0.00		0.00	
Remote Rural Communities Dev. Proj.			0.00		0.02	
			0.00		0.00	
Urban Infrastructure Project new			0.00		0.01	
			0.00		0.00	
SASEC Trade Facilitation Program			0.00		0.04	
			0.00		0.00	
Strengthening Economic Management Program			0.00		0.00	
			0.00		0.00	
Additional Financing for UDP II					0.00	
					0.00	
Industry	0.05	227.23	0.05	235.96	0.05	195.06
	0.29	71.43	0.29	285.71	0.29	288.60
Bhutan Calcium Carbide Ltd.	0.05		0.05		0.04	
	0.26		0.25		0.26	
Industrial Estates Dev. Proj.	0.01		0.01		0.01	
	0.03		0.03		0.03	
Dungsam Cement Corp Ltd		227.23		235.96		195.06
		71.43		285.71		288.60

TABLE 28. EXTERNAL DEBT SERVICING BY SECTOR, CONTINUED

Sector	2011/12		2012/13		2013/14	
	USD	Rupee	USD	Rupee	USD	Rupee
	Interest	Interest	Interest	Interest	Interest	Interest
	Principal	Principal	Principal	Principal	Principal	Principal
Energy	4.76	1497.56	3.96	1937.86	4.98	1445.41
	4.72	1581.84	4.84	2329.96	5.27	1529.26
Rural Electrification Proj.	0.10		0.08		0.07	
	0.15		0.15		0.15	
Sustainable Rural Elect. Proj.	0.21		0.18		0.12	
	0.46		0.45		0.45	
Rural Electrification & Network Exp Proj.	0.12		0.17		0.14	
	0.21		0.42		0.42	
Basochhu Hydropower Proj. (lower)	1.05		0.93		0.90	
	2.74		2.72		2.85	
Basochhu Hydropower Proj. (upper)	0.00		0.00		0.00	
	1.15		1.11		1.17	
Green Power Proj. (Special Operations)	0.69		0.84		0.89	
	0.00		0.00		0.00	
Green Power Proj. (Ordinary Operations)	0.21		0.33		0.21	
	0.00		0.00		0.24	
Green Power Proj. (Additional Financing)					0.02	
					0.00	
Rural Electrification Proj. (Phase I)	0.00		0.00		0.00	
	0.00		0.00		0.00	
Rural Electrification Project (Phase II)	0.77		-0.74		0.02	
	0.00		0.00		0.00	
Dagachhu Hydroelectric Proj.	1.61		2.17		2.60	
	0.00		0.00		0.00	
Kurichhu Hydropower Proj.		201.69		201.69		201.69
		186.67		186.67		186.67
Tala Hydroelectric Proj.		1295.86		1736.16		1243.71
		1395.17		2143.29		1342.59
Other	0.17	666.20	0.15	1235.00	0.14	568.85
	0.86	40760.08	0.84	76873.39	0.84	5409.90
GOI Line of Credit		150.41		353.29		497.26
		0.00		0.00		0.00
OD Facility		515.79		806.71		0.00
		40760.08		76873.39		0.00
RBI SWAP				75.00		71.59
				0.00		5409.90
Health Care Reform Program	0.15		0.13		0.12	
	0.75		0.72		0.73	
Technical Assistance Proj	0.02		0.02		0.02	
	0.12		0.12		0.12	
Total (Concessional and Publicly Guaranteed Debt)	7.46	2390.99	6.83	3408.81	8.43	2209.31
	12.41	42413.35	12.38	79489.07	14.34	7227.76
II. Other Loans¹	0.56		0.41		0.26	
	2.35		2.46		2.36	
TOTAL (Publicly + Non-Publicly Guaranteed Debt)	8.02	2390.99	7.23	3408.81	8.69	2209.31
	14.76	42413.35	14.84	79489.07	16.71	7227.76
GRAND TOTAL (I+P)	22.77	44804.34	22.08	82897.88	25.40	9437.08

Source: Department of Public Accounts and private sector enterprises. (*) Totals may not add up due to rounding 1) Includes private sector debt on non-concessional terms.

TABLE 29. RUPEE DEBT INDICATORS

Indian Rupees in Million	Year												
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14			
Total INR Debt Outstanding	16,603.8	18,400.2	18,369.9	18,948.4	21,400.7	22,777.9	34,062.3	45,550.9	61,341.7	67,870.2			
Hydropower Debt	16,603.8	18,400.2	18,369.9	17,320.2	17,483.4	18,277.6	24,647.5	32,546.3	44,369.0	56,595.9			
Chhukha	262.7	175.1	87.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Kurichhu	2,053.3	1,866.7	1,680.0	1,493.3	1,306.7	1,120.0	933.3	746.7	560.0	373.3			
Tala	14,287.8	16,358.5	16,602.4	15,346.9	13,951.7	12,556.6	11,161.4	9,766.2	7,384.3	6,041.7			
Punatsangchhu - I				480.0	2,225.0	4,601.0	10,169.5	15,260.5	21,596.6	25,738.1			
Punatsangchhu - II							1,638.0	4,113.0	9,353.4	14,029.0			
Mangdechhu							745.3	2,659.9	5,474.7	10,413.8			
Non-hydropower Debt	0.0	0.0	0.0	1,628.1	3,917.3	4,500.3	9,414.8	13,004.6	16,972.8	11,274.3			
Dungsam Cement Project													
Amex Bank													
Citibank													
GOI Line of Credit				1,628.1	3,000.0	3,000.0	3,000.0	6,000.0	10,000.0	10,000.0			
OD Facility					917.3	1,500.3	4,914.8	5,156.0	0.0	0.0			
RBI SWAP									5,409.9	0.0			
Dungsam Cement Corp Ltd							1,500.0	1,848.6	1,562.9	1,274.3			
Debt Service Payments	492.3	487.9	483.8	4245.7	7741.9	7481.4	16522.5	44804.3	82897.9	9437.1			
Principal	274.2	274.2	274.2	2697.1	6143.5	5795.2	14696.9	42413.4	79489.1	7227.8			
Interest	218.1	213.7	209.6	1548.5	1598.4	1686.2	1825.6	2391.0	3408.8	2209.3			
Debt Service Ratio (%)	9.4	7.9	3.6	19.2	33.1	32.7	63.5	158.7	285.3	29.7			
Interest Payments/Export of Goods & Services	2.4	1.9	1.0	7.0	6.8	7.4	7.0	8.5	11.7	7.0			
Principal Repayments/Exports of Goods & Services	3.1	2.5	1.3	12.2	26.3	25.3	56.5	150.2	273.6	22.8			
Debt Outstanding/GDP (%)	52.1	51.0	45.2	38.3	39.1	37.2	47.0	53.0	62.9	65.0			

Source: Department of Public Accounts & RMA

TABLE 30. FOREIGN DEBT INDICATORS FOR CONVERTIBLE CURRENCY LOANS

Items	Year									
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Debt Outstanding	302.1	369.5	308.8	350.4	347.4	385.4	527.6	524.7 516.0	579.3	629.5
Debt Service Payments	6.4	9.2	12.0	14.2	12.7	22.0	21.4	22.8	22.1	25.4
Principal	3.3	3.5	4.7	9.0	8.5	11.6	14.9	14.8	14.8	16.7
Interest	3.1	5.6	7.3	5.2	4.2	10.4	6.5	8.0	7.2	8.7
Debt Service Ratio (%)	25.4	16.8	8.0	13.5	16.4	21.4	12.4	14.5	15.8	16.8
Interest Payments/Convertible Currency Exports of Goods & Services	5.7	4.8	4.8	5.0	5.4	10.1	3.8	5.1	3.3	5.8
Principal Repayments/ Convertible Currency Exports of Goods & Services	6.1	3.0	3.2	8.6	11.0	11.3	8.6	9.4	6.7	11.1
Debt Outstanding/GDP (%)	42.3	45.7	33.5	28.6	30.3	29.4	32.5	34.4	35.5	36.2

Source: Department of Public Accounts & private sector companies.

TABLE 31. SUMMARY OF BUDGETARY OPERATIONS

Ngultrum in Million

Item	Year						
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 (r)	2014/15 (est.)
Total Revenue	16,867.9	19,871.8	17,674.0	20,144.8	21,093.5	21,991.9	24,599.0
Tax	6,482.4	9,655.8	11,593.5	14,676.9	15,403.1	15,353.6	17,619.7
Non-tax	7,566.6	5,982.7	5,865.3	5,677.5	5,698.6	6,507.3	6,979.3
Others	2,818.9	4,233.4	215.2	(209.6)	(8.2)	131.0	
Grants	6,575.1	11,118.9	10,497.7	12,501.5	9,562.6	11,179.8	7,360.2
From India	4,394.9	7,306.4	7,882.8	9,003.4	4,693.4	7,525.7	4,781.4
Others	2,180.2	3,812.5	2,615.0	3,498.1	4,869.2	3,654.1	2,578.8
Total Revenue and Grants	23,443.0	30,990.7	28,171.8	32,646.4	30,656.1	33,171.8	31,959.3
Expenditure (1)	22,350.5	29,888.9	29,842.4	33,688.0	34,900.8	37,773.3	35,406.3
Current	11,061.4	12,902.7	14,735.1	16,705.6	18,096.6	19,261.3	21,895.7
Capital (1)	11,289.1	16,986.2	15,107.4	16,982.4	16,804.3	18,512.0	13,510.6
Budget surplus or Deficit (-)	1,092.5	1,101.8	(1,670.7)	(1,041.7)	(4,244.7)	(4,601.6)	(3,447.1)
Financing Transactions (2)	(1,092.5)	(1,101.8)	1,670.7	1,041.7	4,244.7	4,601.6	3,447.1
External borrowings (Net of Principal repayments)	(1,218.7)	82.0	294.0	(1,007.1)	492.3	241.5	(1,182.8)
Internal Resource gap (3)	126.2						
Internal borrowings (Net of principal repayments)	126.2	(1,183.7)	1,376.7	2,048.8	3,752.4	(175.3)	(175.3)
Cash and bank balances (3)						4,535.4	4,805.2
Others		(0.1)					

Source- National Budget Report and Annual Financial Statements, Ministry of Finance. Figures may not add due to rounding. (1) Includes lending to public and joint sector corporations, net of principal repayment (2) Financing transactions by definition must equal the budget deficit or surplus on revenue/grant/expenditure which they finance. Negative financing transactions depicts net repayment of borrowings or increase in cash or bank balances. (3) Includes use + or repayment - of overdraft.

Others: other receipts.

TABLE 32. ROYAL SECURITIES EXCHANGE OF BHUTAN Ltd., INFORMATION ON LISTED COMPANIES, CONTINUED

Company* (Year of Listing)	Reference Year	Paid Up Capital Nu. in Mill.	No. of Share-holders	Market Price (Nu)			Market Capitalization Nu. in Mill.	Profits Nu. in Mill.	Reserves Nu. in Mill.	Book Value Nu.	Earnings Per Share Nu.	PE Ratio	Dividend (%)	Dividend Yield (%)	Return on Capital (ROC)
				High	Low	Low									
DPOP 2001	2010	10.0	212.0	-	-	20.0	9.8	12.8	227.6	97.7	2.1	60.0	30.0	0.4	
	2011	10.0	214.0	-	-	20.0	3.9	15.2	251.5	38.9	5.1	15.0	7.5	0.2	
	2012	10.0	214.0	-	-	20.0	3.9	16.5	265.4	38.9	5.1	25.0	12.5	0.2	
	2013	10.0	214.0	-	-	20.0	1.8	17.3	273.4	18.0	11.1	10.0	5.0	0.1	
EBCC 2005	2010	52.1	1,081.0	150.0	150.0	156.3	119.0	127.9	345.4	228.5	1.3	60.0	20.0	0.7	
	2011	52.1	1,075.0	300.0	300.0	156.3	118.1	193.8	472.0	226.6	1.3	65.0	21.7	0.5	
	2012	52.1	1,074.0	300.0	300.0	156.3	148.3	284.8	646.6	284.7	1.1	75.0	25.0	0.4	
	2013	52.1	1,069.0	344.0	344.0	179.2	138.8	419.3	904.8	266.4	1.3	200.0	58.1	0.3	
KCL 2007	2010	50.0	232.0	-	-	50.0	15.9	100.8	301.6	31.8	3.2	18.0	18.0	0.1	
	2011	50.0	232.0	-	-	50.0	22.2	110.9	321.8	44.4	2.3	20.0	20.0	0.1	
	2012	50.0	232.0	130.0	130.0	65.0	12.5	123.3	346.7	24.9	5.2	12.0	9.2	0.1	
	2013	50.0	233.0	120.0	120.0	60.0	6.0	104.1	308.3	12.1	10.0	-	-	0.0	
DWAL 2008	2010	194.0	501.0	200.0	150.0	388.0	105.8	4.2	102.2	54.5	3.7	40.0	20.0	0.5	
	2011	194.0	498.0	600.0	350.0	1,164.0	168.7	56.5	129.2	87.0	6.9	60.0	10.0	0.7	
	2012	194.0	498.0	600.0	450.0	873.0	60.7	77.2	139.5	31.3	14.4	30.0	6.7	0.2	
	2013	194.0	496.0	450.0	450.0	873.0	132.7	112.9	158.2	68.4	6.6	50.0	11.1	0.4	
JMCL 2008	2010	42.7	418.0	-	-	277.3	93.8	154.4	462.0	220.0	3.0	100.0	15.4	0.5	
	2011	56.9	415.0	700.0	650.0	398.1	103.6	186.9	428.7	182.2	3.8	100.0	14.3	0.4	
	2012	56.9	416.0	700.0	700.0	398.1	107.2	237.3	517.2	188.5	3.7	100.0	14.3	0.4	
	2013	56.9	418.0	850.0	850.0	483.5	132.1	299.2	626.0	232.3	3.7	125.0	14.7	0.4	
BTL 2008	2010	40.0	289.0	-	-	42.0	(0.4)	(3.9)	90.3	(1.0)	-	-	-	(0.0)	
	2011	40.0	289.0	-	-	42.0	(4.2)	(8.1)	79.8	(10.5)	-	-	-	(0.0)	
	2012	40.0	288.0	-	-	42.0	(10.6)	(18.7)	53.3	(26.5)	-	-	-	(0.5)	
	2013	36.0	288.0	-	-	37.8	(3.0)	(21.7)	39.8	(8.3)	-	-	-	(0.2)	
BIL 2009	2010	100.0	4,393.0	200.0	100.0	200.0	12.4	9.1	109.1	12.4	16.2	7.5	3.8	0.1	
	2011	100.0	4,310.0	225.0	200.0	220.0	29.8	23.9	123.9	29.8	7.4	15.0	6.8	0.2	
	2012	200.0	4,445.0	300.0	189.0	400.0	40.2	45.1	122.5	20.1	10.0	9.5	4.8	0.2	
	2013	200.0	4,395.0	162.0	162.0	324.0	44.1	69.2	134.6	22.1	7.3	10.0	6.2	0.2	
DFAL 2009	2010	289.8	471.0	200.0	100.0	289.8	50.5	1.2	100.4	17.4	5.7	17.0	17.0	0.2	
	2011	289.8	467.0	200.0	100.0	289.8	68.0	2.5	100.9	23.5	4.3	23.0	23.0	0.2	
	2012	289.8	460.0	200.0	100.0	434.7	51.5	4.8	101.7	17.8	8.4	17.0	11.3	0.2	
	2013	289.8	459.0	300.0	300.0	869.3	67.1	14.0	104.8	23.2	13.0	20.0	6.7	0.2	
DPNBL 2010	2010	300.0	23,216.0	350.0	100.0	1,050.0	(11.8)	-	100.0	(3.9)	-	-	-	(0.0)	
	2011	300.0	22,540.0	350.0	100.0	1,050.0	45.3	33.5	111.2	15.1	23.2	-	-	0.1	
	2012	449.0	22,564.0	400.0	300.0	1,347.1	86.0	120.7	126.9	19.2	15.7	6.0	2.0	0.2	
	2013	449.4	22,378.0	297.0	297.0	1,334.7	97.1	186.3	141.5	21.6	13.8	7.0	2.4	0.2	
TBL 2011	2010	220.0	8,066.0	300.0	200.0	550.0	21.6	21.6	109.8	9.8	25.4	-	-	0.1	
	2012	220.0	7,909.0	300.0	250.0	660.0	36.9	58.6	126.6	16.8	17.9	-	-	0.1	
	2013	300.0	7,955.0	150.0	150.0	450.0	18.9	74.1	124.7	6.3	23.9	-	-	0.1	
	2013	82.7	14,833.0	240.0	230.0	198.5	(24.9)	(44.1)	46.7	(30.1)	-	-	-	(0.6)	

Source: Royal Securities Exchange of Bhutan. Formula used : 1) Book Value = Capital + Reserves/ No. of Shares. 2) EPS = Net Profit/ No. of Shares. 3) PE = Market Price/ EPS. 4) Return on Capital = Net Income/ (Equity + Reserves). 5) Dividend Yield = Dividend X 100/ Book Value Per Share.

TABLE 33. EXCHANGE RATE, NGULTRUM/US DOLLAR**Period Average**

Period	Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Jan	44.33	39.37	48.83	45.96	45.39	51.35	54.31	62.08
Feb	44.16	39.73	49.26	46.33	45.44	49.16	53.75	62.25
Mar	44.03	40.36	51.23	45.50	44.99	50.32	54.39	61.01
Apr	42.15	40.02	50.06	44.50	44.37	51.80	54.38	60.36
May	40.78	42.13	48.53	45.81	44.90	54.44	55.03	59.31
Jun	40.77	42.82	47.77	46.56	44.85	56.03	58.33	59.73
Jul	40.41	42.84	48.48	46.84	44.42	55.50	59.78	
Aug	40.82	42.94	48.34	46.57	45.28	55.56	63.21	
Sep	40.34	45.56	48.44	46.06	47.64	54.61	63.64	
Oct	39.51	48.66	46.72	44.41	49.26	53.02	61.63	
Nov	39.44	49.00	46.57	45.02	50.84	54.78	62.71	
Dec	39.44	48.63	46.63	45.16	52.67	54.65	61.95	
Calendar year average	41.35	43.51	48.41	45.73	46.67	53.43	58.59	
Fiscal year average	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	44.19	40.37	47.78	46.65	45.33	50.27	54.86	61.47

Source: International Financial Statistics, IMF.

TABLE 34. EXCHANGE RATE, JAPANESE YEN / US DOLLAR**Period Average**

Period	Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Jan	120.58	107.66	90.48	91.16	82.61	76.98	89.16	103.94
Feb	120.45	107.16	92.50	90.28	82.50	78.39	93.17	102.16
Mar	117.28	100.79	98.16	90.52	81.79	82.44	94.75	102.27
Apr	118.87	102.54	99.00	93.38	83.35	81.49	97.71	102.56
May	120.73	104.14	96.30	91.77	81.26	79.72	101.08	101.79
Jun	122.62	106.90	96.52	90.92	80.51	79.32	97.43	102.05
Jul	121.59	106.81	94.50	87.71	79.40	78.98	99.67	
Aug	116.72	109.28	94.84	85.47	77.22	78.67	97.87	
Sep	115.02	106.75	91.49	84.39	76.84	78.17	99.28	
Oct	115.74	100.33	90.29	81.87	76.77	78.97	97.85	
Nov	111.21	96.68	89.19	82.48	77.58	80.79	99.79	
Dec	112.25	91.32	89.56	83.43	77.86	83.58	103.41	
Calendar year average	117.76	103.36	124.76	117.04	106.41	106.39	130.13	
Fiscal year average (+)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	118.52	110.14	98.68	91.49	83.11	78.67	87.70	101.05

Source : International Financial Statistics, IMF.

Additional Source: Bank of Japan Website.

TABLE 35. EXCHANGE RATE, EURO/US DOLLAR

Period Average

Period	Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Jan	0.769	0.679	0.755	0.701	0.749	0.775	0.753	0.735
Feb	0.765	0.678	0.782	0.731	0.733	0.756	0.749	0.732
Mar	0.755	0.644	0.767	0.736	0.714	0.758	0.771	0.723
Apr	0.740	0.635	0.758	0.746	0.692	0.760	0.768	0.724
May	0.740	0.643	0.734	0.796	0.697	0.782	0.770	0.728
Jun	0.745	0.643	0.714	0.819	0.695	0.798	0.757	0.736
Jul	0.729	0.634	0.710	0.783	0.702	0.814	0.764	
Aug	0.734	0.668	0.701	0.776	0.697	0.807	0.751	
Sep	0.720	0.696	0.687	0.765	0.727	0.778	0.749	
Oct	0.703	0.752	0.675	0.720	0.730	0.771	0.733	
Nov	0.681	0.785	0.671	0.732	0.738	0.780	0.742	
Dec	0.686	0.734	0.685	0.757	0.759	0.758	0.730	
Calendar year average	0.731	0.683	0.720	0.755	0.719	0.778	0.753	
Fiscal year average (+)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	0.766	0.681	0.732	0.721	0.734	0.748	0.773	0.737

Source : International Financial Statistics, IMF.

Additional Source: European Central Bank Website.



SECTION IV

ANNEXURES

CHRONOLOGY OF MAJOR FINANCIAL SECTOR DEVELOPMENTS

Year	Developments
1982	The RMA Act was passed during the 56 th session of the National Assembly in August 1982 . The RMA Act 1982 is superseded by the Royal Monetary Authority of Bhutan Act 2010.
1983	The RMA commenced operations from April 1, 1983 by taking over the issue of the national currency, the management of external reserves, and foreign exchange operations .
1984	The Cash Reserve Ratio was introduced for liquidity management and prudential purposes.
1988	In March 1988 , the RMA took over the additional function of banker to the Government , by holding the bulk of government deposits, and to provide short term advances to the Government, whenever necessary.
1992	The Financial Institutions Act, 1992 was passed by the National Assembly in November 1992 to provide the RMA with the necessary legal framework to issue licenses to financial institutions and to regulate, supervise, and inspect their operations. The FI Act 1992 was superseded by the Financial Services Act of Bhutan, 2011 .
1993	The RMA initiated the establishment of the Royal Securities Exchange of Bhutan to facilitate the development of Bhutan's capital market and to enable public participation in public and private companies. RMA Discount Bills were introduced as a monetary policy tool. In December 2009, the RMA Discount Bills were discontinued and replaced by RGoB Treasury Bills.
1996	In order to improve its liquidity management functions, the RMA introduced the reserve repurchase as its second debt instrument in September 1996 . The repurchase was rolled over until January 2002 , after which it was discontinued.
1997	To enhance competition in the banking sector, the Unit Trust of Bhutan was converted into Bhutan National Bank , a full-fledged commercial bank, in January 1997 . Cheque clearing facilities were established in the country (the first in Thimphu in 1997 and the second in Phuentsholing in 1999) to enable commercial banks to settle claims against each other involving cheques and other negotiable instruments.

Year	Developments
1997	<p>In line with the Government's program of liberalizing trade and industrial policies, the RMA Board approved the new Foreign Exchange Regulations 1997, removing various restrictions on foreign exchange transactions.</p> <p>The Foreign Exchange Regulations 1997 and all related past notifications, circulars and guidelines is superseded by the Foreign Exchange Regulations, 2013.</p> <p>The RMA partially liberalized interest rates from October 1997, allowing FIs to determine their rates in accordance with the "spread system". The spread system allowed financial institutions to determine their deposit and lending rates, while maintaining an overall interest spread of a maximum of six percentage points.</p>
1999	<p>To further encourage competition among financial institutions, the RMA fully liberalized interest rates on both deposits and advances of the FIs in April 1999.</p> <p>The Moveable and Immovable Property Act and the Bankruptcy Act were enacted to provide the legal framework for loan recovery and collateral requirement.</p>
2000	<p>The Negotiable Instruments Act was passed in July 2000 to provide legal support for cheque clearing houses and use of negotiable instruments in the payments and settlement system.</p> <p>As part of the financial sector reform program, the Government Employees Provident Fund was transferred from the RICBL to the newly created National Pension and Provident Fund.</p>
2002	<p>The RMA made arrangements with the Reserve Bank of India to participate in the auctions of Government of India securities by investing in the Indian Rupee and from January 2003 the RMA started investing in GoI T-bills.</p>
2007	<p>The NPPF formally came under the purview of the RMA on March 9, 2007.</p>
2009	<p>Bhutan's first issue of RGoB Treasury Bills was auctioned on December 14, 2009, replacing the RMA discount bills.</p> <p>On August 17, 2009, RMA issued license to Bhutan Insurance Ltd. to carry on non-life insurance business. The BIL officially commenced business transactions from August 20, 2009.</p> <p>The RMA launched Bhutan's first Credit Information Bureau on September 9, 2009.</p>

Year	Developments
2010	<p>The RMA issued commercial banking license to Druk PNB Bank Ltd., an FDI joint venture bank, on January 19, 2010. Druk PNB Bank Ltd. commenced its business on January 27, 2010 and established its first branch office in Phuentsholing on February 7, 2010.</p>
	<p>On March 1, 2010, the RMA granted license to the BDBL, formerly the Bhutan Development Finance Corporation, to operate as a specialized deposit-taking commercial bank. The license allowed BDBL to engage in depository banking, excluding foreign exchange transactions.</p>
	<p>On March 10, 2010, the RMA issued commercial banking license to TBank Ltd. The TBank Ltd. formally commenced its business on March 12, 2010 and set up its Phuentsholing branch office on September 14, 2010.</p>
	<p>The RMA delegated transactions in gold and silver as well as distribution of fresh notes to the commercial banks in May 2010.</p>
	<p>The Royal Monetary Authority Act of Bhutan 2010 was formally enacted during the 5th session of Parliament on June 2, 2010.</p>
	<p>The RMA formally launched the Electronic Funds Transfer and Clearing System on June 11, 2010.</p>
	<p>On August 18, 2010, His Majesty the King appointed the Managing Director of the RMA, Mr. Daw Tenzin, as the RMA's first Governor.</p>
	<p>The RMA delegated the release of foreign exchange for current transactions to the commercial banks on August 20, 2010.</p>
	2011	On March 8, 2011, the RMA's first two Deputy Governors were appointed in pursuance to Chapter IV Section 44 of the RMA Act of Bhutan 2010.
<p>The Financial Services Act of Bhutan 2011 was formally enacted during the 7th session of the Parliament on May 26, 2011. The FSA 2011 came into force from July 5, 2011 superseding the FI Act 1992.</p>	
<p>The RMA formally launched the National Electronic Fund Transfer System and Bhutan Financial Switch on December 2, 2011.</p>	

Year	Developments
2012	<p>The RMA granted license on November 2012 to Nubri Capital Pvt. Ltd., to operate as Bhutan's first Fund Management Company and to conduct fund management business in terms of improving and developing the capital market in Bhutan with the objective of providing the Bhutanese investors with an alternative source of investment besides equities and debt instruments.</p> <p>On March 8, 2012, following the growing external imbalances with India and rising pressures on the demand for Indian Rupees, the RMA suspended access to Indian Rupees to finance imports of personal transport vehicles and private housing construction materials that were approved after March 8, 2012. Specifically, the RMA issued a circular to FIs titled "Circular on Foreign Currency" explicitly highlighting the status of the Indian Rupee as a foreign currency. The Circular outlined the eligibility and limits for access to Indian Rupees by residents; closure of the accounts of non-resident foreigners; and the requirement to channel all export proceeds via the banking channel within 91 days of the date of export.</p> <p>A year later, in March 2013, the RMA (i) lowered the international credit card limit from USD 3,000 p.a to USD 1,000 p.a and (ii) lowered the transaction limit on point-of-sale (POS) machines in India (through debit cards) from INR 1 lakh per month to INR 15,000, to ease pressures on Rupee reserves since INR outflows from these channels were escalating.</p> <p>Housing and vehicle loans were reintroduced with effect from September 1, 2014.</p> <p>The RMA introduced the RMA Short Term Liquidity Adjustment Window Facility (RSTLAW) on March 29, 2012 to provide short-term liquidity to liquidity-deficient banks to meet daily operational requirements and short term outstanding liabilities only and not for long term lending activities. To ensure that liquidity injected through the RSTLAW was prudently utilized and not directed towards further credit creation, prudential guidelines and criteria were issued.</p> <p>Indian Rupee management and public access to the Rupee were streamlined to reflect its status as a foreign currency, following growing imbalances with India. The Operational Guidelines for Indian Rupee Transactions to facilitate the operational arrangements relating to the access of Indian Rupees for transactions was issued in May 2012.</p> <p>The CRR was reduced from 17 percent to 10 percent in March 2012 to address liquidity shortages in the banking system, with retroactive effect from March 2012. The CRR was further reduced from 10 percent to 5 percent to address the continued liquidity shortage in the banking system, with effect from June 2012.</p> <p>In consultation with the FIs, the RMA finalized the structure of the Base Rate and with effect from September 1, 2012 each FI launched and implemented their respective base rates. The base rate is the minimum rate below which it is not viable for FIs to lend. The base rate will also serve as the reference benchmark rate for floating rate loan products, apart from other external market-based benchmark rates.</p>

Year	Developments
2013	<p>The RMA issued license to Kubera Insurance Brokerage Pvt. Limited in February 2013 to conduct composite insurance brokerage business with the objective to facilitate the public and companies in smoothly conducting insurance transactions through a third party.</p> <p>Exercising the powers conferred by Section 117 of the RMA Act of Bhutan 2010, the RMA Board of Directors endorsed the new Foreign Exchange Regulations, 2013 with effect from March 30, 2013. The new regulation supersedes the Foreign Exchange Regulations, 1997 including all related past notifications, circulars and guidelines. Already highlighted under the Forex regulation 1997, do we need again to highlight this?</p> <p>On March 8, 2013, the RMA in collaboration with the Royal Government entered in a Rupee Currency SWAP agreement with the RBI for a total of INR 5.4 billion at 5.5% p.a for the duration of 6 months (3 month-period with an additional 3 months rollover). Such financing was taken to provide short-term relief to meet immediate BOP transactions.</p> <p>The Financial Intelligence Unit was formally established with the enactment of the Financial Services Act 2011. Although the FIU operated as part of the FRSD since October 2010, it was officially instituted as a separate unit from the FRSD on May 16, 2013.</p> <p>The RMA established the Central Registry for movable properties in September 2013, with the objective to facilitate secured credit transactions and provide secured creditors' rights as provided under the Movable and Immovable Property Act (MIPA) 1999. The registry will enable creditors to register movable assets with the central registry which will then facilitate smooth credit appraisal and the foreclosure of bad loans. It will also enable the public and other entities to inquire any lien by any creditor on any kind of movable assets that they intend to transact.</p> <p>In August 2013, the RMA issued license to GIC-Bhutan Re Limited, the first reinsurance company in Bhutan, to conduct general reinsurance business. The company is owned by two Bhutanese promoters and GIC India.</p>
2014	<p>The RMA reintroduced housing and vehicle loans with effect from September 1, 2014 (after access to Indian Rupees to finance imports of personal vehicles and housing construction materials was temporarily suspended in March 2012). New housing, vehicle and consumer loans guidelines were also issued to guide FIs in prudently managing and monitoring credit to these sectors thereby mitigating any potential systemic risk that could arise.</p>

DEVELOPMENTS IN BHUTAN'S FINANCIAL INSTITUTIONS (FY 2013/14)

The *finance, insurance and real estate* sector collectively contributed 7.7 percent to the country's nominal GDP in 2013 with the finance sector alone contributing 5.5 percent. Although lower than the previous year, Bhutan's financial system continued to experience a growth of 11.7 percent in total assets to Nu. 98.8 billion in the year 2013/14. Of the total assets, 88 percent belonged to commercial banks while the remaining 12 percent were that of the non-banks.

