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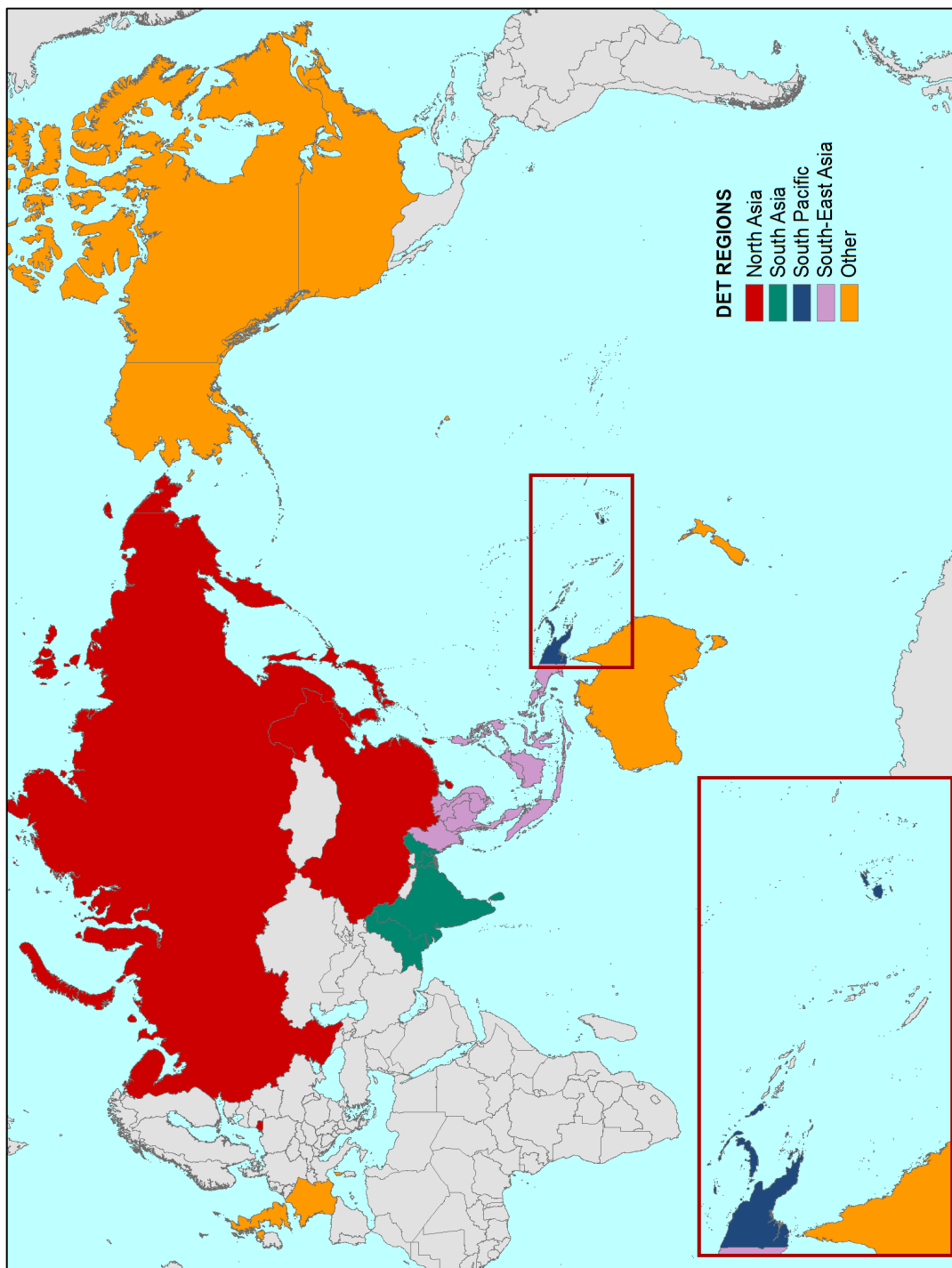


