

ROYAL MONETARY AUTHORITY OF BHUTAN



ANNUAL REPORT 2007/08

January 2009

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Postal Address

Royal Monetary Authority of Bhutan
Chhophel Lam
Kawajangsa
Post Box No. 154
Thimphu, Bhutan

Telephone

322540/323110/323111/323112

Fax

(975) 2-322847

E-mail

rsd@rma.org.bt

Website

www.rma.org.bt

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PREFACE

This report reviews developments that have taken place in the Bhutanese economy during the fiscal year 2007/08. Nevertheless, some important events which 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, and private sector sources. Comprehensive background data are available in the statistical section, while the annexure provides additional detailed and updated information on some of the economic sectors. An overview of events in the global economy and possible future developments are presented on the basis of the IMF's World Economic Outlook, October 2008. The annual accounts of the RMA are published in accordance with the requirements stipulated in the RMA Act of 1982. As usual, a list of all the articles published by the RMA, so far, is provided at the end of the report.

All views expressed in this report 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

H.E. Lyonpo Wangdi Norbu
Minister
Ministry of Finance

Chairman

Mr. Lam Dorji
Secretary
Ministry of Finance

Vice-Chairperson

Mr. Sonam Wangchuk
Director General
Cabinet Secretariat

Member

Mr. Kuenga Tshering
Director
NSB

Member

Mr. Daw Tenzin
Managing Director
Royal Monetary Authority of Bhutan

Member Secretary

Mr. Dechen Tshering
Deputy Managing Director I
Operations Department
Royal Monetary Authority of Bhutan

Observer

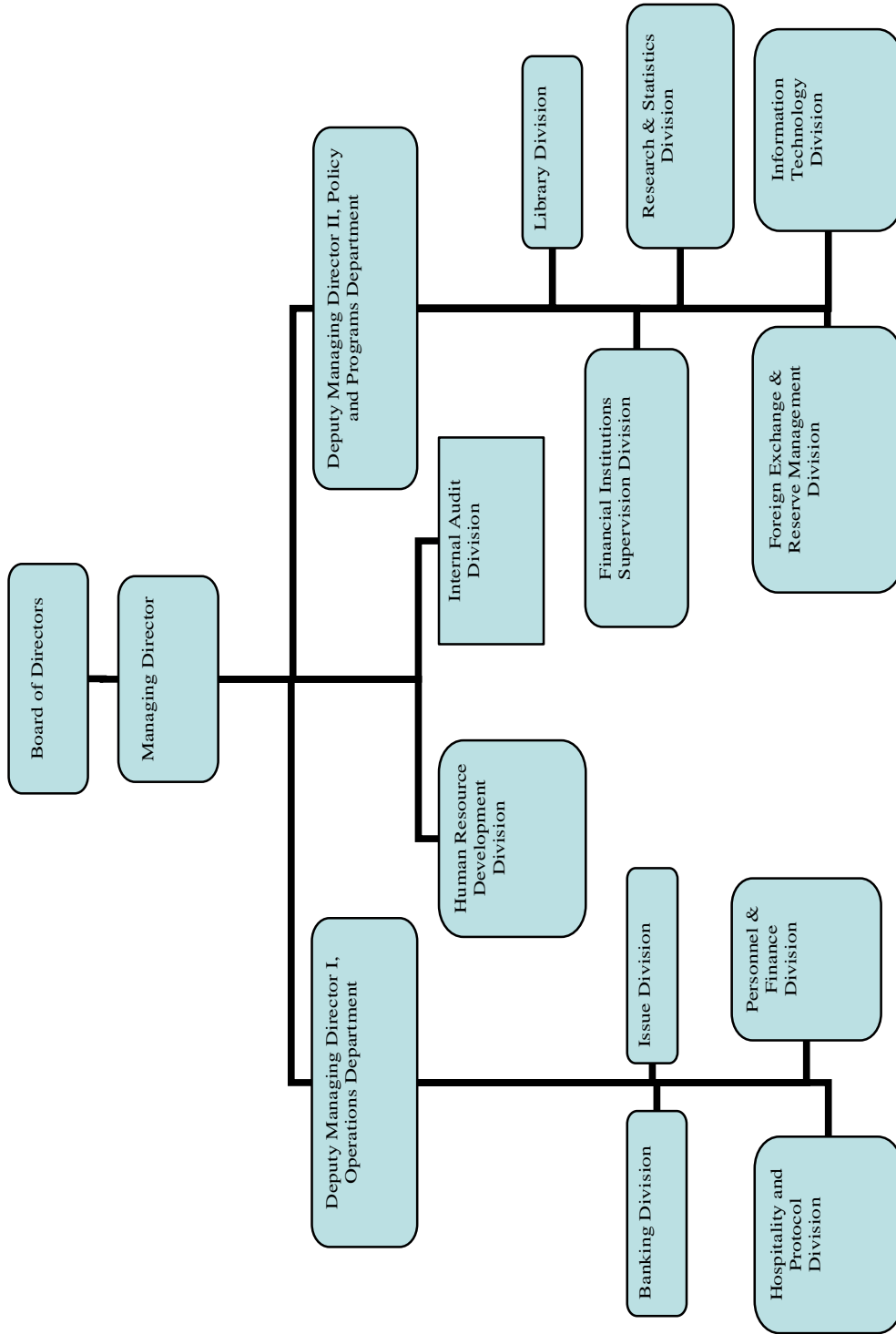
The executives listed above constituted the RMA Board during the fiscal year 2007/08.

MANAGEMENT

1. Managing Director	Daw Tenzin
2. Deputy Managing Director I Operations Department	Dechen Tshering
4. Division Chief, Banking Division	Rinzin Lham
5. Division Chief, Financial Institutions Supervision Division	Eden Dema
6. Division Chief, Foreign Exchange & Reserve Management Division	Karma Rinzin
7. Division Chief, Protocol & Hospitality Division	Phub Dorji Tangbi
8. Division Chief, Information Technology Division	Roshan Sharma
9. Division Chief, Internal Audit Division	Julien Gurung
10. Division Chief, Issue Division	Namgay Tshering
11. Division Chief, Library Division	-
12. Division Chief, Personnel & Finance Division	J.N. Pradhan
13. Division Chief, Research & Statistics Division	Pushpalal Chhetri

Listed members of the RMA management are for fiscal year 2007/08

ORGANIZATION CHART OF THE RMA



ABBREVIATIONS AND SYMBOLS

General Abbreviations

ACU	Asian Clearing Union
ADB	Asian Development Bank
ATM	Automated Teller Machine
AWP	Army Welfare Project
BAIL	Bhutan Agro Industries Limited
BBCL	Bhutan Beverages Company Limited
BBPL	Bhutan Board Products Limited
BCCI	Bhutan Chamber of Commerce and Industry
BCCL	Bhutan Carbide and Chemicals Limited
BDFCL	Bhutan Development Finance Corporation Limited
BDL	Bhutan Dairy Limited
BEVL	Bhutan Eco-Ventures (P) Limited
BFAL	Bhutan Ferro Alloys Limited
BFPL	Bhutan Fruit Products Limited
BHL	Bhutan Hotels Limited
BIMST-EC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIT	Business Income Tax
BNBL	Bhutan National Bank Limited
BOBL	Bank of Bhutan Limited
BOP	Balance of Payments
BPC	Bhutan Power Corporation
BPCL	Bhutan Polythene Company Limited
BRCL	Bhutan Resorts Corporation Limited
BST	Bhutan Sales Tax
BTCL	Bhutan Tourism Corporation Limited
CAR	Capital Adequacy Ratio
CHPCL	Chukha Hydro Power Corporation Limited
CIB	Credit Information Bureau
CIT	Corporate Income Tax
COTI	Countries Other Than India
CPI	Consumer Price Index
CRR	Cash Reserve Ratio
DACL	Druk Air Corporation Limited
DPCL	Druk Petroleum Corporation Limited
DPOP	Druk Plaster of Paris Limited
DPR	Detailed Project Report
DRC	Department of Revenue and Customs
DSCL	Druk Satair Corporation Limited

DSML	Druk Stones and Minerals Export Company Limited
EBCC	S.D Eastern Bhutan Coal Company
EDP	Entrepreneurial Development Program
EFIC	Export Finance and Insurance Corporation
FDI	Foreign Direct Investment
FI	Financial Institution
FISD	Financial Institutions Supervision Division (RMA)
FSA	Financial Services Act
FY	Fiscal Year (July-June)
GDP	Gross Domestic Product
GEPF	Government Employees Provident Fund
GOI	Government of India
IAIS	International Association of Insurance Supervisors
ICBS	Integrated Central Banking System
IDA	International Development Association (World Bank)
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFS	International Financial Statistics, IMF
IMF	International Monetary Fund
INGO	International Non Government/Profit Organization
IPOs	Initial Public Offers
KFAED	Kuwait Fund for Arab and Economic Development
KHPCL	Kurichhu Hydro Power Corporation Limited
KCL	Kuensel Corporation Limited
M0	Reserve Money
M1	Narrow Money
M2	Broad Money
MOE	Ministry of Economic Affairs (previously the Ministry of Trade and Industry)
MOU	Memorandum of Understanding
NBFI	Non Bank Financial Institution
NFA	Net Foreign Assets
NPA	Non Performing Assets
NPL	Non Performing Loans
NPPF	National Pension and Provident Fund
NRB	Non-Resident Bhutanese
NSB	National Statistical Bureau
OIN	Other Items Net
PCAL	Penden Cement Authority Limited
PIT	Personal Income Tax

PPN PR 2002	Purchasing Power of Ngultrum Prudential Regulations 2002
QM	Quasi Money
RBI	Reserve Bank of India
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
SAARC SAARCFINANCE	South Asian Association for Regional Cooperation Network of SAARC Central Bank Governors and Finance Secretaries
SAFTA	South Asian Free Trade Agreement
SBI	State Bank of India
SEDF	South Asia Enterprise Development Facility
SME	Small and Medium Scale Enterprise
STCBL	State Trading Corporation of Bhutan Limited
SWIFT	Society for Worldwide Inter-Bank Financial Telecommunications
TA	Technical Assistance
THPA	Tala Hydroelectric Project Authority
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
WTO	World Trade Organization

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
+	fiscal year, July-June

Note: Discrepancies in the totals are due to rounding

EXECUTIVE SUMMARY

Fiscal year 2007/08 marked a momentous event of historic significance for Bhutan. On March 24, 2008, Bhutan became the youngest member in the club of parliamentary democracies. On July 18, 2008, His Majesty, the fifth king, elected representatives of all 47 constituencies, members of National Council signed the Constitution of the Kingdom of Bhutan.

On the bilateral front with India, Indian Prime Minister, Dr Manmohan Singh visited Bhutan in May 2008 during the most historic year of the kingdoms' modern history. During his visit the PM dedicated the Tala Hydroelectric Project to the people of Bhutan and India. He also laid the foundation stone for the Punatsangchu-1 project. On May 17th, 2008 he addressed the first session of the National Assembly after the election.

Bangladesh agreed an additional trade route between Bhutan and Bangladesh. Tamabil port, the new trade route was agreed during the secretary level meeting held in the capital on Wednesday, August 13, 2008. This trade route will boost the economy in the eastern region. Meanwhile the two sides have also agreed to renew the existing Bilateral Trade and Transit Agreement for another five years and is expected to be signed in November this year.

Strengthening cooperation in hydropower between the two countries, Bhutan and India also signed an agreement on the revision of tariff for export of power from Tala and Kurichu Hydro Power Corporation. The revised rates are from Nu. 1.80 a unit to Nu. 1.98 a unit for Tala and Nu. 1.75 a unit to Nu. 1.80 a unit for Kurichu with retrospective effect from January 1, 2008. Bhutan and India also signed the agreement on the Tala loan and interest repayment amounting to Nu. 2.6 billion per year and the first installment of Nu. 2.6 billion was paid in January 2008.

Within the Bhutanese economy, real GDP growth increased to 21.4 percent in 2007 from 6.3 percent in 2006. Driving the higher economic growth in 2007 was the coming on stream of addition of THPA's electricity generation. Growth performance in other emerging sectors such as Mining and quarrying and transport, storage & communications were also particularly impressive. In the construction sector, after a negative growth in 2006 due to completion of Tala and other major construction activities such as the low-income housing project and the Thimphu-Babesa express highway, the construction sector achieved a positive growth rate of 5.7 percent in real term in 2007.

Despite impressive GDP growth and increase in nominal per capita GDP, the incidence of poverty still remains high at 23.2 percent, while abject poverty is almost non-existent. The nation has now embarked on its momentous political transition to democracy, which provides the backdrop for the implementation of an ambitious development agenda. The government has been actively intervening to alleviate poverty through industrial development, balance regional growth, infrastructure investment in social sector, private sector development and other programmes targeting the rural poor. The increase in the unemployment rate has been marginal from 3.2 percent in 2006 to 3.7 percent in 2007.

Monetary expansion in general was lower in 2007/08 compared to the previous year. The annual inflation was also higher at 8.85 percent in the second quarter of 2008 as compared to 5.9 percent during the same quarter last year. Credit to the private sector grew at 37.4 percent in 2007/08 compared to 34.5 percent in the previous year.

Because of the ngultrum's peg (one-to-one) to the Indian rupee, the availability of the rupee is generally taken for granted. The peg does not imply that the rupee is automatically available in Bhutan; the rupee still has to be earned by Bhutan and traditionally, sources of rupee inflows have largely been hydropower exports and GOI grant and loans. Such inflows are not sufficient to meet the growing rupee demand in the economy. Bhutan is hugely import dependent with over 80 percent of all imports from India requiring payment in Indian rupee. Further, the steady increase in the domestic credit together with fiscal expansion is exerting enormous pressure on the rupee balance, since eventually, they also get converted into rupee imports of both raw materials and labor.

In response to the rapid credit growth, the RMA tightened its monetary policy by increasing the CRR and RMA Bills in September 2007. Further, provisioning requirements for loans in the most exposed sector have been increased by 10 percent each on both substandard and doubtful loans. The capital adequacy ratio (CAR) was also increased from 8 percent to 10 percent to ensure the soundness of the financial institutions.

The assets of financial institutions grew by 9 percent, reaching Nu.33.5 billion at the end of June 2008 while total credit of the financial institutions grew by 31 percent. The total non-performing loans of the FIs also increased by 42 percent, resulting in an increase in the gross NPL ratio to 13.4 percent from 12.4 percent during 2006/07.

Bhutan National Bank Limited joined the Global Trade Finance Programme of the International Finance Corporation on August 28, 2007. Under this facility, BNBL will get USD 1 million as risk coverage. To commemorate the coronation and centenary celebration, RICBL introduced two new policies (July 2008), the Shopkeepers' Insurance Policy and Loan Care Insurance Policy.

Developments in Bhutan's external sector as indicated by the balance of payments statistics were characterized by increased grants and private loans. The decline in exports (by 25.3 percent compared to a 5.4 percent decline in imports) resulted in an overall trade deficit of Nu.3,086.2 million in 2007/08. Combined with worsening in both the services and income accounts, the current account declined from a surplus of 15.9 percent of GDP in 2006/07 to a surplus of 4.1 percent of GDP in 2007/08. In the capital and financial account, the completion of Tala has implied decrease in related aid inflows. Convertible currency loan disbursements have also fallen in 2007/08 followed by decrease in FDI-related inflows. Private loans, however, increased resulting in surplus capital and financial account balance amounting to Nu.2,089 million in 2007/08. The overall balance was positive at Nu.2,035.3 million, contributing to the growth of country's gross international reserves by 7.5 percent.

The Official Convertible Currency Reserve¹ stood at USD 624.3 million as of 2007/08.

¹ Refers to only convertible currency reserves and excludes Indian rupee balances

The reserve is built through grants and highly concessional official loans and not through export performance. Bhutan is party to the Articles of Agreement of International Monetary Fund. Presently, Bhutan is under Article XIV and there is pressure from the IMF Article IV Consultation Mission to graduate to Article VIII status. The RMA is required by the constitution to maintain 12 months of import coverage. Presently, convertible currency reserve is sufficient to meet 14.6 months of merchandise imports.

On the exchange rate front, in tandem with the Indian rupee, the ngultrum appreciated against the US dollar by 8.7 percent from FY 2006/07 and 2007/08. During 2007/08, average exchange rate works out to Nu.40.4 per US dollar.

In the fiscal sector, the budget deficit increased from 0.7 percent of GDP in 2006/07 to 3.4 percent of GDP in 2007/08 (as per the revised estimates). Total expenditure increased by 40.7 percent whereas total resources increased only by 27.3 percent, resulting in a larger budget deficit. None-the-less, the royal government was able to abide by its policy of meeting current expenditure from domestic revenue and to maintain the overall budget deficit to a maximum of 5 percent of GDP. Current expenditure was estimated at Nu.10,591 million, completely financed by domestic revenue (Nu.12,148.4 million), while capital expenditure was estimated at Nu.11,631.7 million. Grant support was estimated to finance 37.5 percent of the total expenditure. 18 percent of the fiscal deficit was met through concessional external loans and the remaining through domestic sources.

By the end of 2007/08, Bhutan's external debt grew by 7.6 percent to an equivalent of USD 779.9 million from USD 724.7 million in 2006/07. The external debt to GDP ratio improved from 77.3 percent in 2006/07 to 61.1 percent in 2007/08 mainly due to the full amortization of the Chhukha Hydro-power Corporation (CHPC) loan in December 2007 and with the commencement of the Tala Hydro-power Project Authority's (THPA) loan repayment from January 2008. The debt service ratio increased to 17.9 percent in 2007/08 from 3.6 percent in 2006/07 due to the commencement of debt servicing of THPA loan.

KEY ECONOMIC INDICATORS OF BHUTAN

Item	2004/05	2005/06	2006/07	2007/08 (r)
GDP Growth and Prices (percent change)				
GDP at Constant(2000) Price (a), (b)	6.8	7.1	8.5	21.4
Consumer Prices (c)	5.5	6.2	5.9	8.85
Wholesale Prices (India) (d)	5.2	4.6	5.4	9.6
Government Budget (in millions of Nu.) (e)				
Total Revenue & Grants	10501.1	13452.2	16083.1	20481.0
Of which: Foreign Grants	4373.1	6424.7	6000.9	8332.5
Total Expenditure and Net Lending	12893.7	13770.9	15795.4	22222.7
Current Balance	-42.6	355.1	2390.8	1557.5
Overall Balance	-2392.6	-318.7	287.7	-1741.7
Money and Credit (percent change, end of period)				
Broad Money, M2	10.7	26.3	8.6	2.3
Credit to Private Sector	26.3	32.2	35.5	36.6
Interest Rates (end of period)				
One Year Deposits	4.5	4.5	4.5	4.8
Lending Rate	10-16	10-16	10-16	10-16
91-day RMA Bills	3.5	3.5	3.5	5.0
Balance of Payments (in millions of Nu.)				
Trade Balance	-11099.0	-5496.7	2061.8	-3086.2
With India	-3601.2	-3170.7	4447.6	-853.2
Current Account Balance	-10487.4	-1695.7	6417.2	2089.0
(In percent of GDP)	-32.4	-4.6	15.9	3.9
With India	-5253.9	-2344.6	5882.1	1559.7
(In percent of GDP)	-16.3	-6.4	14.5	2.9
Foreign Aid (Concessional Loans net)	2939.4	3474.7	783.3	-517.2
Of which: India	1853.1	2324.8	-30.3	-1049.7
Errors and Omissions	95.5	1057.7	-6458.0	-1949.7
Overall Balance	-918.6	5209.1	5054.7	2035.3
(In percent of GDP)	-2.8	14.2	12.5	4.0
External Indicators (end of period)				
Gross Official Reserves in Millions of USD	366.5	478.8	600.4	624.3
(In months of merchandise imports)	9.3	13.6	13.3	14.6
External Debt (percent of GDP)	82.2	84.3	77.3	61.1
Debt-Service Ratio (f)	11.9	7.6	3.6	17.9

Item	2004/05	2005/06	2006/07	2007/08 (p)
Memorandum Items:				
Nominal GDP (in millions of Nu.) (a), (b)	32319.7	36581.2	41443.5	53932.6
Ngultrum per USD (fiscal year period average)	44.6	44.7	44.2	42.8
Money Supply, M2 (end of period)	18376.9	23208.7	25208.7	25780.7
Money Supply, M1 (end of period)	9331.9	10678.1	13542.3	14392.4
Counterparts				
Foreign Assets (Net)	16397.2	22505.0	24881.3	26365.3
Domestic Credit	6553.7	8651.9	10063.3	13362.1
Claims on Private Sector	5645.4	7462.5	10111.7	13812.1
Components				
Currency Outside Banks	2303.4	2614.9	3166.0	3640.8
Demand Deposits	7028.5	8063.1	10376.3	10751.6
Quasi-Money	9045.1	12530.6	11666.4	11388.3
Reserve Money , M0, of which	9340.1	13474.7	13319.6	12871.0
Banks' Deposits	6929.5	10703.0	9982.3	8685.7
Money Multiplier (M2/M0)	2.0	1.7	1.9	2.0
Income Velocity (GDP/M2)	1.8	1.6	1.6	2.1
Population Growth Rate (a), (g), (h)	2.5	1.3	1.3	na
Unemployment Rate (a), (g),(h)	2.5	3.1	3.2	na

a) On a calendar year basis, e.g., the entry under 2006/07 is for 2006. - b) Source: National Accounts Statistics (2007), NSB - c) Data till 2002/03 are based on the old half-yearly average CPI of the NSB (1979 base year). This was replaced by a new quarterly CPI with a revised basket and Q3 of 2003 as the base. Rates of change (year-to-year) for the quarterly CPI are therefore not available prior to Q3, 2004. 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, 1993-94 base; reference period same as for Bhutan CPI - e) Data for 2006/07 are revised estimates. - f) Debt service payments in percent of exports of goods and services.- (g) Data for 2005 is from the Population & Housing Census of Bhutan 2005.- (h) Source: Comparative Socio-Economic Indicators for Bhutan (June 2005), NSB; Labour Market Information Bulletin (2007) & Labour Force Survey (May 2007), MLHR.

I. ECONOMIC REVIEW

1. DOMESTIC ECONOMY

Bhutanese economy experienced a robust growth during 2007 as a result of commissioning of the Tala hydroelectric project. Growth performance in manufacturing and construction sector also picked up during the year. In addition, mining and quarrying sector recorded a significantly higher growth than the previous year. Growth in services sector moderated marginally, although tourist arrivals in 2007 were significantly higher. In particular, service providing sub-sectors like hotels and restaurants; financial services; and private social, personal and recreational services recorded a significant decline in the growth rate. During the same period, the agriculture sector saw a slower growth as compared to the previous year, reflecting the transformation taking place in the Bhutanese economy.

Real GDP growth increased to 21.4 percent in 2007 as compared to 6.3 percent in 2006. The secondary sector (which includes manufacturing, electricity and construction) was the main contributor to the growth followed by tertiary sector (which includes wholesale and retail trade; restaurants and hotels; transport, storage and communications; finance, insurance and real estate; community, social and personal services; and private social, personal and recreational services), and lastly by the primary sector (which includes agriculture proper, livestock production, forestry and logging, and mining and quarrying). As for the individual sub-sector's contribution, the electricity sub-sector contributed the highest; followed by transport, storage, and communications sub-sector. Out of 21.4 percent overall real GDP growth in 2007, electricity sub-sector alone contributed 17.2 percentage points.

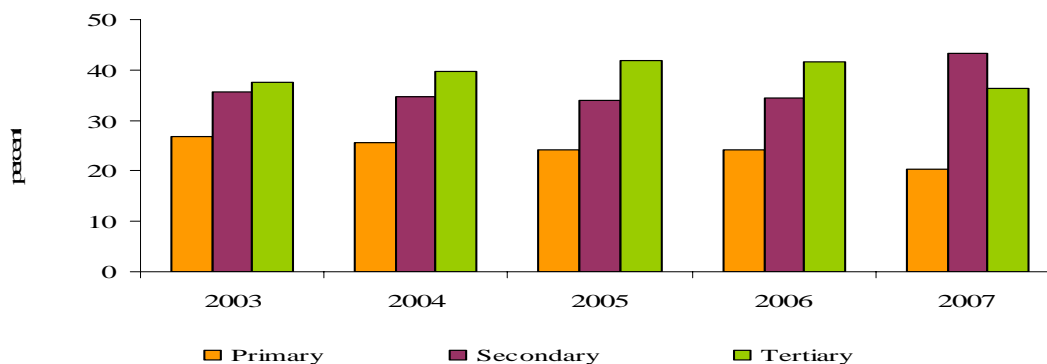
Real GDP Growth by Sector: 2003 – 2007

Year-to-year change in %

Item	2003	2004	2005	2006	2007
Gross Domestic Product	7.2	6.8	6.5	6.3	21.4
Primary Sector	1.9	1.4	1.3	3.1	2.2
Secondary Sector	8.1	4.5	2.3	7.5	52.8
Tertiary Sector	10.2	12.6	13.4	7.1	6.0

In terms of sector-wise growth, the secondary sector grew the fastest at 52.8 percent in 2007. Within the secondary sector, the electricity sub-sector grew by 120.8 percent from 34.6 percent in 2006, followed by construction at 5.7 percent from negative 9.7 and manufacturing at 5.8 percent from 3.8 percent. Meanwhile, the growth in the primary and tertiary (services) sectors were lower at 2.2 and 6.0 percent, respectively in 2007.

Sectoral Composition of Nominal GDP



As for its share in total GDP, the secondary sector accounted for 43.3 percent of the nominal GDP, followed by the tertiary sector, which accounted for 36.4 percent. The primary sector accounted for the remaining 20.3 percent. The past five years' sectoral composition of nominal GDP shows that the secondary sector which was stagnant until 2006 has over taken other sectors in 2007. While the share of primary sector shows a clear decreasing trend over the past five years, the share of the tertiary (services) sector has suddenly fallen in 2007. This sudden change in the sectoral trend of the Bhutanese economy in 2007 is mainly due to full commissioning of 1020 MW Tala Hydroelectric Project. In addition, the growth in construction sector also recorded positive growth which was negative in 2006.

1.1 Primary Sector

In the primary sector, growth in 2007 decreased to 2.2 percent as compared to 3.1 percent in the previous year and its contribution to the overall GDP growth decreased from 0.7 percentage point to 0.5 percentage point. Its share in the overall GDP has declined from 24.1 percent in 2006 to 20.3 percent in 2007. The decrease in the annual growth of the primary sector was due to negative growth in the forestry and logging sub-sector. All the other primary sub-sectors, mining and quarrying; agriculture proper and livestock production recorded a higher annual growth rate as compared to 2006. In particular, mining and quarrying sub-sector registered a significant annual growth rate in 2007.

Growth in agriculture proper (consisting of principal crops, such as maize, rice, wheat, and major cash crops, such as apples, oranges, potatoes, ginger, and cardamom) increased to 1.7 percent from 1.3 percent in the previous year and the livestock production increased from 0.9 percent in 2006 to 1.0 percent in 2007. Due to significant increase in extraction of dolomites, slate, coal and sand during the year, mining and quarrying recorded a significant increase of 23.1 percent from 19 percent in 2006. On the other hand, the annual growth of forestry and logging fell to negative 2.9 percent from positive growth of 4.7 percent in 2006.

1.2 Secondary Sector

In 2007, growth in the secondary (industry) sector increased to 52.8 percent from 7.5 percent in the previous year with a corresponding increase in its contribution to the overall real GDP growth. Out of 21.4 percent overall real GDP growth in 2007, 18.3 percentage points was contributed by the secondary sector alone. The performance of the secondary sector, which accounts for 43.3 percent of the overall GDP, was higher mainly due to increase in electricity production during the year. The increase in the annual growth rate was also recorded in the manufacturing and the construction sector.

1.2.1 Manufacturing

The growth in manufacturing increased from 3.8 percent in 2006 to 5.8 percent in 2007 and this sector constituted 6.4 percent of nominal GDP in 2007. The main products of manufacturing industries are cement, Ferro alloys, calcium carbide, coal, liquors, agro-based edible items, particle boards, and polythene pipes. Of the eleven major industries that have provided information, PCAL remains the biggest in terms of the total value of sales, followed by BFAL and BCCL.

1.2.2 Electricity and Water

Due to the full commissioning of Tala in 2007, electricity and water recorded a significant growth of 120.8 percent in 2007 as compared to 34.6 percent in the previous year. Tala commissioned its first turbine (170 MW) on July 29, 2006, and the second turbine (170 MW) on October 7, 2006. All six units of Tala became operational on March 29, 2007. The gross value added from electricity and water alone made up to 23.4 percent of the overall nominal GDP in 2007. The gross value added from water, although insignificant, also increased during the year due to increased coverage of the municipal facilities in the urban areas.

Total energy sales from the four major power plants during 2007 grew significantly by 91.9 percent over the previous year, of which sales of the Tala Hydroelectric Project Authority (THPA) accounted for 61.3 percent, followed by the Chukha Hydropower Corporation Limited (CHPCL) at 27.9 percent, Kurichhu at 5.9 percent and Basochu at 4.9 percent. The significant development in the power sales was due to addition of THPA's electricity generation. Total exports to India rose significantly by 104.1 percent, from Nu.4.9 billion in 2006 to Nu.10 billion in 2007. In the same period, total domestic sales also recorded significant increase at 59.2 percent, with increased sales by the KHPCL and THPA.

Details of the production and sales of all four plants are available in Table 4 while a detailed description of developments in Bhutan's power sector is presented in Annex VI.

1.2.3 Construction

After recording negative growth for two consecutive years, the construction sector has revived to positive annual growth of 5.7 percent in 2007. The share of this sub-sector to the nominal GDP stood at 13.5 percent in 2007, ranking second largest sector of the

Bhutanese economy.

1.3 Tertiary Sector

The tertiary sector's growth performance in 2007 was lower at 6.0 percent compared to 7.1 percent in the previous year and its contribution to the overall real GDP growth was only 2.6 percentage points. Correspondingly, this sector's share to the overall GDP has dropped to 36.4 percent in 2007 from 41.6 percent in 2006. Significant decrease in the annual growth rate in hotels and restaurants; finance, insurance and real estate; and private social, personal and recreational services were recorded in 2007, against small increase in wholesale and retail trade; transport, storage and communications services. The growth in community social and personnel services also recorded a decline during the review period.

1.3.1 Wholesale and Retail Trade

The growth in wholesale and retail trade increased from 3.7 percent in 2006 to 7.5 percent in 2007. Correspondingly, its contribution to overall GDP growth has increased from 0.2 percentage point in 2006 to 0.5 percentage point in the review year. However, its share in the overall nominal GDP decreased to 5.1 percent as compared to 5.7 percent in 2006.

1.3.2 Hotels and Restaurants

Although the number of tourist arrivals increased significantly in 2007, there was slower growth in restaurants and hotels. The growth in restaurants and hotels fell significantly to 6.7 percent in 2007 as compared to 32.3 percent in the previous year. This sector constitutes only about 0.7 percent of the nominal GDP and its contribution to the overall GDP growth in 2007 was insignificant at 0.1 percentage point.

1.3.3 Transport, Storage, and Communication

Following the increased growth in construction sector during the year, the transport, storage and communications sub-sector recorded a higher growth of 11.3 percent in 2007 as compared to 7.4 percent in the previous year. However, its share to the nominal GDP dropped from 10.1 percent in 2006 to 9.0 percent in 2007. Of the real gross value added of Nu.3.18 billion to overall GDP in 2007, 58 percent constitutes contribution from land transport; followed by telecommunications at 26 percent; and air and other transport at 16 percent.

1.3.4 Financing, Insurance, Real Estate, and Business Services

Finance, insurance and real estate recorded 5.2 percent growth in 2007, a significant decline from 15.9 percent in the previous year. Correspondingly, there was decrease in this sub-sector's share in the nominal GDP to 7.5 percent in 2007 from 8.3 percent in 2006. The contribution of this sector to the overall real GDP growth declined from 1.4 percentage points in 2006 to 0.5 percentage point in the review year. Within this sector, financial institutions' performance recorded a slower growth of 4.5 percent in 2007 as compared to 21.4 percent in the previous year, while the growth in real estate increased to 7.4 percent in 2007 from 1.7 percent in the previous year.

1.3.5 Community, Social Services (General Government)

The real growth in community and social services (general government) also decreased during the year. Its growth decreased from 4.4 percent in 2006 to 3.2 percent in 2007. Within this sector, the value added from public administration increased at a rate of 0.8 percent as compared to 0.5 percent in 2007. The growth in health and education was lower at 10.3 percent as compared to 18.0 percent in the previous year. The share of community and social services sub-sector to nominal GDP was the highest among the services sub-sectors at 10.3 percent in 2007.

1.3.6 Private Social, Personal and Recreational Services

Private social, personal and recreational services constitutes very small portion of about half a percent of the overall GDP. In 2007, this sector recorded a growth of 6.9 percent, a significant decrease from 15.4 percent in the previous year. This sector's contribution to the overall real GDP growth continues to remain insignificant.

1.4 Tourism

Bhutan experienced a 21.64 percent growth in tourist numbers (to 21,094) from arrivals of 17,342 in 2006, as well as an increase in foreign exchange revenue collection by 24.2 percent (to USD 29.8 million). The United States of America (USA) remained the single largest source market constituting 27.4 of the total arrivals in 2007, followed by the United Kingdom(UK) at 10.4 percent and Japan at 9.5 percent.

Selected Tourism Indicators 2003-2007					
Item	2003	2004	2005	2006	2007
Tourist Arrivals	6261	9249	13626	17342	21094
Of which: Cultural	5823	8742	13013	16576	20191
Trekking	438	507	613	766	903
% Change in arrivals	11.8	47.7	47.3	27.3	21.6
Gross Receipts ¹	8.3	12.5	18.5	24.0	29.8
% Change in receipts	4.3	50.2	48.3	29.3	24.2
Government Revenue	2.9	4.4	6.5	7.3	10.6
% Change in Govt. Revenue	4.4	50.6	47.5	11.7	45.2

Source: Department of Tourism. -1) Millions of USD.

In terms of growth in the major source markets, tourist arrivals from Taiwan grew substantially during 2007 by 277.11 percent over 2006, followed by increase in Israeli tourists by 230.4 percent, and Finnish tourists by 117.1 percent from the previous year.

Time series data on tourist arrivals and revenues are available in Table 5 while a detailed description of developments in Tourism sector is presented in Annex V.

2. MONEY, CREDIT, AND PRICE DEVELOPMENTS*)

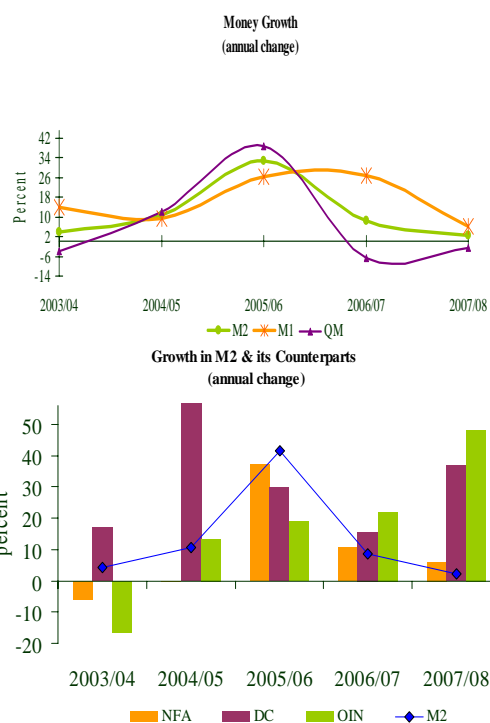
The slow-down in the growth of net foreign assets on the assets side, currency outside banks and demand deposits on the liability side resulted in lower growth of the money supply during fiscal year 2007/08. In response to the rapid credit growth, the RMA tightened its monetary policy by raising the cash reserve ratio (CRR) and the RMA bills in addition to raising the provisioning requirement for the housing sector loans. Inflation in Bhutan has been recorded at 8.85 percent in the 2nd quarter of 2008 as compared to 5.9 percent in the same period last year.

2.1. Monetary Survey

Monetary developments during FY 2007/08 exhibited slower growth as compared to the previous year. Totalling Nu.25,208.7 million at the end of the review year, broad money supply (M2) grew at a much slower rate of 2.3 percent, as compared to 8.6 percent in 2006/07. This decelerated growth reflected the decrease in demand deposits and currency in circulation on the component side and net foreign assets (NFAs) on the counterpart side.

Of the two major elements of M2 on the component side quasi money had a higher contribution at negative 2.4 percent against negative 6.9 percent in 2006/07, reflecting increased growth in its constituents, time deposits. The constituents time deposits grew at higher annual growths of 2.2 percent compared to negative 14.0 percent in the previous year. While the other constituents foreign currency deposits witnessed a significant fall in its growth from 117.5 percent to negative 34.4 percent during the review year.

On the other hand, narrow money (M1), which is the other major elements of M2, grew at a slower rate of 6.3 percent as compared to 26.8 percent in 2006/07. The decline resulted from a significant fall in demand deposits (from 32.3 percent to 17 percent), while the other constituents of M1, currency in circulation also witnessed a fall in its growth rate from 21.1 percent to 15 percent during the review year.



*) for monetary analysis, the balance sheet data are classified within the framework of money and banking statistics according to “international best practices”. The data are not comparable to those produced by the Financial Institutions Supervision division.

On the counterpart side, NFA recorded slower growth in 2007/08, growing by 6.0 percent from 10.2 percent growth in the previous year. Of the NFA, net Rupee assets decreased by 205 percent from Rs.794.7 million in 2006/07 to Rs.(834.5) million in 2007/08. On the

Annual change in %	End of period				
Item	2003/04	2004/05	2005/06	2006/07	2007/08
<u>MONEY SUPPLY, M2</u>	4.0	10.6	32.7	8.6	2.3
<u>MONEY SUPPLY, M1</u>	13.9	9.1	26.4	26.8	6.3
<u>Counterparts</u>					
1. Foreign Assets (Net)	-6.1	-0.4	37.2	10.6	6.0
2. Domestic Credit	17.0	61.6	29.9	15.5	36.9
Claims on Govt. (Net)	-290.9	62.0	6.1	209.9	12.7
Claims on Private Sector	33.6	26.3	32.2	35.5	37.4
Others ¹⁾	189.5	6.1	0.2	-2.8	-6.0
3. Other Items (Net) ²⁾	-16.7	13.4	18.9	22.0	48.4
<u>Components⁺</u>					
4. Currency Outside Banks	18.6	14.3	13.5	21.1	15.0
5. Demand Deposits ³⁾	12.2	8.0	15.1	32.3	17.9
6. Quasi-Money ⁴⁾	-3.9	12.0	38.5	-6.9	-2.4

*) M2=1 plus 2 minus 3. -+) M2=4 plus 5 plus 6 and M1= 4 plus 5. -1) Claims on Government Corporations, Claims on Joint Corporations, and Claims on Non Monetary Financial Institutions. -2) Including Money Market Instruments (RMA Bills). -3) Including Saving Deposits. -4) Time Deposits and Foreign Currency Deposits.

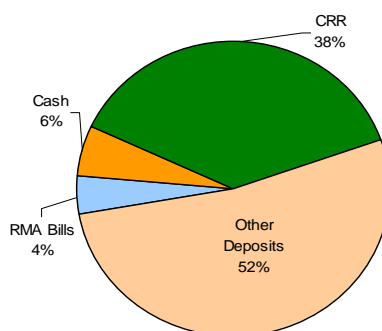
other hand the net convertible currency assets grew by lower growth of 12.9 percent as compared to 24.3 percent from Nu.24,086.8 million to Nu.27,200.1 million. However, domestic credit recorded an increased growth of 36.9 percent as compared to 15.5 percent in previous year. Credit to the private sector grew at a slightly higher rate of 37.4 percent as compared to 35.5 percent in the last fiscal year.

2.2. Review of Developments in Commercial Banking

The total assets of the two commercial banks, BOBL and BNBL, increased from Nu.26, 508 million in 2006/07 to Nu.27,279.9 million in 2007/08, which however recorded a lower annual growth of 3 percent in 2007/08 compared to 11 percent in 2006/07. This development can be attributed to the decline in liquid funds on the uses side and growth in deposits on the sources side.

On the uses side, the commercial banks reserves decreased from Nu.10,553.2

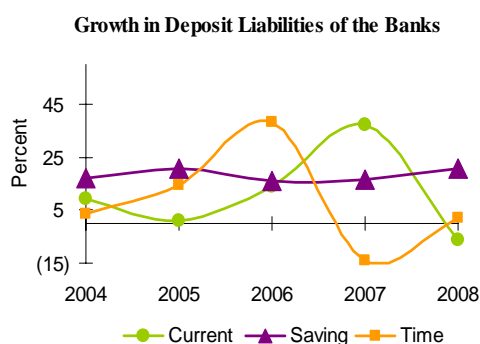
Composition of Commercial Banks' Reserves (June 2008)



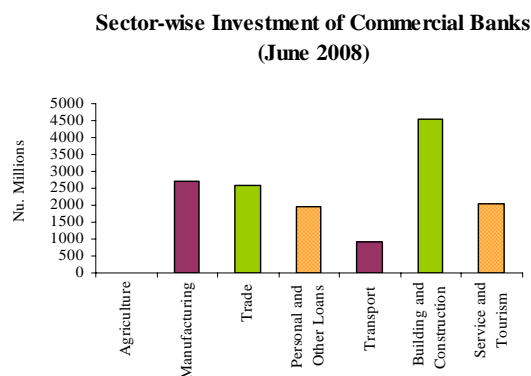
On the uses side, the commercial banks reserves decreased from Nu.10,553.2 million in 2006/07 to Nu.9,873.2 during FY 2007/08, representing roughly 40 percent of their total assets. Of the total reserves, 38 percent were held as CRR, 4 percent invested in RMA bills, 6 percent held as cash in hand, while the remaining 52 percent were held as current deposits with RMA. In addition to these reserves, excluding cash in hand, the banks held Nu.1,718.7 million worth of foreign assets both in Indian rupee and convertible foreign currency.

Credit to the private sector grew at a higher rate of 39.8 percent as against a growth of 34.5 percent in the previous year.

On the liability side, growth in total deposits (including foreign currency deposits) was lower at 0.4 percent as compared to 6.6 percent in 2006/07. This reflects the growth in current deposits of negative 6.5 percent as compared to 37.3 percent in the previous year. The growth in foreign currency deposits also decreased significantly from 117.5 percent to negative 34.4 percent.



The total loan portfolio of the commercial banks increased by 33.4 percent to Nu.14,674.4 million during the year. The sector-wise distribution of the credit indicates that the largest share of the credit portfolio continued to be the building and construction sector (31 percent), followed by manufacturing (18.4 percent), trade and commerce (17.5 percent) and service and tourism (13.9 percent), with the remainder allocated to other sectors.



2.3. Review of Developments in NBFIs

During FY 2007/08, the combined assets of the two NBFIs, the RICBL and the BDFCL, rose by 27.3 percent (to Nu.5,000 million) as compared to 14 percent in the previous year.

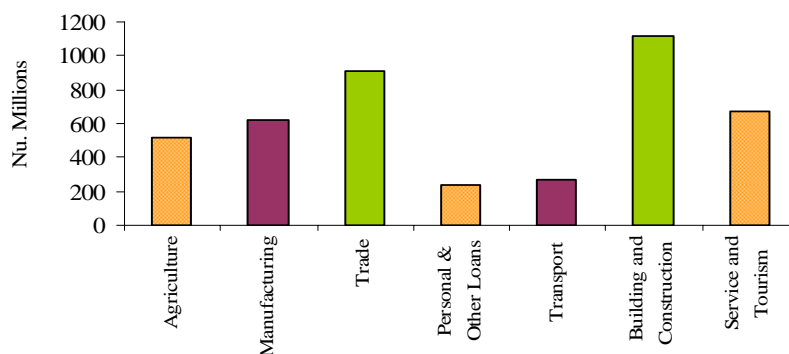
The total reserves of the NBFIs, declined substantially reaching Nu.248.8 million as compared to Nu.304.9 million during the previous year. Total reserves represented roughly 5 percent of their total assets. Of the total reserves, 92 percent were in the form of bank balance and the remaining 8 percent were held as cash in hand amounting to Nu. 21 million.

On the liability side, the growth in domestic borrowings from the financial institutions continued to increase from Nu.1,166.2 million during 2006/07 to Nu.2,015 million during the review year. On the other hand, foreign liabilities continued to decline reaching Nu.241.4 million from Nu.266.8 million in the previous year.

The total loan portfolio increased by 24.7 percent to Nu.4,352.7 million. The sector-wise break-down of the total loan portfolio shows that the building and construction sector constituted the highest share (25.6 percent), followed by trade and commerce (20.8 percent), service and tourism (15.5 percent) and manufacturing (14.3 percent), with the rest allocated to other sectors.

A detailed description of the developments in the financial sectors, including information on NPPF and RSEB, is presented in Annex III.

**Sector-wise Investment of Non-Bank FIS
(June 2008)**



Monetary Policy Framework

The RMA's monetary policy framework is implicit, since it is not clearly spelled out in the Act (please see Annex I for a schematic overview). According to the RMA Act, section 6 b, one of the purposes of the RMA is "to promote monetary stability", which can be interpreted as the promotion of "price stability". In some central bank acts, price stability is quantified, e.g., in the case of the European Central Bank price stability is equivalent to a year-to-year rate of change of the CPI below or close to 2 percent, to be maintained over the medium term. The intermediate target for achieving and maintaining price stability in Bhutan is the one-to-one peg between the Indian Rupee and the Ngultrum. In light of the pegged exchange rate regime adopted by Bhutan, however the scope of Bhutan's monetary policy is limited and confined to the support of the peg, including the following basic measures:

- a) Ensuring the sustainability of the exchange rate arrangement, i.e. always making available sufficient Rupee on demand for exchange with the Ngultrum for the payments in India and provision of at least 100 percent ngultrum for the payments in India and provision of at least 100 percent reserve backing for all Ngultrum issued (elements of a Currency Board).
- b) Confidence-building measures for the Ngultrum (e.g., credible RMA and Government policies).
- c) Sterilizing any persistent growth in liquidity to forestall a possible build-up of inflationary pressures, a weakening of the balance of payments, and a contingent effect on the financial market.

The following are the main supporting factors for the existing system:

- a) Close economic and financial relationships exist between India and Bhutan.
- b) There is a dual currency system, with the ngultrum and the Rupee circulating freely side by side in Bhutan. the system can be described as an informal monetary (currency) union with India
- c) Inflation and interest rates in the two countries are closely related.
- d) The arrangement maintains confidence and ties Bhutan to the relatively stable monetary conditions in India.
- e) The peg has also clear benefits for trade with India, since there is no uncertainty about exchange rate developments between the two trading partners.

On the basis of the above factors, the monetary policy decisions made in Bhutan are viewed as prudent and appropriate.

2.4. Monetary Policy Instrument

While ensuring the sustainability of the exchange rate arrangement, the RMA is also required to play an important role in monetary and credit management, largely owing to the build-up of excess ngultrum liquidity in recent years. With the elimination of

quantitative credit controls, the RMA has developed and increasingly relied upon more indirect instrument of monetary management/ in particular, for the purpose of liquidity management in the banking system, the RMA has resorted to variations in reserve requirements, the sale of central bank bills, and the sale of foreign exchange to banks. Through the issuance of the short-term central bank bank bills, the RMA also aims to establish a modest money market and to establish a frame of reference for interest rates. At the end of June 2008, the CRR instrument alone accounted for Nu.3, 734.6 million and there were Nu.3000 million worth of RMA discount bills (maturity of 91 days) outstanding, at a weighted discount rate of 5 percent per annum.

Cash Reserve Ratio (CRR)

- The CRR, set at the rate of 3 percent for all deposits with the BOBL, was introduced in 1984.
- It was revised in 1994 to 15 percent for all deposit liabilities; cash in vaults being counted towards the CRR after the introduction of RMA discount bills and government bonds.
- With the conversion of the Unit Trust of Bhutan into Bhutan's second commercial bank, BNBL, the CRR was adjusted in July 1997 to 15 percent for demand deposits only; cash in vaults being counted towards the CRR.
- In January 2000, the CRR was further adjusted to 10 percent for all deposits; cash in vaults not being counted towards the CRR.
- On July 1, 2002, in a move to sterilize additional excess liquidity from the banking system, the CRR was further revised to 20 percent on total deposit liabilities, while interest payable on the balance was also revised from 2 percent to 3 percent per annum.
- In order to provide adequate liquidity to meet credit growth and support investment and export demand in the economy, RMA revised the volume of CRR downward from 20 percent to 13 percent of total deposit liabilities with effect from March 1, 2004. The rate of interest payable on CRR balances has been revised from 3 percent to 1.5 percent per annum.
- With effect from September 2007, RMA tightened its monetary conditions through the increase of CRR from 13 percent to 15 percent and discontinued the payment of interest on it.