The Royal Monetary Authority of Bhutan, being the key pillar of the financial system, continues to improve and further advance financial sector development. The creation of the Credit Information Bureau in 2009 (*delinked from the RMA in January 2013*) and the establishment, in 2013, of the Central Registry for Secured Transactions for movable properties has expedited and significantly eased the credit appraisal processes. Moreover, the RMA in consultation with the Ministry of Finance and the Ministry of Economic Affairs formulated the *Capital Market Master Plan for Bhutan (2014-2024)* in May 2014 to diversify and deepen the financial system from Bhutan's predominantly bank-based system to alternate sources of financial intermediation and to improve financial sector resilience. Given the increasing importance of financial stability in macroeconomic management and sustainable economic growth, plans are underway to establish a *Financial Stability Unit* to monitor and conduct regular assessments of domestic and external risks and vulnerabilities arising from the deepening and broadening of the financial system. Constant efforts are also being made to revamp the ICT and payment and settlement system, including the upcoming Interbank Mobile Payment System, to cater to the increasing use of technology and the need for secure and convenient electronic systems.

This section provides a brief history and major developments of each financial institution including the National Pension and Provident Fund and the Royal Securities Exchange of Bhutan up to the FY 2013/2014, and also outlines recent notable developments in the financial institutions. Please refer to **Annex VIII** for a more comprehensive review of Bhutan's financial sector performance.

BANK OF BHUTAN LIMITED

The country's oldest and largest commercial bank, the **Bank of Bhutan Limited** was established on May 28, 1968. With the increasing need to improve banking services in the country, banking experts from India and the RGoB recommended the collaboration of the bank with the State Bank of India in 1971. Consequently, the BOBL was reconstituted in 1972 with the SBI participating in the capital and management of the bank. SBI held 40 percent of the bank's equity and the remaining 60 percent was held by the RGoB. In 2002, SBI's shareholding with BOBL was reduced to 20 percent, as a result of handing over the management to the Bhutanese. Today the RGoB represented by Druk Holding and Investments owns the remaining 80 percent. Until the establishment of the Royal Monetary Authority of Bhutan, BOBL also undertook the role of a central bank.

Over the years, the BOBL has worked immensely to develop its banking services. In October 2014, the BOBL upgraded its Motithang extension office to a full-fledged branch office. In September 2013, the BOBL established its Babesa extension branch in Thimphu and in April 2014, four more branch offices were opened in Doksum (Trashiyangtse), Samdrupcholing (Samdrupjongkhar), Lhamoizhingkha (Dagana), and in Panbang (Zhemgang). Currently, the BOBL has an established network of over 28 branches and 12 extension counters thereby increasing their coverage across all dzongkhags in the country.

The Core Banking Solutions system, launched in 2009, has been fully implemented in all the branches. With the up-gradation of its technology, the BOBL introduced convenient delivery channels such as ATM, SMS, POS and mobile banking services in the country. In order to expand outreach, the BOBL increased its number of ATMs installed across the country to 62 in 2013 (including the Mobile van) from 42 in 2012. The Mobile Banking Van service offers an ATM facility and two teller counters. The BOBL was the first bank to introduce internet banking facilities on May 28, 2009 and has also constructed a USD 1 million worth, Tier-III, state of the art data centre, the first of its kind in Bhutan.

The bank aims to accord the highest priority to customer satisfaction with regular customer feedback through the Complaint Redressal System, which was launched in all branches by the end of October 2012. To further improve services, Sunday Banking was also launched on November 30, 2008, in addition to a 24x7 Customer Helpline since July 6, 2012. Initially the system could entertain calls from B-mobile users only but in February 2013, T-cell users were also given access to the toll free number.

During 2013, in collaboration with some of the utility organizations, the Bank launched a Utility Bill payment system using BOBNET banking, enabling customers to pay their utility bills and credit card and loan repayments conveniently online. Furthermore, the Bank also started the Bulk Upload facility online, enabling organizations to make salary payments to their employees. The Bank, in collaboration with Bhutan Telecom, also launched its B-Wallet service, providing convenient recharge/top-up facilities for mobile phones and fund transfer facilities between bank account holders through their mobile phones.

In July 2013, the BOBL Corporate Office was moved to Thimphu making it more convenient for the management to interact closely with decision makers, regulatory authorities and major clients. More recently in January 2014, the BOBL created its Share Service Division and Quality Assurance Division.

In terms of HRD, the bank plans to regularly improve succession planning through mentoring and development of training programs and has initiated numerous policies and practical interventions at all levels, particularly in the areas of professionalization and specialization. In 2013, 8 employees had undergone Professional Masters in Banking and Finance at the Asian Institute of Technology and a total of 173 employees were also trained. The BOBL also conducted specialized training on finance and banking in collaboration with the Institute of Finance, Banking and Insurance, Kolkata, India. Furthermore, a Performance Management System was also developed to enhance the performance of its employees.

Apart from regular and planned marketing activities, the Bank took initiatives to organize marketing events during the year such as: door-to-door marketing; road show covering three colleges – College of Science and Technology, Gaeddu College of Business, and Royal Thimphu College to increase awareness of the bank's products and services for future potential customers; and marketing and selling activity to the graduates during the National Graduate Orientation Program.

In order to facilitate accurate report generation and faster delivery of services to the customers, the implementation of Enterprise Resource Planning is also underway for the year 2014.

BHUTAN NATIONAL BANK LIMITED

Bhutan National Bank Limited, formerly the Unit Trust of Bhutan (UTB), was established in 1980 as a subsidiary of the RICBL, jointly owned by the RGoB and the RICBL. From 1992, the UTB functioned as an independent financial institution to promote and inculcate saving habits among the general public and to channel capital to productive sectors in the economy. In order to improve its banking services, the RGoB, with assistance from the ADB, converted the UTB into the Bhutan National Bank on December 5, 1996. The bank's equity was floated to the public in 1996 making BNBL the first bank to be owned by the public and apart from the RGoB, other shareholders included the RICBL, ADB and Citibank. The bank officially opened for business on January 6, 1997.

More recently in March 2013, the International Finance Corporation made an equity investment of USD 29 million in BNB and the IFC now owns 20 percent of the bank. The BNBL's other major shareholders include the NPPF (21.69%), Druk Holding & Investments (11.50%), Bhutan Trust Fund (5.14%), and the public (41.67%).

The BNBL was the first bank to provide ATM facilities in 2004 (in Thimphu and Phuentsholing). New financial products and services were introduced throughout its years of operation such as: the Global Credit Cards in December 2004, which has enabled ASEAN tourists to use their cards to purchase merchandise/services in Bhutan; the Gold Visa International Credit Card, Debit-cum-ATM card, and SMS and internet banking in 2009. The bank also launched debit cards under the VISA umbrella in 2012 enabling clients to shop online and to withdraw Indian Rupees from ATMs in India. In order to achieve global best standards in the area of risk management, the bank has introduced a credit scoring model in retail advances to minimize credit risk.

In 2010, the bank launched its long term corporate strategy with the assistance of Ernst and Young Consultancy, focusing on the following core areas: organization restructuring, performance management system, salary harmonization, customer profiling, risk based internal auditing, credit risk mitigation, business process re-engineering, policy and governance framework, financial modeling, management information system, and ICT policy and knowledge transfer.

In November 2012, the bank launched its Piggy Bank facility with two products: (i) Piggy Bank Savings Account, and (ii) Piggy Bank Recurrent Account. The piggy bank accounts aim to promote and inculcate practical financial knowledge among children, such as depositing and withdrawing money and building saving habits.

The B-Wallet service was launched in December 2012 in collaboration with Bhutan Telecom. Under this scheme, B-mobile users can top-up their pre-paid phones and transfer funds from one account to another in BNBL through their cell phones. After the launch of the B-Wallet services, the BNBL enabled the BT Fixed line phone bill payment as well.

During the year 2013, the BNBL upgraded its core banking software and also adopted and implemented the International Financial Reporting System and the Bhutan Accounting Standards. Furthermore, risk management framework was also developed to further enhance the operations of the bank. The Bank will be updating its core banking software in 2014 thereby providing better and faster services.

In order to expand outreach and accessibility in the country, the bank opened 4 new extension counters at Motithang Haa, Bonday and Dagapela during the year reaching a total of 11 branches and 13 extension offices across the country. Considering the growing number of clients accessing ATM services all around the country, the bank also installed 4 new ATMs in Haa, Bumthang, Zhemgang and Trashigang increasing the total number of ATMs to 32.

The Bank recruited a total of 53 employees during the year increasing the total staff strength to 422 and a total of 109 employees were given the opportunity to undergo trainings and seminars ex-country in 2013.

BHUTAN DEVELOPMENT BANK LIMITED

Bhutan Development Bank Limited, formerly, the Bhutan Development Finance Corporation, was established on January 31, 1988 with assistance from the ADB, and the equity participation of the RGoB (major shareholder), the BOBL, the RICBL, and the BNBL. The bank was set up primarily to assist the private sector by providing financial and technical assistance for industrial, agricultural, and commercial projects. BDBL is funded by international multilateral agencies such as the UNCDF, HELVETAS Swiss Intercooperation, KFAED, IFAD, SDC, and the ADB, through concessional loans and grants. The UNCDF/IFAD agricultural credit program, which was initially implemented by the RMA, was transferred to the BDBL in March 1988, along with all assets and staff of the former Agricultural Credit Division of the RMA. To finance small entrepreneurs, the BDBL joined the Entrepreneurial Development Program initiated by the RGoB. Industrial lending dominates the BDBL's activities and profitability, while agricultural lending, particularly micro-financing, remains its primary function.

In line with the resolution of the 82nd session of the National Assembly on the reduction of the interest rate on rural credit from 13 percent to 10 percent, the institution reduced interest rates of its rural credit group loans to 10 percent with effect from August 1, 2004. In addition, marking the United Nations International Year of Micro Credit 2005, the

BDBL launched two savings schemes, fixed and savings deposits during the first quarter of 2005, and beginning 2008, it launched a recurring deposit scheme as well.

From March 2010, the BDBL started functioning as a domestic commercial bank with cheque facilities after obtaining its banking license from the RMA. Subsequently, the BDBL set up its Banking and Treasury Division to manage the fund and banking operations. This division also initiated preparation of banking manuals and recognizing the importance of risk management, the bank, for the first time, set up an office to manage risk and assess portfolio quality. Through assistance from the micro-finance expertise of BASIX, India, BDBL engaged in business plans in various areas of micro-financing and bank management and operations.

In order to transfer the benefits of information technology to the grassroots, the bank officially launched Smart Phone Banking using what is known as “Personnel Digital Assistance” in Shaba gewog under Paro dzongkhag in June 2011. Through this service, a client can make loan repayments and deposits live from the field and check account balances, thereby improving and speeding up service delivery. This service has also been launched in Haa and Wanduephodrang dzongkhags as a pilot project, and if successful, such services will be replicated in all other branches.

Drongsep Kuendruel Tshe Sog Ngensung, an insurance scheme developed jointly with the Royal Insurance Corporation of Bhutan Limited was introduced on January 31, 2013. Under this scheme, in the event of death or permanent or partial disability of the borrower, RICBL would assume the liability for the loan repayment up to the maximum amount of loan sanctioned.

To meet the growing needs of the rural community and extend its outreach, numerous services have been planned and provided. *Farmers Outreach banking*, a banking service at the gewog level was introduced to the clients in rural areas, where field officers visit the farmers to provide banking services including loan disbursement, collection, deposit, withdrawal etc.

With the addition of 4 new branches during the year 2013, the BDBL has 33 full-fledged branch offices and 5 field offices spread across the country. Expanding its outreach of banking services has significantly benefited the people, especially the rural community, making banking closer, more accessible, and less costly. During the year, BDBL also introduced the *Agency Based Banking Service* in 5 locations; Khasadrapchu, Kabesa and Genekha in Thimphu, Phobjikha under Wangdue and Lango under Paro. The BDBL has plans to introduce a new deposit product called the *Drinchen Ama Savings* across all the branches in the country.

BDBL has a total of 5 ATMs installed across its branches in the country. Furthermore, the Bank also launched its SMS and internet banking facilities during the year. Customer satisfaction was higher in 2013 (79.2 percent) compared to 2012 (73 percent) according to customer satisfaction surveys conducted in the two years.

Recognizing human resource development as an integral part of achieving the objectives of the bank, continuous efforts have been made to build the institutional capacity of its employees. As of December 2013, the staff strength stood at 356 including the recruitment of 38 new employees during the year. A total of 1,139 employees were trained in-country in various courses and fields while 84 employees were sent for trainings, seminars and workshops abroad.

T BANK LIMITED

The **T Bank Limited** was established in Thimphu on March 12, 2010 with three domestic promoters, holding a total of 60 percent shares (20 percent each), while its IPO was floated in December 2010 for the remaining 40 percent. After floating its shares to the public, the bank then listed with the Royal Securities Exchange of Bhutan Limited on March 17, 2011.

The Bank established its second branch office in Phuentsholing on September 21, 2010 and ATM services were launched in March, 2011 in Thimphu and Phuentsholing. So far the bank has installed 10 ATMs across its branches in the country. T-Bank also opened a branch office at Wangduephodrang on March 15, 2012 and another branch office in Gelephu on April 27, 2013.

SMS Banking was introduced on October 30, 2013 while internet banking service was provided from January 25, 2014. The bank plans to open more branch offices in the central and eastern regions to cater to the growing need for financial services in these areas.

On September 1, 2013, T-Bank introduced a new deposit scheme, the *Senior Citizens & Religious Bodies Fixed Deposit Scheme* to cater to, as the name implies, senior citizens and religious bodies in the country.

DRUK PNB BANK LIMITED

Druk PNB Bank Limited, the third FDI bank in Bhutan, started business on January 27, 2010 with a total capital of Nu.300 million. 51 percent is held by Punjab National Bank, India, 19 percent by its domestic promoters, and the remaining 30 percent floated to the public through its IPO. The bank opened its first branch office in Phuentsholing in February, 2010. 2 branches in Thimphu and Wangduephodrang were opened with the aim of capturing business and building its foundation as prospective customers were concentrated in these areas, while in 2012, two more branches were established in Gelephu and Paro. Plans are underway to open a new branch in Trongsa in 2014 and two more branches in the central and eastern regions.

In December 2011, the Bank launched its Maestro Debit card for clients traveling to India and other countries. During its three years of operation, the DPBNL also started accepting U.S Non-immigrant Visa Fees for Bhutanese citizens. This has made it convenient for Bhutanese, as earlier payments could only be made to banks in India, particularly New Delhi, which is the designated place for Bhutanese citizens to apply for U.S Visas. Mobile

phone and internet banking facilities were also established, providing customers information and updates on banking transactions on a real time basis.

Since February 2014, the DPNBL has started using the automated system for reconciliation of all interbank transactions. More recently in May, 2014 DPNBL introduced a self-passbook printing machine, the first of its kind in Bhutan at the Thimphu and Phuentsholing branches. Furthermore, to improve its alternate service delivery channel, 2 new ATMs were installed in Thimphu; 1 in Changedaphu in June 2013 and another at Babesa in June, 2014 reaching a total 14 ATMs in the country.

The DPNBL endeavors to enhance the knowledge and skills of its employees with plans to regularly train its employees at the Punjab National Bank training centers in India. During the year the bank trained 30 employees in various organizations in Bhutan while 22 employees were sent for training to PNB's Central Staff College in New Delhi and to the National Institute of Bank Management in Pune, India. Moreover, realizing human resource development as an integral part of the bank's success, the Employees Stock Ownership Plan was introduced to reward its employees. Under this plan, approved by the RSEBL, the bank offered allotment of 200 equity shares to interested employees at face value of Nu.100 per share against the market value of Nu.350 per share to be allotted over a period of three years.

ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

The **Royal Insurance Corporation of Bhutan Limited** commenced its operations as the country's first and only insurance institution in 1975 under Royal Charter, with 39.3 percent share owned by the RGoB and the remaining 60.7 percent held by the public. RICBL was subsequently incorporated under the Companies Act of Bhutan 1989(amended in 2000) and licensed under the Financial Institutions Act of Bhutan, 1992(amended in 2011 FSA). The Royal Charter mandated the RICBL to underwrite all types of insurance business emanating from Bhutan and engage in investment activities. Today, the RICBL offers about 27 non-life policies, 18 life policies and 11 types of loans besides managing the Private Provident Fund, RICB Securities Limited and the Group Insurance Scheme of the entire government employees and armed forces.

Since inception, the RICBL has not only met the insurance needs of the country, but has also contributed towards the country's economic development by providing access to finance for private individuals. In this connection, the corporation's Credit and Investment Department was set up to act as an investment body for effective and efficient utilization of funds from insurance and Government Employees Provident Fund (GEPF). With the investment of these funds in the economy, housing, construction and transportation activities in the country were taken up by the private sector on a large scale.

The GEPF, managed by the RICBL since 1976, was transferred to the NPPF from April 2000, when the company had to part with assets worth Nu.1.2 billion (accounting for over 80 percent of the RICBL's assets). However, the separation of the GEPF did not have adverse effects on the overall performance of the RICBL. Instead, it helped resolve the

long-standing problem of excess liquidity and enabled the corporation to concentrate on its core business.

The RICBL operates on a fully computerized system under the local area network system at its head office. Currently, the RICBL uses an Integrated Insurance Management System for the general and life insurance system. The corporation also developed a new system for its Credit and Investment Management Department under an Integrated Credit and Investment Management System.

The RICBL opened a branch office on October 15, 2013 in Sakten, Trashigang to provide convenient access to their services for the rural community. More recently in February 2014, a new branch office was established at Lhamoizingkha, Dagana. Today, headquartered in Thimphu, the company has 1 regional office and 25 branch offices with 317 employees and 1,020 Sales Executives (agents) spread across the country. Also, the RICBL has an established business network with insurance companies in 29 countries around the world.

A Memorandum of Understanding was signed with NIPPONKOA Insurance Co. Ltd., Japan on August 15, 2012. Through this partnership, NIPPONKOA will provide technical assistance to RICBL to develop and improve non-life insurance products in the country.

The RICBL was awarded “The Development Trihedron” international award in 2012 for Rural House Insurance Scheme in the Corporate Social Responsibility category by the *Association of Development Financing Institutions in Asia and the Pacific*.

On February 21, 2013, RICBL launched the first annuity scheme in the country, the *Life Annuity Scheme*, aimed at providing lifelong regular annuity income post-retirement. Furthermore, this scheme provides *Total Permanent Disability* benefits and *Life Insurance*, ensuring a steady monthly annuity for dependents in case of the death or permanent disability of the policyholder. The *Immediate Annuity Scheme* is provided for individuals between the ages of 45 and 76, where premium is charged as a single lump sum and the monthly annuity is paid to the insured after a month.

The RICBL signed a Memorandum of Understanding with the Royal Civil Service Commission and AWP on April 25, 2013 whereby the RCSC will insure its ex-country scholars under the *Student Health Insurance Scheme*. The health insurance will be available through the network of more than 4,500 hospitals associated with the RICBL in India, Thailand and Sri Lanka. On September 30, 2013, another MoU, which will initially be in effect for two years, was signed between Tilganga Institute of Ophthalmology (TIO) and the RICBL at TIO, Nepal. The TIO will provide ophthalmic services to beneficiaries with eye health insurance.

In August 2014, the RICBL was given a **Financial Strength Rating** of **B⁺** (good) and an **Issuer Credit Rating** of **bbb-** by A.M. Best Asia-Pacific Limited, a subsidiary of A.M. Best Company. This is the second year of rating the RICBL by A.M. Best after the first rating in August 2013. These ratings are an important indicator for stakeholders on RICBL’s financial security, efficiency and overall credibility.

A recent notable product is the launch of the *Dhe-yob Ngen-sung Lay-char*, on November 11, 2014. It is an insurance policy package covering medical expenses and personal accident risks for professional drivers. The main objectives are to provide insurance with dual cover at an affordable rate and to ensure social security and welfare for the drivers and their families.

Among the identified projects for the year, the *Rural Life Insurance Scheme* is an important initiative for RICBL and will be developed on a model similar to the *Rural House Insurance Scheme* developed in 2011/12, where the government will subsidize the premium and RICBL will endure full claims. The Rural Life Insurance Scheme will have savings features along with life cover with the objective to provide an adequate life insurance scheme to cover post death expenses and to inculcate savings habit.

BHUTAN INSURANCE LIMITED

The **Bhutan Insurance Limited** was incorporated on July 24, 2009 under the Companies Act of the Kingdom of Bhutan, 2000 and started operations by August 20, 2009. Currently, 32 percent of the BIL's shares are held by its domestic promoters and the remaining 68 percent is held by the public constituting of individuals (63 percent) and FIs (5 percent). The BIL offers all types of non-life insurance services, including personal insurance, commercial insurance, industrial insurance, and liability insurance. On April 4, 2010, the RMA granted approval to operate a Financing and Investment Department, soon after which the BIL also created the Private Provident Fund Department.

The BIL continued to develop its operations and improve its services over the years. Its general insurance business witnessed a growth of over 11 percent in Q3 of 2014 from the same period in 2013. All its branch and extension offices are now connected through a secured virtual private network system. During the year, a new insurance policy called the *Student Care Insurance* was introduced for both school and college students and covers the life of the student and their parent/guardian against accidental disability and demise. The BIL also commenced providing Gratuity Fund Management for both the public and the private sectors.

A new insurance software was commissioned since July 2013 and with the motive to go paperless and enhance efficiency, the HR and Administration software called the *Staff Networking System*, was designed in-house and also successfully implemented since January 2014.

Headquartered in Thimphu, the BIL currently operates 12 offices across the country including 2 extension offices in Olakha and Taba, Thimphu and the more recent establishment of the Samtse extension office on September 9, 2014. Since its establishment, BIL experienced considerable growth and in order to meet customer demand, more staff were employed during the year reaching a staff strength of 70 employees. While increasing the staff strength by 25 percent, the BIL has trained over 30 percent of its employees both within and outside the country during the year.

NATIONAL PENSION AND PROVIDENT FUND (NPPF)

Formally created on March 30, 2000, the **National Pension and Provident Fund** is an autonomous organization responsible for managing and administering retirement schemes in the country. The ADB project and the RGoB working committee in 1999, under the governance of the Board of Directors, reviewed and evaluated the UNDP's study (1997) on the *Feasibility of Introducing a Pension Scheme in Bhutan* and recommended an annuity-based, multi-tiered retirement plan called the National Pension and Provident Fund Plan (NPPFP). Thereafter, the RGoB formally established the National Pension and Provident Fund consisting of two tiers: the National Pension Plan (NPP)¹ and the Provident Fund Plan (PFP)².

Prior to the establishment of the NPPF, the GEPF was managed by the RICBL and covered only government employees. Its benefits were limited to a gratuity and a provident fund scheme which were paid as a lump sum post-retirement. In order to enhance social security, the RGoB initiated an income security scheme by restructuring the GEPF scheme aimed to provide: Post service retirement benefits to its members; Income security in the event of permanent disability; Social support to spouse(s) and dependent children in the event of the death of a member; and Compulsory savings plan for salaried employees.

On July 3, 2000, the NPPF took over the GEPF and real estate operations from the RICBL, worth Nu.2 billion in the form of fixed deposits, cash, and real estate assets, thus making it the largest institutional investor in the country. Meanwhile, on the investment and credit front, realizing the importance of investing its assets in a prudent manner, the NPPF was licensed by the RMA to carry out limited financial services on March 9, 2007. Unlike other financial institutions, the NPPF has a limited credit mandate and currently provides Housing, Education and Student loans to its members. To ensure that members' funds were safeguarded, the NPPF came under the purview of the RMA with effect from July 1, 2007

In 2010, the NPPF enhanced its services with the introduction of the One-Stop-Solution, and Hotline and SMS services, providing timely services to its members. Furthermore, the NPPF extended its pension payment outlet with T Bank and BNBL in addition to BOBL and Bhutan Post. In collaboration with the BNBL, it also started its first ever ATM facility for pension payment.

In order to improve service delivery, the NPPF introduced a number of facilities via online web-based applications which enable NPPF members to access a wide range of services including transactions, information on benefits entitlement, claim processing status, and

¹ *The NPP, titled Tier 1 of the NPPFP, is a defined benefit plan under which monthly pension benefits will be provided to a member upon retirement. In addition disability benefits to a member and survivor(s) will also be provided.*

² *The PFP, Tier 2, is a benefit plan where members receive lump sum payments of accumulated balances upon retirement.*

statement of contributions. Furthermore, under the Government to Citizen (G2C) project³, the *Pension Service Portal* was introduced to deliver services to Gewog Community Centers, managed by Bhutan Postal Corporation. The NPPF, in collaboration with the BOBL and BNBL, also customized its internet banking facilities to collect loan repayments and monthly rent payments. A few members have already availed of the facilities and the NPPF continues to create awareness among members to use such facilities.

