

**NATIONAL BUDGET FOR FINANCIAL YEAR  
2000 - 2001**

**AND  
REPORT ON THE 1999 - 2000 BUDGET**



**MINISTRY OF FINANCE  
ROYAL GOVERNMENT OF BHUTAN**

**JUNE 2000**

## Introduction

The Ministry of Finance has the privilege to present the Financial Year 2000-2001 Budget and the Report on the Financial Year 1999-2000 Budget to the honourable members of the National Assembly.

The 1999-2000 Financial Year has been a landmark year with kingdom-wide celebrations of the 25 years Golden Reign that will be remembered for a long time. The Government initiated numerous activities as part of the celebrations to address issues of concern that have always been close to His Majesty's heart, particularly in the areas of corruption, efficiency and effectiveness of the government, and decentralization. These initiatives are already under various stages of implementation. It is hoped that the implementation of these activities will further the cause of ensuring a government that is efficient, responsive and just. The Government remains fully committed to making necessary changes and taking initiatives to meet the needs of the people and the aspirations of His Majesty.

We would like to inform the honourable members that the Mid Term Review of the Eighth Five-Year Plan (8FYP) has been completed. The findings of the review revealed that most of the investment programmes for the 8FYP are under implementation. On average, funds utilization was around 40 % of the original outlay for the 8FYP of Nu. 30,000 million (m). It may be clarified that while provisions are maintained in the annual budgets for the Kurichhu and Basochhu hydro-power projects, they are not included in the 8FYP. As the plan outlay presents the basis for the annual plans and their budget allocation, it will have to be revised to include the establishment

of new organisations following the government restructuring exercise in 1999. The Plan outlay is expected to increase by 10 %. On the financing side, domestic revenue, projected at Nu. 13,000 m for the 8FYP is expected to increase by 43.6 % to Nu. 18,673 m, mainly on account of the power tariff increase. Grants and concessional borrowings are expected to finance the rest.

The Ministry of Finance is pleased to report that the implementation of the Tala and Kurichhu hydro-power projects is proceeding extremely well. In fact, given the current rate of implementation, it is expected that both the projects will be completed and commissioned ahead of schedule.

### **Economic Performance (1999-2000)**

During the past year, average inflation remained below 10%. Exchange and interest rates remained stable. The latest provisional macroeconomic reports for 1999-2000 show that real GDP growth of 6% has been achieved. The current account deficit grew marginally over the last year but the overall Balance of Payments was positive due to the large inflows of aid and concessional loans. The economy continues to experience high rates of monetary expansion, reflecting both accumulation of foreign assets and increased monetization of the Bhutanese economy. Reserves are the equivalent of USD 307 m, estimated to cover 21 months import requirements. The total debt-to-GDP ratio stands at 22% and the debt service ratio at 5.3%.

The Ministry of Finance would like to highlight to the honourable members that Bhutan has achieved a decade of stable growth. During this period, the Royal Government has been able to meet its objective of current expenditure coverage by domestic revenues. On the other hand, Bhutan has made impressive strides, particularly in the social sectors that benefit present and future generations. The sustained growth and balanced development provides a strong foundation for further progress and prosperity.

Sources of Funds	
2011-12	2010-11
1. Domestic Revenues	1,249,701
2. Other Revenues & Borrowings	208,807
3. Grants	800,000
4. Total Project Grants	1,249,701
5. Other Grants	1,249,701
6. Financing	468,504
7. Total	2,977,704
8. Total	2,977,704

The revised budget increased marginally by around 4%. On the expenditure side, major increases were recorded under both the current and capital

## Review of the Financial Year 1999-2000

The revised budget of the financial year 1999-2000 stands as follows:

### Summary of Financial Year 1999-2000 Budget

Expenditure Outlay	Nu. in millions	
	Approved	Revised
1. Current Expenditure	3,570.150	3,743.694
2. Capital Expenditure	4,424.273	4,514.648
3. Net Lending	17.074	54.239
4. Repayment	209.258	209.258
<b>Total</b>	<b>8,220.755</b>	<b>8,521.839</b>
Sources of Finance	Projected	Revised
1. Domestic Revenue	3,869.791	3,869.791
2. Other Receipts & Balances	0.000	268.807
3. Grants		
a. GoI Program Grants	800.000	800.000
b. GoI Project Grants	1,430.249	1,345.784
c. Other Grants	1,386.333	1,470.555
4. Financing		
a. Project-tied Borrowings	436.988	469.508
b. Resource Gap	297.394	297.394
<b>Total</b>	<b>8,220.755</b>	<b>8,521.839</b>

The revised budget increased marginally by around 4%. On the expenditure side, minor increases were recorded under both the current and capital heads.

On the financing side, the objective of meeting current expenditure from domestic revenues will once again be achieved. Grant receipts so far have been in line with projections. As a result, the projected resource gap is expected to remain the same.

Sources of Finance		Total	
1. Domestic Revenue	4,210,224	4,210,224	
2. Other Receipts & Balances	222,362	222,362	
3. Grants			
a. Govt Program Grants	800,000	800,000	
b. Govt Project Grants	1,410,155	1,410,155	
c. Other Grants	1,342,014	1,342,014	
4. Financing			
a. Projected Borrowings	817,922	817,922	
b. Resource Gap	163,617	163,617	
		9,323,711	100.00

## Financial Year 2000-2001 Budget

The Financial Year 2000-2001 budget is 9 % larger than the revised budget for the past year. Since we have reached the end of the third year of the 8FYP, the budget reflects increased momentum in the implementation of the ongoing projects and programmes as well as the start of some important large projects. These include rural electrification, construction of feeder roads and the development of district towns. The budget is summarised as follows:

### Summary of Financial Year 2000-2001 Budget

Nu. in millions

Expenditure Outlay	Amount	Percent
1. Current Expenditure	4,158.601	44.60
2. Capital Expenditure	4,922.623	52.80
3. Net Lending	27.124	0.29
4. Repayment	215.363	2.31
<b>Total</b>	<b>9,323.711</b>	<b>100.00</b>
Sources of Finance	Projected	Percent
1. Domestic Revenue	4,210.584	45.16
2. Other Receipts & Balances	566.365	6.07
3. Grants		
a. GoI Program Grants	800.000	8.58
b. GoI Project Grants	1,420.153	15.23
c. Other Grants	1,345.016	14.43
4. Financing		
a. Project-tied Borrowings	817.956	8.77
b. Resource Gap	163.637	1.76
<b>Total</b>	<b>9,323.711</b>	<b>100.00</b>

On the expenditure side, the capital budget is expected to be 9 % larger than last year's. Current expenditure budget is expected to be 11% higher than last year's, mainly on account of the daily allowance revision and the establishment of new organisations following the government restructuring exercise.

On the resources side, the national revenue forecast for FY 2000-2001 is Nu. 4,210.584 m, 9 % higher than the past year's. This means our domestic revenue will once again cover our current expenditure. Grant projections are estimated at Nu. 3,565.169 m (38 % of total expenditure). Project-tied borrowings (9 % of total expenditure) are expected to increase by around 74 %, in anticipation of high disbursements for the rural roads, rural electrification and urban development projects. The resource gap is anticipated to be approximately Nu. 164 m, which is below 1 % of projected GDP. The Ministry of Finance will continue to observe these trends closely. The strengthening of budget monitoring and expenditure control should also contribute to the containment of the deficit.



## Sector-wise allocation

The sector-wise allocation is as follows:

### Sector Allocation of Financial Year 2000-2001 Budget

Sector	Nu. in millions	
	Amount	Percent
Health and Education	2,410.073	25.85
Agriculture	1,040.679	11.16
Human Settlements	362.748	3.89
Communications	996.946	10.69
Energy	1,178.998	12.65
General Public Services	1,492.560	16.01
National Debt Service	290.174	3.11
Others	1,551.533	16.64
Total	9,323.711	100.00

The sector allocation of the budget reflects the thrust of the Royal Government's policies and programmes. The social sector continues to receive the highest allocation (26 %), followed by the energy sector (13 %), and the communications and agriculture sector (11 % each).