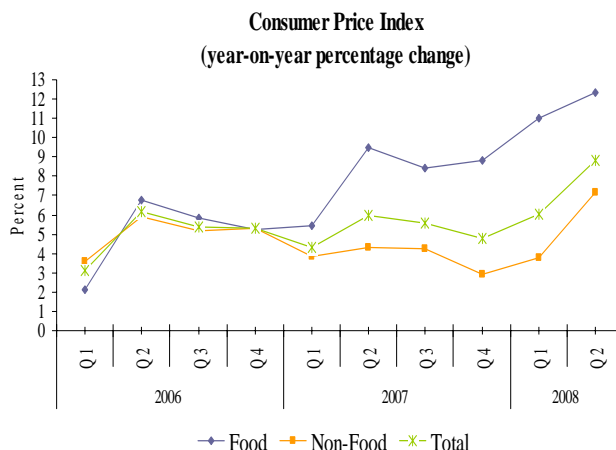
RMA Discount Bills

The RMA discount bills (maturity of 31 days) were introduced in December 1993 at the discount rate of 11 percent. From April 1994, the maturity period of the bills were extended to 91 days. Till October 29, 2001, the selling procedure was based on auctions and after that it was discontinued and tap sales were introduced.

As a measure to absorb excess liquidity from the banking system and to stimulate the market interest rates, beginning September 2007, the RMA increased both the volume and the discount rate on RMA Bills from Nu.100 million at 3.5 percent to Nu.5 billion at 5 percent per annum, respectively.

2.5. Prices

The quarterly consumer price index reported a higher annual inflation rate of 8.85 percent in the second quarter of 2008 as compared to 5.94 percent during the same period last year. The purchasing power of the ngultrum decreased to 75 chheltrum during the review period as compared to 81 chheltrum in the second quarter of 2007.



As shown in the above graph, the higher inflation was recorded in both food and non-food items as compared to the same period last year. Prices of food items increased at a rate of 12.32 percent and non-food items increased at a rate of 7.19 percent as compared to 9.50 percent and 4.31 percent during the same period last year.

Among food items, the highest growth was recorded in the prices of breads and cereals at about 19.90 percent; followed by prices of fish at 15.68 percent; and milk, cheese and eggs at 14.92 percent. Meanwhile, prices of edible oils and fats increased by 12.55 percent as compared to 3.67 percent in the previous year. The prices of vegetables increased by 5.44 percent and that of meat by 8.19 percent in the second quarter of 2008.

In the case of non-food items, the highest price rise was recorded in narcotics (ND) at 30.66 percent, followed by prices of fuels and lubricants at 26.70 percent and clothing items at 14.92 percent. While the increase in actual rentals of housing was lower at 2.36 percent as compared to 4.63 percent in 2007, the prices of restaurants and hotels increased at a higher rate of 9.19 percent as compared to 0.53 percent in 2007. On the other hand, the prices of furnishing, household equipment and routine household maintenance fell by 3.15 percent during the same period. As for other non-food items, the prices of communication went up by 1.38 percent, the prices of health went up by 11.27 percent, and transport by 16.89 percent. Recreation and culture also recorded a higher increase of 13.22 percent as compared to 1.87 percent last year.

3. EXTERNAL SECTOR

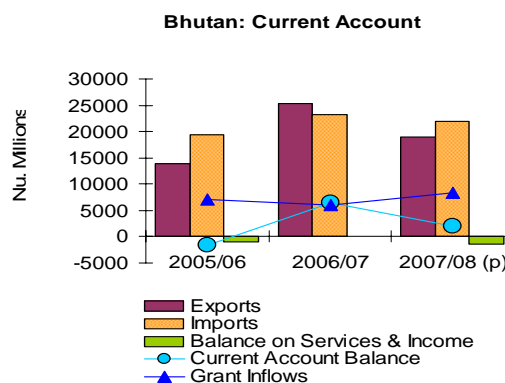
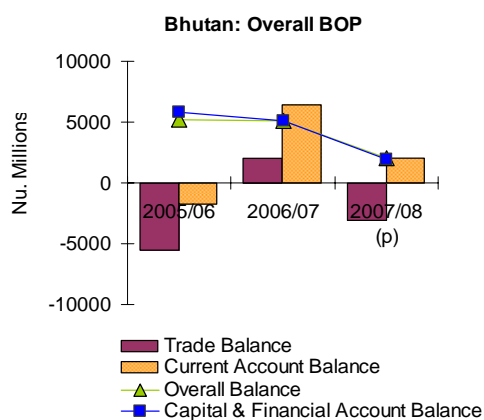
Bhutan's balance of payments (BOP) statistics are compiled and published on an annual, fiscal year (July-June) basis. Given the special geo-political ties as well as the volume of trade with India, the BOP statistics are compiled separately for India. The BOP for India and for countries other than India (COTI) are aggregated to present the overall balance of payments of Bhutan.

For all purposes, BOP data published in this report will be treated as final BOP statistics of Bhutan up till the fiscal year 2006/07. As usual, latest year data (2007/08) are provisional and will be revised, tentatively, in the RMA Selected Economic Indicators for September 2009.

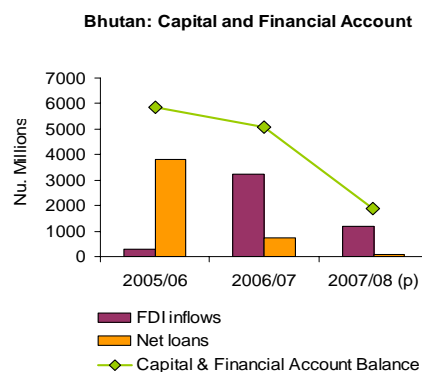
Bhutan's economic outlook during 2007/08 as indicated by development in Bhutan's balance of payments was influenced to a large degree by a substantial increase in grants and private loans. The overall balance stood at Nu.2,035.3 million.

The balance of payments observed substantial decrease in export by 25.3 percent compared to a decrease in the import by 5.4 percent resulting in a trade deficit of Nu.3,086.2 million. The causes for trade deficit were the decrease in the exports both to India and COTI by 23.3 and 34.48 percent respectively. On the other hand, imports from India increased by 2.6 percent while imports from COTI decreased by 24.6 percent.

The services and income account also deteriorated to negative of Nu.54.7 million and Nu.1,367.1 million, respectively, leading to adverse effect on the current account balances. Consequently, Bhutan's current account surplus of 15.9 percent of GDP in 2006/07 declined to 4.1 percent of GDP in 2007/08.



The receipt of the first disbursement of Nu.480 million for Punatsangchhu hydropower project has slightly improved the capital and financial account, though the balance stood at negative of Nu.414.2 million compared to Nu.1,081.5 million 2006/07. The completion of Tala project has significantly reduced the related grants and loan inflows, on the other hand, increase in the debt servicing on the hydro power loans has lead to further decline in capital and financial account balances. While the convertible currency loan disbursement in 2007/08 has also decreased as most of the existing projects have received near their respective committed loan amounts.



The capital and financial account in the overall stood at Nu.1,896 million reflecting a decline of 62.8 percent in 2007/08 as compared to Nu.5,095.5 million in 2006/07.

Bhutan's outstanding external debt stood at an equivalent of USD 779.9 million at the end of 2007/08, out of which 55 percent were outstanding on Indian rupee debt for hydropower while the remaining 45 percent were convertible currency debt (both public concessional and private debt). The debt service ratio stood at 17.9 percent in 2007/08 as against 3.6 percent in 2006/07. A feature on Bhutan's external debt has been attached as Annex VII.

Aside from aid flows, flows related to foreign direct investment project decreased substantially to Nu.1,198.1 million in 2007/08 from Nu.3,238.1 million in 2006/07, which accounts for 62 percent of the net inflows in the capital and financial account.

The net inflows in the capital and financial account coupled with the current account surplus have resulted in a positive overall balance of Nu.2,035.3 million in 2007/08. As a result, gross international reserve increased by 7.5 percent from the end of 2006/07 and stood at an equivalent of USD 645.7 million at the end of 2007/08. Out of USD 645.7 million, convertible currency reserve stood at USD 624.3 million with the remaining USD 24.7 million (INR 914.4 million) being Indian rupee balance. Total reserves are sufficient to meet 15.07 month of merchandise import and 15.01 month of the imports of goods and services as at the end of 2007/08. The convertible currency reserves are sufficient to meet 14.57 month of merchandise imports, and 14.51 month of merchandise plus service imports.

In the exchange rate development, the ngultrum, in tandem with the Indian rupee, appreciated against the US dollar by 8.7 percent from FY 2006/07 and 2007/08. During 2007/08, average exchange rate works out to Nu.40.4 per US dollar.

3.1. Overall Balance of Payments

Item	2006/07	2007/08(p)	2006/07	2007/08(p)
	Millions of Ngultrum		Millions of USD	
A. Current Account	6417.2	2089.0	145.2	51.7
Goods	2061.8	-3086.2	46.7	-76.4
Exports	25333.8	18934.5	573.3	469.0
Imports	-23271.9	-22020.8	-526.6	-545.5
Services	137.0	-54.7	3.1	-1.4
Credit	2661.2	2122.4	60.2	52.6
Debit	-2524.2	-2177.1	-57.1	-53.9
Income	-9.6	-1367.1	-0.2	-33.9
Credit	1159.5	1416.8	26.2	35.1
Debit	-1169.1	-2783.9	-26.5	-69.0
Current Transfers	4228.0	6597.0	95.7	163.4
Credit	6536.1	9180.5	147.9	227.4
Debit	-2308.1	-2583.5	-52.2	-64.0
B. Capital and Financial Account	5095.5	1896.0	115.3	47.0
Capital Transfers	1111.8	635.5	25.2	15.7
Foreign Direct Investment	3238.1	1198.1	73.3	29.7
Net Official Flows	783.3	-517.2	17.7	-12.8
Other Loans	-37.8	579.6	-0.9	14.4
C. Net Errors and Omissions	-6458.0	-1949.7	-146.1	-48.3
D. Overall Balance	5054.7	2035.3	114.4	50.4

NB: The figures for imports in Ngultrum has decreased while in USD has increased, this is primarily due to exchange rate which has decreased from Nu.44.19 in 2006/07 to Nu.40.37 in 2007/08. Same may be applied to other components in the table.

Current Account

The significant decrease in the merchandise export followed by worsening of the services and income accounts, the surplus in the current account balance declined to Nu.2,089 million (4.1 percent of GDP) in 2007/08 from Nu.6,417.2 million in 2006/07.

Trade Account²

In 2007/08, custom data on merchandise trade reversed to trade deficit after having recorded trade surplus for Bhutan in 2006/07. The trade deficit was to the tune of Nu.3,086.2 million indicating an enormous decline from a trade surplus of Nu.2,061.8

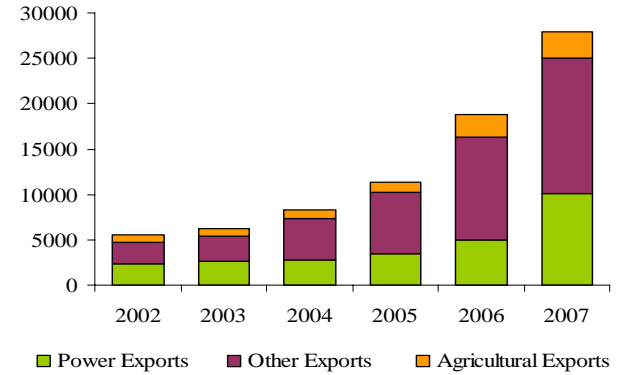
² The trade account is compiled on the basis of trade data generated by the Department of Revenue and Customs (DRC) and other surveys. Commencing 2002/03, the DRC has been able to provide half yearly aggregated trade data, thereby enabling the use of fiscal year data for the balance of payments, supplemented by calendar-year information for the composition of trade.

million in 2006/07. Export fell by 25.3 percent to Nu.18,934.5 million, while import fell by only 5.4 percent to Nu.22,020.8 million in 2007/08.

Composition and Direction of Trade, 2007³

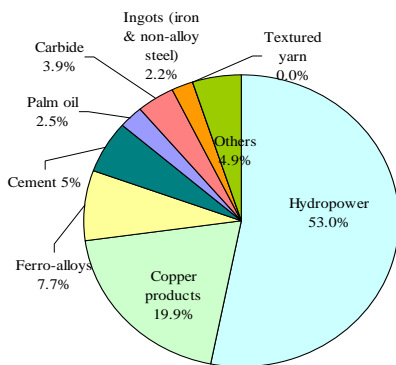
Bhutan's major export, Hydropower, accounted for 53 percent of the total export in 2007, increasing from Nu.4,982.0 million in 2006 to Nu.10,034.3 million, largely because of increased sales of power, generated by Tala Hydropower, while export of Chukha also increased. New development in the composition of trade in 2007 include the export of unrecorded media (discs, tapes, solid-state non volatile storage devices, smart cards and other media for recording) worth Nu.4,451.3 million (from Nu.464.2 million in 2006) with 16 percent share in total exports. The export of copper wire also increased to Nu.3,273.8 million from Nu.818.5 million in 2006, with a 11.8 percent share in total exports. Other major export items in 2007 included Ferro alloys, IT software, vegetable fat and oil, cements, carbide, bars and rods of silicon manganese steel. The export of palm oil has decreased sharply by 65.1 percent, from Nu.1,380.5 million in 2006 to Nu.481 million in 2007.

Millions of Nu. **Developments in Power and Non-Power Exports**

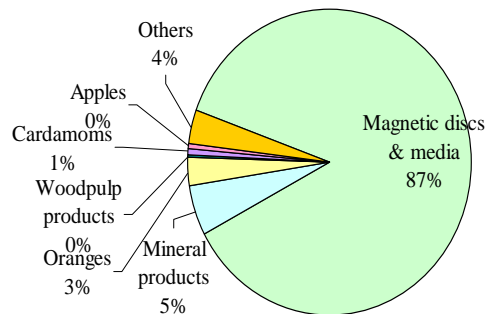


On a directional basis, major exports to India in 2007 included hydropower, base metal and base metal products (chiefly copper product, iron/non-alloy steel ingots and ferro-alloys), mineral products, palm oil and cement. Major export to countries other than India in 2007 included magnetic discs, tapes, cards and media (recorded and unrecorded), mineral products, wood pulp products and fruits.

Composition of Exports to India: 2007



Composition of Exports to COTI, 2007



³ Data sourced from Bhutan Trade Statistics 2007, DRC

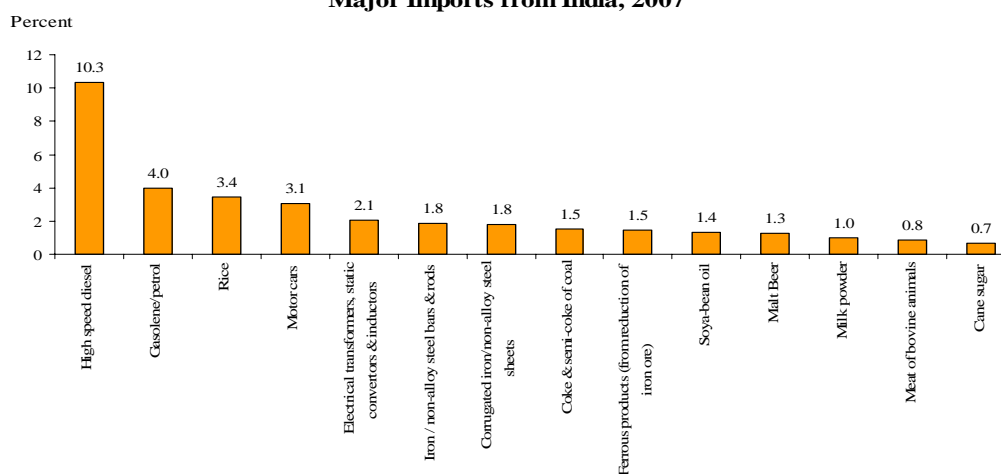
Top 20 Non-Power Commodity Exports, 2007

Item	2007		2006
	Value (Nu. Millions)	% Share of total	Value (Nu. Millions)
Unrecorded media (Magnetic discs)	4451.3	16.0	464.2
Copper wire	3273.8	11.8	818.5
Ferro-alloys	1489.7	5.3	632.6
IT Software	1345.8	4.8	464.2
Vegetable fat and oil and their fraction	1255.3	4.5	67.8
Cement (Portland, aluminous, slag, supersulphate)	1095.8	3.9	977.3
Carbide	746.9	2.7	564.5
Bars & rods of silico manganese steel	590.7	2.1	158.4
Stranded wire, cables & plaited bands of copper	494.6	1.8	1,160.7
Palm oil	481.6	1.7	1,380.5
Ingots (iron & non-alloy steel)	426.0	1.5	567.2
Dolomite	359.9	1.3	251.3
Textured yarn	335.5	1.2	430.3
Particle & similar board	281.9	1.0	225.0
Gypsum; anhydrite	255.6	0.9	260.4
Oranges	190.6	0.7	195.1
Potatoes (seed & other)	149.9	0.5	138.5
Mixtures of juices	136.6	0.5	107.1
Mineral water & flavoured waters	135.0	0.5	186.9
Bituminous coal	133.0	0.5	116.0
Total exports (including electricity & others)	27,859.1		18,771.8

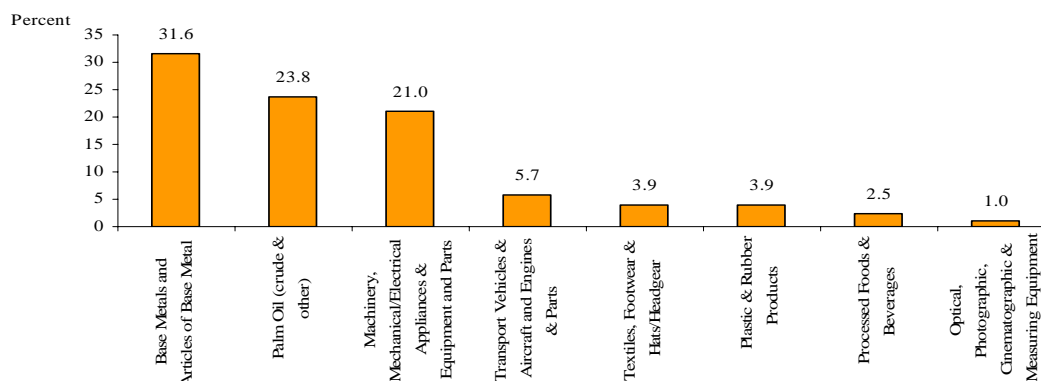
Source: Department of Revenue and Customs.

Among imports, high-speed diesel from India continues to top the list, with a total import value of Nu.1,634.8 million in 2007. POL products, rice, motorcars, electrical transformers and iron & non-alloy steel bars & rods were among the top ten imports from India. From countries other than India, major imports included copper products (copper wires and refined, unwrought copper & copper alloys), crude palm oil, machinery, mechanical and electronic appliances & equipment, electronics, transport and textiles.

Major Imports from India, 2007



Major Imports from COTI: 2007



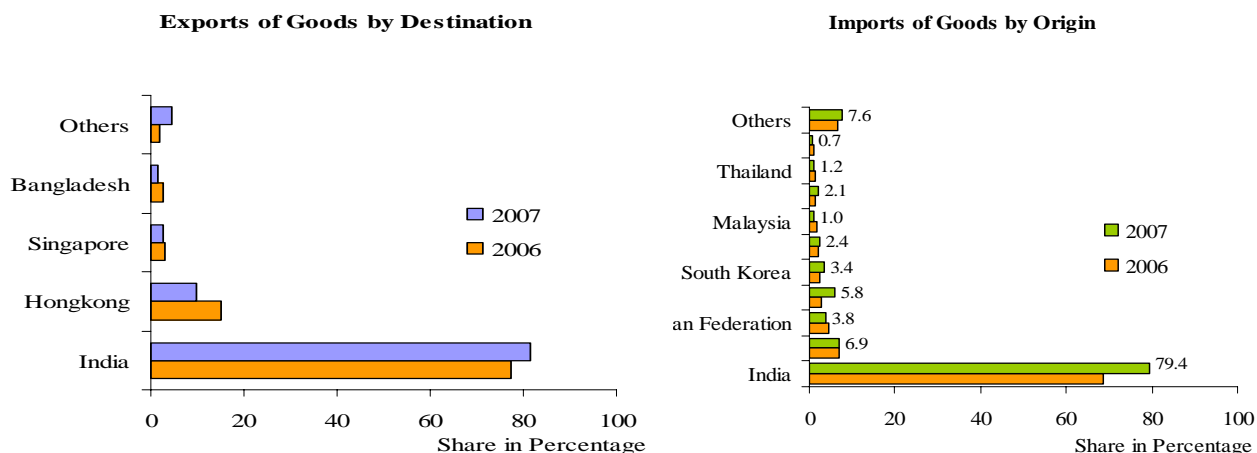
Item	2007		2006
	Value (Nu. Millions)	% Share of total	Value (Nu. Millions)
Copper wire	1854.1	8.5	1,388.9
High speed diesel	1613.8	7.4	1,504.7
Crude palmolein	907.0	4.2	173.2
Crude oil	673.1	3.1	1,038.9
Motor cars	663.6	3.1	497.0
Motor spirit (gasolene) including aviation spirit (Petrol)	630.9	2.9	592.2
Rice	544.6	2.5	472.5
Machine for reception,conversion and transmission	415.4	1.9	246.0
Electrical transformers, static convertors & inductors	360.5	1.7	354.9
Iron Scrape	309.4	1.4	0
Corrugated iron/non-alloy steel sheets	284.3	1.3	227.4
Bars & rods of iron or non-alloy steel	288.5	1.3	367.5
Soyabean oil (crude & other)	279.4	1.3	171.6
Coke & semi-coke of coal	237.6	1.1	166.5
Ferrous products obtained by direct reduction of iron ore	232.6	1.1	259.9
Beer made from malt	201.5	0.9	297.7
Milk powder	159.2	0.7	161.0
Meat of bovine animals	132.5	0.6	153.3
Controls for distribution of electricity	135.9	0.6	135.2
Yarn of polyester, partially oriented	113.0	0.5	349.1
Total imports (including remaining items)	21745.4		19,012.0

Source: Department of Revenue and Customs.

In term of direction of trade, 81.6 percent of Bhutan's exports in 2007 were to India. The export of magnetic discs, tapes, records and other media have resulted in three countries to be among the top five export destination for Bhutan: Hong Kong with a 9.9 percent share in total exports, Thailand (3.9%) and Singapore (2.5%). Bangladesh continues to be an important export destination for the export of fruits (oranges and apples) and mineral products (limestone and quartz) with 1.7 percent share in the total export.

India is also the largest sources of the import for Bhutan with 69.4 percent share of the total in 2007. Following India in the top five position are Indonesia (6%, major import-crude palm oil), Singapore (5.1%, major imports – crude palm oil), the Russian Federation

(3.4%, major import – copper wires), and South Korea (3%, major imports – copper wires).



Invisibles

The balance of Bhutan’s services account was a deficit of Nu.54.7 million in 2007/08. On the credit side, the deficit was largely a result of the decreased export of transportation services (by 49.8 percent from 2006/07). The export of other business services (leasing, miscellaneous professional and technical business, merchanting and other trade related business) decreased by 75.6 percent in 2007/08. However, the export of travel services grew by 17.7 percent with convertible currency earnings from tourism continuing to contribute the maximum (77.27 percent) to the total services export.

On the debt side, the services account deficit was contributed to a substantial degree by increased import of insurance business by 80.6 percent in 2007/08. Among other services imports, the imports of computers and IT services were estimated at Nu.8.2 million in 2007/08 (an increase of 40.5 percent from 2006/07)

The income account also recorded a deficit of Nu.1,367.1 million in 2007/08. The income earned from investments abroad, both India and countries other than India, increased by 20.8 percent to Nu.1,328.9 million, while outflows related to debt servicing increased from Nu.536.1 million in 2006/07 to Nu.1,681.6 million (an increase by 214%). The interest expenses on deposits increased from Nu.24 million to Nu.354.5 million in 2007/08.

The net surplus in the current transfers account improved in 2007/08 from Nu.4,228 million to Nu.6,597 million, because of an increase in the official grant aid receipts both from India and countries other than India. Another significant component of the current transfers account apart from the official grant aid receipt is the outward workers remittances. For COTI, remittances are currently estimated against the official foreign aid (concessional loans and grants) received by Bhutan to fund various projects and development activities. Such aid related transfers were provisioned at Nu.1,300.7 million in 2007/08, or, as has been customary practice, a little over a third of the official aid inflows. For India, worker’s remittances were calculated on the basis of average wages of

workers, estimated expenditure and remittances against the number of workers in the country. Accordingly, this estimate for BOP with India was recorded at Nu.1,150.3 million for 2007/08.

Inward remittances from non-resident Bhutanese based in COTI, and channeled through the banking system, increased from Nu.70.4 million in 2006/07 to Nu.77.9 million in 2007/08.

Capital and Financial Account

Bhutan's capital and financial account balance has always been in surplus, mainly because of the official inflows of grants and loans. However, in 2007/08, it has decreased sharply by 62.8 percent from Nu.5,095.5 million to Nu.1,896 million. This is primarily due to the completion of the Tala project in December 2007 which has led to the decline in official inflows (capital grants and concessional loans). The capital grants has decreased by 39.5 percent, from Nu.1,111.8 million in 2006/07 to Nu.672.5 million in 2007/08. The inflows related to FDI has also decreased by 63 percent or by Nu.2,039.9 million in 2007/08. On the other side, the government's obligation for repayment of loans both for COTI and India combined increased to Nu.1,961.6 million from Nu.514.9 million in 2006/07. The loans to private sector have increased to Nu.579.6 million which has resulted to the capital and financial account surplus.

After provisions for errors and omissions, Bhutan's overall balance of payments was positive at Nu.2,035.3 million for the fiscal year 2007/08, driven by the combined grants and financial account inflows.

Corresponding to this increase in the overall balance of payments was an increase in the country's international reserves to an equivalent of USD 645.7 million from USD 600.4 million in 2006/07. This increase in the gross international reserves was driven by 7.1 percent rise in the convertible currency reserves, from USD 581.6 million to USD 624.3 million. The Indian rupee reserves, on the other hand, also increased by 18.8 percent from Rs.769.6 million to Rs.914.4 million.

3.1.1 Balance of Payments with India

The balance of payments with India for 2007/08 was characterized by a trade deficit to the tune of Nu.853.2 million. Customs records indicate a decline in merchandise exports to India by 23.3 percent, from Nu.20,911.0 million to Nu.16,036.9 million. On the other hand, imports of goods⁴ increased by 2.6 percent from Nu.16,463.4 million to Nu.16,890.0 million. The services and income accounts also declined during the period under review. The continued net current transfers inflows mainly the budgetary grant, the current account remained surplus in 2007/08 to Nu.1,559.7 million (3 percent of GDP). Though,

⁴ Includes import of merchandise goods as recorded by the DRC plus goods procured in ports by carriers and informal/over-the-border imports. Please refer to earlier commentary on composition and direction of traded for major exports and imports items in 2006.

in absolute, the current account decreased by 73.5 percent compared to 2006/07 (14.5 percent of GDP).

In the capital and financial account, grant and loan disbursement has decreased sharply with the winding down of the Tala project. The debt servicing for Tala and Kurichu increased significantly as a result of which, the net balance decreased from Nu.1,081.5 million in 2006/07 to negative Nu.414.2 million in 2007/08.

Despite the current account surplus (driven largely by the budgetary grants, data for which are sourced mainly from Department of Budget, Ministry of Finance) and the net, albeit much reduced, inflows in the capital and financial account, the overall balance was Nu.288.3 million in 2007/08. As a result, the negative net errors and omissions figure for 2007/08 have also seen a substantial improvement to negative Nu.875.3 million from negative of Nu.9,353 million in 2006/07.

3.1.2 Balance of Payments with Countries Other Than India

In the balance of payments with COTI, the current account surplus decreased by 1.1 percent from Nu.535.1 million in 2006/07 to Nu.529.3 million in 2007/08. Both export and import fell by 34.5 percent and 24.6 percent respectively compared to 2006/07, as well as decrease in the services and income account balances.

The receipts from tourism during 2007/08 increased by 17.5 percent from Nu.1,149.5 million to Nu.1,350.7 million. Earnings from investment abroad also saw an increase by 7.1 percent, from Nu.987.5 million to Nu.1,058.1 million.

Meanwhile, the capital and financial account balance with COTI stood at Nu.2,310.2 million, a decrease of 42.5 percent in 2007/08 as compared to Nu.4,014 million in 2006/07. This was largely on account of decrease in the FDI-related inflows (63 percent) and other inflows (govt. loans by 34.6 percent).

After providing for possible errors and omissions, the combined current account surplus and capital and financial account balances resulted in a positive overall balance of Nu.1,746.9 million in 2007/08.

3.2 External Debt and Debt Service

The stock of external debt outstanding increased by 7.6 percent from an equivalent of USD 724.7 million in 2006/07 to USD 779.9 million in 2007/08. Out of this total, 45 percent or an equivalent of USD 350.9 million were outstanding convertible currency debt. The remaining 55 percent (Rs.17,320.3 million or equivalent to USD 429 million) were Indian rupee denominated public debt on hydropower. Within the convertible currency loan portfolio, concessional public debt accounted for 95.5 percent while remaining 4.5 percent was outstanding external debt of the private sector.

Despite the increases in the country's external debt, the debt to GDP ratio improved from 77.3 percent in 2006/07 to 61.1 percent in 2007/08, corresponding with increased output and real GDP growth (21.4 percent in 2007). The debt services ratio increased from 3.6

percent to 17.9 percent between 2006/07 and 2007/08 due to commencement of debt servicing for the THPA loan.

External Debt Indicators

Item	End of Period			
	2004/05	2005/06	2006/07	2007/08 (p)
Debt Outstanding (in millions)				
Total (USD)	595.9	689.1	724.7	779.9
Convertible Currency (USD)	235.5	277.8	309.0	350.9
Indian Rupee (Rs)	16,075.4	18,400.2	18,369.9	17,320.3
Debt Outstanding/GDP (%) ¹	82.2	84.3	77.3	61.1
Debt Service Ratio (%) ²	11.9	7.6	3.6	17.9

Source: Department of Public Accounts & private sector companies. 1) GDP (2006/07=2006). 2) Debt service payments in percent of exports of goods and services.

The government of India continues to be Bhutan's biggest lender, with total outstanding debt at Rs.17,320.3 million (all in the hydropower sector) as at the end of 2007/08, followed by the ADB with USD 121.3 million, the World Bank with USD 95.1 million and the government of Austria with an equivalent of USD 73.6 million.

Debt servicing (repayments of principal plus interest) on convertible currency loans increased from USD 12 million in 2006/07 to an equivalent of USD 14.8 million in 2007/08. Meanwhile, debt servicing on Rupee hydro debt increased significantly from Rs.483.8 million in 2006/07 to Rs.3,170.2 million in 2007/08.

3.3 Exchange Rate Developments

The ngultrum is pegged at par to the Indian rupee, and as such, movement in the ngultrum vis-à-vis major international currencies are a reflection of developments in the Indian foreign exchange market, while strong growth in India has translated into the stability of the ngultrum vis-à-vis major convertible currencies

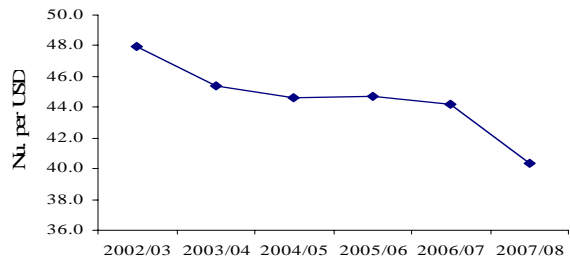
During the fiscal year 2007/08, the ngultrum ranged between an average of Nu.40.41 (July '07) and Nu.42.82 (Jun. '08) per US dollar.

The Indian rupee, and the ngultrum in tandem, appreciated against the US dollar in the beginning of the fiscal year owing to capital inflows, interest rate cut by US Fed, and strong performance of the domestic stock market. However, from the beginning of Feb 2008 on account of rising crude oil prices and heavy dollar demand by oil companies, the rupee started depreciating against US dollar thereafter⁵.

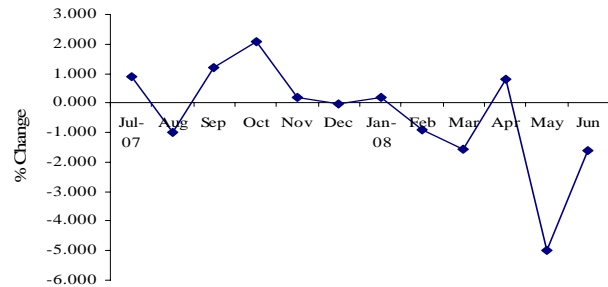
The exchange rate depreciated by 4.78 percent in June 2008 as compared to June 2007. However, taking the average for the entire fiscal year, the ngultrum appreciated by about 9.47 percent against the US dollar from fiscal year 2006/07.

Among other major currencies, the Japanese yen appreciated against the US dollar, by 7.60 percent from an average exchange rate of 118.52 yen per US dollar in 2006/07 to 110.14 yen in 2007/08. The euro appreciated against the US dollar by 12.63 percent from an average of 0.76 euro to 0.68 euro per US dollar in the same period.

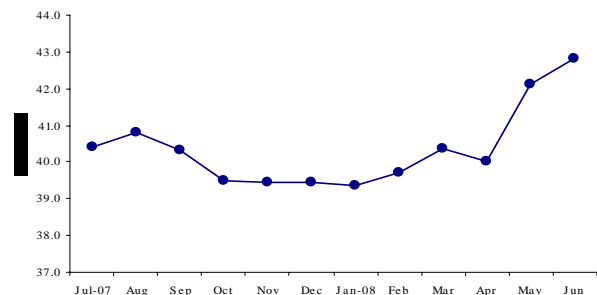
BTN/USD: Fiscal Year Average



Appreciation (+) / Depreciation (-) of Ngultrum vis-a-vis US Dollar (Monthly % Change)



BTN vis-à-vis USD: Monthly Movements, FY 2007/2008



⁵ Reference: Reserve Bank of India Annual Report 2007/08

4. GOVERNMENT FINANCE

Due to incorporation of new development activities during the year, the overall expenditure estimates has increased to Nu. 22,222.7 million by 30th April 2008, from Nu. 15,795.4 million in 2006/07. The total expenditure increased by 40.7 percent whereas the total resource increased only by 27.3 percent, resulting into higher budget deficit of Nu. 1,741.7 million in 2007/2008. Correspondingly, the budget deficit as a percentage of GDP increased to 3.4 percent in 2007/08 from a surplus of 0.7 percent in 2006/07.

Budget 2007/08 Target

A. Social Sector

- Establishment of the Jigme Singye Wangchuk College of Business at Gedu.
- Secretariat building for Education Ministry.
- Major civil works of the hospital constructions like the JDWNRH, Regional Referral Hospital, Mongar and the Phuentsholing Hospital.

B. Communications and Transport

- Construction of television centre.
- Subsidising the DAC in the payment of interest on its loan for the purchase of aircraft.

C. Urban Development, Housing and Public Amenities

- Redevelopment of Changlingmethang stadium.
- Construction of National Council & Supreme Court building.
- Construction of residences for ministers and heads of constitutional post holders in Motithang.
- Thimphu Tshechu ground construction.

D. Energy and Roads

- Rural electrification.
- Pre-construction works on Punatsangchhu I & Dagachhu hydro-power project.
- On-going Tingtibi-Trongsa-Bumthang transmission line.

E. Agriculture

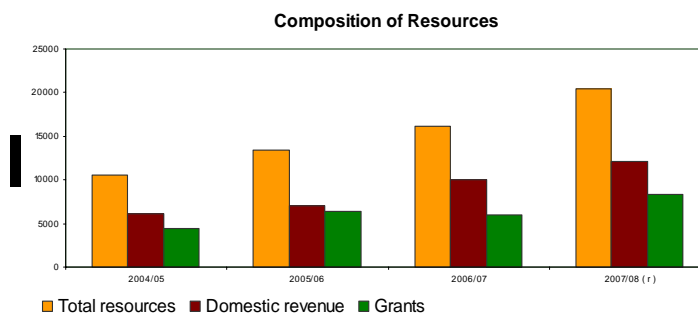
- Construction and establishment of Ugyen Wangchuk Environmental and Forestry Institute in Bumthang.
- Construction of farm roads and power tiller tracks in the rural areas.
- Construction of Thimphu vegetable market.

F. Industrial and Private Sector Development

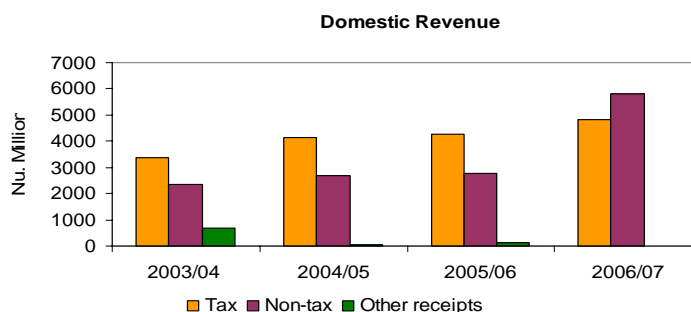
- Human Resources Development for private sector.
- Internal roads construction at the Pasakha Industrial Estate.
- Establishment of the Hotel and Tourism Management Training Institute in Motithang.

4.1. Revenue and Grants

Total Revenue consisting of domestic revenue (tax revenue, non-tax revenue and other receipts) and grants increased from Nu.16,083.1 million in 2006/07 to Nu.20,481 million in 2007/08, an annual increase of 27.3 percent. Domestic revenue, which financed over 54.7 percent of the total outlay, grew by around 20.5 percent to Nu.12,148.4 million. Tax revenue, which accounted for 39.9 percent of the domestic revenue, increased by 13.5 percent to Nu.4,843.5 million, while non-tax revenue, which constituted 55.7 percent of the domestic revenue, increased by 16.3 percent in the review year.



Going into the details of major components of tax revenue, corporate income tax accounted for 15.5 percent of the domestic revenue. CHPCL continued to be the highest contributor (Nu. 841 million). Business income tax from tour operators, contractors, and other miscellaneous business entities amounted to Nu. 367.7 million. The collection on account of personal income tax alone amounted to Nu.174.5 million in the review year. In addition, the revenue sourced from sales tax amounted to Nu. 765.5 million. The collection of excise duty, another major item of tax revenue, amounted to Nu.519.4 million during 2006/07.

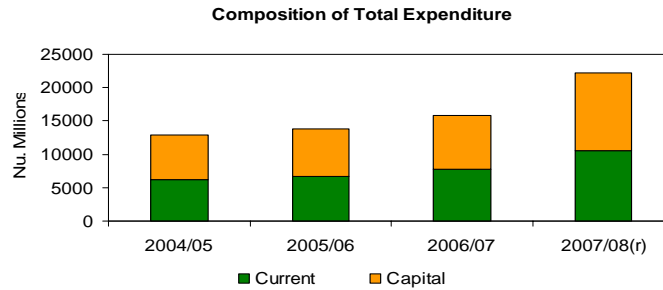


Non-tax revenue collection, which comprise of revenues collected mainly from dividends and transfers of profits, amounted to Nu.5,815.2 million. Transfer of profits alone contributed Nu.2,678.8 million during the year, while dividends amounted to Nu.2,123.2 million.

Foreign grants, which financed over 37.5 percent of development activities, increased by 38.9 percent to Nu.8,332.5 million, mainly due to larger inflows of grants from India. Grants from India increased by 41.4 percent, while that from other countries increased by 33.8 percent in the review year.

4.2. Expenditure

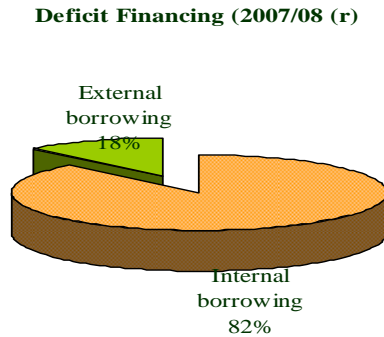
Total expenditure during 2007/08 amounted to Nu.22,222.7 million, around 40.7 percent higher than that of the previous year's outlay. The increase in total expenditure reflected higher growths in both current and capital expenditures during the review period. The current and capital expenditures accounted for 47.7 percent and 52.3 percent of the total outlay, respectively.



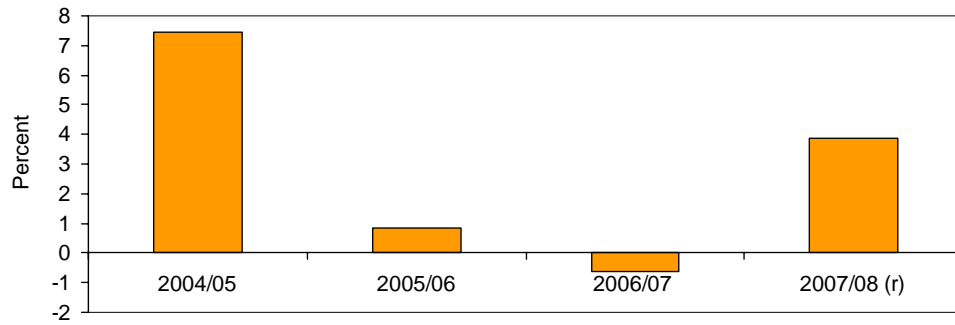
During 2007/08, current expenditure increased by around 37.7 percent to Nu.10,591 million, while capital expenditure amounted to Nu.11,631.7 million during the year, an increase of Nu.3,527.7 million compared to the previous year. Some of the major current expenditure-heads for the year were: national elections, increase in interest payments, pay expenditure and subsidies. Increase in the capital expenditure for the year was mainly due to major on-going capital works of the 9th Plan.

4.3 Financing the Deficit

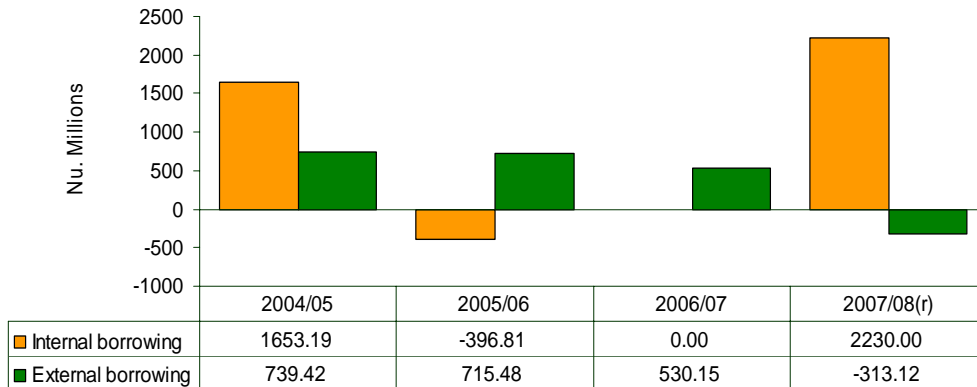
As a result of the above developments in the government budgetary operations, the resource-expenditure gap increased from a surplus of Nu. 287.7 million in 2006/2007 to a deficit of Nu.1,741.7 million. The fiscal deficit works out to 3.4 percent of GDP in 2007/2008. External borrowings financed 18 percent of the deficit, while the remaining 82 percent were financed through domestic sources



Fiscal Deficit as a % of GDP



Trend in Deficit Financing



Budget Summary – FY 2008-09 as of 30th November 2008

Total budget outlay for the financial year 2008/09 is estimated at Nu.24,961.1 million. During the period, as in the past years, the royal government remains committed to pursuing sound fiscal policy of maintaining positive current and primary balances while carrying out the developmental activities of the upcoming 10th FYP.

A bulk of the budget is allocated for capital expenditure, constituting about 58.6 percent of the total outlay, while the remaining constitutes the current expenditure.

Total resources including grants are estimated at Nu.23,465.9 million. Of this, 25.1 percent are expected to be contributed by tax revenues mainly collected from corporate income tax from hydro-power companies of CHPC, KHPC, BHPC, and excise duty. From non-tax revenue sources, the dividends, transfer of profit and interest from corporations alone are expected to contribute Nu.8,065 million to the domestic revenue.

Taking into account the above developments, the overall fiscal balance for the year 2008/09 is estimated at Nu.1,495.2 million (2.5 percent of projected GDP- Nu.59,026.6 million), which is less by Nu.246.5 million of the 2007/08 deficits. While the projected resource gap of Nu. 1,631.98 million is to be financed through domestic borrowing.

5. WORLD ECONOMY

After years of strong growth, the world economy has slowed markedly in the face of the most dangerous shock in mature financial markets since the 1930s. The sub prime crisis that unfolded in 2007 has now caused major disruption to financial institutions in the United States and Europe. Many advanced economies are close to or moving into recession, while growth in emerging economies is also weakening. The advanced economies grew at a collective annualized rate of only 1 percent during the period from the fourth quarter of 2007 through the second quarter of 2008, down from 2 1/2 percent during the first three quarters of 2007. Growth in emerging and developing countries eased from 8 percent in the first three quarters of 2007 to 7 1/2 percent in the subsequent three quarters, as domestic demand and the net exports have moderated.

Growth has been most resilient in commodity-exporting countries, which are benefiting from still-high export prices. By contrast, countries with the strongest trade links with the United States and Europe are slowing markedly, while some countries that relied on bank-related or portfolio inflows to finance large current account deficits have been hit hard by an abrupt tightening of external financing. Nevertheless, as a group, emerging economies have so far sustained market access better than in earlier episodes of financial turbulence, reflecting improvements in policy frameworks and stronger public sector balance sheets.

Despite the deceleration of global growth, headline inflation has risen around the world to the highest rate since the late 1990s, pushed up by the surge in fuel and food prices. In the advanced economies, 12-month headline inflation registered 4 1/4 percent in August 2008, down modestly from a peak in July in the wake of some commodity price easing. The resurgence in inflation has been more marked in the emerging and developing economies, with headline inflation reaching 8 1/4 percent in the aggregate in August and with a wide swath of countries now experiencing double-digit inflation.

Policymakers in emerging and developing economies have responded to rising inflation with an eclectic mix of measures. Many central banks have raised interest rates, but others have relied more on increasing reserve requirements and tightening credit, particularly where interest rate policy has been constrained by inflexible exchange rate management. Some of the countries have also tightened fiscal policies to help restrain the growth of aggregate demand. However, some of these steps have been reversed recently in the face of intense liquidity strains related to recent financial turmoil.

The weakening of U.S. growth relative to its trading partners and the sustained depreciation of the U.S. dollar since 2002 helped lower the U.S. current account deficit to 5 percent of GDP in the first half of 2008 from 6 1/2 percent in late 2005. Despite some strengthening since early 2008, the real effective exchange rate of the U.S. dollar is now assessed to be broadly in line with medium-term fundamentals. The adjustment in the dollar in recent years has largely come against other advanced economy currencies, notably the euro and the yen, as well as other floating rate currencies. Among emerging economies, China's exchange rate has continued to appreciate at a moderate pace, with somewhat faster rise in real effective terms owing to the pickup in inflation. A number of currencies in Africa and south and east Asia (for example, India, Korea, Pakistan, and

South Africa) have depreciated over a longer period, in part owing to rising costs of commodity imports and widening current account deficits.

The baseline projections show the global economy undergoing a major downturn, with growth falling to its slowest pace since 2001-02 recession. A gradual recovery is projected to get under way later in 2009, but global growth is not expected to return to its normal trend until 2010.

Table 5.1: Summary Overview of the World Economic Outlook

Percentage change (year-on-year)

Indicator	Actual		Projection	
	2006	2007	2008	2009
World Output ¹⁾				
Advanced economies	3.0	2.6	1.5	0.5
Emerging and developing countries	7.9	8.0	6.9	6.1
Memorandum items:				
Developing Asia	9.9	10.0	8.4	7.7
Bhutan	6.3	21.4	5.0	6.2
Consumer Prices				
Advanced economies	2.4	2.2	3.6	2.0
Emerging and developing countries	5.4	6.4	9.4	7.8
Memorandum items:				
Developing Asia	4.2	5.4	7.8	6.2
Bhutan	5.0	5.2	7.7	5.0

Source: World Economic Outlook, October 2008, International Monetary Fund, ¹⁾ Real GDP Growth,

6. MACROECONOMIC INDICATORS FOR THE SAARC REGION

The table on selected macroeconomic indicators of the SAARC member countries has been updated based on data available in the annual reports and websites of the respective central banks.

The SAARC region continued to enjoy relatively high and stable growth, with real GDP growths above 5.8 percent in 2007/08. Among the region, Bhutanese economy performed well with real GDP growth reaching 21.4 percent in 2007/08 mainly on account of commissioning of Tala project, while that of Maldivian economy recovering strongly from the negative growth in 2005/06. The Maldivian economy saw a decline in its GDP growth of 19 percent in 2006/07 to 6.6 percent in 2007/08. Except for Pakistan and Bangladesh inflation was at single digit levels in 2007/08.

On average broad money growth was lower in the region in 2007/08 averaging 16 percent. The fiscal deficit was lowest for Bhutan and Bangladesh at 4.2 percent and 5.6 percent of GDP respectively, while Maldives's fiscal deficit was the highest at 7.9 percent.