During the year several initiatives were introduced including the customization of human resource management, inventory management, asset management and real estate management systems. The NPPF also upgraded its online security system and installed the *Unified Threat Management* system providing two layers of protection. Furthermore, to streamline reconciliation of accounts with banks, the *Ascent Banking Solution* system was improved through incorporation of an automatic bank reconciliation feature. The NPPF is currently in the process of developing a comprehensive business intelligence solution to incorporate a dynamic Management Information System enabling sharing of information among staff at all levels and facilitating real time decision making.

Membership of the *pension plan* continued to increase during the year with the civil servants growing by around 3.0 percent and accounting for about 6.8 percent of the total population. There were 418 employers registered with NPPF representing government agencies, public corporations and enterprises, joint venture companies and the armed forces as of June 2014. Out of the total of 50,728 registered members, 39,157 were male and 11,571 were female.

Today, NPPF is one of the biggest real estate developers in the country. Apart from providing affordable apartments on rent, NPPF has been instrumental in containing the increase in rental charges in the market by maintaining its own rents at reasonable levels.

During the year, NPPF undertook several new initiatives in managing its real estate assets. These include the *Home Ownership Program* and finalization of the *Home Ownership Policy* and manual papers. Through this project, NPPF hopes to provide affordable housing by reducing the construction cost with the use of different types of materials. If this pilot project is successful, it will be implemented in other dzongkhags for the benefit of its members.

Another notable development was the revision of its *Housing Management Rules and Regulations* to bring about consistency with the Tenancy Act. The revised Regulations implemented from July 2013 has significantly improved the welfare of the member tenants by protecting their rights. Given the acute shortage in housing in Phuentsholing as a consequence of which many Bhutanese live across the border in India, NPPF plans to construct 108 apartments which is expected to commence shortly.

In terms of human resource development, a total of 73 employees were trained in various fields ex-country and in-country. One of the key areas of human resource development

³ *The Government-to-Citizen (G2C) Project was initiated in 2010 with the primary objective to simplify and enhance the delivery of public services.*

program was in the area of customer service and the NPPF organized a *Culture-Based Customer Care* training program at the Institute for Management Studies for its employees. The NPPF has been strengthening its Performance Management System and also adopted its revised *Service Rules* during the year in order to enhance its the governance structure for the success and growth of the organization.

ROYAL SECURITIES EXCHANGE OF BHUTAN LIMITED

The **Royal Securities Exchange of Bhutan Limited** is incorporated under the Companies Act of Kingdom of Bhutan, 2000, and licensed under the Financial Institutions Act, 2011. Its initial paid-up capital of Nu.2 million was provided by the four FIs whose subsidiary units, the brokerage firms⁴, were licensed to serve as brokers. The board of directors consists of the Governor of the RMA as Chairman, the CEOs of BNBL, RICBL and BDBL, the Registrar, Department of Industry, Ministry of Economic Affairs, the CEO of the RSEBL as member secretary and the Advisor of RSEBL as observer. The RMA's role is that of a Securities Commission.

The exchange commenced operations in 1993 with four listed companies and a total market capitalization of Nu.393 million. Currently, the RSEBL has 22 listed companies, (including the new listing of GIC Bhutan Re Ltd. on August 15, 2014) with a total volume of 72.96 million shares and a market capitalization of 20 billion.

With technical assistance from the World Bank and the RMA, the RSEBL has changed the trading platform from its existing backend office trading system to a web-based Integrated Exchange Solution. Jointly funded by the World Bank, ADB and the RMA, the RSEBL's new web based Integrated System was formally launched on April 23, 2012. The Integrated System comprises of six major integrated systems which are under application such as Electronic Depository System, Broker Back Office System, Initial Public Offering System, Clearing and Settlement System, Market Surveillance System and Automated Trading System. With the new system in place, investors have convenient access to real time market data along with online trading facilities.

With the establishment of the Integrated System, the RSEBL started issuing online trading terminals to investors in order to encourage wider participation in the secondary market. Moreover on August 1, 2014, the RSEBL successfully converted the face value of Nu.100 to Nu.10 in an effort to introduce the lot system in the market and to increase the frequency of trading in the secondary market. The RSEBL also established its Clearing and Settlement House as a unit with the objective to act as a legal counter party to all trades and to guarantee the settlement for all members.

The RSEBL drafted rules, particularly for Automated Trading System, Central Depository, RSEBL Clearing and Settlement House, RSEBL Clearing and Settlement House Procedures and Initial Public Offering Procedures which were approved by the Royal Monetary Authority of Bhutan in the year, 2012. In addition, more recently, the RMA also approved the Rules on Delisting of Securities with effect from July 18, 2014.

⁴ *RICB Securities Ltd., BNB Securities Ltd., BOB Securities Ltd., and Drook Securities of the BDBL.*

To increase awareness on the dangers of Ponzi Schemes, RSEBL produced infomercials on Ponzi Schemes with the financial support from BDBL, BNBL, and RICBL, and successfully aired two awareness videos associated with Ponzi Schemes and internet scam through broadcast media, local private TV channels and other social media.

In terms of human resource development, ex-country short term attachment courses were arranged in order to enhance knowledge and skills on new IT infrastructure and procedures associated with the integrated system. In April 2014, the RSEBL led a team comprising of representatives from the RMA and Food Corporation of Bhutan to the Mercantile Exchange Nepal Ltd. to explore its operational structure. Later in June 2014, the RSEBL led a team comprising of officials from RSEBL, and other stakeholders to the Taiwan Stock Exchange to explore the possibility of a Commodity Exchange Market in Bhutan and to familiarize and gain additional insights on the fundamentals and operational aspects of the market.

Furthermore, a team comprising of three officials including one broker from RICB Securities Ltd. visited the Colombo Stock Exchange to study its regulatory framework and operations including depository and clearing and settlement procedures. In May 2014, three officials including one broker from the BDB Securities Ltd. visited the Thai Bond Market Association and the Lao Securities Exchange.

INTEREST RATES

Given the close macroeconomic, financial and institutional linkages between Bhutan and India, interest rates and price movements in Bhutan are by and large influenced by corresponding developments in India. Maintenance of a one-to-one fixed exchange rate between the Ngultrum and Rupee and the free trade arrangement between the two countries have had significant implications for Bhutan on both the domestic credit management front as well as safeguarding the health of the external sector.

Historically, prior to liberalization in 1999, interest rates were fixed by the RMA. Today, interest rates are determined by the interaction of the supply and demand for funds in the money market. The RMA's role is limited to regulating the market through direct and indirect instruments, in particular, through the use of capital and prudential controls and reserve management policies. Interest rates have started displaying some movements in recent years, following a lengthy sticky period (Tables 1 and 2).

Table 1		Deposit Rates of Commercial Banks in Bhutan, 2010-2014			
		Percent per annum; as of end of June			
Type of Deposits	2010	2011	2012	2013	2014
Savings	4.50-5.50	4.50-5.00	4.50-5.50	5.00-5.50	5.00-6.00
Term Deposits					
a) 3 months to less than 1 year	4.50-5.50	4.50-5.50	5.00-6.00	5.00-6.50	5.00-7.00
b) 1 year to less than 2 years	4.50-6.50	6.00-7.00	7.00-7.25	7.00-7.50	7.00-7.50
c) 2 years to less than 3 years	6.00-7.00	6.00-7.50	7.50-7.75	7.50-7.75	7.50-7.75
d) More than 3 years	7.00-8.50	7.00-8.50	8.00-9.00	8.00-8.75	8.00-10.00

Source: Commercial Banks and Non-Bank Financial Institutions.

The introduction of the base rate in the third quarter of 2012 has also led to some movements in interest rates. The savings rates of commercial banks increased marginally from the 5.00-5.50 percent range as of June 2013 to the 5.00-6.00 percent range as of June 2014. Interest rates on deposits of commercial banks with a maturity of 3 months to less than one year grew slightly from the range of 5.00-6.50 percent in 2013 to 5.00-7.00 percent in June 2014, while for deposits with a maturity of 1 year and above, interest increased from the 8.00-8.75 percent range to 8.00-10.00 percent.

On average, between June 2013 and June 2014, the deposit rates of commercial banks increased from 7.25 percent to 7.47 percent, reflecting efforts of the commercial banks to improve banking products and services and attract a larger pool of depositors by offering better returns and banking facilities. Similarly, the lending rates of commercial banks and other financial institutions (other financial institutions includes the RICBL, BIL and NPPF) across major sectors such as housing, manufacturing and service industries increased from the range of 12.73-14.63 to 12.73-16.00 and 11.73-13.13 to 11.73-16.00 percent, respectively. On average, the overall lending rates of the financial institutions increased from 13.28 percent to 16.58 percent over the last year.

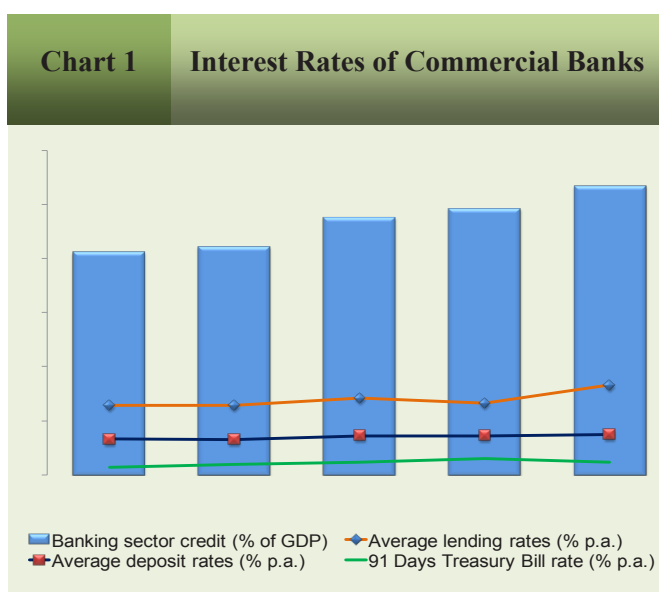
Table 2 Selected Lending Rates in Bhutan, 2010-2014

Loans by Purpose	Percent per annum; as of end-June				
	2010	2011	2012	2013	2014
1. General Trade	13.75	13.00-14.00	13.00-14.00	13.00-14.00	13.00-14.15
2. Export Finance	13.00-14.00	13.00-14.00	13.00-14.00	13.00-14.00	13.00-14.00
3. Manufacturing Industry	12.00-13.00	12.00-13.00	12.00-13.00	11.73-13.13	11.73-16.00
4. Service Industries	10.00-13.00	10.00-13.00	10.00-13.00	11.73-13.13	11.73-16.00
5. Transport	13.00-14.00	13.00-14.00	10.00-16.00	11.73-16.00	11.73-14.10
6. Agriculture & Livestock	12.00-13.00	10.00-13.00	10.00-13.00	11.73-13.00	11.73-13.00
7. Housing	10.00-13.00	10.00-13.00	10.00-13.00	12.73-14.63	12.73-16.00
8. Equity Finance	10.00-13.00	10.00-13.00	13.00-14.00	12.00-14.00	11.73-15.00
9. Personal Loan	15.00-16.00	15.00-16.00	15.00-16.00	15.00-16.00	13.00-16.00
10. Govt. Employee Loan	12.00	12.00	10.00-13.00	12.00-13.13	12.73-14.00

Source: Commercial Banks and Non-Bank Financial Institutions.

In terms of credit share, banking sector credit as a percentage of GDP continued to increase from 47.48 percent in June 2012 to 49.11 percent in 2013 and further to 53.29 percent as of June 2014.

The spread between lending and deposit rates reflects the interest rates charged on loans, covering not only the cost of funds (marginal cost), but also intermediation and other overhead costs, including the spread or profit margin of the banks. Demand and supply of liquidity in the financial sector, general level of domestic prices, maturity period of the financial products and the perception of risks associated with the exposed loan portfolios are the key determinants of interest rates of the commercial banks in Bhutan.



On the Government Securities market front, only a few institutional players have been active, dominating the purchase of Treasury Bills. The issuance of T-Bills has continued to fall in 2014 due to lack of demand for short term liquidity in the domestic market. T-Bill rates have not been able to match the issuance in 2008 (6 percent), falling to less than 3 percent in both 2013 and 2014. As of June 2014, T-Bills were issued at a discounted rate of 2.28 percent. Irregular frequency in issuance, limited maturities of available instruments and lack of level playing field among domestic investors continue to impede the development of a vibrant Government Securities market in Bhutan.

Developments in the Base Rates of Financial Institutions

During May 12-14, 2014, in line with the Base Rate Operational Guidelines, the RMA conducted the Second Base Rate Review Meeting with the commercial banks. For the financial year 2014, the base rate for the commercial banks ranged between 10.32-11.43 percent and 12.00 percent for the non-bank financial institutions (refer Table 3 for details).

Financial Institutions		Applied Base Rate (%)	
		2014	2013
1	Bank of Bhutan Limited	10.32	10.81
2	Bhutan National Bank Limited	11.43	11.01
3	Druk PNB Bank Limited	11.15	11.25
4	T Bank Limited	10.76	11.19
5	Bhutan Development Bank Limited	10.84	10.83
6	Non-Bank Financial Institutions	12.00	13.19

Source: Research and Statistics Department, RMA.

Compared to 2013, the lower limit on the base rate has fallen marginally from 10.81 percent to 10.32 percent this year mainly due to (i) fall in CASA adjustments on account of decline in the share of current account balances of the bank through the RMA's sweeping facility; (ii) improvements in banks' profit levels; (iii) growth in the capital base of the banks; and (iv) improvements in the levels of deployable deposits of the banks.

Interest Rate Developments in India

During 2013/14, the impact of the transmission of policy rate to deposit and lending rates of banks remained relatively less pronounced as compared to money market rates reflecting the presence of structural rigidities in the credit market.

Items	Percent per annum			
	Mar-13	Jun-13	Mar-14	Jun-14
1. Policy Rate	7.50	7.25	8.00	8.00
2. CRR	4.00	4.00	4.00	4.00
3. 91- Days Treasury Bills	8.06	7.41	8.99	8.51
4. Median Deposit Rate	7.42	7.48	7.74	7.74
5. Weighted Average Lending Rate	12.27	12.20	12.19	12.20
6. Median Base Rate	10.20	10.20	10.25	10.25

Source: Reserve Bank of India Annual Report 2013/14

Factors impeding smooth monetary policy transmission to the credit market included rigidities in re-pricing for fixed deposits, large size of government borrowings, and practice of yearly resetting of interest rates on small savings linked to G-sec yields and among many others, the presence of informal finance in the economy. Despite the Reserve Bank's efforts to ease liquidity conditions through its monetary policy operations, the impact as reflected in the key liquidity variables was not significant (**Table 4**). The weighted average lending rate on outstanding rupee loans extended by scheduled commercial banks continued to remain at 12.20 percent during June 2014, in line with the rate prevailing as of June 2013, although the median deposit rates of the banks increased by 26 bps to 7.74 percent in June 2014. Partly due to higher cost of fund, the median base rate of the banks increased by 5 bps to 10.25 percent in June 2014 as compared to 10.20 percent in June 2013. To address structural impediments in the credit market, the Reserve Bank had to undertake exceptional measures to strengthen the monetary policy framework and restore the confidence in the market while at the same time counter act on building exchange rate pressures.

TOURISM¹

As envisioned by His Majesty the Fourth King, Bhutan has pursued a cautious tourism policy that is today the envy of many destinations in the world. The expansion of the tourism sector was recognized as an important prerequisite for meeting the government's objective of promoting Bhutan as a quality service destination, guided by the nation's tourism policy of "high value, low impact". Tourism in Bhutan was introduced in 1974 during the coronation of His Majesty the Fourth King when a group of Americans led by Lars Eric Lindblad of Lindblad Travel, New York were the first official tourists to visit Bhutan in 1974.

To commemorate the 60th birth anniversary of His Majesty the Fourth King, the Tourism Council of Bhutan has declared 2015 as the Visit Bhutan Year with many exciting events and activities being planned for the year. On 11 November 2014, the Prime Minister of Bhutan launched a website and calendar of events for **Visit Bhutan 2015**² containing information on events and activities, attractions, special offers and highlights. Bhutan is also hosting the Pacific Asia Travel Association's upcoming Adventure Travel and Responsible Tourism Conference and Mart 2015, in February 2015.

The tourism sector is recognized for its considerable potential as a major source of income for the Government and has been identified as one of the Five Jewels of Bhutan – five focus areas where Bhutan has core competitive strengths. The Government has pledged to achieve 200,000 tourists during its five year term. Tourism is an important private sector employer of Bhutan's growing population with important spill-over impacts on the country's domestic airlines, hotels, vehicle hiring agencies, shops and consulting agencies.

Progress in the sector thus far has been a result of diversifying tourism from cultural to nature-based products involving the opening up of many previously closed communities and protected areas. At the same time, Bhutan's tourism policy has been realigned along the theme of "high value, low impact" in order to ensure that adverse impacts from tourism on the socio-cultural and natural environment are minimal.

According to the TCB's Bhutan Tourism Monitor 2013, the most popular keywords to describe Bhutan and visitors' impressions from the trip were: "friendly" (70.20 percent), "cultural" (65.10 percent), "pristine nature" (60.90 percent), "beautiful" (60.80 percent), "religious/spiritual" (51.20 percent) and "happy" (38.0 percent); while some other keywords were "unspoiled", "rapidly developing", "undiscovered", "expensive", and "peaceful". In 2013 Bhutan won the "**Destination Stewardship**" award³ - an award for a destination which successfully demonstrates a program of sustainable tourism, while incorporating social, cultural, environmental and economic benefits. The award is categorized for the Tourism for Tomorrow Awards and is hosted by the World Travel and Tourism Council.

¹ Sources: Tourism Council of Bhutan; UN World Tourism Organization; News archives

² Website: www.visitbhutanyear.com

³ Source: <http://www.wttc.org/tourism-for-tomorrow-awards/winners-and-finalists/winners-and-finalists-2013/>

Since the last revision in 1989, tariffs were revised in January 2012: from USD 200 to USD 250 per day during the peak season (March, April, May, September, October and November); and from USD 165 to USD 200 during the lean season (January, February, June, July, August and December). The daily tariff covers the cost for food, lodge, transport and guide services. With royalty payable to the government still remaining at USD 65, the revised tariffs offer operators a chance to improve services, ranging from food to tour packages. Tour operators are also now mandated to keep their guests in accommodation facilities that have been rated as 3 stars and above.

Break Down of Daily Tariff (USD)

PEAK SEASON	
Client pays per day	250.0
Less 10 % commission to overseas agent	25.0
<i>So Bhutan receives</i>	<i>225.0</i>
Less 35% agreed royalty to RGOB	65.0
Less 2% withheld tax	3.2
<i>Received by tour operator</i>	<i>156.8</i>
LEAN SEASON	
Client pays per day	200.0
Less 10% commission to overseas agent	20.0
<i>So Bhutan receives</i>	<i>180.0</i>
Less 35% agreed royalty to RGOB	65.0
Less 2% withheld tax	2.3
<i>Received by tour operator</i>	<i>112.7</i>

Source: Tourism Council of Bhutan.

Recent Performance

Total visitor arrivals in 2013 was recorded at 116,209 – this figure includes ‘regional’ (India, Bangladesh and Maldives) and international MICE (Meetings, Incentives, Conferences, Exhibitions) and FAM (Familiarization) arrivals. In terms of international (dollar paying) tourist arrivals, from 287 tourists in 1974, this figure has increased to 44,252 in 2013. In calendar year comparisons, international tourist arrivals increased by 0.7 percent from 2012 while total revenue earnings increased to USD 63.5 million from USD 62.8 million. Tourism continues to remain the Kingdom's largest source for convertible currency earnings with revenue to the government comprising of royalties and taxes collected from tour operators. Government revenue from tourism in FY 2013/14, in the form of royalties and taxes, amounted to Nu.1,047.9 million, accounting for around 5 percent of total domestic revenue, compared to its contribution of Nu.949.7 million in 2012/13.

Table 1 Selected Tourism Indicators

	2009	2010	2011	2012	2013
Tourist Arrivals	23,480	27,196	37,479	43,931	44,252
Of which: Cultural	21,076	24,443	28,893	43,606	31,861
Of which: Trekking*	2,404	2,753	3,467	3,216	3,540
% Change in arrivals	(15.0)	15.8	37.8	17.2	0.7
Gross receipts ¹	31.9	35.0	47.7	62.8	63.5
% Change in receipts	(17.9)	9.9	36.2	31.7	1.1
Contribution to Government revenue ¹	11.1	13.3	15.5	17.5	16.7
% Change in contribution	(19.8)	20.3	16.5	13.0	(4.7)

* Includes both trekking only and trek-cultural combination. 1) in millions of USD; Government revenue includes royalty and 2% tax. Source: Tourism Council of Bhutan.

In terms of source markets, USA dominated the market both in terms of numbers (15.7 percent of total international arrivals in 2013) and bed nights⁴ (17.3 percent of total bed nights in 2013). In 2013, China overtook Japan as the second largest source for tourists, increasing by 26.5 percent to 4,764 visitors. Japanese arrivals had fallen by 42.4 percent in 2013. New in 2013 were first time arrivals from St. Kitts and Nevis, Surinam, Guyana, Mauritania, Madagascar and Mozambique.

In terms of bed nights, USA was followed by Germany (8.4 percent) and China (7.7 percent). The average length of stay in 2013 remained the same as that of the previous year with 6.9 days. Among the source markets, tourists from Switzerland had the highest average length of stay at around 11 days closely followed by France (10), Germany, and Australia (9 days each). Tourists from the USA and UK stayed for about 8 days each on average. The average length of stay for Asian source markets such as Japan, Malaysia, China and Thailand were all below 6 days.

Visitors from Thailand are expected to increase in 2014 following from concessions related to the celebration of 25 years of Bhutan-Thailand friendship and diplomatic relations in 2014. As part of the celebrations, the TCB exempted Thai nationals from paying the mandatory minimum daily package rate and levied only the daily royalty of USD 65 per night during the peak seasons. Further, during the offer period, Druk Air and Bhutan Airlines also offered 50 percent discount on airfares while hotels offered 50 percent discount for every halt.

	2009	2010	2011	2012	2013
Asia & Asia Pacific	33.2	32.0	40.3	49.0	48.4
<i>of which: Japan</i>	13.4	10.9	10.5	15.9	9.1
<i>China</i>	4.9	5.5	7.7	8.6	10.8
<i>Thailand</i>	4.2	3.2	6.0	8.1	7.9
<i>Australia</i>	4.1	4.8	4.7	4.4	4.6
Europe	41.3	43.2	37.1	32.4	30.4
<i>of which: Germany</i>	6.8	8.3	6.1	6.6	6.2
<i>United Kingdom</i>	8.4	6.5	7.5	5.6	5.2
North America	23.3	22.6	20.0	16.4	18.6
<i>of which: USA</i>	20.4	19.1	16.6	13.7	15.7
South America & Caribbean Island	1.2	1.3	1.5	1.5	2.0
Middle East	0.7	0.5	0.9	0.5	0.4
Africa	0.3	0.4	0.2	0.2	0.2
Total	100	100	100	100	100

North America = USA, Canada & Mexico. Source: Tourism Council of Bhutan.

⁴ Bed nights measure the duration of stay in the country and have important implications for revenue generation.

From a regional perspective, the European and Asia/Asia Pacific regions have dominated the market and in 2013, these two regions accounted for 30.4 percent and 48.4 percent of total arrivals, respectively. Except for North America, South America and Caribbean, where arrivals increased by 14.2 and 27.4 percent, respectively from 2012, the arrivals from all other regions decreased in 2013 (Europe: -5.5 percent, Africa: -1.1 percent, Middle East: -6.7 percent, and Asia/Asia Pacific by 0.4 percent).

According to the United Nations World Tourism Organization (UNWTO), **global international tourist** arrivals in 2013 grew by 5 percent with 1,087 million arrivals, against 1,035 million in 2012. Despite economic slowdown around the globe, demand for international tourists remained well above expectations with an additional 52 million international tourists travelling around the world during 2013. In terms of destination demand for international tourism, Asia and the Pacific, and Africa recorded the strongest performance with more than 6 percent tourist arrivals each, followed by Europe with more than 5 percent. In Asia and the Pacific, the growth in relative terms was strongest where the number of international tourists grew by 14 million to reach 248 million. South-East Asia was the best performing sub-region with more than 10 percent growth while the South Asian region was moderate at 5 percent followed by Oceania and North–East Asia recording more than 4 percent growth each.

The UNWTO is the leading international organization in the field of tourism, headquartered in Madrid with 156 member nations currently. Bhutan joined the UNWTO in October 2003 and by becoming a member, Bhutan expects to further develop its vast potential, and strengthen its ability to withstand external shocks.

Bhutan observed World Tourism Day under the theme “**Tourism and Community Development**” at Phobjikha in Wangdiphodrang on September 27, 2014. According to the UNWTO Secretary General Taleb D Rifai, “*The theme of World Tourism Day 2014 – Tourism and Community Development – brings to the forefront the potential that tourism has to promote new socio-economic opportunities and better livelihoods for communities around the world while highlighting the critical role that community engagement has in advancing sustainable development.*”

Regional Tourists and Spending Patterns

Of the total tourist arrivals (including business, official, regional and FAM visitors) in 2013, 63,426 were ‘regional’ visitors i.e. visitors from Bangladesh, India and Maldives who do not require visas to enter the country and are exempted from the minimum daily tariff. During the year, 54,081 visitors were from India (2012:43,672), followed by 8,892 visitors from Bangladesh (2012:6,087), and 450 visitors from Maldives (2012:1,014). Regional visitors to Bhutan were mainly for the purpose of “holiday” with 65.8 percent for leisure and holiday, followed by 8.9 percent for private business trips and another 8.7 percent in the meetings, incentives, conferences and exhibitions (MICE) category.

On average, a regional visitor is estimated by the TCB to spend around Nu.27, 157.4 (excluding airfare) for a trip to Bhutan, which approximately contributed more than USD 28 million equivalent in tourist receipts in the year 2013 compared to USD 31.3 million in 2012. As per the

spending pattern shown in Chart 3, the overall spending during 2013 has decreased compared to the previous year. However, overall tourism earnings including official and business segments, and regional tourism were estimated to be approximately in excess of USD 220 million (2012:USD 227 million) including receipts from Druk Air, regional tourism, out of pocket spending of visitors on shopping, and other additional services and products.

The TCB is looking to promote high-end tourists from India and tourists from the region in general since these tourists typically visit Bhutan during the snow-season in winter and can thereby help smooth out some of the seasonality in the industry. As per the TCB annual monitor, there was a significant increase in visitors by 58.8 percent, who were travelling on packaged tour organised by travel agents.

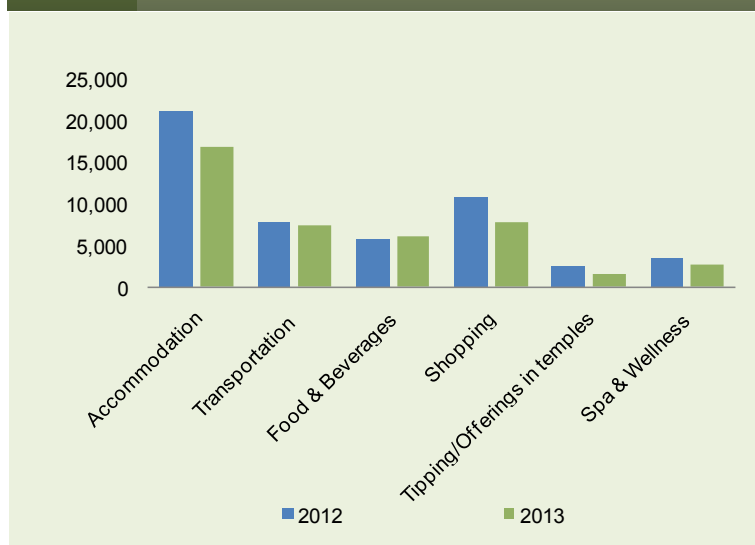
Considering the importance of regional tourists, over the past years, TCB carried out numerous marketing and promotional activities for regional markets, with the focus to try and attract regional tourists during lean seasons. The national airline, Druk Air's ticketing partners based in Kolkata, Delhi, Bagdogra, Guwahati and Bodh Gaya in India, and Dhaka in Bangladesh, offers concessional airfare to regional visitors from India and Bangladesh at par with rates for Bhutanese travellers. As per the Department of Immigration, the number of registered visitors via land from southern Bhutan (Phuntsholing, Gelephu and Samdrupjongkhar) was 46,468 during the year 2014.

