

# 1. Economic Activities

## World Economy

### Economic growth

- 1.1 Global economy had expanded by 5.2 percent and 3.0 percent in years 2007 and 2008 respectively. The global economic growth in 2009, however, is expected to be negative by 0.6 percent. Global economic growth forecast for 2010 and 2011 is estimated to expand by 4.2 percent and 4.6 percent respectively. Such contraction is expected due to the contraction in both exports and imports resulted by reduced aggregate domestic demand. The effect of US economic crisis that started in 2007 is slowly improving with a trend of further improvement in the coming years. All groups of Advanced Countries; newly Emerged and Developing Economies; Developing Asia, Middle-East and North African countries; Middle and East European countries; and Newly Industrialized Asian Economies that recorded lower growth rate in 2008 than in 2007 are estimated to record further lower economic growth in 2009. Advanced Economies, Middle and East European Countries, and newly Emerging Asian Industrial Economies are estimated to record negative economic growth rate in the year 2009 also. Global economic growth rate is given in the following Table:

**Table 1(a) : World Economic Growth rate**

(Annual Percentage Change)

	2007	2008	2009	Forecast	
				2010	2011
<i>World Output</i>	5.2	3.0	-0.6	4.2	4.6
<i>Advanced Economies</i>	2.8	0.5	-3.2	2.3	2.4
<i>Emerging and developing</i>	8.3	6.1	2.4	6.3	6.5
<i>Developing Asia</i>	10.6	7.9	6.6	8.7	8.7
<i>African Countries</i>	5.6	5.1	2.4	4.5	4.8
<i>Middle-East Countries</i>	5.5	3.0	-3.7	2.8	3.4
<b>Newly industrialized Asian</b>	5.7	1.8	-0.9	5.2	4.9

Source: International Monetary Fund (World Economic Outlook), 2010

## Consumer Price

- 1.2 Almost every advanced and developing country had adopted expansionary monetary and fiscal policies to minimise the effect of recession. Necessity of continuation of such expansionary policies is felt for economic revival from recession. Price is increasing due to the rise in demand caused by the rate of economic recovery of especially of Developing Asia, other Developing Economies. This trend of price increase is expected to continue in 2010 as well. In developing countries where economic growth rate was 0.5 percent in 2008, inflation was 3.4 percent, while the growth rate recorded negative 3.2 percent in 2010, the rate of inflation was only 0.1 percent. In the same manner, the rate of economic growth and the rate of inflation also showed similar trend. The following table illustrates the trend of inflation.

**Table 1 (b) : CPI Based Rate of Inflation**  
(Annual Percentage Change)

<i>Particulars</i>	2007	2008	2009	<i>Forecast</i>	
				2010	2011
<i>Advanced Economies</i>	2.2	3.4	0.1	1.5	1.4
<i>Emerging and Developing Economies</i>	6.5	9.2	5.2	6.2	4.7
<i>Developing Asia</i>	5.4	7.4	3.1	5.9	3.7
<i>African Countries</i>	10.0	13.5	6.6	6.5	6.4
<b>Middle-East Countries</b>	6.0	8.1	4.7	5.2	3.6

Source: International Monetary Fund (World Economic Outlook), 2010

## Total Real Domestic Demand

- 1.3 The effect of economic growth and rate of inflation in the global economy gets reflected in aggregate domestic demand. As employment opportunities decrease, it causes adverse impact on income of the people, which is reflected in reduction of demand for domestic and external goods and services for consumption and investment thereby resulting decrease in aggregate demand, and ultimately stagnating the economic growth. The following table mirrors the status of demand forecast made for some advanced and emerging Asian economies.