Within the region and for Bhutan itself, Bhutan recorded a negative trade balance in 2007/08. External debt levels continue to be highest for Bhutan, and in 2007/08 Bhutan's debt service ratio is also among the highest in the region.

(Statistics / Indicators *)	2003/04	2004/05	2005/06	2006/07	2007/08 (p)
I. Growth in Real GDP (% change)					
a) Afghanistan	15.7	8.0	13.8	11.7	10.8
b) Bangladesh (1995/96 prices)	6.3	5.9	6.6	6.5	6.2
c) Bhutan (2000 prices) 1/	7.6	6.8	6.5	8.5	21.4
d) India (1993/94 prices)	8.5	7.5 (P)	9.4 (PE)	9.6 (QE)	9.0
e) Maldives (1995 prices)	8.5	9.5	-4.6	19.1	6.6
f) Nepal (1994/95 prices)	3.6	2.4	2.4	-	-
g) Pakistan (1980/81 prices)	7.5	8.6	6.6	7.0	5.8
h) Sri Lanka (1996 prices)	6.0	5.4	6.2	7.7	6.8
II. Inflation: CPI (% change) 2/					
a) Afghanistan	10	16	10	8	-
b) Bangladesh (1995/96=100)	5.6	7.4	7.5	9.2	10
c) Bhutan (Third Quarter, 2003=100)	4.6	5.5	6.2	5.9	8.9
d) India (1982=100; for industrial workers)	3.5	4.2	4.9	6.7	7.9
e) Maldives (1995=100)	-2.8	6.4	3.3	3.5	7.4
f) Nepal (1995/96=100)	4.0	4.5	8.0	6.40	-
g) Pakistan (2000/01=100)	8.5	8.7	7.7	7.0	10.3
h) Sri Lanka (1995-1997=100)	1.0	16.8	10.6	17.9	-
III. Government Budget (% of GDP)					
Total Revenue and Grants					
a) Afghanistan	4.5	4.5	5.2	5.1	6.6
b) Bangladesh 3/	10.6	10.6	10.8	11.8	10.8
c) Bhutan	38.0	32.5	36.7	40.0	49.4
d) India	9.6	9.7	9.7	10.5 (RE)	11.1(RE)
e) Maldives	34.8	34.5	48.1	51.8	58.5
f) Nepal	14.8	15.8	14.8	-	-
g) Pakistan 3/	14.3	13.7	14.0	15.7	-
h) Sri Lanka	15.2	14.9	15.5	16.3	15.8

(Statistics / Indicators *)	2003/04	2004/05	2005/06	2006/07	2007/08 (p)
V. External Debt (end of period)					
Total External Debt and Liabilities (% of GDP)					
a) Afghanistan					
b) Bangladesh	31.9	30.9	31.7	-	
c) Bhutan	81.8	83.9	84.2	76.9	
d) India	17.8	17.3	15.8	16.4	18.8
e) Maldives	39.4	40.1	40.5	39.0	49.9
f) Nepal	47.8	41.2	40.2	-	
g) Pakistan	34.4	30.9	27.9	28.0	
h) Sri Lanka 6/	62.4	61.8	53.3	50.3	51.8
Debt Service Ratio (% of X G & S)					
a) Afghanistan					
b) Bangladesh	7.5	7.5	6.3	5.8	5.4
c) Bhutan	4.3	6.4	5.1	4.2	17.9
d) India	15.9	6.1	9.9	4.8	5.4
e) Maldives	3.7	4.1	6.5	4.5	5.7
f) Nepal	8.8	9.4	-	-	
g) Pakistan	32.5	14.9	13.3	12.5	
h) Sri Lanka	11.6	11.6	7.9	12.7	13.0
VI. Exchange Rate Per US Dollar 7/					
a) Afghanistan				48.5	48.5
b) Bangladesh	58.8	61.5	67.2	69.1	69
c) Bhutan	45.4	44.6	44.7	44.2	42.8
d) India	45.4	44.6	44.7	44.2	39.26
e) Maldives	12.8	12.8	12.8	12.8	12.8
f) Nepal	73.9	72.5	72.1	70.8	
g) Pakistan	57.6	59.1	59.9	60.6	71
h) Sri Lanka	97.3	101.7	102.0	107.4	108.72
VII. Monetary Aggregates (end of period)					
Narrow Money (M1) Annual Growth					
a) Afghanistan					
b) Bangladesh	14.1	16.6	21.3	17.4	18.9
c) Bhutan	13.6	9.5	14.4	26.8	6.3
d) India	22.2	11.9	21.1	16.9	19.1
e) Maldives	11.5	19.7	22.5	22.2	18.8
f) Nepal	12.2	6.6	14.0	12.90	14
g) Pakistan	24.0	18.4	13.3	89.7	
h) Sri Lanka	16.0	16.6	22.4	12.6	2.7
Broad Money (M2) Annual Growth					
a) Afghanistan					
b) Bangladesh	13.8	16.8	19.5	17.0	17.4
c) Bhutan	4.4	10.7	26.3	8.6	2.3
d) India	16.7	12.1	17.0	21.5	20.8
e) Maldives	14.5	32.8	11.7	20.6	23.7
f) Nepal	12.8	8.3	15.6	11.40	
g) Pakistan	19.6	19.3	15.2	19.0	
h) Sri Lanka	15.3	19.6	19.1	17.8	16.6
Reserve Money (M0) Annual Growth					
a) Afghanistan					
b) Bangladesh	8.0	12.5	28.1	17.7	18.48
c) Bhutan	17.0	-0.3	44.3	-1.2	-3.4
d) India	18.3	12.1	17.2	23.7	30.9
e) Maldives 9/	-2.2	27.9	5.1	18.8	27.8
f) Nepal	16.6	2.2	14.7	-	
g) Pakistan	15.4	17.6	10.2	20.9	
h) Sri Lanka	11.9	20.9	15.8	21.2	10.2
Income Velocity of Money (GDP/M2)					
a) Afghanistan					
b) Bangladesh	2.6	2.5	2.3	2.2	0.4
c) Bhutan	1.8	1.8	1.6	1.6	2.1
d) India	1.5	1.5	1.4	1.4	0.4
e) Maldives	2.0	1.7	1.4	1.5	1.3
f) Nepal	1.8	1.8	1.7	-	
g) Pakistan	2.3	2.2	2.3	2.0	
h) Sri Lanka	2.7	2.7	2.6	2.7	2.7

(Statistics / Indicators *)	2003/04	2004/05	2005/06	2006/07	2007/08 (p)
Expenditure and Net Lending					
a) Afghanistan	9.8	9.4			
b) Bangladesh	14.8	15.1	14.7	14.9	16.4
c) Bhutan	36.0	39.9	37.6	36.6	53.6
d) India	17.1	15.8	14.1	14.1	15.1(RE)
e) Maldives	38.2	36.0	59.0	58.5	66.4
f) Nepal	18.0	19.2	19.2	-	
g) Pakistan	16.7	17.0	18.2	18.1	
h) Sri Lanka	22.9	22.8	23.8	24.3	23.5
Overall Budget Balance					
a) Afghanistan					
b) Bangladesh	-4.8	-4.5	-3.9	-3.7	-5.6
c) Bhutan	2.0	-7.4	-0.9	3.4	-4.2
d) India	-4.5	-4.0	-4.1	-3.7	
e) Maldives	-3.4	-1.6	-10.9	-6.7	-7.9
f) Nepal	-3.2	-3.4	-4.2	-	
g) Pakistan	-2.4	-3.3	-4.2	-3.9	
h) Sri Lanka	-7.7	-7.9	-8.4	-8.0	-7.7
IV. Trade and Balance of Payments 4/					
Exports Growth Rate (US\$ values)					
a) Afghanistan	41.3	29.5			
b) Bangladesh	15.9	14.0	21.6	15.8	18.5
c) Bhutan	39.7	34.5	47.2	62.4	-25.26
d) India	23.3	28.5	23.4	21.8	23.7
e) Maldives	14.9	19.1	-10.7	39.4	1.2
f) Nepal	14.8	10.7	5.0	-	
g) Pakistan	12.3	14.4	16.5	17	19
h) Sri Lanka	9.2	12.2	10.2	8.4	12.5
Imports Growth Rate (US\$ values) 5/					
a) Afghanistan					
b) Bangladesh	13.0	20.6	12.1	16.6	19
c) Bhutan	27.2	75.5	-5.6	13.7	-5.38
d) India	24.1	48.6	32.1	21.8	29.9
e) Maldives	20.2	36.3	16.1	24.4	18.3
f) Nepal	15.9	11.8	19.3	-	
g) Pakistan	15.6	21.0	28.6	31	40
h) Sri Lanka	9.3	19.9	10.8	15.7	10.2
Trade Balance (US\$ millions)					
a) Afghanistan		-3460.8	-3761.3	-4243.7	-3833.3
b) Bangladesh	-2319.0	-3297.0	-2889.0	-3458.0	-5541
c) Bhutan	-104.9	-248.8	-122.9	46.7	-76
d) India	-13718.0	-33702.0	-51841.0	-64905.0	-90060
e) Maldives	-262.3	-383.8	-493.8	-590.1	-704.1
f) Nepal	-1051.1	-1183.0	-1530.6	-	
g) Pakistan	-1279.0	-4514.0	-8442.0	-9944.0	
h) Sri Lanka	-1539.0	-2243.0	-2516.0	-3371.0	-3560.0
Current Account (% of GDP)					
a) Afghanistan		-19.1	-15.9	-15.4	-10.9
b) Bangladesh	0.3	-0.9	0.9	1.41	0.7
c) Bhutan	-18.8	-32.4	-4.6	15.9	4.1
d) India	2.3	-0.4	-1.2	-1.1	-1.5
e) Maldives	-4.5	-15.8	-36.0	-39.8	-45.0
f) Nepal	2.9	2.2	2.3	-	
g) Pakistan	1.8	-1.4	-3.9	-4.9	
h) Sri Lanka	-0.4	-3.1	-2.7	-5.3	-4.2
Capital and Financial Account (% of GDP)					
a) Afghanistan					
b) Bangladesh	0.5	1.6	0.4	1.8	
c) Bhutan	30.0	29.3	16.0	12.6	3.75
d) India	2.8	4	3.1	4.9	9.2
e) Maldives	7.6	19.4	35.1	32.1	43.5
f) Nepal	-4.0	-4.5	1.1	-	
g) Pakistan	-2.1	1.4	3.7	-	
h) Sri Lanka	4.0	3.1	5.2	6.7	

(Statistics / Indicators *)	2003/04	2004/05	2005/06	2006/07	2007/08 (p)
Money Multiplier (M2/M0)					
a) Afghanistan					
b) Bangladesh	4.9	5.1	4.8	4.8	1.0
c) Bhutan	1.8	2.0	1.7	1.9	2.0
d) India	4.8	4.8	4.8	4.8	0.7
e) Maldives	2.1	2.2	2.3	2.4	2.3
f) Nepal	2.9	3.1	3.1	-	
g) Pakistan	3.2	3.3	3.4	3.4	
h) Sri Lanka	5.1	5.0	5.2	5.0	5.31

(P) Provisional. (RE) Revised Estimates. (QE) Quick Estimates. X G & S: Export of Goods & Services

*) Data on Maldives and Sri Lanka are on a calendar year basis. For example, entry under 2006/07 is for CY 2006.

(#) Data is for the first 9 months of FY 2004/05

1/ GDP data for Bhutan was rebased to 2000 in 2005. Data are on a calendar year basis. For example, entry under 2006/07 is for CY 2006.

2/ End of period; Point-to-point, except for Nepal and Maldives which are annual averages, and Bhutan which are quarterly averages compiled with third quarter 2003 as the base (data for 2003/04 is the average for the third quarter of

3/ Excluding grants; also for Pakistan - consolidated federal and provincial governments

4/ Trade data for Bhutan upto 2001/02 are on a calendar year basis. For example, entry under 2001/02 is for CY 2001.

5/ Import values are fob except for Bhutan which is cif.

6/ Including banking sector external liabilities.

7/ Data on exchange rates from International Financial Statistics, IMF. Represents the period average for July-June end.

8/ 2004/05 data adjusted for conversions in the banking system since October 11, 2004; 2002/03 data adjusted for mergers in the banking system since May 3, 2002.

9/ Series (backtracked to 2001) was revised on 23rd Jan 2006 to exclude deposits of atolls

Sources:

Bangladesh : Bangladesh Bank Annual Report 2007-2008 Economic Data, Economic Trends November 2007,
Bangladesh Bank Quarterly Volume IV Nos. 3 & 4
Major Economic Indicators: Monthly Update, October 2008

Bhutan : Royal Monetary Authority of Bhutan; National Statistical Bureau;
Dept. of Revenue and Customs, and Dept. of Aid and Debt Management, Ministry of Finance.

India : Annual Report 2007-08, Reserve Bank of India (RBI);

Maldives : Annual Report 2008, Maldives Monetary Authority

Nepal : Macroeconomic Indicators of Nepal, January 2008, Nepal Rastra Bank (NRB);
Economic Report 2002/03, NRB;

Pakistan : Annual Report 2007-08, State Bank of Pakistan.

Sri Lanka : Annual Report 2007, Central Bank of Sri Lanka.

II. ADMINISTRATION AND OPERATIONS

BOARD MEETINGS

During FY 2007/08, there were two meetings of the RMA's Board of Directors. The main issues discussed during these meetings were the status of printing of new Nu. 1000 denomination note, rupee account for hydro power project to be maintained with the RMA, hydro power debt repayment and balances, bank licensing and on the Authorized Money Changers.

NUMBER OF STAFF

As of June 2008, the total staff strength of the RMA stood at 174, consisting of 2 executives, 73 officers and 99 general support staff.

ANNUAL AUDITED ACCOUNTS (2007/08)

In accordance with Section 47 of the Royal Monetary Authority of Bhutan Act 1982, the annual audit of the Authority's accounts for the period ending June 30, 2008 was carried out by M/s Ray & Ray, a chartered accountancy firm from Kolkota, India.

Total Assets and Total Liabilities

Total assets of the RMA increased by Nu.4.41 billion (19.64 percent), from Nu.22.45 billion in 2006/07 to Nu.26.86 billion in 2007/08. The growth in the total assets of the RMA was on account of significant increase in foreign assets which registered a 25.61 percent growth from Nu.21.01 billion in 2006/07 to Nu.26.39 billion in 2007/08. The increase in the foreign assets, in turn, resulted from the overall increase in the volume of deposits abroad in fixed deposits as well as increase in accrued interest and royalty receivable.

The total local currency financial assets however decreased from 1.19 billion in 2006/07 to Nu.161.95 million in 2007/08 due to redemption of the Promissory Note amounting to Nu.1.16 billion issued by the Ministry of Finance in the last financial year to cover the deficiency in the foreign currency revaluation reserve.

The local currency non-financial assets consisting of fixed assets, inventories, deferred expenditure on currency printing and other assets increased from Nu.223.32 million as at June 30, 2007 to Nu.433.82 million as at June 30, 2008. This increase was mainly due to increase in the other asset on account of advance payment made to DeLa Rue for printing of Nu.50 and Nu.1000 currency notes.

Total foreign financial liabilities of the RMA, consisting of dues to the IMF, government and government agencies' FC accounts, deposits of other foreign financial institutions such as the World Bank, ADB, ARC and Kuwait Central Bank increased by Nu.1.93 billion from Nu.2.89 billion as at June 30, 2007 to Nu.4.82 billion as at June 30, 2008. The major increase was because of the overdraft loan availed from SBI, Hashimara to meet the rupee requirement.

On the other hand, the total local currency financial liabilities, consisting of notes and coins in circulation, dues to banks, dues to government and debt securities issued increased by Nu.1.62 billion over the previous year. This was mainly because of increase in the volume of RMA Bills issued during the year and currency in circulation which grew from Nu.3.34 billion to Nu.4.19 billion as at June 30, 2008. However, commercial banks' deposits with the RMA declined by Nu.1.29 billion during the same period.

The total local currency non-financial liabilities consisting of MoF revaluation reserve, gratuity fund, interest accrued but not due and other miscellaneous liabilities showed a marginal growth during the year.

Capital and Reserves consists of Paid-up Capital, General Reserve, Revaluation Reserve, Retained Earnings, Special Reserves (return on deposit of Kuwait Central Bank) and other reserves. As compared to last financial year, due to rapid depreciation of the Ngultrum vis-à-vis major convertible currencies, the Revaluation Reserve account of the RMA recorded a credit balance of Nu. 1.63 billion. Out of which, as required under Section 12 of the RMA Act, Nu.1.16 billion was applied first to the redemption of the promissory note issued by the MoF in the previous year to correct the debit balance in the revaluation reserve account and one-fifth of the remaining balance amounting to Nu.166.86 million was transferred to the MoF's revaluation reserve account with the RMA.

Furthermore, out of the net interest earned from Kuwait deposit, the RMA transferred Nu.80.81 million to the Special Reserves (return on deposit of Kuwait Central Bank) for the financial year 2007/08 to be transferred to the government as and when required.

Income and Expenditure Statement.

This year, RMA made a surplus of Nu.656.75 million payable as compared to Nu.791.45 million last year. Out of this, Nu.80.81 million has been retained as Reserve for Special Reserves (return on deposit of Kuwait Central Bank) payable as and when required by the MoF. The remaining surplus of Nu.575.94 million was paid to the MoF.

The slight decrease in the surplus (less than 18%) was mainly due to increase in the interest expenses (more than 130%) particularly on monetary policy tools such as RMA Bills and other deposits per se Central Bank of Kuwait's deposit (USD 60 million) and Asian Reinsurance Corporation coupled with substantial reduction in interest rates globally.

However, interest expenses on CRR decreased by Nu. 39.18 million as of June 30, 2008 due to discontinuation of interest payment on CRR effective September 2007.

Operating expenses also recorded a growth of 5.91 percent to Nu.106.92 million from Nu.100.95 million in the previous year. The increase in the operating expense during the year was mainly due to increase in the establishment expenses.

RECENT ACTIVITIES

The role and functions of the RMA have been evolving, from playing a limited role in the beginning, when it was first set up, to more or less assuming the complete role of a central bank. In light of these developments, as well as the changes that have been taking place in central bank thinking and central bank experiences the world over, the RMA has undertaken the following initiatives for the development of the financial sector.

- **Prudential Regulations 2002-Amendment**

The section 7.4(a), Section 10.8, Section 9.4.1, Section 9.4.2 and Section 7.2 of the Prudential Regulation 2002 has been amended.

- **Status of Integrated Central Banking System (ICBS)**

The project was officially launched on 3rd March 2005 and it consists of eleven modules, of which nine modules have commenced into live operation and the last two modules-FISD modules and RSD modules are still in the warranty phase.

- **Establishment of Credit Information Bureau in Bhutan**

The current system of sharing credit information among the financial institutions in exchanging loan clearance certificate is found lengthy and time consuming process. In order to make the credit available at any point of time, the RMA and the financial institutions decided to set up a CIB in Bhutan for accurate and timely dissemination of credit information. The credit information report generated by the CIB is very important to the FIs, as they can offer accurate depiction of the prospective borrowers total credit liability and financial standing prior to making a good credit decision. With a bureau in place, responsible customers can expect faster and more competitive services at better terms from the credit grantors. It also eases adverse selection by identifying characteristics and payment behavior of the potential customers. A credit bureau does not approve or reject credit applications. It only reports the information as it is to the customers.

CIB will facilitate credit grantors to achieve higher profitability through more informed credit decisions, reduce their NPLs and strengthen the credit market. It will also assist individuals and companies across the kingdom in obtaining easier and faster access to credit.

In order to ensure that CIB develops in smooth and efficient manner, development of the project has been designed into three phases:

1. CIB to be setup as a division of RMA;
2. Drafting of Bhutan Credit Bureau Bill;
3. CIB operates as a separate entity.

The development of credit bureau software has been awarded to Dun & Bradstreet, a multinational company catering towards the establishment of credit bureau globally. The project kicked off on 16th July 2007 and is expected to complete the project on May 2009. Mr. Jim Aziz, CIB Specialist from Baja Group (international) and Mr. Ritu Raj Chhetri (national), consultants have completed drafting of the CIB Regulation on the Functioning of Credit Information Bureau of Bhutan.

In the infrastructure front, five vendors had submitted the Proposal for supply and installation of Technology and Physical infrastructure for CIB. The Procurement Committee had discussed in detail the proposal submitted by the vendors. The CIB IT and the Dun & Bradstreet officials have completed evaluating the technical proposal. A technical evaluation report was sent to ADB for endorsement. The financial proposal will be opened only after the endorsement of the technical evaluation report by the ADB.

- **Strengthening Financial Sector Development**

RMA is involved in financial sector development program under the ADB-TA, which consist of a Program Loan and a Project Loan, aimed at enhancing governance of the financial sector to improve efficiency of financial intermediation for supporting private sector development and thereby sustaining economic growth. On 7th December 2006, the Financial Sector Development Project (FSDP) with total fund of USD 13 million was approved and became effective on 4th June 2007.

Inline with the objective of promoting the development of the financial sector in the country, the RMA has completed the assessment on the licensing proposal and the RMA granted approval in principle to two new banks and one insurance company.

- **IMF Staff Visit**

IMF Staff visited Bhutan from 25-30 July, 2008. The main objective of this mission was to discuss the performance and outlook of the macro economy, macroeconomic policy, financial sector, aid, and power sector. The mission met with relevant government agencies and a brief staff report outlining their findings and policy recommendations in key selected areas were presented.

- **IMF TA for Internal Audit**

The IMF Technical Assistance for the Internal Audit continued during the year with the consultant's visit reviewing the auditing practice being implemented in line with Risk Based Auditing and delivering further training to the newly appointed officers in the division. The Annual Audit plan was also reviewed, discussed and necessary alteration made, further a sensitization program on "Risk Based Auditing" was also conducted for all the Internal Auditors of the Financial Institutions in Bhutan including representatives from the Anti Corruption Commission, Royal Audit Authority and Ministry of Finance. The audit manual draft was reviewed and approved for implementation. Currently, the audit committee process and audit committee charter is being drafted.

- **Establishment of Authorized Money Changers**

In the past due to the lack of infrastructure in place, RMA was not able to implement the rules and regulations as specified in the Foreign Exchange Regulation, 1997, ***“every establishment carrying out money changing business must have a valid license issued by the RMA”***. Thus with the increasing number of tourist graded hotels, handicraft shops and increased informal foreign exchange activities, RMA felt the need of establishing and to introduce the stand alone counter at the commercial areas. With the objective of curbing the parallel market, to provide better exchange services to the clients and to have proper reporting on foreign currency inflow, the Authorized Money Changer was introduced.

- **Issue of Nu.1000 and Nu.50 denomination:**

To commemorate the Coronation in 2008, RMA initiated and facilitated printing 10 million pieces each of new Ngultrum notes of Nu.1000 and Nu.50 denominations bearing the portrait of his Majesty, the 5th Druk Gyalpo. In addition, RMA also brought out 1000 pieces of gold commemorative and 5000 pieces of silver commemorative coins with the portrait of His Majesty, the 5th king.

The Note Refund Rules (1986) was amended with the assistance from the RBI to render it more service-oriented similar to that of the practices adopted by RBI and also to facilitate incorporation of certain basic changes in the accounting procedures in respect of notes in circulation as was recommended by the external auditors.

III. STATISTICAL SECTION

TABLE 1. GROSS DOMESTIC PRODUCT BY KIND OF ACTIVITY AT CURRENT PRICES

Sector	Year										Share of GDP in 2007(%)	
	2000	2001	2002	2003	2004	2005	2006	2007				
Millions of Ngultrum												
1. Agriculture, livestock, and forestry	5569	6037	6884	7292	7864	8256	8858.9	9577.8				18.6
1.1 Agriculture proper	2516	2682	3000	3192	3481	3685	3927.9	4384.4				8.5
1.2 Livestock	1747	1930	2007	2163	2331	2557	2730.4	3010.5				5.8
1.3 Forestry and logging	1305	1425	1877	1938	2052	2014	2200.6	2182.9				4.2
2. Mining and quarrying	315	422	457	581	440	550	877.8	889.8				1.7
3. Manufacturing	1627	1855	1945	2127	2361	2564	2812.9	3283.0				6.4
4. Electricity and water	2255	2279	2658	3352	3085	3635	5063.9	12079.1				23.4
5. Construction	2761	3818	4711	5022	5741	6219	6019.7	6936.8				13.5
6. Wholesale and retail trade	882	1045	1283	1447	1726	2089	2374.2	2648.1				5.1
7. Hotel and restaurant	88	113	120	135	169	212	301.0	366.8				0.7
8. Transport, storage, and communication	1800	2083	2452	2626	3295	3891	4095.1	4649.0				9.0
9. Financing, insurance & real estate	1413	1554	1581	1949	2280	2873	3372.4	3884.4				7.5
9.1. Finance & Insurance	782	908	865	1027	1279	1765	2194.2	2540.4				4.9
9.2. Real estate & dwellings	631	645	716	922	1001	1109	1178.2	1344.0				2.6
10. Community, social services	2814	3037	3342	3664	3823	4472	4895.0	5311.8				10.3
10.1. Public Administration	2050	2262	2556	2778	2867	3463	3658.1	3875.4				7.5
10.2. Education and health	764	775	786	886	956	1009	1236.9	1436.4				2.8
11. Private social, personal & recreational services	96	101	111	124	144	172	212.6	241.9				0.5
12. Plus: taxes net of subsidies	491	551	878	1068	1393	1532	1564.6	1653.0				3.2
Gross Domestic Product	20111.7	22895.0	26422.2	29385.6	32320.0	36462.6	40448.1	51521.5				100.0
GDP Growth rate (%)	9.7	13.8	15.4	11.2	10.0	12.8	10.9	27.4				

Source: National Accounts Statistics, 2008, National Statistics Bureau.
Discrepancies in the figures are due to rounding

TABLE 2. GROSS DOMESTIC PRODUCT BY KIND OF ACTIVITY IN 2000 PRICES

Sector	Year										Growth from 2006 to 2007(%)	
	2000	2001	2002	2003	2004	2005	2006	2007				
Millions of Ngultrum												
1. Agriculture, livestock, and forestry	5568.5	5849.2	6009.3	6138.4	6250.1	6273.8	6395.9	6421.7	6421.7	6395.9	6421.7	0.4
1.1 Agriculture proper	2516.0	2616.9	2689.4	2765.6	2808.2	2860.9	2898.1	2948.5	2948.5	2898.1	2948.5	1.7
1.2 Livestock	1747.4	1887.7	1919.1	1926.5	1933.1	1976.4	1994.2	2013.3	2013.3	1994.2	2013.3	1.0
1.3 Forestry and logging	1305.1	1344.6	1400.8	1446.3	1508.8	1436.5	1503.6	1459.9	1459.9	1503.6	1459.9	-2.9
2. Mining and quarrying	314.9	370.4	406.8	402.4	381.3	446.6	531.5	654.5	654.5	531.5	654.5	23.1
3. Manufacturing	1627.3	1655.9	1732.8	1844.1	1943.8	2011.0	2088.0	2209.9	2209.9	2088.0	2209.9	5.8
4. Electricity & water	2255.3	2184.6	2560.7	3030.3	2980.2	3260.5	4387.7	9686.0	9686.0	4387.7	9686.0	120.8
5. Construction	2761.4	3460.9	4328.7	4448.7	4819.8	4701.2	4247.5	4490.3	4490.3	4247.5	4490.3	5.7
6. Wholesale and retail trade	882.1	1028.7	1233.8	1378.0	1633.1	1878.1	1948.2	2094.4	2094.4	1948.2	2094.4	7.5
7. Hotels and restaurants	88.1	111.5	115.1	128.8	157.0	186.0	246.1	262.7	262.7	246.1	262.7	6.7
8. Transport, storage, and communication	1799.7	1843.7	2000.3	2007.4	2447.9	2660.6	2856.5	3178.6	3178.6	2856.5	3178.6	11.3
9. Financing, insurance & real estate	1413.0	1492.8	1449.7	1770.9	1991.1	2507.8	2905.5	3057.4	3057.4	2905.5	3057.4	5.2
9.1. Finance & Insurance	781.9	895.6	900.8	1080.1	1291.7	1800.1	2185.8	2284.6	2284.6	2185.8	2284.6	4.5
9.2. Real estate & dwellings	631.1	597.2	548.9	690.8	699.4	707.7	719.7	772.8	772.8	719.7	772.8	7.4
10. Community, social services	2813.9	2847.4	3050.7	3287.8	3307.9	3743.4	3907.7	4033.7	4033.7	3907.7	4033.7	3.2
10.1. Public Administration	2049.7	2187.7	2412.1	2567.8	2533.6	2905.6	2919.4	2943.7	2943.7	2919.4	2943.7	0.8
10.2. Education and health	764.2	659.7	638.6	720.0	774.3	837.8	988.3	1090.0	1090.0	988.3	1090.0	10.3
11. Private social, personal & recreational services	96.2	98.6	103.3	114.2	126.8	144.3	166.5	178.0	178.0	166.5	178.0	6.9
12. Plus taxes on products less subsidies	491.4	532.5	828.6	987.1	1230.7	1229.7	1200.6	1217.3	1217.3	1200.6	1217.3	1.4
Gross Domestic Product	20111.8	21476.2	23819.8	25538.1	27269.7	29043.0	30881.7	37484.5	37484.5	30881.7	37484.5	21.4
GDP Growth rate (%)	7.2	6.8	10.9	7.2	6.8	6.5	6.3	21.4	21.4	6.3	21.4	

Source: National Accounts Statistics, 2008, National Statistics Bureau.

Discrepancies in the figures are due to rounding

TABLE 3. SALES OF MAJOR INDUSTRIES

Industry	Period										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
										I	II
Millions of Ngultrum (1) Army Welfare Project Exports to India Exports to COTI Sales within Bhutan	234.9	255.0	283.8	255.0	190.4	233.8	240.0	279.4	315.1	84.14	64.95
	64.6	55.7	74.0	66.3	28.8	20.8	13.7	25.8	37.9	5.2	6.59
	-	-	-	-	-	-	-	-	-	-	-
	170.3	199.3	209.8	188.6	161.6	213.1	226.3	253.6	277.2	78.94	58.36
(2) Bhutan Board Products Limited Exports to India Exports to COTI Sales within Bhutan	257.1	228.6	294.1	288.8	491.5	546.2	394.6	381.7	-	-	-
	247.6	213.9	255.8	80.3	-	418.7	332.7	297.3	-	-	-
	-	-	-	-	-	-	1.1	-	-	-	-
	9.5	14.7	38.3	5.8	-	26.2	60.9	84.4	-	-	-
(3) Bhutan Carbide & Chemicals Ltd. Exports to India Exports to COTI Sales within Bhutan	569.3	474.6	675.9	707.5	703.4	731.6	760.2	765.3	1405.7	452.67	522.94
	546.8	448.0	509.4	704.7	687.0	714.7	712.8	759.5	1392.5	438.67	497.12
	-	-	-	-	-	-	-	-	-	-	-
	22.6	26.6	166.4	2.8	16.4	16.9	47.4	5.8	13.2	14	25.83
(4) Bhutan Fruit Products Limited Exports to India Exports to COTI Sales within Bhutan	124.9	108.8	111.6	133.9	122.4	174.1	69.4	134.7	148.5	36.53	419.71
	104.9	89.2	87.0	107.9	98.9	145.0	54.9	108.3	120.6	33.07	300.93
	7.8	7.4	6.9	4.2	4.9	8.5	2.8	4.0	3.2	0.82	-
	12.2	12.3	17.7	21.8	18.6	20.5	11.7	22.3	24.7	2.64	118.79
(5) Bhutan Polythene Company Exports to India Exports to COTI (*) Sales within Bhutan	26.7	21.8	46.9	46.7	28.8	59.2	56.5	66.7	79.9	13.16	17.76
	1.0	8.6	11.5	11.5	10.1	5.3	0.7	9.9	3.71	0.21	0.39
	9.1	-	-	-	-	-	-	-	-	-	-
	16.7	13.2	35.3	25.9	18.6	53.8	56.4	56.8	76.2	12.96	17.37
(6) Penden Cement Authority Ltd. Exports to India Exports to COTI Sales within Bhutan	684.5	696.7	763.9	814.3	896.1	851.8	807.0	1,352.3	1663.6	342.65	419.71
	433.7	236.0	316.5	258.1	254.7	265.1	278.5	781.5	840.4	234.71	300.93
	-	-	-	-	-	-	-	-	-	-	-
	250.8	460.7	447.4	556.1	641.4	586.7	528.5	570.7	586.0	107.94	118.79

TABLE 3. SALES OF MAJOR INDUSTRIES, CONTINUED

Industry	Millions of Ngultrum										2008	
	1999	2000	2001	2002	2003	2004	2005	2006	2007			
										I	II	
(7) Bhutan Ferro Alloys Limited	534.7	428.4	579.0	643.2	658.1	748.3	651.2	678.3	1886.4	415.9	469.43	
Exports to India	534.7	428.4	579.0	643.2	658.1	712.9	643.0	668.3	1825.4	404.7	463.62	
Exports to COTI	-	-	-	-	-	24.2	5.0	15.0	57.7	10.5	5.09	
Sales within Bhutan	-	-	-	-	-	11.2	3.3	5.0	3.4	0.7	0.72	
(8) Bhutan Agro Industries Limited	21.4	19.7	27.9	27.7	26.1	34.9	34.6	45.2	50.5	10.03	16.48	
Exports to India	14.5	8.9	13.3	8.2	6.9	11.5	7.6	10.9	8.4	1.72	1.85	
Exports to COTI	1.7	2.4	1.8	0.7	0.7	2.8	0.5	0.2	0.5	0.1	-	
Sales within Bhutan	5.1	8.4	12.7	18.8	18.5	20.6	26.6	34.0	41.6	8.2	14.63	
(9) S.D. Eastern Bhutan Coal Company	97.1	126.5	141.0	133.4	110.7	26.0	180.0	203.0	222.5	100.5	32.17	
Exports to India	41.4	10.5	8.3	22.1	18.5	8.5	38.7	76.0	105.0	42.54	24.41	
Exports to COTI	26.7	47.2	50.5	29.7	14.5	-	47.2	39.8	33.7	8.0	10.48	
Sales within Bhutan	29.0	68.8	82.2	81.7	77.6	17.6	94.1	87.2	83.7	49.95	57.28	
(10) Druk Satair Corporation Limited	77.4	94.0	98.3	106.0	118.4	140.4	172.9	258.4	242.6	69.21	98.41	
Exports to India	62.3	79.7	74.6	83.9	94.7	112.3	130.5	223.9	194.6	55.23	83.42	
Exports to COTI	1.6	7.3	8.9	2.1	2.6	2.1	8.2	6.1	12.1	3.36	3.11	
Sales within Bhutan	13.5	6.9	14.9	20.0	21.1	26.0	34.2	28.4	35.9	10.63	11.89	
(11) Druk Plaster & Chemicals Limited	-	-	-	-	-	31.3	40.5	49.2	44.5	5.88	11.35	
Exports to India	-	-	-	-	-	31.3	40.2	49.0	43.5	5.68	10.81	
Exports to COTI	-	-	-	-	-	-	0.1	-	0.5	0.12	0.36	
Sales within Bhutan	-	-	-	-	-	-	0.2	0.2	0.5	0.08	0.18	
TOTAL	2,627.9	2,446.5	3,022.4	2,944.4	2,854.2	3,476.3	3,407.4	4,214.0	6,059.2	1,530.66	2,132.92	
Exports to India	2,051.4	1,578.9	1,929.4	1,986.2	1,857.7	2,446.0	2,253.1	3,000.6	4,572.0	1,221.75	1,690.05	
Exports to Countries other than India	46.8	65.6	68.1	36.7	22.7	37.7	64.8	65.1	344.8	22.88	19.04	
Sales within Bhutan	529.7	801.9	1,024.9	921.4	973.8	992.6	1,089.6	1,148.3	1,142.4	286.03	423.83	

Source : Respective Industry. - data not available (1) Alcoholic beverages (2) Particle boards (3) Calcium carbide (4) Processed vegetables and fruits (5) High Density Polythene (HDPE) Pipes (*) Deemed export (6) Cement (7) Ferro Silicon (8) Processed vegetables and fruits (9) Coal (10) Gypsum dust & gypsum boulders. Note: Data for several industries are currently unavailable as of June 2007.

TABLE 4. SALES OF MAJOR POWER PROJECTS

Period	Total Sales				Domestic Sales (1)				Exports (2)					
	Total	Basochu	Chukha	Kurichhu	Tala	Total	Basochu	Chukha	Kurichhu	Tala	Total	Chukha	Kurichhu	Tala
	Millions of Ngultrum													
2000	2,307.4	-	2,307.4	-	-	117.8	-	117.8	-	-	2,189.6	-	-	
2001	2,237.9	-	2,175.1	62.8	-	140.5	-	140.2	0.3	-	2,097.4	62.5	-	
2002	2,594.1	91.1	2,132.6	370.5	-	246.8	91.1	149.5	6.2	-	2,347.4	1,983.1	364.3	
2003	2,875.0	107.3	2,337.3	430.4	-	271.4	107.3	151.3	12.8	-	2,603.5	2,186.0	417.5	
2004	3,077.4	192.2	2,361.8	523.5	-	365.7	192.2	158.4	15.1	-	2,711.7	2,203.3	508.4	
2005	3,780.5	325.4	2,908.2	546.9	-	586.5	325.4	243.1	18.0	-	3,194.0	2,665.0	529.0	
2006	5,581.8	388.7	3,592.9	537.5	1,062.6	603.0	388.7	133.4	19.6	61.3	4,978.8	3,459.5	518.0	
2007	1,489.4	47.3	546.2	59.6	836.2	81.5	47.3	4.0	14.0	16.1	558.1	206.9	33.5	
Jul	1,811.5	57.1	594.4	64.2	1,095.9	89.3	57.1	3.9	12.5	15.9	662.2	257.9	35.8	
Aug	1,769.4	55.9	580.5	60.6	1,072.4	88.0	55.9	3.9	12.6	15.6	917.2	369.0	45.4	
Sep	1,337.0	48.4	473.4	63.0	752.2	81.8	48.4	4.4	13.2	15.7	1,255.2	469.0	49.7	
Oct	656.2	30.8	239.6	37.3	348.4	65.4	30.8	5.5	13.0	16.0	590.8	234.1	24.3	
Nov	415.3	22.6	155.0	23.4	214.4	61.4	22.6	6.7	15.2	16.9	353.9	148.3	8.2	
Dec	288.5	18.0	104.6	16.3	149.5	55.1	18.0	7.4	13.5	16.2	233.3	97.2	2.8	
2008	216.4	14.4	78.2	13.2	110.6	46.8	14.4	6.7	10.2	15.5	169.6	71.5	3.0	
Jan	276.6	14.9	93.7	21.7	146.3	50.6	14.9	6.1	14.9	14.7	225.9	87.5	6.8	
Feb	488.2	14.1	161.2	37.3	275.7	47.4	14.1	5.1	13.1	15.1	440.7	156.1	24.1	
Mar	609.2	16.0	206.9	58.9	327.4	54.3	16.0	5.2	16.7	16.4	554.9	201.7	42.2	
Apr	1,572.0	48.1	521.0	62.3	940.7	84.9	48.1	5.3	16.2	15.2	1,487.1	515.7	46.0	
May														
Jun														
Percentage change on the previous year														
2004	7.0	79.0	1.0	21.6	-	34.7	79.0	4.7	17.6	-	4.2	0.8	21.8	-
2005	22.8	69.3	23.1	4.5	-	60.4	69.3	53.5	19.2	-	17.8	21.0	4.0	-
2006	47.6	19.4	23.5	(1.7)	-	2.8	19.4	(45.1)	8.9	-	55.9	29.8	(2.1)	-
2007	128.6	(16.1)	3.5	(11.9)	-	9.3	(16.1)	(75.1)	561.4	-	144.0	6.0	(30.4)	-
Jul	121.6	9.1	1.2	(3.0)	881.5	27.7	9.1	18.2	474.0	-	130.4	1.1	(19.2)	986.0
Aug	124.0	1.6	(0.4)	(0.2)	1,073.6	22.4	1.6	2.7	525.0	-	134.2	(0.4)	(18.3)	1,217.1
Sep	57.7	3.3	(2.2)	2.0	194.9	24.9	3.3	(5.4)	552.1	-	60.4	(2.2)	(16.7)	202.8
Oct	(3.7)	3.9	(6.8)	3.4	(2.9)	33.1	3.9	(9.3)	774.6	-	(6.6)	(6.7)	(29.7)	(4.2)
Nov	(11.1)	3.4	(10.0)	(15.0)	(12.8)	40.7	3.4	7.0	1,003.9	-	(16.5)	(10.7)	(68.8)	(14.7)
2008	(16.9)	7.4	(12.7)	(20.4)	(21.2)	(18.2)	7.4	13.7	981.5	(62.2)	(16.5)	(14.2)	(85.4)	(9.3)
Jan	(29.0)	(6.5)	(25.4)	(26.4)	(33.7)	(28.6)	(6.5)	17.1	135.8	(61.3)	(29.2)	(27.9)	(78.1)	(24.9)
Feb	(38.9)	(15.3)	(36.9)	(12.7)	(44.2)	(41.4)	(15.3)	(2.3)	91.3	(73.2)	(38.3)	(34.4)	(60.3)	(36.5)
Mar	(22.6)	(7.4)	(23.7)	(10.1)	(24.0)	(34.6)	(7.4)	17.2	66.0	(66.4)	(21.0)	(24.6)	(28.1)	(18.0)
Apr	(18.7)	11.7	(21.0)	15.2	(22.4)	(37.4)	11.7	36.0	8.9	(69.2)	(16.2)	(21.8)	17.9	(15.6)
May	52.4	52.7	39.8	5.0	65.7	(25.5)	52.7	41.2	16.7	(76.5)	62.1	39.8	1.4	84.0
Jun														

Source: BHPCL, CHPCL, KHPCL, THPA. (1) Domestic sales from CHPCL and KHPCL are to the Bhuutan Power Corporation (BPC) at Nu.0.3 per unit. From Feb. 2007, KHPCL also started sale to industrial consumers at Nu.1.20 per unit; Domestic sales of KHPCL are exclusive of demand charges. Tala sales to BPC are at Nu.0.3 per unit for 15% of energy sold while the remaining 85% is sold at Nu.1.2 per unit. Effective from July 2005, CHPCL is the sole purchaser of energy from Basochu at Nu.1.2 per unit. (2) Export sales are to India; Tariff for export of power from CHPCL has been revised from Nu.1.50 to Nu.2.00 per unit, with effect from January 1, 2005; KHPCL exports power at Nu.1.75 per unit; Tala exports power at Nu.1.8 per unit. (Note: Export sales for the CHPCL and THPA reflected here are net of any payments for import of power from India in each month.)

TABLE 5. TOURIST ARRIVALS AND REVENUES (*)

Period	2003		2004		2005		2006		2007		2008	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
Q1	944	1.0	1278	1.5	3131	3.7	2325	2.9	3794	5.2	5363	7.1
Jan	192	0.2	89	0.1	334	0.2	412	0.4	441	0.5	532	0.6
Feb	98	0.1	358	0.4	631	0.6	532	0.5	814	1.0	1311	1.5
Mar	654	0.8	831	1.1	2166	2.9	1381	2.0	2539	3.7	3520	5.1
Q2	1788	2.4	2065	2.9	2489	3.5	4765	6.6	4291	6.1	5904	7.9
Apr	1215	1.8	1304	2.0	1474	2.2	3344	4.7	2666	4.1	3173	4.4
May	397	0.5	448	0.6	700	0.9	999	1.4	1045	1.4	1862	2.4
Jun	176	0.2	313	0.3	315	0.4	422	0.4	580	0.7	869	1.1
Q3	922	1.2	2000	2.5	2538	3.2	3537	4.6	4673	5.8		
July	112	0.1	276	0.3	274	0.3	454	0.5	588	0.5		
Aug	198	0.2	476	0.4	576	0.6	896	0.8	1133	1.0		
Sep	612	0.9	1248	1.9	1688	2.3	2187	3.3	2952	4.3		
Q4	2607	3.7	3906	5.6	5468	8.2	6715	9.9	8336	12.7		
Oct	1456	2.2	2263	3.6	3412	5.6	3777	6.1	4512	7.3		
Nov	862	1.1	1198	1.5	1443	1.9	2084	2.9	2733	4.0		
Dec	289	0.3	445	0.5	613	0.6	854	0.8	1091	1.4		
Total	6261	8.3	9249	12.5	13626	18.5	17342	23.9	21094	29.9	11267	21.4

Source : Department of Tourism. (*) Convertible currency paying tourists. Revenue: Gross revenues inclusive of tour operators' revenue and government tax.

TABLE 6. MONETARY SURVEY

Millions of Ngultrum

End of Period	Assets									
	Total	Foreign Assets(Net)			Domestic Credit					
		Total	Rupee	Converti-ble Foreign Currency	Total	Claims on Govt. (Net) **	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on NMFIs
1998	11250.9	10840.4	2540.3	8300.1	410.5	-1479.4	411.4	174.0	1301.4	3.0
1999	12665.8	12895.6	3306.9	9588.8	-229.9	-2097.7	372.1	140.2	1352.5	3.0
2000	15661.0	15073.7	3711.2	11362.48	587.3	-1499.35	332.64	126.68	1624.33	3.0
2001	16312.7	14823.3	3405.08	11418.22	1489.4	-1255.66	315.18	117.4	2308.74	3.73
2002	20252.7	17303.7	4567.02	12736.71	2949.0	-455.91	251.97	117.77	3031.47	3.7
2003*)	20165.5	16802.8	3575.9	13227.0	3362.6	-2035.0	1102.6	227.1	3711.7	356.2
2004	23045.3	17327.3	5446.6	11880.8	5718.0	-936.3	1308.8	135.8	4963.4	246.3
2005	26772.2	21369.0	4779.5	16589.5	5403.1	-2715.3	1228.3	109.3	6461.6	319.2
2006	33537.5	24425.4	3786.0	20639.4	9112.1	-1495.7	1268.8	142.8	8658.3	537.9
2007										
Jan	37010.1	26688.1	3278.8	23409.3	10322.0	-393.8	1233.7	407.9	8540.1	534.1
Feb	35840.9	26826.7	2997.9	23828.8	9014.2	-1900.9	1234.3	402.5	8744.1	534.1
Mar	35287.0	25738.0	1686.4	24051.5	9549.0	-1541.7	1261.4	171.1	9117.1	541.1
Apr	33770.8	24020.4	1143.2	22877.2	9750.4	-1872.1	1236.1	453.2	9199.1	734.1
May	34822.9	24374.7	1047.7	23327.0	10448.2	-1400.8	1236.7	364.6	9513.6	734.1
Jun	34944.6	24881.3	794.7	24086.6	10063.3	-2009.6	1242.9	227.5	9884.2	718.3
Jul	35079.9	23877.5	-361.0	24238.5	11202.4	-1101.9	1188.1	492.0	9911.7	712.5
Aug	35153.8	24298.4	404.1	23894.3	10855.4	-1739.3	1168.7	473.2	10240.3	712.5
Sep	36573.6	25010.0	1447.8	23562.2	11563.6	-1245.2	1213.9	241.2	10785.7	568.0
Oct	36996.9	25680.1	2210.8	23469.3	11316.7	-1773.0	1170.1	109.1	11248.8	561.7
Nov	38850.1	27682.6	3663.9	24018.7	11167.5	-2155.9	1191.0	421.8	11142.6	568.0
Dec	38602.5	27888.3	4024.7	23863.6	10714.2	-2955.0	1188.8	383.4	11528.9	568.0
2008										
Jan	36524.7	25222.8	1273.2	23949.6	11301.9	-2563.7	1151.8	342.5	11809.5	561.7
Feb	29650.7	24049.3	635.2	23414.0	5601.4	-2692.6	609.4	7.6	7673.3	3.7
Mar	38793.9	25720.7	746.0	24974.7	13073.3	-1784.5	1181.5	285.1	12624.8	766.4
Apr	38706.2	25227.0	25.0	25202.0	13479.2	-1731.0	1204.2	414.3	13029.9	561.7
May	40352.3	26455.7	-353.2	26809.0	13896.5	-1434.7	1154.0	361.3	13254.3	561.7
Jun	39727.7	26365.6	-834.5	27200.1	13362.1	-2264.5	1168.3	78.3	13812.1	567.9

Note: Since September 2001 there has been a reclassification in the Rupee and Convertible Foreign Currency Assets.

** Since central government deposits are already reflected in the RMA's balance sheet, government deposits as reported by BOBL and BNBL has been reclassified starting from June 2006 onwards.

