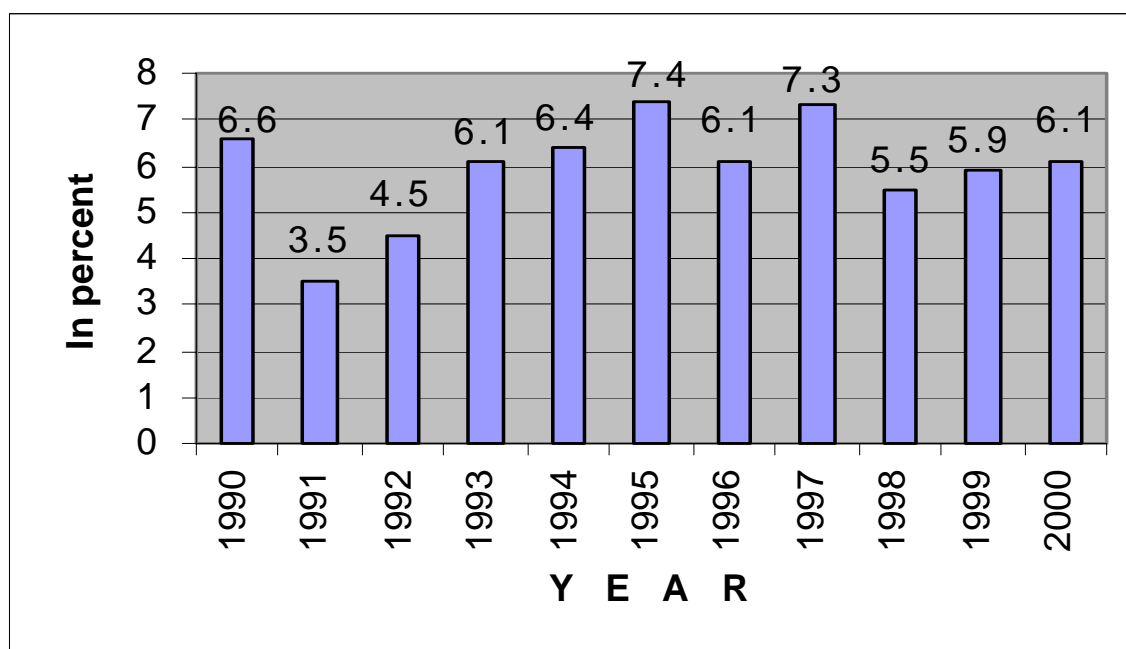


1 ECONOMIC PERFORMANCE DURING 1999 IN BRIEF

1.1 During 1999, the real Gross Domestic Product (GDP) increased by 5.9% and the nominal GDP by 14.3% respectively over 1998. The good economic performance during 1999 was fueled by the high growth in **Construction, Transport, Government and Electricity sectors**. The high rate of growth in the **construction sector** was due to the large construction activities undertaken by Tala Hydro-Power Project and other hydro-power project in the country. The large hydro-power projects also substantially stimulated the expansion of transport industries.

Fig 1. GDP growth in constant prices.

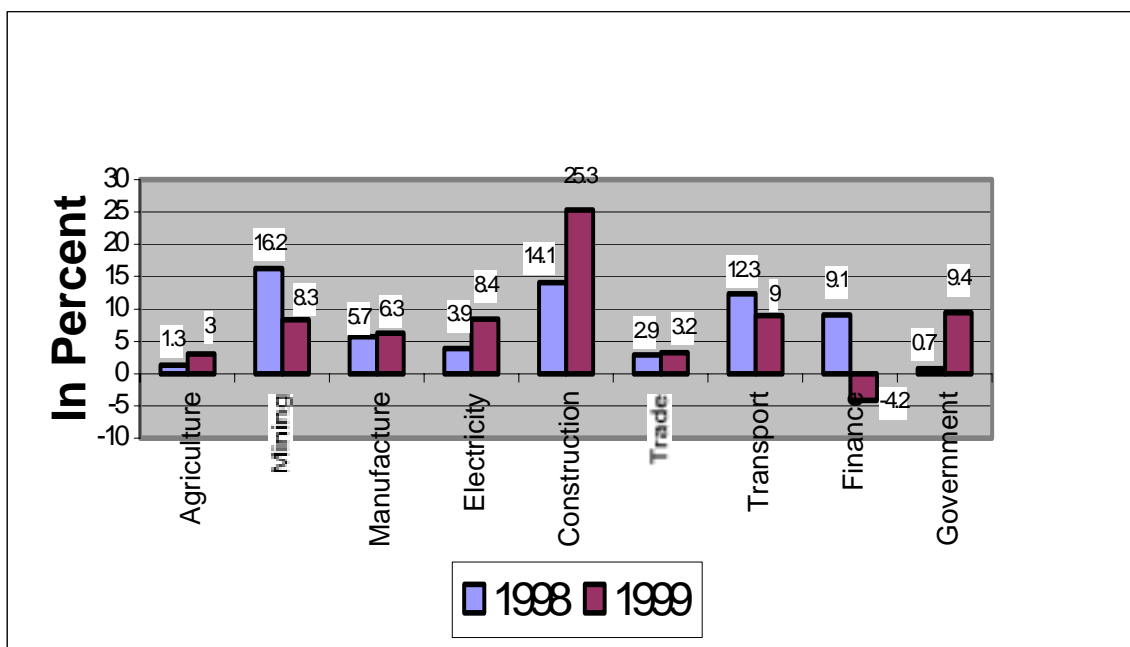


Note: Figure for year 2000 is projection

1.2. The GDP in current prices was Nu. 18202.0 million in factor prices and the GDP at market prices was at Nu. 18810.0 million. The GDP per capita was estimated at Nu. 28606.3 during 1999.

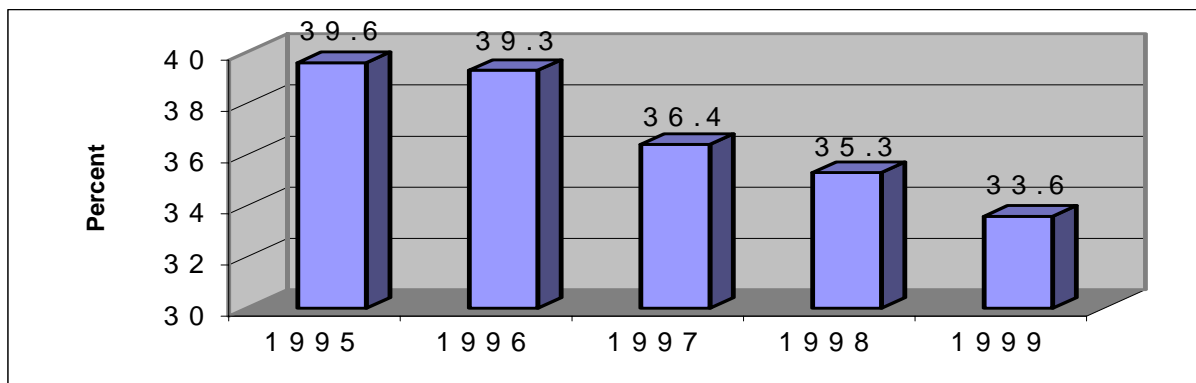
2. SECTORAL ECONOMIC PERFORMANCE

Fig 2: Sectoral growth rates:



2.1 The *Agriculture sector*, which includes agriculture, livestock, forestry and fishing increased by 3% in 1999 compared to 1.3% in 1998. However, the percentage share of agriculture sector to GDP has dropped to 33.6 percent in 1999 compared to 35.3 percent in 1998. This is an indication that the dominance of major traditional sector like agriculture is gradually decreasing and yielding way to construction, manufacturing and service sectors. Non-the-less, as seen in Figure 3 & 4, the agriculture sector is still the largest contributor to the Bhutanese economy with its value added equivalent to the total of the next three largest sectors which are electricity, construction and manufacturing.

Fig 3: Share of Agriculture to the G D P during 1995 to 1999.



2.2 **Mining and quarrying sector** showed an increase of 8.3% in 1999. Its share to GDP is only 1.7% in 1999.

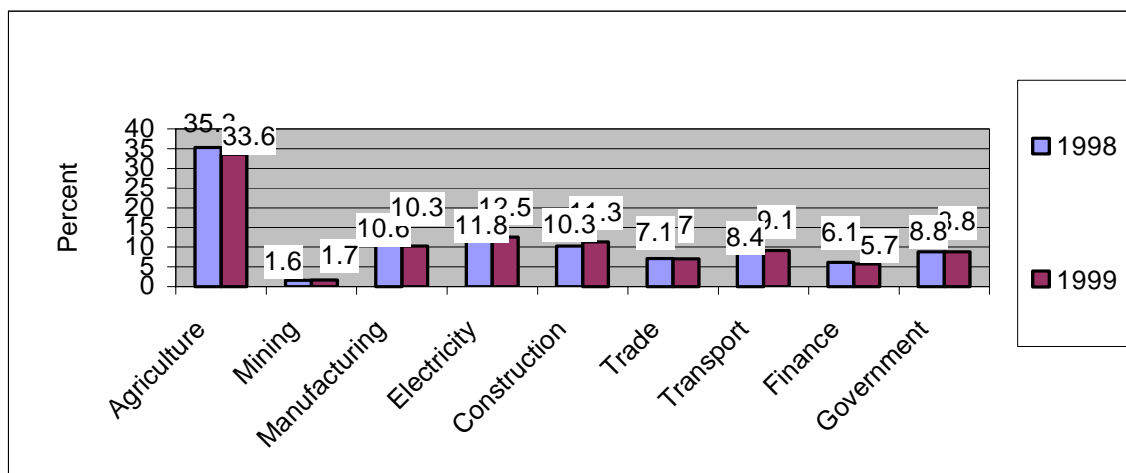
2.3 **Manufacturing sector** exhibited a growth of 6.3% during the year compared to 5.7 percent in 1998. Its share to GDP increased substantially from 3.2% in 1980 to 10.6% in 1999. However, since no new major manufacturing industries were established during the last two years, its share to GDP remained just little over 10% during the last two years.