Developments, Challenges and Initiatives

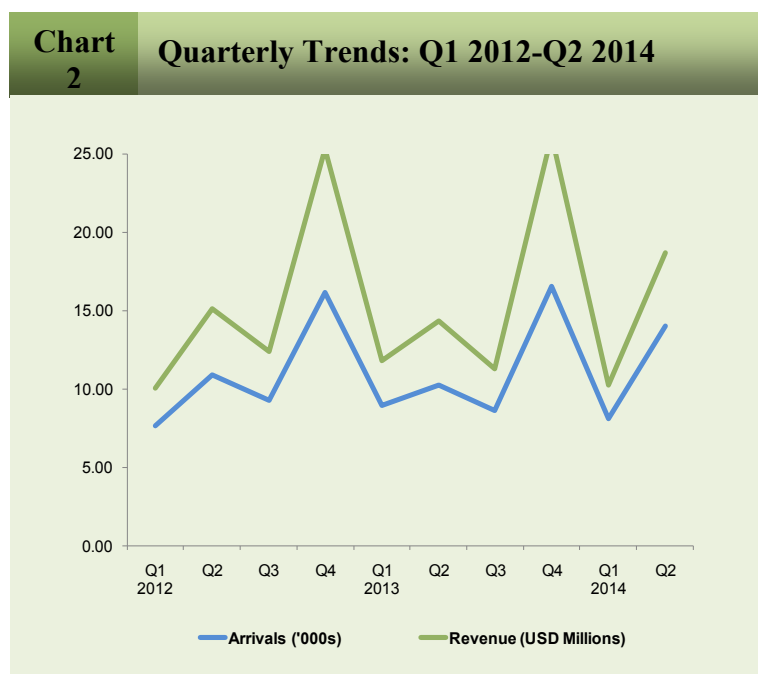
Liberalization of the licensing process in Bhutan's tourism sector was initiated in early 1999, following a unanimous response from Bhutanese entrepreneurs to dilute the monopoly of early operators. Licenses for tour operators had been limited to 33 for a number of years prior to the liberalization. Following liberalization, the number of tour operators has been increasing steadily since the tourism industry is viewed as being very lucrative and also in part because of the ease with which a license can be obtained.

During 2013, there were 123 accredited properties that were divided into 9 '5-Star' category, 8 '4-Star' category, 45 '3-Star' category, 42 '2-Star' category and 19 '1-Star' category properties. The 123 accommodation providers together accounted for a capacity of 2,805 rooms (2012: 2,749) offering 5,572 beds per night and 166,160 beds per month (2012:163,290). In terms of annual occupancy rate, the '5-star' category of accommodation providers recorded the highest growth with 27.8 percent, followed by '3-star' category with 17.1 percent.

Chart 3 Total spending by Regional Visitors (2012 & 2013)



One of the key challenges for the tourism sector in Bhutan continues to be that of seasonality. Bhutan is mostly seen and marketed primarily as a cultural destination by international tourists and the tour operators. Bhutan's tourism products have been largely limited to religious festivals and cultural sites – in 2013, 31,861 visitors were 'cultural' tourists, 5,753 came for festivals and 3,540 for trekking (trekking comprises those who undertake trekking activities as well as those who combine trekking with cultural activity) followed by 3,098 for others. Consequently, tourism in Bhutan is defined by two peak seasons within a calendar year (the second and last quarters), coinciding with religious festivals in the major towns of Thimphu, Paro, Punakha and Bumthang. The TCB has recently increased the lean season (where lower tariffs apply) from three months to six months to address seasonality problems and for better distribution of tourists.



Another issue is the unequal distribution of hotels as most of them are located in western part of the country and the majority of constructions too are in the west. As per the Annual Tourism Monitor, although there were enough hotels to cater to the tourists, it was not equally distributed in all regions. For most of the hotels, seasonality continues to be an issue despite the TCB's efforts to increase tourist arrivals during the lean season. In terms of direct employment, since hotel occupancy improves only during the peak season, most hoteliers do not employ permanent staff.

Several policy initiatives such as the FDI policy, guidelines on External Commercial Borrowings and the Economic Development Policy have been implemented over the years, in order to liberalize and integrate the Bhutanese economy with the rest of the world. Allowing the first joint venture projects (the Bhutan Resorts Corporation Ltd and the Bhutan Eco-Ventures Ltd) in the hospitality sector marked the early stages of building an enabling environment within the country to boost the local economy through inflows of technology, foreign exchange, and creation of employment. FDI is being sought from high-end service providers to create infrastructure and facilities for wellness tourism amongst others. As of June 2014, there were 11 FDI companies operating in the hospitality sector excluding those in the pipeline. In order to encourage quality delivery and to justify the tourism policy to promote high-end tourism, the Tourism Council of Bhutan has set a minimum requirement of a "3-star" property for tourism accommodation.

In order to ensure that tourism in Bhutan is to be developed in a sustainable and equitable manner, various initiatives are being undertaken to address these challenges. For instance, the

government has already started with road widening works on the East–West highway to improve the regional spread of tourism and to diversify tourism in order to ensure its sustainability and to smooth out the current seasonality in the industry while discussions are currently underway to improve domestic air services.

Among numerous initiatives to achieve more regional balance and improve accessibility, Gelephu in south-central Bhutan and Samdrup Jongkhar in south-eastern Bhutan were approved as royalty free zones both for entry and exit by road in May 2010. Phuentsholing continues to be the popular option for road traffic, with the one-night royalty free incentive for halts in registered hotels in Phuentsholing. Therefore in order to encourage hotel occupancy and flow of tourists to the south eastern regions, the government started providing a similar incentive for Samdrup Jongkhar and Gelephu as well.

The government has also initiated the **“East Development Initiative”** that aims to bring economic development to the six eastern dzongkhags which will also encourage tourists to visit these places. New tourism products under exploration under this initiative include the *Salt Route Trek* which covers three dzongkhags (Trashigang, Pemagatshel and Samdrup Jongkhar), the *Lotus Valley Trek Route* in Pemagatshel, the *Dongla Trek* from Trashiyangtse to Lhuntshe and *Ajaney Trek* in Monggar. With an assistance of about Nu.8.2 million, the Austrian Government will be helping to draft and promote two circuit tourism development plans in eastern Bhutan. Circuit 1 targets development of tourism related value chains relating to employment and business opportunities in Monggar, Lhuntshe and Trashiyangtse, while Circuit 2 consists of Trashigang, Pemagatshel and Samdrup Jongkhar.

With the new flight connection to Singapore, visitors now have an alternative point of entry into Bhutan, especially during times of political turbulence in Bangkok. Further, the start of daily flights to Bangkok by the country’s second airline, Bhutan Airlines, in October 2013, has afforded people with more choice of air travel especially since Bhutan Airlines has extended its route to include the Paro-Kolkata and Kolkata-Bangkok sectors in December 2013 as well. Besides choice of airline carrier, people are also benefiting from price differences offered in airfares, discounts and other seasonal offers as both airlines find ways to attract customers.

Additionally, it is expected that domestic air services in Tashigang, Bumthang and Gelephu will help further enhance accessibility and transportation, while enabling the spread of benefits from tourism to these regions as well. Currently, Druk Air flies from Paro to Bumthang (except during the monsoon season, from April - early August, because of the weather factor). Services in Gelephu are scheduled to open in 2015, and for Tashigang in 2016. The Gelephu domestic airport is expected to be expanded to serve as a backup airport to Paro International during bad weather and emergency flight diversions.

Entry and exit by air continues to be the preferred choice for visitors in terms of mode of access in general. The expansion of its operations network by Druk Air and the addition of a new private airline in the business have immensely improved air accessibility. Druk Air increased its flights and also opened up new sectors for operations including Singapore, and Mumbai in May 2014, and Bagdogra, India, with the expectation to increase flows since tourists are generally interested in combining their trips to Bhutan with trips in nearby places like Sikkim, Darjeeling

and Kalimpong. In celebration of His Majesty the Fourth King's birth anniversary Druk Air also introduced a **"frequent flyer program"** on November 11, 2014, with three membership tiers, starting from silver, gold and platinum. The gold tier will be offered to those who travelled 15,000 miles in a year, including other complements and platinum after 30,000 miles in a year. Further, the addition of a second aircraft bought by Bhutan Airlines is expected to expand the route network and also increase dependability. Currently the airline is operating for Bangkok, Kathmandu and Kolkata.

In terms of product diversification, the opening up of previously protected areas, reserves and remote communities are aimed to promote Bhutan not just as a cultural but also as a trekking and environmental destination, focusing on community-based and eco-tourism products. The development of home stays/farm houses have also been promoted in an effort to encourage greater community tourism and lodging in various districts. In addition, construction of local hotels and FDI hotels in eastern Bhutan are being encouraged through incentives, including tax holidays (up to 15 years), to balance regional and sustainable development.

Improving tourism infrastructure, capacity and governance and liberalizing the pricing policy are other areas of key focus for authorities. The Royal Institute for Tourism and Hospitality, the first such institute in the country, was established in Thimphu in 2010 to help build capacity in the hospitality sector at an international standard. Druk Air also introduced an online airline reservation system in February 2010 and online visa processing system in July 2010. Other initiatives include proactive marketing campaigns by the TCB, involving collaboration strategies with international tour operators and active participation in numerous international tourism fairs and road shows. The government has pledged to achieve 200,000 tourist arrivals by the end of the 11th FYP and plans to promote tourism through support schemes for business associations like tour operators, hotels, guides and handicraft associations.

Table 3 Tourism Arrivals by Nationality and Activity 2009-2013

Country of Origin	2009	2010	2011	2012	2013	Change over 2012 (%)	% of total (2013)
USA	4786	5189	6226	6007	6927	15.3	15.7
China	1143	1494	2896	3766	4764	26.5	10.8
Japan	3136	2963	3943	6967	4015	(42.4)	9.1
Thailand	975	875	2235	3573	3494	(2.2)	7.9
Germany	1587	2250	2287	2880	2753	(4.4)	6.2
United Kingdom	1968	1772	2795	2466	2291	(7.1)	5.2
Australia	970	1318	1773	1926	2043	6.1	4.6
Singapore	708	785	1349	1605	2037	26.9	4.6
Malaysia	367	356	788	1307	2029	55.2	4.6
France	1189	1454	1585	1847	1561	(15.5)	3.5
Taiwan	83	184	891	801	1102	37.6	2.5
Switzerland	543	789	781	932	1065	14.3	2.4
Canada	556	786	1061	999	1055	5.6	2.4
Netherlands	780	847	933	993	785	(20.9)	1.8
Italy	759	1028	1014	786	750	(4.6)	1.7
Austria	420	505	528	611	653	6.9	1.5
S. Korea	49	182	407	630	596	(5.4)	1.3
Brazil	178	229	304	462	556	20.3	1.3
Belgium	364	404	539	505	514	1.8	1.2
Spain	485	528	727	789	488	(38.1)	1.1
Russia	270	275	291	365	392	7.4	0.9
Sweden	88	137	256	241	267	10.8	0.6
Philippines	59	119	128	243	238	(2.1)	0.5
Denmark	153	412	430	332	202	(39.2)	0.5
Others	7793	8998	12434	12671	15366	21.3	34.7
TOTAL ARRIVALS	23480	27196	37479	43931	44252	0.7	100
<i>Trekking*</i>	<i>2404</i>	<i>2753</i>	<i>3467</i>	<i>3216</i>	<i>3540</i>	<i>10.1</i>	
<i>Cultural</i>	<i>21076</i>	<i>24443</i>	<i>28893</i>	<i>43606</i>	<i>31861</i>	<i>(26.9)</i>	
<i>Others</i>	<i>-</i>	<i>-</i>	<i>5120</i>	<i>4490</i>	<i>8850</i>	<i>97.1</i>	

* Includes those who combined both trek & cultural tour . Source: Tourism Council of Bhutan.

Others include bird watching,sports,textiles,festivals,wellness etc.

BHUTAN'S HYDROPOWER SECTOR*

Hydropower has been Bhutan's main engine of growth over the last two and half decades since the full commissioning of the first mega project in 1988. Glacial mountains of the Great Himalayan Range in northern Bhutan provide an important renewable source of water for the country's river systems. Bhutan's fast flowing rivers have been tapped to build run-of-river hydropower plants that have in turn driven economic growth and greatly boosted progress in meeting many of the country's socio-economic development objectives.

As a source of energy that is clean and sustainable, hydropower has far-reaching implications on the overall wellbeing and prosperity of Bhutan, well in line with the country's overarching development philosophy of Gross National Happiness. Under the visionary leaderships of the Fourth Druk Gyalpo and His Majesty the Druk Gyalpo of Bhutan, the

“Hydropower is considered as our nation's most precious resource that belongs to all the people...”

~ His Majesty, King Jigme Khesar Namgyel Wangchuck

Government is committed to ensure that all Bhutanese benefit from hydropower, through the revenue it generates and from the provision of electricity to households. The task of taking electricity to especially rural households is costly and often herculean given the country's rugged, mountainous terrain and villages that are spread out and sparsely populated. The benefits however far outweigh costs and in line with the express recognition that hydropower is a resource that belongs to **all** the people of Bhutan, the Government has diligently pursued Rural Electrification Programs with the aim of 100% household electrification by 2015.

The tapping of hydropower in Bhutan has also been a story of successful bilateral cooperation and energy trade between Bhutan and her most steadfast development partner – India. Three out of the four current mega-hydropower plants were constructed with financing from the Government of India through a mixture of grants and loans. Tariffs for hydropower exported to India are fixed on a cost-plus basis that takes into account all costs including depreciation as well as a net return of 15 percent. India will continue to be Bhutan's most important partner in developing hydropower projects – construction on three more mega projects with GOI financing are already underway while an inter-governmental agreement to develop four new projects on a joint-venture modality was signed in April 2014.

1. Hydropower and the Economy

The Government recently identified Five Jewels for the economy – five focus areas where Bhutan has core competitive strengths: hydropower, agriculture, tourism, small enterprises, and minerals. The focus on hydropower has been broadened to include not just efforts to accelerate construction of new hydropower plants but also to enhance the overall capacity in hydropower development. Strategies to enhance capacity include continued support for the Druk Green Power Corporation Limited in self-undertaken, medium sized

* Sources : BEA, BPC, DGPC, MOEA, MOF, Media news archives, The State of the Tsa-Wa-Sum Address of the Prime Minister (June 2014).

projects and the possibility of setting up a hydropower construction company, a hydropower consulting company and a company for the manufacture of hydropower equipment in Bhutan.

A hydropower service center to address the repair and maintenance needs of hydropower equipment is already being established through an FDI joint-venture partnership between the DGPC and Alstom, France.

Out of an estimated 24,000 megawatts (MW) of techno-economically feasible hydropower potential, a little over 1,480 MW or about 6 percent of that potential has been harnessed so far. Hydropower is Bhutan's top **export**, accounting for 31.2 percent of overall exports and 9.8 percent of GDP (FY13/14). **Revenue** earnings for the Government from the hydropower sector come from dividends and corporate income tax from DGPC, corporate income tax from BPC and royalty. The hydropower sector contributed 20 percent to the national exchequer in FY13/14, amounting to Nu.4.7 billion, increasing from 17.5 percent in 2012/13.

Table 1	Hydropower Exports and Revenue: 2006/07 – 2013/14							
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total Exports (Nu. millions)*	6903.8	10123.1	10434.9	9953.2	10349.8	9798.3	10323.4	10247.9
Chhukha Hydropower Plant	3759.3	3690.5	3638.5	3668.2	3616.2	3385.4	3232.6	3456.8
Kurichhu Hydropower Plant	473.3	352.4	330.5	305.8	300.7	283.7	251.5	284.0
Tala Hydropower Plant	2671.1	6080.2	6465.9	5979.2	6432.8	6129.2	6839.3	6507.1
Annual Growth(%)	96.7	46.6	3.1	(4.6)	4.0	(5.3)	5.4	(0.7)
Exports in % of GDP	17.0	20.5	19.1	16.3	14.3	11.5	10.6	9.8
GDP (Nu. millions)	40673.5	49456.6	54744.3	61220.6	72496.6	84950.0	97453.0	104378.1
Contribution to National Revenue (Nu. millions)	2641.0	2725.0	3795.5	3790.0	3817.9	3612.5	3705.2	4721.4
Druk Green Power Corporation **	2641.0	2616.1	3532.9	3545.0	3471.8	3143.1	3279.7	4281.4
Bhutan Power Corporation	0.0	108.9	262.6	245.1	346.1	313.3	296.3	336.0
Royalty	0.0	0.0	0.0	0.0	0.0	156.2	129.2	104.0
% of National Revenue	26.0	21.9	26.8	24.1	21.5	17.5	17.3	20.0
National Revenue (Nu. millions)	10147.5	12428.2	14158.5	15749.1	17729.1	20652.1	21448.5	23659.9

* Net of imports. ** Includes dividends, transfer of profits etc from Department of Energy & Hydropower Projects before 2009/10.

Since surplus power after domestic consumption is exported to India, the revenue earned through export depends, among other things, on the level of domestic consumption. In 2013/14, export earnings fell by Nu.75.6 million while domestic sales more than doubled to Nu.1,849.4 million.

Hydropower is exported to India at Nu.2.25 per unit from Chhukha (the export tariff for Chhukha was increased in February 2014 with retrospective effect from January 2013. The last revision was from Nu.1.5 to Nu.2 per unit with effect from January 1, 2005). The export tariff for Kurichhu and Tala are currently set at Nu.1.80 per unit (tariff for Kurichhu was increased from Nu.1.75 per unit from January 1, 2008 and is now pegged to the Tala export tariff). The DGPC sells power for domestic consumption to the BPC – 15 percent of the total annual generation, known as royalty energy, is provided to the BPC for onward distribution at subsidized rates to low and medium voltage consumers. From October 2013, royalty energy is being provided free of cost while a nominal tariff was charged prior to that. Domestic sale beyond the 15 percent royalty energy is sold at Nu.1.20 per unit.

Table 2 Summary of Operations: Major Hydropower Plants

	Basochhu (Upper)	Basochhu (Lower)	Chhukha	Kurichhu	Tala
Installed Capacity	24MW	40MW	336 MW	60 MW	1020 MW
Export Tariff per unit	-	-	Nu.2.25*	Nu.1.8	Nu.1.8
External Financing	Govt. of Austria 37.74% Grant 48.96% Loan	Govt. of Austria 2.80% TA Grant 90.7% Soft Loan 2.79 % interest	Govt. of India 60% Grant 40% Loan	Govt. of India 60% Grant 40% Loan 10.75% interest	Govt. of India 60% Grant 40% Loan 9% interest
Loan Outstanding as of 30 Sep. 2014	Euro 10.29 Mn	Euro 21.87 Mn	Debt fully paid back by Dec. 2007	INR 280 Mn	INR 6.04 Bn
Construction Schedule	Nov. 1997- Oct. 2001	Mar. 2002 - Sep. 2004	1974 - 1988	Sep. 1995 - May 2002	Oct. 1997 - Mar. 2007
Project Cost	Euro 30.23 Mn + Nu.192.84 Mn (RGOB) (Total Nu.1.44 Bn)	Euro 31.95 Mn + Nu.33.97 Mn (RGOB) (Total Nu.1.84 Bn)	Nu.2.5 Bn	Nu.5.6 Bn (GOI) + Nu.40 Mn additional contribution from RGOB	Nu.42.35 Bn
Initial Outlay & Estimated Cost	Euro 25.44 Mn	Nu.1.42 Bn		Nu.2.50 Mn	Nu.14.08 Bn (1993 prices)

* Export tariff for Chhukha was revised in February 2014 from Nu.2 per unit to Nu.2.25 per unit with retrospective effect from 1 Jan 2013.

The BPC's power tariff for domestic consumers has been structured as follows:

Customer Category	Tariff / Charge (Nu/kWh)			
	1 Jul 2012 - 30 Jun 2013	1 Oct 2013-30 Jun 2014	1 Jul 2014-30 June 2015	1 Jul 2015-30 June 2016
Wheeling (Nu./kWh)	0.111	0.114	0.114	0.114
0-100 kWh (others)	0.85	0.98	1.12	1.28
0-100kWh(rural domestic)	0.00	0.00	0.00	0.00
Low Voltage				
101-300kWh	1.62	1.86	2.13	2.45
300+ kWh	2.14	2.46	2.82	3.23
LV bulk	2.14	2.56	3.07	3.68
Medium Voltage				
Energy charge	1.79	1.98	2.18	2.43
Demand charge (per	115	155	195	235
High Voltage				
Energy charge	1.54	1.67	1.81	1.96
Demand charge (per	105	130	155	180

Source: Bhutan Power Corporation Ltd (<http://www.bpc.bt/utilities/electricity-tariffs>).

Note: 1 unit = 1kWh; 1 million units (MU) = 1GWh.

2. Institutional Set-up and Status of Current Hydropower Plants

Bhutan's hydropower sector comprises of the following institutional stakeholders:

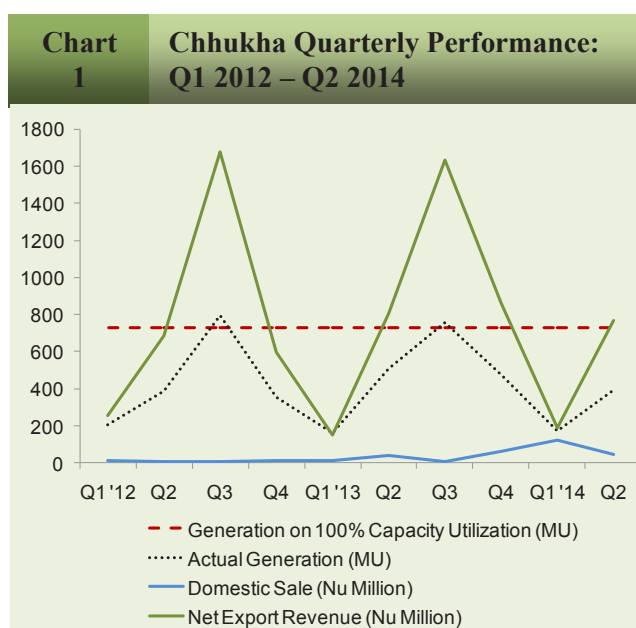
- **Department of Hydropower and Power Systems and Department of Renewable Energy** (both under the Ministry of Economic Affairs) - The government's policy and planning body for the entire energy sector.
- **Bhutan Electricity Authority** (fully autonomous since January 2010) - A regulatory body to regulate the electricity supply industry. The BEA also regulates the domestic pricing of electricity (excepting any long-term agreements that the Bhutan Power Corporation Limited may have signed with domestic companies in order to encourage the growth of the domestic industry).

- **Bhutan Power Corporation Limited (BPC)** - A public utility company mandated with the domestic provision of adequate, reliable and affordable electricity. The BPC is 100 percent owned by Druk Holding and Investments.
- **Druk Green Power Corporation Limited (DGPC)** - A wholly-owned corporate entity of the government placed under Druk Holding and Investments, responsible for the promotion, development and management of Bhutan's hydropower resources. The DGPC was incorporated on January 1, 2008, through the amalgamation of the erstwhile Chhukha, Kurichhu, and Basochhu hydropower corporations, while it took over Tala in April 2009.

While the first hydroelectric plant was built in Thimphu, producing 360 kilowatts (KW) of electricity, hydropower earnings have driven economic growth since the first major hydropower plant was fully commissioned in Chhukha in 1988. Besides Chhukha, there are currently three other major hydropower plants in operation, namely Basochhu, Kurichhu and Tala. The Chhukha, Kurichhu and Tala projects were all financed with assistance from the Government of India and all three projects export a bulk of their production to India. The Basochhu project was financed with assistance from the Government of Austria and hydropower from Basochhu is sold to Chhukha.

Chhukha Hydropower Plant (336 MW)

Chhukha was Bhutan's first major hydropower project and is located on the Wangchhu. Being the first time that such a project was undertaken, around four years (1974-1978) were spent on the construction and development of infrastructure. The project was completed at a cost of Nu.2.5 billion and while the first 84 MW hydro-turbine unit was commissioned on September 7, 1986, the remaining three units were commissioned by August 22, 1988.



Basochhu Hydropower Plant (64 MW)

The Basochhu project was constructed with financial assistance from the government of Austria. The two stages of the Basochhu project have a combined installed capacity of 64 MW. The lower stage utilizes water released by the upper stage to generate 32 MW of hydropower. An additional 20 percent flow (i.e. 8 MW) is tapped from the nearby Rurichhu. Construction commenced in November 1997 while both stages were fully commissioned by September 2004. Basochhu power is supplied through 220KV and 66KV transmission lines to the Simtokha central switchyard in Thimphu.

Although at present, the power is confined to the western grid only, work is underway to transmit the power to the southern dzongkhags by the BPC. The ultimate objective of the RGOB is to link the western grid to the eastern grid in Gelephu, forming an integrated national power transmission grid.

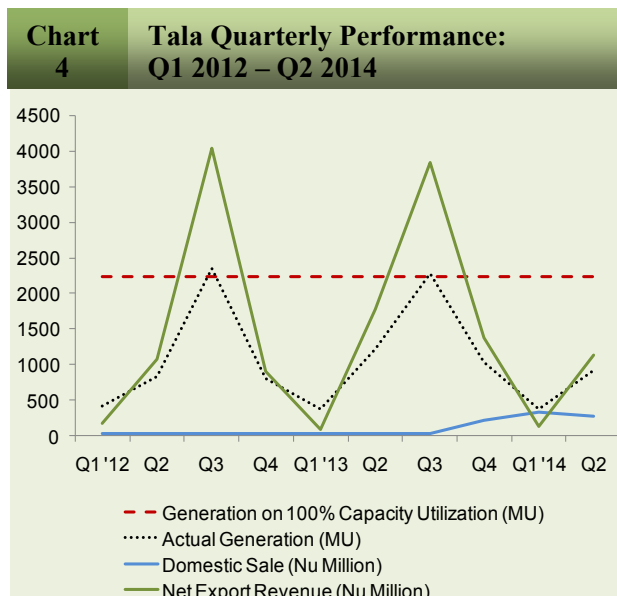
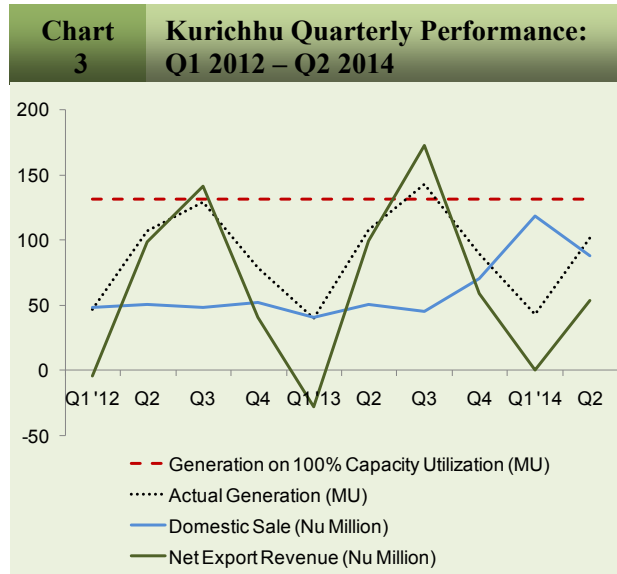
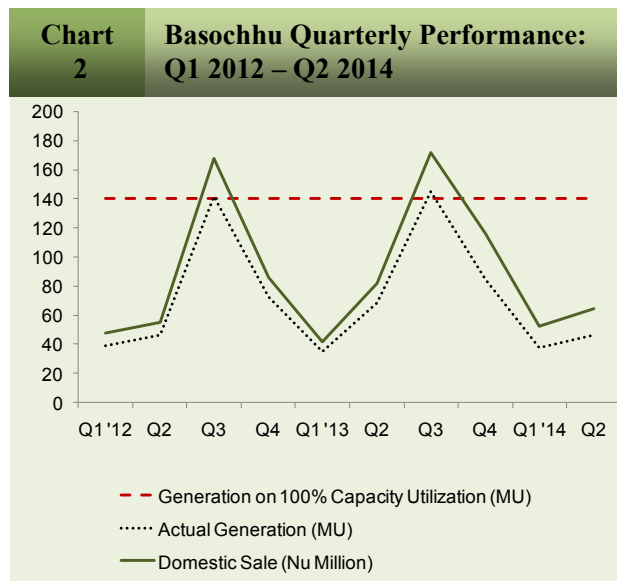
Kurichhu Hydropower Plant (60 MW)

A run-of-the-river scheme on the Kurichhu in Gyelposhing, Mongar, the project was constructed on the command of His Majesty the 4th King Jigme Singye Wangchuck, to provide electricity to rural homes in the east and to bring about balanced regional development.

