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Ministry of Finance
Royal Government of Bhutan

Bhutan's Economy Sustains Strong Growth Momentum

Bhutan's economy grew by 7.5% in 2024 and is projected to accelerate to 8.55% in 2025, maintaining this pace through 2027 to reach Nu. 325 billion (USD 3.8 billion). This reflects a return to Bhutan's long-run growth path, driven largely by hydropower construction and commissioning, alongside recovery in services and tourism.

Key Drivers of Growth

- Tourism: Arrivals rose 25% in the first half of 2025, boosting trade, transport, hotels, and arts & crafts.
- Services & Trade: Higher incomes and tourism spending lifted transport, wholesale, retail, and hospitality.
- Electricity: Commissioning of Punatsangchhu-II strengthened domestic supply, cutting imports by 10.1%; exports from 2026 will contribute up to 40% of electricity revenues.
- Construction: Private construction is recovering; public investment will rebound as hydropower spending accelerates.
- Employment: Unemployment is projected at 2.9%, though youth unemployment remains a concern.

Fiscal Position

- Revenue: Nu. 73.2 billion expected in FY 2025–26 (+17.7% from last year).
- Expenditure: Nu. 119.2 billion planned as project implementation accelerates.
- Deficit: 5.2% of GDP, with efforts to keep it below 5%. GST (2026) and income tax (2027) reforms will strengthen future revenues.
- Debt: Public debt is projected at 108% of GDP, over half linked to hydropower, and expected to decline as projects commission.

Monetary & Financial Sector

- Inflation: Moderated to 2.1% (y/y), though prices remain higher than a year ago.
- Credit: Bank lending grew 14%, mainly to tourism, manufacturing, and housing; however, NPLs rose 7.2%, prompting restructuring measures by RMA.

External Sector



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- Trade: Import dependency widened the trade deficit by 12.7%, but industrial output is expected to narrow this gap.
 - Reserves: Foreign reserves to reach USD 1.11 billion, covering 29 months of essential imports. Sustained convertible currency exports remain critical for resilience.

Outlook

Bhutan's strong economic performance is underpinned by hydropower expansion, a rebounding tourism sector, and prudent fiscal management. Continued reforms in taxation, employment generation, and financial sector stability will be key to building a more resilient and inclusive economy.

For detailed information, please visit www.mof.gov.bt for the [Macroeconomic Situation Report | Ministry of Finance, Royal Government of Bhutan](#)