2.4. **Electricity, water and gas sector**, which tremendously boosted the economic growth in the late 1980's and since then it proved to be one of the main boosters of the economy. During 1999, with the up-ward revision of tariff on power export, the electricity sector demonstrated a growth rate of 8.4 percent in real term. The water started contributing to GDP since mid 1996 onwards after introduction of water meters in urban areas like Thimphu and Phuntsholing and to other towns later on. The percentage share of this sector to GDP increased by 0.7% between 1998 and 1999.

2.5. **The Construction sector** displayed a drastic increase in real term by 14.1% in 1998 and 25.3% in 1999. This was the direct result of the construction activities carried out by

Kurichu Hydro Project, Tala Hydro Power Project and Basochu Hydro Power project. Its share to GDP was 10.6 percent in 1998 and 11.7 percent in 1999.

Fig 4: Sectoral shares to the G D P during 1998 and 1999.



2.6 The growth rate of *the Wholesale & retail trades, Hotels & restaurants* was 3.2% and its share to GDP worked out to 7.0 percent in 1999.

2.7 *Transport, Storage and Communication sector* had a real growth rate of 9% in 1999. The percentage share of this sector to GDP was 9.1 percent.

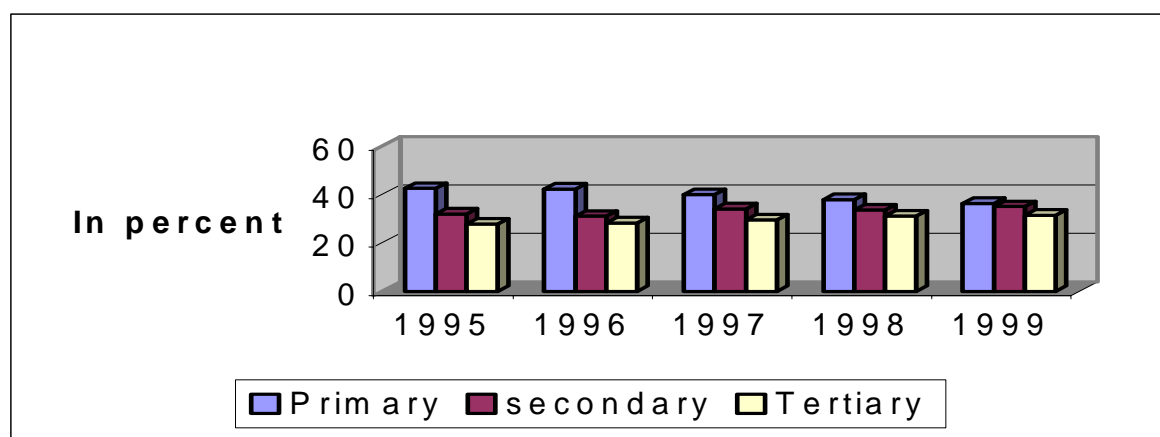
2.8 *Financing, Insurance and Real estates* had a negative growth rate of 4.2 percent in 1999 against the growth of 9.1 percent in 1998. Its share to GDP dropped to 5.7 percent in 1999 against 6.1 percent in 1998.

2.9 *Community, Social and Personal services* (Government) showed a growth rate of 9.4% in real term in 1999 against 0.7 percent in 1998. This was due to the increase of the salary of the civil servants. Its percentage share to GDP were 8.8% for both 1998 and 1999.

3. THE ECONOMY BY MAJOR SECTORS

3.1. The Economy can also be divided into *three major sectors such as Primary, Secondary and Tertiary sector.*

Fig 5. Major sectoral shares to the GDP



- 3.2 *Primary sector* consists of *Agriculture* (agriculture proper, livestock, forestry & fishing) and *Mining & quarrying*.
- 3.3 *Secondary sector* comprises *Manufacturing, Electricity & Construction*.
- 3.4 *Tertiary sector* includes all services namely *Whole-sale & retail trade, hotels & restaurants; Transport, storage & communication; Financing, insurance & real estate and Community, social & personal services (Government)*.
- 3.5. The growth rate of the Primary sector was 9.5 percent whereas the growth rate of Secondary and Tertiary sectors were 19.1 and 15.5 percent respectively in current prices in 1999.
- 3.6. The table 1.7 shows the share of the major sectors to GDP at factor cost in current prices. It indicates that the percentage share of *Primary sector* to GDP has been declining since 1980 whereas the percentage share of the *Secondary sector* to GDP has been increasing since 1980. In 1999, the percentage share of Primary sector to GDP was 36.4 percent while the Secondary and Tertiary sectors showed 35 and 31.5 percent respectively. The fall of *the*

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Primary since 1980 was an indication of gradual transformation of the economy from *the primary sector* like Agriculture to the Secondary and Tertiary sector like manufacturing, electricity, construction and other service sectors.

4. INFLATION

4.1 As per the Consumer Price Index (CPI), the rate of inflation as of December 1999 was 4.5 percent compared to December 1998. The prices of essential food items have increased by 2.6 percent while prices of non-food items have increased by 7.9 percent during December 1999. Besides CPI, price changes can also be detected by the percentage change of the growth rate of GDP deflator. Some time, it can be a better measuring rod of inflation as CPI takes into account only the consumers items. On the other hand, National Accounts Statistics take into account all the economic activities within the geographical territorial boundary of a country for a given accounting year. For the sake of comparison between the growth rate of GDP deflator and CPI we have taken the information from 1990 to 1999 only. The recorded inflation in the National Accounts Statistics was 8.4 percent while CPI showed 4.5 percent for the year 1999.

Fig 6. Trend of the Consumer price index

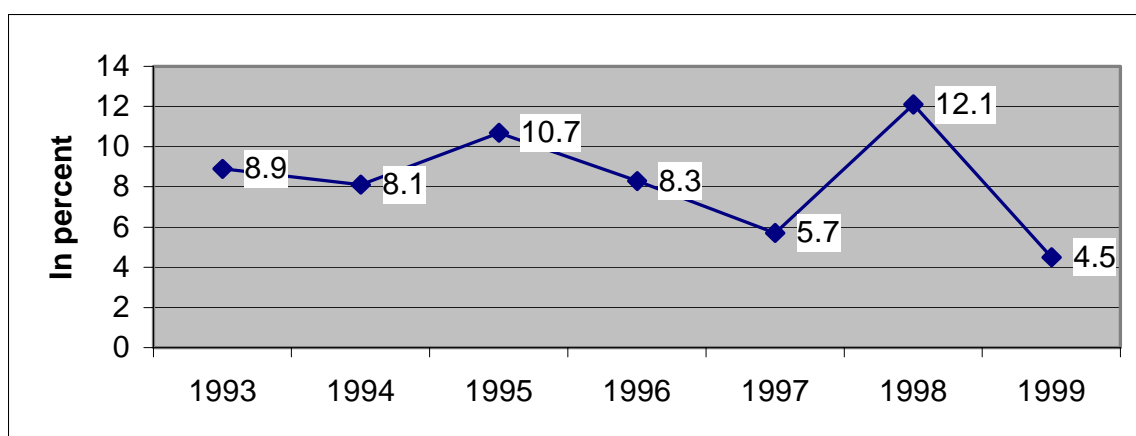


Table 1.0 : Gross and Net Domestic Product and its related aggregates.

(Million Nu.)

IN CURRENT PRICES	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Net Domestic Product at factor cost	4479	4922	5678	6433	7487	8814	10409	12781	14557	16608
2. Consumption of fixed capital	370	420	500	575	664	797	946	1188	1370	1594
3. Gross Domestic Product at factor cost	4848	5342	6178	7008	8151	9611	11355	13969	15928	18202
4. Indirect taxes less subsidies (+)	134	159	176	185	351	358	359	506	546	608
5. Gross Domestic Product at market prices	4983	5502	6354	7193	8501	9968	11714	14475	16473	18810
6. Net factor income from abroad	-326	-491	-734	-734	-634	-1208	-1247	-1141	-2323	-2968
7. Gross National Product at market prices	4657	5010	5619	6458	7867	8760	10467	13334	14150	15841
8. Net National Product at market prices.	4287	4590	5119	5884	7203	7963	9521	12146	12779	14248
IN 1980 PRICES										
1. Net Domestic Product at factor cost	2053	2124	2216	2344	2493	2676	2834	3036	3200	3386
2. Add consumption of fixed capital	171	180	191	209	223	242	261	285	305	325
3. Gross Domestic Product at factor cost	2225	2303	2407	2553	2716	2918	3095	3321	3504	3711

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.1 : Gross domestic product at factor cost by kind of activity at current prices

(Nu. In million)