The high budget allocation for the social sector reflects the continued emphasis of the Royal Government on the strengthening of basic services. This is in line with the Royal Government's development philosophy of people centered sustainable development that seeks to enhance social and economic well-being of the people.

Some of the important projects that will begin actual implementation on the ground, the pre project implementation activities having been completed in

the last year include the Rural Access Project, the Rural Electrification Project Phase II and the Urban Development Project.

The total cost of the World Bank financed Rural Access Project that will construct 122 kms of priority feeder roads is Nu. 668.7m. The project will cover Zhemgang, Lhuentse and Trashigang Dzongkhags. The chief objective of the project is to increase the income of farmers by improving access to markets as well as rural transport and communication.

Preparatory works are ongoing for another Asian Development Bank funded project to maintain the east west highway. Since the lateral highway is an important lifeline and link between the eastern, central and western parts of the country, the project, estimated at around Nu. 330 m will ensure that it is improved and well maintained.

Another important project that will begin during the year is the Asian Development Bank funded phase II of the rural electrification project. The total cost of this project is Nu. 562.5 m. It is the continuation of the rural electrification phase I project that was completed at a total cost of Nu. 399 m, and provided electricity to 3,100 rural households in seven Dzongkhags. The second phase will provide electricity to 6,038 households in 16 Dzongkhags of the Kingdom.

Ten district towns around the country will be improved through the World Bank funded Urban Development project. The total cost of the project is Nu. 550.35 m. The objective of the project is to develop the selected district

towns so that they can provide the basic facilities and infrastructure necessary for urbanisation and a growing population. With the convenience of improved facilities as well as concentration of population, the district towns will also mean larger markets and increased income for our farmers.

Another notable inclusion in the Financial Year 2000-2001 budget will be the increase in the daily allowance of the government. The objective of the revision was to facilitate movements of civil servants, particularly the technical people who need to monitor and backstop the Dzongkhag and village programmes. The Ministry of Finance would like to inform the honourable members that the daily allowance had not been revised since 1994. As a result, it was necessary to compensate for inflation and increases in the cost of living as the unrealistic and low daily allowance was beginning to discourage the movements of civil servants to whom official travel was becoming a financial burden. The additional expenditure on this account will be around Nu. 200 m.

The Ministry of Finance is also pleased to report to the National Assembly that actual construction works on Taktshang started on 2<sup>nd</sup> May 2000 with the construction of the ground floor of the Pelphug Lhakhang. The total cost of the construction of the physical structure, excluding all interior works, 'Nangtens' etc., is expected to be Nu. 45.876 m. Since the deliberations on Taktshang in the 76<sup>th</sup> Session of the National Assembly, preparatory works to facilitate the actual construction such as labour camps, bridge, roads, cable cranes for transportation of materials, prefabrication works etc have been completed.



## Domestic Revenue

The summary of the National Revenue Forecast for the coming year is as follows:

### Summary of National Revenue Forecast: FY 2000-2001

Sources of Revenue	Nu. in millions	
	Amount	Percent
A Tax Revenue	2,108.086	50.07
1. Direct Tax	1,210.074	28.74
Corporate Income Tax	780.187	18.53
Business Income Tax	127.650	3.03
Salary Tax	52.810	1.25
Health Contribution	19.647	0.47
Royalties	222.022	5.27
Rural Tax	7.758	0.18
2. Indirect Tax	898.012	21.33
Bhutan Sales Tax	306.360	7.28
Export Tax	11.110	0.26
Excise Duty	436.729	10.37
Motor Vehicle Tax	61.170	1.45
Import Duty	57.960	1.38
Business & Prof. Licenses	7.920	0.19
Other Tax Revenue	16.763	0.40
B Non-Tax Revenue	2,102.498	49.93
Transfer of Profits	261.000	6.20
Dividends	1,350.293	32.07
Admin. Fees and Charges	67.220	1.60
Capital Revenue	94.235	2.24
Revenue from Govt. Divns.	327.030	7.77
Other Non-Tax Revenue	2.720	0.06
<b>Grand Total</b>	<b>4,210.584</b>	<b>100.00</b>