The Kurichhu plant supplies power to the eastern transmission grid network, which distributes it to dzongkhags in eastern and central Bhutan. Starting from Gyelposhing where the Kurichhu project is based, the 132 kV line connects substations in Tangmachu in Lhuentse, Kilikhar in Mongar, Kanglung in Trashigang, Nangkhor in Pemagatsel, Deothang in Samdrup Jongkhar, Tingtibi in Zhemgang, and a feeder bay extension in Gelephu. The network was built with a grant from the GOI of Nu.1.8 billion. The Kurichhu project was completed in seven years (1995-2002).

Tala Hydropower Plant (1,020 MW)

The Tala plant is located downstream on the Wangchhu from the Chhukha hydropower plant. Construction commenced in October 1997 and while the project was initially scheduled to be completed in 8 years, several unforeseen obstacles from adverse geological conditions delayed the commissioning of the first unit of the



project to July 2006. With the completion of the Nu.254 million Tsibjalumchhu diversion scheme, an additional 93 million units of annual energy generation is expected to be added to the total 1020 MW Tala plant during the lean winter months.

3. News and Milestones in the Hydropower Sector

- **March 23, 1974:** The government of India and the RGOB signed the agreement for the construction of Bhutan's first major hydropower project at **Chhukha**.
- **September 7, 1986:** Bhutan began exporting hydropower to India with the commissioning of Chhukha's first 84 MW hydro-turbine unit. The other three units were commissioned by **August 22, 1988**. Chhukha was inaugurated by His Excellency R. Venkataraman, the then President of India, in the presence of His Majesty the 4th King, Jigme Singye Wangchuck on **October 21, 1988**.
- **February 18, 1994:** The contract for the 60 MW **Kurichhu** project was signed between the GoI and the RGOB. Construction commenced on **September 27, 1995**. The first phase (3 units of 45 MW) was completed in **September 2001** and commercial operations commenced in **November 2001**. The second phase (1 unit of 15MW) was completed in **May 2002**. The project was formally inaugurated on **April 26, 2006**.
- **April 14, 1995:** The financing agreement for the 64 MW **Basochhu** project was signed between the RGOB and the government of Austria. Construction on Phase I (24 MW) started in **November 1997** and Phase I was commissioned in **October 2001**. Phase II (40 MW) started commercial operations on **September 8, 2004** while the project was formally inaugurated on **March 26, 2005**.
- **March 5, 1996:** The contract for the 1,020 MW **Tala** project was signed between the GoI and the RGOB. Works on the project began in **October 1997**. Tala commissioned its first turbine (170 MW) on **July 29, 2006**. The second turbine was commissioned on **October 7, 2006** while all six units were operational from **March 29, 2007**. Tala was officially commissioned in **2008**.
- Effective **July 1, 2002**, the Department of Power under the Ministry of Trade and Industry (now renamed the Ministry of Economic Affairs) was separated into the **Bhutan Power Corporation**, the **Department of Energy**, and the **Bhutan Electricity Authority**. The restructuring was implemented in pursuance to provisions in the Electricity Act 2001.
- **June 10, 2003:** The **eastern transmission grid network** was inaugurated. The network distributes power from the Kurichhu project to dzongkhags in eastern and central Bhutan.
- **September 15, 2003:** The RGOB and the GoI signed the MOU for the preparation of a detailed project report on the **Punatsangchhu** hydropower project. The agreement on the implementation of the project was signed on **28 July 2007**. Construction commenced in **November 2008**.

- **December 2004: Tariff** for the export of power to India from Chhukha was revised from Nu.1.5 per unit to Nu.2 per unit, effective from January 1, 2005.
- **January 25, 2005:** The MOU for the preparation of the DPRs for **Punatsangchhu-II** and **Mangdechhu** hydroelectric projects were signed between the RGOB and the GoI. The implementation agreements were signed on **April 30, 2010**. Preconstruction works had already commenced in **March 2010**.
- **March 31, 2005:** The agreement for the 126 MW **Dagachhu** hydropower project was signed between the governments of Austria and Bhutan. Construction commenced in **October 2009**.
- **July 28, 2006:** A formal agreement to provide a **systematic framework for cooperation in the development of hydropower projects** was signed between the RGOB and the GoI. The agreement, valid for 60 years and to be reviewed every 10 years, facilitates the supply of funds and manpower from India for the construction of hydropower projects in Bhutan. The **protocol on the tariff for the export of power from Tala** was also signed between PTC India Limited and RGOB – a tariff of Nu.1.8 per unit was agreed upon, to be increased by 10 percent every 5 years until the loan amount is repaid, after which the increase will be by 5 percent every 5 years.
- **November 11, 2007:** The hydropower corporations (Basochhu, Chhukha and Kurichhu) along with other government-owned companies were brought under the newly created **Druk Holding and Investments**. The DHI is a government holding company with the primary objective of safeguarding national wealth for all times to come.
- **January 1, 2008:** The **Druk Green Power Corporation Limited** was incorporated under the Companies Act of the Kingdom of Bhutan, through the amalgamation of the erstwhile Chhukha, Kurichhu, and Basochhu hydropower corporations, while it took over Tala in April 2009.
- **December 22, 2009:** MOUs were signed with 4 Indian public sector undertakings to prepare detailed project reports on the **Amochhu, Kuri Gongri, Chamkharchu-I** and **Kholongchhu** projects. The governments of Bhutan and India also signed an agreement on consultancy services for the preparation of Bhutan's **national transmission grid master plan**.
- **December 15, 2012:** An MOU was signed between the state of Haryana in India and the RGOB to explore the possibility of trade in hydropower between the two, as well as economic cooperation in other areas such as agriculture, livestock, urban planning and infrastructure development.
- **December 20-21, 2012:** The agreement for the development of the four hydropower projects (Bunakha, Kholongchhu, Wangchhu storage and Chamkharchhu I) under **joint venture** mode were finalized and signed during the 10th empowered joint group meeting between relevant Bhutanese and Indian officials in New Delhi, India.

- **April 3, 2013:** The 11th Empowered Joint Group (EJG) Meeting was held between India and Bhutan focusing on the signing of inter-governmental agreements for Sunkosh, Amochu, and Kuri-Gongri.
- **March 2014:** The RGOB and GOI signed the protocol to the 2006 agreement in the field of hydropower generation. New EJG members were formed consisting four from Bhutan and three from India.
- **April 22, 2014:** The RGOB and GOI signed an inter-governmental agreement on the construction of four new hydropower projects in the country on joint venture basis. The four projects include 600 MW Kholongchhu, 570 MW Wangchhu, 770 MW Chamkharchhu and 180 MW Bunakhachhu.
- **June 1, 2014:** The second extension of the Memorandum of Understanding between Druk Green Power Corporation Limited and Electricity Generating Authority of Thailand (EGAT) was signed at Paro on June 1, 2014 to develop a mutually beneficial relationship through exchange of technology on operation and maintenance of the Hydropower Plants by cooperative efforts between the two organizations. The **original MoU** was signed on February 5, 2009 and later, the first extension of the MoU was signed on February 4, 2011.
- **June 16, 2014:** The Prime Minister of India, Mr. Narendra Modi laid the foundation stone for the 600 MW Kholongchhu Hydropower Project during his first state visit to Bhutan after assuming Prime Ministership.
- **September 29, 2014:** The amendment to the power purchasing agreement for sale and purchase of the 126MW Dagachhu project power between Tata Power Trading Company Ltd and Dagachhu Hydropower Corporation Ltd was signed.

4. Hydropower Strategy and Projects in the Pipeline

Hydropower projects developed in partnership with India are being done so through two modes of investment – an **inter-governmental (IG)** undertaking with the government of India and through **joint venture** undertakings with Indian public sector companies. Additionally, the DGPC will also make its own additional investments in medium-sized projects.

4.1 Inter-governmental Undertakings

Except for the composition of grants and loans, the IG model follows the model implemented so far in the construction of the Kurichhu and Tala plants wherein the two governments establish an authority that gets 100 percent financing from India to undertake the construction of projects.

Six projects have been identified and are at various stages of development or feasibility study under the IG model: Punatsangchhu I (1200 MW); Punatsangchhu II (1020 MW); Mangdechhu (720 MW); Sankosh storage (2585 MW); Amochhu storage (540 MW); and Kuri Gongri (3400 MW). After completion, the projects will be handed over to the DGPC.

Punatsangchhu I is being financed by the GOI as 40 percent grant and 60 percent loan at 10 percent interest to be repaid in twelve equated annual installments. Pre-construction activities commenced in November 2007, while all basic infrastructure works were completed by May 2010. Approved at an estimated cost of Nu./ ₹ 31.1 billion (December 2006 price levels) for generation works and Nu./ ₹ 4.1 million for transmission works up to the Bhutan-India border, the project was expected to be completed by November 2015. However, due to interruptions by geological conditions the completion date has been extended by another year. The completion of the project depends on the mechanism chosen for the project's dam construction – conventional vibrated concrete (CVC) or royal compact Concrete (RCC). If CVC is followed, the project will be completed between 2018 and 2019, while use of RCC will bring the completion date to between 2017 and 2018. The use of mechanism is not yet confirmed.

It is estimated that 10 percent of the electricity generated from the project will be utilized for domestic consumption, with the remaining 90 percent to be exported to India. It is also expected that the export tariff will be determined as per the intergovernmental agreement, subject to review every 4 years. Given the revised financing modality with a lower grant component, the tariff for Punatsangchhu may be higher than the Tala tariff as it entails a higher cost for the RGOB.

Meanwhile, pre-construction works on the **Punatsangchhu II** and **Mangdechhu** project commenced in March 2010 and both the projects are scheduled to be completed by the end of 2017. The two projects are being financed through 30 percent grant and 70 percent loan component at 10 percent interest. For Puna II, more than 50 percent of the major works have been completed and completion is expected as per schedule (December 2017). The excavation work of headrace tunnel from Adit one to De-Silting chamber is also completed. The Mangdechhu hydropower project executed its first “daylighting” in October 2014, linking two different tunnel stations, adits one and two (an adit refers to a section of the tunnel). With daylighting, a total of 2,595m of the project's headrace tunnel is now completed.

Meanwhile, the DPRs for **Sunkosh** and **Kuri-gongri** have been submitted to the Central Electricity Authority in India. Regarding **Amochhu**, the inter-governmental discussions related to its construction are still on-going. At present all the projects are run-of-river while Amochhu is designed as a reservoir system.

4.2 Joint Venture Undertakings

On April 22, 2014, the RGOB and GOI signed an inter-governmental agreement on the construction of four new hydropower projects in the country on **joint venture basis**. Under the joint venture mode, Indian public sector undertakings will partner with the DGPC to develop hydro projects. Four projects have been identified under this mode: **Bunakha** storage (180 MW), **Kholongchhu** (600 MW), **Wangchhu** storage (570 MW) and **Chamkharchhu I** (770 MW). The NHPC Limited India, Satluj Jal Vidyut Nigam limited, Tehri Hydro Development Corporation Limited and the National Thermal Power Corporation have been identified as the joint venture partners of DGPC.

Ownership of the JV companies will be on a **50:50** basis between the DGPC and the respective Indian partners. The projects will pay royalty of 12 percent for 12 years, and 18 percent thereafter, including a concession period of 30 years. During the construction

period, the management team of the projects will have one government nominee each of the two governments. The projects will be established under **70:30 debt-equity ratio**. Of the 30 percent equity, the Indian government would contribute the 15 percent, while the DGPC would contribute the remaining 15 percent. However, the DGPC's 15 percent equity would be in the form of a grant from India. The joint venture companies would decide on how to raise the remaining 70 percent debt, with the Indian PSUs expected to take the lead role in raising that money.

The foundation stone for Kholongchhu was laid by India's Prime Minister, Mr. Narendra Modi on June 16, 2014. The project is estimated to be constructed at a cost of Nu.32 billion (2011 price) within 77 months including 18 months of pre-construction time. The DPRs of Wangchhu and Chamkharchhu have been submitted to the Central Electricity Authority in India after which it will be submitted to the government of India for approval. The GOI has already cleared the DPR for Bunakha while the approval for granting financing of equity is under process. The four projects together would put in place a capacity of more than 2000 MW of installed capacity.

4.3 DGPC Investments under its Sustainable Hydropower Policy

Apart from developing hydropower projects through financial assistance from India under the IG and JV modes, the DGPC also promotes self-undertaken projects in medium-sized plants to build human resource capacity in the hydropower sector. Under this strategy the DGPC will partner with domestic and external investors to raise financing for and to manage the projects. Several projects have already been identified, including **Dagachhu** (126 MW), **Nikachhu** (208 MW), **Gamri** (100 MW), **Nyera Amari I & II** (473MW) and **Tsibjalumchhu Diversion Scheme** (93GWH).

Project	Capacity (MW)	DPR Schedule	Construction Schedule	Development Model
1 Punatsangchhu-I	1200	Completed	2008-2016	IG
2 Punatsangchhu-II	1020	Completed	2010-2017	IG
3 Mangdechhu	720	Completed	2010-2017	IG
4 Sankosh Storage	2585	Completed	2013-2019	IG
5 Kuri-Gongri	3400	Completed	2014-2022	IG
6 Amochhu Storage	540	Underway	2013-2019	IG
7 Wangchhu	570	Completed	2013-2019	JV with Indian PSU
8 Bunakha Storage	180	Completed	2013-2019	JV with Indian PSU
9 Kholongchu	600	Completed	2013-2019	JV with Indian PSU
10 Chamkharchhu-I	770	Completed	2013-2020	JV with Indian PSU
11 Dagachhu	126	Completed	2009-2014	PPP (DGPC, NPPF & TPCL)
12 Nikachhu	118	Completed	2014-2017	DGPC PPP
13 Gamrichhu	Gamri I: 81 Gamri II: 95	Completed and awaiting approval		DGPC PPP
14 Rotpashong	1230	Underway		DGPC PPP
15 Khomachhu	363	Pre-feasibility studies		DGPC PPP

Source: DGPC, MoEA & media.

Construction of the Dagachhu hydropower project is nearing completion while, basic design and engineering works at the prefeasibility level has been completed for the Gamri hydropower project. Upon approval by the Government on March 4, 2014 for construction of the Nikachhu hydropower project, a Special Purpose Vehicle – the Tangsibji Hydro Energy was formed on April 25, 2014 to undertake its construction and final operations. Following its registration, the 1st EGM and Board Meetings were held on August 28, 2014. The results of the pre-feasibility studies for the integrated Nyera Amari Hydropower Project (I & II) was submitted to DGPC on April 30, 2014, as well as to the Department of Hydropower and Power Systems.

Dagachhu Hydroelectric Project (126 MW)

DGPC is a lead partner in the construction of the 126 MW Dagachhu hydroelectric project. The project was approved at an estimated cost of USD 201.5 million, corresponding to Nu.8.2 billion (2008 price levels and exchange rates), revised to Nu.12.23 billion as of October, 2014. Construction on the project commenced on October 1, 2009 while the commissioning of the project, scheduled for October 6, 2014 has been further delayed by few months due to cracks that developed on the connection channel.

The project is being financed on a 60:40 debt equity ratio with three equity stakeholders: DGPC (59 percent), Tata Power Company Limited (TPCL)¹, India (26 percent) and the National Pension and Provident Fund of Bhutan (15 percent). The ADB and NPPF are providing loans of USD 80 million equivalent and Nu.600 million, respectively, used to support the DGPC's share of the debt financing and equity injection. In addition, the Raiffeisen Zentralbank Osterreich AG (RZB) of Austria is providing co-financing through export credit of Osterreichische Kontrollbank AG (OeKB). The project structuring was promoted with technical assistance from the Japan Special Fund, established by the Government of Japan and administered by the ADB while the Austrian government has also provided engineering and technical support for the project.

Dagachhu was approved as a **clean development mechanism** (CDM) project by the United Nations Framework Convention on Climate Change (UNFCCC) CDM executive board on February 26, 2010, with the crediting period defined from January 1, 2012 to December 31, 2018 (on a renewable basis). Apart from revenue earned from the export of the product itself, another potential source of earnings lie in the amassing and sale of carbon credits. The adoption of technology that allows reduced carbon dioxide emissions in the development of the hydropower plants enables the country to emit carbon dioxide at levels below the standards set by the UNFCCC. The country then earns carbon credits which can subsequently be sold to the developed country signatories of the Kyoto Protocol. While the relatively higher costs of developing such projects can pose an important financial constraint, arrangements such as the UNFCCC's clean development mechanism provide channels for developed countries with emission reduction/limitation commitments to implement emission-reduction projects in developing countries and trade the certified emission reduction credits generated from such projects.

Dagachhu, estimated to generate 500 GWh of electricity annually, will provide 500,000 certified emission reduction (CER) credits for trading. Under the CDM, the clean power generated from Dagachhu will displace power generated by fossil fuel-based thermal

¹ The Tata Power Company Limited is the first private company to invest in Bhutan's hydropower sector under the new hydro-policy

power generation in the eastern Indian power grid. The resulting reduction of greenhouse gases equivalent to CO₂ emissions will be quantified as 500,000 tons every year and 15 million tons over 30 years.

Besides the domestic sale of royalty energy, power from the project will be evacuated to India through a long term power purchase agreement with Tata Power Company Limited. The meeting to amend the Power Purchase Agreement for the sale and purchase of hydropower from Dagachhu between Tata Trading Power Company Ltd, India, and Dagachhu Hydro Power Corporation Ltd (DHPC) was held on September 29, 2014 at Thimphu. The tariff has been revised from Nu. / ₹ 2.40 to Nu. / ₹ 2.90 per unit with 2% annual increase in view of the escalation of cost to completion of the project.

Hydropower Prospects in the SAARC Region²

Excepting Bhutan, countries in the SAARC region all continue to face huge power shortages. Being home to the Himalayas, South Asia has substantial hydropower potential, with Bhutan and Nepal followed by Afghanistan having hydropower potential in excess of their electric power demand in the foreseeable future. The World Bank estimates that Afghanistan and Nepal have water resources that could potentially generate around 24,000 and 83,000 MW of electricity respectively.

International organizations and academics have long called for a collective approach to the development of energy infrastructures. Cross border connectivity could enhance system reliability, lower costs and carbon emission and address the power shortages. Energy shortages are estimated to cost the economy up to 2 percent of GDP growth. The Oxford Institute for Energy Studies estimated last year that power shortages forced small business and fertilizer plants to close and caused industrial facilities to operate at half of their capacity. Population growth over the next four decades is expected to be concentrated in South Asia and therefore fulfilling the basic energy needs for these growing populations and accompanying economic growth are major challenges.

In a major step towards greater regional integration, the 18th meeting of SAARC in Kathmandu, Nepal signed **three framework agreements** to establish rail, road and electricity connectivity. The theme for the Kathmandu summit was **Deeper Integration for Peace, Progress and Prosperity**. Under the first agreement, the **Motor Vehicle Agreement**, cargo vehicles like trucks and trailers, passenger vehicles, both for hire or reward, and personal vehicles can move across the region upon fulfilling specific criteria and in accordance with the customs law of the concerned country.

The second agreement is the **Electricity Agreement**, under which a SAARC Market for Electricity (SAME) will be developed on a regional basis. It will explore a regional power market involving SAARC countries that already have interconnections, as well as those that have planned interlinks. Members will establish a regional power exchange to maximize the potential for power transfer among SAARC nations and reduce power shortages and exploit relevant economic benefits. The third agreement, the **Railway Agreement**, will enable transportation of passengers and goods through railways across the region subject to certain terms and conditions.

² Sourced from Kuensel news archives, ADB, World Bank, and World Energy Outlook 2013.

Table 4 Summary of Operations: Major Hydropower Plants under Construction

ITEM	PUNATSANGCHHU-I	PUNATSANGCHHU-II	MANGDECHHU	DAGACHHU
Date Contract Signed	July 28, 2007	April 30, 2011	April 30, 2010	July 20, 2009
Financier	Govt. of India	Govt. of India	Govt. of India	ADB & RZB Loan & DGPC, TPCL, & NPPF
Commencement of Construction	November 11, 2008 (Pre-construction activities: November 1, 2007)	December 17, 2011	March 2012 (major packages); pre construction works started in 2010/11	October 1, 2009
Date of Completion	Extended from November 10, 2015 by one year to 2016 due to sliding hill at the site and change in technical process from conventional base to RCC base.	December 17, 2017	September 17, 2017	Extended from April 2014 to early 2015.
Energy Capacity upon Completion	1200 MW	1020 MW	720 MW	126 MW
Terms of Finance	40% Grant 60% Loan (10% interest)	30% Grant 70% Loan (10% interest)	30% Grant 70% Loan (10% interest)	40% Equity 60% Loan
Initial Budget Outlay and Estimated Cost	Nu. 31,074.90 million for Generation Works. Nu. 4,073.20 million for Transmission Works upto Bhutan-India border (Dec 2006 price level)	Nu. 37,778.01 million	Nu. 28,963 million	Nu. 8,160 million
Cost of Construction	Not yet finalised	Nu. 37,778.01 million	Estimated at more than Nu. 45 billion by 2017	Nu. 12,226.74 million (expected)
Equity Disbursed till date	n.a.	n.a.	n.a.	Nu. 4,113.32 million
Grant Disbursed Till Date	Nu. 19,933.43 million	Nu. 7,035.300 million	Nu. 6,388.267 million	Nil
Loan Disbursed Till Date	Nu. 29,262.367 million	Nu. 18,259.100 million	Nu. 13,913.843 million	Nu. 7,374.789 million. (Loan Repayment: Nu.30.506 million)
Total Funds Utilised Till Date	Nu. 47,823.164 million	Nu. 21,697.095 million	Nu. 16,897.820 million	Nu. 11,559.331 million

Source: Respective Hydropower Project Authorities; latest updates as of 2014.

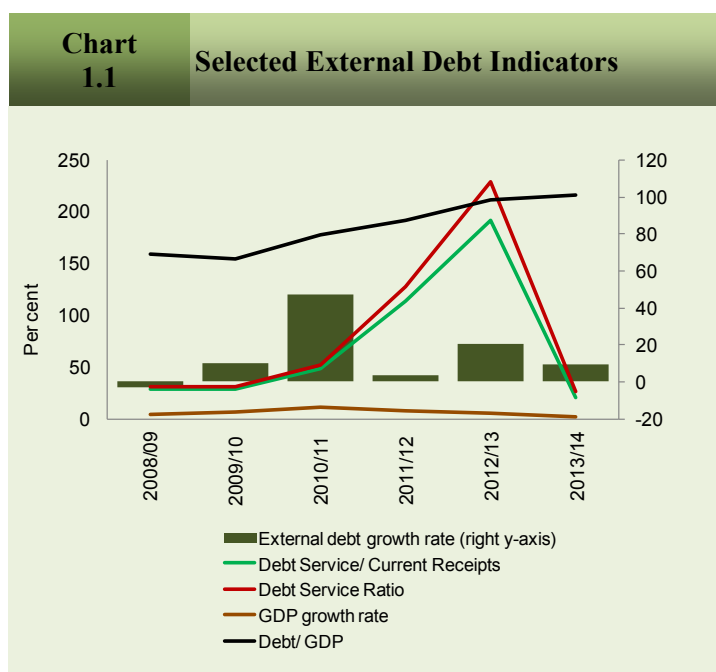
BHUTAN'S EXTERNAL DEBT: A Status Report, FY 2013/14

1. EXTERNAL DEBT

Total External Debt

Bhutan's stock of outstanding external debt increased by 9.5 percent to USD 1.8 billion between June 2013 and 2014. With a 10.5 percent growth in Rupee debt, 64.2 percent of the total outstanding debt was Indian Rupee denominated debt and the remaining 35.8 percent, convertible currency debt.

The present stock of external debt comprises of USD 629.5 million of convertible currency debt and ₹ 67.9 billion of Indian Rupee debt. Of the total convertible currency loans, only 0.6 percent (USD 3.9 million) constituted long term private commercial borrowings by the Bhutanese private sector. Disbursements towards the Punatsangchhu I and II hydropower projects continued to boost Rupee loan inflows. The total amount disbursed as of FY2013/14 amounted to ₹ 25.7 billion and ₹ 14 billion respectively. Meanwhile total disbursement towards Mangdechhu hydropower projects amounted to ₹ 10.4 billion.



External Debt Indicators 2013/14

Total Debt (USD millions):	1759.0
Debt /GDP ratio:	101.3
Debt service ratio:	27.0

This status report covers the external loans of the public and private sector. Long term external debt are external loans with a maturity of more than one year, and short term external debt refers to external loans with a maturity of less than one year.

Except for the loans availed through the overdraft facility with Indian commercial banks and through the swap facility with the Reserve Bank of India, all external loans of Bhutan are long term.

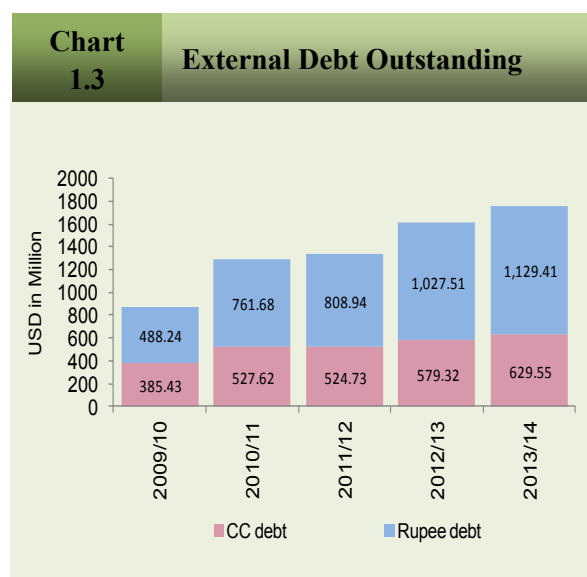
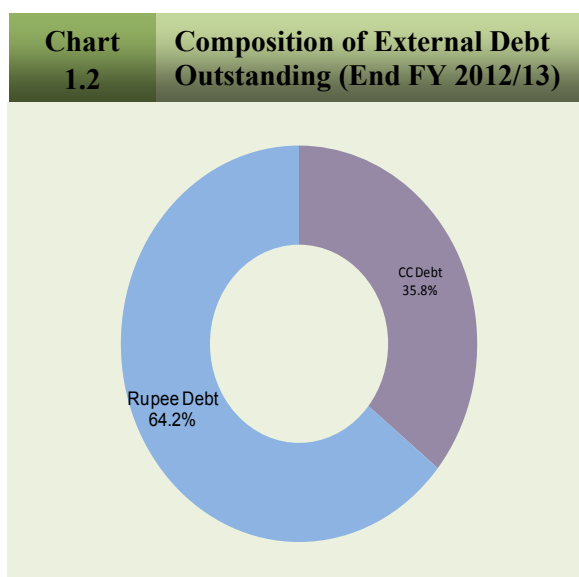
Loans from the overdraft facility were discontinued from June 2013 while the Indian Rupee swap loan was liquidated by end-September 2013. As a result, debt outstanding as of June 2014 are all long term loans of the public and private sector of Bhutan. External loans of the private sector account for less than 1 percent of the country's total outstanding external debt.