**Table 1(c): Total Domestic Demand**

(Annual Percentage Change)

<i>Particulars</i>	2007	2008	2009	<i>Forecast</i>	
				2010	2011
<i>Advanced Economies</i>	2.8	0.5	-3.2	2.3	2.4
<i>United States of America</i>	2.1	0.4	-2.4	3.1	2.6
<i>EU Countries</i>	2.8	0.6	-4.1	1.0	1.5
<i>United Kingdom</i>	2.6	0.5	-4.9	1.3	2.5
<i>Canada</i>	2.5	0.4	-2.6	3.1	3.2
<b>Newly Industrialized Asian Economies</b>	5.8	1.8	-0.9	5.2	4.9

Source: International Monetary Fund (World Economic Outlook), 2010

- 1.4 Employment opportunities are expected to shrink due to slackened dynamism in economic activities resulting from decreased aggregate demand in Advanced Economies. Consequently, demand for foreign labours in these countries declines, causing the demand for fewer workers from developing countries. Decline in remittances, which have been a significant source of income for developing countries, have adversely affected causing serious concern against possible imbalance in their overall economies. Accordingly, the trend of decreasing demand for consumer goods from Advanced Countries may result in decreased export from Developing Countries. International Monetary Fund (IMF) has projected aggregate domestic demand in the Advanced Economies to stagnate at the level of 2007 with no improvement expected in 2010.
- 1.5 The impact of global financial and economic crisis is clearly reflected in the global trade scenario. The following Table illustrates the serious impact on the global trade caused by the rising trend in the price of petroleum products and food grains. The rate of growth of export from Advanced Economies and the Emerging Economies has been decreasing since 2008 and 2009, while that for both group of these economies in 2007 was 6.3 percent and 9.7 percent respectively. According to IMF forecast, the rate of growth of export from Advanced Economies and that from Emerging and Developing Economies is estimated at 8.3 percent and 6.6 percent respectively in 2010. In 2007, the growth rate of imports of Advanced Economies stood at 4.7 percent while that of Emerging and Developing

Economies was 12.7 percent. Compared to 2007, the rate of import for both the group of economy declined in 2008 whereas it recorded a negative growth in 2009. IMF has projected normal recovery in both imports and exports in 2010 and 2011.

**Table 1(d) : World Trade**  
(Annual Percentage Change)

<i>Particulars</i>	2007	2008	2009	<i>Forecast</i>	
				2010	2011
Volume of World Trade (Goods and Services)	7.2	2.8	-10.7	7.0	6.1
<i>Exports</i>					
<i>Advanced Economies</i>	6.3	1.9	-11.7	6.6	5.0
<i>Emerging and Developing Economies</i>	9.7	4.0	-8.2	8.3	8.4
<i>Imports</i>					
<i>Advanced Economies</i>	4.7	0.6	-12.0	5.4	4.6
<i>Emerging and Developing Economies</i>	12.7	8.5	-8.4	9.7	8.2

Source: International Monetary Fund (World Economic Outlook), 2010

## Growth Rates of Neighbouring Economies

- 1.6 Economic growth rate for neighbouring countries, India and China, has been encouraging for the year 2007 and 2008. China achieved Growth rates of 13.0 percent and 9.6 percent respectively in these 2 consecutive years, while growth rates for India in the same period was 9.4 percent and 7.3 percent respectively. Economic growth rate for the year 2009 is estimated to be relatively lower for both these countries with 8.7 percent for China and 5.7 percent for India. The trend of economic growth in other countries of South Asian Association for Regional Cooperation (SAARC) has been mixed for those years. However, decline is observed in the growth rate in majority of these countries in 2009 as compared to 2008.