The domestic revenue forecast for the year 2000-2001 is Nu. 4,210.584 m. Of this, Nu. 2,108.086 m (50 %) is tax revenue. The Ministry of Finance would like to inform the honourable members that most of Bhutan's revenues come from non-tax sources and the Corporate Income Tax. The rural tax generated by the 85 % rural population of Bhutan is still below one percent. Bhutanese are among the least taxed people in the world today, and Bhutan's development achievements thus far have mainly been possible due to the generosity of the donor countries and proper utilisation of their assistance by the Royal Government.

While increases in tax collection have been quite impressive so far, it may be mentioned that the single largest source of revenue is the Chhukha Hydro-Power Corporation. Last year, as a result of the personal intervention of His Majesty the King, the export power tariff was negotiated to Nu. 1.50 per unit. This generated huge additional revenues of Nu. 669.5 m, which has now been offset by increases in the salary and travel allowance of government employees. Thus, it is extremely important for all of us to realise now that any added increase in government expenditure, particularly non-donor assisted activities, will necessitate raising of taxes.

The Ministry of Finance would like to highlight that taxes are the most important source of revenue for a government to fund implementation of its policies and programmes, particularly social welfare programmes. Taxes are also important instruments to ensure equity in the sharing of the benefits and burdens of development. In order to strengthen and streamline the system of taxation in Bhutan, the Ministry of Finance has prepared two draft

legislations, namely the "Sales Tax, Customs Tax and Excise Tax of the Kingdom of Bhutan" and the "Income Tax Act of the Kingdom of Bhutan". The draft act on "Sales Tax, Customs Tax and Excise Tax of the Kingdom of Bhutan" will be submitted for approval during the current session of the National Assembly. The "Income Tax Act of the Kingdom of Bhutan", however, will be circulated to the honourable members for further discussions with the general public.

The Ministry of Finance would like to inform the honourable members that there still seems to be considerable apprehension among the people and the business community in particular about the timing and the possible impact of the Personal Income Tax. Since this is an important tax that requires the full appreciation and support of the people, the honourable members are requested to study and discuss it thoroughly with the public. While misunderstandings and misinformation are likely to cause a lot of concern to many people, the Ministry of Finance would like to assure all the citizens of Bhutan that the Personal Income Tax is in the best interest of the nation. These taxes are necessary to prevent growing income disparity among the people and to enable the nation to move closer to realizing the cherished goal of self-reliance.

The Ministry of Finance would also like to take this opportunity to remind the honourable members that income tax is not new to Bhutan. In the past, direct taxes were paid in kind, in the form of labour contribution, grains etc. In fact such taxes were disproportionately large and a heavy burden to the people who often lived under great hardships. Since the country had no

other sources of income, these in-kind taxes were important in enabling the state to maintain peace and preserve the sovereignty of the nation. It is a well-known fact that our ancestors, in spite of the heavy tax burden, were proud to be considered as "Kheps" (tax payers). Therefore today, when the Royal Government provides a high level of free or subsidized services, there is all the more reason to pay taxes and contribute to the task of nation building. It is also important that such contributions come from as large a segment of the population as possible. People must contribute according to their ability and even a token contribution is a significant indication of a citizen's patriotism and commitment to the national cause. Let us follow the wise ways of our ancestors and take pride in being "Kheps" or tax payers and avoid selfish opposition to something that is our privilege and duty.

### **External Assistance**

Bhutan continues to receive large amounts of financial and technical support from our development partners. Given the vital role development partners have played since the start of Bhutan's planned development, the Ministry of Finance would like to take this opportunity to acknowledge and thank all our donors, especially the Government of India, for their generous support.

