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| <b><i>Title of paper: Regional National Accounts of Nepal: An approach for disaggregated accounting methodology</i></b>   |

## Abstract

The constitution of Nepal has declared Nepal as the Federal Republic State from Unilateral state. As a result, there is strong urge for the regional National Accounts estimates as these estimates serves as denominator for many policies at regional level. In addition, disaggregated economics statistics are more important to monitor the SDGs at regional level. Nevertheless, SNA 2008 has not explicitly explained about the regional accounts but facilitate to compile regional national accounts by redefining local unit in a region without any sales as production unit so long as it incurs cost of production. However, different countries have adopted different methodologies and approaches for compiling regional national accounts based on the data availability. Nepal is going to compile the regional national accounts by production approach employing both direct and indirect methods. In Nepal, federalism has short history so data system that backup the regional national accounts compilation is very weak and there is no national account statistics for regional level before 2018/19. This paper presents the compilation methodology of regional national accounts in Nepal. The data sources, limitations and data gaps are analyzed in details. This paper also recommends appropriate measures for the regular supply of the quality national accounts in the days to come. This paper is prepared by using descriptive and analytic approach.

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## **II. Introduction**

Official Statistics system plays an important role for the information system of democratic society. Timely relevant data about population, economy and environment should be disseminating to the public in regular basis. Official statistics not only form the information it also plays major role in the policy formulation, monitoring and evaluation.

National Account Statistics are at the center of macroeconomic statistics. Among them Gross domestic product is the important one which lays a foundation for many policy issues. The growth on the GDP signifies the strength, prospects and progress of an economy. The national accounts statistics provides indicators to access the economic conditions and developments. Along with others uses of national account statistics, they are used for the regional, sectoral and structural policies. Regional national accounts are regional specification of the national accounts. Regional or disaggregated statistic are vital for various purpose and they can be used for assessing the performance, development level and regional disparities. Regional national accounts are necessary to monitor the progress towards sustainable development indicators SDGs.

### **A. Objectives of the Paper**

This paper help to lay a foundation for the regionalization of the national accounts and aims to improve quality of the regionalization by critically assessing the methodology and gaps. National accounts statistics provide a measurement framework to assess sustainable production, consumption and meaningful jobs. Regional national accounts support economic policy making, analysis and assessments at regional level which will help to reduce the regional disparities making the society for all” and Goal 8 “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” and Goal 12 “Ensure sustainable consumption and production patterns”. The goal 12 focuses mainly on the sustainable management and efficient use of natural resources. The sustainable development goal indicators are required to be disaggregated by geographic location and statistical system should be developed in this direction. The regional national accounts would best serve with respect to this statistical need of SDG monitoring.

## **III. Statistical System of Nepal**

### **A. Constitutional and statutory provision**

The constitution of Nepal has defined the structure of the state in three tier “The main structure of the federal democratic Republic of Nepal shall be of three levels namely the Federation, the State and Local Level” (constitution of Nepal). There are seven states and 753 Local level government “Municipal” have been in existent. To determine detailed basis and modality for the distribution of revenues between different tier of governments there a constitutional body named Natural resource and fiscal commission has been provisioned in the constitution. One of the mandatory basis to recommend modality for the distribution of revenue is Human development of Index of the state and municipal (natural resource act). For Human development index there is high demand of estimation of income of the respective state and municipal.

The constitution has enlisted the power of federal, state and local level government in relation to the official statistics. National statistics, national and international standards and quality are under the jurisdiction of federal government, state statistics are under the jurisdiction of state government similarly collection of local statistics and records and unemployment record are the power of location government for the statistics.

## **B. System of National accounts of Nepal**

Nepal has started to compile the National Accounts Statistics since 1961/62 for the first time by the then ministry of economic planning. After two years of gap central bureau of statistics, started to compile the national accounts statistics regularly since 1964/65. The first compilation was based on the 1953 UNSNA framework. The current series of national accounts statistics are being compiled using the 1993 UNSNA framework with base year 2000/01. Production accounts is the main account that Nepal prepare. Nepal still has not any sequence of accounts and sectorial accounts though it came up with two supply and sue table with reference year 2004/5 and 2010/11. It is the first time that Nepal is going to compile the regional national accounts.