**Table 1 (e): Economic Growth Rates of Nepal and Neighboring (SAARC) Countries**

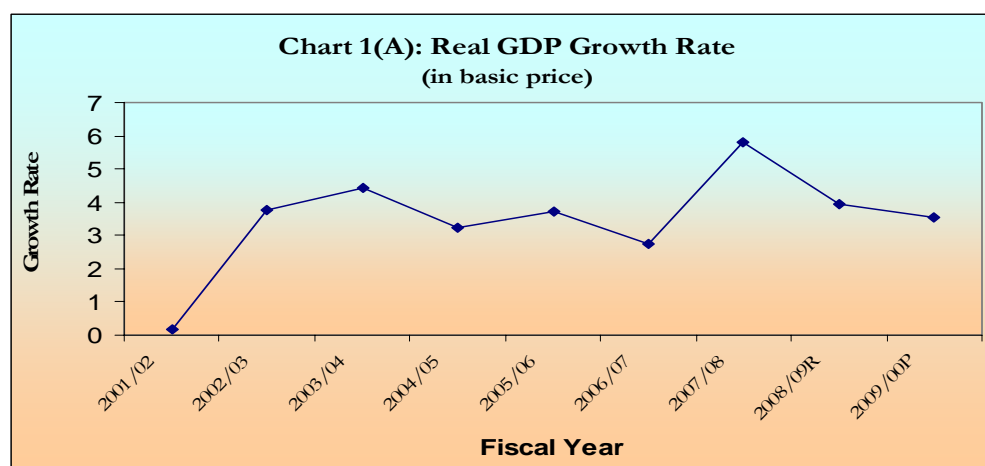
(Annual Percentage Change)

Countries	2007	2008	2009	Forecast	
				2010	2011
China	13.0	9.6	8.7	10.0	9.9
Afghanistan	14.2	3.4	22.5	8.6	7.0
Bangladesh	6.3	6.0	5.4	5.4	5.9
Bhutan	19.7	5.0	6.3	6.8	6.6
India	9.4	7.3	5.7	8.8	8.4
Maldives	7.2	6.3	-3.0	3.4	3.7
Pakistan	5.6	2.0	2.0	3.0	4.0
Sri Lanka	6.8	6.0	3.5	5.5	6.5
Nepal	3.3	5.3	4.7	3.0	4.0

Source: International Monetary Fund (World Economic Outlook), 2010

## National Economic Activities

- 1.7 The real Gross Domestic Product (GDP) is estimated to grow only by 3.5 percent in the current fiscal year against the targeted 5.5 percent. According to revised estimate, GDP in the previous fiscal year grew by 4.0 percent. Various external and internal factors are responsible for failure in achieving the targeted GDP growth. Among the internal causes, only a moderate growth in the production of monsoon crops is estimated due to adverse monsoon condition. Similarly, economic activities in the non-agriculture sector did not expand as desired due to closures, labour problems, interrupted electricity supply, and the contraction of external market.



## **Agriculture Sector**

- 1.8 Agricultural sector (agriculture and forest) is estimated to grow by 1.1 percent in the current fiscal year 2009/10 (at constant prices of 2000/01), against 3.0 percent growth in the previous year. Contribution of this sector to GDP for the current fiscal year 2009/10 is estimated to be about 33.0 percent against the previous fiscal year's 32.1 percent.
- 1.9 Reason for decline in production of monsoon crops is due to adverse monsoon condition. Food crops production in this fiscal year is estimated to decrease by 5.8 percent compared with the previous year based on Index of Agricultural Production. Particularly, production of paddy (rice) and maize crops are estimated to decline by 11.1 percent and 3.9 percent respectively. Production of vegetables, however, is estimated to increase by 7.3 percent as compared to the previous fiscal year. Similarly, production of other items in this category like fruits, meat, and milk is estimated to go up by 22.0 percent, 2.7 percent and 4.1 percent respectively. As per preliminary estimate, production of forest products will decrease by 0.3 percent in the current fiscal year.

## **Fisheries**

- 1.10 According to preliminary estimates, the fisheries sector will grow by 5.3 percent in the current fiscal year 2009/10. The sector recorded a 5.7 percent growth in the previous fiscal year. This sub-sector has attained an average annual growth rate of 6.2 percent for the last five years.

## **Non agricultural sector**

- 1.11 The growth rate of the non-agriculture sector in the fiscal year 2009/10 is estimated to remain at 5.1 percent. This growth rate is slightly lower as compared to the growth rate of 5.7 percent attained in the previous year. The shortage of energy supply has been a major factor for lower growth rate of non-agriculture sector. One group of sub-sectors with lowest growth rate are electricity, gas and water supply, while another is financial intermediation. These sub-sectors are estimated to grow only by 0.5 percent and 1.6 percent in the current fiscal year 2009/10. These sub-sectors in the previous year had also recorded the lowest growth rates (negative 0.9 percent and 1.5 percent respectively).

