



FDI ANNUAL REPORT

2022

INVEST BHUTAN DIVISION
DEPARTMENT OF INDUSTRY
MINISTRY OF ECONOMIC AFFAIRS

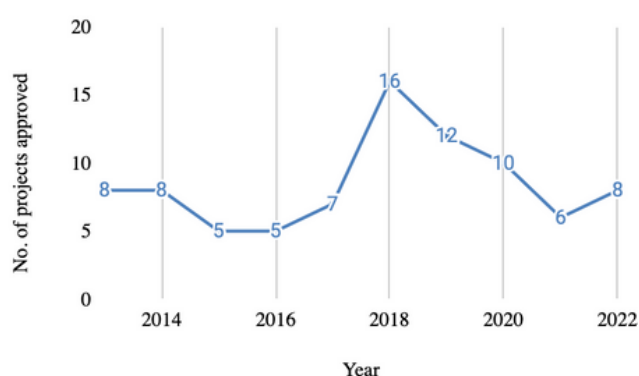
2022- FDI TREND & OUTLOOK

FDI PROJECTS APPROVED

The Department of Industry has approved a total of 8 FDI projects worth Nu. 356.29 million during the year 2022. Six of the projects are in the service sector and two are in the manufacturing sector.

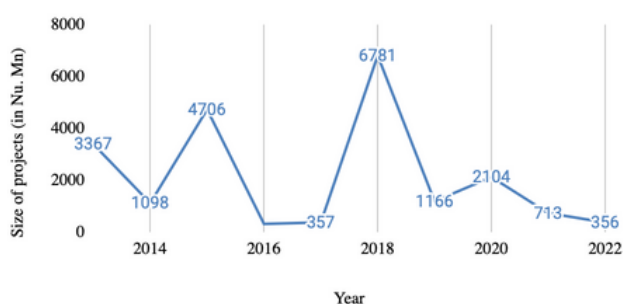
The charts below shows that the number of projects approved have increased while the project size have declined during the year.

Chart I: No. of Projects approved



PROJECT SIZE

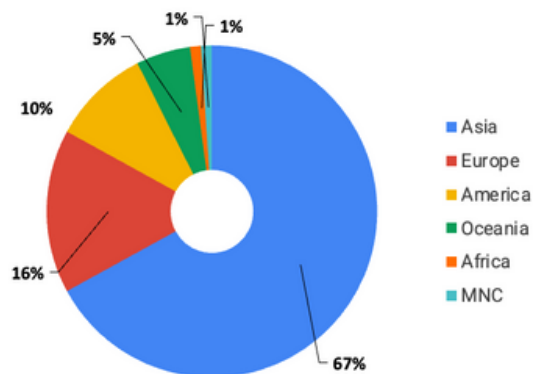
Chart II: Size of Project (by Project Cost)



ORIGIN OF FOREIGN INVESTORS

67 % of the FDI projects in the country are received from investors based in Asia.

Chart III: Origin of Foreign Investors



About 16 % of FDI have investors from Europe followed by 10 % from America.

TOP SOURCES IN ASIA

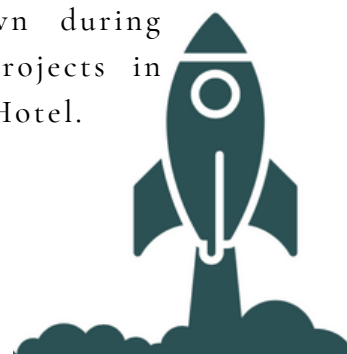
From within Asia, India remains the major source of investment in Bhutan with 51 % share followed by Singapore (15 %) and Thailand (10 %).

FDI PROJECTS AS OF 2022

The total number of projects stand at 101 with 8 new projects approved during the year. Three FDI projects have withdrawn during the year- 2 projects in ITES and 1 in Hotel.