Data on public and publicly guaranteed external loans are sourced from the Department of Public Accounts, Ministry of Finance. The Department also furnishes information on budgetary external grants. External loans of the private sector are captured through the RMA's BOP Enterprise Surveys.

Additional statistical tables featuring Bhutan's external debt are presented in the Statistical Section.

Table 1.1		External Debt Outstanding: Fiscal Year Position				
Item	End of period					
	Rupee/Ngultrum Million			USD Million		
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
1. Convertible Currency Debt	29546.8	34584.9	37831.5	524.7	579.3	629.5
Public	29055.3	34209.9	37598.1	516.0	573.0	625.7
World Bank	7637.7	10282.4	10952.4	135.6	172.2	182.3
IFAD	1899.0	2145.8	2278.6	33.7	35.9	37.9
ADB	12075.1	13308.5	15610.5	214.4	222.9	259.8
Govt of Austria	4784.3	5648.4	5902.7	85.0	94.6	98.2
Govt. of Denmark	415.0	355.5	266.9	7.4	6.0	4.4
JICA	2244.3	2469.2	2587.0	39.9	41.4	43.0
Private	491.4	375.0	233.4	8.7	6.3	3.9
2. Rupee Debt	45550.9	61341.7	67870.2	808.9	1027.5	1129.4
<i>Hydropower debt</i>	32546.3	44369.0	56595.9	578.0	743.2	941.8
Chukha	0.0	0.0	0.0	0.0	0.0	0.0
Kurichhu	746.7	560.0	373.3	13.3	9.4	6.2
Tala	9766.2	7384.3	6041.7	173.4	123.7	100.5
Punatsangchhu-I	15260.5	21596.6	25738.1	271.0	361.8	428.3
Punatsangchhu-II	4113.0	9353.4	14029.0	73.0	156.7	233.5
Mangdechhu	2659.9	5474.7	10413.8	47.2	91.7	173.3
<i>Other</i>						
GOI Line of Credit	6000.0	10000.0	10000.0	106.6	167.5	166.4
OD Facility	5156.0	0.0	0.0	91.6	0.0	0.0
RBI Swap		5409.9	0.0		90.6	0.0
Dungsam Cement Corp Ltd	1848.6	1562.9	1274.3	32.8	26.2	21.2
Total (CC + Rupee)	75097.6	95926.6	105701.6	1333.7	1606.8	1759.0
Convertible Currency Debt				524.7	579.3	629.5
As a % of Total Debt				39.3	36.1	35.8
Rupee Debt	45550.9	61341.7	67870.2	808.9	1027.5	1129.4
As a % of Total Debt	60.7	63.9	64.2	60.7	63.9	64.2
Exchange Rate						
Ngultrum per USD	56.3	59.7	60.1			

Note: Debt data published by the RMA include the total external debt of the country (public + private) and are therefore not comparable to data published by the Ministry of Finance which covers only public debt. Furthermore, the RMA uses Calendar Year GDP figures for all ratios to the GDP. Upon discussions with the MOF, accrued interest on hydropower loans have now been removed since the interest is not capitalised and therefore do not add to the stock of outstanding debt.



A total amount of ₹ 5.4 billion on account of the RBI SWAP facility and its corresponding interest cost of ₹ 71.6 million was liquidated during the year bringing the external debt service ratio, to 26.8 percent in 2013/14 from 17.5 percent in 2012/13 (excluding the overdraft amount).

Overall debt servicing for FY 2013/14 amounted to USD 25.4 million on convertible currency debt and ₹ 9.4 billion on rupee denominated debt.

As of June 2014, Bhutan's total debt outstanding stood at 101.3 percent of GDP. The major disbursements continued to be towards hydropower (₹ 4.7 billion for Puna-I, ₹ 4.8 billion for Puna-II and ₹ 4.9 billion for Mangdechhu).

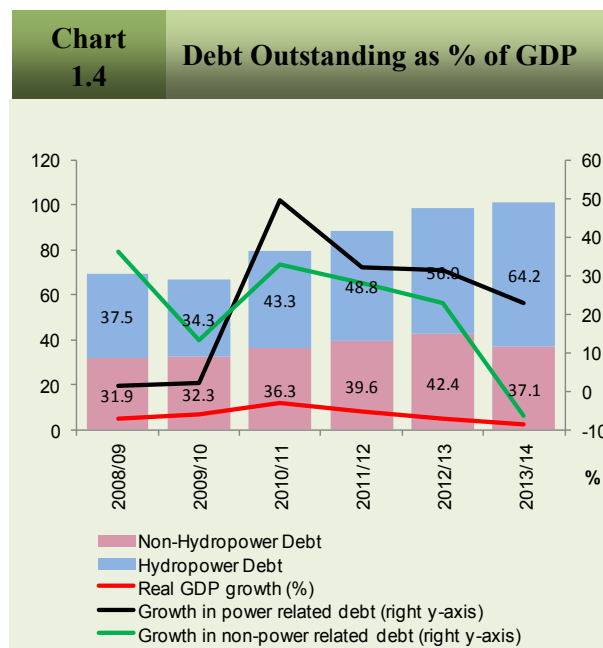


Table 1.2 Selected External Debt Indicators

Year	In Percent						Debt Service Ratio
	Debt Service/ Current Receipts	Interest/ Current Receipts	Debt / Current Receipts	Debt/ GDP	Convertible Currency Debt/ Total Debt	Rupee Debt/ Total Debt	
1990-91	5.3	2.0	145.2	50.4	59.6	40.4	5.3
1991-92	6.5	2.4	160.2	62.3	61.8	38.2	6.5
1992-93	18.1	4.0	169.9	64.8	55.4	44.6	18.1
1993-94	24.9	16.7	183.5	70.0	58.7	41.3	24.9
1994-95	15.7	11.7	152.4	50.7	59.8	40.2	15.7
1995-96	20.4	7.8	100.5	42.7	69.8	30.2	22.3
1996-97	9.4	6.3	102.6	39.9	72.1	27.9	9.8
1997-98	6.4	2.3	97.5	40.3	68.5	31.5	7.4
1998-99	9.1	1.6	108.4	40.5	65.7	34.3	10.9
1999-00	9.0	3.1	304.7	41.4	56.8	43.2	3.9
2000-01	10.3	3.5	430.0	60.9	50.2	49.8	4.7
2001-02	11.6	3.5	910.8	108.7	67.9	32.1	4.9
2002-03	19.8	7.1	1245.9	86.0	51.0	49.0	7.3
2003-04	9.2	4.0	646.5	96.9	48.5	51.5	7.2
2004-05	16.8	8.1	665.6	96.1	44.8	55.2	12.2
2005-06	8.6	4.5	336.3	96.7	47.3	52.7	7.9
2006-07	3.4	1.8	108.0	78.7	42.6	57.4	3.7
2007-08	16.9	6.2	115.6	66.9	42.7	57.3	18.3
2008-09	28.7	6.2	130.5	69.4	43.7	56.3	30.5
2009-10	28.5	7.3	136.4	66.6	44.1	55.9	30.7
2010-11	47.9	5.8	157.9	79.5	40.9	59.1	51.7
2011/12	113.3	6.9	185.1	87.4	39.3	60.7	127.1
2012/13	191.9	8.7	218.8	98.4	36.1	63.9	229.2
2013/14	20.7	0.1	2.0	101.3	35.8	64.2	26.8

1. Figures for debt service and interest payments are calculated on a cash basis.

2. Current receipts exclude official transfers (grants) and receipts of INGOs.

3. Debt-GDP figures are calculated using calendar year GDP figure (example, CY 2010 GDP figure used to calculate ratios for FY 2010/11). Nu. values of debt are used.

4. Debt Service Ratio is equal to total debt service payments in percent of the total exports of goods and services.

5. Differences in data in this table compared to past published time series data are due to revisions in the balance of payments and GDP data.

2. EXTERNAL DEBT AND THE BUDGET

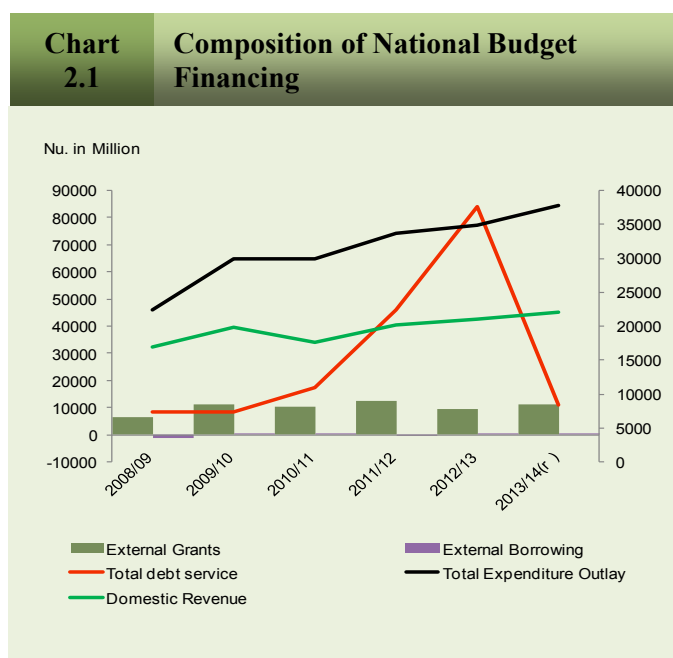
The Royal Government has followed a cautious fiscal approach to development, a cornerstone of which has been the policy to meet current expenditures through domestic revenue collections. On the other hand, a major part of the resource gap to finance capital expenditure has been sought through grants and external borrowings on concessionary

Financing the Budget Deficit (in Nu. millions)	2013/14 (revised)	2014/15 (estimates)
Fiscal Deficit (-) / Surplus (+)	-4601.6	-3447.1
a) Net External Borrowing	83.8	-1182.8
i. Borrowings	2666.6	1558.7
ii. Repayments	2582.8	2741.5
b) Resource Gap	-4535.4	4805.2

Source: Department of National Budget.

terms. During the 9th five year plan (2002/03-2006/07; extended by an additional year), Bhutan's outstanding external debt grew at an average of 9.1 percent per annum, its growth peaking during 2003/04 and 2005/06. Notably, those years coincided with expanded development activities in the energy sector, where the Basochhu and Tala projects were nearing completion, while others in the education, telecom and urban development spheres were beginning to gain ground.

The revised budget outlay for FY 2013/14 was marked up to Nu.37.8 billion. Of this amount, current expenditures accounted for 51.0 percent and capital expenditures, the residual 49.0 percent (Nu.18.5 billion). Revised estimates for domestic revenue mobilization for 2013/14 was placed at Nu.22.0 billion, sufficient to meet current expenditures totaling Nu.19.3 billion. Furthermore, as in the past, grant aid and concessional loans from India and other bilateral and multilateral sources supplemented domestic revenues to finance a significant portion of the government's capital expenditure.



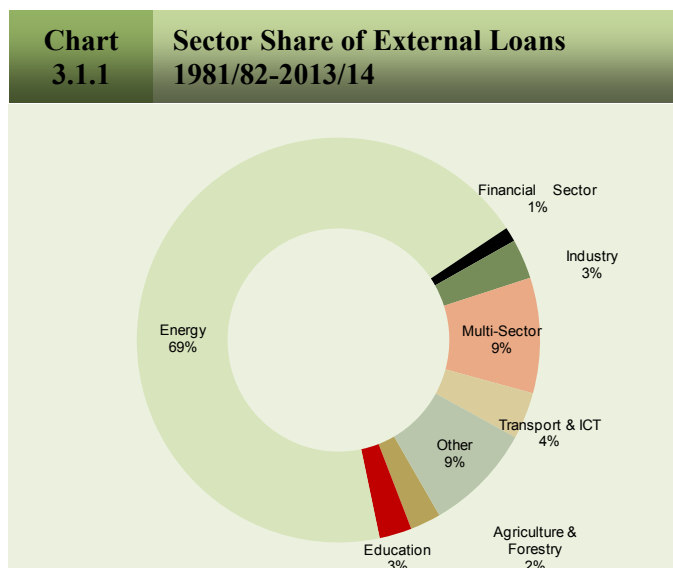
According to budget estimates for FY 2013/14, the total debt service is estimated to be Nu. 11.2 billion, of which more than 96 percent will be on account of external debt service.

3. CLASSIFICATION OF EXTERNAL DEBT

3.1. Sectoral Disbursements

Bhutan's first concessional loan can be traced to 1981/82 with the first SDR loan disbursement from IFAD for the development of the Small Farms Project. Debt service payments are still being made on this loan. Since then, an equivalent of USD 825.6 million convertible currency and ₹ 224.7 billion Indian Rupee loans have been disbursed to Bhutan by various foreign governments, international multilateral, bilateral, and private financing agencies.

In terms of the cumulative sector-wise allocation, as of June 2014, 68.9 percent of the total external loans were disbursed to the energy sector, equivalent to USD 1.7 billion. Disbursements in the multi-sector category, transport and ICT, and agriculture and forestry accounted for 9.2, 3.7 and 2.5 percent, respectively.



3.2. Creditor Classification

For the year ending June 2014, the GOI was Bhutan's largest creditor with 63.0 percent of overall external debt at Nu. 66.6 billion. GOI is followed by the ADB with USD 259.8 million, the World Bank with USD 182.3 million and the Government of Austria with USD 98.2 million (Table 3.2.1).

Convertible currency multilateral debt outstanding has increased over the years to USD 523.0 million or 29.7 percent of total external debt as of the year 2013/14. A creditor-wise classification of Bhutan's external debt is presented in Table 3.2.1 and 3.2.2.

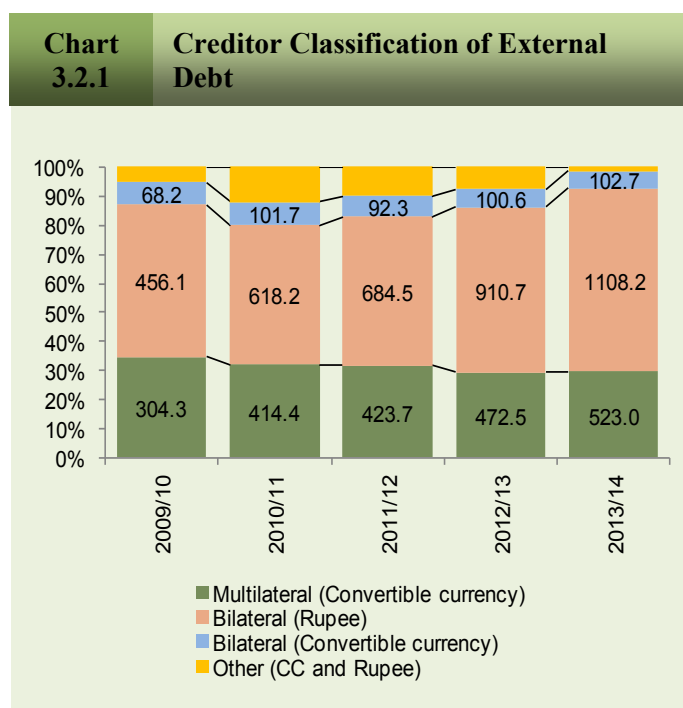


Table 3.2.1 External Debt Outstanding by Individual Creditor Category

Creditor Category	End of period						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
A. Convertible Currency Debt (USD millions)	350.4	347.4	385.4	527.6	524.7	579.3	629.5
I. Multilateral	243.2	254.9	304.3	414.4	423.7	472.5	523.0
Asian Development Bank	121.3	118.5	149.7	203.0	214.4	222.9	259.8
IFAD	26.6	26.7	27.8	33.6	33.7	35.9	37.9
JBIC/JICA		0.3	18.9	33.3	39.9	41.4	43.0
World Bank (IDA)	95.1	109.2	107.7	144.5	135.6	172.2	182.3
II. Bilateral	91.0	77.9	68.2	101.7	92.3	100.6	102.7
Government of Austria	73.6	64.2	57.9	91.3	85.0	94.6	98.2
Government of Denmark	17.4	13.7	10.3	10.3	7.4	6.0	4.4
III. Other	16.2	14.6	12.8	11.6	8.7	6.3	3.9
B. Rupee Debt (INR millions)	18948.4	21400.7	22777.9	34062.3	45550.9	61341.7	67870.2
Government of India	17320.2	20483.4	21277.6	27647.5	38546.3	54369.0	66595.9
RBI						5409.9	0.0
Indian Commercial Banks	1628.1	917.3	1500.3	6414.8	7004.6	1562.9	1274.3
<i>(In Percent of Total Convertible Currency/Rupee Outstanding Debt)</i>							
Convertible Currency Creditors							
ADB	34.6	34.1	38.8	38.5	40.9	38.5	41.3
Government of Austria	21.0	18.5	15.0	17.3	16.2	16.3	15.6
Government of Denmark	5.0	3.9	2.7	2.0	1.4	1.0	0.7
IFAD	7.6	7.7	7.2	6.4	6.4	6.2	6.0
JBIC/JICA		0.1	4.9	6.3	7.6	7.1	6.8
World Bank	27.1	31.4	27.9	27.4	25.8	29.7	29.0
Others	4.6	4.2	3.3	2.2	1.7	1.1	0.6
Rupee Creditors							
Government of India	91.4	95.7	93.4	81.2	84.6	88.6	98.1
RBI						8.8	0.0
Indian Commercial Banks	8.6	4.3	6.6	18.8	15.4	2.5	1.9

Note: Debt data published by the RMA include the total external debt of the country (public + private), and are therefore not comparable to data published by the Ministry of Finance which covers only public debt.

Source: Department of Public Accounts, RMA & private sector enterprises.

Table 3.2.2 External Debt Outstanding by Creditor Category

Creditor Category	USD in Million						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
I. Bilateral (Convertible currency)	91.0	77.9	68.2	101.7	92.3	100.6	102.7
II. Bilateral (Rupee)	429.1	428.7	456.1	618.2	684.5	910.7	1108.2
III. Multilateral (Convertible currency)	243.2	254.9	304.3	414.4	423.7	472.5	523.0
IV. Other (CC and Rupee) ¹	56.5	33.8	45.0	155.0	133.1	123.1	25.1
Total External Debt	819.9	795.3	873.7	1289.3	1333.7	1606.8	1759.0
Percentage Share of Total External Debt							
Bilateral (Convertible currency)	11.1	9.8	7.8	7.9	6.9	6.3	5.8
Bilateral (Rupee)	52.3	53.9	52.2	48.0	51.3	56.7	63.0
Multilateral (Convertible currency)	29.7	32.0	34.8	32.1	31.8	29.4	29.7
Other (CC and Rupee)	6.9	4.3	5.2	12.0	10.0	7.7	1.4

Note: Debt data published by the RMA include the total external debt of the country (public + private), and are therefore not comparable to data published by the Ministry of Finance which covers only public debt. Furthermore, the RMA uses Calendar Year GDP figures for all ratios to the GDP.

Source: Department of Public Accounts, RMA & private sector enterprises. 1) Includes CC private non-publicly guaranteed debt and the SBI Overdraft Facility (public debt).

3.3. External Debt by Currency Composition

Rupee denominated debt continues to comprise over 60 percent of Bhutan's external debt portfolio. Meanwhile the share of other concessional and SDR-denominated debt from the ADB, IFAD and the World Bank remains at about one-third of the total debt.

Table 3.3.1 External Debt Outstanding by Currency

Currency	Percent of Total External Debt						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
SDR	29.6	32.0	32.6	29.6	28.8	26.8	27.3
US Dollar	1.0	1.0	0.8	0.4	0.3	0.2	0.1
Indian Rupees	57.3	56.3	55.9	59.1	60.7	63.9	64.2
Euro	11.1	9.8	7.8	7.9	6.9	6.3	5.8
Norwegian Kroner	0.9	0.7	0.6	0.4	0.3	0.2	0.1
Yen		0.0	2.2	2.6	3.0	2.6	2.4

Table 3.3.2 Creditors Ranked by Cumulative Disbursement: 1981/82-2013/14

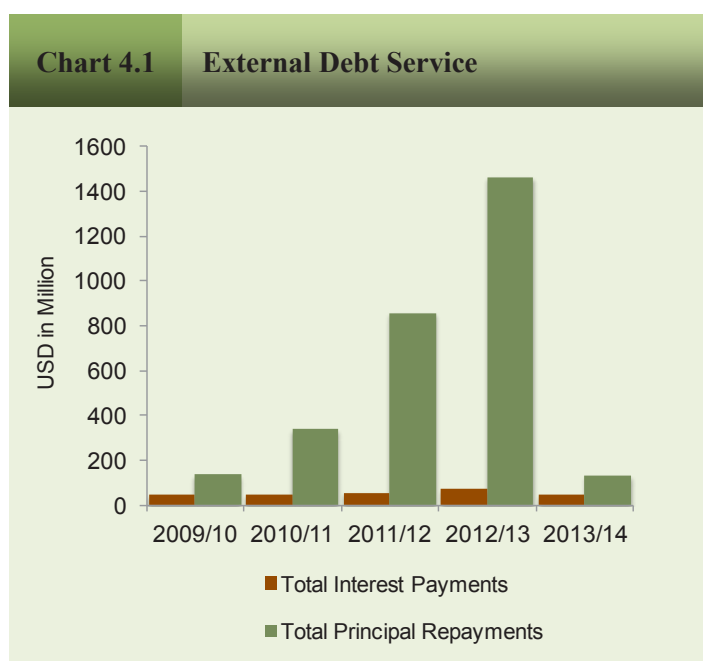
Creditor	USD in Million										Total	
	Agriculture & Forestry	Education	Energy	Financial Sector	Industry	Multi-Sector	Transport & ICT	Other				
Government of India*			1415.7		5.0			210.8				1631.5
Asian Development Bank	5.9	11.9	105.0	23.6	0.8	44.7	49.1					241.0
World Bank	12.4	51.1			7.2	179.9						250.5
KFAED				4.7	23.0							27.7
Government of Austria			104.3									104.3
Government of Denmark							16.9					16.9
IFAD	41.7											41.7
Mitsui & Co. (Japan)							1.7					1.7
EFIC Australia							0.8					0.8
West LB Ltd.							22.6					22.6
Others			50.4						41.4			91.8
Total	59.9	63.0	1675.5	28.3	77.4	224.6	91.1	210.8				2430.6

* The exchange rate used for conversion is based on the FY average and also the simple average of FY averages for the 15-year group (1981/82 - 1995/96).

4. DEBT SERVICE

Debt servicing (repayment of principal plus interest) on both convertible currency and Indian Rupee debt for 2013/14 was USD 178.9 million as compared to USD 1.5 billion in 2012/13. A total amount of ₹ 5.5 billion (principle and interest), on account of the RBI SWAP facility was liquidated during the year. The total Rupee debt service on account of hydropower debt for Tala and Kurichhu amounted to about ₹ 3.0 billion.

Bhutan's debt service ratio measured as a percent of the export earnings from goods and services decreased to 26.8 percent in 2013/14 from 229.2 percent in 2012/13. The overall debt service as a percentage of current receipts (which excludes official transfers and INGO receipts) also decreased from 191.9 percent in 2012/13 to 20.7 percent in 2013/14 (Table 4.1).



5. GRANT ASSISTANCE

Grant aid from the Government of India and other international donors have traditionally financed on average over one-third of the fiscal outlay. In 2013/14, grant support is estimated to have financed 29.6 percent of the total expenditure. The GOI has been Bhutan's largest grant donor and makes up for 64.2 percent of all cumulative grant disbursements since 1990/91.

Sectoral analysis indicates that besides the hydropower sector, the health and education, communications and agriculture sectors have been the largest recipients of international grant assistance since 1990. However over the years there has been a discernible albeit marginal expansion in the direction of grant aid towards other sectors, such as trade and industry and autonomous agencies activities, including information technology, environment, good governance and women's empowerment programmes.

The GOI continues to be the largest donor making up for 81.0 percent of all grant inflows for the year 2013/14. A total of Nu. 9.2 billion was received from the GOI during the year, of which Nu. 2.7 billion was on account of the Economic Stimulus Plan. DANIDA with 3.6 percent (Nu. 410.1 million) was the second largest donor for the year followed by the European Union (EU) at 2.6 percent (Nu. 297 million).

Table 4.1 Bhutan's Debt Service Payments by Creditor Category

Creditor Category	2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13		2013/14	
	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal
	<i>Millions of USD</i>															
I. Multilateral (Convertible Currency)	2.7	2.5	2.2	2.7	3.5	4.8	3.7	4.9								
	3.0	3.9	4.6	5.8	6.5	6.8	6.9	8.6								
II. Bilateral Convertible Currency	3.3	1.7	1.2	5.9	2.2	2.7	3.1	3.5								
	0.9	3.4	3.0	3.9	5.9	5.6	5.5	5.8								
III. Convertible Currency Commercial Debt	1.3	1.0	0.8	1.8	0.9	0.6	0.4	0.3								
	0.9	1.8	0.8	1.9	2.5	2.3	2.5	2.4								
IV. Rupee Debt	4.7	38.4	33.5	36.1	40.3	47.6	62.1	35.9								
	6.2	66.8	128.6	124.2	324.2	843.7	1449.0	117.6								
Total Interest Payments	12.0	43.6	37.6	46.6	46.8	55.6	69.4	44.6								
Total Principal Repayments	10.9	75.9	137.1	135.8	339.1	858.5	1463.8	134.3								
Total Debt Service	22.9	119.4	174.7	182.4	385.9	914.0	1533.2	178.9								
Debt Service Ratio*	<i>(ratios)</i>															
	3.6	18.3	30.9	30.7	51.7	127.1	213.8	27.0								
Debt Service/Current Receipts**	3.3	16.8	28.4	27.6	47.9	113.3	191.9	191.9								
Interest Payments/Current Receipts	1.8	6.1	6.1	7.0	5.8	6.9	8.7	8.7								
Debt Service/Gross Reserves	3.6	18.1	22.6	21.2	42.6	118.7	167.2	17.9								

Source: Department of Public Accounts, RMA & private sector enterprises.

*: Debt service payments as a percentage of total exports of goods and services.

** : Current receipts include receipts from the export of goods and services, income and transfers, excluding official grants and receipts of international NGOs & international organizations. Please note: Inconsistencies may occur due to rounding.

Table 5.1	Individual Grant Donors: 2003/04-2013/14											Nu in Million	
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2012/13	2013/14
Government of India	2287.2	2370.5	3087.3	3081.2	4671.1	4394.9	6439.5	7882.8	9003.4	4693.4	9233.4		
DANIDA	579.2	432.1	539.0	454.7	462.5	513.1	734.8	448.8	552.7	570.0	410.1		
European Union									1.6		297.1		
Govt of Austria	32.7	56.6	61.9	66.0	6.3	212.2	159.0	75.2	124.3	119.9	195.3		
Swiss Dev. Cooperation	122.5	46.9	71.4	61.0	35.7	70.2	22.2	65.6	90.6	34.4	175.8		
UNICEF	73.6	42.0	43.3	0.0	47.3	69.0	135.2	93.1	92.8	104.0	150.4		
UNDP	115.1	118.1	102.4	109.9	63.8	116.8	124.4	97.1	132.1	118.0	130.5		
WHO	22.9	14.7	22.1	26.2	18.4	25.6	24.3	50.5	132.1	103.1	85.3		
Asian Development Bank	9.5	4.2	0.9	5.6	21.5	195.9	0.0	522.8	1104.0	2270.9	0.0		
World Bank	17.5	35.3	771.2	662.9	42.0	190.5	0.0	371.8	58.4	199.5	0.0		
Others	1196.0	666.7	724.8	586.9	563.4	724.2	1269.7	890.1	1165.3	1201.3	720.2		
Total	4456.2	3787.0	5424.3	5054.3	5931.9	6512.3	8909.0	10497.7	12457.2	9414.8	11398.1		
Total	-0.6	-15.0	43.2	-6.8	17.4	9.8	36.8	17.8	18.7	-24.4	21.1		

Source: Department of Public Accounts.