2014

DEFENCE ECONOMIC TRENDS IN THE ASIA-PACIFIC

DIO Reference Aid 14-004

**DEFENCE
ECONOMIC TRENDS
IN THE ASIA-PACIFIC
2014**



CONTENTS

■ PREFACE	5
■ SOUTH-EAST ASIA—REGIONAL OVERVIEW	6
■ BRUNEI	8
■ BURMA	10
■ CAMBODIA	12
■ INDONESIA	14
■ LAOS	16
■ MALAYSIA	18
■ PHILIPPINES	20
■ SINGAPORE	22
■ THAILAND	24
■ TIMOR-LESTE	26
■ VIETNAM	28
■ SOUTH PACIFIC – REGIONAL OVERVIEW	30
■ FIJI	32
■ PAPUA NEW GUINEA	34
■ TONGA	36
■ NORTH ASIA – REGIONAL OVERVIEW	38
■ CHINA	40
■ JAPAN	42
■ NORTH KOREA	44
■ RUSSIA	46
■ SOUTH KOREA	48
■ TAIWAN	50
■ SOUTH ASIA – REGIONAL OVERVIEW	52
■ BANGLADESH	54
■ INDIA	56
■ PAKISTAN	58
■ SRI LANKA	60
■ OTHER COUNTRIES – OVERVIEW	62
■ AUSTRALIA	63
■ CANADA	64
■ FRANCE	65
■ NEW ZEALAND	66
■ UNITED KINGDOM	67
■ UNITED STATES	68
■ APPENDIX A: METHODOLOGY	69
■ APPENDIX B: NOTES ON SOURCES	70

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Purpose

The *Defence Economic Trends* analyses significant trends in defence funding in the Asia-Pacific region. It draws together official defence budgets and national economic data to illustrate trends over time. It also enables comparisons between individual countries or regions.

Abbreviations

bn	billion
GDP	gross domestic product
GEC	global economic crisis
IMF	International Monetary Fund
m	million
tr	trillion
UN	United Nations
US	United States
SOE	state-owned enterprise

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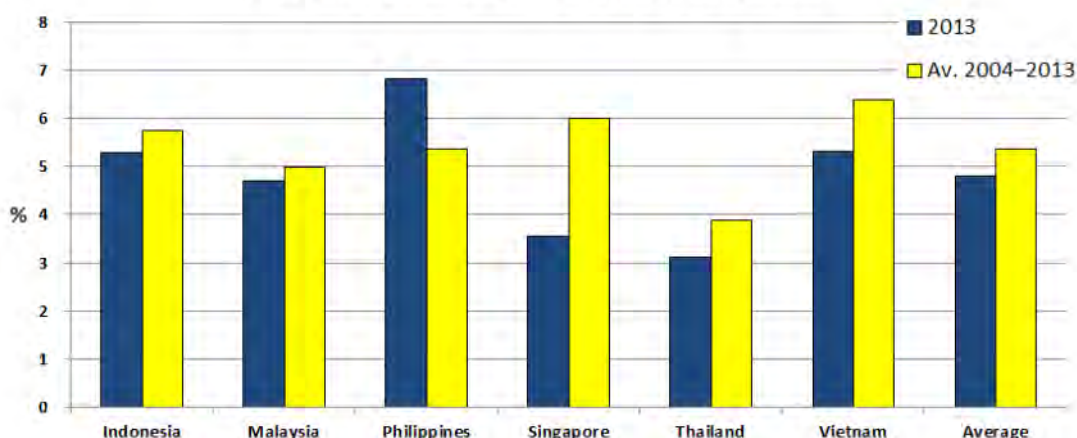
Regional economy

Growth in South-East Asia in 2013 was weaker than the average over the past decade due to slower economic growth in China and the sluggish recovery of Western economies from the GEC. Growth was also hampered by slow economic performances from Indonesia, Malaysia and Thailand, due to weak export markets and a moderation in fixed and foreign direct investment. Out to 2018, strong domestic demand and government spending across the region, as well as stronger growth in the US and Europe will support South-East Asia's growth. However, softer investment in Indonesia, lower commodity demand for other emerging market economies and easing economic growth in China will constrain regional growth.

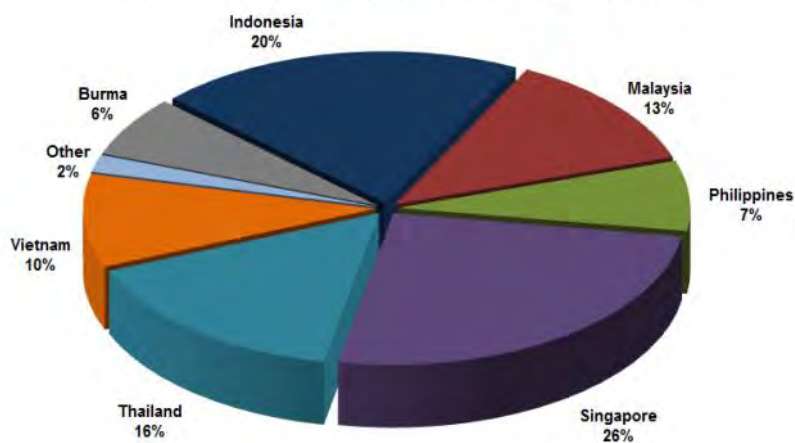
Defence spending

In 2013, most South-East Asian countries experienced real increases in defence spending, making South-East Asia an attractive market for defence-related companies. Growth in defence spending has accommodated military force modernisation programs in Indonesia, the Philippines and Singapore. Strong economic growth, internal security concerns and regional territorial disputes remain key drivers for growth in defence spending in South-East Asia.

