



**UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016**

## BHUTAN

GDP (current US\$, billions):	\$1.96	Population (thousands):	765
Share of GDP in developing Asia-Pacific:	0.01%	GDP per capita (current US\$):	\$2,560.50
Share of GDP in South and South-West Asia:	0.05%	Average inflation (2015)	6.6%

- Economic growth in Bhutan accelerated to 5.9% in 2015 compared with 3.8% in 2014, boosted by the commissioning of the \$195 million Dagachhu hydropower project.
- The hotel and restaurant sector also expanded favourably in line with higher tourist arrivals. A special agreement with Thailand that eases visa restrictions and lower daily costs helped to support the arrivals, although the tourism sector was dampened following the Nepal earthquakes in April 2015 as tourists tend to visit Bhutan and Nepal in a combined package.
- Inflation moderated to a still high level of 6.6% in 2015. Softer price pressure was largely attributable to lower inflation in India, the source of the bulk of consumer and capital goods consumed in Bhutan.
- Growth in 2016 and 2017 is projected to increase further to 6.5% and 6.6%, respectively, as commissioning of new hydropower projects and high-value tourism growth would continue to drive the economy.
- Private consumption would benefit from relaxation of credit controls, while a higher revenue stream from completed hydropower projects and grants from India should help buoy government consumption.
- At about 30% of GDP in 2015, the current account deficit is expected to remain elevated over the medium term, as an increase in hydro-exports is offset by rising non-hydro imports.
- Steady growth in output in past years has kept the overall unemployment rate at a low level, but youth unemployment remained close to 10% and informal employment accounts for more than three quarters of total employment. As a result, the Government has focused on developing a skilled workforce with the aim of energizing the business sector. For example, a national workforce plan has been developed to identify labour demand in various sectors.
- Another development challenge is the country's heavy reliance on foreign grants to finance its capital expenditure, more than 70% of which comes from India. Policy reforms in this area have sought to expand the tax base, collect more revenue from corporate income tax and dividends from hydropower projects and restrain expenditure on public sector salaries.