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (Pro.)
1. Agriculture, livestock, Forestry and fishing	621.4	2094.9	2305.1	2460.5	2801.9	3427.1	3897.7	4538.0	5276.0	5786.9	6300.5	6877.7
1.1 agriculture proper	309.9	1057.6	1180.8	1363.0	1526.6	1814.6	2043.2	2253.7	2485.8	2813.8	3095.2	3440.8
1.2 livestock production	139.2	474.8	528.6	487.4	545.9	703.5	805.5	910.2	1237.5	1374.1	1436.3	1547.6
1.3 forestry and logging	172.3	562.5	595.7	610.1	729.4	909.0	1048.9	1374.1	1552.7	1599.0	1769.0	1889.3
1.4 fishing	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg		
2. Mining and quarrying	6.8	44.8	90.0	98.8	102.3	172.4	193.1	269.8	308.7	262.3	325.9	351.5
3. Manufacturing	35.8	396.7	499.5	647.4	752.3	875.2	1088.8	1393.4	1588.5	1742.4	1929.0	2102.6
4. Electricity, water and gas	2.5	384.7	384.4	445.3	560.9	574.2	1058.7	1101.6	1729.5	1937.1	2336.7	2687.2
5. Construction	88.5	398.7	359.7	595.1	616.8	787.2	930.7	1040.0	1466.4	1687.0	2128.4	2566.9
6. Wholesale and retail trade, Restaurants and hotels	121.5	321.6	382.9	479.7	551.2	647.2	730.7	903.5	1014.3	1159.7	1318.2	1495.3
7. Transport, storage and Communications	47.9	346.7	398.5	471.2	587.4	638.0	687.6	855.8	1022.6	1369.5	1699.1	2138.0
8. Financing, insurance and real estate	70.2	378.0	409.4	438.8	457.7	468.2	503.0	441.9	729.2	1004.0	1069.7	1306.1
9. Community, social & Services (Government)	120.4	540.5	564.4	608.9	645.0	709.2	751.4	1013.7	1362.7	1436.9	1653.3	1736.0
Less : Imputed bank Service charges	-20.0	-58.4	-51.8	-68.1	-68.0	-148.2	-231.0	-203.0	-526.9	-458.3	-559.0	-575.8
Gross domestic product	1095.0	4848.2	5342.1	6177.6	7007.5	8150.5	9610.7	11354.7	13971.0	15927.5	18201.8	20685.5
Growth rate of GDP in %	-	12.5	10.2	15.6	13.4	16.3	17.9	18.1	23.0	14.0	14.3	13.6

Neg. = Negligible

Pro.=Projected

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.2 : Sector-wise rate of growth over the preceding years in current prices.

(Nu. In million)

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (Projted)
1. Agriculture, livestock, Forestry and fishing	-	8.9	10.0	6.7	13.9	22.3	13.7	16.4	16.3	9.7	8.9	11.6
1.1 agriculture proper	-	12.8	11.6	15.4	12.0	18.9	12.6	10.3	10.3	13.2	10.0	11.2
1.2 livestock production	-	7.6	11.3	-7.8	12.0	28.9	14.5	13.0	36.0	11.0	4.5	7.8
1.3 forestry and logging	-	3.1	5.9	2.4	19.6	24.6	15.4	31.0	13.0	3.0	10.6	6.8
1.4 fishing	-											
2. Mining and quarrying	-	7.2	100.9	9.8	3.6	68.5	12.0	39.7	14.4	-15.0	24.2	7.9
3. Manufacturing	-	31.1	25.9	29.6	16.2	16.3	24.4	28.0	14.0	9.7	10.7	9.0
4. Electricity and gas	-	-1.6	-0.1	15.8	26.0	2.4	84.4	4.1	57.0	12.0	20.6	15.0
5. Construction	-	9.1	-9.8	65.4	3.6	27.6	18.2	11.7	41.0	15.0	26.2	20.6
6. Wholesale and retail trade, Restaurants and hotels	-	13.9	19.1	25.3	14.9	17.4	12.9	23.7	12.3	14.3	13.7	13.4
7. Transport, storage and Communications	-	47.2	14.9	18.2	24.7	8.6	7.8	24.5	19.5	33.9	24.1	25.8
8. Financing, insurance, real estate	-	23.2	8.3	7.2	4.3	2.3	7.4	-12.1	65.0	37.7	6.5	22.1
9. Community, social & Services (Government)	-	2.9	4.4	7.9	5.9	9.9	6.0	34.9	34.4	5.4	15.1	5.0
Less : Imputed bank Service charges	-	-12.8	-11.3	31.5	-0.1	117.9	55.9	-12.1	159.6	-13.0	22.0	3.0
Gross domestic product	-	12.5	10.2	15.6	13.4	16.3	17.9	18.1	23.0	14.0	14.3	14.2

Table 1.3 :- Sectoral percentage share to GDP in current prices.

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1. Agriculture, livestock, Forestry and fishing	55.7	42.7	42.7	39.4	39.6	41.3	39.6	39.3	36.4	35.3	33.6	32.3
1.1 agriculture proper	27.8	21.6	21.9	21.8	21.6	21.9	20.8	19.5	17.1	17.2	16.5	16.2
1.2 livestock production	12.5	9.7	9.8	7.8	7.7	8.5	8.2	7.9	8.5	8.4	7.7	7.3
1.3 forestry and logging	15.5	11.5	11.0	9.8	10.3	11.0	10.7	11.9	10.7	9.8	9.4	8.9
1.4 fishing												
2. Mining and quarrying	0.6	0.9	1.7	1.6	1.4	2.1	2.0	2.3	2.1	1.6	1.7	1.7
3. Manufacturing	3.2	8.1	9.3	10.4	10.6	10.5	11.1	12.1	11.0	10.6	10.3	9.9
4. Electricity and gas	0.2	7.8	7.1	7.1	7.9	6.9	10.8	9.5	11.9	11.8	12.5	12.6
5. Construction	7.9	8.1	6.7	9.5	8.7	9.5	9.5	9.0	10.1	10.3	11.3	12.1
6. Wholesale and retail trade, Restaurants and hotels	10.9	6.6	7.1	7.7	7.8	7.8	7.4	7.8	7.0	7.1	7.0	7.0
7. Transport, storage and Communications	4.3	7.1	7.4	7.5	8.3	7.7	7.0	7.4	7.1	8.4	9.1	10.1
8. Financing, insurance & real estate	6.3	7.7	7.6	7.0	6.5	5.6	5.1	3.8	5.0	6.1	5.7	6.1
9. Community, social & Services (Government)	10.8	11.0	10.5	9.7	9.1	8.5	7.6	8.8	9.4	8.8	8.8	8.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.4 : Gross Domestic Product at factor cost by kind of activity in 1980 prices

(Million Nu.)

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1. Agriculture, livestock, forestry and fishing	621.4	992.8	1024.6	1004.0	1040.2	1081.2	1124.2	1196.2	1233.3	1249.2	1287.2	1318.7
1.1 Agriculture proper	309.9	530.9	544.8	555.6	563.9	578.7	585.1	599.7	619.5	626.2	641.9	656.7
1.2 Livestock production	139.2	212.0	229.4	201.6	226.1	227.6	243.0	256.0	259.7	263.0	278.1	287.8
1.3 Forestry and logging	172.3	249.9	250.4	246.8	250.2	274.9	296.1	340.5	354.1	360.0	367.2	374.2
1.4 Fishing	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
2. Mining and quarrying	6.8	19.3	27.4	23.5	26.2	32.7	34.8	46.2	43.7	50.8	55.0	58.5
3. Manufacturing	35.8	158.1	186.7	208.8	218.9	233.0	269.7	314.0	325.3	343.8	365.4	380.0
4. Electricity, gas & water	2.5	204.1	200.4	210.0	232.0	258.8	325.0	342.6	353.6	367.2	397.9	429.7
5. Construction	88.5	136.8	116.2	168.5	178.0	221.5	243.0	243.1	259.2	295.7	370.4	443.4
6. Wholesale & retail trade, Restaurants and hotels	121.5	134.7	145.1	160.7	163.8	170.2	178.0	203.1	218.2	224.5	231.8	242.2
7. Transport, storage and Communications	47.9	172.1	182.0	192.3	234.6	241.5	245.4	274.5	313.0	351.4	383.0	428.2
8. Financing, insurance & real estate	70.2	212.2	208.8	215.4	238.1	245.4	263.2	256.2	319.9	349.1	334.2	342.2
9. Community, social & personal services (Govt.)	120.4	223.3	233.2	251.6	266.5	293.0	330.2	334.5	360.5	362.9	397.0	408.9
Less : Imputed bank Service charges	-20.0	-28.8	-21.0	-28.1	-45.0	-61.2	-95.4	-115.8	-106.0	-90.3	-111.1	-114.4
Gross Domestic Product	1095.0	2224.6	2303.4	2406.6	2553.3	2716.1	2918.1	3094.7	3320.7	3504.3	3710.8	3937.4
Growth of GDP in %	-	6.6	3.5	4.5	6.1	6.4	7.4	6.1	7.3	5.5	5.9	6.1

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.5 : Sector-wise rate of growth over the preceding years in 1980 prices.

