



FDI ANNUAL REPORT

2023

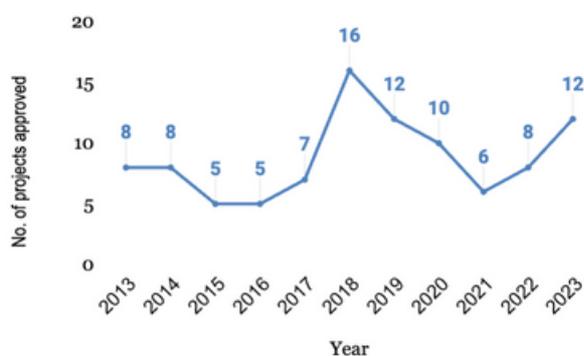
INVEST BHUTAN DIVISION
DEPARTMENT OF INDUSTRY
MINISTRY OF INDUSTRY, COMMERCE &
EMPLOYMENT

2023- FDI TREND & OUTLOOK

FDI PROJECTS APPROVED

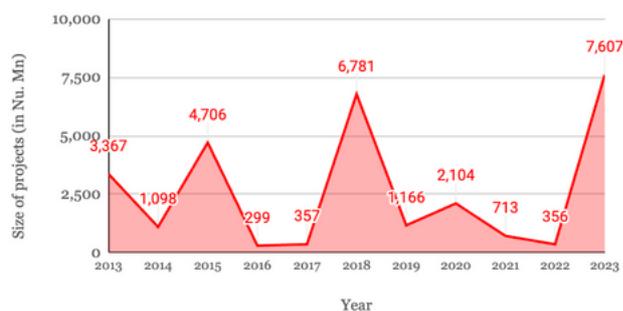
The Department of Industry has approved a total of 12 FDI projects worth Nu. 7,606.95 million during the year 2023. Seven of the projects are in the service sector and five are in the manufacturing sector. The charts below show that the number of projects approved and project size have both increased during the year.

Chart I: No. of Projects approved



PROJECT SIZE

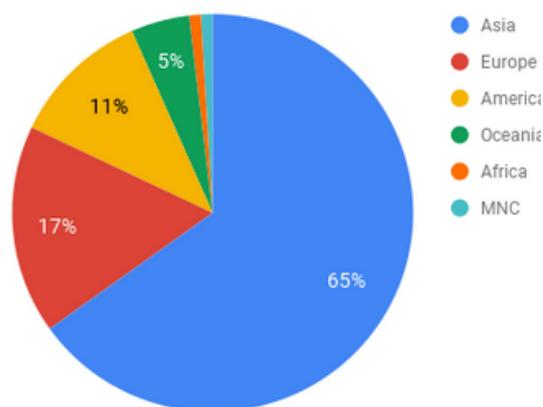
Chart II: Size of Project (by Project Cost)



ORIGIN OF FOREIGN INVESTORS

Sixty-five percent of the FDI projects in the country are from investors based in Asia, followed by Europe (17%) and America (11%).

Chart III: Origin of Foreign Investors



TOP SOURCES IN ASIA

From within Asia, India remains the major source of investment in Bhutan with a 57% share followed by Singapore (13%) and Thailand (10%).

FDI PROJECTS AS OF 2023

The total number of approved projects stands at 108 with 12 new projects approved during the year. Five FDI projects have withdrawn during the year- 4 projects in services and 1 in Production. One FDI project converted into domestic project.

2023: 108

2022: 101



2023- FDI TREND & OUTLOOK

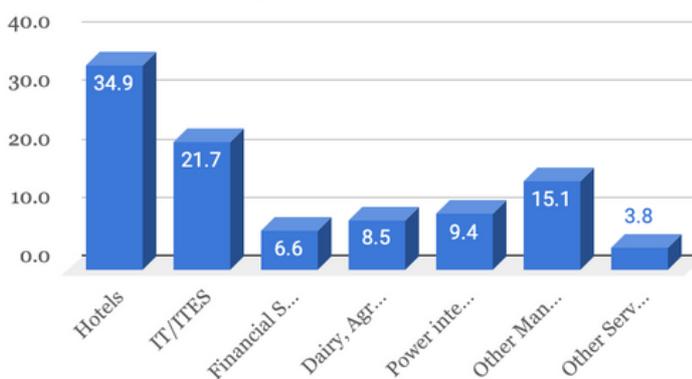
PROJECTS APPROVED IN PRINCIPLE

A total of 21 FDI projects were issued with FDI Registration Certificate in 2023 of which 10 projects are approved (3 in the manufacturing sector and 7 in service sector) during the year. Eleven projects (4 in the manufacturing sector and 7 in service sector) are in various stage of approval.

SECTORAL SHARE OF FDI

Hotel sector remains the sector with the highest number of FDI received till date (34.9 %) followed by IT/ITES with 21.7%.

Sectoral Share by %



KEY TRENDS IN FDI

- Share of Hotel sector to overall FDI declined from 36% in 2022 to 34.9% in 2023.
- Share of IT/ITES has shown a slight decrease, dropping from 22% in 2022 to 21.7% in 2023
- Power-intensive manufacturing has shown a slight increase, rising from 8% in 2022 to 8.5% in 2023.
- The service sector dominated overall FDI with 67%, an increase of 1% as compared to 2022.
- The value of FDI projects (as per the project report) stands at Nu. 48.607 billion as of 2023
- About 78.03 % of the approved FDI projects fall in the priority sector.
- FDI projects are mostly located in Thimphu, Paro, and Chukha Dzongkhags.