TABLE 6. CONTINUED
Monetary Survey

Millions of Ngultrum

End of Period	Liabilities								
	Total	Broad Money(M2)						Money Market Instrument (RMA Bill)	Other Items (Net)
		Total	Money(M1, Narrow Money)				Quasi-Money		
			Total	Currency Outside Banks	Demand Deposits	NMFI Deposits			
1998	11250.9	6578.3	2792.0	768.8	1860.4	162.8	3786.3	134.1	4538.5
1999	12665.8	8643.4	3902.7	969.2	2754.9	178.6	4740.7	26.2	3996.18
2000	15661.0	10035.4	4039.0	1269.6	2669.5	100.0	5996.3	115.3	5510.37
2001	16312.7	10802.1	4934.5	1609.9	3238.2	86.4	5867.6	5.2	5505.5
2002	20252.8	13875.7	7143.4	1648.3	5322.8	172.3	6732.3	11.1	6366.0
2003*)	20165.5	13846.0	6769.8	1802.3	4967.5	0.0	7076.1	0.0	6319.5
2004	23045.3	16599.5	8053.7	2070.7	5983.1	0.0	8545.7	1.8	6444.1
2005	26772.2	18569.2	8969.7	2404.4	6565.2	0.0	9599.5	0.9	8202.1
2006	33537.5	24671.8	12553.4	2762.5	9790.9	0.0	12118.4	33.9	8831.8
2007									
Jan	37010.1	24967.9	11945.1	2782.1	9163.0	0.0	13022.8	0.0	12042.1
Feb	35840.9	24515.5	11401.7	2770.4	8631.2	0.0	13113.8	33.9	11291.6
Mar	35287.0	24918.5	12303.4	2812.5	9490.9	0.0	12615.1	33.9	10334.6
Apr	33770.8	24983.7	12464.8	2770.0	9694.7	0.0	12518.9	67.8	8719.3
May	34822.9	25391.4	13777.0	3117.0	10660.0	0.0	11614.4	33.9	9397.6
Jun	34944.9	25208.7	13542.3	3166.0	10376.3	0.0	11666.4	78.8	9657.3
Jul	35079.9	25692.5	13515.1	2816.1	10699.0	0.0	12177.4	44.9	9342.5
Aug	35153.8	26143.6	14302.5	2892.7	11409.8	0.0	11841.1	44.9	8965.3
Sep	36573.6	27495.7	16350.7	2991.1	13359.6	0.0	11145.0	1003.5	8074.4
Oct	36996.9	28922.0	17673.3	3048.6	14624.8	0.0	11248.7	1108.4	6966.4
Nov	38850.1	29522.6	18312.7	3187.2	15125.5	0.0	11209.9	1455.0	7872.5
Dec	38602.5	27670.1	17474.9	3229.1	14245.8	0.0	10195.1	1765.3	9167.1
2008									
Jan	36524.7	25727.3	15100.7	3690.3	11410.4	0.0	10626.7	1765.3	9032.0
Feb	29650.7	11571.2	6179.0	3831.1	2347.9	0.0	5392.1	1969.4	16110.1
Mar	38793.9	26835.4	15808.6	3492.7	12315.9	0.0	11026.8	2000.0	9958.6
Apr	38706.2	26696.2	15993.4	3314.6	12678.8	0.0	10702.8	1913.1	10096.9
May	40352.3	26830.0	16204.9	3372.9	12831.9	0.0	10625.2	1913.1	11609.2
Jun	39727.7	25780.7	14392.4	3640.8	10751.6	0.0	11388.3	1585.8	12361.2

*) Starting from January 2003 onwards, a major reclassifications has been carried out in the accounts of all the economic sectors. Data prior to 2003 cannot always be directly compared with subsequent data because of a break in continuity.

TABLE 7. ROYAL MONETARY AUTHORITY OF BHUTAN - MONEY AND BANKING STATISTICS

Millions of Ngultrum

End of Period	Assets								
	Total	Foreign Assets			Claims on Deposit Money Banks	Claims on Govt.	Claims on Private Sector	Claims on Non-Monetary Financial Institutions	Government Securities
		Total	Rupee	Convertible Foreign Currency					
1998	9218.6	8022.4	26.9	7995.5	1193.0	0.0	3.1	0.0	0.0
1999	10030.6	8840.5	82.3	8758.2	1187.5	0.0	2.6	0.0	0.0
2000	11253.8	10357.6	87.8	10269.8	892.7	0.0	3.5	0.0	0.0
2001	11011.2	10716.1	1215.5	9500.6	293.2	0.0	1.9	0.0	0.0
2002	12321.9	11998.7	913.4	11085.3	194.3	127.0	1.9	0.0	0.0
2003*)	12260.2	11899.0	987.3	10911.7	303.5	56.0	1.8	0.0	0.0
2004	13933.6	13000.5	2709.6	10290.9	895.4	37.0	0.7	0.0	0.0
2005	18220.4	17351.6	2539.7	14811.9	768.3	100.0	0.5	0.0	0.0
2006	18220.4	17351.6	2539.7	14811.9	768.3	100.0	0.5	0.0	0.0
2007									
Jan	22325.1	22267.4	1664.2	20603.2	47.5	0.0	10.3	0.0	0.0
Feb	22443.5	22400.2	1563.7	20836.4	32.7	0.0	10.6	0.0	0.0
Mar	22131.5	22048.4	1080.2	20968.2	72.2	0.0	10.9	0.0	0.0
Apr	19786.1	19753.9	144.9	19609.1	21.4	0.0	10.8	0.0	0.0
May	20159.1	20091.0	153.2	19937.8	56.4	0.0	11.7	0.0	0.0
June	22178.5	20987.9	136.3	20851.6	21.6	0.0	11.6	0.0	1157.5
July	22327.4	21132.9	98.4	21034.5	25.2	0.0	11.9	0.0	1157.5
Aug	22832.4	21471.3	116.9	21354.4	191.9	0.0	11.6	0.0	1157.5
Sep	22911.7	21434.4	93.5	21340.9	308.5	0.0	11.3	0.0	1157.5
Oct	23337.6	21907.1	614.6	21292.6	261.7	0.0	11.3	0.0	1157.5
Nov	25618.5	24120.7	2270.1	21850.6	329.0	0.0	11.3	0.0	1157.5
Dec	25986.2	24659.8	2554.0	22105.7	157.4	0.0	11.5	0.0	1157.5
2008									
Jan	23950.1	22653.5	223.5	22429.9	127.7	0.0	11.5	0.0	1157.5
Feb	24706.7	23456.2	384.4	23071.8	81.7	0.0	11.2	0.0	1157.5
Mar	25431.2	24014.1	120.0	23894.1	246.7	0.0	12.9	0.0	1157.5
Apr	25839.5	24328.8	126.8	24202.0	339.5	0.0	13.7	0.0	1157.5
May	27335.6	26061.9	112.2	25949.6	102.2	0.0	14.1	0.0	1157.5
Jun	26532.1	26371.0	191.4	26179.7	146.6	0.0	14.5	0.0	0.0

TABLE 7. CONTINUED
Royal Monetary Authority of Bhutan

Millions of Ngultrum

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				
1998	9218.6	3954.1	768.8	250.0	250.0	0.0	1207.3	560.0	150.1	3097.2
1999	10030.6	4972.5	969.2	0.0	0.0	0.0	1233.5	486.5	172.5	3165.6
2000	11253.9	6021.6	1269.6	0.0	0.0	0.0	918.2	410.0	220.6	3683.5
2001	11011.2	6160.7	1609.9	0.0	0.0	0.0	337.9	410.0	161.0	3941.7
2002	12321.9	6982.1	1652.1	0.0	0.0	0.0	141.3	1100.0	277.8	3820.7
2003*)	12260.2	8281.0	1802.3	0.0	0.0	0.0	462.0	0.0	174.3	3342.9
2004	13933.6	9222.6	2070.7	0.0	0.0	0.0	1087.6	200.0	205.8	3217.6
2005	18220.4	12732.9	2404.4	0.0	0.0	0.0	835.2	100.0	1058.2	3494.1
2006	18220.4	12732.9	2404.4	0.0	0.0	0.0	835.2	100.0	1058.2	3494.1
2007					0.0					
Jan	22325.1	14919.0	2782.1	0.0	0.0	0.0	393.8	0.0	1069.6	5942.7
Feb	22443.5	13262.0	2770.4	0.0	0.0	0.0	1900.9	100.0	1127.5	6053.1
Mar	22131.5	12853.4	2812.5	700.0	700.0	0.0	1541.7	100.0	1229.3	5707.2
Apr	19786.1	12158.5	2770.0	0.0	0.0	0.0	1872.1	200.0	1296.3	4259.2
May	20159.1	12886.9	3117.0	0.0	0.0	0.0	1400.8	100.0	1396.8	4374.6
Jun	22178.8	13319.6	3166.0	0.0	0.0	0.0	2009.6	200.0	1023.4	5626.2
Jul	22327.4	13542.1	2816.1	1000.0	1000.0	0.0	1101.9	100.0	1073.7	5509.7
Aug	22832.4	13701.1	3078.7	1300.0	1300.0	0.0	1739.3	100.0	1153.4	4838.6
Sep	22911.7	13050.2	3503.2	150.0	150.0	0.0	1245.2	2000.0	1148.6	5317.7
Oct	23337.6	13187.0	3048.6	0.0	0.0	0.0	1773.0	2000.0	1258.5	5119.1
Nov	25618.5	14895.4	3187.2	0.0	0.0	0.0	2155.9	2000.0	1322.4	5244.8
Dec	25986.2	14516.8	3229.1	0.0	0.0	0.0	2955.0	2000.0	1437.7	5076.7
2008										
Jan	23950.1	13183.0	3690.3	0.0	0.0	0.0	2563.7	2000.0	1156.7	5046.7
Feb	24706.6	13377.9	3831.1	0.0	0.0	0.0	2692.6	2000.0	1237.6	5398.5
Mar	25431.1	14166.6	3492.7	500.0	500.0	0.0	1784.4	2000.0	1318.2	5661.9
Apr	25839.5	14117.3	3314.6	1000.0	1000.0	0.0	1731.0	2000.0	1280.8	5710.4
May	27335.6	13867.0	3372.9	1400.0	1400.0	0.0	1434.7	2000.0	1351.4	7282.5
Jun	26532.1	12871.0	3640.8	1800.0	1800.0	0.0	2264.5	2000.0	1257.3	6339.4

*) Starting from January 2003 onwards, a major reclassifications has been carried out in the accounts of all the economic sectors. Data prior to 2003 cannot always be directly compared with the subsequent data, because of a break in continuity.

TABLE 8. DEPOSIT MONEY BANKS - MONEY AND BANKING STATISTICS

Millions of Ngultrum

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on NMFIs
			Total	Rupee	Others					
1998	7905.5	2900.8	3068.0	2763.4	304.6	50.0	411.4	174.0	1298.3	0.0
1999	9645.2	3674.9	4055.1	3224.6	830.6	50.0	372.1	140.2	1352.9	0.0
2000	11518.7	4669.5	4716.1	3623.4	1092.7	50.0	332.6	126.7	1623.8	0.0
2001	13112.9	4923.6	5080.6	3163.0	1917.6	370.0	315.2	117.4	2306.1	0.0
2002	16155.2	6473.4	5305.0	3653.6	1651.4	973.8	252.0	117.8	3033.3	0.0
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2003*)	16964.0	6342.4	4903.9	2588.6	2315.3	321.9	1102.6	227.1	3709.9	356.2
2004	19532.3	6608.1	4326.8	2737.0	1589.8	1943.8	1308.8	135.8	4962.7	246.3
2005	21879.2	9423.8	4017.4	2239.9	1777.5	320.0	1228.3	109.3	6461.2	319.2
2006	26484.0	9858.4	6027.7	3585.3	2442.4	0.0	1268.8	142.8	8648.4	537.9
2007										
Jan	25974.0	10847.8	4420.6	1614.5	2806.1	0.0	1233.7	407.9	8529.8	534.1
Feb	25903.5	10572.5	4426.5	1434.2	2992.4	0.0	1234.3	402.5	8733.5	534.1
Mar	25590.6	10121.1	4389.5	1306.2	3083.3	0.0	1261.4	171.1	9106.2	541.1
Apr	26905.5	11027.3	4266.5	998.3	3268.2	0.0	1236.1	453.2	9188.3	734.1
May	26162.8	10041.8	4283.7	894.5	3389.2	0.0	1236.7	364.6	9501.9	734.1
Jun	26508.0	10553.2	3893.4	658.4	3235.0	0.0	1242.9	227.5	9872.7	718.3
Jul	26915.6	10878.6	3744.6	540.6	3204.0	0.0	1188.1	492.0	9899.9	712.5
Aug	27524.0	10822.6	4118.2	1578.4	2539.9	0.0	1168.7	473.2	10228.7	712.5
Sep	27339.9	10816.9	3725.6	1504.3	2221.3	0.0	1213.9	241.2	10774.4	568.0
Oct	28571.4	11720.0	3773.0	1596.3	2176.8	0.0	1170.1	109.1	11237.5	561.7
Nov	29865.5	12991.6	3561.8	1393.8	2168.0	0.0	1191.0	421.8	11131.2	568.0
Dec	28621.0	11734.7	3228.6	1470.7	1757.9	0.0	1188.8	383.4	11517.5	568.0
2008										
Jan	26530.3	10106.9	2569.3	1049.6	1519.7	0.0	1151.8	342.5	11798.1	561.7
Feb	10700.1	1824.2	593.1	250.8	342.2	0.0	609.4	7.6	7662.1	3.7
Mar	28304.1	11252.6	2206.6	1126.0	1080.6	0.0	1181.5	285.1	12611.9	766.4
Apr	28417.9	11323.1	1898.2	898.2	1000.0	0.0	1204.2	414.3	13016.2	561.7
May	27834.1	10723.0	1793.9	934.6	859.3	0.0	1154.0	361.3	13240.2	561.7
Jun	27279.9	9873.2	1794.5	774.1	1020.4	0.0	1168.3	78.3	13797.6	567.9

*) Starting from January 2003 onwards, a major reclassification has been carried out in the accounts of all the economic sectors. Data prior to 2003 cannot always be directly compared with the subsequent data, because of a break in continuity.

TABLE 8. CONTINUED
Deposit Money Banks

Millions of Ngultrum

End of Period	Liabilities										
	Total	Demand Deposits (1)	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits**)	Credit from RMA	Capital Accounts	Other Items (Net)
					Total	Rupee*	Others				
1998	7905.5	1860.4	3598.4	187.9	0.0	0.0	0.0	322.2	0.0	568.4	1368.3
1999	9645.2	2754.9	4367.8	372.9	0.0	0.0	0.0	914.2	0.0	633.1	602.3
2000	11518.7	2669.5	5815.4	180.9	0.0	0.0	0.0	631.2	0.0	756.1	1465.7
2001	13112.9	3238.2	5628.3	239.3	973.4	973.4	0.0	1287.8	0.0	958.0	787.9
2002	16155.2	5322.8	6260.8	471.5	0.0	0.0	0.0	1415.4	0.0	1194.3	1490.4
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2003*)	16964.0	4967.5	6029.8	1046.3	0.0	0.0	0.0	1950.9	0.0	1637.7	1331.7
2004	19532.3	5983.1	7957.0	588.7	0.0	0.0	0.0	1829.5	0.0	1823.7	1350.4
2005	21879.2	6565.2	9096.7	502.8	0.0	0.0	0.0	2300.1	0.0	2029.4	1384.9
2006	26484.0	9790.9	11386.5	731.9	0.0	0.0	0.0	0.0	0.0	2272.7	2302.1
2007								0.0			
Jan	25974.0	9163.0	11756.1	1266.7	0.0	0.0	0.0	0.0	0.0	2285.3	1502.8
Feb	25903.5	8631.2	11931.4	1182.4	0.0	0.0	0.0	0.0	0.0	2277.8	1880.7
Mar	25590.6	9490.9	11441.6	1173.5	0.0	0.0	0.0	0.0	0.0	2269.8	1214.7
Apr	26905.5	9694.7	11292.3	1226.6	0.0	0.0	0.0	0.0	0.0	2258.8	2433.0
May	26162.8	10660.0	10287.6	1326.9	0.0	0.0	0.0	0.0	0.0	2265.1	1623.3
Jun	26508.0	10376.3	10193.9	1472.5	0.0	0.0	0.0	0.0	0.0	2344.7	2120.5
Jul	26915.6	10699.0	10741.0	1436.4	0.0	0.0	0.0	0.0	0.0	2366.6	1672.6
Aug	27524.0	11409.8	10791.6	1049.5	0.0	0.0	0.0	0.0	0.0	2393.6	1879.5
Sep	27339.9	13359.6	10131.5	1013.5	0.0	0.0	0.0	0.0	0.0	2469.8	365.5
Oct	28571.4	14624.8	10181.3	1067.4	0.0	0.0	0.0	0.0	0.0	2421.8	276.1
Nov	29865.5	15125.5	10266.2	943.7	0.0	0.0	0.0	0.0	0.0	2508.1	1021.9
Dec	28621.0	14245.8	9243.7	951.4	0.0	0.0	0.0	0.0	0.0	2581.1	1598.9
2008											
Jan	26530.3	11410.4	9690.0	936.7	0.0	0.0	0.0	0.0	0.0	2464.9	2028.4
Feb	10700.1	2347.9	4998.8	393.4	0.0	0.0	0.0	0.0	0.0	1127.7	1832.4
Mar	28304.1	12315.9	9940.8	1086.0	0.0	0.0	0.0	0.0	0.0	2615.7	2345.7
Apr	28417.9	12678.8	9657.0	1045.8	0.0	0.0	0.0	0.0	0.0	2621.2	2415.0
May	27834.1	12831.9	9668.2	957.0	0.0	0.0	0.0	0.0	0.0	2621.9	1755.1
Jun	27279.9	10751.6	10422.1	966.2	0.0	0.0	0.0	0.0	0.0	2703.8	2436.3

(1) Demand Deposits include Saving Deposits. (*) Between 1994-2000, Rupee Liabilities were consolidated under Other Liabilities. From

** Since central government deposits are already reflected in the RMA's balance sheet, government deposits as reported by BOBL and BNBL has been reclassified starting from June 2006 onwards.

TABLE 9. BANK OF BHUTAN LIMITED-MONEY AND BANKING STATISTICS

Millions of Ngultrum

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on NMFIs
			Total	Rupee	Others					
1998	6613.3	2672.1	2732.1	2549.8	182.3	50.0	411.4	166.6	581.2	0.0
1999	6909.0	3418.1	2395.9	1925.0	470.9	50.0	372.1	135.2	537.7	0.0
2000	7813.5	4134.0	2495.2	2070.5	424.6	50.0	332.6	121.7	680.0	0.0
2001	9137.7	4342.5	3027.0	2074.7	952.3	250.0	315.2	110.0	1093.0	0.0
2002	11300.5	4555.6	4189.8	3002.6	1187.2	853.8	252.0	110.2	1339.2	0.0
2003*)	11602.3	4900.7	3937.9	1978.8	1959.1	200.0	631.5	153.3	1530.9	248.0
2004	13013.2	5386.2	3552.9	2196.5	1356.4	1079.4	718.1	128.2	1996.0	152.5
2005	14404.5	7565.9	3009.8	1869.8	1140.0	200.0	652.2	101.8	2642.5	232.4
2006	16930.9	7647.5	4320.0	3136.3	1183.7	0.0	633.5	135.3	3660.4	534.2
2007										
Jan	16374.4	8830.3	2586.6	1102.5	1484.1	0.0	597.9	400.3	3428.9	530.4
Feb	16070.9	8594.3	2479.4	945.4	1534.0	0.0	597.9	394.9	3474.1	530.4
Mar	15555.3	8210.1	2271.8	634.7	1637.2	0.0	624.3	163.6	3748.1	537.4
Apr	17071.7	9586.5	2166.3	419.2	1747.1	0.0	598.4	445.6	3544.4	730.4
May	16356.5	8630.2	2354.0	472.1	1881.8	0.0	598.4	357.1	3686.5	730.4
Jun	16870.9	9030.4	2344.8	407.9	1936.9	0.0	617.0	219.9	3944.2	714.5
Jul	17194.8	9292.0	2313.5	369.5	1944.0	0.0	570.5	484.4	3825.6	708.8
Aug	17609.3	8839.4	3110.6	1396.8	1713.8	0.0	550.5	465.7	3934.4	708.8
Sep	17544.7	9016.6	2856.2	1278.4	1577.9	0.0	595.3	233.6	4278.7	564.3
Oct	18470.3	9874.5	2908.6	1431.5	1477.1	0.0	550.9	101.5	4476.8	558.0
Nov	19631.5	11173.0	2722.4	1173.7	1548.7	0.0	571.2	414.2	4186.4	564.3
Dec	18431.2	10139.2	2437.7	1205.6	1232.1	0.0	580.3	375.8	4333.9	564.3
2008										
Jan	15973.7	8164.9	1973.5	801.0	1172.5	0.0	542.8	334.9	4399.5	558.0
Feb	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mar	17587.5	9891.7	1355.7	679.1	676.6	0.0	571.6	277.6	4728.4	762.7
Apr	17187.1	9545.1	1177.0	508.8	668.2	0.0	543.1	406.7	4957.2	558.0
May	16670.3	9052.0	1113.1	605.4	507.6	0.0	543.1	353.7	5050.3	558.0
Jun	15337.5	7625.1	966.0	476.8	489.2	0.0	571.1	70.7	5540.4	564.2

*) Starting from January 2003 onwards, a major reclassification has been carried out in the accounts of all the economic sectors. Data prior to 2003 cannot always be directly compared with subsequent data because of a break in continuity.

TABLE 9. CONTINUED
Bank of Bhutan Limited

Millions of Ngultrum

End of Period	Liabilities										
	Total	Demand Deposits	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. ** Deposits	Credit from RMA	Capital Accounts	Other Items (Net)
					Total	Rupee*	Others				
1998	6613.3	1638.3	2842.8	183.2	0.0	0.0	0.0	257.3	0.0	410.7	1281.1
1999	6909.0	2151.4	2860.9	356.1	0.0	0.0	0.0	630.3	0.0	451.3	459.0
2000	7813.5	1998.1	3744.7	158.7	0.0	0.0	0.0	330.1	0.0	513.8	1068.0
2001	9137.7	2554.8	3407.8	209.3	973.4	973.4	0.0	731.6	0.0	654.7	606.2
2002	11300.5	4672.4	3203.2	441.9	0.0	0.0	0.0	775.5	0.0	865.8	1341.8
2003*)	11602.3	4093.8	3519.8	1002.1	0.0	0.0	0.0	924.9	0.0	937.7	1124.1
2004	13013.2	4974.7	4226.1	507.6	0.0	0.0	0.0	988.7	0.0	1081.1	1234.9
2005	14404.5	5505.0	4934.6	348.6	0.0	0.0	0.0	1348.8	0.0	1192.5	1075.0
2006	16930.9	7671.3	5366.3	411.4	0.0	0.0	0.0	0.0	0.0	1353.6	2128.3
2007								0.0			
Jan	16374.4	7218.9	5442.1	923.5	0.0	0.0	0.0	0.0	0.0	1357.9	1432.0
Feb	16070.9	6620.2	5486.6	823.7	0.0	0.0	0.0	0.0	0.0	1350.9	1789.6
Mar	15555.3	7251.5	5072.2	791.1	0.0	0.0	0.0	0.0	0.0	1368.7	1071.8
Apr	17071.7	7435.1	4987.2	835.1	0.0	0.0	0.0	0.0	0.0	1357.0	2457.4
May	16356.5	8306.0	4255.3	922.5	0.0	0.0	0.0	0.0	0.0	1358.3	1514.4
Jun	16870.9	8452.0	4179.4	1008.9	0.0	0.0	0.0	0.0	0.0	1407.1	1823.5
Jul	17194.8	8653.9	4558.0	955.7	0.0	0.0	0.0	0.0	0.0	1406.9	1620.3
Aug	17609.3	9035.3	4674.8	786.1	0.0	0.0	0.0	0.0	0.0	1415.0	1698.1
Sep	17544.7	11196.6	4494.6	730.5	0.0	0.0	0.0	0.0	0.0	1478.9	-356.0
Oct	18470.3	12429.3	4548.4	722.3	0.0	0.0	0.0	0.0	0.0	1490.0	-719.7
Nov	19631.5	12702.3	4718.6	652.1	0.0	0.0	0.0	0.0	0.0	1497.5	61.0
Dec	18431.2	11718.0	4736.7	600.0	0.0	0.0	0.0	0.0	0.0	1456.0	-79.5
2008											
Jan	15973.7	9135.4	4809.2	609.3	0.0	0.0	0.0	0.0	0.0	1339.0	80.7
Feb	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mar	17587.5	9764.4	4790.1	640.5	0.0	0.0	0.0	0.0	0.0	1487.3	905.3
Apr	17187.1	10185.0	3982.9	591.6	0.0	0.0	0.0	0.0	0.0	1491.7	935.8
May	16670.3	10355.2	3999.6	495.4	0.0	0.0	0.0	0.0	0.0	1492.8	327.3
Jun	15337.5	8308.1	4081.0	467.4	0.0	0.0	0.0	0.0	0.0	1573.9	907.1

(*) Between 1994-2000, Rupee Liabilities were consolidated under Other Liabilities. From January 2001 onwards, Rupee Liabilities are shown separately and are not included in Other Liabilities anymore.

** Since central government deposits are already reflected in the RMA's balance sheet, government deposits as reported by BOBL and BNBL has been reclassified starting from June 2006 onwards.

TABLE 10. BHUTAN NATIONAL BANK LIMITED- MONEY AND BANKING STATISTICS

Millions of Ngultrum

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on NMFIs
			Total	Rupee	Others					
1998	1292.2	228.7	335.9	213.6	122.3	0.0	0.0	7.5	720.1	0.0
1999	2736.3	256.8	1659.3	1299.6	359.7	0.0	0.0	5.0	815.2	0.0
2000	3705.3	535.5	2221.0	1552.9	668.1	0.0	0.0	5.0	943.8	0.0
2001	3975.2	581.1	2053.6	1088.3	965.3	120.0	0.0	7.4	1213.1	0.0
2002	4854.7	1917.8	1115.2	651.0	464.3	120.0	0.0	7.6	1694.1	0.0
2003*)	5361.7	1441.8	966.0	609.8	356.2	121.9	471.1	73.8	2179.0	108.2
2004	6519.1	1221.9	773.9	540.4	233.4	864.4	590.7	7.6	2966.8	93.8
2005	7474.7	1857.9	1007.6	370.1	637.5	120.0	576.1	7.6	3818.6	86.9
2006	9553.1	2210.9	1707.6	448.9	1258.7	0.0	635.2	7.6	4988.0	3.7
2007										
Jan	9599.6	2017.5	1834.0	512.0	1322.0	0.0	635.9	7.6	5100.9	3.7
Feb	9832.6	1978.2	1947.2	488.7	1458.4	0.0	636.4	7.6	5259.4	3.7
Mar	10035.3	1911.1	2117.7	671.6	1446.1	0.0	637.1	7.6	5358.2	3.7
Apr	9833.8	1440.8	2100.2	579.1	1521.0	0.0	637.7	7.6	5643.8	3.7
May	9806.3	1411.6	1929.7	422.4	1507.3	0.0	638.3	7.6	5815.4	3.7
Jun	9637.1	1522.7	1548.6	250.5	1298.1	0.0	626.0	7.6	5928.5	3.7
Jul	9720.8	1586.5	1431.0	171.0	1260.0	0.0	617.7	7.6	6074.3	3.7
Aug	9914.6	1983.2	1007.6	181.5	826.1	0.0	618.2	7.6	6294.3	3.7
Sep	9795.3	1800.3	869.4	225.9	643.5	0.0	618.7	7.6	6495.6	3.7
Oct	10101.1	1845.5	864.4	164.7	699.7	0.0	619.2	7.6	6760.7	3.7
Nov	10234.0	1818.6	839.5	220.1	619.4	0.0	619.7	7.6	6944.8	3.7
Dec	10189.8	1595.5	790.8	265.1	525.8	0.0	608.5	7.6	7183.6	3.7
2008										
Jan	10556.7	1942.0	595.9	248.6	347.2	0.0	609.0	7.6	7398.6	3.7
Feb	10700.1	1824.2	593.1	250.8	342.2	0.0	609.4	7.6	7662.1	3.7
Mar	10716.6	1361.0	850.9	446.9	404.0	0.0	609.9	7.6	7883.5	3.7
Apr	11230.7	1778.0	721.2	389.5	331.7	0.0	661.1	7.6	8059.1	3.7
May	11163.8	1671.0	680.8	329.1	351.7	0.0	610.8	7.6	8189.9	3.7
Jun	11942.4	2248.1	828.6	297.4	531.2	0.0	597.2	7.6	8257.2	3.7

*) Note: Starting from January 2003 onwards, a major reclassification has been carried out in the accounts of all the economic sectors. Data prior to 2003 cannot always be directly compared with subsequent data because of a break in continuity.

TABLE 10. CONTINUED
Bhutan National Bank Limited

Millions of Ngultrum

End of Period	Liabilities										
	Total	Demand Deposits (1)	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt.** Deposits	Credit from RMA	Capital Accounts	Other Items (Net)
					Total	Rupee	Others				
1998	1292.2	222.1	755.7	4.7	0.0	0.0	0.0	64.9	0.0	157.7	87.1
1999	2736.3	603.6	1506.9	16.7	0.0	0.0	0.0	283.9	0.0	181.8	143.4
2000	3705.3	671.3	2070.7	22.2	0.0	0.0	0.0	301.1	0.0	242.2	397.8
2001	3975.2	683.4	2220.6	30.0	0.0	0.0	0.0	556.2	0.0	303.3	181.7
2002	4854.7	650.4	3057.6	29.6	0.0	0.0	0.0	640.0	0.0	328.5	148.6
2003	5361.7	873.8	2510.0	44.3	0.0	0.0	0.0	1026.0	0.0	700.0	207.6
2004	6519.1	1008.3	3730.9	81.1	0.0	0.0	0.0	840.7	0.0	742.6	115.5
2005	7474.7	1060.0	4162.1	154.2	0.0	0.0	0.0	951.3	0.0	836.9	310.1
2006	9553.1	2119.6	6020.2	320.5	0.0	0.0	0.0	0.0	0.0	919.1	173.7
2007											
Jan	9599.6	1944.5	6314.0	343.2	0.0	0.0	0.0	0.0	0.0	927.5	70.5
Feb	9832.6	2011.3	6444.8	358.8	0.0	0.0	0.0	0.0	0.0	926.9	90.9
Mar	10035.3	2241.4	6369.4	382.5	0.0	0.0	0.0	0.0	0.0	901.1	140.8
Apr	9833.8	2260.7	6305.2	391.5	0.0	0.0	0.0	0.0	0.0	901.8	-25.4
May	9806.3	2355.0	6032.2	404.4	0.0	0.0	0.0	0.0	0.0	906.8	108.0
Jun	9637.1	1925.2	6014.5	463.5	0.0	0.0	0.0	0.0	0.0	937.6	296.2
Jul	9720.8	2046.0	6183.1	480.6	0.0	0.0	0.0	0.0	0.0	959.7	51.5
Aug	9914.6	2375.3	6116.8	263.4	0.0	0.0	0.0	0.0	0.0	978.6	180.6
Sep	9795.3	2163.8	5636.9	283.0	0.0	0.0	0.0	0.0	0.0	990.9	720.7
Oct	10101.1	2196.3	5632.9	345.1	0.0	0.0	0.0	0.0	0.0	931.8	995.0
Nov	10234.0	2424.1	5547.6	291.6	0.0	0.0	0.0	0.0	0.0	1010.6	960.0
Dec	10189.8	2528.0	4507.1	351.4	0.0	0.0	0.0	0.0	0.0	1125.1	1678.2
2008											
Jan	10556.7	2277.6	4880.7	327.4	0.0	0.0	0.0	0.0	0.0	1125.9	1945.0
Feb	10700.1	2348.0	4998.8	393.4	0.0	0.0	0.0	0.0	0.0	1127.7	1832.3
Mar	10716.6	2553.1	5150.6	445.5	0.0	0.0	0.0	0.0	0.0	1128.4	1438.9
Apr	11230.7	2495.1	5674.1	454.1	0.0	0.0	0.0	0.0	0.0	1129.5	1477.8
May	11163.8	2478.1	5668.6	461.6	0.0	0.0	0.0	0.0	0.0	1129.1	1426.4
Jun	11942.4	2445.0	6341.0	498.8	0.0	0.0	0.0	0.0	0.0	1129.8	1527.7

(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).

** Since central government deposits are already reflected in the RMA's balance sheet, government deposits as reported by BOBL and BNBL has been reclassified starting from June 2006 onwards.

TABLE 11. ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED - FINANCIAL STATISTICS

Millions of Ngultrum

End of Period	Assets										
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on DMBs	Claims On NMFIS
			Total	Rupee	Others						
1998	1701.0	167.9	2.1	0.0	2.1	14.9	680.6	835.5	0.0	0.0	
1999	2022.8	84.9	55.8	53.1	2.7	41.2	669.9	1171.0	0.0	0.0	
2000	956.9	45.5	52.1	51.0	1.1	17.3	842.1	0.0	0.0	0.0	
2001	1077.4	30.6	55.4	50.0	5.4	17.3	974.0	0.0	0.0	0.0	
2002	1259.1	44.2	8.7	2.7	6.0	18.2	1138.0	50.0	0.0	0.0	
2003*)	1468.7	131.7	4.9	0.1	4.8	0.0	0.0	25.2	1225.8	78.1	3.0
2004	1428.4	47.6	3.6	0.1	3.5	0.0	0.0	20.8	1345.2	8.1	3.0
2005	1657.6	47.1	9.6	0.1	9.5	0.0	0.0	14.9	1574.9	8.1	3.0
2006	1773.0	71.0	10.7	0.0	10.6	0.0	0.0	18.2	1611.9	58.1	3.0
2007											
Jan	1787.6	79.1	11.2	0.0	11.2	0.0	0.0	18.3	1617.9	58.1	3.0
Feb	1809.6	79.0	14.9	3.4	11.4	0.0	0.0	21.3	1628.3	63.1	3.0
Mar	1817.2	46.4	11.5	0.0	11.4	0.0	0.0	22.8	1670.3	63.1	3.0
Apr	1869.0	95.6	21.9	0.0	21.9	0.0	0.0	25.1	1635.3	88.1	3.0
May	1880.6	101.7	12.9	0.0	12.9	0.0	0.0	25.2	1634.7	103.1	3.0
Jun	1887.9	93.5	12.8	0.0	12.8	0.0	0.0	29.8	1670.6	78.1	3.0
Jul	1909.4	43.5	14.2	0.0	14.1	0.0	0.0	32.1	1748.4	68.1	3.0
Aug	1914.0	57.4	14.2	0.0	14.1	0.0	0.0	33.8	1797.4	8.1	3.0
Sep	1957.8	61.2	14.0	0.0	13.9	0.0	0.0	35.4	1836.1	8.1	3.0
Oct	2013.3	76.7	9.9	0.0	9.9	0.0	0.0	35.6	1880.0	8.1	3.0
Nov	2048.5	92.7	9.9	0.0	9.9	0.0	0.0	37.3	1897.4	8.1	3.0
Dec	2030.7	98.6	7.5	0.0	7.5	0.0	0.0	37.3	1876.3	8.1	3.0
2008											
Jan	2062.6	96.5	6.6	0.0	6.6	0.0	0.0	37.3	1911.1	8.1	3.0
Feb	2097.1	111.3	6.2	0.0	6.1	0.0	0.0	37.5	1931.0	8.1	3.0
Mar	2404.2	384.6	6.1	0.0	6.0	0.0	0.0	37.7	1964.7	8.1	3.0
Apr	2427.2	373.1	13.1	0.0	13.1	0.0	0.0	37.8	1992.0	8.1	3.0
May	2451.8	375.4	13.1	0.0	13.1	0.0	0.0	38.2	2014.0	8.1	3.0
Jun	2323.5	120.0	14.0	0.0	14.0	0.0	0.0	38.2	2010.1	138.1	3.0

TABLE 11. CONTINUED
Royal Insurance Corporation of Bhutan Limited

Millions of Ngultrum

End of Period	Liabilities								
	Total	General Insu - rance Reserve Fund	Life Fund	GEPF Fund	Group Insur - ance Fund	Credit from DMBs	Credit from NBFIs	Capital Ac - counts	Other Items (Net)
1998	1701.0	14.6	48.5	1363.5	106.4	0.0	0.0	82.6	85.3
1999	2022.8	21.9	34.4	1474.6	122.3	0.0	0.0	463.5	-94.0
2000	956.9	0.0	45.0	509.4	120.0	90.0	0.0	408.6	-216.1
2001	1077.4	0.0	44.1	360.2	153.3	595.0	0.0	156.8	-232.0
2002	1259.1	0.0	55.8	47.8	168.0	673.6	0.0	193.6	120.3
2003*)	1468.7	0.0	71.6	65.9	188.6	186.3	450.0	269.4	236.9
2004	1428.4	0.0	87.2	73.8	210.7	94.5	400.0	306.4	255.7
2005	1657.6	0.0	116.9	93.8	233.2	170.5	350.0	373.0	320.2
2006	1773.0	0.0	153.6	117.7	253.9	172.4	300.0	445.1	330.3
2007									
Jan	1787.6	0.0	158.7	124.7	121.5	172.4	300.0	426.4	484.0
Feb	1809.6	0.0	161.6	126.1	118.8	172.4	300.0	433.6	497.1
Mar	1817.2	0.0	167.5	127.5	121.0	172.4	300.0	423.2	505.7
Apr	1869.0	0.0	170.6	128.7	124.7	172.4	300.0	445.4	527.2
May	1859.1	0.0	177.8	130.9	130.6	150.8	300.0	460.3	508.7
Jun	1887.9	0.0	178.3	132.3	132.3	150.8	300.0	483.6	510.5
Jul	1909.4	0.0	185.1	130.8	137.1	150.8	300.0	503.0	502.5
Aug	1914.0	0.0	196.3	131.5	139.8	150.8	300.0	508.2	487.4
Sep	1957.8	0.0	196.4	133.7	143.7	0.0	490.0	490.6	503.5
Oct	2013.3	0.0	206.3	134.3	149.8	530.0	0.0	499.5	493.4
Nov	2048.5	0.0	222.4	136.1	154.7	0.0	530.0	512.7	492.6
Dec	2030.7	0.0	199.0	141.4	303.8	0.0	480.0	531.5	375.1
2008									
Jan	2062.6	0.0	207.1	150.8	160.0	0.0	480.0	560.1	504.6
Feb	2097.1	0.0	207.2	151.9	220.4	0.0	480.0	569.0	468.4
Mar	2404.2	0.0	216.7	154.1	168.2	0.0	780.0	553.1	532.0
Apr	2427.2	0.0	223.8	157.6	174.9	0.0	780.0	533.8	557.0
May	2451.8	0.0	234.1	158.6	179.3	0.0	780.0	561.6	538.3
Jun	2323.5	0.0	230.5	164.1	176.6	0.0	780.0	569.1	403.3

*) Starting from January 2003 onwards, a major reclassification has been carried out in the accounts of all the economic sectors. Data prior to 2003 cannot always be directly compared with subsequent data because of a break in continuity.

TABLE 12. BHUTAN DEVELOPMENT FINANCE CORPORATION LIMITED - FINANCIAL STATISTICS

Millions of Ngultrum

End of Period	Assets										
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on DMBs	Claims on other NMFIs
			Total	Rupees	Others						
1998	513.3	28.3	0.0	0.0	0.0	0.0	1.8	0.0	422.1	61.1	0.0
1999	566.5	28.7	0.0	0.0	0.0	0.0	1.4	0.0	450.4	86.1	0.0
2000	696.5	46.9	0.0	0.0	0.0	0.0	1.4	0.0	500.1	148.1	0.0
2001	789.6	39.3	0.0	0.0	0.0	0.0	0.9	0.0	643.4	106.0	0.0
2002	959.9	47.0	0.0	0.0	0.0	0.0	0.9	0.0	909.0	3.0	0.0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
2003*)	1,223.9	93.1	0.0	0.0	0.0	0.0	0.0	31.8	1,084.0	15.0	0.0
2004	1,256.0	93.2	0.0	0.0	0.0	0.0	0.0	18.0	1,134.8	10.0	0.0
2005	1,394.1	66.6	0.0	0.0	0.0	0.0	0.0	15.5	1,312.0	0.0	0.0
2006	1,793.0	131.3	0.0	0.0	0.0	0.0	0.0	9.6	1,572.1	80.0	0.0
2007											
Jan	1,803.7	212.5	0.0	0.0	0.0	0.0	0.0	8.9	1,582.2	0.0	0.0
Feb	1,801.6	169.1	0.0	0.0	0.0	0.0	0.0	8.9	1,623.6	0.0	0.0
Mar	1,813.2	172.7	0.0	0.0	0.0	0.0	0.0	8.0	1,632.5	0.0	0.0
Apr	2,221.1	514.8	0.0	0.0	0.0	0.0	0.0	7.8	1,698.5	0.0	0.0
May	2,028.8	251.9	0.0	0.0	0.0	0.0	0.0	25.2	1,751.6	0.0	0.0
Jun	2,040.7	211.4	0.0	0.0	0.0	0.0	0.0	7.9	1,821.4	0.0	0.0
Jul	2,027.3	160.6	0.0	0.0	0.0	0.0	0.0	9.9	1,856.7	0.0	0.0
Aug	2,046.7	89.1	0.0	0.0	0.0	0.0	0.0	10.0	1,947.6	0.0	0.0
Sep	2,096.3	93.5	0.0	0.0	0.0	0.0	0.0	3.1	1,999.7	0.0	0.0
Oct	2,105.7	65.8	0.0	0.0	0.0	0.0	0.0	3.1	2,036.8	0.0	0.0
Nov	2,107.2	54.6	0.0	0.0	0.0	0.0	0.0	3.0	2,049.6	0.0	0.0
Dec	2,106.8	66.6	0.0	0.0	0.0	0.0	0.0	3.0	2,036.7	0.6	0.0
2008											
Jan	2,095.2	37.0	0.0	0.0	0.0	0.0	0.0	2.9	2,054.7	0.6	0.0
Feb	2,291.3	41.6	0.0	0.0	0.0	0.0	0.0	3.7	2,245.5	0.6	0.0
Mar	2,434.1	133.5	0.0	0.0	0.0	0.0	0.0	3.7	2,296.4	0.6	0.0
Apr	2,837.2	372.7	0.0	0.0	0.0	0.0	1.0	2.8	2,360.7	100.0	0.0
May	2,647.5	146.3	0.0	0.0	0.0	0.0	1.0	2.8	2,397.5	100.0	0.0
Jun	2,676.5	128.8	0.0	0.0	0.0	0.0	2.0	2.8	2,442.8	100.0	0.0

TABLE 12. CONTINUED
Bhutan Development Finance Corporation Limited

Millions of Ngultrum

End of Period	Liabilities							
	Total	Foreign Liabilities	Credit from RMA	Credit from DMBs	Credit from other NMFIs	Grants	Capital Account	Other Items Net
1999	566.5	186.5	0.0	0.0	0.0	50.0	267.2	62.8
2000	696.5	285.9	0.0	0.0	0.0	50.0	254.5	106.2
2001	789.6	267.4	0.0	0.0	0.0	50.0	346.2	126.0
2002	959.9	349.2	0.0	0.0	0.0	50.0	395.8	164.8
	-----	-----	-----	-----	-----	-----	-----	-----
2003*)	1,223.9	342.8	0.0	100.0	100.0	50.0	438.7	192.3
2004	1,256.0	320.3	0.0	89.9	90.0	50.0	507.9	198.0
2005	1,394.1	301.4	0.0	83.0	160.0	50.0	590.3	209.5
2006	1,793.0	278.9	0.0	374.6	150.0	50.0	693.8	245.7
2007								
Jan	1,803.7	345.1	0.0	307.5	150.0	50.0	700.7	250.4
Feb	1,801.6	272.1	0.0	374.6	150.0	50.0	698.8	256.2
Mar	1,813.2	272.1	0.0	374.6	150.0	50.0	706.1	260.5
Apr	2,221.1	272.1	0.0	774.6	150.0	50.0	705.5	269.0
May	2,028.8	267.7	0.0	574.6	150.0	50.0	685.3	301.2
Jun	2,040.7	266.8	0.0	570.3	145.0	50.0	670.3	338.3
Jul	2027.3	266.8	0.0	570.3	145.0	50.0	675.7	319.5
Aug	2046.7	260.8	0.0	570.3	145.0	50.0	702.6	317.9
Sep	2096.3	260.8	0.0	570.3	180.0	50.0	691.0	344.1
Oct	2105.7	260.8	0.0	570.3	180.0	50.0	710.7	333.8
Nov	2107.2	310.8	0.0	570.3	180.0	0.0	730.6	315.5
Dec	2106.8	252.7	0.0	565.0	180.0	50.0	767.8	291.4
2008								
Jan	2095.2	252.7	0.0	565.0	178.7	50.0	774.4	274.4
Feb	2291.3	245.8	0.0	747.1	175.0	50.0	773.9	299.5
Mar	2434.1	245.8	0.0	761.8	275.0	50.0	754.9	346.6
Apr	2837.2	245.8	0.0	762.1	675.0	50.0	745.9	358.3
May	2647.5	241.4	0.0	565.0	675.0	50.0	761.3	354.8
Jun	2676.5	241.4	0.0	565.0	670.0	50.0	763.0	387.0

*) Starting from January 2003 onwards, a major reclassification has been carried out in the accounts of all the economic sectors. Data prior to 2003 cannot always be directly compared with subsequent data because of a break in continuity.

TABLE 13. AUCTIONS/TAP SALES OF RMA BILLS(*)

Auction/Tap Sale No.	Auction/Tap Sale date	Maturity in Days	Bids, millions of Nu.		Discount Rate (%)
			Received	Accepted	
R099	3-Dec-01	91	160.0	110.0	5.0
R100	18-Dec-01	90	150.0	150.0	5.0
R101	29-Jan-02	91	770.0	650.0	5.0
R102	4-Mar-02	91	110.0	110.0	5.0
R103	18-Mar-02	92	150.0	150.0	5.0
R104	29-Apr-02	91	650.0	650.0	4.5
R105	3-Jun-02	91	110.0	110.0	4.5
R106	18-Jun-02	93	150.0	150.0	4.5
R107	29-Jul-02	92	665.0	665.0	4.5
R108	2-Sep-02	91	110.0	110.0	4.5
R109	19-Sep-02	91	150.0	150.0	4.0
R110	29-Oct-02	91	500.0	500.0	4.0
R111	2-Dec-02	91	300.0	300.0	4.0
R112	19-Dec-02	91	450.0	300.0	4.0
R113	27-Jan-03	91	500.0	500.0	4.0
R114	5-Mar-03	91	400.0	200.0	4.0
R115	20-Mar-03	91	400.0	200.0	4.0
R116	30-Apr-03	91	600.0	300.0	4.0
R117	28-May-03	91	275.0	200.0	3.5
R118	25-Jun-03	91	400.0	200.0	3.5
R119	30-Jul-03	91	350.0	200.0	3.5
R120	27-Aug-03	91	400.0	200.0	3.5
R121	24-Sep-03	91	200.0	100.0	3.5
R124	31-Dec-03	91	200.0	100.0	3.5
R127	31-Mar-04	91	200.0	100.0	3.5
R128	28-Apr-04	91	100.0	100.0	3.5
R 131	28-Jul-04	91	100.0	100.0	3.5
R 132	25-Aug-04	91	100.0	100.0	3.5
R134	27-Oct-04	91	100.0	100.0	3.5
R135	24-Nov-04	91	100.0	100.0	3.5
R137	26-Jan-05	91	100.0	100.0	3.5
R138	23-Feb-05	91	100.0	100.0	3.5
R141	25-May-05	91	100.0	100.0	3.5
R142	29-Jun-05	91	100.0	100.0	3.5
R145	28-Sep-05	91	100.0	100.0	3.5
R147	30-Nov-05	91	100.0	100.0	3.5
R150	22-Feb-06	91	100.0	100.0	3.5
R152	26-Apr-06	91	100.0	100.0	3.5
R154	28-Jun-06	91	100.0	100.0	3.5
R156	30-Aug-06	91	100.0	100.0	3.5
R158	25-Oct-06	91	100.0	100.0	3.5
R161	31-Jan-07	91	100.0	100.0	3.5
R164	26-Apr-07	91	100.0	100.0	3.5
R166	27-Jun-07	91	100.0	100.0	3.5
R168	5-Sep-07	91	3442.0	1000.0	5.0
R169	25-Sep-07	30	2206.0	1000.0	5.0
R170	30-Oct-07	30	1000.0	1000.0	5.0
R171	3-Dec-07	30	1000.0	999.0	5.0
R172	12-Dec-07	91	1000.0	1000.0	5.0
R173	15-Jan-08	91	2371.0	1000.0	5.0
R174	18-Mar-08	91	2371.0	1000.0	5.0
R175	22-Apr-08	90	1912.0	1000.0	5.0
R176	24-Jun-08	90	2537.6	1000.0	5.0
R177	24-Jul-08	90	2062.1	1000.0	5.0
R178	14-Aug-08	90	1871.2	1000.0	6.0
R179	25-Sep-08	90	3403.4	1000.0	6.0
R180	25-Nov-08	90	4450.4	1000.0	6.0

(*) Starting October 29, 2001, Auctions were discontinued and Tap Sales were introduced.