## **Hotel and Restaurant**

- 1.12 This sub-sector's estimated growth rate of 8.5 percent in the current fiscal year is the highest among 15 sub-sectors of GDP. This sub-sector's growth in the previous year was 3.0 percent. The causal factors of this significant growth are the gradual revival from the effect of the global financial crisis and recession as well as the positive trend in the tourism sector. Contribution of the tourism sector to GDP is estimated to have increased notably with boost in the tourists inflow credited to improved peace and security. Despite average growth rate of 5.6 percent of this sub-sector in the last five years, its contribution to GDP has not reached even at 2.0 percent.

## **Construction**

- 1.13 This sub-sector is estimated to grow by 6.6 percent in the current fiscal year 2009/10 in comparison to 0.9 percent in the previous year. The overall growth rate of this sub-sector is satisfactory with rapid growth of constructions of buildings in the public and the private sectors, private homes, real estate development, and government offices in the Kathamndu valley and other urban areas. This sub-sector has recorded a satisfactory growth rate in the last five years averaging 4.5 percent annually while contributing 6.7 percent to the GDP. Investment of the banks in real estate and housing sector has directly contributed for the development of this sub-sector.

## **Transport, Communication and Warehousing**

- 1.14 Growth rate of this sub-sector during the current fiscal year 2009/10 is estimated at 6.5 percent. This sub-sector had recorded 7.6 percent growth in the previous fiscal year. The sector could achieve such satisfactory growth especially due to gradual expansion of the communications sector. The sector would have achieved higher growth rate than the present estimates if it were not affected by frequent closures (*bandhs*) and load shedding. This sub-sector's achievement for the last five years is also worth mentioning. On the one hand, it has achieved an average growth rate of 7.1 percent while contributing 9.9 percent to the GDP on the other.

## **Education**

- 1.15 In the fiscal year 2009/10, this sub-sector is estimated to grow by 6.5 percent due mainly to the expansion in the government's budgetary

allocation on education with an objective of development of social infrastructure and enhancing the quality of human resource in the social sector along complemented by the private sector's contribution to this sub-sector. Although the estimated growth in this sector is lower than 11.3 percent achieved in the previous fiscal year, this rate of growth is considered as satisfactory. The growth rate achieved by of this sub-sector over the last five years has remained satisfactory averaging 7.1 percent with 6.2 percent contribution to GDP during this period.

### **Wholesale and retail trade**

- 1.16 Growth rate of this sub-sector is assumed to be satisfactory. This sector is estimated to grow by 5.6 percent in the current fiscal year, which is little less than 5.9 percent growth, recorded in the previous year. The reason for such not so impressive growth is assumed primarily to stagnancy observed in the demand for marketable goods. Despite this sector's notable contribution of 13.7 percent to the GDP, average growth rate of this sector for the period is contained to 2.3 percent.

### **Real Estate, Rent and Commercial Services**

- 1.17 This sub-sector is estimated to achieve the growth rate of 4.8 percent in the current fiscal year as compared to lower growth rate of 1.7 percent in the previous year. Even though the productive sector could not be expanded, it is estimated that expansion in housing construction has made positive impact in the real estate and commercial services. This sub-sector has achieved an average growth rate of 7.0 percent for the last five years and contributed average 9.2 percent to the GDP.

### **Mining and quarrying**

- 1.18 Mining and quarry, one of the sub-sectors of the non-agriculture sector, which grew nominally by 0.7 percent in the previous fiscal year, is expected to improve with an estimated growth by 4.2 percent in the current fiscal year 2009/10. This sub-sector has been achieving annual average growth rate of 4.0 percent for the last five years.