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 Pro.
1. Agriculture, livestock, Forestry and fishing	-	3.1	3.2	-2.0	3.6	3.9	4.0	6.4	3.1	1.3	3.0	2.4
1.1 Agriculture proper	-	3.1	2.6	2.0	1.5	2.6	1.1	2.5	3.3	1.1	2.5	2.3
1.2 Livestock production	-	5.1	8.2	-12.1	12.2	0.7	6.8	5.3	1.4	1.3	5.7	3.5
1.3 Forestry and logging	-	1.4	0.2	-1.4	1.4	9.9	7.7	15.0	4.0	1.7	2.0	1.9
1.4 Fishing	-											
2. Mining and quarrying	-	-11.1	42.0	-14.2	11.5	24.8	6.4	32.8	-5.4	16.2	8.3	6.4
3. Manufacturing	-	22.4	18.1	11.8	4.9	6.4	15.8	16.4	3.6	5.7	6.3	4.0
4. Electricity and gas	-	-8.2	-1.8	4.8	10.5	11.6	25.6	5.4	3.2	3.9	8.4	8.0
5. Construction	-	0.4	-15.1	45.0	5.7	24.4	9.7	0.1	6.6	14.1	25.3	19.7
6. Wholesale & retail trade, Restaurants and hotels	-	0.8	7.7	10.8	1.9	3.9	4.6	14.1	7.4	2.9	3.3	4.5
7. Transport, storage and Communications	-	20.9	5.8	5.7	22.0	2.9	1.6	11.9	14.0	12.3	9.0	11.8
8. Financing, insurance & real estate	-	30.3	-1.6	3.2	10.5	3.1	7.2	-2.7	24.9	9.1	-4.3	2.4
9. Community, social & per- sonal services (Govt.)	-	2.9	4.4	7.9	5.9	9.9	12.7	1.3	7.8	0.7	9.4	3.0
Less :Imputed bank Service charges	-	-29.9	-27.1	33.8	60.1	35.9	56.0	21.4	-8.4	-14.8	23.0	3.0
Gross Domestic Product	-	6.6	3.5	4.5	6.1	6.4	7.4	6.1	7.3	5.5	5.9	6.1

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.6: Share to GDP in 1980 prices

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 Pro.
1. Agriculture, livestock, Forestry and fishing	55.7	44.1	44.1	41.2	40.0	38.9	37.3	37.3	36.0	34.8	33.7	32.5
1.1 Agriculture proper	27.8	23.6	23.4	22.8	21.7	20.8	19.4	18.7	18.1	17.4	16.8	16.2
1.2 Livestock production	12.5	9.4	9.9	8.3	8.7	8.2	8.1	8.0	7.6	7.3	7.3	7.1
1.3 Forestry and logging	15.5	11.1	10.8	10.1	9.6	9.9	9.8	10.6	10.3	10.0	9.6	9.2
1.4 Fishing	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg	Neg
2. Mining and quarrying	0.6	0.9	1.2	1.0	1.0	1.2	1.2	1.4	1.3	1.4	1.4	1.4
3. Manufacturing	3.2	7.0	8.0	8.6	8.4	8.4	8.9	9.8	9.5	9.6	9.6	9.4
4. Electricity and gas	0.2	9.1	8.6	8.6	8.9	9.3	10.8	10.7	10.3	10.2	10.4	10.6
5. Construction	7.9	6.1	5.0	6.9	6.9	8.0	8.1	7.6	7.6	8.2	9.7	10.9
6. Wholesale & retail trade, Restaurants and hotels	10.9	6.0	6.2	6.6	6.3	6.1	5.9	6.3	6.4	6.2	6.1	6.0
7. Transport, storage and Communications	4.3	7.6	7.8	7.9	9.0	8.7	8.1	8.6	9.1	9.8	10.0	10.6
8. Financing, insurance & real estate	6.3	9.4	9.0	8.8	9.2	8.8	8.7	8.0	9.3	9.7	8.7	8.4
9. Community, social & personal services (Govt.)	10.8	9.9	10.0	10.3	10.3	10.6	11.0	10.4	10.5	10.1	10.4	10.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.7: Sectoral share to Gross Domestic Product at factor cost in current prices

Sector	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Primary	57.4	44.1	44.8	41.4	41.4	44.2	42.6	42.3	40.0	38.0	36.4
2. Secondary	11.6	24.3	23.3	27.3	27.5	27.4	32.0	31.1	34.2	33.7	35.1
3. Tertiary	32.9	32.7	32.9	32.4	32.0	30.2	27.8	28.3	29.6	31.2	31.5
4. Less: imputed bank service charges	-1.8	-1.2	-1.0	-1.1	-1.0	-1.8	-2.4	-1.8	-3.8	-2.9	-3.1
5. Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 1.8 : Gross Domestic Product at factor cost by major sectors in constant prices.

(Million Nu.)

Sector	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Primary	628.2	1012.1	1052.0	1027.5	1066.4	1113.9	1159.0	1242.4	1277.0	1300.0	1342.2
2. Secondary	126.8	499.0	503.3	587.3	629.0	713.3	837.7	899.7	938.0	1006.7	1133.7
3. Tertiary	360.0	742.3	769.1	820.0	902.9	950.1	1016.8	1068.3	1211.6	1287.9	1346.0
4. Less: imputed bank Service charges	-20.0	-28.8	-21.0	-28.1	-45.0	-61.2	-95.4	-115.8	-106.0	-90.3	-111.1
5. Gross Domestic Product	1095.0	2224.6	2303.4	2406.6	2553.3	2716.1	2918.1	3094.7	3320.7	3504.3	3710.8

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.9 : Gross Domestic Product at factor cost by major sectors in current prices.

(Million Nu.)

Sector	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999.0
1. Primary	628.2	2139.7	2395.1	2559.3	2904.2	3599.5	4090.8	4807.8	5584.7	6049.2	6626.4
2. Secondary	126.8	1180.1	1243.6	1687.8	1930.0	2236.6	3078.2	3535.0	4782.4	5366.5	6394.1
3. Tertiary	360.0	1586.8	1755.2	1998.6	2241.3	2462.6	2672.7	3214.9	4128.8	4970.1	5740.3
4. Less: imputed bank service charges	-20.0	-58.4	-51.8	-68.1	-68.0	-148.2	-231.0	-203.0	-526.9	-458.3	-559.0
5. Gross Domestic Product	1095.0	4848.2	5342.1	6177.6	7007.5	8150.5	9610.7	11354.7	13969.0	15927.5	18201.8

Table 1.10 : Growth rate of the major sectors in current prices.

Sector	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Primary		8.8	11.9	6.9	13.5	23.9	13.7	17.5	16.2	8.3	9.5
2. Secondary		11.4	5.4	35.7	14.3	15.9	37.6	14.8	35.3	12.2	19.1
3. Tertiary		17.5	10.6	13.9	12.1	9.9	8.5	20.3	28.4	20.4	15.5
4. Gross Domestic Product		12.5	10.2	15.6	13.4	16.3	17.9	18.1	23.0	14.0	14.3

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 1.11 : Growth rate of the major sectors in constant prices.

Sector	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Primary		2.8	3.9	-2.3	3.8	4.5	4.0	7.2	2.8	1.8	3.2
2. Secondary		2.3	0.9	16.7	7.1	13.4	17.4	7.4	4.3	7.3	12.6
3. Tertiary		13.2	3.6	6.6	10.1	5.2	7.0	5.1	13.4	6.3	4.5
4. Gross Domestic Product		6.6	3.5	4.5	6.1	6.4	7.4	6.1	7.3	5.5	5.9

Table 1.12: Sectoral share to Gross Domestic Product at factor cost in constant prices

Sector	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Primary	57.4	45.5	45.7	42.7	41.8	41.0	39.7	40.1	38.5	37.1	36.2
2. Secondary	11.6	22.4	21.9	24.4	24.6	26.3	28.7	29.1	28.2	28.7	30.6
3. Tertiary	32.9	33.4	33.4	34.1	35.4	35.0	34.8	34.5	36.5	36.8	36.3
4. Less: imputed Bank service charges	-1.8	-1.3	-0.9	-1.2	-1.8	-2.3	-3.3	-3.7	-3.2	-2.6	-3.0
5. Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

5 THE GDP BY TYPE OF EXPENDITURE.

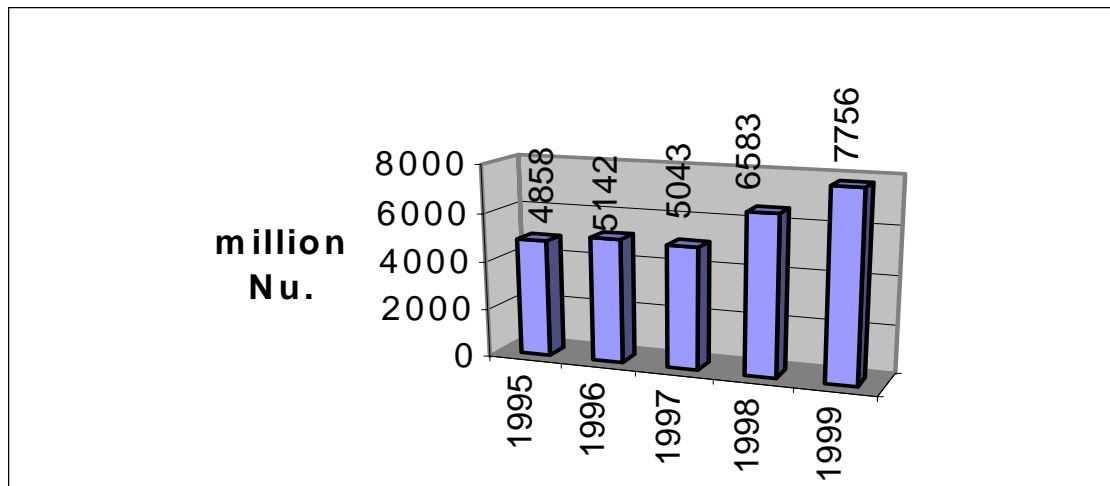
5.1. The GDP is also estimated through Expenditure Approach where the basic equation is as given below:-

$$\text{GDP at market price} = \text{Final consumption expenditure (FCE)} + \text{Gross domestic capital formation (GDCE)} + \text{Net export (Export minus Import)}$$

5.2 **The Final Consumption** of both the Government and private sector increased by 16% during 1999 in current prices as reflected in table 4.0. Its percentage share to GDP was 77.6% in 1999 of which the private consumption expenditure comprises 73% and the remaining 27% of the total consumption was accounted for the Government. The Figure 8 shows the trends of the consumption, investment and net export in current prices for the period 1990 to 1999. Prior to the 1980s, the domestic income was barely sufficient to meet the domestic consumption expenditure. Therefore, until 1986 due to the government's budget deficit i.e. government's consumption expenditure was higher than its revenue receipts, the gross domestic saving were negative. However, after the commissioning of the Chukha Hydro Power project, government's revenue receipt increased substantially and thereby resulting in positive gross domestic saving.