FDI Scenario in 2022

After a strong rebound in 2021, global FDI fell by 12% in 2022 to \$1.3 trillion, due mainly to overlapping global crises – the war in Ukraine, high food and energy prices, and soaring public debt (UNCTAD World Investment Report, 2023). The decline was felt mostly in developed economies, where FDI fell by 37%. But flows to developing countries grew by 4% while flows to the least developed countries declined. On a positive note, greenfield investment project announcements were up 15% in 2022, growing in most regions and sectors.

An assessment of the scenario of FDI Inflow in the country was 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 and non-respondent on the survey. From a total of 95 projects that were approved prior to 2023, only 69 FDI projects responded to the survey.

CAPITAL INFLOW

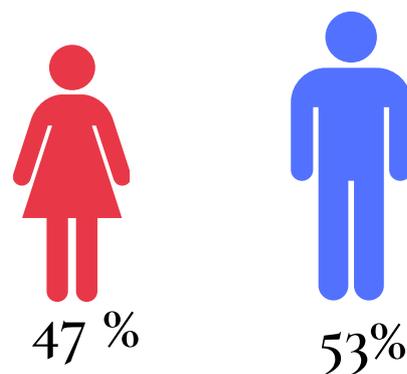
Information compiled reveals that the country has received capital inflows worth Nu. 577 million in 2022, down from Nu. 680 million in 2021. Inflows in convertible currency were recorded at US\$ 1.39 million and that in Indian Rupee at INR 262.778 million. The total capital inflows received during the year have decreased by 15% as compared to the year 2021.



EMPLOYMENT (As of 2023)

A total of 4,327 Bhutanese were directly employed by the reported FDI projects as of December, 2023. 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 4577.

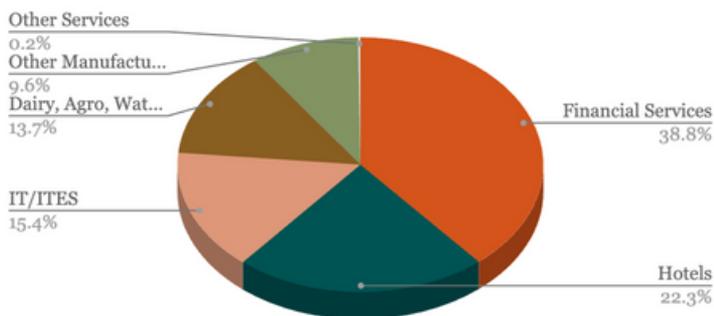
EMPLOYMENT BY GENDER: BHUTANESE



Employment Scenario as of 2023

EMPLOYMENT BY SECTOR

% share



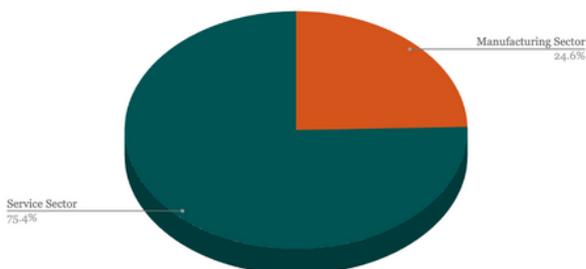
BHUTANESE EMPLOYED

38.8%

As of 2023, the financial services is the sector that generated the most jobs for Bhutanese with share of 38.8 %.

While employment in most of the sectors have declined compared to the previous year, the year saw a slight increase in employment in the hotel and other manufacturing sectors as of date.

EMPLOYMENT BY INDUSTRY CATEGORY



Service sector employed 74.4 % of the total employees while the manufacturing sector employed 24.6 % only.

AVERAGE EMPLOYMENT- Manufacturing Verses Services



30



53

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 30 Bhutanese are employed in the manufacturing sector, while service sector employed 53 on average.

EXPATRIATE EMPLOYEES: BHUTANESE EMPLOYEES RATIO

FDI companies employed a total of 143 foreign/expatriate workers. For every single expat employed in the FDI companies on regular basis, there are 26 Bhutanese employed. *Day workers from across the border are not covered in the analysis.

**EXPAT TO
LOCAL RATIO**
of total Regular Employee
1:26

Expatriate: Bhutanese Employee Ratio- Sector wise Analysis

Sectoral analysis of the ratio reveals that for every expat employed, the Financial Sector has highest locals of 250 employed in total followed by IT/ITES sector employing 47 locals in total for every expat. However, in the hotel sector, the ratio is 1:38 (38 Bhutanese for every single expat). In the manufacturing sector, the ratio is only 1:13 (13 Bhutanese for every single expat).

TAX CONTRIBUTION

Tax contributions by the reported FDI companies are recorded at Nu. 1512.97 million for the income year 2022. The contribution has increased by 16 % from the contribution recorded for the income year 2021 which was Nu. 1304 million. The figure is compiled from the survey and includes taxes such as salary tax, customs duties, corporate tax, etc.

FOR FURTHER INFO:

Invest Bhutan Division
Department of Industry
Ministry of Industry, Commerce &
Employment
Email: investbhutan@moice.gov.bt
www.moice.gov.bt

+975-2-337623/330435/337624