The Ministry of Finance would like to inform the honourable members that the 7<sup>th</sup> Round Table Meeting for Bhutan has been scheduled for November 2000. For the first time, this important meeting will be held in Bhutan. It will be the single largest gathering of high-level representatives of Bhutan's development partners. The meeting will provide them an opportunity to obtain a first hand experience of the country that they have helped to



develop. It will also provide an opportunity for discussions on emerging issues in Bhutan's development, donor co-ordination issues as well as the progress of the 8FYP implementation and further the goodwill and understanding between us. The United Nations Development Programme will be providing funds and organisational support for this meeting.

The Ministry of Finance would like to inform the honourable members that the close co-operation and mutual trust and confidence that underlines Bhutan's partnership with its donors has never been better. The Royal Government takes pride in the friendly and fruitful relationship developed over years of co-operation and would like to assure our development partners that the Royal Government will spare no efforts in ensuring that their resources are properly utilised and accounted for.

### **Borrowings**

The Royal Government continues to obtain, only as a last resort, highly concessional loans from external lending institutions. The total debt outstanding today is USD 100.895 m and Rupees 3,276.936 m. The total debt servicing projection for the fiscal year 2000-2001 is Nu. 290.174 m and the debt service ratio is expected to remain around 5%. The Ministry of Finance would like to point out that most of these loans have been obtained for power, rural roads, urban development, education and agriculture. The hard currency concessional loans carry favourable terms and conditions such as 1-2% interest rates, 10 years grace period and 30-40 years repayment period. The Rupee loans from the Government of India are provided under

a special arrangement whereby every Rupee of loan is accompanied by one-and-a-half Rupee of grant.

The Ministry of Finance would like to inform the honourable members that all loan projects are appraised carefully, with emphasis on financial and economic returns. Therefore, even though the Royal Government continues to borrow, the Ministry of Finance would like to assure the honourable members that the growing debt obligations are not a serious concern.

### **Other Initiatives**

As announced in the National Assembly last year, the National Pension Board has been established to take over the Government Employees Provident Fund from the Royal Insurance Corporation of Bhutan, as well as to introduce the National Pension and Provident Fund Plan. In view of its importance and to ensure that the National Pension Board is fully equipped and ready to implement the new plan, great care is being taken in the preparations. In fact, many preparatory ground-works have already been completed and the necessary legislation is already under formulation. The new plan will be launched on July 1<sup>st</sup> 2001. This plan, initiated by His Majesty, will improve the security of the civil servants and employees of corporations.

Another important event in the coming year will be the transformation of the Telecom Department to a corporation. It will function along commercial lines and enjoy greater autonomy and flexibility to achieve long-term

sustainability. The conversion should also translate into increased and improved services for the public.

The purchase of two aircrafts for the Druk Air Corporation will be finalised in the coming year. This is necessary to enhance safety as well as returns. Druk Air is extremely important for a landlocked country like Bhutan as it reduces travel time, provides alternative entry points to and from Bhutan and facilitates the growth of tourism, an industry that provides benefits and incomes to an increasing number of Bhutanese. The new planes cost approximately USD 25 m each and will replace the existing fleet. It is our intention to raise resources domestically for purchase of one plane and borrow for the other. The planes will arrive within November 2001 and January 2002.

### **Financial Sector**

The Ministry of Finance would like to inform the National Assembly that the financial sector has been experiencing a situation of excess liquidity. While there is a common conviction that the solution may be to lower interest rates, the Ministry of Finance would like to point out that the excess liquidity is only a symptom of other underlying problems that cannot be corrected by lower interest rates alone. In fact, if this were not the case, market forces would have already corrected the anomaly. Moreover, given the high cost of funds and the high level of non-performing assets, the possibilities of lowering interest rates are marginal. Inadequate legal frameworks have also compounded the problem. It was to address these deficiencies that the Moveable and Immoveable Properties Act and the

Bankruptcy Act, passed by the National Assembly in the last session, were formulated. More recently, the setting of interest rates has been fully deregulated.