5.3 **The Gross Domestic Capital Formation:** It is the composition of Gross Fixed Capital Formation (GFCF) *plus* increase/decrease in stocks, also generally/commonly known as investment. During 1999, the gross domestic capital formation increased from Nu.6582.8million in 1998 to Nu.7756.4 million in 1999 with an increase of 17.8% in nominal term and by 11% in real terms (See table 3 & 3.1). The relatively high capital formation was due to number of large construction activities undertaken within the country. The import of machinery and equipment by government and private sectors for the developmental activities also boosted the capital formation. The share of investment to GDP had also increased from 31% in 1980 to 41.2% in 1999.

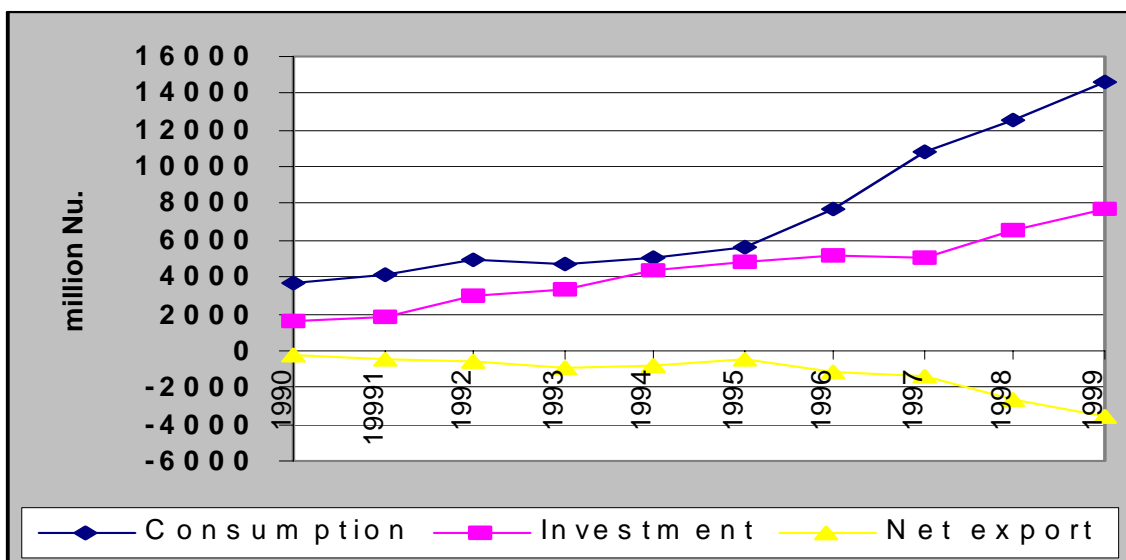
Fig 7. Gross Domestic Capital Formation from 1995 to 1999



5.4 *Net export of goods and services.*

Net Export of goods and services is the difference between import and export of goods and services. In 1999, the value of import of goods and services amounted to Nu. 9163.2 million, while export of goods and services amounted to Nu.5611 million.

Fig 8. Gross domestic product by expenditure



NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 2.0. Gross Domestic Product by Expenditure at Current Prices.

(Million Nu.)

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Consumption	1029.4	3634.7	4169.0	4977.1	4760.2	5005.4	5587.7	7712.9	10789.0	12503.2	14605.5
1.1 Private	753.5	2851.7	3153.9	3761.9	3518.9	3420.2	3187.7	5210.6	7137.9	9257.6	10666.2
1.2 Public	275.9	783.0	1015.1	1215.2	1241.3	1585.2	2400.0	2502.3	3651.1	3245.6	3939.3
2. Investment	339.9	1549.6	1785.3	2931.3	3330.2	4336.5	4858.1	5142.2	5042.9	6582.8	7756.4
2.1 Private	287.8	683.9	843.0	1660.5	1801.8	3150.7	3432.3	3345.0	2872.1	3820.5	4816.5
2.2 Public	52.1	865.7	942.3	1270.8	1528.4	1185.8	1425.8	1797.2	2170.8	2762.3	2939.9
3. Domestic Demand	1369.3	5184.3	5954.3	7908.4	8090.4	9341.9	10445.8	12855.1	15831.9	19086.0	22361.9
4. Net export of goods and services	-256.7	-201.0	-452.9	-554.8	-898.4	-840.8	-477.7	-1141.2	-1356.9	-2613.0	-3552.1
Export of goods and services	145.4	1408.0	1828.5	2079.3	2264.2	2508.5	3711.9	3978.6	4771.1	5148.2	5611.1
Import of goods and services	402.1	1609.0	2281.4	3634.1	3162.6	3349.3	4189.6	5119.8	6128.0	7761.2	9163.2
5. GDP at market prices	1112.6	4983.3	5501.4	6353.6	7192.0	8501.1	9968.1	11713.9	14475.0	16473.0	18809.8
6. Net factor income from abroad	-200.0	-326.1	-491.3	-734.4	-734.3	-634.3	-1207.7	-1246.6	-1140.9	-2323.2	-2968.4
Factor income	18.5	129.2	82.3	127.5	194.4	171.1	219.9	194.3	527.4	507.6	550.4
Factor Payment	218.5	455.3	573.6	861.9	928.7	805.4	1427.6	1440.9	1668.3	2830.8	3518.8
7. Gross National Product at market prices	912.6	4657.2	5010.2	5619.3	6457.7	7866.8	8760.4	10467.3	13334.1	14149.8	15841.4

Table 2.1. Percentage share of GDP at market prices

Sectors	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Consumption	92.5	72.9	75.8	78.3	66.2	58.9	56.1	65.8	74.5	75.9	77.6
2. Gross Investment	30.6	31.1	32.5	46.1	46.3	51.0	48.7	43.9	34.8	40.0	41.2
3. Net Export of goods & services	-23.1	-4.0	-8.2	-24.5	-12.5	-9.9	-4.8	-9.7	-9.4	-15.9	-18.9
Export of goods & services	13.1	28.3	33.2	32.7	31.5	29.5	37.2	34.0	33.0	31.3	29.8
Import of goods & services	36.1	32.3	41.5	57.2	44.0	39.4	42.0	43.7	42.3	47.1	48.7
4. Net factor income from abroad	-18.0	-6.5	-8.9	-11.6	-10.2	-7.5	-12.1	-10.6	-7.9	-14.1	-15.8

Table 3.0 : Gross Domestic Capital Formation by major components in current prices.

(million Nu.)

Year	Construction	Change in %	Machinery & equipment (+)	Change in %	Gross fixed capital formation	Increase in stock (x)	Change in %	Gross domestic capital formation
1980	223.3		101.9		325.2	15.0		340.2
1981	304.2	36.2	117.5	15.3	421.7	75.6	404.0	497.3
1982	430.0	41.4	138.4	17.8	568.4	69.5	-8.1	637.9
1983	551.0	28.1	155.2	12.1	706.2	17.0	-75.5	723.2
1984	616.2	11.8	167.7	8.1	783.9	8.5	-50.0	792.4
1985	683.9	11.0	380.6	127.0	1064.5	79.6	836.5	1144.1
1986	672.5	-1.7	411.6	8.1	1084.1	27.5	-65.5	1111.6
1987	734.1	9.2	524.3	27.4	1258.4	-164.1	-696.7	1094.3
1988	757.2	3.1	733.5	39.9	1490.7	-32.6	-80.1	1458.1
1989	838.6	10.8	677.7	-7.6	1516.3	-160.3	391.7	1356.0
1990	826.8	-1.4	773.5	14.1	1600.3	-50.7	-68.4	1549.6
1991	911.4	10.2	942.0	21.8	1853.4	-68.0	34.1	1785.4
1992	1253.7	37.6	1361.5	44.5	2615.2	316.1	-564.9	2931.3
1993	1297.8	3.5	2090.3	53.5	3388.1	-57.7	-118.3	3330.4
1994	1780.9	37.2	2294.4	9.8	4075.3	261.3	-552.9	4336.6
1995	2171.3	21.9	2418.8	5.4	4590.1	268.1	2.6	4858.2
1996	2586.8	19.1	2402.3	-0.7	4989.1	153.2	-42.9	5142.3
1997	3116.2	20.5	2558.5	6.5	5674.7	-631.8	-512.4	5042.9
1998	3815.9	22.5	2681.4	4.8	6497.3	85.6	-113.5	6582.9
1999	4813.7	54.5	2842.5	11.1	7656.2	100.1	-115.8	7756.3

+ Includes additions to livestock treated as fixed capital.

X Excludes additions to livestock treated as fixed capital

Table 3.1 : Gross Domestic Capital Formation by major components in 1980 prices.

(million Nu.)

Year	Construction	Machinery & Equipments	Gross Fixed Capital Formation	increase in stock	Gross Domestic Capital Formation
1980	223.3	101.9	325.2	15.0	340.2
1981	264.5	117.6	382.1	71.2	453.3
1982	330.8	128.2	459.0	58.9	517.9
1983	372.3	123.4	495.7	13.3	509.0
1984	340.5	115.1	455.6	6.0	461.6
1985	330.4	251.1	581.5	51.5	633.0
1986	309.9	226.8	536.7	16.7	553.4
1987	293.6	269.3	562.9	-91.9	471.0
1988	251.6	347.9	599.5	-16.9	582.6
1989	264.5	294.4	558.9	-77.6	481.3
1990	293.2	299.8	593.0	-23.3	569.7
1991	279.6	332.8	612.4	-29.3	583.1
1992	373.1	407.5	780.6	121.6	902.2
1993	372.9	559.8	932.7	-20.6	912.1
1994	421.0	524.9	945.9	87.1	1033.0
1995	504.9	524.8	1029.7	81.4	1111.1
1996	533.4	465.9	999.3	41.7	1041.0
1997	603.9	462.0	1065.9	-150.1	915.8
1998	693.8	434.7	1128.5	18.8	1147.3
1999	828.5	424.6	1253.1	20.4	1273.5

Table 3.2: Share of Gross Domestic Capital Formation to G D P at market prices.