## **IV. Concepts of Regional National accounts (RNA)**

Regional national accounts are regional specification of the national accounts statistics. Concepts and coverage of RNA are same as that are used in the national accounts (ESA 2010). Similar to the national accounts conceptually RNA also, can be compiled by using the different (a) Production (b) Expenditure (c) Income approaches and as broader as the National accounts are. Lack of data, difficulties in recording of transaction of between the resident of inter regions the scope of RNA is restricted and complete set of System of National accounts (SNA) are difficult to compile (SNA para 18.51). It is therefore where the statistical system is not well developed faces difficulties to compile the RNA by three approach. The RNA describes the economy of a region as like the national accounts of the country based on the economic agents of the region. The regional accounts by industries is the basic accounts of RNA that any country with minimum data set can produce. The regionalization of account by industries employ the measurement of Gross Value added by industries. In order to compile there are different approaches and methods are in practice. As like the National accounts RNA, also uses the same concepts of territory, institutional units, resident etc. Some basic terminology and concepts defined for the RNA are discussed below.

### **A. Economic territory**

The economic territory of a region is the part of total economy of that country which is composed of institutional units and sectors. The economic territory of a country is divided in to regional territory and extra region territory. The regional territory is located on a single region where as the extra

region territory is composed of region which cannot be assigned to single region. The extra-region territory consists of:

- a. The national air-space, territorial waters and the continental shelf lying in international waters over which the country enjoys exclusive rights,
- b. Territorial exclaves (i.e. geographic territories situated in the rest of the world and used, under international treaties or agreements between states, by general government agencies of the country, e.g. embassies, consulates, military bases, scientific bases etc.)
- c. Deposits of oil, natural gas etc. in international waters, outside the continental shelf of the country, worked by resident units.

As like the National economy the concept of residency is applied whether certain institutional units belong to that economy or not. An institutional unit is resident of a regional economy if it has the predominant economic interest on it or not.

## **B. Institutional Units**

The economy of a country is a system whereby institutions and people interact through exchanges and transfers of goods, services and means of payments, (e.g. money), for the production and consumption of goods and services. In the economy, the units interacting are economic agents that are capable of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. They are known as institutional units. Institutional units are the basic Defining the units used in national accounts serves various purposes. (ESA para 2.01).

Three types of institutional units regional, multiregional and national have to be considered in the context of regional accounts.

- a. There are regional units, the Centre of predominant economic interest of each of which is in one region and most of their activities take place in this region. Among regional units are households, corporations whose establishments are all located in the region, local and state governments, at least part of social security and many NPISHs.
- b. There are multiregional units, the Centre of predominant economic interest of each of which is in more than one region but does not relate to the country overall. Many corporations and a number of NPISHs are in this situation.
- c. A small number of units are national units, which means that their centers of predominant economic interest are not located geographically even in the sense of multiregional location. This is usually the case of central government and may be the case for a small number of corporations (probably public), generally in a monopolistic or quasi-monopolistic situation, such as the national railway corporation or the national electricity corporation (SNA para 18.47)

The accounting of the transaction of multiregional and national unit are more difficult than regional. For regional units assignment of transaction to the region is straight forward and for multiregional and national units all transaction cannot be assigned to the regions only the balancing items can be determined to the region.

Because of these conceptual difficulties no country can establish complete SNA accounts for every region. In most cases regional accounts are limited to recording production activities by industries.

### **C. Enterprises, Establishments and Industries**

As defined in SNA, an enterprise is the view of an institutional units as a producer of goods and service. It may refer to a corporation, a quasi-corporation, a NPI or an unincorporated enterprise. An establishment is an enterprise, or part of an enterprise, that is situated in a single location and in which only a single productive activity is carried out or in which the principal productive activity accounts for most of the value added. An industry consists of a group of establishments engaged in the same, or similar, kinds of activity.

Because of conceptual issues and difficulties that arises in the measurement of activities by enterprise, enterprises should be partitioned in to more homogenous units. Allocation of secondary and ancillary activities of multiregional enterprises, enterprise have to be partitioned into smaller and more homogenous units. Production units are partitioned into Kind-of-Activity units, Local Units, and Establishments or Local kinds of activity units.

Kind-of-Activity Units is an enterprise, or a part of an enterprise, that engage in only one kind of productive activity or in which the principal productive activity accounts for most of the value added. Local unit is an enterprise, or a part of an enterprise, that engages in productive activity at or from one location. Establishments are sometimes referred to as local kind-of activity units (local KAUs). For regional accounts by industries information from the local KAU is collected. SNA 2008 treated the local ancillary units as establishment and prescribed the method to measure the output of ancillary unit by cost approach and allocate these output as intermediate consumption of establishment making the regional accounts possible.