In spite of these interventions, the honourable members must be aware that the excess liquidity problem cannot be solved overnight. In fact, there is no easy long-term solution to this problem. Downward revision of interest rates is possible with improvements in non-performing assets but it would require a stronger bank supervision capacity at the Royal Monetary Authority, improved project and portfolio management capacities at the financial institutions as well as reduction in deposit rates. Moreover, since the funds lying at the banks belong to the Bhutanese savers, great care has to be exercised to avoid the problems of "loose credits" that was a major cause of the financial turmoil that occurred in South East Asia in the recent past. Basically, an excess liquidity problem cannot be corrected by lower interest rates unless the underlying investment environment improves. The root problem of limited investment opportunities in Bhutan points to structural deficiencies.

All the same, to ease some of the burden of the financial institutions and pre-empt the dangers of loose credit, the Royal Monetary Authority has employed monetary instruments to absorb some of the excess liquidity. This is only an interim measure as it is neither sustainable nor desirable in the long run. In the near future, the situation is likely to be alleviated by the Royal Government's decision to purchase an aircraft for the Druk Air Corporation Limited, and also by the projected budget deficit which

incorporates certain sizeable projects such as the low-income housing project at Thimphu and installation of power transmission lines. Once these transactions take place, the excess liquidity problem should ease off.

### **Private Sector**

The Royal Government remains committed to the development and growth of the private sector. However, in spite of all the efforts made so far, private sector growth remains sluggish. This is of serious concern as the future sustenance of the development gains made in the past depends on the growth of our private sector. Only their growth can ensure employment and opportunities to the increasing number of educated people joining the workforce every year.

Here, the Ministry of Finance would like to share its concern on the growing number of low education level youths entering the job market every year. Some studies suggest that up to 50,000 school leavers are expected to join the workforce over the next five years. So far, government agencies and projects have been the main source of livelihood for most people. It will certainly not be able to accommodate the increasing number of people looking for employment. Moreover, in spite of limited employment opportunities, there is little evidence of these people returning to their villages. Therefore, unless the private sector develops and creates gainful employment opportunities there is a real threat of serious social problems appearing in Bhutan.

The Royal Government is cognizant of the fact that Bhutan has many characteristics that constrain the growth of the private sector such as the small domestic market, lack of capital and know how, lack of skilled workforce as well as a low level of entrepreneurial skills. Various efforts are underway to find solutions to redress these deficiencies including foreign investment.

The Ministry of Finance would like to inform the honourable members that a common feature of countries that have buoyant economies is the participation of foreign investors. It is extremely important for us to realise now that irrespective of the choices we make, Bhutan will be affected by increasing globalisation. Thus, there is really little alternative but to try and benefit from it. Foreign investment that is accompanied by capital, know how, ready markets and under joint venture arrangements must be examined as a means to stimulate growth. This may present the best opportunities for diversifying our products and markets, particularly hard currency markets, and can only mean greater prospects and benefits for our private sector and our future.

As a first step, the Royal Government has formulated the foreign investment guidelines. This is currently under review by the Planning Commission. Moreover, to enable wider and greater private sector participation, the Royal Government is carrying out a comprehensive review of all policies governing commercial activity in Bhutan.

The Royal Government will also continue to disinvest and promote privatisation. Divestment of government shares in the RICB was targeted last year but could not be carried out due to the impending separation of the GEPF from the RICB. This will take place in the coming financial year.

### **Economic Prospects**

The Ministry of Finance is confident that the 8FYP target of an annual GDP growth of 6.5% can be achieved in the coming year. Exchange and inflation rates are expected to remain around present levels. With the intensification of efforts to accelerate private sector development as well as the increased momentum in the implementation of the development programmes, this target could even be surpassed in the last two years of the 8FYP. Improvements in the infrastructure and financial sectors should also increase private sector prospects.