TABLE 14. FINANCIAL SECTOR INVESTMENT BY ECONOMIC ACTIVITY

Millions of Ngultrum										End of June
Economic Sector/Source	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture	157.6	182.5	168.3	201.9	229.6	247.3	222.4	229.6	238.3	306.6
BOBL	4.6	3.7	3.1	3.2	6.2	6.3	4.3	1.2	0.7	0.8
RICBL	0.6	0.6	0.7	0.6	0.3	0.2	1.8	1.8	2.0	1.6
BDFCL	152.5	178.1	164.5	198.0	223.1	240.8	216.3	226.6	235.6	304.2
BNBL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	898.4	715.1	588.0	785.2	974.2	1,290.0	1,484.6	1,440.3	2,021.5	2,678.9
BOBL	291.3	257.0	240.3	222.4	253.8	350.1	499.3	523.5	854.5	1,173.2
RICBL	237.6	182.1	111.3	202.7	256.9	280.5	238.6	108.6	142.4	174.1
BDFCL	141.4	100.8	71.2	138.3	180.7	210.5	203.8	226.1	263.1	271.3
BNBL	228.1	175.2	165.3	221.8	282.7	448.9	542.9	582.2	761.5	1,060.3
Building & Construction	610.1	565.1	620.3	718.8	1,113.4	1,641.3	2,175.7	3,126.1	3,938.2	4,999.1
BOBL	86.5	91.5	99.1	142.0	233.2	341.5	447.5	632.9	806.1	1,157.3
RICBL	268.1	269.6	279.7	273.9	331.5	394.2	440.2	660.8	685.8	679.7
BDFCL	5.8	23.1	28.4	41.3	140.8	296.3	354.6	419.2	491.1	507.0
BNBL	249.7	180.9	213.1	261.6	408.0	609.3	933.4	1,413.2	1,955.2	2,655.1
Trade & Commerce	370.6	467.6	427.0	512.3	719.3	960.0	1,395.3	1,466.3	1,766.7	2,194.9
BOBL	223.9	234.5	259.1	249.9	296.9	338.0	478.9	567.0	668.3	712.6
RICBL	62.5	105.3	62.8	118.0	152.0	317.8	488.5	390.7	408.0	492.2
BDFCL	75.1	113.3	89.2	3.7	58.2	81.5	116.0	57.9	87.7	138.8
BNBL	9.1	14.6	15.9	140.7	212.3	222.6	311.9	450.7	602.6	851.2
Transport	610.5	668.1	598.3	712.0	729.2	795.7	771.7	811.6	828.8	942.6
BOBL	519.4	465.5	405.5	404.2	411.4	462.8	447.5	437.2	430.3	428.7
RICBL	51.3	69.4	68.1	160.9	151.2	120.2	68.2	87.0	91.2	127.1
BDFCL	0.0	46.0	36.9	24.0	12.5	11.2	12.0	26.9	29.6	83.0
BNBL	39.8	87.1	87.8	122.9	154.2	201.5	244.0	260.5	277.7	303.8
Personal & Other Loans*)	328.0	479.3	691.0	1,628.1	1,141.0	2,507.1	1,439.3	3,546.6	2,504.6	3,364.9
BOBL	54.8	101.7	138.8	1,002.8	372.7	1,683.9	436.8	1,494.6	1,059.4	1,489.6
RICBL	70.0	52.1	154.1	124.1	156.1	46.0	44.1	218.6	217.6	187.4
BDFCL	47.6	23.6	26.5	181.3	202.8	250.3	266.0	333.3	334.0	523.1
BNBL	155.7	301.9	371.6	319.8	409.3	526.9	692.4	1,500.0	893.5	1,164.8
Total	2,975.1	3,077.6	3,092.8	4,558.3	4,906.7	7,441.4	7,489.0	10,620.6	11,298.0	14,486.9

*) Includes Services and Tourism.

TABLE 15. SUMMARY OF THE CONSUMER PRICE INDEX (*)

Item		Period																	
		2004				2005				2006				2007				2008	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Third Quarter of 2003 = 100																			
Weight in percent % ¹⁾																			
Index																			
Food	31.7	101.9	101.1	102.9	104.2	108.0	107.4	108.7	109.4	110.3	114.6	115.0	115.1	116.3	125.5	124.73	125.3	129.1	140.98
Non-food	68.3	104.7	104.7	105.3	106.9	110.0	110.1	111.0	112.1	114.0	116.6	116.8	118.1	118.4	121.6	121.73	121.55	122.82	130.38
Total	100.0	103.8	103.6	104.6	106.0	109.4	109.2	110.3	111.2	112.8	116.0	116.2	117.1	117.7	122.9	122.68	122.74	124.81	133.74
		Percentage change on the previous year																	
Food	31.7	-	-	2.8	2.7	6.1	6.2	5.7	5.0	2.1	6.8	5.8	5.2	5.4	9.5	8.43	8.84	10.99	12.32
Non-food	68.3	-	-	5.3	4.5	5.1	5.1	5.4	4.9	3.6	5.9	5.2	5.3	3.8	4.3	4.22	2.95	3.78	7.19
Total	100.0	-	-	4.6	3.9	5.4	5.5	5.5	4.9	3.1	6.2	5.4	5.3	4.3	5.9	5.54	4.78	6.03	8.85
PPN	1.00	0.96	0.97	0.96	0.94	0.91	0.92	0.91	0.90	0.89	0.86	0.86	0.85	0.85	0.81	0.82	0.81	0.8	0.75

Source : National Statistics Bureau. -(*) The new index refers to the average prices during the respective quarters. However, prior to Q3, 2003, no quarterly price indices were calculated and, therefore, for Q3 and Q4, 2003, and Q1 and Q2, 2004, year-on-year rates of change of the CPI cannot be computed. The indices prior to Q3, 2003 represent half-yearly averages. The quarterly index and the half-yearly index cannot be directly compared because of a different periodicity and a considerable break in continuity (i.e., the expenditure basket has been completely changed). -1) 2003 Household Income and Expenditure Survey. Includes rent.

TABLE 16. INDIAN WHOLESALE PRICE INDEX OF ALL COMMODITIES

Period	Year												
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	122.0	128.3	134.8	140.9	145.9	158.6	161.0	167.8	178.7	188.6	196.6	208.8	218.2
January	122.2	128.8	134.2	141.4	146.4	158.6	160.8	169.4	179.8	188.8	196.4	208.9	219.9
February	122.2	128.8	134.4	141.7	149.5	159.1	161.9	171.6	179.8	189.4	196.8	209.8	225.5
March	123.7	130.9	136.9	142.4	151.7	159.9	162.3	173.1	180.9	191.6	199.0	211.5	228.5
April	124.5	130.8	138.2	142.8	151.8	160.3	162.8	173.4	182.1	192.1	201.3	212.3	231.1
May	125.1	131.4	139.8	143.3	152.7	160.8	164.7	173.5	185.2	193.2	203.1	212.3	237.4
June	127.0	131.6	140.9	143.7	153.1	161.2	165.6	173.4	186.6	194.6	204.0	213.6	240.0
July	127.8	132.0	140.6	144.6	153.4	161.7	167.1	173.7	188.4	195.3	205.3	213.8	241.2
August	128.1	132.9	140.8	145.3	154.7	161.7	167.4	175.6	189.4	197.2	207.8	215.1	241.5
September	127.8	133.3	142.0	146.9	157.9	162.5	167.5	176.1	188.9	197.8	208.7	215.2	
October	128.0	133.1	142.6	147.0	158.2	162.3	167.8	176.9	190.2	198.2	209.1	215.9	
November	128.5	133.7	142.1	146.1	158.2	161.8	167.2	176.8	188.8	197.2	208.4	216.4	
December													
	Percentage change on the previous year												
January	5.0	5.2	5.1	4.5	3.5	8.7	1.5	4.2	6.5	5.5	4.2	6.2	4.5
February	4.5	5.4	4.2	5.4	3.5	8.3	1.4	5.3	6.1	5.0	4.0	6.4	5.3
March	4.5	5.4	4.3	5.4	5.5	6.4	1.8	6.0	4.8	5.3	3.9	6.6	7.5
April	3.7	5.8	4.6	4.0	6.5	5.4	1.5	6.7	4.5	5.9	3.9	6.3	8.0
May	3.6	5.1	5.7	3.3	6.3	5.6	1.6	6.5	5.0	5.5	4.8	5.5	8.9
June	3.6	5.0	6.4	2.5	6.6	5.3	2.4	5.3	6.7	4.3	5.1	4.5	11.8
July	4.3	3.6	7.1	2.0	6.5	5.3	2.7	4.7	7.6	4.3	4.8	4.7	12.4
August	4.9	3.3	6.5	2.8	6.1	5.4	3.3	3.9	8.5	3.7	5.1	4.1	12.8
September	5.1	3.7	5.9	3.2	6.5	4.5	3.5	4.9	7.9	4.1	5.4	3.5	12.3
October	4.6	4.3	6.5	3.5	7.5	2.9	3.1	5.1	7.3	4.7	5.5	3.1	
November	4.5	4.0	7.1	3.1	7.6	2.6	3.4	5.4	7.5	4.2	5.5	3.3	
December	5.2	4.0	6.3	2.8	8.3	2.3	3.3	5.7	6.8	4.4	5.7	3.8	

Source: Reserve Bank of India.

TABLE 17. OVERALL BALANCE OF PAYMENTS ESTIMATES

Millions of Ngultrum

Item	Period										
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08(p)
A. Current Account	1,487.6	240.1	-1,847.9	-1,979.0	-3,893.6	-6,597.5	-5,519.3	-10,487.4	-1,695.7	6,417.2	2,089.0
Exports	4,274.2	4,460.0	4,987.9	4,615.8	4,994.8	5,405.9	7,157.5	9,457.1	13,959.8	25,333.8	18,934.5
Imports	-5,226.1	-6,913.7	-8,075.2	-8,675.0	-9,790.2	-9,886.9	-11,923.5	-20,556.0	-19,456.5	-23,271.9	-22,020.8
Trade Balance	-951.9	-2,453.7	-3,087.3	-4,059.1	-4,795.5	-4,481.0	-4,766.0	-11,099.0	-5,496.7	2,061.8	-3,086.2
Services	-334.0	-12.8	-338.6	20.8	-815.3	-3,200.0	-2,213.4	-1,753.1	-573.0	137.0	-54.7
Credit	568.2	758.1	869.8	1,122.1	1,085.3	977.9	1,252.3	1,894.9	2,313.8	2,661.2	2,122.4
Debit	-902.3	-770.9	-1,208.4	-1,101.3	-1,900.6	-4,177.8	-3,465.7	-3,647.9	-2,886.8	-2,524.2	-2,177.1
Income	395.5	408.9	-170.1	118.1	-237.1	-544.8	-739.6	-707.7	-312.5	-9.6	-1,367.1
Credit	526.0	511.1	605.7	803.8	523.1	561.4	436.3	537.2	813.3	1,159.5	1,416.8
Debit	-130.5	-102.2	-775.8	-685.6	-760.2	-1,106.3	-1,175.9	-1,244.9	-1,125.8	-1,169.1	-2,783.9
Current Transfers	2,378.1	2,297.7	1,748.1	1,941.2	1,954.2	1,628.3	2,199.7	3,072.3	4,686.5	4,228.0	6,597.0
Credit	3,913.9	5,023.6	3,698.7	3,864.1	4,223.2	4,146.7	4,442.3	5,492.8	7,313.7	6,536.1	9,180.5
<i>Of which, Budgetary Grants</i>	1,865.1	3,262.6	3,274.0	3,711.0	3,799.6	3,503.4	4,264.7	5,033.0	6,424.7	6,000.9	8,332.6
Debit	-1,535.8	-2,725.9	-1,950.6	-1,922.8	-2,269.0	-2,518.4	-2,242.5	-2,420.5	-2,627.2	-2,308.1	-2,583.5
B. Capital and Financial Account	167.3	1,151.7	4,703.6	3,430.3	5,460.1	10,864.5	8,801.6	9,473.3	5,847.1	5,095.5	1,896.0
Capital Transfers ¹⁾	0.0	0.0	2,910.0	2,001.7	2,512.7	6,219.0	5,072.0	4,586.4	1,751.5	1,111.8	635.5
Foreign Direct Investment	0.0	45.2	0.0	0.0	101.2	117.9	157.0	401.5	273.9	3,238.1	1,198.1
Portfolio Investment	0.0	0.0	0.0	-881.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Aid (RGOB Loans, net)	257.8	1,404.6	1,793.6	2,310.0	2,846.2	4,527.5	4,666.2	2,939.4	3,474.7	783.3	-517.2
Other Loans	-90.6	-298.2	0.0	0.0	0.0	0.0	363.3	89.2	347.0	-37.8	579.6
Other Investment	0.0	0.0	0.0	0.0	0.0	0.0	-1,456.9	1,456.9	0.0	0.0	0.0
C. Net Errors and Omissions	111.6	455.6	-1,322.6	-1,215.2	-323.8	-1,653.4	-2,912.2	95.5	1,057.7	-6,458.0	-1,949.7
D. Overall Balance²⁾	1,766.5	1,847.4	1,533.1	236.2	1,242.7	2,613.6	370.1	-918.6	5,209.1	5,054.7	2,035.3

TABLE 18. BALANCE OF PAYMENTS ESTIMATES WITH INDIA

Item	Period										
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08(p)	
A. Current Account	752.6	-1399.8	-1906.3	-3137.0	-7110.2	-5707.7	-5253.9	-2344.6	5882.1	1559.7	
Exports, f.o.b.	4181.0	4711.2	4377.0	4700.5	5095.3	6768.8	8661.1	10610.5	20911.0	16036.9	
Imports, c.i.f.	-4919.3	-6065.7	-7031.3	-7788.8	-9006.6	-10589.5	-12262.3	-13781.1	-16463.4	-16890.0	
Of which, Tala	-1114.4	-1479.1	-1363.7	-568.1	-1786.6	-2073.4	-1663.4	-1341.7	-23.4	-91.6	
Trade Balance	-738.3	-1354.5	-2654.3	-3088.3	-3911.3	-3820.7	-3601.2	-3170.7	4447.6	-853.2	
Services	-183.1	-681.2	-321.4	-1122.4	-3062.4	-2487.2	-2610.6	-1654.1	-1203.6	-861.3	
Credit	251.3	123.7	121.1	139.4	162.1	178.1	253.9	443.9	455.9	377.7	
Debit	-434.4	-804.9	-442.5	-1261.8	-3224.5	-2665.3	-2864.6	-2098.0	-1659.5	-1239.1	
Income	106.5	-532.4	-381.4	-490.4	-658.2	-806.4	-938.3	-701.0	-642.0	-1903.7	
Credit	166.1	187.7	247.1	195.5	362.9	249.3	181.5	255.0	112.5	270.9	
Debit	-59.6	-720.1	-628.5	-685.9	-1021.1	-1055.8	-1119.8	-955.9	-754.5	-2174.6	
Current Transfers	1567.5	1168.3	1450.9	1564.1	521.6	1406.6	1896.2	3181.2	3280.1	5177.9	
Credit	3893.0	2568.1	2653.5	2905.6	1459.9	2324.7	2958.7	4186.9	4419.2	6424.1	
Of which, Budgetary Grants	1928.5	2188.0	2551.2	2531.0	886.6	2287.2	2628.0	3417.2	4024.3	5688.7	
Debit	-2325.5	-1399.9	-1202.6	-1341.5	-938.3	-918.0	-1062.6	-1005.7	-1139.1	-1246.2	
B. Capital and Financial Account	968.5	4482.5	3709.6	4375.9	9335.1	8330.6	6439.5	4076.3	1081.5	-414.2	
Capital Transfers ¹⁾	0.0	2910.0	2001.7	2512.7	6219.0	5072.0	4586.4	1751.5	1111.8	635.5	
Foreign Direct Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.3	18.2	
Foreign Aid (RGOB Loans, net)	1218.5	1572.5	1707.9	1863.2	3116.0	3258.6	1853.1	2324.8	-30.3	-1049.7	
Other Loans	-250.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
C. Net Errors and Omissions	-696.5	-2495.4	-1358.0	-1126.9	-2558.5	-1590.2	-1970.1	-2182.3	-9353.0	-875.3	
D. Overall Balance	1024.5	587.3	445.4	112.0	-333.7	1032.7	-784.6	-450.6	-2358.1	288.3	

1) Grants for Tala have been reclassified from current to capital transfers; Capital transfers also include identified grants for other (non-hydro) infrastructure projects.

TABLE 19. BALANCE OF PAYMENTS ESTIMATES WITH COUNTRIES OTHER THAN INDIA

Item	Period										
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08(p)
A. Current Account	10.0	-512.5	-448.1	-72.7	-756.6	512.8	188.4	-5,233.5	648.8	535.1	529.3
Exports, c.i.f	232.2	279.0	276.6	238.9	294.3	310.6	388.6	795.9	3,349.3	4,422.8	2,897.7
Imports, c.i.f	-1,541.4	-1,994.4	-2,009.5	-1,643.7	-2,001.4	-880.3	-1,334.0	-8,293.7	-5,675.4	-6,808.5	-5,130.7
Trade Balance	-1,309.1	-1,715.4	-1,732.8	-1,404.8	-1,707.1	-569.7	-945.4	-7,497.8	-2,326.1	-2,385.8	-2,233.1
Services	-19.2	170.4	342.6	342.2	307.1	-137.6	273.8	857.6	1,081.1	1,340.6	806.6
Credit	349.4	506.8	746.1	1,001.0	945.9	815.7	1,074.2	1,641.0	1,869.9	2,205.3	1,744.7
Debit	-368.6	-336.5	-403.5	-658.9	-638.8	-953.3	-800.4	-783.4	-788.8	-864.7	-938.1
Income	360.9	302.4	362.3	499.5	253.3	113.4	66.8	230.6	388.5	632.4	536.6
Credit	426.2	345.0	418.0	556.7	327.6	198.5	187.0	355.7	558.3	1,047.0	1,146.0
Debit	-65.3	-42.6	-55.7	-57.2	-74.3	-85.2	-120.1	-125.1	-169.8	-414.6	-609.3
Current Transfers	977.4	730.2	579.8	490.4	390.1	1,106.7	793.1	1,176.1	1,505.3	947.8	1,419.1
Credit	1,292.3	1,130.5	1,130.5	1,210.6	1,317.6	2,686.8	2,117.6	2,534.0	3,126.9	2,116.8	2,756.4
Of which, Budgetary Grants	820.0	1,334.1	1,086.0	1,159.8	1,268.6	2,616.8	1,977.5	2,405.0	3,007.5	1,976.6	2,643.8
Debit	-314.8	-400.4	-550.8	-720.2	-927.5	-1,580.1	-1,324.5	-1,357.9	-1,621.5	-1,169.0	-1,337.3
B. Capital and Financial Account	261.6	183.3	221.1	-279.3	1,084.2	1,529.4	471.0	3,033.8	1,770.8	4,014.0	2,310.2
Capital Transfers*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Direct Investment	0.0	45.2	0.0	0.0	101.2	117.9	157.0	401.5	273.9	3,238.1	1,198.1
Portfolio Investment	0.0	0.0	0.0	-881.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Aid (RGOB Loans, net)	352.1	186.2	221.1	602.1	983.0	1,411.5	1,407.6	1,086.2	1,149.9	813.6	532.4
Other Loans, net	-90.6	-48.2	0.0	0.0	0.0	0.0	363.3	89.2	347.0	-37.8	579.6
Other Investment	0.0	0.0	0.0	0.0	0.0	0.0	-1,456.9	1,456.9	0.0	0.0	0.0
C. Net Errors and Omissions	935.8	1,152.2	1,172.8	142.8	803.1	905.1	-1,322.0	2,065.6	3,240.1	2,863.7	-1,092.6
D. Overall Balance	1,207.4	822.9	945.8	-209.2	1,130.7	2,947.3	-662.6	-134.1	5,659.7	7,412.8	1,746.9

*Capital transfers also include identified grants for other (non-hydro) infrastructure projects.

TABLE 20. GROSS INTERNATIONAL RESERVES (*)

Item	Year								End of Period
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	
Millions of Indian Rupees									
1. Rupee reserves	3551.9	3663.9	3330.2	4362.8	3578.3	3127.7	769.6	914.4	
Royal Monetary Authority of Bhutan	89.4	635.7	863.6	1822.4	2069.7	1507.4	136.3	191.4	
Bank of Bhutan Ltd.	2134.6	1964.7	1734.4	1988.3	1079.4	938.9	387.4	435.8	
Bhutan National Bank Ltd.	1328.0	1063.6	732.1	552.1	429.1	681.4	245.9	287.3	
Millions of US Dollars									
2. Convertible currency reserves	217.0	240.5	302.0	287.4	284.4	410.9	581.6	624.3	
Royal Monetary Authority of Bhutan	186.1	202.6	244.6	249.0	253.5	364.8	502.7	601.0	
Bank of Bhutan Ltd.	16.2	18.4	39.6	31.3	21.0	29.6	47.3	11.2	
Bhutan National Bank Ltd.	14.7	19.5	17.7	7.0	9.9	16.5	31.5	12.1	
3. Total reserves (1+2)	292.6	315.3	373.3	383.3	366.5	478.8	600.4	645.7	45.2
Months of Imports									
4. Total reserves	19.0	18.9	21.2	17.6	9.3	13.6	13.3	14.6	
Rupee reserves	6.1	5.6	4.4	4.9	3.5	2.7	0.6	2.9	
Convertible currency reserves	74.5	70.6	192.3	117.6	17.9	40.0	49.4	48.8	

(*) Includes reserve tranche position in the Fund. From March 2004, the definition of Gross International Reserves has been revised and backtracked to exclude RICBL's Rupee and Convertible Currency reserves. Note: Months of imports are calculated using gross international reserves and merchandise imports figures. RMA convertible currency reserves for 2004/05 onwards have been revised due to changes in classification as of May 2005. Trade figures for the last two years have been revised affecting the import cover of reserves.

Table 21A. COMPOSITION OF IMPORTS FROM INDIA

Millions of Ngultrum

S.I.	IMPORT CATEGORY	2002	2003	2004	2005	2006	2007	Share in Total in % (2007)
1	Live Animals & Animal Products	317.6	368.6	436.2	567.8	629.3	682.5	4.5
2	Vegetables, Fruits, Nuts, Coffee, Tea, Spices, Cereals, Grains & Seeds	607.5	745.2	645.9	725.1	839.6	976.7	6.5
3	Animal or Vegetable Fats & Oils	220.9	174.5	165.3	230.1	311.8	365.2	2.4
4	Processed Foods & Beverages	545.8	573.9	624.5	752.3	765.7	763.1	5.1
5	Mineral Products inc. oils & fuels *)	1,434.7	1,860.5	2,121.0	2,746.4	3,221.0	3,790.4	25.1
6	Products of Chemical & Allied Industries	456.2	562.5	665.2	596.2	679.1	626.8	4.2
7	Plastic & Rubber Products	179.5	261.6	372.0	368.2	458.5	473.8	3.1
8	Wood and Wood Products	96.5	100.5	123.6	120.0	119.0	561.5	3.7
9	Wood Pulp Products	144.6	179.9	216.7	233.1	257.3	251.0	1.7
10	Textiles, Footwear & Hats/Headgear	244.0	222.4	230.9	224.1	239.8	317.4	2.1
11	Articles of Stone, Plaster, Cement, Asbestos, Ceramics & Glass	133.5	155.5	183.3	191.2	260.3	129.5	0.9
12	Pearls and Products of Precious/Semi-precious Metal & Stones	0.4	0.4	18.1	162.4	40.6	2,660.9	17.6
13	Base Metals and Articles of Base Metal	928.3	1,441.8	1,965.4	2,507.4	2,002.8	2,270.3	15.0
14	Machinery, Mechanical/Electrical Appliances & Equipment and Parts	1,528.1	2,784.7	1,669.0	2,322.1	2,272.4	2,270.3	15.0
15	Transport Vehicles & Aircraft and Engines & Parts	562.6	559.8	573.2	550.3	639.0	1,060.1	7.0
16	Optical, Photographic, Cinematographic & Measuring Equipment	95.7	201.0	69.3	385.8	185.8	101.9	0.7
17	Handicrafts, Works of Art, Collectors' Pieces & Personal Effects	0.5	0.4	0.1	0.5	0.0	0.1	0.0
18	Miscellaneous Manufactured Products	84.8	66.9	114.3	111.9	132.0	143.0	0.9
	TOTAL	7,581.3	10,260.1	10,193.9	12,795.1	13,053.9	18,012.0	111.4

*) Includes high-speed diesel & POL products

Table 21B. COMPOSITION OF EXPORTS TO INDIA

Millions of Ngultrum

S.I.	EXPORT CATEGORY	2002	2003	2004	2005	2006	2007	Share in Total in % (2007)
1	Live Animals & Animal Products	4.4	4.2	2.6	2.4	10.8	13.4	0.1
2	Vegetables, Fruits, Nuts, Coffee, Tea, Spices, Cereals, Grains & Seeds	391.1	257.0	286.4	243.3	276.7	307.1	1.4
2.1	<i>Potatoes</i>	100.6	72.4	113.1	120.1	138.5	149.9	0.7
3	Animal or Vegetable Fats & Oils	-	-	0.0	224.5	1,448.3	1,875.3	8.3
3.1	<i>Palm Oil</i>	-	-	-	194.8	1,380.5	481.6	2.1
4	Processed Foods & Beverages	208.5	391.3	407.8	389.2	413.9	368.0	1.6
5	Mineral Products inc. oils & fuels	534.4	587.6	674.1	983.5	1,587.1	1,809.1	8.0
6	Electricity	2,347.4	2,603.5	2,711.7	3,439.9	4,982.0	10,034.3	44.2
7	Products of Chemical & Allied Industries	667.6	630.0	712.5	714.0	587.0	783.3	3.4
8	Plastic & Rubber Products	84.0	199.3	270.8	292.6	246.6	275.7	1.2
9	Wood and Wood Pulp Products	176.8	215.1	281.6	314.7	257.7	305.6	1.3
10	Textiles, Footwear & Hats/Headgear	13.2	112.8	536.5	787.2	476.4	444.9	2.0
11	Articles of Stone, Plaster, Cement, Asbestos, Ceramics & Glass	22.5	18.0	24.5	14.7	24.9	113.1	0.5
12	Base Metals and Articles of Base Metal	627.9	882.3	1,736.6	2,491.1	4,098.2	6,302.2	27.7
13	Machinery, Mechanical Appliances & Electrical Equipment and Parts	39.2	4.4	73.0	34.0	51.8	60.0	0.3
14	Transport Vehicles & Aircraft and Engines & Parts	3.2	0.2	15.4	16.3	0.6	-	-
15	Optical, Photographic, Cinematographic & Measuring Equipment	4.4	2.1	1.1	-	0.3	0.6	0.0
16	Handicrafts, Works of Art, Collectors' Pieces & Personal Effects	0.0	-	0.3	-	0.2	0.0	0.0
17	Miscellaneous Manufactured Products	12.4	18.0	26.6	22.4	25.5	31.1	0.1
	TOTAL	5,137.0	5,925.9	7,761.6	9,969.8	14,488.0	22,723.7	100.0

Note: Electricity exports for 2002 and 2003 are taken from Chukha and Kurichhu sales for that year.

Source: Department of Revenue & Customs.

Table 22A. COMPOSITION OF IMPORTS FROM COUNTRIES OTHER THAN INDIA

Millions of Ngultrum

SI	IMPORT CATEGORY	2002	2003	2004	2005	2006	2007	Share in Total in % (2007)
1	Live Animals & Animal Products	4.4	7.8	0.2	2.4	2.1	3.0	0.0
2	Vegetables, Fruits, Nuts, Coffee, Tea, Spices, Cereals, Grains & Seeds	20.4	2.0	33.1	20.9	7.0	14.2	0.2
3	Animal or Vegetable Fats & Oils	56.2	50.7	147.6	93.3	1285.4	1689.8	25.4
3.1	<i>Palm Oil (Crude & Other)</i>	9.2	3.2	4.4	28.6	1212.0	1689.8	25.4
4	Processed Foods & Beverages *)	79.3	37.3	154.5	151.2	153.3	1580.0	23.8
5	Mineral Products inc. oils & fuels	35.9	0.7	106.3	16.2	38.2	164.9	2.5
6	Products of Chemical & Allied Industries	58.1	38.7	78.3	125.8	114.7	48.4	0.7
6.1	<i>Medicines / Pharmaceutical Products</i>	15.2	12.5	21.2	50.5	55.9	105.5	1.6
7	Plastic & Rubber Products	130.9	100.0	229.5	240.4	276.5		0.0
8	Wood and Wood Products	12.1	2.2	8.8	13.3	22.8	257.8	3.9
9	Wood Pulp Products	15.3	21.9	55.2	44.5	30.4	17.7	0.3
10	Textiles, Footwear & Hats/Headgear	139.4	108.6	570.2	555.9	449.9	97.8	1.5
11	Articles of Stone, Plaster, Cement, Asbestos, Ceramics & Glass	6.6	6.2	14.4	10.4	13.4	259.6	3.9
11.1	<i>Ceramic Products</i>	2.7	0.7	7.7	3.4	6.0	9.6	0.1
12	Pearls and Products of Precious/Semi-precious Metal & Stones	0.8	2.8	0.1	13.8	3.6	4.7	0.1
13	Base Metals and Articles of Base Metal	400.0	213.4	617.7	837.6	1782.6	0.0	0.0
14	Machinery, Mechanical/Electrical Appliances & Equipment and Parts	745.1	466.1	1762.3	1577.3	1309.4	2102.9	31.6
15	Transport Vehicles & Aircraft and Engines & Parts	640.7	157.5	4547.8	425.8	264.3	377.8	5.7
16	Optical, Photographic, Cinematographic & Measuring Equipment	74.3	111.9	89.1	82.9	173.3	68.5	1.0
17	Handicrafts, Works of Art, Collectors' Pieces & Personal Effects	17.0	0.1	0.2	0.1	0.1	2.5	0.0
18	Miscellaneous Manufactured Products	36.1	10.5	30.4	28.3	31.1	32.4	0.5
	TOTAL	2466.0	1332.2	8431.2	4229.6	5944.7	6645.9	100.0

Table 22B. COMPOSITION OF EXPORTS TO COUNTRIES OTHER THAN INDIA

Millions of Ngultrum

SI	EXPORT CATEGORY	2002	2003	2004	2005	2006	2007	Share in Total in % (2007)
1	Vegetables, Fruits, Tea, Spices, Cereals, Grains & Animal Products	115.1	165.4	297.8	356.8	284.1	284.0	5.5
1.1	<i>Oranges</i>	105.6	124.1	207.2	225.5	176.2	160.9	3.1
1.2	<i>Apples</i>	6.0	30.2	34.9	68.8	33.7	16.2	0.3
1.3	<i>Cardamoms</i>	0.4	0.0	41.6	50.2	48.9	29.6	0.6
2	Processed Foods & Beverages	6.5	5.5	10.6	5.3	4.6	8.1	0.2
3	Mineral Products inc. oils & fuels	118.1	52.4	100.0	226.2	249.0	270.8	5.3
3.1	<i>Limestone & other calcereous stone</i>	4.4	8.6	16.6	57.9	86.2	84.6	1.6
3.2	<i>Dolomite</i>	18.4	12.4	43.3	79.0	63.3	20.3	0.4
3.3	<i>Bituminous Coal</i>	28.8	11.7	10.0	43.0	40.3	28.0	0.5
4	Products of Chemical & Allied Industries	20.0	29.1	17.4	30.1	3.5	0.6	0.0
5	Plastic & Rubber Products	1.4	2.5	20.9	5.4	15.5	10.2	0.2
6	Wood and Wood Products	7.1	1.8	2.5	1.5	0.6	0.4	0.0
7	Wood Pulp Products	1.5	0.1	0.1	28.6	62.8	13.8	0.3
8	Textiles, Footwear & Hats/Headgear	10.9	0.2	1.1	0.2	9.0	16.2	0.3
9	Articles of Stone, Plaster, Cement, Asbestos, Ceramics & Glass	0.1	6.6	8.8	0.3	2.0	0.2	0.0
10	Articles of Precious/Semi-precious Metals	0.0	0.0	5.8	135.4	11.5	33.5	0.7
11	Base Metals and Articles of Base Metal	2.6	0.1	36.0	4.8	12.1	41.2	0.8
12	Machinery, Mechanical & Electrical Appliances, Equipment & Parts & Aircraft Parts	55.5	0.2	6.9	72.3	1.1	1.4	0.0
13	Magnetic Discs, Cards, Tapes & Media (recorded/unrecorded)	0.0	0.1	0.0	546.8	3626.7	4451.3	86.7
14	Handicrafts, Works of Art, Philatelic Products & Personal Effects	2.5	0.1	0.4	2.6	0.4	2.9	0.1
15	Miscellaneous Manufactured Products	1.2	0.3	1.4	0.0	0.9	0.5	0.0
	TOTAL	342.5	264.2	509.6	1416.3	4283.8	5135.3	100.0

Source: Department of Revenue & Customs.

TABLE 23. DIRECTION OF TRADE *

Millions of Ngultrum

Item	2000	2001	2002	2003	2004	2005	2006	2007
Exports								
India	4,377.0	4,700.5	5,137.0	3,322.4	7,761.6	9,969.8	14,488.0	22723.7
Hongkong	0.0	-	0.0	0.1	11.7	685.9	2,866.0	2764.3
Singapore	0.9	0.1	2.0	1.0	2.4	72.8	585.4	683.8
Bangladesh	164.8	222.4	221.7	223.9	410.7	561.8	470.1	469.6
Thailand	2.1	3.7	1.8	0.7	1.0	32.9	282.4	1092.9
Nepal	28.4	41.5	29.2	14.2	17.7	44.8	57.4	54.3
Others	42.6	26.5	86.8	24.4	66.2	18.1	22.5	70.6
Total	4,615.8	4,994.7	5,478.6	3,586.6	8,271.1	11,386.2	18,771.9	27859.098
Imports								
India	6,231.3	6,988.8	7,581.3	10,228.5	10,193.9	12,795.1	13,053.9	15099.5
Indonesia	-	44.2	11.2	18.6	65.3	240.0	1,331.3	1306.8
Russian Federation	-	-	-	-	1.8	162.1	874.8	731.4
Singapore	251.4	214.6	245.3	198.9	420.1	447.2	515.1	1109.7
South Korea	123.9	71.7	76.6	132.5	501.8	247.5	459.4	644.5
Japan	305.2	622.2	326.9	200.2	598.2	648.2	395.9	460.1
Malaysia	8.1	38.5	39.1	28.2	80.3	174.9	351.8	193.4
China	71.8	15.8	74.1	29.1	205.3	182.2	281.7	402.7
Thailand	105.8	290.0	242.2	148.8	349.6	275.5	257.8	224.9
Germany	28.3	66.0	97.8	69.6	4,248.4	200.4	200.3	125.4
Others	749.2	638.4	1,359.3	512.6	1,974.9	1,662.0	1,289.9	1447.0
Total	7,875.0	8,990.2	10,053.9	11,566.921	18,639.5	17,035.1	19,012.0	21745.4
Share in percent								
Exports								
India	94.8	94.1	93.8	92.6	93.8	87.6	77.2	81.6
Hongkong	0.0	-	0.0	0.0	0.1	6.0	15.3	9.9
Singapore	0.0	0.0	0.0	0.0	0.0	0.6	3.1	2.5
Bangladesh	3.6	4.5	4.0	6.2	5.0	4.9	2.5	1.7
Thailand	0.0	0.1	0.0	0.0	0.0	0.3	1.5	3.9
Nepal	0.6	0.8	0.5	0.4	0.2	0.4	0.3	0.2
Others	0.9	0.5	1.6	0.7	0.8	0.2	0.1	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Imports								
India	79.1	77.7	75.4	88.4	54.7	75.1	68.7	69.4
Indonesia	0.0	0.5	0.1	0.2	0.4	1.4	7.0	6.0
Russian Federation	0.0	0.0	0.0	0.0	0.0	1.0	4.6	3.4
Singapore	3.2	2.4	2.4	1.7	2.3	2.6	2.7	5.1
South Korea	1.6	0.8	0.8	1.1	2.7	1.5	2.4	3.0
Japan	3.9	6.9	3.3	1.7	3.2	3.8	2.1	2.1
Malaysia	0.1	0.4	0.4	0.2	0.4	1.0	1.9	0.9
China	0.9	0.2	0.7	0.3	1.1	1.1	1.5	1.9
Thailand	1.3	3.2	2.4	1.3	1.9	1.6	1.4	1.0
Germany	0.4	0.7	1.0	0.6	22.8	1.2	1.1	0.6
Others	9.5	7.1	13.5	4.4	10.6	9.8	6.8	6.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Department of Revenue and Customs. *By latest year rankings

TABLE 24. CONVERTIBLE CURRENCY AND RUPEE LOAN DISBURSEMENTS (*)

In millions of USD and Rupees		Sector	Creditors	2003/2004		2004/2005		2005/2006		2006/2007		2007/2008		Total ¹	
				USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
		Concessional Loans													
		Agriculture		0.8	0.6	0.9	0.8	1.5	0.8	1.5	42.2				
1	Small Farm Dev. Project	IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2				
2	T/gang Mongar Dev. Project	IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4				
3	Punakha Wangdi Valley Dev. Proj.	IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6				
4	1st Eastern Zone Agricultural Proj.	IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5				
5	2nd Eastern Zone Agricultural Proj.	IFAD	0.8	0.6	0.9	0.8	0.0	0.0	0.0	0.0	9.8				
6	Forestry I	World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3				
7	Forestry II	World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8				
8	Forestry III	World Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2				
9	Chirang Hill Irrigation Project	ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1				
10	Highland Lifestock Dev. Proj.	ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8				
11	Agri. Marketing Entp. & Promotion Prog.	IFAD	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0	1.5				
		Communications	7.4	10.6	14.3	10.7	3.3	70.9							
12	Earth Satellite Station	Mitsui and Co. Ltd.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7				
13	Air Navigation Project (Paro)	EFIC (Australia)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8				
14	Rural Access Project	World Bank	1.8	2.7	1.9	1.0	0.0	0.0	0.0	0.0	11.1				
15	Urban Development Project	World Bank	3.5	2.5	1.4	0.2	0.0	0.0	0.0	0.0	10.4				
16	Road Works Mechanization Proj.	ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0				
17	East West Highway Maintenance	ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2				
18	Urban Infrastructures Improv. Proj.	ADB	0.8	1.1	0.7	0.2	0.0	0.0	0.0	0.0	5.7				
19	Road Improvement Project	ADB	1.3	4.3	1.4	0.8	0.0	0.0	0.0	0.0	10.3				
20	Rural Telecom Net. Expansion Proj.	Govt. of Denmark		0.0	8.9	7.4	0.6	0.0	0.0	0.0	16.9				
21	Road Network Project	ADB				0.2	2.7				2.9				
22	Urban Infrastructure Dev. Proj.	ADB				0.8	0.1				0.9				
		Education	4.3	4.4	6.6	8.1	8.8	61.2							
23	Primary Education Project	World Bank	0.0	0.0	0.0	0.0	0.0	4.4							
24	Second Education Project	World Bank	2.2	0.8	1.3	0.0	0.0	0.0	0.0	0.0	4.4				
25	Technical and Voc. Edn. Train. Proj.	ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.1				
26	Basic Skills Dev. Proj.	ADB	1.3	1.1	0.8	2.0	0.9	0.0	0.0	0.0	4.5				
27	Multi Project II	ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2				
28	Education Development Proj.	World Bank	0.8	2.6	4.5	6.1	7.9	0.0	0.0	0.0	10.1				
		Health	0.0	0.0	0.0	0.0	0.0	10.1							
29	Health Care Reform Program	ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.1				

**TABLE 24. CONTINUED
CONVERTIBLE CURRENCY AND RUPEE LOAN DISBURSEMENTS (*)**

Sector		2003/2004		2004/2005		2005/2006		2006/2007		2007/2008		Total ¹	
		USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
Financial Sector		0.0		0.0		0.0		0.0		4.6		22.8	
30	Technical Assistance	0.0		0.0		0.0		0.0		0.0		3.3	
31	Multi Project I	0.0		0.0		0.0		0.0		0.0		4.3	
32	Bhutan Dev. Finance Corporation	0.0		0.0		0.0		0.0		0.0		2.4	
33	Financial Sector Dev. Program (a)	0.0		0.0		0.0		0.0		0.0		4.1	
34	Dev. Finance Loan Project	0.0		0.0		0.0		0.0		0.0		3.9	
35	Bhutan Dev. Finance Corporation	0.0		0.0		0.0		0.0		0.0		4.7	
36	Financial Sector Dev. Program (b)	0.0		0.0		0.0		0.0		4.4			
37	Financial Sector Dev. Project	0.0		0.0		0.0		0.0		0.2			
Industry		0.0		0.0		0.0		0.0		0.0		31.0	
38	Bhutan Calcium Carbide Ltd.	0.0		0.0		0.0		0.0		0.0		7.2	
37	Industrial Estates Dev. Project	0.0		0.0		0.0		0.0		0.0		0.8	
39	Tala Particle Board Factory Proj.	0.0		0.0		0.0		0.0		0.0		10.4	
40	Bhutan Calcium Carbide Ltd.	0.0		0.0		0.0		0.0		0.0		6.7	
41	Dungsam Cement Plant	0.0		0.0		0.0		0.0		0.0		0.0	
Power		13.5	3346.2	10.9	2127.4	7.4	2599.0	2.9	243.9	0.0	17222.1	77.3	37048.1
42	Rural Electrification Project	0.0		0.0		0.0		0.0		0.0		6.6	
43	Sustainable Rural Elect. Proj.	0.9		0.3		0.6		0.0		0.0		9.4	
44	Rural Electrification & Network Exp Proj.	0.0		3.0		4.3		2.3		0.0		9.6	
45	Basochhu Hydropower Project	0.9		0.0		0.0		0.0		0.0		13.7	
46	Basochhu Hydro. Lower Stage	11.7		7.6		2.5		0.7		0.0		38.0	
47	Chukha Hydropower Proj.	0.0		0.0		0.0		0.0		0.0		983.6	
48	Kurichhu Hydropower Proj.	0.0		0.0		0.0		0.0		0.0		2240.0	
49	Tala Hydroelectric Proj.	3346.2		2127.4		2599.0		243.9		16742.1		33344.5	
50	Punatsangchu-I Hydroelectric Proj.	0.0		0.0		0.0		0.0		480.0		480.0	
Other				0.5		0.2		1.2		2.1		3.9	
51	Decentralized Rural Dev. Project			0.5		0.2		1.2		2.1		3.9	
TOTAL (Concessional)		26.0	3346.2	27.0	2127.4	29.3	2599.0	23.7	243.9	20.4	17222.1	319.3	37048.1
Commercial Loans		8.0		2.0		0.0		0.0		0.0		32.6	
TOTAL (Concessional + Comm)		34.0	3346.2	29.0	2127.4	29.3	2599.0	23.7	243.9	20.4	17222.1	351.9	37048.1

Source: Department of Public Accounts and private sector companies (*) Totals may not add up due to rounding.