### **Industry**

- 1.19 Manufacturing industry, one of the sub-sectors of the non-agriculture sector, recorded normal growth. This sub-sector is estimated to grow by 2.6 percent in the current fiscal year, as compared to negative growth of 1.0

percent in the previous fiscal year. According to Industrial Production Index, higher production of biscuits, iron rod, beverages, and noodles are expected to raise the contribution of the industry sub-sector to GDP growth. Despite the sub-sector's annual average contribution of 7.1 percent to GDP for last five years, its average annual growth rate has been the lowest with 1.1 percent only.

### **Electricity, gas and water supply**

1.20 In comparison to the previous fiscal year, production of this sector is estimated to grow by 0.5 percent in the current fiscal year. This sector had recorded a negative growth of 0.9 percent in the previous year. Although this sub-sector has recorded an average annual growth of 3.5 percent for the last five years, its contribution to the aggregate GDP is not significant.

### **Financial Intermediation**

1.21 Growth rate of this sub-sector is estimated to be only 1.6 percent in this fiscal year. The sub-sector had achieved 1.5 percent growth in the previous year. Reason for slowdown of the pace of financial intermediation has been mainly due to energy crisis and other obstructions being faced by various branches of financial activities. Since financial intermediation has achieved 9.6 percent growth rate in the last five years, this sub-sector has made significant contribution to the economic development of the country.

### **Public Administration and Defence**

1.22 As per an estimate based on budgetary allocation and expenditure on public administration and defence, this sub-sector is estimated to attain a growth rate of 4.2 percent. This sub-sector had recorded a growth rate of 7.3 percent in the previous fiscal year. Likewise, this sub-sector's growth rate has remained at 4.1 percent on an average for the last five years.

### **Health and Social Works**

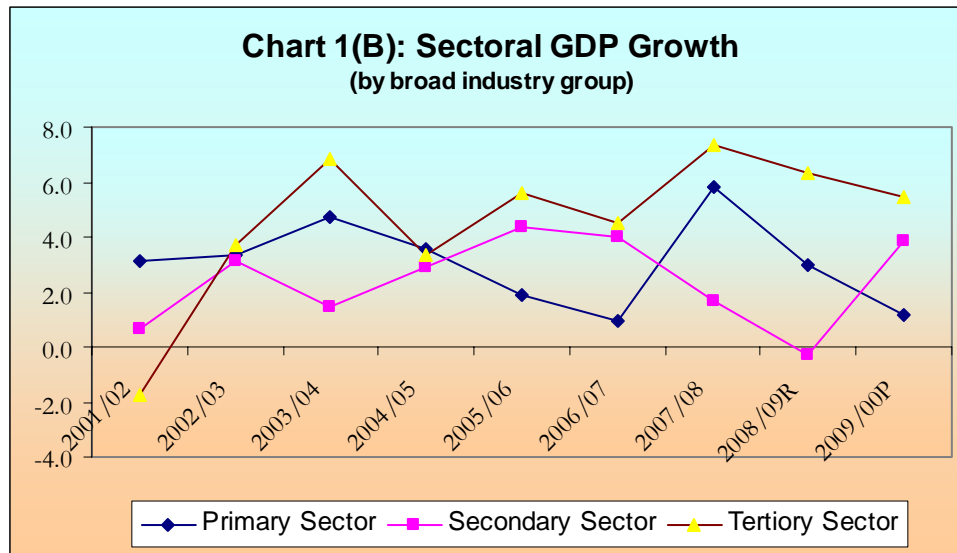
1.23 Growth rate of this sub-sector stood at 5.6 percent in the current fiscal year in comparison to 11.2 percent growth achieved in the previous year. This sub-sector is one of the major factors contributing to GDP growth in the review period. Budgetary allocation made with the State's commitment to make health services accessible to the people through its expansion, and expenditures made accordingly together with expanded health services in the private sector are the major factors contributing to the growth of this -sub-sector.

## Other Community, Social and Personal Services

1.24 This sub-sector is estimated to grow by 6.1 percent in the current fiscal year. This sector had achieved an encouraging growth of 13.0 percent in the previous year. This sub-sector comprises community services, other social and business services provided by the government. This sector has been able to achieve growth rate of 10.2 percent during last five years, which is highest among the sub-sectors.