Year	GDP at Market Prices (mill.Nu.)	GDFCF (mill.Nu.)	GDCF (mill.Nu.)	Share of GDFCF to GDP (%)	Share of GDCF to GDP in (%)
1980	1112.9	325.2	340.2	29.2	30.6
1981	1301.2	421.7	497.3	32.4	38.2
1982	1521.6	568.4	637.9	37.4	41.9
1983	1788.8	706.2	723.2	39.5	40.4
1984	2105.5	783.9	792.4	37.2	37.6
1985	2391.4	1064.5	1144.1	44.5	47.8
1986	2801.6	1084.1	1111.6	38.7	39.7
1987	3607.5	1258.4	1094.3	34.9	30.3
1988	3933.7	1490.7	1458.1	37.9	37.1
1989	4381.6	1516.3	1356.0	34.6	30.9
1990	4983.0	1600.3	1549.6	32.1	31.1
1991	5501.5	1853.4	1785.4	33.7	32.5
1992	6353.9	2615.2	2931.3	41.2	46.1
1993	7192.2	3388.1	3330.4	47.1	46.3
1994	8501.1	4075.3	4336.6	47.9	51.0
1995	9968.1	4590.1	4858.2	46.0	48.7
1996	11714.0	4989.1	5142.3	42.6	43.9
1997	14475.0	5674.7	5042.9	39.2	34.8
1998	16473.0	6497.3	6582.9	39.4	40.0
1999	18810.0	7656.2	7756.3	40.7	41.2

Table 3.3: Gross and Net Domestic Capital Formation in current prices.

(Million Nu.)

Years	In current prices			In 1980 prices		
	GDCF	CFC	NDCF	GDCF	CFC	NDCF
1980	340.2	69.2	271.0	340.2	69.2	271.0
1981	497.3	85.5	411.8	453.3	80.6	372.7
1982	637.9	98.0	539.9	517.9	83.0	434.9
1983	723.2	115.8	607.4	509.0	90.0	419.0
1984	792.4	133.9	658.5	461.6	95.9	365.7
1985	1144.1	154.5	989.6	633.0	101.1	531.9
1986	1111.6	210.9	900.7	553.4	129.8	423.6
1987	1094.3	242.9	851.4	471.0	139.5	331.5
1988	1458.1	271.2	1186.9	582.6	144.9	437.7
1989	1356.0	313.1	1042.9	481.3	156.7	324.6
1990	1549.6	369.7	1179.9	569.7	171.2	398.5
1991	1785.4	420.4	1365.0	583.1	179.9	403.2
1992	2931.3	499.9	2431.4	902.2	191.0	711.2
1993	3330.4	574.5	2755.9	912.1	209.0	703.1
1994	4336.6	663.9	3672.7	1033.0	222.9	810.1
1995	4858.2	797.0	4061.2	1111.1	243.2	867.9
1996	5142.3	946.0	4196.3	1041.0	261.0	780.0
1997	5042.9	1188.0	3854.9	915.8	285.1	630.7
1998	6582.9	1370.0	5212.9	1147.3	305.0	842.3
1999	7756.3	1594.0	6162.3	1273.5	325.0	948.5

CFC=Consumption of fixed capital (depreciation)

NDCF=Net domestic capital formation.

GDCF=Gross Domestic Capital Formation.

Table 3.4: Gross Domestic Capital Formation by institutional sector in current prices.

(Million Nu.)

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
I. Construction:	223.4	826.8	911.4	1253.7	1297.8	1780.9	2171.2	2586.8	3116.2	3815.9	4813.7
1. Government +	45.4	483.2	421.4	730.9	781.2	830.4	1081.7	1270.5	1318.1	1596.0	1887.9
2. Non-government	178.0	343.6	490.0	522.8	516.6	950.5	1089.5	1316.3	1798.1	2219.9	2925.8
Sector (x)											
II. Machinery & equipment	101.9	773.5	942.0	1361.5	2090.2	2294.3	2418.8	2402.2	2558.5	2681.4	2842.6
1. Government +	6.7	382.5	520.9	539.9	747.2	355.4	344.1	526.7	852.7	1166.3	1052.0
2. Non-government	95.2	391.0	421.1	821.6	1343.0	1938.9	2074.7	1875.5	1705.8	1515.1	1790.6
Sector (x)											
III. Change in stocks	15.0	-50.7	-68.0	316.1	-57.7	261.3	268.1	153.2	-631.8	85.6	100.1
1. Government +											
2. Non-government	15.0	-50.7	-68.0	316.1	-57.7	261.3	268.1	153.2	-631.8	85.6	100.1
sector (x)											
IV. Total	340.3	1549.6	1785.4	2931.3	3330.3	4336.5	4858.1	5142.2	5042.9	6582.9	7756.4
1. Government +	52.1	865.7	942.3	1270.8	1528.4	1185.8	1425.8	1797.2	2170.8	2762.3	2939.9
2. Non-government	288.2	683.9	843.1	1660.5	1801.9	3150.7	3432.3	3345.0	2872.1	3820.6	4816.5

+ = Excludes public sector undertaking

X = Includes public sector undertakings

Table 3.5: Gross Domestic Capital Formation by institutional sector in 1980 prices.

(Million Nu.)

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
I. Construction:	223.4	293.2	279.6	373.1	372.9	421.0	505.0	533.4	603.9	693.8	828.5
1. Governemnt +	45.4	171.3	129.3	217.5	224.5	196.3	251.6	262.0	255.4	290.2	324.9
2. Non-government Sector (x)	178.0	121.9	150.3	155.6	148.4	224.7	253.4	271.4	348.5	403.6	503.6
II. Machinery & equipment	101.9	299.8	332.8	407.5	559.8	524.9	524.8	465.9	462.0	434.7	424.6
1. Governemnt +	6.7	148.1	183.9	165.5	200.1	81.3	73.4	102.9	151.9	187.8	157
2. Non-government Sector (x)	95.2	151.7	148.9	242.0	359.7	443.6	451.4	363.0	310.1	246.9	267.6
III. Change in stocks	15.0	-23.3	-29.3	121.6	-20.6	87.1	81.4	41.7	-150.1	18.8	20.4
1. Governemnt +											
2. Non-government Sector (x)	15.0	-23.3	-29.3	121.6	-20.6	87.1	81.4	41.7	-150.1	18.8	20.4
IV. Total	340.3	569.7	583.1	902.2	912.1	1033.0	1111.2	1041.0	915.8	1147.3	1273.5
1. Governemnt +	52.1	319.4	313.2	383.0	424.6	277.6	325.0	364.9	407.3	478.0	481.9
2. Non-government	288.2	250.3	269.9	519.2	487.5	755.4	786.2	676.1	508.5	669.3	791.6

+ = Excludes public sector undertaking

X = Includes public sector undertakings

Table 4.0: Estimates of Final Consumption Expenditure in current prices.

Year	Government consumption (Million Nu.)	%Share in GDP	Private consumption (Million Nu.)	%Share in GDP	Total consumption (Million Nu.)	Total % share in GDP
1980	275.9	24.8	753.5	67.7	1029.4	92.5
1981	287.3	22.1	929.9	71.5	1217.2	93.5
1982	326.7	21.5	1036.2	68.1	1362.9	89.6
1983	442.9	24.8	1186.7	66.3	1629.6	91.1
1984	513.2	24.4	1419.2	67.4	1932.4	91.8
1985	560.9	23.5	1456.7	60.9	2017.6	84.4
1986	576.3	20.6	1997.6	71.3	2573.9	91.9
1987	633.6	17.6	2357.0	65.3	2990.6	82.9
1988	640.0	16.3	2667.4	67.8	3307.4	84.1
1989	879.0	20.1	2591.1	59.1	3470.1	79.2
1990	782.7	15.7	2851.7	57.2	3634.4	72.9
1991	1015.1	18.5	3153.9	57.3	4169.0	75.8
1992	1215.2	19.1	3761.9	59.2	4977.1	78.3
1993	1241.3	17.3	3518.9	48.9	4760.2	66.2
1994	1585.2	18.6	3420.2	40.2	5005.4	58.9
1995	2400.0	24.1	3187.7	32.0	5587.7	56.1
1996	2502.3	21.4	5210.6	44.5	7712.9	65.8
1997	3651.1	25.2	7137.9	49.3	10789.0	74.5
1998	3245.6	19.3	9257.6	55.2	12503.2	75.9
1999	3939.3	19.7	10666.4	53.4	14605.7	77.6

Table 5.0 : Estimates of Gross Domestic Saving in Current prices.

(in million Nu.)

Year	Gross Domestic Capital Formation	Net Capital Inflow	Gross Domestic Saving
1980	340.2	450.2	-110.0
1981	497.3	636.4	-139.1
1982	637.9	735.4	-97.5
1983	723.2	925.2	-202.0
1984	792.4	888.6	-96.2
1985	1144.1	1077.8	66.3
1986	1111.6	1198.9	-87.3
1987	1094.3	733.1	361.2
1988	1458.1	1028.0	430.1
1989	1356.0	452.5	903.5
1990	1549.6	291.0	1258.6
1991	1785.4	639.6	1145.8
1992	2931.3	1953.2	978.2
1993	3330.4	1272.2	2058.2
1994	4336.6	1071.5	3265.1
1995	4858.2	1272.5	3585.8
1996	5142.3	2011.4	3130.9
1997	5042.9	1787.0	3255.9
1998	6582.8	4244.3	2338.5
1999	7756.4	5543.1	2213.3

Table 5.1 : Estimates of government and private saving

(Million Nu.)