### **D. Choice of approach**

Principally regional GDP estimation can be compiled by three approaches namely Production, Income and Expenditure used in the compilation of national GDP. The component of production approach is value add (output, intermediate consumption), taxes and subsidies). The component of expenditures are Final consumption of households and NPISH Final consumption of government Gross capital formation Exports Imports. Due to difficulties to obtain information about exports and imports of each region this approach seems not easily applicable. Income approach requires information about compensation of employee, profits, consumption of fixed capital property income and transfers.

Since the expenditure approach seems difficult to implement to get the regional National accounts choice between income and production approach should be made.

Income approach cannot be applied to get regional national accounts by industries. Production approach gives the estimate of GDP by industries with the availability of minimum data. it recommended to compile regional GDP by both income and production approach to facilitate cross check on the reliability of the estimates.

## V. Methods of Regionalization

'Regional accounts are based on transactions of units that are resident in a regional territory.' In the case of regional accounts by industry, data have to include the transactions and residence of the local KAUs.

### A. Regional accounts by Industry

The SNA 2008 has made it possible to compile regional national accounts

GVA is compiled for each industry. Production activities carried out by Industries could be market oriented or non-market oriented. For market oriented production GVA is compiled by

$GVA(\text{basic prices}) = \text{output at basic} - \text{prices intermediate consumption at purchasers' prices.}$

and for Non market activities

$GVA(\text{basic prices}) = \text{other taxes less subsidies on production} + \text{compensation of employees} + \text{consumption of fixed capital} + \text{net operating surplus} / \text{net mixed income.}$

Regional national accounts can be compiled by the

*a. Bottom up approach*

*b. Top down method*

*c. Mixed method*

Bottom up approach is the method of estimating regional aggregates from the information directly collected from the local KAU level. In absence of full data from local KAU pseudo bottom up approach is can be applied where data for local KAU can be estimated from enterprise, KAU or local unit data using regional indicators. The estimates can then be aggregated to obtain regional total as in bottom-up method. This method can be used especially for multiregional enterprises or KAUs. Top down method of regionalization distributes national aggregates to regional level by using the appropriate indicators which are closed to the variable to be estimated. This method does require to collect data from local kind of activity units. The mixed method is the use of both bottom up approach and pseudo bottom up approach or top down method. When comprehensive and reliable data about GVA are available there is no need of using indicators. The choice between bottom-up and top-down methods depends mainly on the statistical sources available.

In principle, the advantage of the bottom-up method is that it measures the desired variable directly and allocates it correctly to region and industry. Bottom-up methods can produce estimates for any regional level by aggregating the data appropriately, while maintaining data confidentiality. They can also produce an alternative national estimate, if they are based on sources other than those used for the national accounts estimate. Such alternative estimates provide the opportunity to check the plausibility of both national and regional accounts estimates.



In practice it is usually necessary to adjust the regional accounts estimates in accordance with the national accounts estimates. This is mainly due to national accounts adjustments for balancing the data in a Supply and Use framework and estimates for the non-observed economy at the national level not usually being available in the source statistics on which the regional accounts are based.

The main disadvantage of top-down methods is that the regional accounts estimates are not produced with direct data but with regional indicators. The accuracy of these estimates depends largely on whether the regional indicators used reflect the regional phenomenon to be measured. Though it is not a strong argument at all, one could say that top-down methods do have the advantage that the numerical coherence between national and regional accounts will be guaranteed automatically. These methods may also be cheaper to develop as they exploit existing data or can be based on nationwide sample surveys or administrations rather than requiring comprehensive new registers or annual census-type collections.

In conclusion, pure bottom-up methods are preferred over top-down methods and should be the first choice. In the case of multiregional KAUs or enterprises, pseudo-bottom up methods should be used. Only in cases where no reliable information at local KAU level exists, should top-down methods be used. In such a scenario the emphasis will be on the suitability of the regional indicators used.

### **B. Reconciliation of Regional accounts and National accounts**

The total of regional GDP should be equal to National GDP. When we compile regional national accounts by applying bottom up or pseudo bottom up approach it is natural that total of regional GDP would not equal to nation GDP. The difference between these two should be allocated to the region in proportion to the regional output or allocate the difference to the region which has the highest GDP. The magnitude of the difference signifies the quality of the regional and national estimates.