## Sector Details

1.25 Based on analysis of the growth trend in recent years, the GDP growth of primary sector is estimated to remain at 1.2 percent in the current fiscal year 2009/10. This sector's growth in the previous year was 3.0 percent. Growth rate of the secondary sector comprising industrial production, electricity, gas and water supply is estimated at 3.9 percent in this period, up from the previous year's negative growth of 0.3 percent. Similarly, the tertiary sector includes various services. Growth rate of this sector in the current fiscal year is estimated to be 5.5 percent as compared to growth rate of 6.3 percent in the previous year.



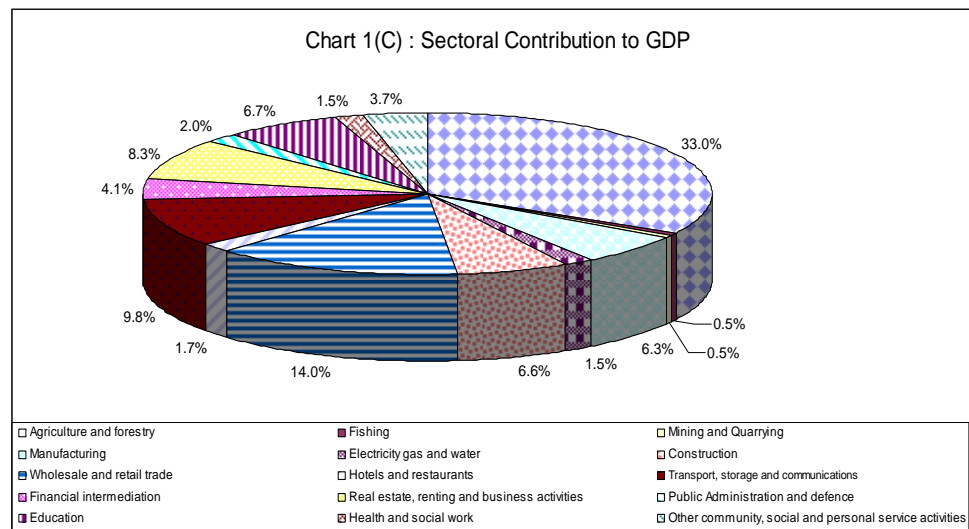
## Structure of Gross Domestic Production

1.26 Observation of the economic structure of the Nepalese economy based on the National Accounts Statistics received from the Central Bureau of Statistics (CBS) shows some notable changes in the last 9/10 years since the

introduction of new series of GDP estimates in fiscal year 2000/01. Contribution of the primary sector to GDP (agriculture, forestry and fishery), which stood at 37.0 percent in 2000/01 is estimated at 34.1 percent in the fiscal year 2009/10 with a decline of 2.94 percentage points. Contribution of agriculture and forestry sub-sector under the primary sector decreased by 3.1 percentage points to 33.0 percent whereas that of fisheries increased by 0.5 percentage point during this period.

- 1.27 The secondary sector, also known as the industry group, includes mining and quarrying, processing industries, electricity, gas and water supply and construction. This sector's contribution is estimated to be 14.4 percent in fiscal year 2009/10 with a decrease of 2.5 percentage points as compared to the fiscal year 2000/01. The root cause for this is the decline of 2.8 percentage points in the contribution of this sector between these two periods thereby containing the contribution to 6.3 percent.
- 1.28 The tertiary sector also known as the service sector includes nine sub-sectors. These sub-sectors are trade and commerce, hotel industries, transport, storage and communications, financial intermediation, real estate, public administration and defence, education, health, and other community, social and personal services. Contribution of this sector is estimated to grow by 5.4 percent and reach 51.5 percent in the current fiscal year 2009/10. Out of these sub-sectors, contribution of education has increased by 2.6 percentage points, transport and communication by 2.4 percentage points and the financial intermediations by 1.3 percentage points. However, the contribution of wholesale and retail trades decreased by 2.5 percentage points. It shows that Nepal has encouraged services than manufacturing.
- 1.29 As per the ISIC classified structure of GDP, agriculture sector occupied 34.1 percent at producer prices, with 65.9 percent occupied by the non-agriculture sector. In aggregate, no notable change is visible in the overall GDP structure during the last two years with 33.2 percent (agriculture) and 66.8 percent (non agriculture) sector in the previous year also. During the current fiscal year, sub-sectors showing the growth trend are agriculture, forestry and fisheries, wholesale and retail trade, hotel and restaurants, as well as public administration and defence. On the contrary, sub-sectors indicating reverse growth trend are manufacturing industries, mining and quarrying, electricity, gas and water, transportation, warehouse and communication, financial intermediation, and real estate, renting and