Year	Revenue receipts	Government Consumption	Government Saving	Private Saving
1980	101.7	275.9	-174.2	64.2
1981	119.6	287.3	-167.7	28.6
1982	137.7	326.7	-189.0	91.5
1983	196.0	442.9	-246.9	44.9
1984	276.2	513.2	-237.0	140.8
1985	257.5	560.9	-303.4	369.8
1986	340.1	576.3	-236.2	148.9
1987	841.7	633.6	208.1	153.1
1988	805.0	641.1	163.9	266.2
1989	953.0	879.0	74.0	829.5
1990	1020.0	783.0	237.0	1021.6
1991	985.7	1015.1	-29.4	1175.2
1992	1493.0	1215.2	277.8	700.4
1993	1567.9	1241.3	326.6	1731.6
1994	1685.5	1585.2	100.3	3164.8
1995	2010.0	2400.0	-390.0	3975.8
1996	2290.0	2502.3	-212.3	3343.2
1997	3036.0	3651.1	-615.1	3871.0
1998	3547.5	3245.6	301.9	2036.6
1999	3869.8	3939.3	-69.5	2282.8

6.0 CONSOLIDATED ACCOUNTS FOR THE NATION AND ITS SUPPORTING TABLES

6.1. The National Accounting got its inspiration from Commercial Accounting practices on the double entry system of accounts followed in industry and commerce. It is extremely useful for a systematic presentation of different types of transactions entered in such a way that the results of transactions in terms of the profits and losses, the position of the assets and liabilities, the inter-relationship of transactions and significant components of the transactions may be clearly seen. This has led economists and economic statisticians to develop a system of economic accounts for the nations as a whole. Such accounts enable a National Accountants to classify innumerable economic transactions of the economic system into meaningful categories or sectors and present them in a comprehensive accounting form so that the working of the economic system and the inter-relationship between various sectors of the economic system could be brought out clearly. With this background, the United Nations developed a System known as *the United Nations System of National Accounts* (SNA) which consists a number of standard accounts. These may be placed into three broad groups :-

- (I) **Consolidated accounts for the nation,**
- (ii) ***Production, consumption expenditure & capital formation accounts and***
- (iii) ***Income & outlay and capital finance accounts.***

6.2. Each of these main groups covers a number of accounts. Each account is assigned with a code number as follows :-

ACCOUNTS	CODE NUMBER
Production account	Account 1
Consolidated expenditure	Account 2
Income and outlay account	Account 3
Capital formation account	Account 4
Capital finance account	Account 5
All accounts - external Transactions	Account 6

6.3 *The consolidated accounts for the nation* are designed to summarize the transactions, which take place in the economy so that attention is focussed on the main features of the economic conditions and strategic relationships between various facets of the economy. They exhibit the aggregated picture of the product, income and expenditures. The accounts presented under this group bearing their code numbers are as follows :-

Account 1. Gross domestic product and expenditure

Account 3. National disposable income and its appropriation

Account 5. Capital finance

Account 6. All accounts - external transactions.

- 6.4 **Account 1** is the Gross Domestic Product and Expenditure account which focuses attention on the emergence of GDP at market prices in terms of factor payments like *compensation of employees & operating surplus, consumption of fixed capital (depreciation) and indirect taxes less subsidies* as outgoing and the sources of demand for the product for *final consumption expenditure, Gross capital formation and net export* as incoming as indicated in Table 6.0.
- 6.5 **Account 3** is the National disposable income and its Appropriation account, which explains national aggregates. The disposable income is formed in Incomings side by the sum of *compensation of employees & operating surplus, net factor of income from rest of the world¹ /, net indirect taxes² / and net other current transfer from rest of the world³ /*. When the final expenditure from Outgoing side is deducted from the Disposable income, the net national saving⁴ / is derived as displayed in Table 6.1.
- 6.6 **Account 5** is Capital finance account exhibiting an account of capital accumulation by the nation in Outgoing side financed by *Saving, Consumption of fixed capital⁵ / and Capital transfers from the rest of the world (net)*. The Net acquisition of financial assets is the sum of *net lending from the rest of the world and net incurrence of foreign Liabilities* as reflected in Table 6.2.

¹ - / *Factor income received from rest of the world less factor income payment to rest of the world.*

² - / *Indirect taxes less Subsidies*

³ - / *Current transfers received from rest of the world less current transfers payment to rest of the world.*

⁴ - / *Net saving is derived when consumption of fixed capital (depreciation) is deducted from Gross saving.*

⁵ - / *Consumption of fixed capital(depreciation) is to convert net saving to gross saving.*

- 6.7 **Account 6** is the All Accounts- External Current transactions account and Capital Transactions account which explain the external transactions of residents' economic agents. Each external transaction indicated in the above accounts has got its counterpart in this account. Thus in the accounting system as a whole, each item in an account has its counterpart in some other account as appeared in Tables 6.3 and 6.4.
- 6.8 In this way, it may be stated that *the United Nations System of National Accounts* is a closed and fully articulated system in which every transaction is recorded twice as an "⁶/*incomings*" and "*outgoings*". Each flow is linked with other flows. In this system for recording transactions of the residents with the non-residents we have a sector termed as "*Rest of the world sector*" also known as external transactions sector.

⁶ - / *In our presentation we have mentioned "Outgoings" above the "Incomings" due to lack of space. As a rule "Outgoings" should be in right side and "Incomings" should be in left side.*

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 6.0: Account 1 : Gross Domestic Product and expenditure in current prices.

(Million Nu.)

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	OUTGOINGS										
Compensation of employees Operating Surplus	1026	4479	4922	5678	6433	7487	8814	10409	12781	14557	16608
Consumption of fixed capital	69	370	420	500	575	664	797	946	1188	1370	1594
Indirect taxes less subsidies.	18	134	159	176	185	351	358	359	506	546	608
Gross Domestic Product at market prices	1113	4983	5501	6354	7192	8501	9968	11714	14475	16473	18810
	INCOMINGS										
Govt. final consumption Expenditure	276	782	1015	1215	1241	1585	2400	2502	3651	3246	3939
Private final consumption Expenditure	754	2852	3154	3762	3519	3420	3188	5211	7138	9258	10666
Increase in stocks	15	-51	-68	316	-58	261	268	153	-632	86	100
Gross fixed capital formation	325	1600	1853	2615	3388	4075	4590	4989	5675	6497	7656
Exports of Goods & Services	145	1408	1828	2079	2264	2508	3712	3979	4771	5148	5611
Less import of goods and services	-402	-1609	-2281	-3634	-3163	-3349	-4190	-5120	-6128	-7761	-9163
Expenditure on the Gross Domestic Product	1113	4983	5501	6354	7192	8501	9968	11713	14475	16473	18810

+ = A sharp rise in CFC in 1987/88 is due to coming into operation of Chukha Hydel Project.

Table 6.1: Account 3 : National Disposable Income and its appropriation.

(in current Prices)

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	OUTGOINGS										
Govt. final consumption expenditure	276	783	1015	1215	1241	1585	2400	2502	3651	3246	3939
Private final consumption expenditure	754	2852	3154	3762	3519	3420	3188	5211	7138	9258	10666
Net Saving	-179	888	725	478	1484	2601	2789	2185	2068	969	619
Appropriation of Disposable Income	851	4523	4894	5455	6244	7606	8376	9897	12857	13472	15225
	INCOMINGS										
Compensation of employees & operating surplus	1026	4479	4922	5678	6433	7487	8814	10409	12781	14557	16608
Compensation of employees from rest of the world (Net)+	-217	-420	-522	-773	-643	-564	-1195	-1244	-1544	-2769	-3470
Property and entrepreneurial income from rest of the world (net)	17	94	31	38	-92	-70	-12	-3	403	446	502
Indirect taxes Less subsidies	18	134	158	176	185	350	358	359	506	546	608
Current transfers from rest of the world (net) x	7	236	304	336	360	405	413	376	711	692	977
Disposable Income	851	4523	4894	5455	6244	7606	8376	9897	12857	13472	15225

+ Represents compensation of employees for skilled and unskilled manpower from India and other countries for work on Chukha and other foreign aided projects.

x Represents private transfers and includes Helvetas, Leprosy fund, Norwegian Mission, Misereor, Save the children and Others.

Table 6.2: Account 5 : Income and outlay account in current prices.

(Million Nu.)

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	OUTGOINGS										
Increase in stock	15	-51	-68	316	-58	261	268	153	-632	86	100
Gross Fixed Capital Formation	325	1600	1853	2615	3388	4075	4590	4989	5675	6497	7656
Purchase of intangible assets n.e.c.	-	-	-	-	-	-	-	-	-	-	-
Net Lending to the rest of the world	36	658	250	-281	522	553	1463	650	1493	902	999
Gross Accumulation	376	2208	2035	2651	3853	4890	6321	5793	6536	7485	8755
Net acquisition of financial assets	36	694	278	-248	437	550	1047	845	1660	2009	1810
	INCOMINGS										
Net Saving	-179	889	725	478	1484	2601	2789	2185	2068	968	619
Consumption of fixed capital	69	370	420	500	575	664	797	946	1188	1370	1594
Capital transfer from rest of the world (net) +	486	950	890	1672	1795	1625	2735	2663	3280	5146	6542
Finance of Gross Accumulation	376	2208	2035	2651	3853	4890	6321	5793	6536	7485	8755
Net Lending to the rest of the world	36	658	250	-281	522	553	1463	650	1493	902	999
Net incurrence of liabilities @	-	36	28	33	-85	-3	-416	194	168	1106	811
Net incurrence of liabilities plus net lending to the rest of the world	36	694	278	-248	437	550	1047	845	1660	2009	1810

+ Represents receipt of developmental grants (net) @ Represents borrowing from the rest of the world (net)

NATIONAL ACCOUNTS STATISTICS REPORT 1980 - 1999

Table 6.3: Account 6 : All accounts - External current transactions in current prices.