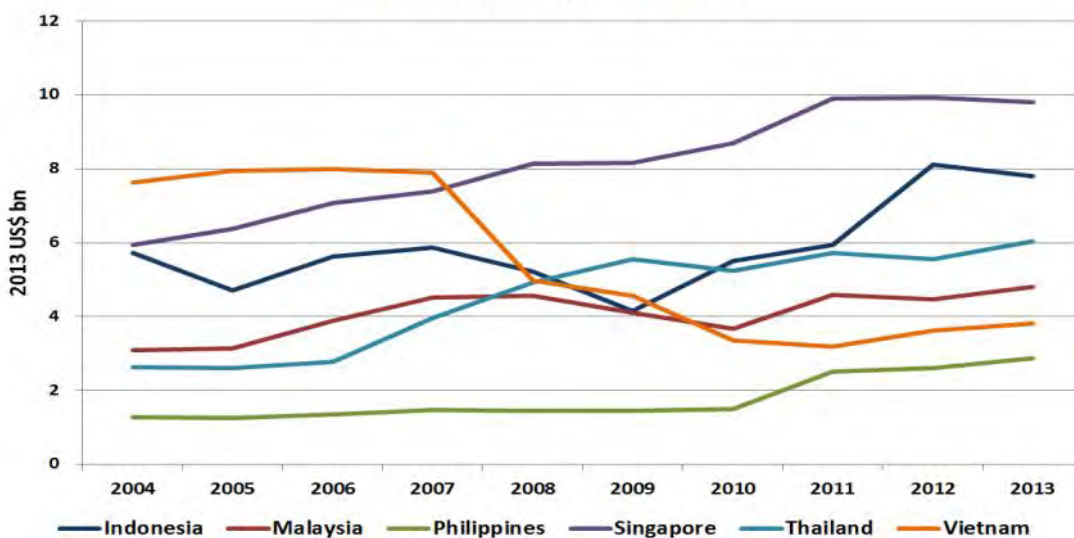
2013 GDP growth compared to average GDP growth



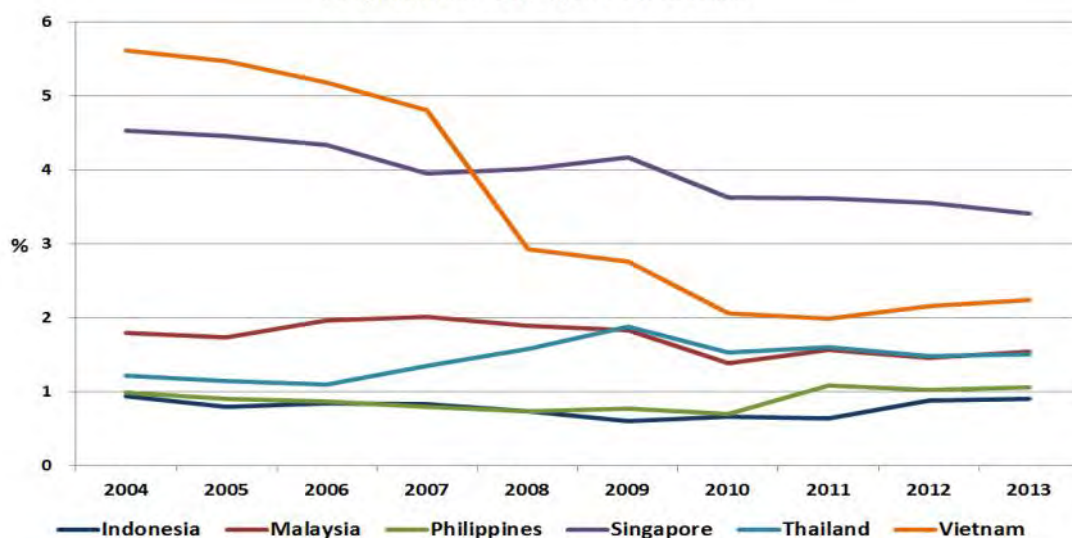
Contribution to South-East Asian defence spending in 2013