## **VI. Regionalisation of National accounts of Nepal**

Nepal has transformed from unitary system to the federal system, previously there were seventy-five administrative district and five political development region with three geographic divisions. Most of surveys were conducted to produce statistics at fourteen analytical domains, combination of development region and geographic division. As per the new political system the country is restructured to seven states and 753 municipals.

There is high demand of disaggregated data to the new system especially national accounts statistics. They are important to gauge the progress of the state government, to assess the regional disparities and to monitor the progress of sustainable development goal at state level. Since the country has transformed to the federal system in 2015, full functioning and setup of the federation is just started and gaining pace. In past many surveys and administrative structures were set up to produce result at the national level mainly economic variable since the users of these statistics were

very few so as the demand. Now the scenario has changed and with the start of the federalism there is growing demand of economic statistics at the provincial and municipal level though the statistics system has not progressed as the political system. Many administrative system is yet to be establish.

Central Bureau of statistics started the regionalization of National accounts statistic. As already mentioned that since it is the first time of the regionalization and there need a lot of investment and efficient administrative system is required to provide detailed information of local kind of activity unit (LKAU). It is therefore bottom approach cannot be applied so top to bottom approach is employed for the regionalization of National accounts. As the journey of thousands mile begins from one step this initiation is expected to add the brick to the official statistical system of Nepal.

The gross value added is regionalized by using the different indicator. For most of the industries dynamic up to date data are used to develop the indicators and for some industries structural indicators have been selected. It is recommended to develop the separate indicators for different component of the industries. As possible utmost attempt is made to compile separate indicator each component and sub component of the industries.

National accounts system of Nepal is based on the SNA 1993 and ISIC rev 3. National accounts of are compiled on fifteen industries combining the last three industries in to one. The regional national accounts statistics of Nepal are presented in the annex 1.

## **A. Industries and Indicators**

### **1. Agriculture and Forestry**

For the agriculture and forestry indicators are based on the production of agricultural commodities and for forestry area of forest land and forest type is used. Generally, the indicators are based on the production of previous year since detail of the production is not available on the same year and are available with one-year lag. The proportion of output values of last year for each province are used as the indicators to allocate National Gross value added to province. In absence of price at regional level national average price were used. For forestry a composite index of area of forest and revenue collected from the primary forest product is used to distributes the National gross value add to the regions.

### **2. Fishing**

Total output by district is used allocate the National gross value added of fishing industry.

### **3. Mining and quarrying**

revenue and royalties of mining and quarrying activities for the province is used as an indicator.

### **4. Manufacturing**

Manufacturing activities are classified in three types modern manufacturing, small manufacturing and manufacturing activities carried out by households. For modern and small scale manufacturing GVA from census of modern manufacturing and small manufacturing survey along with annual value

added tax is used to derive the composite index. For household manufacturing activities ratio from the Nepal living standard survey 2011 is used to allocate the GVA by state.

#### **5. Electricity, Gas and Water**

For the generation, transmission and distribution of electricity a composite indicator is derived by using installment capacity of hydropower plant and revenue collection from sale of electricity by province to allocate the national GVA to states.

For gas The number of biogas plant by state is used to decomposed GVA at state level and for water household expenditure on water by province from the annual household survey is used to distribute the National GVA at province.

#### **6. Construction:**

Total construction activities are divided into two categories namely Government construction and Private construction. For the government construction, capital expenditure by state of federal government is used as the indicator to allocate the government construction. Number of building construction permission by municipalities in the province is used to distribute private construction.

#### **7. Wholesale and retail trade:**

Value added tax on sales collected by state is used for wholesale trade and share of consumption expenditure by state use for retail trade.

#### **8. Hotels and restaurant**

Number of hotel and restaurant by type is used as the indicator to regionalize the GVA of hotel and restaurants.

#### **9. Transport storage and communications**

Number of public vehicle by province is used for land transport and number of passenger by airport in the respective state is used as indicator for the regionalization.

#### **10. Financial Intermediation**

The GVA of financial intermediation is regionalize by using sum of amount of loan and deposit.

#### **11. Real Estate, Renting and Business Activities**

For real estate revenue of land registration, revenue from renting and business tax is used for renting and business activities respectively.