(Million Nu.)

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	OUTGOINGS										
Exports of goods and services	145	1408	1828	2079	2264	2508	3712	3979	4771	5148	5611
Compensation of employees from the rest of the world	-	-	-	-	-	-	-	-	-	-	-
Property and entrepreneurial income from the rest of the world	17	129	82	128	194	171	220	194	527	508	550
Other current transfers from the rest of the world	7	236	304	336	360	404	413	376	711	692	977
Current receipts	169	1774	2215	2543	2819	3083	4345	4549	6009	6348	7139
	INCOMINGS										
Imports of goods and services	402	1609	2281	3634	3163	3349	4190	5120	6128	7761	9163
Compensation of employees to the rest of the world	217	420	522	773	642	564	1195	1244	1544	2769	3470
Property and entrepreneurial income to the rest of the world	-	35	51	89	286	241	232	197	124	62	49
Other current transfers to the rest of the world	-	-	-	-	-	-	-	-	-	-	-
Surplus of the Nation on current transactions	-450	-291	-640	-1953	-1272	-1072	-1272	-2011	-1787	-4244	-5543
Disposal of current receipts	169	1774	2215	2543	2819	3083	4345	4549	6009	6348	7139

Table 6.4: Account 6: External capital transactions in current prices.

	(Million Nu.)										
	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	OUTGOINGS										
Surplus of the Nation on current transactions	-450	-291	-640	-1953	-1272	-1072	-1272	-2011	-1787	-4244	-5543
Capital transfers from the rest of the world (net)	486	950	890	1672	1795	1625	2735	2663	3280	5146	6542
Net incurrence of foreign liabilities	-	36	28	33	-85	-3	-417	194	168	1106	811
RECEIPTS	36	694	278	-248	438	550	1045	846	1661	2008	1810
	INCOMINGS										
Purchases of intangible assets n.e.c. from the rest of the world (net)	-	-	-	-	-	-	-	-	-	-	-
Net acquisition of foreign financial assets	36	694	278	-248	438	550	1045	846	1661	2008	1810
DISBURSEMENTS	36	694	278	-248	438	550	1045	846	1661	2008	1810

7.0. **BRIEF DESCRIPTION OF UNITED NATIONS *System of National Accounts* (SNA):**

The United Nations *System of National Accounts* (SNA) gives a complete description of the economic system. It consists of a coherent, consistent and integrated set of macroeconomic accounts and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules for the purposes of economic analysis and policy-making. The certain key aggregates of the System, such as GDP / GNP and GDP per capita have acquired an identity of their own and are widely used by analysts, politicians, press, business community and public at large as summary for the global indicators of economic activity and welfare. Movements of such aggregates, and their associated price and volume measures are used to evaluate the overall performance of an economy and hence to judge the relative success or failure of economic policies pursued by the nation.

7.1 ***Gross Domestic Product* (GDP)** is a measure of production. The level of production is important because it largely determines how much a country can afford to produce, generate income, consume and save. It represents the aggregated final results of the production activities of all the production entities (Units) located within the territorial or geographical boundary of a country in a year or in an accounting year. Production activities are normally those, which result in the production of goods and services for sale in the market and for own use. The Government activities related to public administration, defence and activities of non-profit institution should also be counted as economic activities even when their output is not sold in the market on a commercial basis. GDP includes the construction of buildings by households and enterprises for their own use, and the production of crops and livestock in the farms for self-consumption. This is simply because

there are usually close market parallels for these activities. However, unpaid services

rendered by housewives and other household members are not included in GDP.

7.1.1 The variants of GDP are *Net Domestic Product* (NDP), *Gross National Product* (GNP) and *Net National Product* (NNP). All these can be estimated at factor cost and at market prices. Further, all the above flows are measured in current and constant prices. Inter-relations among these flows can be seen from the Table 1.0 presented in this report.

7.1.2 The establishments producing goods and services can be classified upon the nature of goods and services produced by them into various categories termed as groups, major groups, divisions and major divisions. Major divisions represent the largest categories into which production activities can be classified. For measuring gross domestic product, *the UN System of National Accounts* (SNA) suggests the classification of the producers activities into nine major divisions like :-

- (1) *Agriculture, hunting, forestry and fishing.*
- (2) *Mining and quarrying.*
- (3) *Manufacturing.*
- (4) *Electricity, gas and water.*
- (5) *Construction.*
- (6) *Wholesale and retail trade, hotels and restaurants.*
- (7) *Transport, storage and communication.*

(8) *Financing, insurance, real estate and business services.*

(9) *Community, social and personal Services (Govt.).*

The above classification is also briefly known as *the Industrial classification of all Economic Activity*.

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

8.0 **Methods/ Approaches:**

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

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

8.1 **The Production approach** is a simple method. In economics, production means making a thing more useful by processing or addition to the utility which can be valued and which is scarce in relation to demand is known as value added or product. Thus, **production** means "**value added**". The gross value of output (GVO) minus the value of intermediate

consumption (IC) is equal to gross value added or GDP. e.g. :- **GVO - IC = GDP.**

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

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

8.2.2 *The Expenditure approach* is an aggregated approach, which accounts private consumption, government consumption, capital formation and net export ⁷_/ during an accounting year. In other words, it is the sum of final consumption expenditure (FCE) of households / private and Government, Gross domestic capital formation (GDCF) or investment and Net export (export-import) as reflected in table 4.0.
E.g.: - **FCE + GDCF + Net Export= GDP.**

8.3 The Final uses of GDP: -

⁷ - / *Export of goods and services less import of goods and services*

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

8.3.1 The Final consumption expenditure:-

The ultimate objective of economic activity is the final consumption of goods and services by households or persons, which may be paid directly by households or organized or financed collectively by government or by Private non-profit institutions. The final consumption consists of those goods or services, which are acquired and used either collectively or individually, by households in order to satisfy the needs or wants of the persons of which they are composed, during an accounting period. An individual consumption good or service is one acquired by an individual households for the exclusive use of that households. A collective consumption service is a service provided to the community as a whole or to a particular section of the community and which is acquired and used by all members of the community. The final consumers are (a) *Households*⁸ /, (b) *Non-profit bodies*⁹ / and (c) *Government*¹⁰ /.

In Bhutan, non-profit bodies form part of the government sector. Therefore, final consumers consist of only general government bodies and resident households. In other words, the final

⁸- / *The household consumption expenditure consists of the total expenditure, both actual and imputed, made by resident households for the purpose of acquiring individual consumption goods and services.*

⁹- / *The Non-profit institution consumption expenditure is also like government consumption expenditure, which consists of expenditure on current non-durable goods and services serving households in the domestic market and abroad reduced by their sales of second hand goods, scraps and wastes. The consumption expenditures of non-resident households in the domestic market are excluded from consumption estimate as they are treated as export.*

¹⁰- / *The total expenditures made by general government on both individual government goods and services and collective consumption services. It consist expenditures of the government on all types of goods and services of current nature (non-durable goods) including their purchases abroad for their embassies and extra-territorial bodies excluding goods of current nature sold by them in the accounting year and their expenditures on compensation of employees. Government consumption expenditure do not include transfers made by the government to the households and to the business communities ; and expenditure of government on gross capital formation of assets.*

consumption of the households is measured as the outlays of resident households on new durable and non-durable goods and services less their net sales of second hand goods, scraps and wastes.

8.3.2 **The Gross Capital Formation** is made up of **Gross Fixed Capital Formation** (GFCF) and **increase/decrease in stocks**. GFCF is measured as outlays (purchases and own-account production) of industries, general government (producers of government services) and non-profit bodies on additions of new durable goods to their stocks of fixed assets less their net sales of similar second-hand and scrapped goods. Excluded are the outlays of government services on durable military goods ¹¹/. Included are the outlays on acquisitions of reproducible and non-reproducible durable goods, the outlays on the reclamation, clearing and leveling of land for purposes of agriculture or construction, the outlays on clearing of forest for timber tracts, plantations, vineyards until they become productive, the acquisition of breeding stock, drought animals, dairy cattle and the transfer costs in connection with purchases and sales of land, mineral deposits and wells etc.

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

8.3.4 **The consumption of fixed capital** (depreciation) accounts the difference between flows recorded "gross" and flow recorded "net" in the system. E.g. gross capital formation less consumption of fixed capital derives net capital formation. The consumption of fixed capital

¹¹ - / *Consist of durable goods, which are purely for military use such as destructive military weapons, ships, planes, vehicles and others, the sole purpose of which is to use in, armed conflicts, a process which is evidently not production. It is proposed that durable military goods should be treated as capital goods if the same kind of good is acquired by civilian users for the purpose of production and if the good is regularly use in a same way as civilian.*

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

8.3.5 ***The Net Export*** is the difference between export and import. The export of goods and services consists of actual or imputed sales, or gifts or grants, of goods and services from resident to non-resident economic units and vice versa. The exports & imports of goods and services in balance of payments are related to movement of goods and services and other flows between custom frontiers or the territorial limits of the country. Thus, in national accounts, exports of goods and services consist of the outward movement of merchandise across the custom frontier and of other goods across the boundaries of the domestic territory including the direct purchases in the country of extra-territorial organizations and non-resident persons. Exports of services include the cost of transport and insurance services provided by the resident producers of the country. Merchandise exports are expressed in f.o.b. (free on board).

Import of goods and services include the value of inward movement of merchandise across the custom frontier of a country and of other goods across the boundaries of the domestic territory including direct purchases of the government services and the residents of the country abroad. Imports also include the charges of resident producers for transport and

insurance services in respect of these imports. Merchandise imports are valued at C.I.F. (cost, insurance and freight).