1 - Total Disbursements are cumulative from 1981/82 - 2007/08

TABLE 25. BHUTAN'S OUTSTANDING EXTERNAL DEBT - FISCAL YEAR POSITION

Item	Ruppee/Ngulttrum Million						US \$ Million			End of Period
	2004/2005	2005/2006	2006/2007	2007/2008	2004/2005	2005/2006	2006/2007	2007/2008		
1. Government Borrowing										
Concessional										
a. World Bank	10060.7	11634.9	12905.4	13519.6	225.5	260.1	292.0	334.9		
b. IFAD	2623.2	3118.9	3510.1	3839.6	58.8	69.7	79.4	95.1		
c. ADB	878.3	953.1	1044.0	1072.6	19.7	21.3	23.6	26.6		
d. KFAED	3917.7	4436.0	4698.2	4897.2	87.8	99.1	106.3	121.3		
e. EFIC Australia	66.7	48.1	99.6	35.8	1.5	1.1	2.3	0.9		
f. Govt. of Austria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
g. Govt. of Denmark	2574.8	2679.2	2837.1	2970.8	57.7	59.9	64.2	73.6		
		399.7	716.4	703.7		8.9	16.2	17.4		
2. Commercial Borrowing	446.1	794.4	752.4	644.4	10.0	17.8	17.0	16.0		
3. Rupee Debt	16075.4	18400.2	18369.9	17320.3	360.4	411.3	415.7	429.0		
a. Chukha Hydropower Project	262.7	175.1	87.6	0.0	5.9	3.9	2.0	0.0		
b. Kurichu Hydropower Project	2053.3	1866.7	1680.0	1493.3	46.0	41.7	38.0	37.0		
c. Tala Hydroelectric Project	13759.4	16358.5	16602.4	15346.9	308.5	365.6	375.7	380.2		
d. Punatsangchhu - I Hydroelectric Project				480.0				11.9		
4. Gross Total	26582.2	30829.5	32027.7	31484.3	595.9	689.1	724.7	779.9		
Convertible Currency Debt										
As a % of Total Debt					235.5	277.8	309.0	350.9		
					39.5	40.3	42.6	45.0		
Rupee Debt	16075.4	18400.2	18369.9	17320.3						
As a % of Total Debt	60.5	59.7	57.4	55.0						
Exchange Rate										
Ngulttrum to 1 USD	44.6	44.7	44.2	40.4						

Source: Department of Public Accounts & private sector companies

- Debt outstanding at the end of each fiscal year
- Outstanding Debt = (Total Disbursement - Principal Repayment).
- Exchange rate used for conversion: fiscal year average used in the past; for the two recent fiscal years, the June average rate in each year used

TABLE 26. EXTERNAL DEBT OUTSTANDING BY INDIVIDUAL CREDITOR CATEGORIES

Creditor Category	End of Period									
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	
A. Convertible Currency Debt	98.7	106.9	129.9	176.8	216.0	235.5	277.8	309.0	350.9	
I. Multilateral	88.3	94.4	107.7	142.0	157.5	167.8	191.2	211.6	243.9	
Asian Development Bank	43.2	47.4	55.4	75.8	82.4	87.8	99.1	106.3	121.3	
EFIC (Australia)	0.5	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0	
IFAD	12.7	12.5	13.7	19.6	20.3	19.7	21.3	23.6	26.6	
KFAED	7.9	6.5	5.1	3.6	2.1	1.5	1.1	2.3	0.9	
World Bank (IDA)	24.0	27.6	33.2	42.9	52.5	58.8	69.7	79.4	95.1	
II. Bilateral	10.4	12.6	22.2	34.7	50.5	57.7	68.8	80.4	91.0	
Government of Austria	10.4	12.6	22.2	34.7	50.5	57.7	59.9	64.2	73.6	
Government of Denmark							8.9	16.2	17.4	
III. Commercial Debt from Multilateral Creditors	0.0	0.0	0.0	0.0	8.0	10.0	17.8	17.0	16.0	
B. Rupee Debt	4,276.5	5,984.4	7,847.6	10,963.7	14,222.3	16,075.4	18,400.2	18,369.9	17,320.3	
Government of India	4,276.5	5,984.4	7,847.6	10,963.7	14,222.3	16,075.4	18,400.2	18,369.9	17,320.3	
<i>(In percent of Total Convertible Currency/ Rupee Outstanding Debt)</i>										
Convertible Currency Creditors										
ADB	43.8	44.3	42.6	42.9	38.2	37.3	35.7	34.4	34.6	
EFIC	0.5	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	
Government of Austria	10.5	11.8	17.1	19.6	23.4	24.5	21.6	20.8	21.0	
Government of Denmark										
IFAD	12.9	11.7	10.5	11.1	9.4	8.4	3.2	5.2	5.0	
KFAED	8.0	6.1	3.9	2.1	1.0	0.6	0.4	0.7	0.3	
World Bank	24.3	25.9	25.5	24.3	24.3	25.0	25.1	25.7	27.1	
Others					3.7	4.2	6.4	5.5	4.5	
Rupee Creditors										
Government of India	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: Department of Public Accounts & private sector companies

TABLE 27. DEBT SERVICING - YEAR-WISE EXPENDITURE ON EXTERNAL DEBT, CONVERTIBLE CURRENCY AND RUPEE (*)

In millions of USD and Rupees

	Sector Concessional Loans	2004/2005		2005/2006		2006/2007		2007/2008	
		USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
		Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
		Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
Agriculture		0.47		0.47		0.50		0.45	
		0.81		0.88		0.90		1.10	
1	Small Farm Dev. Project	0.05		0.05		0.05		0.05	
		0.13		0.14		0.14		0.15	
2	T/gang Mongar Dev. Project	0.04		0.04		0.04		0.03	
		0.09		0.09		0.10		0.10	
3	Punakha Wangdi Valley Dev. Proj.	0.03		0.03		0.04		0.02	
		0.07		0.07		0.07		0.08	
4	1st Eastern Zone Agricultural Proj.	0.06		0.05		0.06		0.04	
		0.10		0.10		0.11		0.17	
5	2nd Eastern Zone Agricultural Proj.	0.08		0.09		0.11		0.12	
		0.00		0.00		0.00		0.00	
6	Forestry I	0.06		0.06		0.05		0.04	
		0.17		0.18		0.19		0.20	
7	Forestry II	0.01		0.01		0.01		0.01	
		0.02		0.02		0.02		0.02	
8	Forestry III	0.06		0.06		0.06		0.04	
		0.11		0.11		0.12		0.13	
9	Chirang Hill Irrigation Project	0.03		0.01		0.01		0.01	
		0.02		0.05		0.05		0.01	
10	Highland Livestock Dev. Proj.	0.06		0.05		0.06		0.06	
		0.10		0.10		0.11		0.23	
11	Agri. Marketing Entp. & Promotion Prog.					0.00		0.02	
						0.00		0.00	
Communications		0.52		0.58		0.70		0.55	
		0.30		0.22		1.10		2.41	
12	Earth Satellite Station	0.00		0.00		0.00		0	
		0.00		0.00		0.00		0	
13	Air Navigation Project (Paro)	0.00		0.00		0.00		0	
		0.09		0.00		0.00		0	
14	Rural Access Project	0.11		0.12		0.14		0.10	
		0.00		0.00		0.00		0.00	
15	Urban Development Project	0.11		0.11		0.13		0.09	
		0.00		0.00		0.00		0.00	
16	Road Works Mechanization Proj.	0.06		0.06		0.07		0.09	
		0.10		0.11		0.11		0.24	
17	East West Highway Maintenance	0.07		0.07		0.07		0.05	
		0.10		0.11		0.11		0.12	
18	Urban Infrastructures Improv. Proj.	0.06		0.08		0.09		0.07	
		0.00		0.00		0.00		0.00	
19	Road Improvement Project	0.07		0.07		0.16		0.12	
		0.00		0.00		0.00		0.00	
20	Rural Telecom Network Exp. Proj	0.04		0.06		0.05		0.00	
		0.00		0.00		0.88		2.05	
21	Road Network Project			0.00		0.00		0.02	
				0.00		0.00		0.00	
22	Urban Infrastructure Dev. Proj.					0.00		0.01	
						0.00		0.00	
Education		0.60		0.55		0.61		0.65	
		0.49		0.63		0.64		0.69	
23	Primary Education Project	0.04		0.04		0.04		0.03	
		0.09		0.09		0.09		0.10	
24	Second Education Project	0.15		0.15		0.16		0.18	
		0.00		0.00		0.00		0.00	
25	Technical and Voc. Edn. Train. Proj.	0.06		0.06		0.06		0.05	
		0.09		0.10		0.10		0.11	
26	Basic Skills Dev. Proj.	0.04		0.00		0.04		0.08	
		0.00		0.00		0.00		0.00	
27	Multi Project II	0.11		0.12		0.12		0.09	
		0.31		0.44		0.45		0.49	
28	Education Development Project	0.20		0.18		0.19		0.23	
		0.00		0.00		0.00		0.00	
Health		0.14		0.63		0.08		0.12	
		0.00		0.00		0.00		0.00	
29	Health Care Reform Program	0.14		0.63		0.08		0.12	
		0.00		0.00		0.00		0.00	

TABLE 27. CONTINUED
DEBT SERVICING - YEAR-WISE EXPENDITURE ON EXTERNAL DEBT, CONVERTIBLE CURRENCY AND RUPEE
 In millions of USD and Rupees

Sector	2004/2005		2005/2006		2006/2007		2007/2008	
	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal	Interest Principal
Financial Sector	0.27		0.26		0.32		0.30	
	0.77		0.86		0.82		0.98	
30 Technical Assistance	0.03		0.03		0.04		0.03	
	0.09		0.17		0.11		0.12	
31 Multi Project I	0.05		0.05		0.05		0.06	
	0.21		0.22		0.22		0.24	
32 Bhutan Dev. Finance Corporation	0.03		0.03		0.03		0.02	
	0.05		0.05		0.05		0.05	
33 Financial Sector Dev. Program (a)	0.05		0.06		0.06		0.09	
	0.00		0.00		0.00		0.05	
34 Financial Sector Dev. Program (b)					0.00		0.03	
					0.00		0.00	
35 Dev. Finance Loan Project	0.05		0.06		0.06		0.05	
	0.00		0.00		0.00		0.05	
36 Bhutan Dev. Finance Corporation	0.05		0.04		0.08		0.01	
	0.43		0.43		0.43		0.47	
Industry	0.09		0.09		0.10		0.15	
	0.30		0.26		0.27		0.52	
37 Bhutan Calcium Carbide Ltd.	0.08		0.08		0.09		0.06	
	0.08		0.25		0.25		0.27	
38 Industrial Estates Dev. Project	0.01		0.01		0.01		0.01	
	0.02		0.02		0.02		0.02	
39 Gedu Wood Mgf. Corporation	0.00		0.00		0.00		0.03	
	0.00		0.00		0.00		0.10	
40 Tala Particle Board Factory Proj.	0.00		0.00		0.00		0.04	
	0.00		0.00		0.00		0.13	
41 Bhutan Calcium Carbide Ltd.	0.00		0.00		0.00		0.00	
	0.21		0.00		0.00		0.00	
Power	0.93	218.10	1.59	213.72	3.66	209.58	2.31	1500.83
	0.00	274.22	0.07	274.22	0.14	274.22	1.80	1669.39
42 Rural Electrification Project	0.09		0.10		0.10		0.08	
	0.00		0.07		0.14		0.16	
43 Sustainable Rural Elect. Proj.	0.13		0.13		0.15		0.11	
	0.00		0.00		0.00		0.24	
44 Rural Electrification & Network Exp Proj	0.01		0.00		0.13		0.38	
	0.00		0.00		0.00		0.05	
45 Basochhu Hydropower Project (lower)	0.70		1.36		3.28		1.73	
	0.00		0.00		0.00		0.00	
46 Basochhu Hydropower Project (upper)					0.00		1.35	
					0.00			
47 Chukha Hydropower Proj.		16.41		12.03		7.89		3.27
		87.55		87.55		87.55		87.55
48 Kurichhu Hydropower Proj.		201.69		201.69		201.69		201.69
		186.67		186.67		186.67		186.67
49 Tala Hydroelectric Proj.		0.00		0.00		0.00		1295.86
		0.00		0.00		0.00		1395.17
50 Punatsangchhu-I Hydroelectric Proj.								0.00
								0.00
Other	0.00		0.02		0.03		0.03	
	0.00		0.00		0.00		0.00	
51 Decentralized Rural Dev. Project	0.00		0.02		0.03		0.03	
	0.00		0.00		0.00		0.00	
Total (for Concessional Loans)	3.03	218.10	4.20	213.72	5.99	209.58	4.55	1500.83
	2.67	274.22	2.93	274.22	3.87	274.22	7.50	1669.39
Commercial Loans								
	0.25		0.77		1.28		1.01	
	0.00		0.59		0.85		1.76	
Total (Con. + Comm. Loans)	3.27	218.10	4.98	213.72	7.27	209.58	5.56	1500.83
	2.67	274.22	3.52	274.22	4.73	274.22	9.26	1669.39
GRAND TOTAL (I+P)	5.94	492.32	8.49	487.94	12.00	483.80	14.83	3170.22

Source: Department of Public Accounts and private sector companies. (*) Totals may not add up due to rounding.

TABLE 28. BHUTAN'S DEBT SERVICE PAYMENTS BY CREDITOR CATEGORY

Creditor Category	1998/99		1999/00		2000/01		2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
(In Millions of USD)																				
I. Multilateral (Convertible Currency)	0.89	0.89	0.95	1.30	1.61	2.42	2.29	2.78	2.67	2.78	2.67	2.74	2.67	2.74	2.67	2.74	2.67	2.74	2.67	2.74
II. Bilateral Convertible Currency	1.36	1.38	2.63	2.71	2.95	2.90	2.67	2.93	2.67	2.93	2.67	3.87	2.67	3.00	2.93	3.00	3.00	3.00	3.00	3.87
III. Convertible Currency Commercial Debt	0.00	0.00	0.00	0.03	0.52	0.75	0.74	1.42	0.52	1.42	0.74	1.73	0.74	1.42	0.74	1.42	0.74	1.42	0.74	1.73
IV. Rupee Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.40	0.00	0.88	0.00	0.88	0.00	0.88	0.00	3.40
Total Interest Payments	2.27	1.76	1.68	1.94	2.65	3.78	8.16	9.75	8.16	9.75	8.16	12.01	8.16	9.75	8.16	9.75	8.16	9.75	8.16	12.01
Total Principal Repayments	10.41	3.38	4.52	4.52	4.78	4.83	8.82	9.64	8.82	9.64	8.82	10.93	8.82	9.64	8.82	9.64	8.82	9.64	8.82	10.93
Total Debt Service	12.69	5.14	6.19	6.46	7.43	8.61	16.98	19.40	16.98	19.40	16.98	22.94	16.98	19.40	16.98	19.40	16.98	19.40	16.98	22.94
(Ratios)																				
Debt Service Ratio*	10.9	3.9	4.7	4.9	6.8	6.8	11.9	7.6	6.8	11.9	6.8	17.9	6.8	7.6	6.8	7.6	6.8	7.6	6.8	17.9
Debt Service/Current Receipts**	9.1	3.3	4.3	4.4	4.7	4.4	16.8	8.4	4.7	16.8	4.4	16.2	4.4	8.4	4.4	8.4	4.4	8.4	4.4	16.2
Interest Payments/Current Receipts	1.6	1.1	1.3	1.3	1.7	1.9	8.1	4.2	1.7	8.1	1.9	7.4	1.9	4.2	1.9	4.2	1.9	4.2	1.9	7.4
Debt Service/Gross Reserves	4.9	1.8	2.1	2.0	2.0	2.2	4.0	4.1	2.0	4.0	2.2	14.3	2.2	4.1	2.2	4.1	2.2	4.1	2.2	14.3

Source: Department of Public Accounts & private sector companies

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

** : Current receipts include receipts from export of goods and services, income and transfers excluding official grants and receipts of INGOs & international organizations.

Inconsistencies may occur due to rounding.

TABLE 29. RUPEE DEBT INDICATORS

Millions of Indian Rupees	Period											
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	
Debt Outstanding	1,715.5	2,704.1	4,276.5	5,984.4	7,847.6	10,963.7	14,222.3	16,075.4	18,400.2	18,369.9	17,320.3	
Chukha Hydel Project	875.5	788.0	700.4	612.9	525.3	437.8	350.2	262.7	175.1	87.6	0.0	
GOI Credit Line	250.0											
Tala Hydroelectric Project	240.0	1,250.1	2,470.1	3,497.6	5,244.3	8,285.9	11,632.1	13,759.4	16,358.5	16,602.4	15,346.9	
Kurichhu Hydropower Project	350.0	666.0	1,106.0	1,874.0	2,078.0	2,240.0	2,240.0	2,053.3	1,866.7	1,680.0	1,493.3	
Punatsangchu - I Hydropower Project											480.0	
Debt Service Payments	183.2	394.8	125.8	121.2	117.1	112.7	108.3	492.3	487.9	483.8	3,170.2	
Principal	94.3	337.6	87.6	87.6	87.6	87.6	87.6	274.2	274.2	274.2	1,669.4	
Interest	88.9	57.3	38.3	33.7	29.6	25.2	20.8	218.1	213.7	209.6	1,500.8	
Debt Service Ratio (%)	4.3	8.9	2.6	2.4	2.2	2.5	2.4	9.4	5.5	2.3	19.3	
Interest Payments/Export of	2.1	1.3	0.8	0.7	0.7	0.5	0.4	3.1	2.4	1.9	7.0	
Goods & Services												
Principal Repayments/Exports of Goods & Services	2.2	7.6	1.8	1.8	1.9	1.8	1.7	3.9	3.1	2.5	7.8	
Debt Outstanding/GDP (%)	12.7	13.9	17.9	29.8	34.3	41.5	48.4	49.7	50.3	44.3	33.6	

Source: Department of Public Accounts

TABLE 30. FOREIGN DEBT INDICATORS FOR CONVERTIBLE CURRENCY LOANS

Items	Period									
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Debt Outstanding	98.7	98.7	106.9	129.9	176.8	216.0	235.5	277.8	309.0	350.9
Debt Service Payments										
Principal	3.4	2.3	3.6	4.0	5.1	6.2	5.9	8.5	12.0	14.8
Interest	2.5	1.4	2.6	2.7	2.9	2.9	2.7	3.5	4.7	9.3
	0.9	0.9	1.0	1.3	2.1	3.3	3.3	5.0	7.3	5.6
Debt Service Ratio (%)	18.5	11.2	15.7	18.7	31.0	22.8	23.5	15.6	8.0	12.9
Interest Payments/Convertible Currency Exports of Goods and Services.	5.0	3.8	3.6	5.1	9.1	10.3	6.0	4.3	4.8	4.8
Principal Repayments/ Convertible Currency Exports of Goods and Services.	13.5	5.9	9.8	10.5	12.5	9.0	4.9	3.0	3.2	8.1
Debt Outstanding/GDP (%)	26.6	23.5	24.7	27.4	32.1	33.4	32.5	34.0	33.0	27.5

Source: Department of Public Accounts & private sector companies

TABLE 31. SUMMARY OF BUDGETARY OPERATIONS

Millions of Ngultrum

Item	Period						
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08 (r)
Total Revenue	5,078.2	4,785.3	5,746.6	6,128.0	7,027.4	10,082.2	12,148.4
Tax	2,675.6	2,928.3	2,689.9	3,382.4	4,124.7	4,266.9	4,843.5
Non-tax	2,376.1	1,833.6	2,365.3	2,683.7	2,778.2	5,815.3	6,764.5
Other receipts	26.5	23.4	691.4	61.9	124.5	0.0	540.4
Grants	3,748.5	2,269.1	5,367.4	4,373.1	6,424.7	6,000.9	8,332.5
Gol	2,531.8	929.3	3,534.7	2,625.0	3,417.2	4,024.3	5,688.7
Others	1,216.7	1,339.7	1,832.7	1,748.1	3,007.5	1,976.6	2,643.8
Total Revenue and Grants	8,826.7	7,054.3	11,113.9	10,501.1	13,452.2	16,083.1	20,481.0
Expenditure (1)	10,052.1	9,945.3	10,534.1	12,893.7	13,770.9	15,795.4	22,222.7
Current	4,467.9	4,580.9	5,149.2	6,170.6	6,672.4	7,691.4	10,591.0
Capital (1)	5,584.2	5,364.4	5,384.9	6,723.0	7,098.5	8,104.0	11,631.7
Budget surplus or Deficit (-)	-1,225.4	-2,891.0	579.8	-2,392.6	-318.7	287.7	-1,741.7
Financing Transactions (2)	1,225.4	2,891.0	-579.8	2,392.6	318.8	-287.8	1,741.7
External borrowings (Net of Principal repayments)	1,396.7	1,537.3	932.1	739.4	715.5	530.1	-313.1
Internal borrowings (Net of principal repayments)	500.0	250.0	-250.0	1,772.8	-374.2	-175.3	-175.3
Cash and bank balances (3)	-671.3	1,103.6	-1,261.9	31.3	33.0	-642.6	2,230.1
Others	-	-	-	-150.9	-55.5	-	-

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

Others: other receipts and recoveries.

TABLE 32. THE ROYAL SECURITIES EXCHANGE OF BHUTAN LTD., INFORMATION ON LISTED COMPANIES

Company/ Year of Listing	Reference Year	Paid Up Capital Nu. in Mill.	No. of shareholders	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 (%)	Return on Capital (ROC)
				High	Low	Low								
BCCL 1993	2002	100.0	267	5,000	4,000	500.0	72.1	325.5	4,254.3	720.8	6.9	30.0	0.2	
	2003	100.0	267	5,200	5,000	500.0	79.8	374.5	4,745.0	797.8	6.3	30.0	0.2	
	2004	100.0	270	5,000	5,000	500.0	64.9	398.6	4,986.4	649.2	7.7	40.0	0.1	
	2005	100.0	269	8,000	5,000	600.0	56.4	430.0	5,300.2	564.3	10.6	25.0	0.1	
	2006	100.0	264	6,000	6,000	600.0	23.8	441.9	5,418.7	237.6	25.3	15.0	0.0	
	2007	100.0	264	6,000	600	600.0	46.1	466.5	566.5	46.1	13.0	15.0	0.1	
RICB 1993	2002	48.0	1871	4,205	4,100	201.8	41.7	145.6	4,033.5	868.5	4.8	-	0.2	
	2003	96.0	1715	4,205	1,000	336.0	43.9	155.2	2,616.8	457.3	7.7	-	0.2	
	2004	96.0	1,670	3,650	3,000	336.0	73.3	210.5	3,192.2	763.8	4.6	20.0	0.2	
	2005	96.0	1,641	420	300	288.0	72.6	277.0	388.5	75.6	4.0	10.0	0.2	
	2006	96.0	1,641	350	300	336.0	92.3	349.1	463.6	96.2	3.6	20.0	0.2	
	2007	96.0	1,585	350	299	336.0	106.3	435.5	553.7	110.8	3.2	25.0	0.2	
PCAL 1993	2002	226.7	1,620	4,600	4,000	1,042.7	200.4	418.4	2,845.7	884.1	5.2	75.0	0.3	
	2003	226.7	1,520	5,300	4,400	1,178.7	191.2	496.2	3,189.0	843.4	6.2	50.0	0.3	
	2004	226.7	1,477	5,300	4,000	1,246.7	175.5	558.3	3,463.2	774.1	7.1	50.0	0.2	
	2005	226.7	1,477	600	440	1,360.0	180.8	625.8	376.1	79.8	7.5	50.0	0.2	
	2006	226.7	1,482	800	650	1,586.7	214.9	670.6	395.9	94.8	7.4	75.0	0.2	
	2007	226.7	1,471	800	550	1,813.3	321.1	787.8	447.5	141.7	5.7	90.0	0.3	
BFAL 1995	2002	150.0	37	140	140	210.0	90.7	195.0	230.0	60.0	2.3	35.0	0.3	
	2003	150.0	40	140	140	210.0	90.7	239.1	259.4	60.5	2.3	35.0	0.2	
	2004	150.0	50	510	510	765.0	91.2	276.8	284.6	60.8	8.4	15.0	0.2	
	2005	150.0	46	510	510	765.0	33.2	287.5	291.7	22.1	23.1	-	0.1	
	2006	150.0	46	510	100	765.0	49.3	304.9	303.3	32.9	15.5	15.0	0.1	
	2007	150.0	46	510	510	765.0	1.1	298.0	298.7	0.7	686.7	-	-	-
BBPL 1993	2002	140.0	489	89	89	124.6	4.0	11.3	108.1	2.8	31.6	-	0.0	
	2003	140.0	489	89	89	124.6	9.3	12.2	108.7	6.7	13.4	6.0	0.1	
	2004	140.0	489	90	90	126.0	19.8	18.0	112.9	14.2	6.4	10.0	0.1	
	2005	140.0	489	90	90	126.0	31.7	28.7	120.5	22.6	4.0	15.0	0.2	
	2006	140.0	489	90	90	140.0	32.3	40.0	128.5	23.0	4.3	15.0	0.2	
	2007	140.0	492	100	100	140.0	29.7	62.7	144.8	21.2	4.7	5.0	0.2	
BTCL 1994	2002	20.9	83	2,000	1,500	31.4	4.7	18.6	1,886.1	224.0	6.7	20.0	0.1	
	2003	20.9	83	1,500	1,000	20.9	4.5	18.6	1,889.8	216.9	4.6	-	0.1	
	2004	20.9	161	1,701	1,000	35.6	10.5	29.9	2,426.1	502.5	3.4	-	0.2	
	2005	20.9	161	1,701	1,701	35.6	13.1	37.1	2,770.0	624.8	2.7	-	0.2	
	2006	20.9	164	170	170	35.6	11.2	38.7	284.7	53.6	3.2	20.0	0.2	
	2007	20.9	170	170	100	35.6	11.0	52.5	350.5	52.7	3.2	-	0.2	
BDL 1994	2002	2.5	96	100	100	2.5	-	-	-	-	-	-	-	
	2003	6.1	96	100	100	2.5	(1.1)	-	100.0	(17.2)	(5.8)	-	(0.2)	
	2004	8.6	96	100	100	2.5	(0.9)	-	100.0	(10.2)	(9.8)	-	(0.1)	
	2005	14.1	96	100	100	2.5	0.2	-	100.0	(30.9)	(3.2)	-	(0.3)	
	2006	14.1	96	100	100	14.1	(29.8)	-	100.0	(211.5)	(0.5)	-	(1.9)	
	2007	14.1	96	100	100	14.4	(27.0)	-	100.0	(191.7)	(0.5)	-	(1.9)	
DPCL 1995	2002	6.2	80	100	100	6.2	-	-	-	-	-	-	-	
	2003	6.2	79	100	100	6.2	(5.4)	-	100.0	(85.9)	(1.2)	-	(0.9)	
	2004	6.2	71	100	120	7.5	(6.2)	-	100.0	(100.1)	(1.2)	-	(1.0)	
	2005	6.2	71	120	120	7.5	(0.4)	-	100.0	(5.9)	(20.3)	-	(0.1)	
	2006	6.2	71	120	120	7.5	0.5	-	100.0	8.3	14.5	-	0.1	
	2007	6.2	71	120	120	7.5	(0.2)	-	100.0	(2.9)	(41.6)	-	(0.0)	

TABLE 32. CONTINUED

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

Company/ Year of Listing	Reference Year	Paid Up Capital Nu. in Mill	No. of shareholders	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 (%)	Return on Capital (ROC)
				High	Low								
DSML 1995	2002	3.8	64	100	100	3.8	(1.4)	-	-	(37.4)	(2.7)	-	(0.4)
	2003	3.8	64	100	100	3.8	2.2	-	100.0	57.9	1.7	-	0.6
	2004	3.8	69	370	300	11.3	0.5	-	100.0	12.6	23.8	-	0.1
	2005	3.8	69	370	300	11.3	(2.0)	-	100.0	(53.5)	(5.6)	-	(0.5)
	2006	3.8	67	429	300	16.2	(8.9)	-	100.0	(48.2)	(8.9)	-	(0.5)
	2007	3.8	67	429	429	16.17	0.81	-	100.0	21.37	20.08	-	0.21
	2002	59.5	409	2,000	1,100	1,190.0	40.1	269.0	552.1	67.4	29.7	25.0	0.1
BNBL 1996	2003	119.0	5,451	2,000	550	654.5	56.9	549.0	47.8	11.5	30.0	0.1	
	2004	119.0	4,656	750	650	773.6	81.9	579.4	68.8	9.5	50.0	0.1	
	2005	119.0	4,193	750	645	773.6	151.6	638.9	127.4	5.1	70.0	0.2	
	2006	119.0	4,582	750	650	773.6	191.8	705.6	161.1	4.0	100.0	0.2	
	2007	119.0	4,440.0	805.0	635.0	958.01	249.54	902.71	858.53	209.69	3.84	40	0.24
	2002	24.9	95	300	205	62.3	9.6	12.5	150.2	38.4	6.5	30.0	0.3
	BPCL 1997	2003	24.9	104	300	250	62.3	10.4	15.5	162.0	41.8	6.0	30.0
2004		24.9	102	240	240	59.8	7.5	18.0	172.0	30.1	8.0	20.0	0.2
2005		24.9	102	240	240	59.8	8.0	21.0	184.3	32.2	7.5	20.0	0.2
2006		24.9	129	100	100	24.9	9.4	24.1	196.8	37.5	2.7	25.0	0.2
2007		24.93	129.0	100.0	100.0	24.93	8.03	32.15	228.95	32.2	3.11	-	0.14
2002		20.0	127	130	130	26.0	4.4	41.0	304.8	22.2	5.9	20.0	0.1
STGBL 1997		2003	20.0	127	130	130	26.0	10.8	45.8	328.8	54.0	2.4	30.0
	2004	20.0	125	130	130	38.0	9.7	50.5	352.5	48.7	3.9	25.0	0.1
	2005	20.0	125	190	130	38.0	4.2	54.7	373.6	21.1	9.0	-	0.1
	2006	20.0	125	190	130	38.0	(2.2)	52.5	362.6	(11.0)	(17.3)	-	(0.0)
	2007	20.0	125	190	190	38.0	-15.77	36.76	283.81	-78.84	-2.41	-	0.28
	2002	30.4	1,200	100	100	30.4	21.2	32.7	207.6	70.6	1.4	-	0.3
	DSCL 1998	2003	30.4	1,186	100	100	30.4	32.6	55.4	282.2	107.1	0.9	-
2004		30.4	1,264	400	350	106.4	33.8	68.8	326.3	111.1	3.2	-	0.3
2005		30.4	1,150	400	250	82.7	9.2	58.6	292.7	30.3	9.0	50.0	0.1
2006		45.7	1,277	272	100	124.2	18.6	46.0	200.7	40.7	6.7	35.0	0.2
2007		45.7	1,277.0	300.0	275.0	137.0	17.7	50.0	209.5	38.8	7.7	30.0	0.2
2002		10.0	203	100	100	10.0	-	-	100.0	-	-	-	-
DPOP		2003	10.0	203	100	100	10.0	(0.6)	-	100.0	(5.9)	(17.1)	-
	2004	10.0	203	100	100	10.0	0.1	-	100.0	1.3	78.9	-	0.0
	2005	10.0	203	350	350	35.0	2.0	1.0	110.0	19.6	17.9	5.0	0.2
	2006	10.0	213	100	100	10.0	2.9	2.4	124.0	29.0	3.5	15.0	0.2
	2007	10.0	213	200	200	10.0	2.9	3.34	133.41	19.44	10.29	10	0.15
	2003	115.0	4,443	350	100	365.0	(17.4)	-	100.0	(15.1)	(21.2)	-	(0.2)
	BBCL 2002	2004	115.0	4,407	310	245	281.8	(9.6)	-	100.0	(8.3)	(29.5)	-
2005		115.0	4,372	200	140	230.0	1.2	-	100.0	1.0	194.4	-	0.0
2006		115.0	4,334	220	100	115.0	9.6	-	100.0	8.4	12.0	-	0.1
2007		115.0	4,334	220	100	115.0	9.6	-	100.0	8.4	12.0	-	0.1
EBCC	2005	52.1	1,152	200	100	52.1	40.7	1.1	102.2	78.2	1.3	-	0.8
	2006	52.1	1,092	100	100	52.1	8.0	0.8	101.5	15.3	6.5	16.0	0.2
	2007	52.1	1,089	140	100	72.9	9.4	1.8	103.5	18.0	7.8	16.0	0.2
KGL 2007	2007	50.0	253	100	100	50.0	4.6	90.7	281.5	9.3	10.8	7.0	0.0
	Total Market Capitalization :												5,143.8

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.

(*) BBCL - Bhutan Carbide and Chemicals Ltd.; RICB-Royal Insurance Corporation of Bhutan; PCAL-Penden Cement Authority Ltd.; BFAL-Bhutan Ferro Alloys Ltd.; BBPL-Bhutan Board Products Ltd.; BTCL-Bhutan Tourism Corporation Ltd.; BDL-Bhutan Dairy Ltd.; DPCL-Druk Petroleum Corporation Ltd.; DSML-Druk Stones and Minerals Export Company Ltd.; BNB-Bhutan National Bank; BPCL-Bhutan Polythene Company Ltd.; STCB-State Trading Corporation of Bhutan; DSCL-Druk Satair Corporation Ltd.; DPOP-Druk Plaster and Chemicals Ltd.; BBCL-Bhutan Beverages Company Ltd.; EBCC- S.D Eastern Bhutan Coal Company Ltd.; KCL-Kuensel Corporation Ltd.

TABLE 33. EXCHANGE RATE, NGULTRUM/US DOLLAR

Period Average	Year											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Period	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Jan	39.4	42.5	43.6	46.5	48.3	47.9	45.5	43.8	44.4	44.3	39.4	
Feb	38.9	42.5	43.6	46.5	48.7	47.7	45.3	43.7	44.3	44.2	39.7	
Mar	39.5	42.4	43.6	46.6	48.7	47.6	45.0	43.7	44.5	44.0	40.4	
Apr	39.7	42.7	43.6	46.8	48.9	47.4	43.9	43.7	44.9	42.1	40.0	
May	40.4	42.8	44.0	46.9	49.0	47.1	45.3	43.5	45.4	40.8	42.1	
Jun	42.2	43.1	44.7	47.0	49.0	46.7	45.5	43.6	46.1	40.8	42.8	
Jul	42.5	43.3	44.8	47.1	48.8	46.2	46.0	43.5	46.5	40.4		
Aug	42.8	43.5	45.7	47.1	48.6	45.9	46.3	43.6	46.5	40.8		
Sep	42.5	43.5	45.9	47.6	48.4	45.8	46.1	43.9	46.1	40.3		
Oct	42.3	43.5	46.4	48.0	48.4	45.4	45.8	44.8	45.5	39.5		
Nov	42.4	43.4	46.8	48.0	48.4	45.5	45.1	45.7	44.9	39.4		
Dec	42.6	43.5	46.8	47.9	48.1	45.6	44.0	45.6	44.6	39.4		
Calendar year average	41.26	43.06	44.94	47.19	48.61	46.58	45.32	44.10	45.31	41.35		
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	
Fiscal year average	38.39	42.59	43.64	46.39	48.21	47.93	45.41	44.61	44.74	44.19	40.37	

Source : International Financial Statistics, IMF.

TABLE 34. EXCHANGE RATE, JAPANESE YEN / US DOLLAR

Period Average	Year											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Period	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Jan	129.45	113.18	105.16	117.10	132.66	118.65	106.51	103.94	115.45	120.58	107.66	
Feb	126.00	116.66	109.31	116.04	133.52	119.27	106.55	104.88	117.89	120.45	107.16	
Mar	128.69	119.78	106.71	121.12	131.20	118.54	108.62	105.31	117.31	117.28	100.79	
Apr	131.67	119.81	105.48	123.83	131.07	119.79	107.25	107.36	117.11	118.87	102.54	
May	135.00	122.11	108.11	121.93	126.48	117.26	112.52	106.91	111.61	120.73	104.14	
Jun	140.57	120.90	106.23	122.15	123.60	118.26	109.47	108.63	114.53	122.62	106.90	
Jul	140.73	119.86	107.90	124.65	118.07	118.69	109.36	111.94	115.67	121.59		
Aug	144.65	113.40	108.07	121.61	119.01	118.83	110.36	110.72	115.88	116.72		
Sep	134.59	107.57	106.75	118.98	120.37	115.19	110.01	111.06	117.01	115.02		
Oct	121.30	105.97	108.36	121.28	123.86	109.58	108.92	114.82	118.66	115.74		
Nov	120.58	104.60	108.89	122.31	122.55	109.20	104.90	118.41	117.35	111.21		
Dec	117.62	102.68	112.21	127.36	122.27	107.94	103.84	118.64	117.13	112.25		
Calendar year average	130.90	113.88	107.77	121.53	125.39	115.93	108.19	110.22	116.30	117.76		
Fiscal year average	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2006/08	
	126.74	124.33	107.92	114.53	126.23	119.83	110.86	107.04	114.96	118.52	110.14	

Sources: International Financial Statistics, IMF and Bank of Japan Website.

TABLE 35. EXCHANGE RATE, EURO/US DOLLAR

Period Average	Year											
	2000	2001	2002	2003	2004	2005	2006	2007	2008			
Period												
Jan	0.9867	1.0659	1.1324	0.9417	0.7929	0.7550	0.8263	0.7694	0.6795			
Feb	1.0170	1.0851	1.1494	0.9283	0.7908	0.7685	0.8377	0.7649	0.6782			
Mar	1.0370	1.0999	1.1419	0.9256	0.8156	0.7582	0.8320	0.7552	0.6442			
Apr	1.0654	1.1214	1.1290	0.9220	0.8341	0.7730	0.8150	0.7399	0.6352			
May	1.1040	1.1442	1.0906	0.8645	0.8336	0.7879	0.7831	0.7401	0.6450			
Jun	1.0537	1.1722	1.0470	0.8575	0.8239	0.8221	0.7906	0.7453	0.6300			
Jul	1.0644	1.1622	1.0080	0.8794	0.8154	0.8308	0.7885	0.7291				
Aug	1.1062	1.1108	1.0227	0.8980	0.8214	0.8135	0.7806	0.7341				
Sep	1.1469	1.0978	1.0196	0.8915	0.8185	0.8161	0.7857	0.7197				
Oct	1.1698	1.1041	1.0196	0.8553	0.8008	0.8324	0.7930	0.7029				
Nov	1.1678	1.1259	1.0082	0.8548	0.7699	0.8486	0.7764	0.6811				
Dec	1.1149	1.1207	0.9823	0.8138	0.7476	0.8435	0.7569	0.6859				
Calendar year average	1.0862	1.1175	1.0626	0.8860	0.8054	0.8041	0.7971	0.7306				
Fiscal year average	1.0013	1.1216	1.1176	0.9583	0.8403	0.7865	0.8225	0.7663	0.6804			

Sources : International Financial Statistics, IMF and European Central Bank Website.

IV. ANNEXURES

FUNCTIONS OF THE ROYAL MONETARY AUTHORITY OF BHUTAN

In accordance with the RMA Act, 1982, the RMA's core functions, i.e., the central function and the subsidiary functions, can be summarized as follows:

a) Achievement and Maintenance of Price Stability in the Medium and Longer Term is the Central Function

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 BTN and the INR. Monetary policy, which is aimed at achieving price stability, is confined to the support of the peg, which involves making available sufficient INR on demand, the provision of at least 100 percent reserve backing for all BTN issued, the avoidance of a large BTN liquidity build-up, together with additional confidence-building measures for the BTN, implying, for example, credible RMA and government policies. Please see Section 2 for a more detailed description of the RMA's monetary policy framework and the end of this annex for a schematic overview. All the other subsidiary functions, which are also very important, and which complement the central function, are outlined below [b) through h)].

b) The Bank of Issue

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, but if possible, non-inflationary liquidity.

c) 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 paper, and the commitment to act as "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.

d) 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 may make temporary advances to the government.

e) 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.

f) 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 implies also the responsibility for the exchange rate policy (in Bhutan the external value of the BTN is declared by the government on recommendation of the RMA's Board, while the RMA has to implement and support it), reserve management (with a view to the prudential management of the funds, with due regard to liquidity, safety, and profitability, in that order), and external debt management on behalf of the Ministry of Finance. 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.

g) Supervision of Banks and Other Financial Institutions

In general, this activity, which in quite a few countries is carried out by a separate institution, involves insuring 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. It 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, (e.g., in Bhutan and on the Maldives) there is a very good case for making the central bank also responsible for financial institutions' supervision (including all financial institutions) on account of economies of scale and the central bank's financial sector expertise. In larger developing countries, one might think at a later stage of development of creating a separate institution for financial institutions' supervision, or even several separate institutions.

h) Promotion of Financial Sector Development

This refers to the establishment of an effective financial system, with the aid of which 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. It also implies that the necessary banking services, as, for example, deposit facilities and loan facilities, are made available. Of importance is also the establishment of a deposit insurance system, the creation of a credit information bureau, and the availability of certain specialised 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. In other words, the RMA should be heavily involved in financial sector development, which already is the case.

All the 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 divisions/units. The Human Resource Development and Internal Audit are directly under the MD, while DMDI is responsible for Banking, Hospitality and Protocol, Issue, and Personnel and Finance, and DMD II oversees Financial Institutions Supervision, Foreign Exchange and Reserve Management, Information Technology, Library, and Research and Statistics. DMD I and DMD II are observers in the Board of Directors. For a comprehensive overview of the organization structure, please see the latest RMA organization chart on page 4.

The basic responsibilities of the eleven divisions can be summarised, in a nutshell, as follows:

a) Divisions Directly Under the Managing Director (MD)

- * The Human Resource Development (HRD) Unit is mainly responsible for bridging present and future human resource gaps by matching RMA officials with training opportunities, which it explores, in Bhutan and abroad, and developing a Human Resource Master Plan.
- * The Internal Audit Division is responsible for examining the risks that the RMA faces, reviewing the adequacy of the controls in place to protect it from those risks, and verifying that the controls are working as intended.

b) Divisions Under Deputy Managing Director (DMD) I, Operations Department

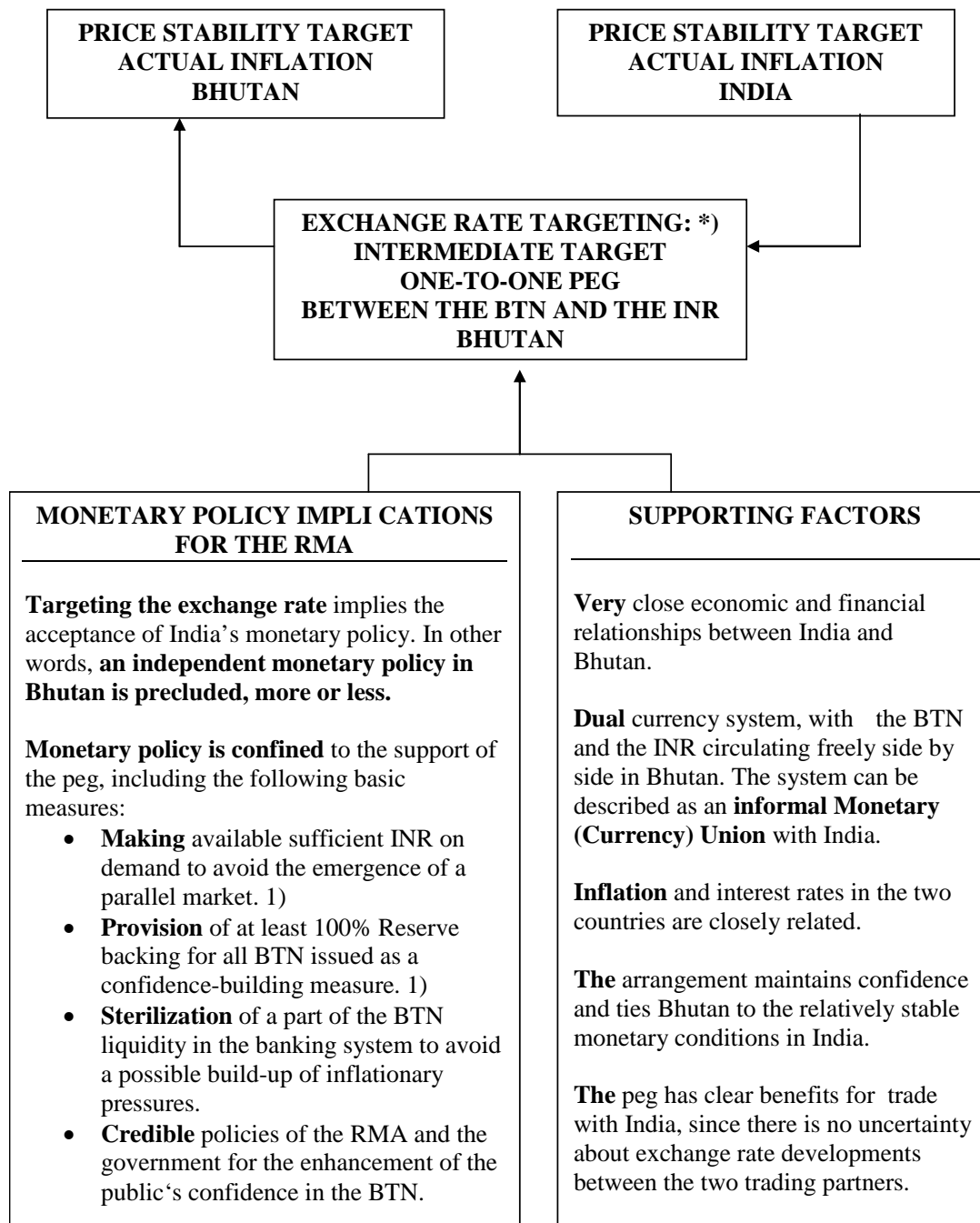
- * The Banking Division maintains the Government accounts, the financial institutions' accounts, the foreign exchange accounts, and the central accounts, and is responsible for transactions pertaining to the Clearing House.
- * The Hospitality and Protocol Division is responsible for the organization of protocol activities, the maintenance of the office building and the premises, the management of the pool vehicles, the management and supervision of security.
- * The work of the Issue Division involves the printing of notes and minting of coins, the supply of notes and coins to banks (currency chest) and the public (RMA counters), and dealing with any matters related to "counterfeit notes". Furthermore, soiled notes are sorted into re-issuable and non-re-issuable notes, while non-re-issuable notes are destroyed.

- * The Personnel and Finance Division is generally responsible for administrative matters, including, for example, work related to inventory and stores, recruitment, the maintenance of personnel records, leave management, and the maintenance of the administrative accounts.

c) Divisions Under Deputy Managing Director (DMD) II, Policy and Programs Department.

- * The Financial Institutions Supervision Division supervises regularly all financial institutions by means of on-site and off-site inspections on the basis of internationally accepted financial sector practices, licenses new institutions, issues and monitors regulations, and monitors money laundering.
- * The Foreign Exchange and Reserve Management Division drafts, implements, monitors, and enforces foreign exchange regulations, releases foreign exchange, provides information on exchange rates, and manages Bhutan's convertible currency and Rupee reserves (the latter are in the process of being taken over from the two commercial banks) with regard to liquidity, safety, and profitability, in that order.
- * The Information Technology (IT) Division is involved in all aspects of developing and maintaining the RMA's IT system, e.g., IT planning and monitoring, hardware management and support, and applications systems and database development, management, and support.
- * The Library provides all the necessary library services, as, for example, cataloguing of the Library's books and periodicals, registration of books and periodicals lent out, ordering of books and periodicals, and development and installment of a computerized cataloguing system.
- * The Research and Statistics Division is responsible for research and statistics, the production and timely finalisation of the Annual Report, Selected Economic Indicators, and the Monthly Statistical Bulletin, advice to the management and government, and the provision of statistical and economic information to management, the government, and the public.

THE RMA'S MONETARY POLICY FRAMEWORK:
A SCHEMATIC PRESENTATION



*) By default, the only realistic **targeting method**.- 1) Elements of a **Currency Board**.

CHRONOLOGY OF IMPORTANT FINANCIAL SECTOR DEVELOPMENTS

- ❖ In August 1982, the RMA Act was passed by the National Assembly during its fifty-sixth session. With effect from April 1, 1983, the RMA started its actual operations.
- ❖ In 1983, the RMA took over the issue of the national currency, the management of external reserves, and foreign exchange operations.
- ❖ In 1984, the cash reserve ratio was introduced for the purpose of liquidity control and for prudential purposes.
- ❖ 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 means for financing the Government, whenever necessary.
- ❖ In November 1992, the Financial Institutions Act was passed by the National Assembly to provide the RMA with the legal framework to issue licenses for financial institutions and to regulate, supervise, and inspect their operations.
- ❖ The RMA organized the establishment of the Royal Securities Exchange of Bhutan in 1993 to begin a small capital market for the purpose of facilitating public participation in the holding of securities of public and private companies.
- ❖ In 1993, RMA discount bills were introduced as an instrument of central bank policy.
- ❖ For the purpose of further improving the RMA's liquidity management, the RMA introduced the reserve repurchase in September 1996 as its second debt instrument. The repurchase was rolled over until January 2002, when it was discontinued.
- ❖ To enhance competition in the banking sector, the Unit Trust of Bhutan was converted into a full-fledged commercial bank, called Bhutan National Bank in January 1997.
- ❖ Until 1997, interest rates on both deposits and advances were directly administered by the RMA, thereby providing insufficient flexibility to financial institutions for setting their rates on the basis of the actual cost of funds. Since this arrangement was not conducive to the long-term growth of the financial sector and the economy, the RMA liberalized interest rates with effect from October 1997, allowing each institution to determine the rates in accordance with the "spread system". The system allowed each institution to determine its own deposit and

lending rates, while maintaining an overall interest spread of a maximum of six percentage points. In April 1999, to further encourage competition among FIs, the RMA removed the “spread”, liberalizing fully the interest rates on both deposits and advances, permitting more competition and interplay of the market forces.

- ❖ 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. The aim is to eventually move towards current account convertibility.
- ❖ Check clearing facilities were established in the country (the first in Thimphu in 1997 and the second in Phuentsholing in 1999), in order to provide an efficient system through which the country’s commercial banks could settle their claims against each other for checks and other negotiable demand items. The facilities are also envisaged to enhance the payments and settlement system through the use of negotiable instruments.
- ❖ As part of the Financial Sector Reform Program, the Government Employees Provident Fund was transferred in 2000 from the Royal Insurance Corporation of Bhutan (now RICBL) to the newly created National Pension and Provident Fund.
- ❖ One of the causes for sluggish credit activity in the country has been the inadequate legal framework for loan recovery and the high collateral requirements. For the purpose of dealing effectively with that problem, the government passed in 1999 the Moveable and Immovable Property Act and the Bankruptcy Act. Furthermore, in order to provide legal support for the check clearing houses and the use of negotiable instruments in the payments and settlement system, the Negotiable Instruments Act was passed in the 78th session of the National Assembly in July 2000.
- ❖ In 2002, the RMA made arrangements with the Reserve Bank of India to participate in the auctions of Government of India securities to invest Indian Rupee reserves.
- ❖ Following a resolution adopted by the RMA's Board of Directors, a Monetary Operations Committee (MOC) was established in June 2002. On behalf of the Board, the MOC will basically be responsible for the formulation and implementation of policy instruments, the achievement and maintenance of sound conditions in the financial sector, and the management of the country's reserves.
- ❖ As part of the RMA’s external communication policy, its website was made available in August, 2004.
- ❖ With effect of July 1, 2004, a new organization structure for the RMA became operational, being commensurate with the requirements of an effective central

bank. Of particular importance is the creation of the positions of Deputy Managing Director I, DMD I, who is responsible for the Operations Department, and Deputy Managing Director II, DMD II, who is responsible for the Policy and Programs Department. For more details, please see *Annex I*.

- ❖ For the purposes of streamlining reserve management, a Reserve Management Committee (RMC) was established in May 2005. Apart from the implementation of the investment guidelines approved by the Board and the MOC, the RMC is responsible for advising on the existing currency composition, the asset allocation, and returns on the portfolio by studying the evolving outlook on the international currency markets and the asset market trends.
- ❖ On August 24 and December 8, 2004, BNB has opened new branches in Paro and Mongar, respectively and in December 2005, Gelephu extension office was converted into a full-fledged branch.
- ❖ To mark the International Day of Micro-credit, the Bhutan Development Finance Corporation Limited launched a new saving scheme for the rural farmers in collaboration with the UNDP, UNCDF and SNV on 6th April 2005.
- ❖ The fourth South Asian Insurance Regulators Forum (SAIRF) meeting was hosted by the Royal Monetary Authority of Bhutan on April 10, 2006 in Thimphu. Several dignitaries from India, Nepal and Sri Lanka attended the meeting.
- ❖ The NPPF formally came under the purview of the RMA on March 9, 2007.
- ❖ In March 2007, the RMA was appointed as the implementing agency for “Strengthening the financial sector through IT investments” under the World Bank Private Sector Development Project.
- ❖ In line with the objective of promoting the development of the financial sector in the country, the RMA granted approval to Bhutan National Bank Limited to open its branches in Wangdue and Bumthang.

DEVELOPMENTS IN THE FINANCIAL INSTITUTIONS

This report provides a brief overview of the developments in the overall financial institutions¹ during 2007/08, followed by detailed institution-wise developments, including information on the National Pension and Provident Fund, and the Royal Securities Exchange of Bhutan.

The financial sector continued to play an important role in promoting the country's economic activities, with a contribution to overall GDP of over 4.9 percent in 2007. The balance sheet of the financial institutions increased by 9 percent, to Nu.33.5 billion as of June 2008. The commercial banks dominated, accounting for 85.5 percent of the total balance sheets, leaving the two non-bank financial institutions (NBFIs) with 17.0 percent market share.

Assets

The overall increase in total assets was mainly due to a significant (52.79 percent) increase in net loans and advances and cash and bank balances (up by 39.54 percent).

Sector-wise Credit

Gross credit extended by the financial institutions grew by 31.13 percent reaching Nu.19 billion during the FY 2007/08. Credit to the housing sector continues to dominate, accounting for 29.79 percent of the total credit portfolio, followed by the manufacturing/industry sector at 18.74 percent, and trade and commerce with 18.26 percent. Consistent with their overall size, the commercial banks provided 72.53 percent of the total loans, while the NBFIs provided the rest.

Asset Quality (Credit Portfolio)

Although the total non-performing loans of the FIs increased by 38.8 percent, the gross NPL ratio increased from 11.4 percent to 12.4 percent during the period under review. The net NPL² ratio improved from 6.4 percent to 4.8 percent.

Further analysis of loan repayments indicate that 86.7 percent of the total loans outstanding are classified as performing loans while 13.3 percent are considered as non-performing loans.

¹ For BOBL, BNBL, BDFCL and RICBL

² Net NPL is exclusive of specific provisions and interest-in-suspense.

Liabilities

The financial institutions total liabilities grew by 9 percent to Nu. 33.5 billion during the year. Of the total liabilities, the deposit liabilities constitute about 70.3 percent followed by capital and reserves with 10.8 percent and borrowings of NBFIs with 6.9 percent.