2022: 101

2021: 96



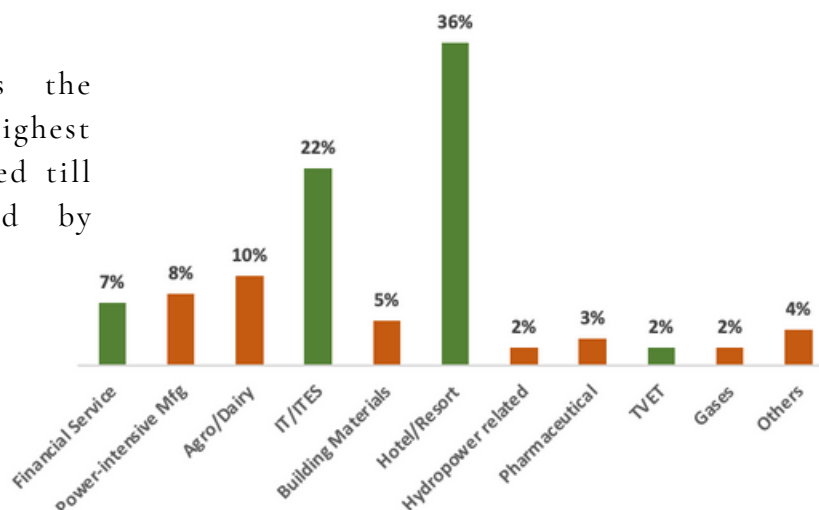
2021- FDI TREND & OUTLOOK

PROJECTS APPROVED IN PRINCIPLE

A total of 9 FDI projects were issued FDI Registration Certificate in 2022 of which 7 projects are in the manufacturing sector and the remaining 2 in service sector. The projects are in various stage of approval.

SECTORAL SHARE OF FDI

Hotel sector remains the sector with the highest number of FDI received till date (36 %) followed by IT/ITES with 22%.



KEY TRENDS IN FDI

- Share of Hotel sector to overall FDI declined from 42 % in 2019 to 36 % in 2022. This is an indication of the receiving FDIs in a diversified sector- a shift from hotels to other sectors.
- Share of IT/ITES increased from 19 % in 2019 to 22 % in 2022.
- Power intensive manufacturing increased from 5 % in 2019 to 8 % in 2022.
- Service sector dominates overall FDI with 66 %, a decline by 3 % as compared to the record of 2021. The decline in service sector is due to the withdrawal of FDI projects during the year which were all in the service sector.
- The value of FDI Projects (as per the project report) stands at Nu. 43.62 billion as of 2022.
- About 87 % of the approved FDI projects fall in the priority sector of the Government as stated in the FDI Policy.
- FDI projects are mostly located in Thimphu, Paro and Chukha Dzongkhag.

FDI Scenario in 2021

Global FDI flows in 2021 were \$1.58 trillion, up 64 per cent from the exceptionally low level in 2020 (UNCTAD, 2022). The increase was driven particularly by the booming merger and acquisition and rapid growth in international project finance. Greenfield investment in industrial sector however remains weak and well below pre-pandemic period especially in developing countries.

Similarly, FDI flows within the country has increased slightly, however much below the pre-pandemic level. An assessment of the scenario of FDI is carried out through survey of FDI project and validation of the information through Audited Accounts submitted to the Ministry. While attempt was made to cover entire FDI projects, information from few companies could not be collected due to temporary closure of business. From a total of 88 projects that were approved prior to 2022, data was compiled only from 66 FDI projects.

CAPITAL INFLOW

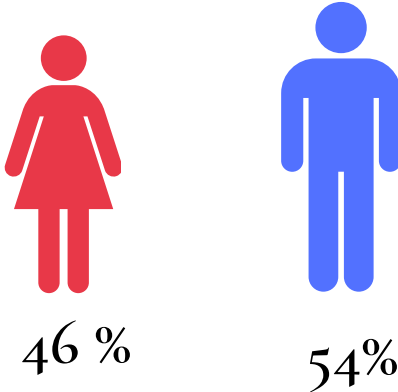
Information compiled reveals that the country has received capital inflows worth Nu. 680 million in 2021, up from Nu. 423 million in 2020. Inflows in convertible currency was recorded at US\$ 6.82 million and that in Indian Rupee at INR 175.57 million. The inflows in convertible currency received during the year has increased by over 48% while inflow in INR was almost the same as the previous year.