commercial activities. Additionally education, health, social services, and other community, social and personal services have also followed such declining trend. The sectoral contribution of the GDP in the current fiscal year is also presented in the following chart



## Consumption

- 1.30 Income of one group or party means expenditure of another party or group in the economy. While analyzing expenditure based GDP structure, the consumption expenditure has climbed to 90.6 from 88.3 percent within a decade of the fiscal year 2001/01 to 2009/10 showing an increase of 2.3 percentage points. Gross Fixed Capital formation during this period grew to 21.3 percent from 19.2 percent with a growth of 2.1 percentage points. Net export of goods and services as a portion of GDP (balance after deducting imports from exports) during this period shot-up almost by 2.7 folds from the negative 10.7 percent 10 years ago to 28.8 percent.
- 1.31 On the consumption side, share of private sector consumption in GDP decreased by 1.5 percentage points to 77.5 percent during this period whereas the government consumption increased by 3.4 percentage points reaching 11.5 percent. The major reasons for rise in government consumption are the armed conflict, ever extending post-peace accord transition period, and political instability thus created.
- 1.32 Estimates on import and export of goods and services as a portion of GDP during the last ten years show that imports as a percent of GDP has

increased by 4.8 percentage points climbing to 38.1 percent, whereas exports has steeply declined by 13.3 percentage points from 22.6 percent to 9.2 percent. In monetary term, import has increased by three folds reaching Rs 450.19 billion in ten years (2000/01 - 2009/10) whereas export is estimated to have grown by 9.6 percent in this period. In the fiscal year 2000/01, export was sufficient to cover 67.9 percent of the import, which is estimated to have decreased to 24.2 percent in the fiscal year 2009/10.

- 1.33 In the fiscal year 2009/10 total consumption is estimated to increase by 8.4 percent at constant prices reaching Rs 566.59 billion. In the previous year, total consumption stood at Rs 522.91 billion. Compared with the GDP, this amount accounts for 91.5 percent of the gross domestic production of the country. In the fiscal year 2008/09, total consumption was 88.3 percent of the GDP. In the fiscal year 2009/10 government is estimated to consume 11.5 percent of GDP, which was 11.0 percent in the previous year. Out of the total consumption of the private sector, looking at the structure of GDP consumed by the private sector in the fiscal year 2009/10, 57.4 percent went to food consumption, 29.9 percent on non-food, and 12.6 percent on services. Similarly, of the total private sector consumption of 59.5 percent of GDP in the previous year, share of food grains, non-food items and services was 59.5 percent, 28.4 percent and 12.1 percent respectively. It shows that there has been no noticeable change in the consumption structure of the private sector with food items occupying major share in total consumption. Considering the consumption dynamics, total consumption has increased by 8.4 percent in the fiscal year 2009/10 of which the private sector's consumption is estimated to have increased by 7.8 percent and that of the government by 13.1 percent. In the previous fiscal year, respective growth rates of the private and public consumption was 5.7 percent and 9.7 percent respectively. The increased public consumption is due to the excessive growth in recurrent expenditure.

## **Savings**

- 1.34 In the current fiscal year 2009/10, the gross domestic savings in current prices has reached Rs 110.75 billion with a growth of 15.0 percent in comparison to 20.1 percent in the previous year. Despite the increase in both consumption and saving, it is estimated that saving will be limited to 9.4 percent with slight decline from 9.8 percent in the previous year. During the last decade (2000/01 - 2009/10) the domestic saving has declined by 2.30 percentage points from the earlier 11.7 percent of GDP.