Capital & Reserves

The capital base of the FIs grew by 10.6 percent, reflecting a 17 percent increase in the capital base of the NBFIs and 13.6 percent of Commercial Banks during the review period. The risk-weighted capital adequacy ratio (RWCAR) of the FIs decreased slightly from 19.9 percent to 18.6 percent. Further, the core capital ratio showed deterioration from 16.5 percent to 15.2 percent during the period.

Deposit Liabilities

During the review period, the deposits liabilities of the financial institutions (including BDFCL) rose by 5.7 percent to Nu. 23.6 billion. This increase was mainly on account of the time deposits, which increased by 12.1 percent. Corporate deposits accounted for 55.9 percent of total deposits while individual deposits accounting for the rest.

Profitability

The financial sector's profit before tax decreased from Nu. 181.6 million in 2007 to Nu. 172.2 million in 2008. The decrease in profit was brought about by drop in the profit of the one of the banks and a relatively lesser reduction in the net profit of one of the NBFIs. Nevertheless, the interest income of the financial institutions increased by 16.9 percent and operating income by 18.7 percent.

Liquidity

During the period under review, the liquidity position of the Commercial Banks stood at 32.01 percent and NBFIs at 13.95 percent, which is above the minimum SLR requirement of 20 percent and 10 percent, respectively.

Bank of Bhutan Ltd. (BOBL)

The Bank of Bhutan Limited, established on May 28, 1968, is the oldest and largest financial institution in the country. In order to encourage monetization of the economy and improve banking services in the country, collaboration was formed with State Bank of India, (SBI) on October 7, 1971, with SBI participating in the capital and management of the bank. SBI held 40 percent of the bank's shares, while 60 percent were held by the RGOB. In 2002, the management of the bank was handed over to the Bhutanese with a corresponding reduction in SBI's shareholdings to 20 percent. The RGOB holds 80 percent of the bank's shares. With the establishment of the Druk Holding and Investments (DHI), the bank is now part of the DHI, a holding company of the Royal Government with over USD 500 million in book value.

In order to better serve the country's growing needs for banking services, BOBL entered into a series of arrangements with foreign banks. From 1975 onwards, the bank started contributing to the earnings of foreign exchange by financing and facilitating export transactions. In 1986, the bank conducted door-to-door surveys in rural areas to introduce lending and deposit schemes to the rural community. Thereafter, in 1989, in an attempt to improve its banking culture, the BOBL introduced customer education in rural areas on its services, deposit mobilization, and follow-up on loans.

The BOBL has branch network of 26 branches and 3 extension counters covering 19 districts in the country. In December 2007, ATM has been installed in the three branches of Phuentsholing, Thimphu and Paro.

Future plans, aimed at improving its banking services and provide improved customer service the bank is currently engaging the Tata Consulting Services (TCS) to prepare a long term business strategy for the bank, prepare a comprehensive roadmap for Human Resource Development, conduct a Business Process Re-engineering (BPR), and establish clear Performance Management Systems (PMS) through use of balance score card and KPI.

Bhutan National Bank Ltd. (BNBL)

The Unit Trust of Bhutan (UTB) was established in 1980 as a division of the RICBL, jointly owned by the royal government and the RICBL. In 1992, it started functioning as an independent financial institution to promote and mobilize small domestic savings, and to channel capital to productive sectors in the economy. With the overall goal of deepening the financial system to generate broader and competitive banking services, the royal government, with assistance from the ADB, converted the UTB into the Bhutan National Bank on December 5, 1996. The general public holds 38.6 percent of the total share capital of the bank.

In January 2003, BNBL upgraded their software, in order to be able to provide modern banking facilities, such as credit card and ATM services to their customers. On April 2004, BNBL launched the first ATM facilities in Thimphu and Phuentsholing and in April 2007, eight more ATMs were installed in all the branch office of the bank. Further, in December 2004, the BNBL launched the Global Credit Cards, which has enabled the JCB cardholders (ASEAN tourists) to use the card for purchasing merchandise/services in Bhutan. BNB introduced V-SAT facility, which enables them to do real time banking for all its branches.

Further, to expand its network, the bank opened branches in Paro and Mongar towards later part of 2004, and converted its Gelephu extension office into a full-fledged branch in December 2005. There are plans to gradually convert the remaining extension offices into full-fledged branches. The BNBL currently has a customer base of over 60,000 and total staff strength of 316.

The government holds 13.61 percent of BNBL's paid-up capital, the financial institutions (2.10%), the NPPF (25.66%), the BTF (10%) and the general public (48.63%).

On August 28, 2007 BNBL joined the Global Trade Finance Programme of the International Finance Corporation, this initiative will boost the Banks' trade-finance businesses in the near future. In line with the interest rate developments in the market, BNBL increased its interest rates on its deposits schemes with effect from April 1st, 2008.

Bhutan Development Finance Corporation Ltd. (BDFCL)

BDFCL was established on 31st January 1988 with assistance from the ADB, and equity participation of the RGOB (87%), the BOBL (7.5%), the RICBL (3%), and the BNBL (2.5%). It was set up, primarily to assist the private sector by providing financial and technical assistance for industrial, agricultural, and commercial projects. BDFCL is funded by international multilateral agencies and is not a deposit-taking institution. The ongoing UNCDF/IFAD agricultural credit program, which was initially implemented by the RMA, was transferred to the BDFCL in March 1988, along with all assets and staff of the former Agricultural Credit Division of the RMA. To finance small entrepreneurs, the BDFCL joined the Entrepreneurial Development Program (EDP); its share in the EDP is Nu.20 million.

The government holds 87 percent of BDFCL's paid-up capital, the BOBL (7.5%), the RICBL (3%), and the BNBL (2.5%). The main sources of funds are external concessional loans and grants from international agencies, such as the UNCDF, HELVETAS, KFAED, SDC, and ADB.

Industrial lending activities dominate the BDFCL's profitability, while agricultural lending, particularly, micro-financing, constitute its main responsibility. In October 1998, the BDFCL issued Nu.50 million worth of 10-year rural credit bonds for the purpose of providing micro-credit to rural borrowers. The principal goal was to assist small farmers to increase production and income, and ultimately improve their quality of living.

Recently, the BDFCL introduced mobile banking facility at the grassroots level, which is already operational in 120 geogs. Meanwhile, the corporation continues to emphasize the implementation of the Group Guarantee Lending and Saving Scheme (GGLS) program piloted in 2002, targeted at the poorest of the poor in the rural areas.

In line with the resolution of the 82nd National Assembly on the reduction of the interest rate on rural credit from 13 percent to 10 percent, the institution has reduced interest rates of its rural credit group loans from 13 to 10 percent with effect from August 1, 2004. In addition, marking the United Nations International Year of Micro Credit 2005, the BDFCL launched the two saving scheme; fixed and saving deposits during the first quarter of 2005 and beginning 2008 it launched recurring deposit scheme. As of 31st July 2008, the Rural Saving Program mobilized a sum of Nu. 101 million from 6,518 individual savers.

Currently, the BDFCL has total staff strength of 206. BDFCL has branch network covering the 20 districts and 2 sub districts. It has 22 branches and 3 regional offices in the country.

Royal Insurance Corporation of Bhutan Limited (RICBL)

The RICBL commenced operations as the country's first and only insurance institution in 1975 under the Royal Charter, with 61 percent government participation and 39 percent public participation and was subsequently incorporated under the Companies Act of Bhutan 1989 and licensed under the Financial Institutions Act of Bhutan 1992. Under the Royal Charter, the mandate of the RICBL is to underwrite all types of insurance business emanating from Bhutan and engage in investment activities. The main lines of business of the RICBL is categorized into life insurance and non life insurance, besides investment and real estate. The corporation also manages the GIS of the civil servant, arm forces and the monk body. It also manages the rural insurance and private provident fund for the private individuals.

Right from its inception, the RICBL has not only met the insurance needs of the country, but also contributed towards the country's economic development by facilitating financial assistance to private individuals. In this connection, the Credit and Investment Department was set up to act as an investment body for effective and efficient utilization of funds from insurance and 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. Almost 75 percent of the houses in Thimphu, Phuentsholing, and other towns were financed by the RICBL. Besides housing and transportation loans, the RICBL also invested in the development of industrial units and trading activities. The GEPF, which was 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 to resolve the long-standing problem of excess liquidity and enabled the corporation to concentrate on its core business (insurance).

ANNEX III

The corporation has a fully computerized financial and operational system under the local area network system within its head office. Currently RICBL is using Integrated Insurance Management System (IIMS), for the general and life insurance system. The corporation is

also in the process of developing new system for Credit and Investment Management department under Integrated Credit and Investment Management System.

Currently, it has nine branch offices all over the country with one regional office in Thimphu. The total staff strength of the RICBL stands at 187.

National Pension and Provident Fund (NPPF)

Prior to the establishment of the NPPF, the GEPF was managed by the RICBL and covered only government employees. The benefits were limited to a gratuity and a provident fund scheme, which were paid as a lump sum after retirement. In order to enhance social security, the royal government initiated a formal old-age 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.

The ADB project and the government 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 royal government formally established the National Pension and Provident Fund as an autonomous body on July 1, 2002, under the governance of the National Pension Board. The NPPFP consists of two integral separate, but linked tiers: the National Pension Plan (NPP)³ and the Provident Fund Plan (PFP)

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.

FY 2007/08 was yet another successful year for the NPPF. It has generated gross revenue of Nu. 423.5 million as compared to Nu. 392.03 million and also made all-round progress on the operations of the civil and the armed forces pension and provident fund plans. Members, and the total fund, have been growing since its inception and at the end of the June 2008, the fund stood at Nu.6.5 billion.

³ 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 and in addition it also provides disability benefit to a member and benefit to survivor (s).

On the investment and credit front, knowing the importance of investing its assets in prudent manner the NPPF was licensed by RMA to carry out limited financial services on 9th March 2007 and to ensure that members' funds are safeguarded, the NPPF came under the purview of RMA with effect from July 1, 2007. Even though with the limited investment opportunities the fund was able to declare a better return of 6.5 percent p.a. to its members during 2007/08. As of June 2008, the total investment portfolio excluding the real estate increased to Nu. 6,003.22 million compared to Nu. 5,183.47 million last year. The following are some of the major investment activities carried out by the NPPF during the year:

- It has sanctioned and disbursed a term loan of Nu. 500 million to Bhutan Development Finance Corporation Limited.
- Term Loan of Nu. 230 million at 6.5 percent and Nu. 300 million at 7 percent was sanctioned in September 2007 and March 2008 respectively to RICBL.
- It is the lead financier in the consortium financing for the Tashi InfoComm, the country's second cellular mobile company. It has sanctioned a loan of Nu. 555 million.
- A term loan of Nu. 120 million at 6.25 percent has been sanctioned to Bhutan Broadcasting Service for the MSO phase II project. But the loan was not disbursed during the year.

In the developments in the housing and education loan, the NPPF had sanctioned member-housing loans of Nu.849.06 million to 485 clients, compared to Nu 687.8 million in 2006/07, and education loans of Nu. 500.39 million to 7,213 clients, as compared to Nu. 458.44 million in 2006/07.

As of June 2008, the total loan portfolio stood at Nu. 3,321.92 million while the total non performing loan was 1.16 percent of the total loan outstanding.

Some new initiatives taken by the NPPF during the year include joining the membership of the Pacific Pension Institute in July 2007. The institute is based in California, USA.

The Royal Securities Exchange of Bhutan Ltd. (RSEBL)

The RSEBL is regulated under the Companies Act and licensed under the Financial Institutions Act. Its initial paid up capital of Nu.2 million was provided by the four FIs whose subsidiary units, the brokerage firms, are licensed to serve as brokers. The board of directors consists of the Managing Director of the RMA as chairman, the chairpersons of the four-brokerage firms, the Director, Department of Industry, Ministry of Trade and Industry, and the CEO of the RSEB as member secretary. The RMA, acts as a securities commission, and provides budget grants for its operations.

The trading system runs through an automated system, linked through Local Area Network at the trading floor. Since the volume of trading is relatively low, the Exchange conducts trading only twice a week, i.e. Tuesdays and Fridays at 11 A.M. To eliminate delays in the registration of physical transfers of shares and to ensure the safety of such documents, a central depository (CD) was established along with the RSEB. However, due

documents, a central depository (CD) was established along with the RSEB. However, due to the lack of a proper legal framework governing the CD, only about 25 percent of the securities outstanding are deposited with it. It is anticipated that this problem will be solved after the rules and regulations of the depository drafted by the ADB and International Securities Consultancy (ISC) come into force (only after the enactment of the Financial Services Act of Bhutan). Currently, CD holds about 99.87 percent of the outstanding shares of all the listed companies.

Although the Exchange began with four listed companies which had total market capitalization of Nu.393 million in 1993, since then, the number of listed companies has increased to nineteen along with the increase in total market capitalization to Nu. 5,029 million. During the year 2007, the total number of shareholders decreased from 16,045 to 11,782 due to total liquidation of Bhutan Beverages Company Limited. The transactions in the secondary market also decreased in terms of volume and value from the previous year of Nu. 36.55 million to Nu. 25.59 million.

The procedures to regulate the dematerialization of physical share certificates have been strengthened with the initial implementation with the RICBL and the Druk Satair Corporation Ltd. And during the period dematerialization of the shares has been completed and thus the face value of all the shares listed with the RSEBL now stands at Nu. 100 per share.

During the year the RSEBL generated a profit after tax of Nu. 0.256 million as compared to the profit of Nu. 0.132 million in the previous year. The increase in profit during the year was mainly on account of increase in the volume of trading.

INTEREST RATES

The geographic location of Bhutan and India, as well as the fact that India has been Bhutan's key development partner has resulted in close economic and financial ties between the two countries. As a result, India is also Bhutan's principal trading partner with free trade established between the two countries. Further, the Ngultrum has been pegged at par to the Indian rupee since its first issue in 1974. Given these close links, developments in interest rates and inflation in Bhutan are naturally influenced by developments in India. Thus, interest rates in Bhutan cannot deviate too much from the rates in India, as also, large interest rates differentials could, possibly, lead to capital flows.

Since the liberalization of interest rates in 1997, the movements in the deposit rates are as tracked in the adjacent table.

Between June 2007 and June 2008, the deposit rates of both savings and fixed deposits have increased mainly on account of the revision done by BNBL with effect from April 1st 2008. The average rate on savings deposits of the commercial banks has increased to 4.8 percent as compared to 4.5 percent during previous year. The average interest rates paid by commercial banks on corporate deposits (46 days to 1 year) decreased to 2.5 percent as compared to 2.6 percent. The average lending rates for loans to general trade, manufacturing industry, service industry and housing sector remained at 13.8 percent, 12.5 percent, 11.5 percent and 10 percent, respectively.

Deposit Rates in Percent (end of June)

	2003	2004	2005	2006	2007	2008
BNB						
Savings	5.0	5.0	4.5	4.5	4.5	5.0
Fixed Deposits						
3 months- 1 year	6.0	5.5	4.5	4.5	4.5	5.0
1-2 years	7.0	6.0	6.0	6.0	6.0	6.5
2-3 years	7.0	6.5	6.5	6.5	6.5	7.0
More than 3 years	8.0	7.0	7.0	7.0	7.0	7.8
Corporate Deposits						
46 days to 1 year	-	3.1	3.1	3.1	3.1	3.0
46 days and above	-	3.1	3.1	3.1	3.1	5.9
BOB						
Savings	5.0	4.5	4.5	4.5	4.5	4.5
Fixed Deposits						
3 months- 1 year	5.5	4.5	4.5	4.5	4.5	4.5
1-2 years	7.5	6.0	6.0	6.0	6.0	6.0
2-3 years	7.5	6.0	6.5	6.5	6.5	6.5
More than 3 years	8.5	7.0	7.0	7.0	7.0	7.0
Corporate Deposits						
46 days to 1 year	-	3.0	3.0	2.0	2.0	2.0

Although, it seems the lending rates of the commercial bank remained sticky during the review period, the overall credit expansion in the economy has been positive. The growth in the financial institution's lending, particularly in the housing and construction sectors continued to be significant in the recent years. During the period June 2007 to June 2008, the growth rate of total credit of the financial institutions, excluding National Pension Fund, has increased by 31.3 percent. As of June 2008, the total outstanding credit of the financial institutions stood at Nu. 19,027 million. Of this, 31 percent were invested in building and construction, followed by manufacturing (18.4%), trade and commerce (17.5%), and service and tourism (13.9%), with the remaining invested in other sectors.

With the recent monetary policy tightening, it is envisaged that both the deposits as well as lending rates of the financial institutions to rise and move towards the rates in India.

Table I. Current Selected Interest Rates in Bhutan Percent per Annum

Deposit Rates	BOB	BNB
Savings Deposits	4.5	5.0
Term Deposits (General)		
3 months to less than 1 year	4.5	5.0
1 year to less than 2 years	6.0	6.5
2 years to less than 3 years	-	7.0
More than 3 years	7.0	7.5-8.0
Corporate Deposits		
46 days to 1 year	2.0	3.0
46 days and above	-	5.0-7.0
Lending Rates	BOB	BNB
Loans by purpose:		
General Trade	13.75	-
Export Finance	13.0-14.0	-
Manufacturing Industry		
Term Loans	12.0	12.0
Working Capital	13.0	13.0
Service Industries	10.0-12.75	12.0
Transport (heavy)	13.0-14.0	13.0
Transport (light-commercial)	14.0	14.0
Transport (light-non commercial)	14.0	12.0
Agriculture & Livestock	13.0	-
Housing	10.0-13.0	10.0-13.0
Equity Finance	13.0	-
Personal Loan	15.0	15.0
Small Loan to Government Employee	12.0	12.0

N.B: The above interest rate data is as of June end 2008.

In India, the interest rates of public sector banks on deposits of maturity of one year to three years increased from the range of 7.25-9.75 percent in June 2007 to a range of 8.25-9.50 percent in June 2008, while those on deposits of maturity of above three years also increased from 7.75-9.75 percent to 8.00-9.35 percent over the same period.

The benchmark prime lending rates (BPLRs) of the public sector banks in India increased from a range of 12.50-13.50 percent in June 2007 to a range of 12.50-14.00 percent in June 2008. While the BPLRs of private sector banks as well as foreign banks fell slightly during the year.

Table II. Indian Deposit and Lending Interest Rates

Item	March '06	March '07	Percent per annum	
			June '07	June '08
I. Domestic Deposit Rates				
Public Sector Banks				
Up to 1 year	2.25-6.50	2.75-8.75	2.75-8.75	2.75-9.00
1-3 years	5.75-6.75	7.25-9.50	7.25-9.75	8.25-9.50
Over 3 years	6.00-7.25	7.00-9.50	7.75-9.75	8.00-9.35
Private Sector Banks				
Up to 1 year	3.50-7.25	3.00-9.00	3.00-9.50	3.00-8.75
1-3 years	5.50-7.75	6.75-9.75	6.75-10.25	8.00-9.50
Over 3 years	6.00-7.75	7.75-9.60	7.50-10.00	8.00-10.00
Foreign banks				
Up to 1 year	3.00-6.15	3.00-9.50	0.25-9.00	3.00-9.25
1-3 years	4.00-6.50	3.50-9.50	3.50-9.50	3.50-9.75
Over 3 years	5.50-6.50	4.05-9.50	4.05-9.50	3.60-9.50
II. Benchmark Prime Lending Rates				
Public Sector Banks	10.25-11.25	12.25-12.75	12.50-13.50	12.50-14.00
Private Sector Banks	11.00-14.00	12.00-16.50	13.00-17.25	13.00-17.00
Foreign Banks	11.00-14.50	10.00-15.50	10.00-15.50	10.00-15.50
Source: RBI Annual Report 2007/2008				

TABLE III. STRUCTURE OF FINANCIAL INSTITUTIONS' DEPOSIT AND LENDING RATES: 2001-2007

(Percent per annum)		2001	2002	2003	2004	2005	2006	2007	2008
Deposit rates									
Types of deposit									
Savings		5.0-7.0	5.0-6.0	5.0	4.5-5.0	4.5	4.5	4.5	4.5-5.0
Fixed deposits									
a) 3 months to less than 1 year		7.0-8.0	7.0	5.5-6.0	4.5-5.5	4.5	4.5	4.5	4.5-5.0
b) 1 year to less than 2 years		8.0-9.0	9.0	7.0-7.5	6.0	6.0	6.0	6.0	6-6.5
c) 2 years to less than 3 years		9.0-10.0	9.0	7.0-7.5	6.0-6.5	6.0-6.5	6.0-6.5	6.0-6.5	7.0
d) More than 3 years		10.0-11.0	10.0	8.0-8.5	7.0	7.0	7.0	7.0	7-7.5
Lending Rates of Financial Institutions									
Loan by Purpose									
1. General Trade		15.5-16.0	15.0-15.5	15.0-16.0	15.0	13.75	13.75	13.75	13.75
2. Export Finance (Convertible Currency Areas)									
a) From date of 1st disbursement to 60 days after the date of the last disbursement		13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
b) More than 60 days after the last disbursement		15.5	15.0	15.0	15.0	14.0	14.0	14.0	14.0
3. Manufacturing Industry									
a) Term loan		13.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
b) Working capital		13.5	13.0-13.5	13.0	13.0	13.0	13.0	13.0	13.0
4. Service Industries									
a) Term loan		13.0	13.0	12.0	12.0	10.0	10.0	10.0	10.0
b) Working capital (includes tourism, contract services, and other service activities)		13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
5. Transport									
a) Truck & buses (Heavy vehicle)		13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
i) Term loan		15.5	15.5	15.0	16.0	14.0	14.0	14.0	14.0
ii) Working capital		15.5	15.5-16.0	15.5-16.0	15.0-16.0	14.0-16.0	14.0-16.0	14.0-16.0	14.0-16.1
b) Other passenger vehicles (commercial light vehicles)		15.5	15.5-16.0	15.5-16.0	15.0-16.0	14.0-16.0	14.0-16.0	14.0-16.0	14.0-16.1
c) Non commercial light vehicles									
6. Agriculture & Livestock		13.0	13.0	13.0-15.0	13.0-15.0	13.0-15.0	13.0-15.0	13.0-15.0	12.0-13.0
7. Housing		14.0	13.0	13.0	10-13	10.0-13.0	10.0-13.0	10.0-13.0	10.0-13.0
8. Equity Finance		13.0	13-14	12.0	12.0	10.0-13.0	10.0-13.0	10.0-13.0	10.0-13.1
9. Personal Loan		15-16	15-16	15-16	15-16	15.0	15.0	15.0	15.0-16.0
10. Vehicle Loan to Government Employees		12.0-13.0	12.0-13.0	12.0	12.0	12.0	12.0	12.0	12.0

N.B: Effective April 1999, the interest rates on deposits and advances were fully liberalised by RMA. The calendar year refers to June-end periods.

TOURISM⁹

The first official tourists to Bhutan were a group of Americans led by Lars Eric Lindblad of Lindblad Travel, New York, after the royal coronation in 1974. Thereafter, the Bhutan Tourism Corporation was responsible for all tourist operations up till 1991, when the tourism industry was privatised. It was then that the Tourism Authority of Bhutan (TAB) was established as a regulatory body, which in 2000 was re-instituted as the Department of Tourism in a royal government restructuring exercise.

Since its inception, the development of the tourism industry is consistently guided by its policy of "high value, low volume," in an effort to ensure the preservation of Bhutan's environment, its traditional culture, and values. The very elements of Bhutan's natural and cultural wealth are now being upheld even more strongly as the foundation for current and future development of tourism in Bhutan in line with the country's overarching philosophy of Gross National Happiness.

The Bhutan National Eco-Tourism Strategy, collaboration between the Department of Tourism and members of the Association for Bhutan Tour Operators (ABTO), was published in November 2001 as a guide to entrepreneurs and a report on the strategies to be adopted by the government in the tourism sector. The International Tourism Monitor Report, a regular publication of the Department of Tourism provides annual updates on the state of the industry's development.

Analysis of Daily Fee Breakdown (USD)	
HIGH SEASON	
Client pays per day	200.00
Less 10 % commission to overseas agent	20.00
So Bhutan receives	180.00
Less 35% agreed royalty to RGOB	65.00
Less 2% withheld tax to RGOB	2.30
Received by tour operator	112.70
LOW SEASON	
Client pays per day	165.00
Less 10% commission to overseas agent	16.50
So Bhutan receives	148.50
Less 35% agreed royalty to RGOB	93.50
Less 2% withheld tax to RGOB	1.87
Received by tour operator	91.63

Source: Department of Tourism.

In a span of more than 3 decades, tourist arrivals have risen from 287 in 1974 to 21,094 in 2007. The tourism sector continues to be recognized for its considerable potential as a major source of income for the government, and as a private sector employer to part of Bhutan's growing working population. Tourism is the Kingdom's largest source for convertible currency earnings. Tourism revenue to the government consists of royalties and taxes collected from tour operators¹⁰.

As at the end of the FY 2007/08, government revenue from tourism accounted for 3.97 percent of total domestic revenue (Nu.482.1 million), up from its contribution of Nu. 364.8 million in 2006/07.

⁹ The primary source for tourism statistics is the Department of Tourism; however the Ministry of Foreign Affairs also maintains records of other foreign guests. Statistics on visitors from Bangladesh, India, and the Maldives, who do not require visas to enter the country, are yet to be captured at this stage.

¹⁰ Each convertible currency paying tourist pays USD 10 per visit for the Tourism Development Fund (TDF). The TDF is used for the development of tourism activities with the approval of the TDF Management Committee, and is maintained by the Department of Tourism and ABTO.

According to the Planning Commission's document, Bhutan 2020, by the end of the 10 FYP, tourism sector will constitute 25 percent of GDP and revenue will have increased by 100 percent, while by the end of the 11 FYP, tourism revenue will have risen by 150 percent.

Liberalization of the licensing process had been 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. This has not, however, changed the fact that as at the end of 2006 the top 10 tour agencies alone accounted for 43.7 percent of total bed nights¹¹. As of the end of 2006, there were a total of 281 licensed tour operators up from 221 as of 2005, of which 164 operators were active during the year.

Meanwhile in 1996, there were a total of 32 hotels, lodges, and guesthouses to accommodate visiting travellers. Today, the figure has now grown to 74 international tourist standard hotel establishments that have the capacity to supply a total of 985,320 bed nights per annum in major towns across the country. The construction of an additional 28 new hotels due for completion in 2008 is expected to supply a further 1,269 beds per night.

Although there is presently no system in place to measure the inflow of tourists from neighbouring countries such as Bangladesh, India, and the Maldives, Department of immigration peaked 34,478 Indian tourists¹² visited Bhutan in the year 2007, a majority of whom are from West Bengal. These tourists make their way to Bhutan usually in the winter that coincides with their religious holidays, the snowfall, and Druk Air discounted airfares. Though Bhutanese tour operators offer tour packages to attract Indian tourists during winter, an otherwise low season, most Indian tourists prefer to travel to Bhutan by road, on their own. Tour agencies admit, however, that this is a huge market that has further potential for future utilization. It could also help in reducing seasonalities faced.

In February 2003, Bhutan made the decision to join the World Tourism Organization and was formally accepted as a member at the organization's General Assembly held in Beijing, China, in October of the same year. The World Tourism Organization is the leading international organization in the field of tourism and travel, with 143 member nations and with its headquarters in Madrid. By becoming a member, Bhutan aims to develop its vast potential, and strengthen its ability to withstand external shocks.

Till date there has been considerable FDI in the country aimed towards the development of the tourism sector. One of these projects, Aman-Bhutan, is a joint venture between the BTCL and Maha/Aman Resorts, Singapore that was registered as Bhutan Resorts Corporation Ltd. (BRCL), in August 2001. Aman Resorts caters to a select affluent segment of world travellers and was founded in 1988.

¹¹ A bed night represents occupancy of 1 bed for 1 night at a hotel or licensed establishment.

¹² Department of Immigration, Ministry of Home and Cultural Affairs.

In Bhutan, the BRCL will have small luxury resorts in Paro, Thimphu, Punakha, Gangtey Gompa, Trongsa, and Bumthang, with a total of 72 rooms. As at the end of the fiscal year 2005/06, updates confirm considerable progress on the construction of the resorts: Paro site: 100 percent completed; the AmanKora was inaugurated end of June 2004. Meanwhile, the Punakha and Gangtey Gompa sites have been operational since August and October 2005, respectively, while the Thimphu site has been operational since January 2006. Bumthang site has been completed in October 2007, while Tongsa site is scheduled for completion for mid of November 2007.

While the total project cost was estimated at USD 22 million of which 53 percent will be met from the BHL, about 45 percent from IFC and remaining from BTCL. However, the total project cost incurred is yet to be reconciled with the actual payments made during the completion of the resorts.

Soon after the establishment of the BRCL, another FDI venture in tourism was forged between Bhutan International and M/s. HPL Properties (West Asia) Pte. Limited, Singapore. Bhutan Eco-Ventures Limited (BEVL) was incorporated on November 6, 2001, with the main objective of setting up exotic resort hotels initially in Paro, and subsequently in Haa, and Punakha.

Out of the total project expenditure of USD 4 million, USD 3 million will be met in proportion to the respective holdings of BEVL's shareholders (M/s. HPL Properties Pte Limited: 60 percent, Bhutan International: 30 percent, and 10 percent floated to the public), while the balance of USD 1 million will be raised through loans. According to BEVL, the Paro Uma Hotel commenced operations with 20 rooms and 9 villas in November 2004.

The royal government of Bhutan took a major step towards the liberalization and integration of the Bhutanese economy with the rest of the world on December 3, 2002, by approving the FDI policy. Joint venture projects such as BRCL and BEVL are a significant step in the early stages of building an enabling FDI environment within the country that will boost the local economy through inflows of technology, foreign exchange, and creation of employment.

Fiscal Year 2007/08

Bhutan benefited from the expansion in regional travel and tourism during the year. Tourism performance for the fiscal year 2007/08 continued to display strong signs of improvements. Unprecedented media coverage during the year propelled by news of Bhutan's changing political profile and promotions in travelogues, helped generate positive international interest in the country. This combined with the increased capacity of airline during peak seasons and improvement of other tourism related infrastructure, Bhutan experienced a 21.64 percent growth in tourist numbers (to 21,094) from arrivals of 17,342 in 2006, as well as an increase in foreign exchange revenue collection by 24.2 percent (to USD 29.8 million).

Bhutan has also been widely promoted with other regional countries including Thailand,

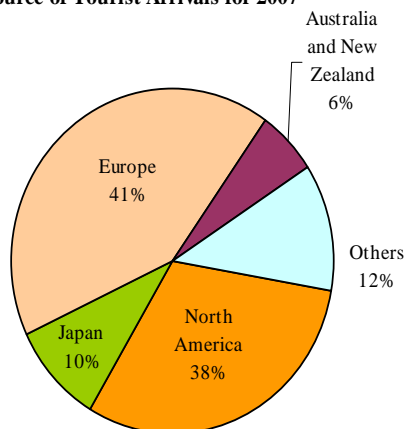
Selected Tourism Indicators 2002-2007						
Item	2002	2003	2004	2005	2006	2007
Tourist Arrivals	5599	6261	9249	13626	17342	21094
Of which: Cultural	5242	5823	8742	13013	16576	20191
Trekking	357	438	507	613	766	903
% Change in arrivals	-12.4	11.8	47.7	47.3	27.3	21.6
Gross Receipts ¹	8.0	8.3	12.5	18.5	24.0	29.8
% Change in receipts	-13.2	4.3	50.2	48.3	29.3	24.2
Government Revenue	2.8	2.9	4.4	6.5	7.3	10.6
% Change in Govt. Revenue	-15.2	4.4	50.6	47.5	11.7	45.2

India, and Nepal as the “Buddhist Heartland,” and an eco-tourism destination, marketing strategies that have helped boost Bhutan in the global tourism arena.

Source: Department of Tourism. -1) Millions of USD

Among development initiatives, the Department of Tourism has finalized the formulation of sustainable tourism legislation for Bhutan. It is hoped that this legislation will provide a legal basis for the Tourism Policy and the new Tourism Master Plan, which is also in the final stage. The draft Tourism Master Plan includes the proposal for a more flexible pricing policy that will replace the current package system, thereby offering greater incentives and concessions on royalties, to encourage longer-duration trips to Bhutan and greater regional spread. In the meantime, the establishment of Bhutan’s Hotel and Tourism Management Institute (with financial assistance from the Austrian Government) is underway.

Source of Tourist Arrivals for 2007



From the beginning, the Bhutanese tourism market has been largely dominated by the section of North Americans and Europeans. These two segments alone accounted for 79 percent of all visitors to Bhutan in 2007, followed by the Japanese at 10 percent, Australia & New Zealand at 6 percent and the remaining from other countries.

In terms of growth in the major source markets, tourist arrivals from Taiwanese grew substantially during 2007 by 277.11 percent over 2006, followed by increase in Israelis tourists by 230.4 percent, and Finnish tourists by 117.1 percent from the previous year. The dominance of American and European region tourists, in terms of total market share has increased to 15% in 2007 as compared to 7.2 percent in 2006, such as Asian, African and Middle East countries. Average length of tourist stay among the major source markets was recorded at 8 days for 2007.

According to the Global Tourism Report 2006, the tourism arrival worldwide exceeded 842 million, representing an annual increase of 4.1 percent, despite the threat of terrorism,

avian flu, health scares and oil price rise. It was accounted that of the 36 million additional arrivals in 2006, 12 million were into Asia and the Pacific. Africa is expected to record the highest growth rate (9%), followed by Asia and Pacific region (8%) in 2007. The World

Tourism Organisation identified aggressive competition in air transport as one of the major contributing factors for the improved tourism performance.

With the considerable focus of the government on diversifying and improving the tourism sector in the country, Bhutan continues to become an increasingly attractive tourist destination, with the addition of exciting new products, increase in hospitality standards, and improvement of tourism infrastructure in the country.

Tourist Arrivals and Convertible Currency Revenue¹

Period	2006				2007				2008			
	Absolute		% change		Absolute		% change		Absolute		% change	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
Jan	412	0.4	23.4	76.3	441	0.5	7.0	22.5	532	0.56	20.6	14.7
Feb	532	0.5	-15.7	-15.7	814	1.0	53.0	104.0	1312	1.52	61.2	49.4
Mar	1381	2.0	-36.2	-30.3	2539	3.7	83.9	84.5	3520	5.06	38.6	37.2
Apr	3344	4.7	126.9	109.6	2666	4.1	-20.3	-13.6	3173	4.44	19.0	9.4
May	999	1.4	42.7	58.5	1045	1.4	4.6	-2.9	1862	2.37	78.2	74.3
June	422	0.4	34.0	12.7	580	0.7	37.4	77.5	869	1.10	49.8	55.4
July	454	0.5	65.7	69.2	588	0.52	29.5	12.4				
Aug	896	0.8	55.6	51.2	1133	0.98	26.5	17.2				
Sept	2187	3.3	29.6	41.6	2952	4.32	35.0	30.6				
Oct	3777	6.2	10.7	9.9	4512	7.25	19.5	17.5				
Nov	2084	2.9	44.4	51.0	2733	4.02	31.1	36.7				
Dec	854	0.8	39.3	26.3	1091	1.42	27.8	72.8				
Total	17342	23.9	27.3	29.1	21094	29.8	21.6	24.7	11268	15.1	-46.6	-49.5

1) In USD million

Source : Department of Tourism.

Tourism Arrivals by Nationality and Activity 2000-2007

Country of Origin	2000	2001	2002	2003	2004	2005	2006	2007	Change over 2006 (%)	% to total
USA	2754	2149	1913	1806	3243	4681	5018	5773	15.0	27.4
Japan	875	1038	892	952	1087	1554	1815	2008	10.6	9.5
Germany	662	414	346	496	671	1042	1074	1456	35.6	6.9
United Kingdom	595	681	519	605	954	1462	1952	2193	12.3	10.4
France	399	287	192	288	434	532	708	738	4.2	3.5
Netherlands	359	180	197	179	163	329	389	497	27.8	2.4
Canada	194	197	166	121	257	292	375	588	56.8	2.8
Australia	179	138	214	165	315	458	774	1181	52.6	5.6
Taiwan	175	44	40	90	46	10	35	132	277.1	0.6
Italy	156	192	177	331	462	529	648	614	-5.2	2.9
Spain	141	73	68	77	198	185	281	444	58.0	2.1
Switzerland	137	170	164	177	173	363	427	396	-7.3	1.9
Austria	131	128	92	152	223	319	484	443	-8.5	2.1
Belgium	95	76	22	104	124	134	220	291	32.3	1.4
Thailand	92	36	46	66	30	96	776	707	-8.9	3.4
Israel	68	78	5	47	37	98	46	152	230.4	0.7
Finland	60	17	14	14	11	21	35	76	117.1	0.4
Nepal	50	14	16	13	15	16	25	31	24.0	0.1
Sweden	48	28	41	48	61	84	103	166	61.2	0.8
Mexico	37	7	38	72	34	83	73	127	74.0	0.6
Turkey	34	30	61	9	55	49	51	94	84.3	0.4
Singapore	31	15	8	20	16	149	180	350	94.4	1.7
New Zealand	31	25	32	37	50	76	116	127	9.5	0.6
China ¹	-	-	-	-	-	234	362	504	39.2	2.4
Others	256	376	336	392	590	830	1375	2006	45.9	9.5
TOTAL ARRIVALS	7559	6393	5599	6261	9249	13626	17342	21094	21.6	100.0
Trekking	926	468	357	438	507	613	766	2587	237.7	12.3
Cultural	6633	5925	5242	5823	8742	13013	16576	18507	11.6	87.7

1) China not shown separately in past figures.

Source of Total Arrivals (%)

Sector	2000	2001	2002	2003	2004	2005	2006	2007
North America ¹	39.0	36.7	37.1	30.8	37.8	36.5	31.1	30.8
Japan	11.6	16.2	15.9	15.2	11.8	11.4	10.5	9.5
Europe	36.8	35.1	32.7	39.5	37.6	40.6	41.6	41.6
Australia and New Zealand	2.8	2.5	4.4	3.2	3.9	3.9	5.1	6.2
Others	9.8	9.4	9.8	11.3	8.9	7.6	11.7	11.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1)USA and Canada.

Source: Department of Tourism, Ministry of Economic Affairs

THE POWER SECTOR IN BHUTAN*

Background

Bhutan's hydropower potential is estimated at 30,000 megawatts (MW). As of June 2007, a little over 1,472 MW or about 5 percent of the potential has been harnessed. The first hydroelectric plant was built in Thimphu, producing 360 kilowatts (kW) of electricity.

Currently, there are three major hydropower corporations in Bhutan: the 336 MW Chukha Hydropower Corporation Limited, the 40 MW Kurichhu Hydropower Corporation Limited and the 64 MW Basochu Hydropower Corporation Limited. Hydropower plants at Chukha and Kurichhu were both constructed with financial assistance from the government of India. Apart from catering to domestic requirements, the CHPCL and KHPCL both export hydropower to India. The BHPCL was constructed with financial assistance from the government of Austria, and sells hydropower to the CHPCL at Nu.1.20 per unit¹³.

The 1,020 MW Tala project, also financed by the GOI following the successful implementation of the Chukha hydropower project, will be formally commissioned in 2008 while all six units of the hydropower plant became operational on March 29, 2007.

The Bhutan Power Corporation (BPC), a government-owned corporation, is mandated with the provision of the domestic supply of electricity. Starting from July 1, 2007 the domestic tariff rates will go up by an average of 10 percent over the next three years.

Domestic Power Tariffs

The domestic power tariff effective from July 1, 2007 has been structured as follows:

Category	Energy Charge (Nu/kWh)
Low Voltage Users	
Block I (up to 80kWh/month)	0.75
Block II (81 – 300 kWh/month)	1.35
Block III (above 301kWh/month)	1.55
Low Voltage – Bulk Customers	1.55
Medium Voltage Customers (33/11/6.6kV)	1.30 plus Demand Charge of Nu.65 per kWh per month
High Voltage Customers (66kV and above)	1.29 plus Demand Charge of Nu.65 per kWh per month

* Sources : Department of Energy, Ministry of Economic Affairs.
 Department of Revenue and Customs, Ministry of Finance.
 CHPCL, BHPCL, KHPCL, and Tala Hydroelectric Project Authority.
 Kuenselonline News Archives.

¹³ 1 unit = 1 kilowatt hour

Hydropower Projects in the Pipeline

Continuing cooperation in the hydropower sector, MOUs were signed between the RGOB and the GOI in September 2003 and January 2005 for the preparation of detailed project reports (DPR) on three additional hydropower projects – Punatsangchu I (1095 MW), Punatsangchu II (992 MW), and Mangdechu (672 MW).

The agreement on the implementation of the 1,095 MW Punatsangchu I hydropower project, to be financed by the government of India with 40 percent of the total cost as grant assistance and 60 percent as loan at 10 percent interest per annum was signed on July 28, 2007. Construction of the project is estimated to begin in 2008 while the cost of the project is estimated at Nu.35,148.1 million (December 2006 price levels).

In the meantime, the DPRs for Punatsangchu II and Mangdechu are under preparation, while construction is expected to start in 2009 for both the projects.

The royal government has also explored the feasibility of a hydropower plant on the Dagachu (114 MW), to be financed with a loan and equity component.

Milestones in the Power Sector

- **March 23, 1974:** The government of India and the royal government of Bhutan signed the agreement for the construction of Bhutan's first major hydropower project at Chukha.
- **October 21, 1988:** The 336 MW Chukha hydropower project, completed at a cost of Nu.2,460 million, was inaugurated by His Excellency R. Venkataraman, the then president of India, in the presence of His Majesty the 4th King, Jigme Singye Wangchuck.
- **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.
- **April 14, 1995:** The financing agreement for the 64 MW Basochu project was signed between the RGOB and the government of Austria. Construction on Phase I started in November 1997.
- **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.
- **June 2, 1999:** Mr. Ganardhana Puranik Narayana Rao, Chief Engineer and Managing Director of the CHPCL upon its establishment in 1991, received the Druk Thuksey medal. Mr. Rao was also the recipient of the Padmashri National Award from the government of India in 1992 for his outstanding and valuable contribution to Indo-Bhutan relations, and the development of hydropower in Bhutan.
- **October 2001:** The upper stage of the Basochu project (24 MW), constructed at a cost of Nu.1,600 million, of which Nu.1,200 million were contributed by the

government of Austria in the form of a grant and an interest-free loan, was commissioned.

- 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 (BPC), the Department of Energy (DoE), and the Bhutan Electricity Authority (BEA). While the BPC functions as a government-owned corporation, the DoE and the BEA (established within the DoE) remain as government departments responsible for policy, planning, and regulation in the energy sector. This restructuring has been implemented in pursuance of provisions in the Electricity Act 2001. The mandate of the BPC is to provide reliable and affordable electricity for all Bhutanese by the year 2020.
- **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 a memorandum of understanding for the preparation of a detailed project report on the Punatsangchu hydroelectric project.
- **September 8, 2004**: The lower stage Basochu project (40 MW) started commercial operations.
- **January 25, 2005**: The MOU for the preparation of detailed project reports for the 992 MW Punatsangchu (Stage II) and the 672 MW Mangdechu hydroelectric projects were signed between the RGOB and the GOI.
- **March 26, 2005**: The Basochu lower stage hydropower project was inaugurated.
- **April 26, 2006**: The Kurichhu project was formally inaugurated.
- **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.
- **July 28, 2007**: Bhutan and India signed the agreement on the implementation of the 1095 MW Punatsangchu I hydropower project, to be financed by the government of India with 40 percent of the total cost as grant assistance and 60 percent as loan at 10 percent per annum interest.
- **November 11, 2007**: The hydropower corporations (BHPCL, CHPCL and KHPCL) along with all other government-owned companies were brought under the newly

created Druk Holding and Investment (DHI). The DHI is a government holding company with the primary objective of safeguarding national wealth for all times to

come while ensuring high standards of excellence, integrity and corporate governance of the government-owned companies.

CHUKHA HYDROPOWER PROJECT (336 MW)

The first major hydropower project, the Chukha hydropower project with an installed capacity of 336 MW, was financed by the GOI with 60 percent grant and 40 percent loan, and completed at a cost of Nu.2,460 million.

Bhutan began exporting hydropower to India with the commissioning of the first unit of the Chukha hydropower project on September 7, 1986. The tariff for the export of power from Chukha to India was revised in December 2004, from Nu.1.5 per unit to Nu.2 per unit, effective from January 1, 2005.

Export earnings of Chukha amounted to Nu.3,690.5 million during fiscal year 2007/08, while contributing 30.4 percent to the national revenue for that year. Export earnings have decreased by 1.9 percent in FY 2007/08 from the last fiscal year.

KURICHHU HYDROPOWER PROJECT (60 MW)

The Kurichhu project was constructed with the financial assistance of the GOI in the form of 60 percent grant and 40 percent loan, at a final cost of Nu.5,600 million. A run-of-the-river scheme on the Kurichhu in Gyelposhing, Mongar, the project was established 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. While construction on the project began in 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 15 MW) was completed in May 2002.

The Kurichhu project 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 Nu.1,837.2 million grant from the GOI.

Kurichhu exports power to India at a tariff rate of Nu.1.80 per unit (increased from Nu.1.75 per unit from January 1, 2008). During fiscal year 2007/08, the Kurichhu hydropower corporation earned about 68.1 percent of its revenue (Nu.352.4 million) from exports to India, with the remaining 31.9 percent (Nu.165.3 million) earned domestically.

BASOCHU HYDROPOWER PROJECT (64 MW)

The financing agreement for the Basochu project was signed between the RGOB and the government of Austria on April 14, 1995. The two phases of the Basochu project have a total installed capacity of 64 MW. Basochu power is supplied through 220 kV and 66 kV transmission lines to the Semtokha central switchyard in Thimphu. Although, at present, the power is confined to the western grid only, work is underway to take the power to the southern dzongkhags of Dagana, Tsirang, and Sarpang by the BPC. The ultimate aim is to link the western grid to the eastern grid in Gelephu, forming an integrated national power transmission grid.

Earnings of the Basochu project through the domestic sale of energy in 2007/08 amounted to Nu.387.6 million.

Phase I: Upper Stage Basochu Project (24 MW)

Construction on Phase I started in November 1997 and was completed in August 2001. The upper stage of the Basochu project, commissioned in October 2001, cost Nu.1,600 million, of which Nu.1,200 million were contributed by the government of Austria in the form of a grant and an interest-free loan.

Up until June 2005, hydropower from Basochu was sold to the BPC for domestic consumption at Nu.0.5 per unit while the surplus power was sold to the CHPCL at Nu.1.5 per unit. From July 2005 however, the CHPCL is the sole purchaser of energy from Basochu, at Nu.1.20 per unit.

Phase II: Lower Stage Basochu Project (40 MW)

The lower stage Basochu project went into commercial operation on September 8, 2004 and was formally inaugurated on March 26, 2005.

The lower stage utilizes water released by the upper stage to generate 32 MW of hydropower. Further, an additional 20 percent flow (i.e., 8 MW) is tapped from the nearby Rurichhu.

Implemented as a turnkey project, the lower stage cost Nu.1,422 million at 2001/02 prices, of which 90 percent is a loan from the Austrian government.

TALA HYDROELECTRIC PROJECT (1,020 MW)

The contract for the Tala project was signed on March 5, 1996, and works on the project began in October 1997. The project was approved at an estimated cost of Rs./Nu.14,080 million at 1993 prices. Financing takes the form of a 60 percent grant and a 40 percent loan component from the government of India. 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. Tala will be capable of generating 5,000 GWh (million units) of energy in an average year and provide 1,020 MW of peaking power throughout the year.

Tala commissioned its first turbine (170 MW) on July 29, 2006, and the second turbine (170 MW) on October 7, 2006. Tala will be officially commissioned in 2008 while all six units of Tala became operational on March 29, 2007.

Calendar of Events: FY 2006/07 – 2008

- ❖ July 6, 2006 – Tala test ran one of its six turbines, signifying the completion of about 90 percent of the work.
- ❖ July 28, 2006 – The protocol on the tariff for the export of power from Tala to India was signed in New Delhi between the two governments. A tariff of Rs.1.80 per unit was agreed upon, with the rate to be increased by 10 percent every 5 years until the loan amount of Rs.17 billion is repaid, after which the rate will be increased by 5 percent every 5 years.
- ❖ July 29, 2006 – Tala commissioned its first turbine with an installed capacity of 170 MW, connecting it to the Indian grid.
- ❖ August 12, 2006 – The first unit of Tala was formally inaugurated.
- ❖ October 7, 2006 – Tala commissioned its second 170 MW turbine.
- ❖ March 29, 2007 – All six units of Tala became operational.
- ❖ January 1, 2008 - Revised rates from Nu. 1.80 a unit to Nu. 1.98 a unit
- ❖ April 4, 2008 – Repayment of first instalment (principal and interest) amounting to Nu.2.69 billion to Government of India.

Earnings from Tala's export increased from Nu.1,800 million in 2006/07 to Nu.6,081 million during fiscal year 2007/08 an increase of 237.8 percent.