#### **12. Public administration and defense**

Total government expense of government by state on CE and IC is used as indicator to proportionate the total GVA of this industries.

#### **13. Education:**

Total number of student studying at different level of school and college is used as indicator to regionalize the GVA of education industries

#### **14. Health and Social work**

Number of service taker by health institution for private health service and government expense is used for government health service is used for the allocation of GVA of health and social work.

#### **15. Other community, social and personal service activities**

For the culture and recreation: Government expenditure on these topics is used as an indicator. For sports, Government and Nepal Sports council expenditure is used an indicator. For Radio and TV channel, number is obtained from Ministry of Information and Communication and GVA per units is derived from CBS survey. Census of motion picture and music industry is used as an indicator for motion picture.

### **B. Regional National Accounts in Constant Price**

To calculate the economic growth of the region and monitor the economic growth over the year regional accounts should also be compiled in constant price. To compile the regional accounts in constant price appropriate deflator or price indicator is required alternatively appropriate indicators reflecting constant production growth in order to extrapolate GDP (or precisely value added) by each economic activity is required. In absence of the appropriate deflator by region the constant price estimates are obtained by using the appropriate indicators. These indicators are developed as the composite index of overall implicit deflators for each industry, consumer price index (CPI) by region.

## **VII. Recommendations**

Many of the indicators for the regionalization are static in nature and based on the surveys far from the current year this may not reflect the real picture of the activities by region. There should be continuous quest for the dynamic indicator to reflect the activities by the economic agents in the region. Administrative data would play important role in this regard for example tax data specially Value added tax (VAT) by provinces would provide a better indicator of many business activities. The length of road, consumption of fuel specially diesel and average numbers of public transport vehicles operates daily would be a better indicator for land transportation if available by province rather than number of vehicle registered in the province because the country is just transferred in to federal system and many vehicles were registered either in capital city or in custom entry city because of administrative easy. Similarly, electricity demand or consumption by manufacturing industries could provide alternative indicator for the manufacturing industry along with VAT data. It is therefore administrative data system should be strengthened and be efficient to provide data by province. There should be coordinated effort between federal, provincial and local level governments to produce the statistic timely to facilitate compilation of regional national accounts by bottom up approach.

Household and enterprise surveys should be designed to produce the statistics at province level and should be in regular interval. Price statistics system should also be strengthened to provide price indices at regional level. The economic census would provide important basis for regionalization of

the national accounts. The business register should be maintained and updated regularly for efficient national accounts system.

## **VIII. Conclusion**

There is high importance of regional national accounts for various purpose. Nepal has started with to compile regional national accounts with minimum statistical infrastructure The statistical infrastructure is expected to improve in future as recently the first economic census is conducted and there is initiative to compile regional consumer price index, manufacture production index, producer price index. The upcoming surveys are designed to produce indicator at least up to state level. As the saying “The journey of thousands mile starts from one step “ this initiative will help to fulfill the data demands for policy formulation and monitoring various development initiatives including sustainable development goals (SDGs).