## **Capital formation**

1.35 Gross capital formation in constant price is estimated at Rs. 228.14 billion in the fiscal year 2009/10, which is 36.9 percent of GDP. Gross capital formation is estimated to grow by 26.0 percent as compared to the previous year. In the previous year gross capital formation stood at 30.6 percent of GDP with a growth of 9.7 percent. In the current fiscal year, the share of fixed assets and change in stock in gross capital formation was 50.5 percent and 49.5 percent respectively. It was 60.5 percent and 39.5 percent respectively in the previous year. Out of the gross fixed capital formation in the fiscal year 2009/10, the estimated share of public sector is 21.8 percent and that of the private sector is 78.2 percent. In the previous year the share of public sector was 20.2 percent while that of the private sector was 79.8 percent. The figure suggests that the share of fixed capital formation in the public sector has increased whereas that of the private sector participation has decreased.

## **Net export of goods and services**

1.36 It is estimated that the import of goods and services at constant prices totalled Rs 245.04 billion and exports worth Rs 69.35 billion during the current fiscal year with the trade deficit of 175.69 billion. The trade deficit has increased by 56.9 percent against the increase of 20.0 percent in the previous year. This deficit in the current fiscal year comes out to 28.4 percent of the GDP as compared to 18.9 percent in the previous year. The rapid increase in imports and decrease in exports has resulted in the alarming level of trade deficit. In fiscal year 2009/10, earning from export of goods and services is estimated to cover 30.7 percent of import of goods and services at constant prices. In the previous year, earning of export was sufficient to cover 28.3 percent of imports. It is the positive reflection of 10.9 percent decline in earnings from export of services with likewise decline of 10.7 percent in expenditure in the current fiscal year as compared to 10.3 percent export earnings and 5.9 percent expenditure on imports in the previous fiscal year.

## **Disposable Income**

1.37 In Nepal, GDP forms the only basis for National Accounts analysis. Remittance inflow into the Nepalese economy is growing continuously since last decade. As such, disposable income of Nepalese people exceeds

GDP. The total of earnings made by Nepalese within the country and net earnings made overseas is defined as disposable income. GDP in the fiscal year 2009/10 is estimated to grow by 19.3 percent and gross disposable income by 18.1 percent as compared to growth of 21.5 percent and 24.5 percent respectively in the previous year. GDP in the fiscal year 2009/10 is estimated to form 80 percent of gross national disposable income.

- 1.38 Based on this calculation, proportion of consumption out of gross national disposable income comes out to 72.5 percent with a gross national saving of 27.5 percent. In the previous year, these proportions stood at 71.5 percent and 28.5 percent respectively. Similarly, the gross domestic savings accounted for 7.7 percent and 7.5 percent of gross national disposable income in fiscal years 2008/09 and 2009/10 respectively. Here it is worth bearing in mind that gross domestic savings as a proportion of GDP in these two years stood at 9.8 percent and 9.4 percent respectively. Observation of the growth trend indicates that gross national disposable income, consumption and savings all have decreased in the fiscal year 2009/10 as compared to its preceding year. In this period, growth rate of gross consumption is higher than the gross disposable income while rate of savings is lower. This clearly indicates that greater portion of increased marginal income goes for consumption.
- 1.39 National Accounts Statistics also provides insight into the distribution of Income status and dynamism of such distribution with the passage of time. Looking from this perspective, out of the gross disposable national income of Rs. 1,479,101.0 million, labours received Rs. 416,914.0 million in the form of salaries and wages while the business community shared Rs. 657,416.0 million as profit or mixed income. In percentage, labourers share was 28.2 percent and the businessmen's share comes out to be 44.4 percent. In fiscal year 2001/2002 (9 years ago) labourers and businessmen shared 39.1 percent and 42.2 percent of the gross disposable national income respectively. In this way, labourers share has come down by 10.9 percent while that of the business people's has gone up by 2.2 percent.