PUNATSANGCHHU HYDROELECTRIC PROJECT-I (1,200 MW)

The contract for the Punatsangchhu hydroelectric project-I was signed on July 28, 2007, and works on the project began in November 2008. The project was approved at an estimated cost of Rs./Nu.31,074.9 million for generation and Rs./Nu.4,073.2 million for transmission works up to Bhutan-India border. Financing takes the form of 40 percent grant and 60 percent loan (at the rate of 10 percent) component from the government of India. The project is scheduled to be completed in November 10, 2015 and it is expected to generate 1,200 MW of electricity.

SUMMARY OF OPERATIONS OF MAJOR HYDROPOWER PROJECTS IN BHUTAN

ITEM	TALA	KURICHHU	UPPER STAGE BASOCHU	LOWER STAGE BASOCHU*	PUNATSANGCHU-I
Date Contract was signed	March 5, 1996	February 18, 1994	April 14, 1995	September 13, 2001	July 28, 2007
Donor	Govt. of India (GOI)	GOI	Govt. of Austria (GoA)	Official Austrian Export Promotion Scheme (Govt. of Austria)	Govt. of India (GOI)
Commencement of construction	October 1, 1997	27-Sep-95	November 6, 1997	March 20, 2002	November 11, 2008
Date of Completion	March 31, 2007	First Phase (3 units of 45 MW): September 2001. Second Phase (1 unit 15 MW): May 2002	October 31, 2001	September 8, 2004	November 10, 2015
Energy capacity upon completion	1020 MW	60 MW	24 MW	40 MW	1200 MW
Terms of Finance	60% Grant 40% Loan (9% simple interest)	60% Grant 40% Loan (10.75% interest)	37.74% Grant 48.96% Loan 13.69% RGOB	2.80% TA Grant (GoA) 90.70% Soft Loan (GoA) 2.79 % Interest 6.5 % RGOB	40% Grant 60% Loan (10 % interest)
Initial Budget outlay and estimated cost	Rs./Nu.14,080.00 million (at 1993 price levels)	Rs./Nu. 2,560 million	Euro 25.44 million	Nu.1,421.8 million	Rs./Nu. 31,074.9 million for generation Rs./Nu. 4,073.2 million for Transmission works upto Bhutan-india Border
Cost of construction	Rs./Nu.43,270 million (Estd. cost 2006) Rs./Nu.42,355 million (anticipated cost-to-completion)	Rs./Nu. 5,600 million (as revised in June 2002) - GOI. Additional RGOB contribution of Rs./Nu. 40 million	Euro 30.23 million Nu. 192.84 million (RGOB) (Total - Nu.1,440 million)	Euro 31.95 million Nu.33.97 million (RGOB) (Total - Nu.1,843.3 million)	Not applicable as on date
Grant amount disbursed till date	Rs./Nu. 25,113,142 million	Rs./Nu. 3,360 million	Euro 13.08 million (Nu.540 million)	Euro 0.9 million (Nu.47.53 million)	Rs./Nu.320.00 million
Loan amount disbursed till date	Rs./Nu. 16,742,094 million	Rs./Nu. 2,240 million	Euro 17.15 million (Nu.708 million)	Euro 31.05 million (Nu.1,638.27 million)	Rs./Nu. 480.00 million
Total funds utilised till date	Rs./Nu. 41,591,599 million (till 30.09.2007)	Rs./Nu. 5,600 million - GOI Rs./Nu. 34 million - RGOB Total - Rs./Nu. 5,634 million	Euro 30.23 million Nu. 192.84 million (RGOB) (Total - Nu.1,440 million)	Euro 31.95 million Nu.33.97 million (RGOB) (Total - Nu.1,843.3 million)	Rs./Nu. 200.825 million (till Sept 2008)

* Basochu Lowerstage formally taken over by the Upperstage from July 1, 2005. ATS is converted to Euro.

Source: Tala Hydroelectric Project Authority, Kurichhu Hydropower Corporation Limited, Basochu Hydropower Corporation Limited.

BHUTAN'S FOREIGN AID¹⁴ A STATUS REPORT

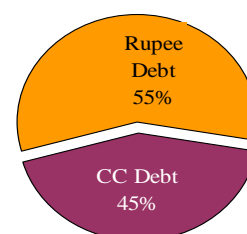
1. EXTERNAL DEBT

Total External Debt

The outstanding stock of Bhutan's external debt stood at an equivalent of USD 779.9 million at the end of June 2008. Of the total, 45 percent were convertible currency loans and the remaining 55 percent, Indian rupee loans for hydropower development. Since the amortization of the commercial loan for the purchase of the Druk Air plane in 1998/99, Bhutan has had only concessional debt outstanding to its multilateral and bilateral donors until 2002/03. However, since then, private sector companies have availed commercial loans externally, and as of June 2008, 2.05 percent of Bhutan's total convertible currency loans (USD 16 million equivalent) are the obligations of the private sector.

The present stock of external debt consists of convertible currency debt of USD 350.9 million and Indian rupee debt of Rs.17.3 billion. The country's external debt increased by 7.6 percent between June 2007 and June 2008. Disbursements for Punatsangchu I hydro project commenced in June '08. Rupee loan disbursements increased significantly by 154.1 percent with the upcoming Punatsangchu-I project.

**Composition of External Debt
(End of June 2008)**

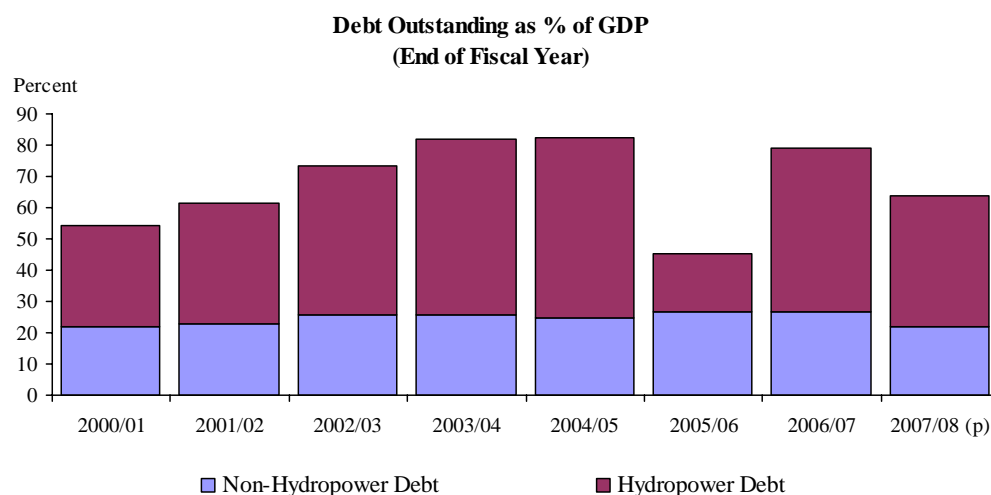
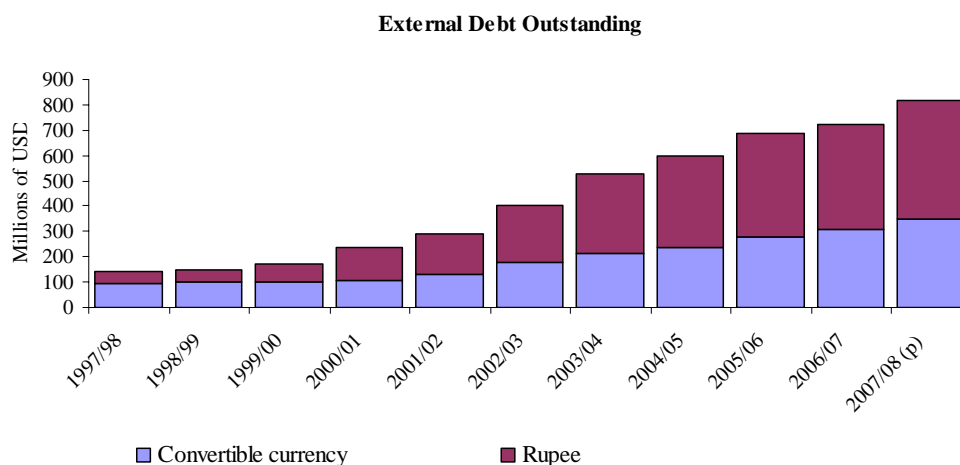


While the bulk of loan disbursements continued to be in the power sector, disbursements in the education sector increased in 2007/08 to USD 8.8 million from USD 8.1 million in 2006/07.

Bhutan's external debt has been summative over the years to fund a range of infrastructure and social service works. While 42.9 percent of the external debt (as of June 2008) is convertible currency loans on highly concessional terms and 55 percent are Indian rupee loans owed by the hydropower projects. The external debt service ratio stood at 17.9 percent as at 2007/08 as compared to 3.6 percent at the end of 2006/07. Similarly, the debt service as a percentage of current receipts stood at 16.2 percent in 2007/08.

The debt as a percentage of GDP improved from 77.3 percent in 2006/07 to 61.1 percent in 2007/08.

¹⁴ External debt data are sourced from the Department of Public Accounts, Ministry of Finance (public debt) and from private sector borrowers. The Department of National Budget provides information on external grants received.



In terms of the long-term prospects, Bhutan's external debt is expected to grow at an average of 17.6 percent during the 10th FYP. Continued expansion in external debt is expected with the introduction of new Rupee loans for the construction of 3 new power projects (Punatsangchu I, Mangdechu, and Punatsangchu II). Convertible currency loan portfolios are also projected to grow, however, much slower than Rupee debt, with continued expansion in its current portfolio and a new power-related loan in connection with a fourth power project, Dagachu. Construction on all four hydropower projects is expected to begin within the 10th FYP.

Bhutan - Key External Debt Indicators

(In Percent)

Year	Debt Service	Interest Pay./	Debt/	Debt/	Convertible	Rupee Debt/	Debt
	Current Receipts	Current Receipts	Current Receipts	GDP	Currency Debt/ Total Debt	Total Debt	Service Ratio
1993-94	20.3	11.0	166.2	62.2	57.8	42.2	22.4
1994-95	14.2	8.5	150.7	50.7	59.8	40.2	15.7
1995-96	20.8	5.6	96.7	42.7	69.8	30.2	22.3
1996-97	8.5	4.5	97.9	39.9	72.1	27.9	9.8
1997-98	6.8	1.9	92.7	40.3	68.5	31.5	7.4
1998-99	10.2	1.7	108.4	40.5	60.9	39.1	10.9
1999-00	3.6	1.2	120.5	41.4	50.2	49.8	3.9
2000-01	4.5	1.2	170.3	54.4	45.3	54.7	4.7
2001-02	4.9	1.5	220.1	61.6	44.4	55.6	4.9
2002-03	5.3	1.9	288.1	73.6	43.6	56.4	6.8
2003-04	4.6	2.0	283.9	81.8	40.8	59.2	6.8
2004-05	6.6	3.2	231.1	82.2	39.5	60.5	11.9
2005-06	5.2	2.6	184.1	84.3	40.3	59.7	7.6
2006-07	3.9	2.0	122.1	77.3	42.6	57.4	3.6
2007-08 (p)	16.2	7.4	135.8	61.1	45.0	55.0	17.9

Notes:

1. Figures for debt service and interest payments are calculated on cash payment basis.
2. Current receipts exclude official grants and receipts of INGOs and international organizations
3. Debt-GDP figures are calculated using the GDP figure for the previous calendar year, i.e., the 2005 GDP figure for Fiscal Year 2005/06. Debt-GDP figures are derived using Ngultrum figures.
4. Debt Service Ratio is equal to total debt service payments in percent of the total exports of goods and services.
5. Difference in data appearing here compared to past published time series data are due to revisions in the balance of payments and GDP data

BHUTAN'S OUTSTANDING EXTERNAL DEBT - FISCAL YEAR POSITION

End of Period

Item	Rupee/Ngultrum Million				US \$ Million			
	2004/2005	2005/2006	2006/2007	2007/2008	2004/2005	2005/2006	2006/2007	2007/2008
1. Government Borrowing								
Concessional	10060.7	11634.9	12905.4	13519.6	225.5	260.1	292.0	334.9
a. World Bank	2623.2	3118.9	3510.1	3839.6	58.8	69.7	79.4	95.1
b. IFAD	878.3	953.1	1044.0	1072.6	19.7	21.3	23.6	26.6
c. ADB	3917.7	4436.0	4698.2	4897.2	87.8	99.1	106.3	121.3
d. KFAED	66.7	48.1	99.6	35.8	1.5	1.1	2.3	0.9
f. Govt. of Austria	2574.8	2679.2	2837.1	2970.8	57.7	59.9	64.2	73.6
g. Govt. of Denmark		399.7	716.4	703.7		8.9	16.2	17.4
2. Commercial Borrowing	446.1	794.4	752.4	644.4	10.0	17.8	17.0	16.0
3. Rupee Debt	16075.4	18400.2	18369.9	17320.3	360.4	411.3	415.7	429.0
a. Chukha Hydropower Project	262.7	175.1	87.6	0.0	5.9	3.9	2.0	0.0
b. Kurichhu Hydropower Project	2053.3	1866.7	1680.0	1493.3	46.0	41.7	38.0	37.0
c. Tala Hydroelectric Project	13759.4	16358.5	16602.4	15346.9	308.5	365.6	375.7	380.2
d. Punatsangchhu - I Hydroelectric Project				480.0				11.9
4. Gross Total	26582.2	30829.5	32027.7	31484.3	595.9	689.1	724.7	779.9
Convertible Currency Debt					235.5	277.8	309.0	350.9
As a % of Total Debt					39.5	40.3	42.6	45.0
Rupee Debt	16075.4	18400.2	18369.9	17320.3				
As a % of Total Debt	60.5	59.7	57.4	55.0				
Exchange Rate								
Ngultrum to 1 USD	44.6	44.7	44.2	40.4				

Source: Department of Public Accounts & private sector companies

1. Debt outstanding at the end of each fiscal year
2. Outstanding Debt = (Total Disbursement - Principal Repayment).
3. Exchange rate used for conversion: fiscal year average used in the past; for the two recent fiscal years, the June average rate in each year used

2. EXTERNAL DEBT AND THE BUDGET

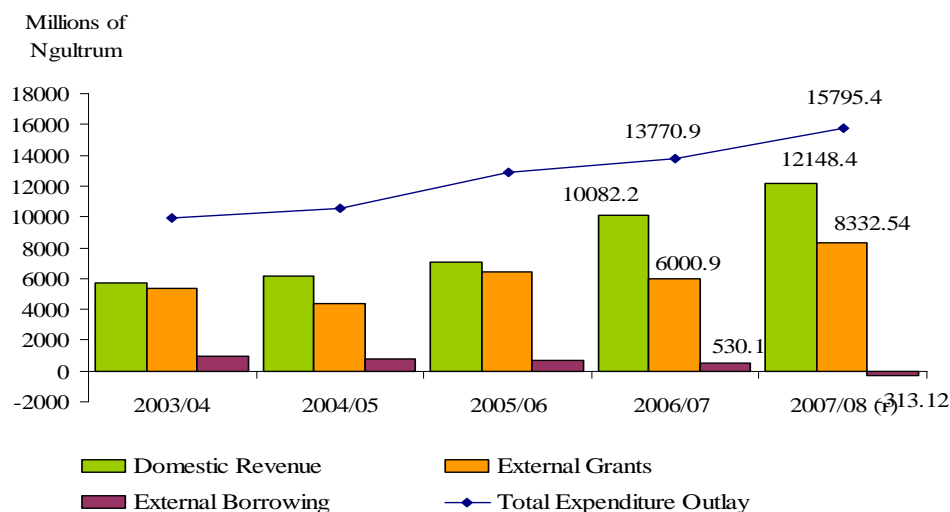
The royal government has followed a cautious fiscal approach to development, a cornerstone of which is the policy to endeavour to meet current expenditure through domestic revenue. A major part of the resource gap to finance capital expenditure has been sought through external borrowings on highly concessionary terms.

The 2007/08 revised budget outlay was marked at Nu.22.2 billion. Of this, current expenditure accounted for 47.7 percent and capital expenditure the residual 52.3 percent (Nu.11.6 billion). Domestic revenue mobilization for 2007/08 was estimated at about Nu.12.1 billion, more than enough to meet current expenditure of Nu.10.6 billion. As in the past, grant aid and concessional loans from India and other bilateral and multilateral sources supplemented the domestic revenue to finance the government's capital expenditure.

Debt service payments increased from Nu.1.1 billion in 2006/07 to Nu. 3.8 billion in 2007/08.

in Nu. Millions		
Financing the Budget Deficit	2006/07	2007/08 (revised)
Fiscal Deficit (+) / Surplus (+)	287.7	-1741.7
a) Net External Borrowing	530.1	-312.5
i. Project-tied borrowing	1023.5	1460.5
less repayments	493.3	0.0
ii. Programme borrowing less repayment	-496.0	-1773.6
b) Net Domestic Borrowing	-175.3	2054.8
i. Project-tied borrowing less repayment		-175.3
ii. Resource Gap (change in cash balances)	-642.6	2230.1

Composition of National Budget Financing

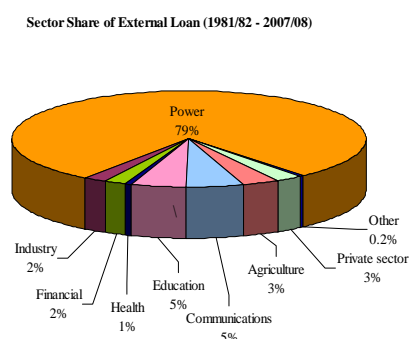


3. CLASSIFICATION OF EXTERNAL DEBT

3.1. Sectoral Disbursements

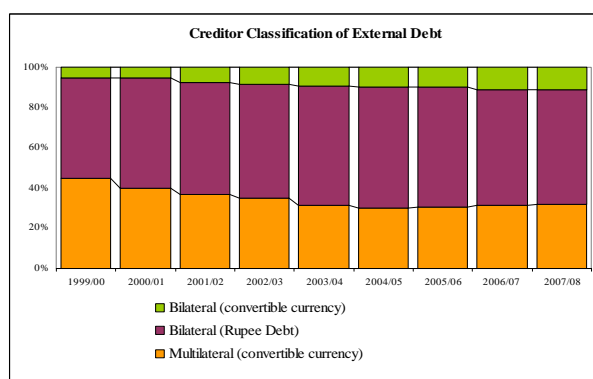
Bhutan's first concessional loan can be traced to 1981/82 with the first SDR loan disbursement from IFAD for the development of the Small Farms Project. Debt service payments are still being made on this loan. Since then, an equivalent of USD 1268.9 million convertible currency and Indian rupee loans have been disbursed to Bhutan by various foreign governments, international multilateral, bilateral, and private financing agencies.

In terms of the sector-wise allocation, as of June 2008, 78.8 percent of the total external loans were disbursed to the power sector, followed by the communications sector with 5.5 percent and the education sector with 4.7 percent. Disbursements in the agriculture and private sector accounted for 3.3 and 2.5 percent respectively.



3.2. Creditor Classification

As of June 2008, the GOI is Bhutan's largest creditor with 55 percent of the total debt. The GOI is followed by the ADB with USD 121.3 million and the World Bank with USD 95.1 million. Outstanding debt owed to the government of Austria for the Basochu hydropower project stood at an equivalent of USD 73.6 million.



EXTERNAL DEBT OUTSTANDING BY INDIVIDUAL CREDITOR CATEGORIES

Creditor Category	End of Period									
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
A. Convertible Currency Debt	98.7	98.7	106.9	129.9	176.8	216.0	235.5	277.8	309.0	350.9
I. Multilateral	88.3	88.3	94.4	107.7	142.0	157.5	167.8	191.2	211.6	243.9
Asian Development Bank	43.2	43.2	47.4	55.4	75.8	82.4	87.8	99.1	106.3	121.3
IFAD	12.7	12.7	12.5	13.7	19.6	20.3	19.7	21.3	23.6	26.6
KFAED	7.9	7.9	6.5	5.1	3.6	2.1	1.5	1.1	2.3	0.9
World Bank (IDA)	24.0	24.0	27.6	33.2	42.9	52.5	58.8	69.7	79.4	95.1
II. Bilateral	10.4	10.4	12.6	22.2	34.7	50.5	57.7	68.8	80.4	91.0
Government of Austria	10.4	10.4	12.6	22.2	34.7	50.5	57.7	68.8	80.4	91.0
Government of Denmark								8.9	16.2	17.4
III. Commercial Debt from Multilateral Creditors	0.0	0.0	0.0	0.0	0.0	8.0	10.0	17.8	17.0	16.0
B. Rupee Debt	2,704.1	4,276.5	5,984.4	7,847.6	10,963.7	14,222.3	16,075.4	18,400.2	18,369.9	17,320.3
Government of India	2,704.1	4,276.5	5,984.4	7,847.6	10,963.7	14,222.3	16,075.4	18,400.2	18,369.9	17,320.3
Convertible Currency Creditors										
ADB	43.8	43.8	44.3	42.6	42.9	38.2	37.3	35.7	34.4	34.6
Government of Austria	10.5	10.5	11.8	17.1	19.6	23.4	24.5	21.6	20.8	21.0
Government of Denmark								3.2	5.2	5.0
IFAD	12.9	12.9	11.7	10.5	11.1	9.4	8.4	7.7	7.6	7.6
KFAED	8.0	8.0	6.1	3.9	2.1	1.0	0.6	0.4	0.7	0.3
World Bank	24.3	24.3	25.9	25.5	24.3	24.3	25.0	25.1	25.7	27.1
Others						3.7	4.2	6.4	5.5	4.5
Rupee Creditors										
Government of India	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Department of Public Accounts & private sector companies

3.3. External Debt by Currency Composition

Indian rupee loans have thus far been entirely for the development of hydropower in Bhutan. Hydropower loans are also Euro-denominated and owed to the government of Austria for Basochu. Concessional loans from ADB, IFAD and the World Bank are SDR-denominated.

Currency	(In percentage of Total External Debt)						
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
SDR	34.9	34.1	29.3	27.9	27.6	28.9	31.2
US Dollar	0.1	0.0	1.5	1.7	1.4	1.3	1.1
Indian Rupees	55.6	56.4	59.2	60.5	59.7	57.4	55.0
Euro	7.6	8.6	9.6	9.7	10.0	11.1	11.7
Kuwaiti Dinar	1.7	0.9	0.4	0.3	0.2	0.3	0.1
Norwegian Kroner					1.2	1.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

4. DEBT SERVICE

Debt servicing (repayment of principal plus interest) on convertible currency loans in 2007/08 increased to an equivalent of USD 14.8 million from USD 12 million in 2006/07. Meanwhile, debt servicing on Rupee hydro debt increased from Rs.483.8 million in 2006/07 to Rs.3170.2 million in 2007/08 mainly due to the full amortization of the Chhukha Hydro-power Corporation (CHPC) loan in December 2007 and with the commencement of the Tala Hydro-power Project Authority's (THPA) loan repayment from January 2008.

Bhutan's debt service ratio measured as a percent of the export earnings from goods and services have remained well below 11 percent over the last eight years. The debt service ratio and debt service as a percentage of current receipts stood at 17.9 and 16.2 percent in 2007/08 respectively.

BHUTAN'S DEBT SERVICE PAYMENTS BY CREDITOR CATEGORY

Creditor Category	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	<i>(In Millions of USD)</i>									
I. Multilateral (Convertible Currency)	0.89	0.89	0.95	1.30	1.61	2.42	2.29	2.78	2.67	2.74
	1.36	1.38	2.63	2.71	2.95	2.90	2.67	2.93	3.00	3.87
II. Bilateral Convertible Currency	0.00	0.00	0.00	0.03	0.52	0.75	0.74	1.42	3.32	1.73
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.88	3.40
III. Convertible Currency Commercial De	0.04	0.00	0.00	0.00	0.00	0.16	0.25	0.77	1.28	1.01
	1.13	0.00	0.00	0.00	0.00	0.00	0.00	0.59	0.85	1.76
IV. Rupee Debt	1.34	0.88	0.73	0.61	0.52	0.46	4.89	4.78	4.74	37.18
	7.93	2.01	1.89	1.82	1.83	1.93	6.15	6.13	6.21	41.35
Total Interest Payments	2.27	1.76	1.68	1.94	2.65	3.78	8.16	9.75	12.01	42.66
Total Principal Repayments	10.41	3.38	4.52	4.52	4.78	4.83	8.82	9.64	10.93	50.39
Total Debt Service	12.69	5.14	6.19	6.46	7.43	8.61	16.98	19.40	22.94	93.05
	<i>(Ratios)</i>									
Debt Service Ratio*	10.9	3.9	4.7	4.9	6.8	6.8	11.9	7.6	3.6	17.9
Debt Service/Current Receipts**	9.1	3.3	4.3	4.4	4.7	4.4	16.8	8.4	4.9	16.2
Interest Payments/Current Receipts	1.6	1.1	1.3	1.3	1.7	1.9	8.1	4.2	2.6	7.4
Debt Service/Gross Reserves	4.9	1.8	2.1	2.0	2.0	2.2	4.0	4.1	3.8	14.3

Source: Department of Public Accounts & private sector companies

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

** : Current receipts include receipts from export of goods and services, income and transfers excluding official grants and receipts of INGOs & international organizations.

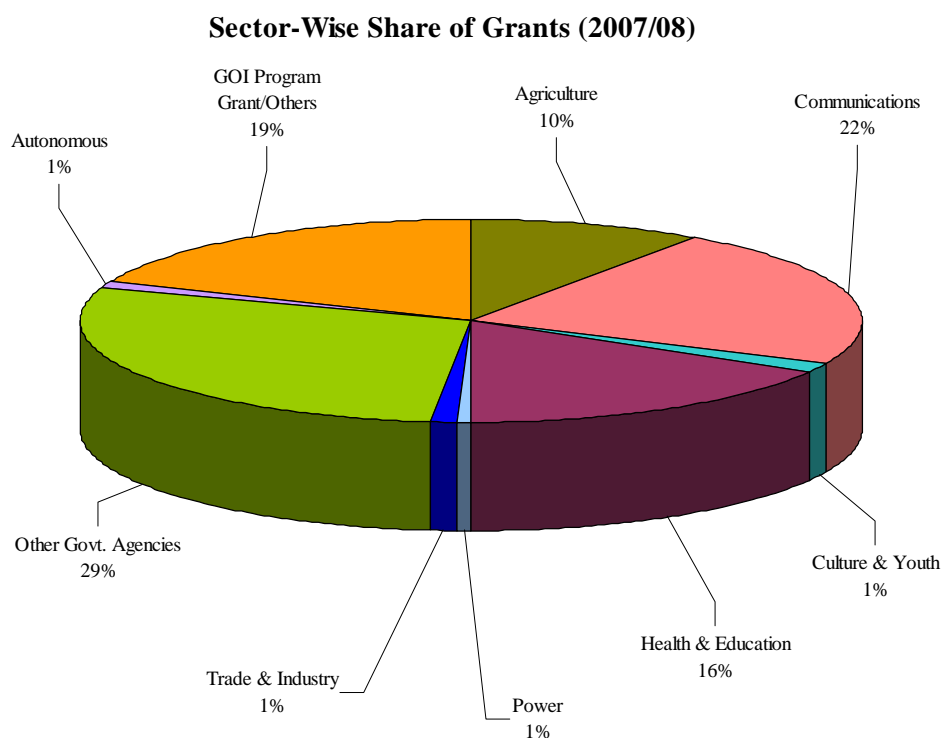
Inconsistencies may occur due to rounding.

5. GRANT ASSISTANCE

Grant aid from the government of India and other international donors have traditionally financed on average over 30 percent of the fiscal outlay. In the revised estimates of the 2007/08 budget, grant support is anticipated to finance 37.5 percent of the total expenditure. The GOI has been Bhutan's largest grant donor followed by DANIDA, UNDP, World Bank, Swiss Development Cooperation and the Government of Netherlands.

79 percent of the total grants of Nu.5.1 billion received in 2007/08 were from the GOI, followed by the DANIDA (8 percent) and UNDP (1.1 percent).

In terms of grant recipients, apart from the power sector, the agriculture, health, education and communication and information sectors have been receiving the largest share.



INDIVIDUAL GRANT DONORS

Agency	In Millions of Ngultrum										
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Govt. of India	1045.1	1928.5	2187.9	2551.2	945.3	2631.8	2287.2	2370.5	3087.3	3081.2	4671.1
DANIDA	135.6	385.2	318.7	394.8	534.8	525.8	579.2	432.1	539.0	454.7	462.5
JICA	0.0	0.0	7.1	0.0	4.2	0.0	50.0	22.5	0.0	9.2	0.8
Govt. of Netherlands	66.8	88.8	74.4	147.6	274.5	201.0	331.7	253.9	234.1	136.3	27.0
UNDP	100.3	122.1	140.8	51.4	134.4	114.2	115.1	118.1	102.4	109.9	63.8
Govt. of Austria	85.3	170.7	143.0	174.2	44.2	68.7	32.7	56.6	61.9	66.0	6.3
HELVETAS	15.0	147.2	75.8	94.3	0.0	0.0	0.0	16.9	32.9	0.0	16.2
Swiss Dev. Cooperation	49.5	200.6	106.2	66.8	62.6	103.5	122.5	46.9	71.4	61.0	35.7
EEC	57.1	35.1	29.9	18.0	112.5	130.8	203.0	54.3	82.4	69.6	20.1
UNCDF	88.4	37.4	10.6	27.2	26.9	26.6	25.1	0.0	0.0	23.7	0.0
World Bank, IDf, IDA	25.5	9.2	13.3	0.0	11.8	28.6	17.5	35.3	771.2	662.9	42.0
Others	147.5	137.7	166.4	185.4	545.9	650.7	692.2	379.9	440.3	379.9	586.4
Total	1816.3	3262.6	3274.1	3711.0	2696.9	4481.7	4456.2	3787.0	5422.88	5054.3	5931.9
Percentage Change on the Previous Year											
Total	-18.6	79.6	0.4	13.3	-27.3	66.2	-0.6	-15.0	43.2	-6.8	17.4

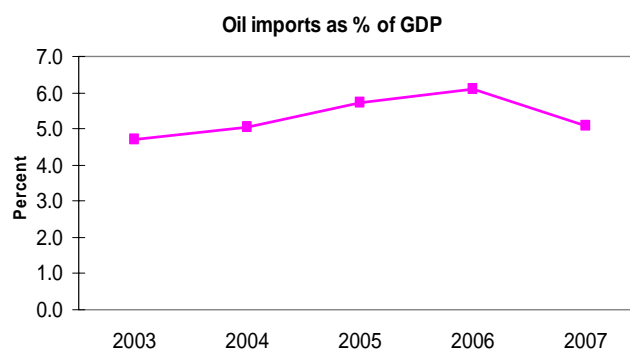
SUMMARY OF PETROLEUM IMPORTS AND PRICES IN BHUTAN

Increase in the price of petroleum and related products in Bhutan have been a reflection of the price and policy changes in India, which in turn were influenced by international developments. Rise in fuel prices is also a concern for a small developing country like Bhutan, which is dependent on oil imports. Although Bhutan has a huge potential in generating hydropower, its dependency on fossil fuels still exists.

Following the international oil price hikes over the last few years, the fuel prices in India and thus Bhutan have also been on an increasing trajectory. The fuel price in Bhutan is regulated based on the price reflected in the invoice and taking into consideration other cost factors in importing the fuel. Therefore, any revision in the price of the products at source immediately affects the prices in Bhutan. In addition to the transportation costs, shrinkages allowance, dealer's commission, depot surcharge, and product transit insurance, a 5 percent sales tax is also levied. Presently, the prices of kerosene and liquid petroleum gas are subsidized by the government since they are used mainly for domestic purposes.

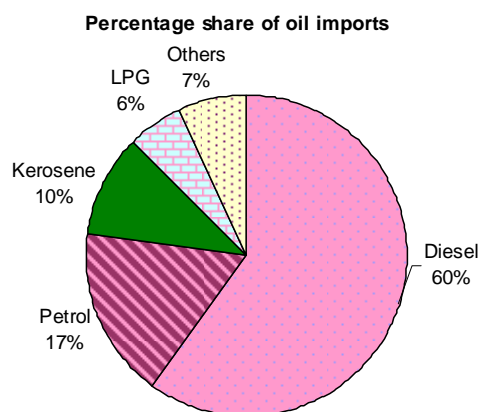
Bhutan imports most of its finished products of petroleum and related oils (diesel, petrol, kerosene, lubricating oils, and liquid petroleum gas) from India. High-speed diesel and petrol are among the top ten imports of the country.

During the year 2007, the growth in oil imports from India has increased both in terms of volume and value. Major oil imports increased from 94,646 kilolitres in 2006 to 97,955 kilolitres in 2007 – a 3.5 percent growth. In terms of value, the total oil imports increased from Nu. 2,466 million in 2006 to Nu. 2,621 million in 2007 – a 6.3 percent growth. This is an indication that the increase in the value or price of oil is more significant than the volume or quantity imported. During 2007, the import of major fuel components constituted 5.1 percent of the nominal GDP. The fuel imports as a percentage of total merchandise imports from India recorded at 17.4 percent in 2007. With increase in overall demand for petroleum products in the country, the burden of rising import bills would adversely affect the overall external trade balance with India.

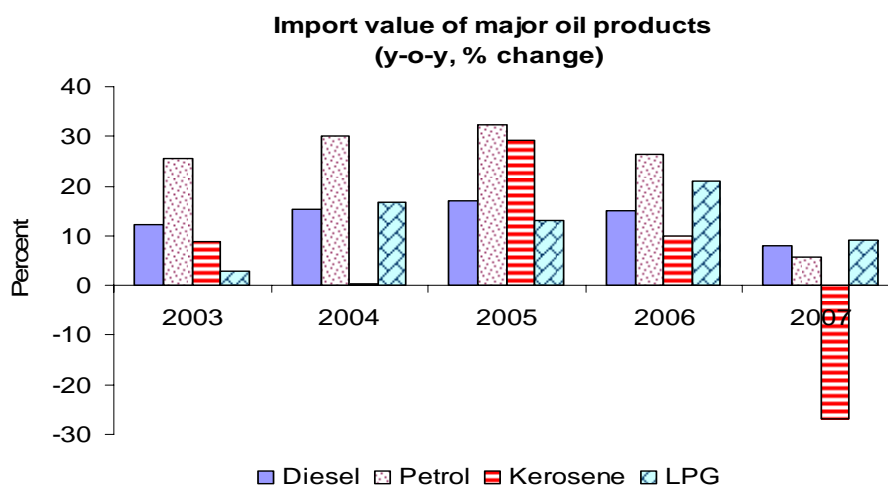


Petroleum and related products worth over USD 63.4 million (Nu.2.6 billion) were imported in 2007, against USD 54.4 million (Nu. 2.5 billion) in 2006. Increased demand for petrol is also evidenced by the growing numbers of population using cars imported from India. Imports of vehicles have been among the country's top ten imports, estimating 38,276 as of July 2008. With the ever-growing number of vehicles and use of heavy earth moving machines in the country, the consumption of petroleum products is likely to increase further.

Although the use of oil is limited to transport and service sector, the impact of oil price rise on the domestic economy is transmitted more through the imports of goods and services. The impact of international oil price rise would be felt more in the transportation and construction sectors. The country's small manufacturing sector depends primarily on hydropower to meet its energy needs. Furthermore, hydropower is mainly used for domestic purposes.



Assessing the impact of oil price on consumer price index, the quarterly consumer price index in Bhutan was 8.9 percent in the Q2 2008, compared to 5.9 percent during the same quarter in 2007. During the period, the price of electricity, gas and other fuels, which constitutes 6 percent of the expenditure basket, decreased by 4.5 percent against 5.8 percent during the same period last year. Of the electricity, gas and other fuels, the prices of fuels and lubricants increased sharply by 26.7 percent during the same period largely due to increase in the global fuel prices.



Import of major oil products in Bhutan

Quantity/Value	2000	2001	2002	2003	2004	2005	2006	2007
Diesel (KL)	36843.5	39469.0	43507.0	48599.0	50809.0	51460.0	52418.0	58174.0
Value in million	491.1	578.5	655.8	854.3	1023.2	1263.9	1455.6	1570.7
Petrol(KL)	6520.5	7830.0	9112.0	10229.0	11800.0	13795.0	15216.0	16781.0
Value in million	145.0	183.1	208.3	261.6	340.0	450.5	570.0	603.2
Kerosene (KL)	9153.0	9100.0	9001.0	9706.0	9781.0	12545.0	14370.0	10207.0
Value in million	52.2	60.6	74.6	81.0	81.4	105.2	115.8	84.7
LPG (MT)	3546.3	3613.8	3887.3	4016.7	4055.0	4472.0	4980.4	5405.5
Value in million	50.5	49.2	54.9	56.4	65.9	74.4	90.1	98.2
Octane 91 (KL)					125.0	84.0	505.0	718.0
Value in million					3.8	3.0	20.0	26.8
Aviation Turbine Fuel (KL)	861.0	838.0	1044.9	1026.0	1080.0	1145.0	801.0	1080.0
Value in million	12.4	13.9	13.7	19.1	24.5	31.0	27.6	36.9
Lubricating Oils (MT)	1776.6	1924.4	1958.8	1461.5	1348.0	3414.0	3934.1	3297.4
Value in million	75.5	92.6	88.0	84.1	63.3	123.9	135.8	147.0
Furnance Oil (MT)	2260.5	2676.0	2745.5	2081.2	1812.0	1656.0	2421.0	2292.0
Value in million	27.3	35.5	32.9	28.5	26.8	29.8	51.1	53.3
Total volume (KL)	60961.4	65451.1	71256.5	77119.4	80810.0	88571.0	94645.5	97955.0
Total value (million)	853.9	1013.3	1128.2	1385.0	1628.9	2081.5	2465.9	2620.7
(% of total oil imports)								
Volume	2000	2001	2002	2003	2004	2005	2006	2007
Diesel	60.4	60.3	61.1	63.0	62.9	58.1	55.4	59.4
Petrol	10.7	12.0	12.8	13.3	14.6	15.6	16.1	17.1
Kerosene	15.0	13.9	12.6	12.6	12.1	14.2	15.2	10.4
LPG	5.8	5.5	5.5	5.2	5.0	5.0	5.3	5.5
ATF(Jet fuel)	1.4	1.3	1.5	1.3	1.3	1.3	0.8	1.1
Lubricating Oils	2.9	2.9	2.7	1.9	1.7	3.9	4.2	3.4
Furnance Oils	3.7	4.1	3.9	2.7	2.2	1.9	2.6	2.3
Value								
Diesel	57.5	57.1	58.1	61.7	62.8	60.7	59.0	59.9
Petrol	17.0	18.1	18.5	18.9	20.9	21.6	23.1	23.0
Kerosene	6.1	6.0	6.6	5.9	5.0	5.1	4.7	3.2
LPG	5.9	4.9	4.9	4.1	4.0	3.6	3.7	3.7
ATF(Jet fuel)	1.5	1.4	1.2	1.4	1.5	1.5	1.1	1.4
Lubricating Oils	8.8	9.1	7.8	6.1	3.9	5.9	5.5	5.6
Furnance Oils	3.2	3.5	2.9	2.1	1.6	1.4	2.1	2.0

N.B: It is assumed that MT=KL . Figures are based on information submitted by the POL dealers in Bhutan

Diesel includes Hi speed premium

**ROYAL MONETARY AUTHORITY OF BHUTAN
BALANCE SHEET**

(Amount in Nu.)

ASSETS	AS AT JUNE 30,2008	AS AT JUNE 30, 2007
Foreign Financial Assets		
Cash in hand	262,901,265.15	130,021,419.30
Balances with Banks	4,828,681,287.02	12,571,398,444.73
Time Deposits with Banks	20,809,638,734.62	7,840,997,899.57
Balances with IMF	437,859,687.35	417,151,406.26
Interest accrued on Foreign Investments	49,304,578.03	46,494,446.07
Royalty receiveable	2,567,400.00	
Total Foreign Financial Assets	26,390,952,952.17	21,006,063,615.93
Non-monetary gold and silver	31,951,361.09	28,343,215.71
Total Foreign Assets	26,422,904,313.26	21,034,406,831.64
Local Currency Financial Assets		
Cash in hand	844,949.00	330,415.60
Balances with Banks	146,637,261.41	21,570,765.95
Government Securities	-	1,157,484,735.63
Interest accrued	4,277.86	420,860.03
Other Financial Assets	14,462,124.89	11,569,950.62
Total Local Currency Financial Assets	161,948,613.16	1,191,376,727.83
Local Currency Non Financial Assets		
Fixed Assets (net) (including Capital Work in progress)	105,051,480.19	104,672,556.78
Inventories	21,933,344.74	22,579,063.65
Other Assets	87,675,241.36	10,247,729.42
Miscellaneous Expenditure	57,210,826.04	85,816,238.97
Total Local Currency Non Financial Assets	271,870,892.33	223,315,588.82
Total Local Currency Assets	433,819,505.49	1,414,692,316.65
TOTAL ASSETS	26,856,723,818.75	22,449,099,148.29

**ROYAL MONETARY AUTHORITY OF BHUTAN
BALANCE SHEET**

(Amount in Nu.)

LIABILITIES AND CAPITAL	AS AT JUNE 30, 2008	AS AT JUNE 30, 2007
Foreign Liabilities		
Due to the IMF	344,485,572.98	330,518,467.91
Due to Government	86,244,036.64	95,656,853.60
Deposits by Financial Institutions	2,587,444,117.69	2,464,195,704.28
Total Foreign Liabilities	4,818,173,727.31	2,890,371,025.78
Local Currency Financial Liabilities		
Notes and Coins in Circulation	4,186,108,381.00	3,337,244,401.00
Due to Banks	8,685,696,454.27	9,982,343,566.19
Due to Government	2,178,284,543.99	1,913,945,658.20
Debt Securities Issued	2,000,000,000.00	199,960,000.00
Total Local Currency Financial Liabilities	17,070,315,982.64	15,452,425,079.06
Local Currency Non Financial Liabilities		
Other Liabilities	3,274,455,929.78	3,033,488,604.09
Total Local Currency Non Financial Liabilities	3,274,455,929.78	3,033,488,604.09
Total Local Currency Liabilities	20,344,771,912.42	18,485,913,683.15
Total Liabilities	25,162,945,639.73	21,376,284,708.93
CAPITAL AND RESERVES		
Capital	21,400,000.00	21,400,000.00
General Reserve (As per Last Account)	659,906,521.92	659,906,521.92
Surplus as per annexed account	575,944,942.90	342,122,265.14
Revaluation Reserve	306,339,588.07	-
Other Reserves	53,288.10	53,288.10
Youth Employment Fund	130,133,838.03	49,332,364.19
Total Capital and Reserves	1,693,778,179.02	1,072,814,439.35
TOTAL LIABILITIES AND CAPITAL	26,856,723,818.75	22,449,099,148.28

ANNEX X

**ROYAL MONETARY AUTHORITY OF BHUTAN
INCOME AND EXPENDITURE STATEMENT**

(Amount in Nu.)

PARTICULARS	AS AT JUNE 30, 2008	AS AT JUNE 30, 2007
INCOME		
Interest Income	913,022,424.24	951,025,462.89
Interest Expense	164,051,354.52	71,301,789.83
Net Interest Income	748,971,069.72	879,723,673.06
Royalty, Remuneration, Exchange & Commission	14,691,901.62	12,683,284.10
Total Operating Income	763,662,971.34	892,406,957.16
Income pertaining to previous year	-	-
Total Income	763,662,971.34	892,406,957.16
EXPENSES		
Currency Expenses	29,405,159.91	31,990,950.92
Establishment	49,706,802.53	43,734,628.35
Remittance of Treasure	1,987,993.00	1,854,522.00
Agency and Contractual Services	1,500,000.00	1,727,250.00
Commission and fees paid	1,123,245.70	973,468.79
Stationary and Supplies	1,413,518.45	2,055,896.30
Printing and Publications	209,260.00	279,877.50
Postage and Telecommunications	4,276,149.17	3,592,467.65
Rent and Insurance	708,415.79	368,311.00
Power, Water etc.	474,963.00	403,842.00
Auditors Fees and Expenses	260,043.00	314,179.00
Directors Fees and Expenses	65,068.00	257,480.50
Repairs to Assets	2,238,194.74	993,442.35
Other Expenses	3,070,036.50	3,347,481.59
Expenses pertaining to previous year	-	226,457.78
Depreciation	10,477,704.81	8,832,072.10
Total Operating Expenses	106,916,554.60	100,952,327.83
Net Surplus	656,746,416.74	791,454,629.33
(Less)/Add:		
Transfer to Youth Employment Fund	(80,801,473.84)	(49,332,364.19)
Transfer of operating surplus to Government	-	(400,000,000.00)
Surplus payable to Government	575,944,942.90	342,122,265.14

ARTICLES PUBLISHED BY THE RMA

This list is designed to inform readers about articles/special studies featured by the Royal Monetary Authority in its various regular publications – the Annual Report, the quarterly Selected Economic Indicators and the Monthly Statistical Bulletin.

Annual Report

Most of the articles listed below have been updated and featured in each subsequent annual report, since they first appeared.

1. “The Royal Monetary Authority of Bhutan: Functions, Restructuring, and Important Projects” [2001/02, 2002/03, 2003/04, 2004/05, 2005/06, 2006/07]
2. “Chronology of Important Financial Sector Developments” [2001/02, 2002/03, 2003/04, 2004/05, 2005/06, 2006/07]
3. “Financial Institutions” [2001/02, 2002/03, 2003/04]
This article was merged with the article on the overview of developments in the financial sector (item 8) in the RMA Annual Report 2004/05.
4. “Tourism” [2001/02, 2002/03, 2003/04, 2004/05, 2005/06, 2006/07]
5. “The Power Sector in Bhutan” [2001/02, 2002/03, 2003/04, 2004/05, 2005/06, 2006/07]
6. “Interest Rates” [2001/02, 2002/03, 2003/04, 2004/05, 2005/06, 2006/07]
7. “Bhutan’s External Debt: A Status Report” renamed “Bhutan’s Foreign Aid: A Status Report” from the 2006/07 issue of the report [2001/02, 2002/03, 2003/04, 2004/05, 2005/06, 2006/07]
8. “An Overview of Developments in the Financial Sector: A Summary Overview and Individual Institutions” [2002/03, 2003/04, 2004/05, 2005/06, 2006/07]
The first edition of this article featured in the RMA Annual Report 2002/03 titled “Overview of Developments in the Financial Sector (2002)”. In the RMA Annual Report 2004/05, the article on financial institutions (item 3) was also merged with this article.
9. “Address at the Royal Monetary Authority by International Monetary Fund Executive Director B.P. Misra, December 22 2004” [2003/04]
10. “Housing Credit (Summary)” [2004/05]

11. “Macroeconomic Projections” [2004/05]
12. “Development in Petroleum Imports and Prices in Bhutan” renamed “Summary of Petroleum Imports and Prices in Bhutan” from the 2006/07 issue of the report [2005/06, 2006/07]
13. “IMF Executive Board Concludes 2007 Article IV Consultation with Bhutan” [2006/07]

Selected Economic Indicators

Articles were featured from December 2002 onwards.

1. “Bhutan Balance of Payments: Methodology, Compilation Practices, and Data Sources” [December 2002]
2. “Revision of the Consumer Price Index” [December 2002]
3. “Bhutan Beverages Company Limited (BBCL)” [December 2002]
4. “Development of Imports from Thailand” [March 2003]
5. “Summary of the National Budget 2002/2003” [June 2003]
6. “Druk Air Corporation Limited: An Overview” [September 2003]
7. “Highlights of the National Budget 2004/05” [June 2004]
8. “Restructuring of the Royal Monetary Authority of Bhutan” [June 2004]

Monthly Statistical Bulletin

1. “Performance of Financial Institutions During 2001” [June 2002]
2. “Price Developments” [July 2002]
3. “Revised Estimates of Government Budget 2001/02” [August 2002]
4. “9th Five-Year Plan Outlay” [September 2002]
5. “External Debt” [October 2002]
6. “Revision of the Consumer Price Index” [November 2002]
7. “Bhutan Beverages Company Limited (BBCL)” [December 2002]
8. “A Leap Into Modernization – The FDI Policy” [January 2003]
9. “Tourism” [February 2003]
10. “Profile on Bhutan’s Public Limited Companies” [March 2003]
11. “Real Effective Exchange Rate of the Ngultrum” [May 2003]
12. “Forestry and Logging in Bhutan” [June 2003]
13. “Druk Air Corporation Limited: An Overview” [July 2003]
14. “Restructuring of the Royal Monetary Authority of Bhutan” [June 2004]

READERS' FEEDBACK ON THE ANNUAL REPORT

Dear Reader:

We would appreciate any and all comments, or suggestions, that you might have regarding the content and format of the Annual Report. Please feel free to contact us at the following address:

Chief
Research and Statistics Division
Royal Monetary Authority of Bhutan
P.O. Box 154
Thimphu
Bhutan

You can also email us at: rsd@rma.org.bt.

Please visit our website www.rma.org.bt for information on the RMA and all our publications.

Thank you.