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X. Annex

**Table 1: Provincial Gross Value Added by Industrial Division, 2018/19**  
(at current prices)

|   | Industrial Classification  | Provinces     |               |                |               |               |               |               | Total GVA |
|---|--|---------------|---------------|----------------|---------------|---------------|---------------|---------------|-----------|
|   |  | 1             | 2             | 3              | Gandaki       | 5             | Karnali       | Sudur Paschim |           |
| A | Agriculture and forestry   | 176095        | 154156        | 145259         | 85191         | 130064        | 38945         | 81637         | 811347    |
| B | Fishing  | 1858          | 8298          | 804            | 89            | 3230          | 21            | 361           | 14661     |
| C | Mining and quarrying   | 2528          | 2637          | 6223           | 2269          | 2968          | 666           | 1218          | 18508     |
| D | Manufacturing  | 37640         | 25008         | 61098          | 9142          | 27831         | 1224          | 9248          | 171190    |
| E | Electricity gas and water  | 8352          | 2955          | 12643          | 7969          | 3176          | 1435          | 1633          | 38162     |
| F | Construction   | 43776         | 23520         | 61378          | 32494         | 41706         | 13056         | 21790         | 237720    |
| G | Wholesale and retail trade   | 46179         | 53936         | 246729         | 22760         | 44778         | 7626          | 17920         | 439930    |
| H | Hotels and restaurants   | 9327          | 3008          | 24971          | 11015         | 7454          | 3525          | 3518          | 62817     |
| I | Transport, storage and communications                                | 23455         | 36375         | 107961         | 16394         | 30401         | 1611          | 5156          | 221353    |
| J | Financial intermediation   | 17413         | 12511         | 123056         | 14895         | 19140         | 1796          | 4658          | 193469    |
| K | Real estate, renting and business activities                         | 33157         | 22271         | 225015         | 20676         | 29477         | 10195         | 12286         | 353077    |
| L | Public administration and defence                                    | 12455         | 11876         | 14942          | 10022         | 13931         | 9220          | 10528         | 82975     |
| M | Education  | 33821         | 35623         | 45613          | 20707         | 38089         | 16921         | 25332         | 216106    |
| N | Health and social work   | 10025         | 3463          | 12164          | 9209          | 10492         | 3836          | 4306          | 53494     |
| O | Other community, social and personal service activities              | 28059         | 11099         | 33165          | 22039         | 28223         | 8461          | 15376         | 146421    |
|   | <i>Total GVA including FISIM</i>                                     | 484139        | 406736        | 1121020        | 284871        | 430959        | 118537        | 214966        | 3061230   |
|   | <b>Financial Intermediation Services Indirectly Measured (FISIM)</b> | 11565         | 8309          | 81723          | 9892          | 12711         | 1193          | 3093          | 128486    |
|   | <i>Gross Domestic Product (GDP) at basic price</i>                   | <b>472575</b> | <b>398427</b> | <b>1039297</b> | <b>274979</b> | <b>418248</b> | <b>117345</b> | <b>211873</b> | 2932744   |
|   | <b>Taxes less subsidies on products</b>                              | 33273         | 46069         | 393458         | 13228         | 34549         | 1915          | 9083          | 531575    |
|   | <b>Gross Domestic Product (GDP)</b>                                  | <b>505848</b> | <b>444496</b> | <b>1432756</b> | <b>288207</b> | <b>452797</b> | <b>119259</b> | <b>220956</b> | 3464319   |

R = Revised/P = Preliminary

**Table 2: Composition of Gross Domestic Product by Province, 2018/19**  
(at current prices)

| NSIC | Industrial Classification                               | Provinces    |              |              |             |              |             |               | National      |
|------|---|--------------|--------------|--------------|-------------|--------------|-------------|---------------|---------------|
|      |   | 1            | 2            | 3            | Gandaki     | 5            | Karnali     | Sudur Paschim |               |
| A    | Agriculture and forestry                                | 21.70        | 19.00        | 17.90        | 10.50       | 16.03        | 4.80        | 10.06         | 100.00        |
| B    | Fishing   | 12.68        | 56.60        | 5.48         | 0.60        | 22.03        | 0.14        | 2.47          | 100.00        |
| C    | Mining and quarrying                                    | 13.66        | 14.25        | 33.62        | 12.26       | 16.04        | 3.60        | 6.58          | 100.00        |
| D    | Manufacturing   | 21.99        | 14.61        | 35.69        | 5.34        | 16.26        | 0.71        | 5.40          | 100.00        |
| E    | Electricity gas and water                               | 21.89        | 7.74         | 33.13        | 20.88       | 8.32         | 3.76        | 4.28          | 100.00        |
| F    | Construction  | 18.41        | 9.89         | 25.82        | 13.67       | 17.54        | 5.49        | 9.17          | 100.00        |
| G    | Wholesale and retail trade                              | 10.50        | 12.26        | 56.08        | 5.17        | 10.18        | 1.73        | 4.07          | 100.00        |
| H    | Hotels and restaurants                                  | 14.85        | 4.79         | 39.75        | 17.53       | 11.87        | 5.61        | 5.60          | 100.00        |
| I    | Transport, storage and communications                   | 10.60        | 16.43        | 48.77        | 7.41        | 13.73        | 0.73        | 2.33          | 100.00        |
| J    | Financial intermediation                                | 9.00         | 6.47         | 63.60        | 7.70        | 9.89         | 0.93        | 2.41          | 100.00        |
| K    | Real estate, renting and business activities            | 9.39         | 6.31         | 63.73        | 5.86        | 8.35         | 2.89        | 3.48          | 100.00        |
| L    | Public administration and defence                       | 15.01        | 14.31        | 18.01        | 12.08       | 16.79        | 11.11       | 12.69         | 100.00        |
| M    | Education   | 15.65        | 16.48        | 21.11        | 9.58        | 17.63        | 7.83        | 11.72         | 100.00        |
| N    | Health and social work                                  | 18.74        | 6.47         | 22.74        | 17.21       | 19.61        | 7.17        | 8.05          | 100.00        |
| O    | Other community, social and personal service activities | 19.16        | 7.58         | 22.65        | 15.05       | 19.28        | 5.78        | 10.50         | 100.00        |
|      | Average shares at basic price                           | <b>16.11</b> | <b>13.59</b> | <b>35.44</b> | <b>9.38</b> | <b>14.26</b> | <b>4.00</b> | <b>7.22</b>   | <b>100.00</b> |
|      | Average shares at purchasers price                      | <b>14.60</b> | <b>12.83</b> | <b>41.36</b> | <b>8.32</b> | <b>13.07</b> | <b>3.44</b> | <b>6.38</b>   | <b>100.00</b> |
|      | Overall growth rate at basic price                      | <b>6.49</b>  | <b>6.53</b>  | <b>7.04</b>  | <b>7.06</b> | <b>7.37</b>  | <b>5.68</b> | <b>6.25</b>   | <b>6.81</b>   |
|      | Overall growth rate at purchasers price                 | <b>6.60</b>  | <b>6.70</b>  | <b>7.46</b>  | <b>7.12</b> | <b>7.46</b>  | <b>5.71</b> | <b>6.32</b>   | <b>7.05</b>   |