The Ministry of Finance would like to emphasize, as in the past, that given the size of the domestic market, any meaningful industry would have to be export oriented. Moreover, we must realize that like all small economies, our long run future lies in having a liberal trade regime where people can export and import freely. To take advantage of such regimes, our industries must enhance their competitive edge, diversify their products and markets. This will be all the more necessary as the liberalisation process in India picks up momentum. Greater liberalisation in India would require that Bhutanese industries and products become more competitive. Unlike the past, Bhutanese products will even have to be able to compete with third country goods in India.

The Ministry of Finance would also like to inform the honourable members that the growth of Bhutan's economy so far has been due largely to the investments in the infrastructure and social sectors. It is now time to build upon these achievements with focus on other economic sectors besides power. Bhutan must diversify its exports and expand the range of productive economic activities. Bhutan also needs to tap the full potential of tourism within the framework of existing government policies. Given the nature of the business, tourism presents the most opportunities for employment, small cottage industries, transport, hotels etc while being environment friendly.

### **Conclusion**

In conclusion, the Ministry of Finance would like to state that the last two years should witness the successful culmination of the 8FYP. By the end of this plan, Bhutan will have a strong social infrastructure, improved access and facilities in rural areas and increased farmers' income. To sustain and build upon these gains, more emphasis will have to be placed on strengthening our private sector. The Ministry of Finance would like to underline once again that private sector expansion is most essential for generating gainful employment, increasing domestic revenues, and ensuring sustainable growth.

The Ministry of Finance would also like to share our grave concern on the growing security threat posed by the presence of the ULFA and Bodo militants in the country. As highlighted during the last National Assembly, the ULFA and Bodo problem could endanger the implementation of our development activities, particularly in the eastern Dzongkhags. In the event



the problem persists or escalates, the Royal Government stands ready to devote all our resources and attention to its speedy resolution.

May the blessings of the guardian deities of the Palden Drukpa and the hard work and enlightened leadership of our beloved King continue to bring peace and prosperity to the people of Bhutan.

## Selected Monetary and Financial Indicators

Items	Description	1998/99	2000 March	Percent Change
Millions of Nu.				
1	Total Assets of the Financial Sector	20,305.140	22,706.310	11.83
	a. Royal Monetary Authority	9,564.260	10,349.940	8.21
	b. Four Financial Institutions	10,740.880	12,356.370	15.04
2	Money Supply	7,359.220	9,066.670	23.20
	a. Quasi Money 1/-	4,490.780	4,949.460	10.21
	b. Demand Deposits	1,832.620	2,979.480	62.58
	c. Ngultrums in Circulation	852.820	1,040.680	22.03
	d. NMFI Deposits	183.000	97.050	-46.97
3	Domestic Credit			
	a. Claims on Private Sector	1,306.520	1,361.350	4.20
	b. Claims on Joint Sector Corporations	165.730	143.700	-13.29
	c. Claims on Government Corporations	390.980	372.240	-4.79
	d. Claims on Government (net)	-1485.300	-2178.970	46.70
Millions of USD				
4	Gross International Reserves	258.750	306.890	18.60
	a. Convertible Currencies	195.630	224.550	14.78
	b. Indian Rupees	2,725.400	3,588.950	31.69
Millions of INR				
Ngultrum Per USD				
5	Exchange Rate for USD (Period Average)	43.18	43.49	0.72
6	Consumer Price Index (%)	9.2	4.5*	

1/- quasi money includes foreign currency deposits and time deposits

\* consumer price index as on December 1999

## Selected Monetary and Financial Indicators

Items Description	1998/99	2000 March
	In Percent	
7 Structure of Interest rates		
a. Deposits		
i) Savings	5-7	5-7
ii) Fixed Deposits		
3 months to 1 year	8	8
1 year upto 3 years	10	10
More than 3 years	11	11
b. Lending Rates		
i) Export Finance	13	13
ii) Manufacturing, Service Transport, Agriculture	13	13
iii) Housing	14	14
iv) Working Capital	15	15
v) Personal and General Trade	16	16