EMPLOYMENT (As of 2022)

A total of 4,601 Bhutanese were directly employed by 49 operating FDI projects as of December, 2022. Considering the employees in the projects that have not started commercial operation and the expatriate employees in the operating FDI companies, the employment figure increases to 5,279.

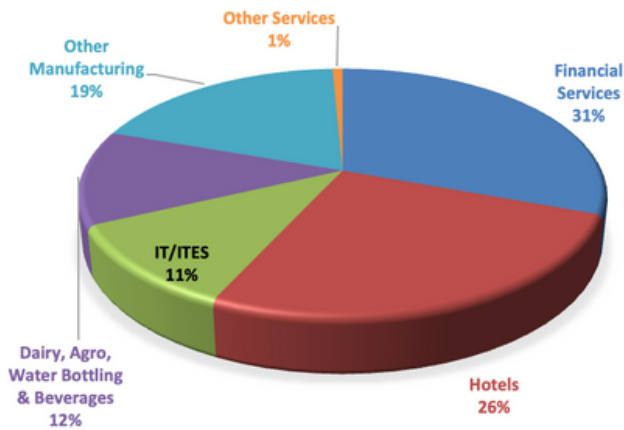


EMPLOYMENT BY GENDER: BHUTANESE



Employment Scenario as of 2022

EMPLOYMENT BY SECTOR



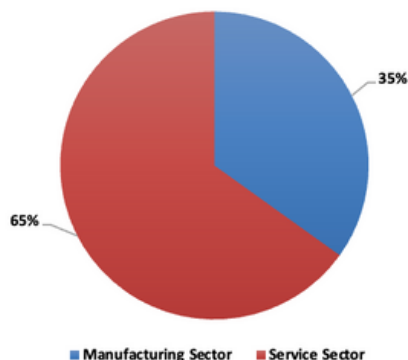
BHUTANESE EMPLOYED

31%

As of 2022, the financial services is the sector that generated the most jobs for Bhutanese with share of 31%.

While employment in most of the sectors have declined compared to the previous year, the year saw a slight increase in employment in the IT/ITES sector- from 522 employees in the previous year to 581 employees as of date.

EMPLOYMENT BY INDUSTRY CATEGORY



Service sector employed 65 % of the total employees while the manufacturing sector employed 35 % only.

AVERAGE EMPLOYMENT- Manufacturing Verses Services



67



103

Manufacturing sector not only accounted for a lower share of total employment but also has a lower average employment of Bhutanese as compared to the service sector. An average of 67 Bhutanese are employed in the manufacturing sector, while service sector employed 103 on average.

EXPATRIATE EMPLOYEES: BHUTANESE EMPLOYEES RATIO

FDI companies employed a total of 105 foreign/expatriate workers. For every single expat employed in the FDI companies on regular basis, there are 39 bhutanese employed. *Day workers from across the border are not covered in the analysis.

EXPAT TO LOCAL RATIO

of total Regular Employee

1:39

Expatriate: Bhutanese Employee Ratio- Sector wise Analysis

Sectoral analysis of the ratio reveals that in the IT/ITES sector and financial sector, for every expat employed, there are over 140 locals employed in total. However, in the hotel sector, the ratio is 1:43 (43 Bhutanese for every single expat). In the manufacturing sector, the ratio is only 1:11 (11 Bhutanese for every single expat).

TAX CONTRIBUTION

Tax contribution by the operating FDI companies are recorded at Nu. 1,304 million for the income year 2021. The contribution has increased by 63 % as compared to previous year, however, the same is yet to reach the pre-pandemic level of contribution. The figure is compiled from survey and includes taxes such as salary tax, custom duties, corporate tax and other contribution to the Government.

FOR FURTHER INFO:

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