**Table 3: Composition of Gross Domestic Product by ISIC Division, 2018/19**  
(at current prices)

| NSIC | Industrial Classification                               | Provinces |       |       |         |       |         |            | National |
|------|---|-----------|-------|-------|---------|-------|---------|------------|----------|
|      |   | 1         | 2     | 3     | Gandaki | 5     | Karnali | S. Paschim |          |
| A    | Agriculture and forestry                                | 36.37     | 37.90 | 12.96 | 29.91   | 30.18 | 32.85   | 37.98      | 26.50    |
| B    | Fishing   | 0.38      | 2.04  | 0.07  | 0.03    | 0.75  | 0.02    | 0.17       | 0.48     |
| C    | Mining and quarrying                                    | 0.52      | 0.65  | 0.56  | 0.80    | 0.69  | 0.56    | 0.57       | 0.60     |
| D    | Manufacturing   | 7.77      | 6.15  | 5.45  | 3.21    | 6.46  | 1.03    | 4.30       | 5.59     |
| E    | Electricity gas and water                               | 1.73      | 0.73  | 1.13  | 2.80    | 0.74  | 1.21    | 0.76       | 1.25     |
| F    | Construction  | 9.04      | 5.78  | 5.48  | 11.41   | 9.68  | 11.01   | 10.14      | 7.77     |
| G    | Wholesale and retail trade                              | 9.54      | 13.26 | 22.01 | 7.99    | 10.39 | 6.43    | 8.34       | 14.37    |
| H    | Hotels and restaurants                                  | 1.93      | 0.74  | 2.23  | 3.87    | 1.73  | 2.97    | 1.64       | 2.05     |
| I    | Transport, storage and communications                   | 4.84      | 8.94  | 9.63  | 5.76    | 7.05  | 1.36    | 2.40       | 7.23     |
| J    | Financial intermediation                                | 3.60      | 3.08  | 10.98 | 5.23    | 4.44  | 1.52    | 2.17       | 6.32     |
| K    | Real estate, renting and business activities            | 6.85      | 5.48  | 20.07 | 7.26    | 6.84  | 8.60    | 5.72       | 11.53    |
| L    | Public administration and defence                       | 2.57      | 2.92  | 1.33  | 3.52    | 3.23  | 7.78    | 4.90       | 2.71     |
| M    | Education   | 6.99      | 8.76  | 4.07  | 7.27    | 8.84  | 14.27   | 11.78      | 7.06     |
| N    | Health and social work                                  | 2.07      | 0.85  | 1.09  | 3.23    | 2.43  | 3.24    | 2.00       | 1.75     |
| O    | Other community, social and personal service activities | 5.80      | 2.73  | 2.96  | 7.74    | 6.55  | 7.14    | 7.15       | 4.78     |