SUMMARY OF PETROLEUM IMPORTS AND PRICES IN BHUTAN

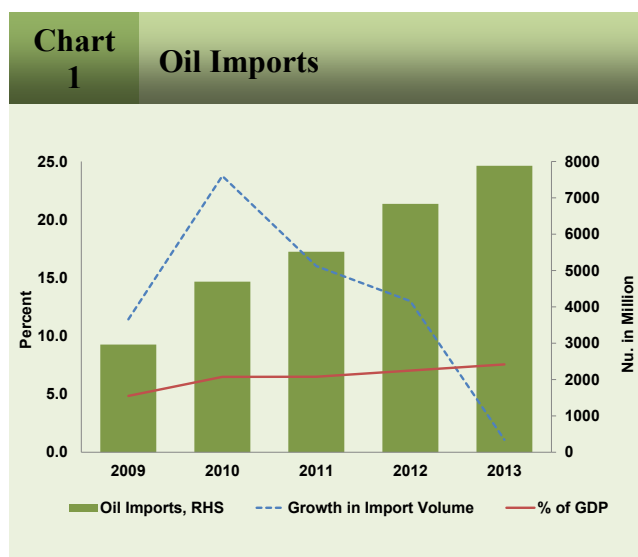
Fuel prices continue to be at the forefront of discussions world-wide as oil price fluctuations not only upset core macroeconomic variables but also have adverse implications on poverty in developing nations. Increases in oil prices translate into cost-push inflationary pressures, raising production costs and causing supply constraints, and consequently affect aggregate demand. For oil importing countries in particular, oil price changes immediately affect the prices of petroleum related goods and indirectly regulate transportation and manufacturing costs.

Like other oil importing developing economies, Bhutan's dependence on oil imports has continued to increase in recent years as a result of increase in motor vehicles and use of petroleum related goods. Being a predominantly import-dependent nation, the volatility in the prices of petroleum and related products in Bhutan has been a reflection of corresponding prices and policy changes in India, Bhutan's major trading partner. For a developing country like Bhutan, heavily dependent on oil imports, volatile fuel prices continues to remain a concern for policy makers in the country.

Fuel prices in Bhutan are regulated based on the invoice price, and other cost factors involved in importing the products, such as transportation cost, shrinkage allowance, dealer's commission, depot surcharge, and product transit insurance. In addition, a 5.0 percent sales tax and a 5.0 percent green tax are also levied.

Bhutan imports most of its petroleum and related oils (*diesel, petrol, kerosene, lubricating oils, and liquid petroleum gas*) from India. All petroleum products are imported from the Bharat Petroleum and Indian Oil Corporation Limited, India. The distribution of petroleum products in the country is done through four domestic private dealers (Bhutan Oil Corporation, Bhutan Oil Distributor, Druk Petroleum Corporation Limited and Damchen Petroleum Distributors). Compared

to 2012, oil imports in volume terms fell in 2013, with annual growth at 1.1 percent compared to 13.0 percent in 2012. The growth in value terms also decreased to 15.3 percent in 2013 from 23.9 percent in 2012.



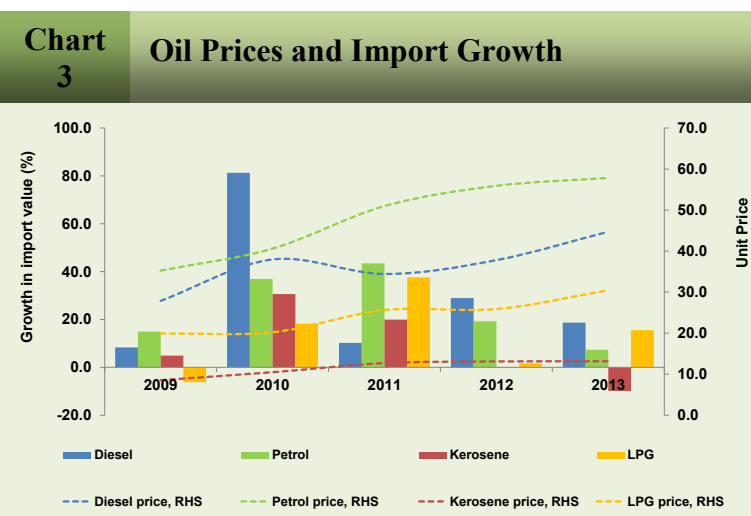
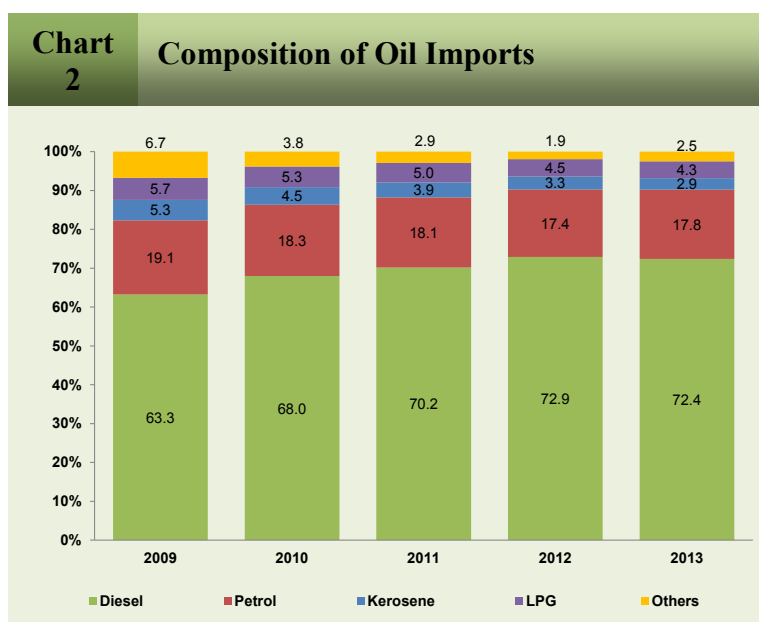
As a percentage share of oil imports by volume, as of December 2013, diesel accounted for 72.4 percent, followed by petrol at 17.8 percent, and LPG at 4.3 percent. The remaining imports comprised of kerosene, furnace oils, ATF (jet fuel) and lubricating oils.

Total oil imports from India during 2013 increased in terms of both value and volume mainly on account of increase in the import of diesel and petrol. Petroleum

and related products worth USD 134.5 million (Nu.7.9 billion) were imported in 2013, against USD 127.9 million (Nu.6.8 billion) in 2012. Major petroleum imports comprised of diesel, petrol, LPG, kerosene and furnace oils.

The import of major fuel products in 2013 constituted 7.6 percent of GDP¹ while overall fuel imports comprised 18.1 percent of the total merchandise imports from India. The use of fuel in Bhutan is largely limited to the transport and services sectors while any oil price fluctuations are transmitted to and impact most other imported goods and services. Assessing the impact of oil prices on Bhutan's consumer price index (CPI)², CPI inflation was recorded at 8.6 percent in the second quarter of 2014, up from 5.5 percent during the same quarter in 2013. As of June 2014, the CPI inflation of *electricity, gas and other fuels*, which constitute 4.5 percent of the expenditure basket, was recorded at 14.3 percent (year-on-year). The CPI inflation of fuels and lubricants was recorded at 3.4 percent (year-on-year) as of June 2014.

Oil prices in Bhutan vary with the fluctuations in prices in India. The average price of diesel as of June 2013 was Nu.49.5 per liter compared to the average price of diesel which increased as of June 2014 to Nu.56.4 per liter. Average petrol prices have also fluctuated during the year and stood at Nu.67.3 as of



¹ CY 2013 nominal GDP figure of Nu.104378.1 million, National Statistics Bureau.

June 2014 against Nu.62.7 in June 2013. Following several fluctuations during 2014, the average price of diesel was the highest in the month of September 2014 at Nu.60.7 per liter and the price of petrol was the highest in July 2014 at Nu.72.2 per liter.

Kerosene and liquid petroleum gas (LPG) are presently subsidized by the GoI and the current subsidy on LPG cylinder ranges from INR 450 to 600 per cylinder, while the kerosene subsidy is set at INR 30 to 35 per liter. Revisions in the price of fuel products at source immediately impact prices in Bhutan although the increase is relatively lower in Bhutan due to special tax concessions.

Box 1: Import of Motor Vehicles

As of December 2013, the number of motor vehicles registered in the country increased to 67,926 from 67,449 in 2012, recording an increase of 0.7 percent. Furthermore, the number of motor vehicles registered in the country increased to 68,129 as of June 2014. In terms of value, imports of motor vehicles decreased and stood at Nu.0.3 billion as of December 2013. The drastic fall in the total value of motor vehicle imports during 2013 was primarily due to the restrictions imposed on import of private motor vehicles since 2012.

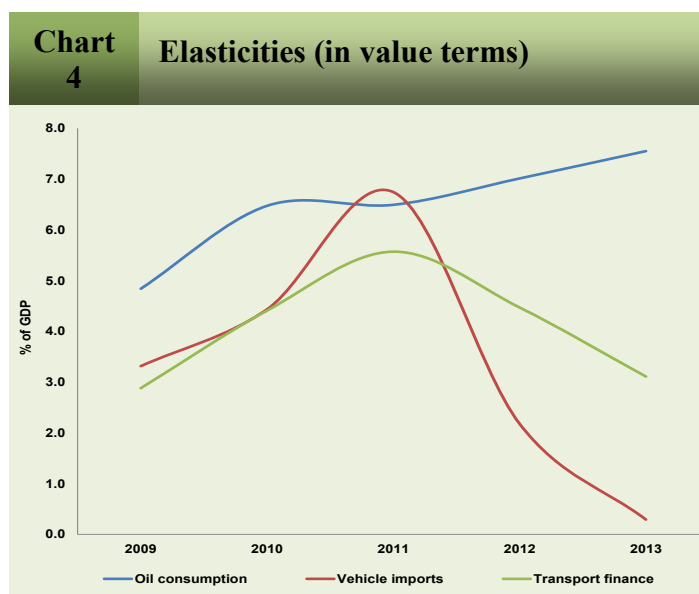
Item	Nu. in Million					
	2012			2013		
	Total	India	COTI	Total	India	COTI
Import of Motor Vehicles	2,123.5	1,459.7	663.8	305.8	209.9	95.9
<i>of which:</i>						
1. Passenger Vehicles	1,234.0	575.4	658.6	124.8	73.9	51.0
<i>Motor vehicles (for 10 persons or more)</i>	74.4	29.2	45.2	102.3	52.3	50.0
<i>Motor vehicles for personal transport</i>	1,145.0	532.5	612.6	19.8	19.2	0.6
<i>Motorcycles (including mopeds)</i>	14.5	13.8	0.8	2.7	2.4	0.3
2. Heavy Duty Motor Vehicles	889.5	884.3	5.2	181.0	136.1	44.9
<i>Tractors</i>	12.3	12.3	-	13.6	12.9	0.7
<i>Vehicles for the transport of goods</i>	715.6	715.6	-	90.3	90.3	-
<i>Special purpose vehicles¹</i>	93.1	87.9	5.2	75.7	32.5	43.2
<i>Work trucks²</i>	1.0	0.9	0.1	1.4	0.4	1.0

Source: Department of Revenue and Customs. Does not include the import of vehicle parts.

1) Includes crane lorries, mobile drilling vehicles, fire fighting vehicles, concrete mixers, road sweepers, spraying lorries, mobile workshops, etc. 2) For use in factories, airports etc. Includes those for lifting/handling equipment used in warehouses, docks, airports, short distance transport of goods etc.

As of June 2014, 53.2 percent of total motor vehicles in the country were registered in Thimphu alone, followed by Phuentsholing at 36.2 percent, Samdrup Jongkhar at 5.9 percent and the remaining 4.7 percent in Gelephu. Of these total registrations of 68,129 motor vehicles, light vehicles constituted the most registrations at around 58.4 percent (excluding Taxis) with heavy vehicles coming in second highest at around 12.5 percent. The remaining registered motor vehicles were two wheelers, power tillers, tractors and heavy earth moving vehicles with the lowest registered being tractors at less than one percent.

Trend analysis shows a clear relationship among fuel consumption, vehicle import and transport finance. The elasticities calculated in terms of the percentage of nominal GDP reveals that the fuel consumption elasticity increased slightly from 7.0 percent in 2012 to 7.6 percent in 2013.



End of period	2011	2012	2013
	Nu. in Million		
Oil consumption	5516.2	6834.3	7882.3
Vehicle Imports	5729.3	2123.5	305.8
Transport Finance	4732.6	4356.5	3246.9
% change from the previous year			
Oil consumption	17.5	23.9	15.3
Vehicle Imports	78.2	(62.9)	(85.6)
Transport Finance	48.0	(7.9)	(25.5)

On the other hand, the elasticity for transport finance decreased from 4.5 percent in 2012 to 3.1 percent in 2013. As for elasticity of vehicle imports, there was a decrease from 2.2 percent in 2012 to 0.3 percent in 2013. Generally, the elasticities of fuel consumption, vehicle imports and transport finances are largely influenced by real income, the price of the commodities and market interest rates. The government imposed restrictions on the import of cars in mid-2012 and as a result (reflected in the table above), there was a significant fall in transport finance in 2012 and 2013 and subsequently a significant fall in import of motor vehicles during the same years with oil consumption slightly increasing every year. Therefore, the growth in import of motor vehicles and petroleum products has been on a downward trajectory over past few years. With the view to address the issue of increasing imports of motor vehicles and the growing fuel import bill, the government has revised sales tax, customs duty and green tax on vehicles and a 5 percent green tax on diesel and petrol was also introduced.

Table 1 Summary of Bhutan's Import of Major Oil Products: 2004-2013

Quantity and Value	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Diesel (KL)*	50934.0	51544.0	52923.0	58892.0	57839.0	65336.0	86930.0	104053.9	122161.0	122567.80
Value in millions of Nu.	1027.0	1266.9	1475.6	1597.5	1679.4	1827.2	3275.8	3582.3	4618.5	5480.76
Petrol (KL)	11800.0	13795.0	15216.0	16781.0	17393.0	19709.0	23422.5	26761.1	29094.0	30195.20
Value in millions of Nu.	340.0	450.5	570.0	603.2	604.4	694.7	951.2	1364.2	1626.8	1746.16
Kerosene (KL)	9781.0	12545.0	14370.0	10207.0	5252.0	5427.0	5780.0	5727.0	5547.0	4990.00
Value in millions of Nu.	81.4	105.2	115.8	84.7	44.2	46.4	60.6	72.7	72.7	65.56
LPG (MT)	4055.0	4472.0	4980.4	5405.5	5724.7	5856.8	6834.2	7410.9	7470.2	7335.82
Value in millions of Nu.	65.9	74.4	90.1	98.2	124.5	116.8	138.2	190.1	193.3	223.35
Aviation Turbine Fuel (KL)	1080.0	1145.0	801.0	1080.0	828.0	1008.0	1332.0	1455.0	2070.0	3168.00
Value in millions of Nu.	24.5	31.0	27.6	36.9	38.3	32.4	50.1	74.1	121.7	197.06
Lubricating Oils (MT)	1348.0	3414.0	3934.1	3297.4	3767.8	1096.7	758.1	2287.7	1170.6	1058.51
Value in millions of Nu.	63.3	123.9	135.8	147.0	180.4	126.8	132.3	211.8	200.7	169.42
Furnance Oil (MT)	1812.0	1656.0	2421.0	2292.0	1892.0	4848.0	2757.0	564.0	12.0	0.00
Value in millions of Nu.	26.8	29.8	51.1	53.3	56.9	119.0	85.2	21.0	0.6	0.00
Total volume (KL)	80,810.0	88,571.0	94,645.5	97,955.0	92,696.6	103,281.5	127,813.7	148,259.6	167,524.9	169,315.3
Total value (Nu. millions)	1,628.9	2,081.5	2,465.9	2,620.7	2,728.2	2,963.3	4,693.4	5,516.2	6,834.3	7,882.3
	(% of Total Oil Imports by Volume)									
Diesel	63.0	58.2	55.9	60.1	62.4	63.3	68.0	70.2	72.9	72.4
Petrol	14.6	15.6	16.1	17.1	18.8	19.1	18.3	18.1	17.4	17.8
Kerosene	12.1	14.2	15.2	10.4	5.7	5.3	4.5	3.9	3.3	2.9
LPG	5.0	5.0	5.3	5.5	6.2	5.7	5.3	5.0	4.5	4.3
ATF (Jet fuel)	1.3	1.3	0.8	1.1	0.9	1.0	1.0	1.0	1.2	1.9
Lubricating Oils	1.7	3.9	4.2	3.4	4.1	1.1	0.6	1.5	0.7	0.6
Furnance Oils	2.2	1.9	2.6	2.3	2.0	4.7	2.2	0.4	0.0	0.0
	(% of Total Oil Imports by Value)									
Diesel	63.1	60.9	59.8	61.0	61.6	61.7	69.8	64.9	67.6	69.5
Petrol	20.9	21.6	23.1	23.0	22.2	23.4	20.3	24.7	23.8	22.2
Kerosene	5.0	5.1	4.7	3.2	1.6	1.6	1.3	1.3	1.1	0.8
LPG	4.0	3.6	3.7	3.7	4.6	3.9	2.9	3.4	2.8	2.8
ATF (Jet fuel)	1.5	1.5	1.1	1.4	1.4	1.1	1.1	1.3	1.8	2.5
Lubricating Oils	3.9	5.9	5.5	5.6	6.6	4.3	2.8	3.8	2.9	2.1
Furnance Oils	1.6	1.4	2.1	2.0	2.1	4.0	1.8	0.4	0.01	0.00

Source: POL Section, Ministry of Economic Affairs.

N.B: It is assumed that MT=KL. Figures are based on information submitted by the POL dealers in Bhutan. * Speed and Hi-Speed are also included under Diesel.

REVIEW OF BHUTAN'S FINANCIAL SECTOR PERFORMANCE* (June 2014)

Introduction

This report presents an objective assessment of the performance of Bhutan's financial sector on a peer group basis for the quarter ended June 2014 in comparison to the corresponding quarter of the previous year. The information contained in this report is based on the returns submitted by the financial institutions to the RMA.

The financial sector remained stable with continued improvement in the reserves of capital and liquidity. Credit growth has accelerated during the period under review. A number of regulatory measures were announced with a view to tightening the prudential infrastructure, plugging gaps in regulation and ensuring that the regulatory and supervisory setup reflected international best practices.

1. Business size and growth

The total assets of the financial system¹ as of June 2014 stood at Nu.98.8 billion compared to Nu.88.4 billion in June 2013 indicating a growth of 11.7 percent. The growth in the assets of banks² increased from Nu.79.3 billion to Nu.87.1 billion, and that of non-banks³ from Nu.9.1 billion to Nu.11.7 billion. In terms of percentage growths, the total assets of banks' and non-banks' have increased by 9.8 percent and 28.1 percent, respectively. The composition of the balance sheet of the banks continued to be dominated by traditional balance sheet items. Deposits constituted about 77 percent of liabilities and loans and advances (net of provisions) comprised about 59 percent, while cash and bank balances constituted about 38 percent of the total assets of the banks. Investments (securities and equity) which accounted for 1.0 percent of assets mostly consisted of Government securities. For non-banks (insurance companies), 65 percent of total assets comprised of loans and advances while about 25 percent comprised of cash and bank balances.

The increase in the total assets of the banks was mainly contributed by the increase in cash and bank balances by 25 percent from Nu.26.5 billion in June 2013 to Nu.33.1 billion in June 2014, followed by the increase in loans and advances (net of provisions) from Nu.47.5 billion to Nu.51.1 billion indicating a growth of 8 percent. Similarly, for the non-banks, the increase in the total assets was mainly due to increase in cash and bank balances by 63.6 percent from Nu.1.8 billion to Nu.2.9 billion, which was followed by increase in loans and advances by 22 percent. In terms of the asset composition of the financial sector, the banking system constitutes 88 percent of the total assets and the remaining 12 percent constitutes non-banks' assets.

1. The financial system comprises of BNBL, BOBL, DPNBL, T-Bank, BDBL, RICBL and BIL.

2. Banks refers to BNBL, BOBL, DPNBL, T-Bank and BDBL.

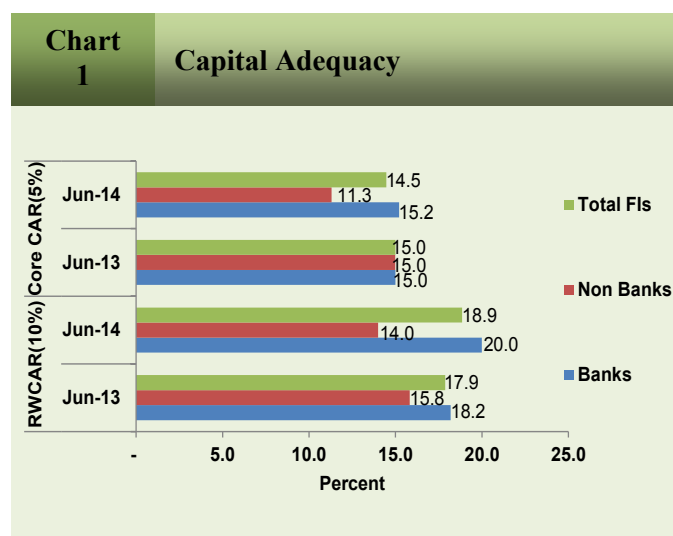
3. Non-banks refers to RICBL and BIL.

* Source: Financial Regulation and Supervision Department (FRSD), RMA. Kindly note that this review is based on the FRSD's classifications and hence some of the data may not be directly comparable with that of the RSD.

Out of the total liabilities of the financial sector, capital and reserves increased by 17 percent (from Nu.15.1 billion in June 2013 to Nu.17.7 billion in June 2014). Deposit liabilities of banks increased by 12.5 percent from Nu.59.3 billion in June 2013 to Nu.66.7 billion in June 2014. Borrowing for the non-banks also increased by Nu.3.3 billion from Nu.1.4 billion to Nu.4.7 billion during the period under review.

2. Capital & Reserves

The risk weighted capital adequacy ratio (CAR) of the financial system has increased to 18.9 percent in June 2014 from 17.9 percent in June 2013 although CAR was well above the regulatory requirement. The total risk weighted assets of the financial sector increased by 13 percent, from Nu.81.9 billion in June 2013 to Nu.92.5 billion in June 2014. The improvement in the capital adequacy ratio during the period was mainly due to the injection of capital in the form of subordinated debt by the Government as well as injection of capital by investors in some of the banks. The RWCAR of banks increased from 18.2 percent to 20 percent during the period under review.



However, despite the equity contribution by the Government, the RWCAR of non-banks has decreased slightly from 15.8 percent to 14 percent. This was mainly because of the increase in the total risk weighted assets of the non-banks from Nu.10.8 billion to Nu.17.4 billion (61.7 percent) which has offset the increase in the capital fund of non-banks from Nu.1.7 billion to Nu.2.4 billion (42.9 percent) during the period under review.

The core capital ratio of the financial sector has slightly decreased from 15 percent in June 2013 to 14.5 percent in June 2014 which also continues to be maintained at well above the requirement of 5 percent.

3. Sectoral Credit Analysis (including the credit extension by non-banks)

The financial institutions continued to play an active role in providing financing to both the household and corporate/private sectors. During the period ended June 2014, the financial sector's total credit increased to Nu.63.2 billion from Nu.56.8 billion in June 2013 indicating a growth of 11.3 percent.

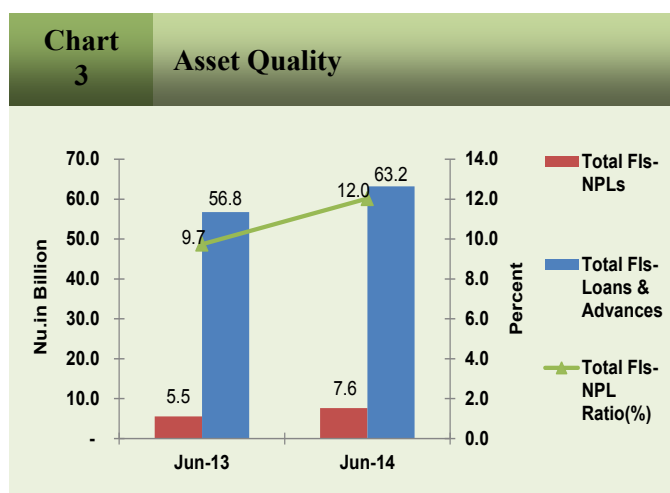
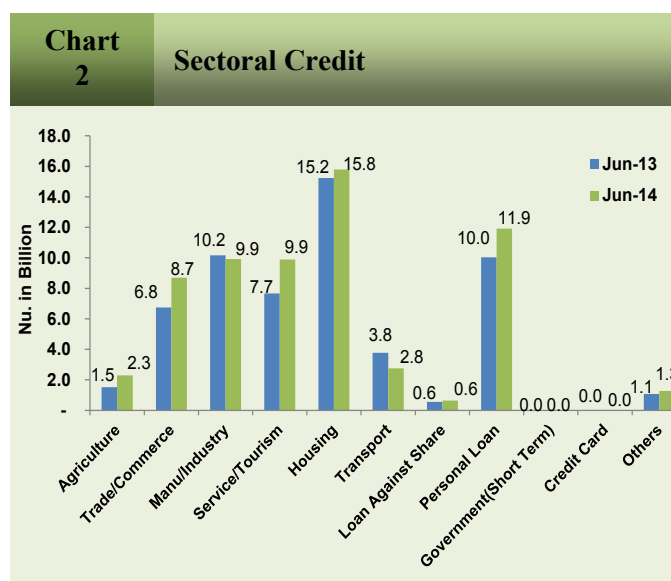
The lending activity was attributable to the strong demand in the housing, personal, manufacturing and service sectors. In terms of the sectoral exposures to total loans, 25 percent constituted housing loan, 18.9 percent for the personal sector, followed by manufacturing and service sector with 15.7 percent each. However, in the case of the sectoral growth during the period under review, loans to the agriculture sector experienced the highest growth of 51.1 percent (from Nu.1.5 billion to Nu.2.3 billion) followed by service sector with 29.2 percent (from Nu.7.7 billion to Nu.9.9 billion).

Banks provide the majority of the credit. Out of total credit of Nu.63.2 billion, 87.5 percent (Nu.55.3 billion) are provided by banks and remaining 12.5 percent (Nu. 7.9 billion) by non-banks.

4. Credit Quality (Loans and Advances including non-banks)

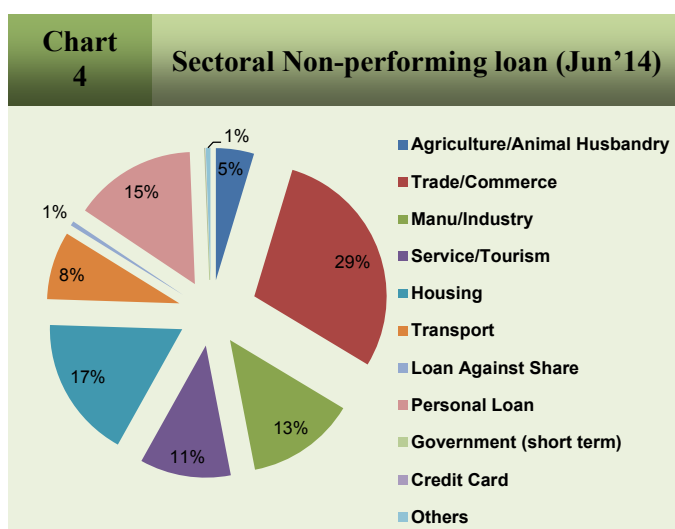
As against the total loans of Nu. 63.2 billion within the financial sector, the NPL increased from Nu.5.5 billion in June 2013 to Nu.7.6 billion in June 2014. During the period under review the NPL to loan ratio stood at 12 percent as compared to 9.7 percent.

The increase in the NPL ratio was due to the increase in the NPL by 37.5 percent as against the increase in the total loans by 11.3 percent. Out of the total NPL of Nu.7.6



billion, doubtful and loss assets comprises 61.8 percent (Nu.4.7 billion) and the remaining 38.2 percent are substandard assets (Nu.2.9 billion).

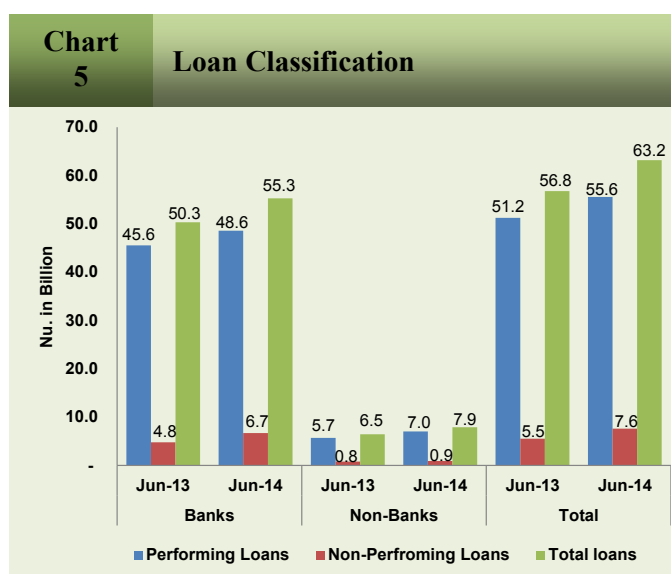
Meanwhile, the percentage of provision as a percentage of NPLs provided for impaired loans has increased from 47.8 percent in June 2013 to 50.7 percent in June 2014. The NPL of the banks increased from Nu.4.8 billion to Nu.6.7 billion as against the increase in the total loans from Nu.50.3 billion to Nu.55.3 billion during the period under review. The gross NPL ratio of banks stood at 12.1 percent as compared to 9.5 percent during the period under review. The NPL for non-banks has also increased from Nu.0.8 billion to Nu.0.9 billion as against the increase in the total loans from Nu.6.5 billion to Nu. 7.9 billion in June 2014. The NPL ratio of non-banks stood at 11.3 percent as of June 2014.



Out of the total NPL of Nu. 7.6 billion as of June 2014, the trade and commerce sector has the highest NPL with 29 percent (Nu. 2.2 billion). The housing and personal sectors also have high NPLs amongst others, constituting around 17.4 percent (Nu. 1.3 billion) and 15 percent (Nu.1.1 billion), respectively of total NPL. The gross NPL ratio of financial sectors as of June 2014 is 12 percent.

5. Consolidated Loan Classification of the Financial Institutions

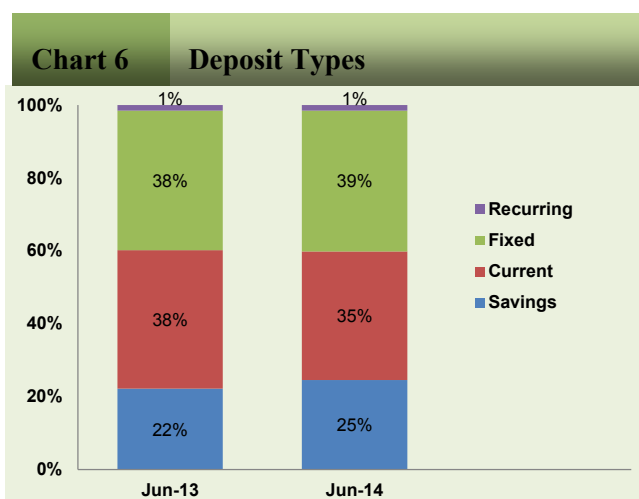
Analysis on asset classification indicates that 87.9 percent (Nu.55.6 billion) of total loans of Nu.63.2 billion disbursed by the financial sector are performing loans and the remaining 12.1 percent (Nu.7.6 billion) are non-performing. Similarly, out of the total loans of Nu.7.9 billion of non-banks 88.7 percent are performing loans and the remaining 11.3 percent are non-performing loans as of June 2014.



6. Deposits

The total deposit base of the banking sector has increased significantly by

12.5 percent from Nu.59.3 billion in June 2013 to Nu. 66.7 billion in June 2014. The increase in the overall deposit base is mainly due to increase in both demand and time deposits by 11.8 percent and 13.4 percent respectively. Demand deposits increased from Nu.35.7 billion to Nu. 39.9 billion (from Nu.22.5 billion to Nu.23.5 billion for Current Account and from Nu.13.2 billion to Nu.16.4 billion for Savings Account) and time deposits from Nu.23.6 billion to Nu.26.8 billion (from Nu.22.7 billion to Nu.25.8 billion in Fixed Account and from Nu.0.9 billion to Nu.1.0 billion in Recurring Account) during the year.

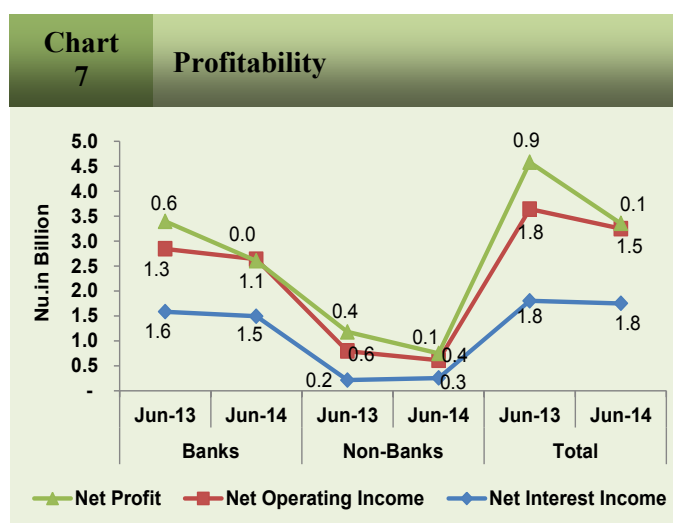


In terms of customer holdings, corporate deposits accounts for 50.1 percent (Nu.33.4 billion) of the total deposits and the remaining 49.9 percent (Nu.33.3 billion) constitutes retail deposits as compared to 54 percent of corporate deposits and 46 percent of retail deposits in June 2013. Although corporate deposits continued to dominate the deposit holding pattern of the financial institutions, it is on a decreasing trend. Out of the total deposits of Nu.66.7 billion in June 2014, demand deposits (current and savings) accounted for 59.8 percent (Nu.39.9 billion) and time deposits (fixed and recurring) comprised of 40.2 percent (Nu.26.8 billion).

7. Profitability

During the quarter under review, the net profit of the financial sector has decreased when compared to the corresponding quarter of the previous year.

The net profit of the financial sector stood at Nu.0.1 billion in June 2014 as compared to a net profit of Nu. 0.9 billion in June 2013. Banks incurred a loss of Nu.31.7 million, mainly due to the decrease in profit in few of the banks and the decrease in the banks' net interest income by 5.8 percent.

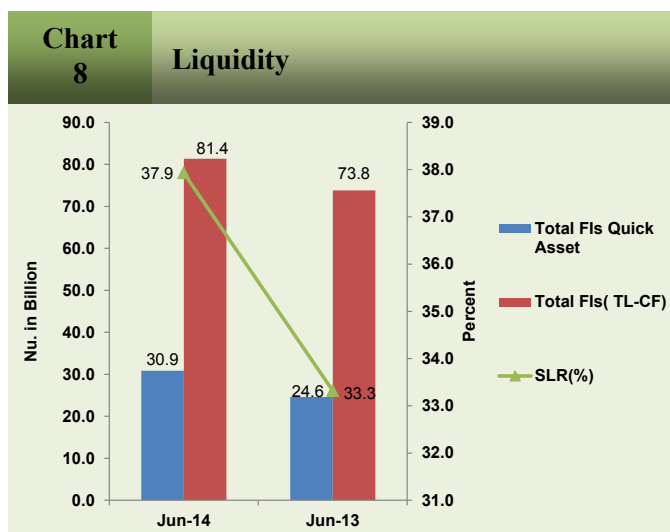


Both the net interest income and net operating income of the financial sector has decreased by 2.9 percent (from Nu.1.8 billion in June 2013 to Nu.1.7 billion in June 2014) and 18.5

percent (from Nu.1.8 billion in June 2013 to Nu.1.5 billion in June 2014), respectively. The decrease in net interest income and operating income has led to a decrease in the net profit from Nu.0.9 billion to Nu.0.1 billion during the period under review.

8. Liquidity

On the liquidity front, the financial sector had an excess liquidity of Nu.15.5 billion in June 2014 as compared to Nu.10.6 billion in June 2013. In June 2014, the total quick assets of the financial sector also increased to Nu.30.9 billion from Nu.24.6 billion in the previous year. The statutory liquidity requirement (SLR) position of the financial sector stood at 37.9 percent in June 2014 as compared to 33.3 percent in June 2013.



The SLR of the banks stood at 38.8 percent (18.8 percent above the regulatory requirement of 20 percent) in June 2014 as compared to 34.4 percent in June 2013. The increase is due to increase in the quick assets of the banks by 22.6 percent (from Nu.22.8 billion to Nu.28 billion). Similarly, the non-banks' SLR position for June 2014 stood at 31.2 percent as compared to 23.8 percent in June 2013. The quick assets of non-banks have also increased by 63.6 percent (from Nu.1.8 billion to Nu.2.9 billion).



V. SANKAR AIYAR & CO.
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Royal Monetary Authority of Bhutan

1. Report on the Financial Statements

We have audited the accompanying financial statements of **Royal Monetary Authority of Bhutan** ("the Authority"), which comprise of the Balance Sheet as at 30th June 2014, the related Statement of Income & Expenditure, Statement of Changes in Equity and a summary of Significant Accounting Policies and other Notes on Accounts for the year then ended annexed thereto all of which we have signed under the reference to this report, in terms of the Letter of Appointment No RAA(SA-20)/CFID/2014/1320 dated 13th May, 2014, issued by the Royal Audit Authority of Bhutan.

2. Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Authority's Management. The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards and in keeping with the auditing and reporting requirements relative to specific laws, rules and regulations. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not with a view to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, said financial statements give the information required by the Royal Monetary Authority Act of Bhutan, 2010, and read with By-laws, 2000 of the Authority in the manner so required and give a true and fair view:

- a) In the case of the Balance Sheet, of the state of affairs of the Authority as of 30th June 2014;
- b) In the case of Statement of Income & Expenditure , of the surplus/deficit for the year ended on that date; and
- c) In the case of Statement of Changes in Equity of the Authority, the effect of changes in the equity for the year ended on that date.

5. Report on other legal and regulatory requirements


As stipulated in the letter of appointment of the Royal Audit Authority, we have also set out in Annexure-I, certain matters as "Minimum Audit Examination and Reporting Requirements", to the extent applicable, as stipulated in Schedule XIV to the Companies Act of the Kingdom of Bhutan and a Management Report set out in Annexure-II highlighting certain issues for Management's attention and consideration.

Further to our comments in the Annexure referred above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Authority so far as appears from our examination of those books;
- (c) The financial statements dealt with by this report are in agreement with the books of account; and
- (d) The financial statements dealt with by this report have been compiled on the basis of Generally Accepted Accounting Principles.

Place: N. Delhi
Dated: 10/10/14

For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Regn. No. 109208W


(M.S. Balachandran)
Partner
M.No 02428



ROYAL MONETARY AUTHORITY OF BHUTAN
BALANCE SHEET AS AT 30TH JUNE, 2014

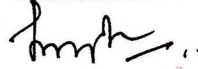
(Amount in Nu. Ch.)

CAPITAL AND LIABILITIES	30-Jun-14	30-Jun-13
Capital and Reserves		
Capital	800,000,000.00	800,000,000.00
General Reserve	1,963,480,593.95	1,651,940,924.98
Revaluation Reserve	11,831,427,368.66	11,303,053,836.54
Special Reserve (Return on Deposit of Kuwait Central Bank)	249,880,675.30	251,885,871.83
Other Reserves	243,249.74	243,249.74
Total Capital and Reserves	14,845,031,887.65	14,007,123,883.09
Foreign Liabilities		
Due to Banks	1,067,345,506.85	923,294,861.75
Due to Government	225,947,680.89	150,064,832.51
Due to International Institutions	3,623,289,254.36	8,978,152,209.77
Interest Accrued	28,021,317.73	31,970,047.81
GOI Standby Credit Facility	10,000,000,000.00	10,000,000,000.00
Total Foreign Liabilities	14,944,603,759.83	20,083,481,951.84
Domestic Liabilities		
Currency in Circulation	8,094,536,018.00	7,389,728,968.00
Due to Banks	18,543,669,899.21	16,607,647,412.82
Due to Government	3,628,893,956.67	586,796,060.89
Due to other Financial Institutions	907,500.00	415,000.00
Other Liabilities	1,744,138,055.97	2,018,964,894.62
Total Domestic Liabilities	32,012,145,429.85	26,603,552,336.33
Total Capital and Liabilities	61,801,781,077.33	60,694,158,171.26
ASSETS		
Foreign Assets		
Cash in Hand	394,561,023.24	460,977,328.17
Balances with Banks -India	194,409,079.49	3,289,840,901.80
Balances with Banks -Abroad	2,006,727,537.13	1,483,944,580.33
Term Deposits -India	9,155,411,623.00	7,200,000,000.00
Term Deposits -Abroad	47,829,699,376.01	42,166,669,596.74
Long Term Investment Securities -Abroad	1,205,668,946.05	1,042,858,090.89
Accrued interest on Foreign Investment	236,339,611.48	408,290,584.60
Total Foreign Assets	61,022,817,196.40	56,052,581,082.53
Domestic Assets		
Cash in Hand	98,889.00	35,363.00
Balances with Banks	281,550,633.49	2,223,942,352.87
Advance to Government	-	1,900,000,000.00
Other Financial Assets	13,599,532.76	13,514,016.75
Accrued Interest	28,028.00	29,374.51
Total Domestic Assets	295,277,083.25	4,137,521,107.13
Non Financial Assets		
Fixed Assets (Refer Sch 2)	111,387,571.19	95,643,490.26
Inventories	147,614,869.11	151,935,803.11
Other Assets	184,684,357.38	216,476,688.23
Equity Contribution	40,000,000.00	40,000,000.00
Total Non Financial Assets	483,686,797.68	504,055,981.60
Total Assets	61,801,781,077.33	60,694,158,171.26

Significant Accounting Policies -Sch.1
Notes on Accounts -Sch.3

As per our report of even date

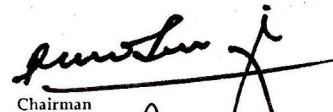
For V. Sankar Aiyar & Co
Chartered Accountants
ICAI FRN. 109208W



(M.S. Balachandran)
Partner
M.No 024282

Place: N. Delhi
Dated: 10/10/14




Chairman

Director

Director

Director

Director

Director

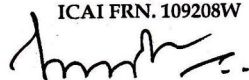
Director

ROYAL MONETARY AUTHORITY OF BHUTAN
STATEMENT OF INCOME & EXPENDITURE FOR THE YEAR ENDED 30th JUNE 2014
(Amount in Nu. Ch.)

	30-Jun-14	30-Jun-13
Income		
Interest on Foreign Investment	690,030,338.43	1,026,066,012.55
Interest on Rupee Investment	390,330,414.98	4,290,408.00
Interest on Staff Loans	603,002.71	765,384.36
Interest on Domestic Investment	142,798.92	132,331.78
Interest on Ways and Means Advance from RGoB	32,610,531.56	40,820,326.41
Royalty from Commemorative Coins	396,161.65	862,741.26
Gain or Loss on sale of Foreign Currencies	18,796,490.01	82,217,057.10
Commission and Fees	10,244,600.01	8,239,230.05
Income from other sources	7,293,160.00	2,544,975.05
Other Income	4,097,856.99	2,923,394.75
Total Operating Income	1,154,545,355.26	1,168,861,861.31
Expenses		
Interest expense on foreign Deposits	55,355,111.20	51,524,292.50
Commission and Fees paid-Foreign Banks	4,038,976.31	3,637,881.17
Security Printing and Minting	76,753,383.56	69,414,792.14
Salaries ,allowances and other staff cost	76,886,413.65	71,151,733.57
Staff Superannuation Fund	7,370,463.45	4,474,159.93
Director's fees & expenses	539,212.00	710,881.00
Auditors' fees & expenses	422,310.00	266,501.00
Rent & Insurance	637,021.00	321,880.00
Electricity, Water and other Charges	1,119,643.00	881,492.10
Postage & Telecommunication	4,305,320.89	4,914,123.67
Remittances of Notes and Coins	483,428.00	2,205,931.00
Stationery & Supplies	2,231,590.92	1,458,887.81
Publications	58,000.00	461,090.00
Agency & Contractual Services	8,479,520.40	11,149,568.00
Miscellaneous expenses	6,576,235.55	4,517,917.40
Depreciation (Refer Sch 2)	23,449,449.41	21,241,019.37
Repairs & Maintenance	3,277,108.63	2,645,753.68
Write off - Fixed Assets	186,535.35	-
Prior Period Adjustment (Refer Note no.39)	5,341,596.04	-
Total Operating Expenses	277,511,319.36	250,977,904.34
Surplus / (Deficit)	877,034,035.90	917,883,956.97
Less:		
Transfer to Special Reserve	-	17,450,695.63
Cost of Monetary Policy Tools (Ref. Note no. 11 of Sch.3)	565,494,366.93	1,221,460,810.89
Net Surplus / (Deficit) Transferred to Balance Sheet	311,539,668.97	(321,027,549.55)

As per our report of even date

For V. Sankar Aiyar & Co
Chartered Accountants
ICAI FRN. 109208W



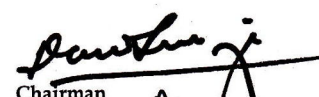
(M.S. Balachandran)

Partner

M.No 024282

Place: *N. Delhi*
Dated: *10/10/14*





Chairman

Director

Director

Director

Director

Director

Director



INTERNATIONAL MONETARY FUND



Press Release No. 14/301
FOR IMMEDIATE RELEASE
June 24, 2014

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2014 Article IV Consultation with Bhutan

On June 20, 2014, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Bhutan.

GDP growth in Bhutan has slowed from around 10 percent in Fiscal Year (FY) 2011 (July 1–June 30) to 5 percent in FY2013. Slower growth reflects policy efforts to contain overheating pressures in the form of restrictions on credit for construction and vehicle. Inflation has remained elevated, tracking closely that of India (Bhutan’s main trading partner). Social development indicators have improved steadily, and Bhutan is on track or has achieved most of its Millennium Development Goals. The fiscal deficit worsened sharply in FY2013 due to a shortfall in grants. The current account deficit has widened due to hydropower-related imports, as well as a consumption and housing boom. Nonetheless, robust aid inflows (loans and grants) have led to a positive overall balance of payments position, enabling the continued accumulation of international reserves. External pressures have led to a recurrent shortfall in Indian rupee reserves.

Growth is projected to recover to 6½ percent in FY2014, driven mainly by a pick-up in hydropower-related construction activities and domestic services. In addition, policy measures to revive the economy, including a capital infusion as a part of an Economic Stimulus Package, are likely to exert a modest positive impact on growth. The current account deficit is projected to widen further to around 25 percent in 2013/14 due to stronger hydro-related imports but financing from India and other development partners in the forms of loans and grants is expected to be adequate. The fiscal deficit is budgeted to remain high in 2013/14.

Risks stem from high debt levels and the possible surfacing of financial sector vulnerabilities following a prolonged period of rapid credit growth. There is also a risk of renewed external pressures, including pressures on rupee reserves, if macro policies remain expansionary and credit growth rebounds strongly. Additionally, risks emanate from slower growth in India—including due to financial market volatility—though these risks are mitigated by the concentration of exports in the hydropower sector, which enjoys healthy demand from India.

¹ Under Article IV of the IMF’s Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country’s economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment²

Executive Directors welcomed Bhutan's continuing progress driven by hydropower development, which has led to robust economic growth and much improved social indicators. However, they noted that rapid economic growth and credit expansion had led to overheating pressures in the past and to continued deterioration in the current account balance. While the expansion of hydropower capacity offers good medium-term economic growth prospects, Directors encouraged the authorities to carefully manage macroeconomic pressures and to continue to diversify the economy to reduce economic volatility, create more jobs, and enhance inclusiveness.

Directors recommended tightening fiscal policy to preserve macroeconomic stability and contain public debt. They considered that revenue reforms are essential to achieve greater fiscal self-reliance over the medium term and support critical social and infrastructure spending. They noted the need for measures to widen the tax net in the near term and to consider introducing a value-added tax over the medium term. Improved fiscal management and public spending efficiency, including prioritizing expenditures to mitigate the risk of grant shortfalls, and better cash forecasting will also be crucial.

Directors considered that monetary policy should complement a tighter fiscal stance by curbing the build-up of excess liquidity and sterilizing large capital inflows. They noted that more regular and increased issuance of treasury bills would help liquidity management, deepen financial markets, and improve monetary transmission.

Directors recommended strengthening bank supervision and regulation, including by regular stress testing and closing regulatory gaps, and putting in place institutional arrangements including crisis management and deposit insurance. Directors looked forward to the preparation of Bhutan's Financial Sector Development Strategy. Given Bhutan's close economic relationship with India, Directors agreed that the peg to the Indian rupee has served Bhutan well and remains an appropriate nominal anchor. They saw merit in closer alignment of reserve currency composition with the structure of external liabilities through a gradual increase in the share of Indian rupees in overall reserves. A few Directors noted that the authorities' reserves adequacy framework has a threshold for changing convertible currencies to rupees when conditions are favorable.

Directors took note of the staff's assessment that the real exchange rate is overvalued. They encouraged the authorities to make progress on structural reforms, including reducing skills mismatches in the labor market and increasing access to finance particularly for small and medium enterprises, to boost competitiveness, create jobs, and help diversify the economy. Directors encouraged elimination of exchange restrictions subject to approval under Article VIII and the restrictions maintained under Article XIV as soon as macroeconomic conditions allow.

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

Bhutan: Selected Economic Indicators, 2009/10–2014/15 1/						
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
			Est.		Proj.	
Real sector						
Real GDP at market prices (percent change)	9.3	10.1	6.5	5.0	6.4	7.6
Consumer prices (percent change, period average)	4.8	8.6	10.1	8.7	10.2	8.8
General government						
	(In percent of GDP)					
Total revenue and grants	46.3	35.6	35.2	28.9	25.2	27.0
Tax revenue	13.4	13.7	15.8	14.5	13.0	13.0
Non-tax revenue	16.3	8.6	5.9	5.4	5.4	4.9
Foreign grants	16.6	13.3	13.5	9.0	6.8	9.2
Total expenditure and net lending	44.7	37.7	36.5	32.9	28.3	28.5
Current expenditure	26.0	20.2	18.0	17.1	15.8	16.5
Capital expenditure	19.3	18.7	19.6	17.4	14.0	12.6
Current balance (excluding grants)	3.8	2.2	3.9	2.8	2.6	1.3
Overall balance	1.6	-2.1	-1.3	-4.0	-3.0	-1.4
Public sector debt 2/	67.5	73.7	86.0	110.7	122.0	128.7
Monetary sector						
	(Percent change, unless otherwise indicated)					
Broad money	30.1	21.2	-1.0	18.6	...	...
Credit to private sector	22.8	19.2	20.7	6.2	...	...
Interest rates (end of period, in percent)						
Deposits (less than 1 year)	5.0	5.0	5.5	5.5	...	...
Lending	10–16	9.75–16	10.0–16	11.7–16	...	...
External sector						
	(In millions of dollars, unless otherwise indicated)					
Current account balance	-142	-410	-350	-441	-461	-522
(In percent of GDP)	-9.9	-23.5	-19.0	-22.8	-24.5	-25.4
Trade balance	-299	-519	-477	-460	-465	-588
Exports (goods)	544	665	595	601	636	677
(Percent change)	5.5	22.2	-10.6	1.2	5.7	6.4
Imports (goods)	843	1,185	1,072	1,062	1,101	1,264
(Percent change)	39.0	40.5	-9.5	-0.9	3.7	14.8
Grants (current transfer)	261	254	273	191	140	208
Capital account balance	99	472	261	545	458	584
Loans (net)	108	366	225	342	331	444
Errors and omissions	43	33	-20	0	0	0
Overall balance	-1	96	-109	104	-2	62
(In percent of GDP)	-0.1	5.5	-5.9	5.4	-0.1	3.0
Gross official reserves	813	904	800	904	902	964
(In months of goods and services imports)	7.5	8.9	8.0	8.8	7.6	7.4
External debt (in percent of GDP)	65.9	71.0	84.8	105.2	114.4	120.0
Ngultrum per U.S. dollar (period average)	46.7	45.3	50.3	...	...	...
Memorandum items:						
GDP at market prices (in billions of Bhutanese Ngultrum)	66.9	79.2	92.7	106.1	121.9	140.9
GDP at market prices (in millions of U.S. dollars)	1420.8	1714.3	1851.7	1814.9	1879.7	2059.1
Electricity exports (in percent of total goods exports)	42.8	34.3	32.8	29.8	26.0	24.8
Unemployment rate (in percent) 3/	3.3	3.3	3.1	2.1	...	...

Sources: Bhutanese authorities; and IMF staff estimates and projections.

1/ Fiscal year begins July 1.

2/ Public and publicly guaranteed debt, including loans for hydropower projects and the purchase of one aircraft.

3/ On a calendar year basis (e.g., the entry for 2009/10 is for 2009).

READERS' FEEDBACK ON THE ANNUAL REPORT

Dear Reader:

We would appreciate any comments or suggestions that you might have regarding the content and format of the Annual Report. Please contact us at the following address:

Director
Research and Statistics Department
Royal Monetary Authority of Bhutan
P.O. Box 154
Thimphu
Bhutan

You can also email us at: rma.rsd@rma.org.bt

Please visit our website www.rma.org.bt for information on the RMA and to access all of our publications.

The *RMA Publication User Survey* is also attached at the end of this report and can be accessed online on the RMA website. Your valuable feedback will be most appreciated.

Thank you.

USER SURVEY FOR RMA PUBLICATIONS

We would be thankful if you could take a few minutes to answer the following questions to help improve the quality and accessibility of RMA's publications.

Q1. Are you a frequent reader of RMA Publications?

Yes () No ()

Q2. How do you usually gain access to RMA publications?

Website () Hardcopy () Others, please specify () _____

Q3. Which section of the RMA publications do you find most useful?

Economic Review ()
Administration and Operations ()
Statistical Section ()
Annexure Feature Reports () (*featured in the RMA Annual Report*)

Q4. On a scale of 1 to 5, where 1 = "extremely dissatisfied" and 5 = "extremely satisfied", how would you rate your level of overall satisfaction with RMA Publications?

1 () 2 () 3 () 4 () 5 ()

Q5. RMA publications are comprehensive in covering all Bhutan macroeconomic issues. Please indicate whether you:

1) Strongly disagree 2) Disagree 3) Undecided 4) Agree 5) Strongly Agree

Q6. Do your clarifications get resolved after going through our publications?

Yes () No () To some extent () Never ()

Q7. Do you regularly share information from RMA publications with others?

Yes () No () Sometimes ()

Q8. Would you recommend RMA Publications to other users?

Yes () No ()

Q9. If you have any additional comments and/or suggestions to improve the quality of RMA publications, please write them here.

Thank you very much! On completing this survey, kindly send it to the Research and Statistics Department, Royal Monetary Authority of Bhutan, by email, fax or post.

The questionnaire can also be accessed and filled online at www.rma.org.bt