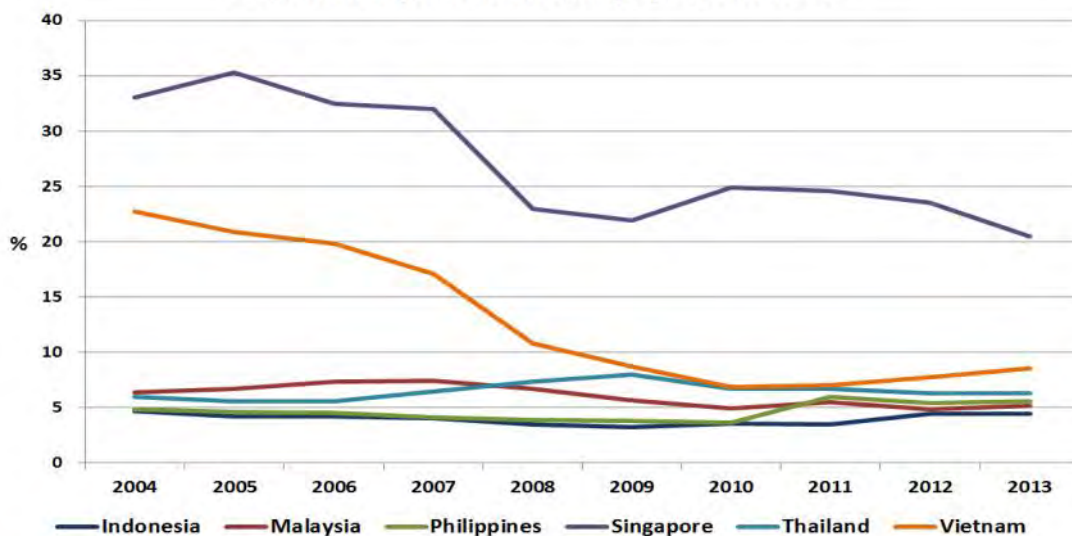
South-East Asian defence budgets



Proportion of GDP spent on defence

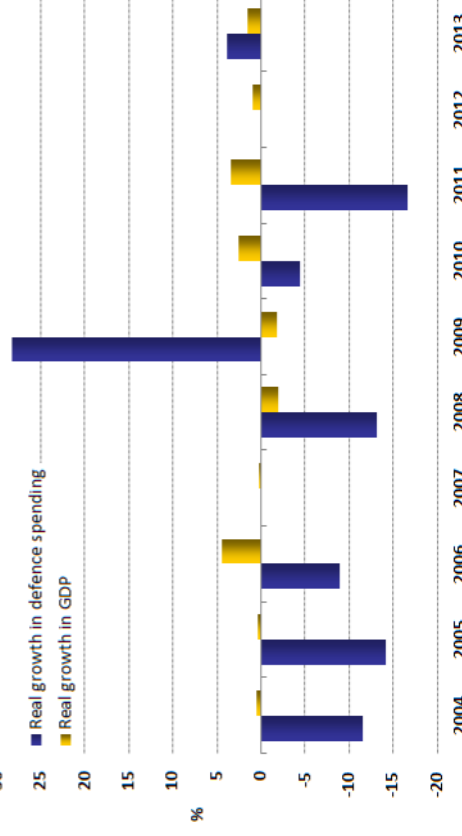


Proportion of government outlays spent on defence

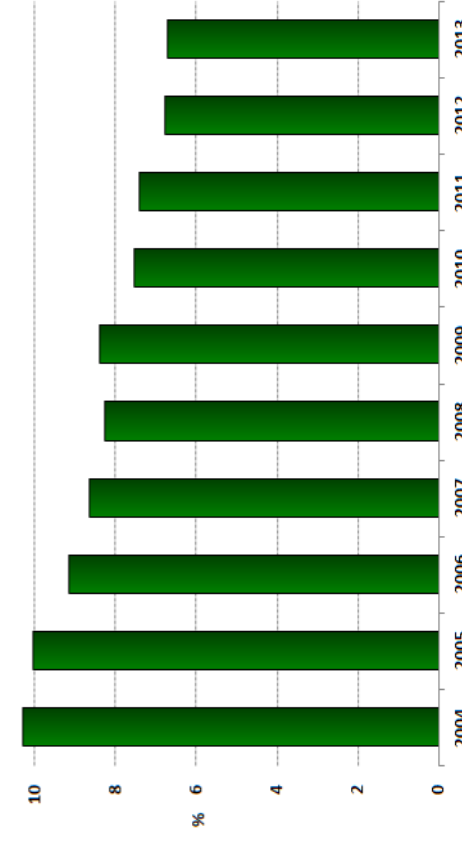


Brunei	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (million)	503.9	513.5	514.9	520.0	508.9	508.5	512.0	514.0	513.2	516.0
2013 local (million)	717.6	615.8	561.0	560.3	486.6	624.1	596.7	497.7	497.2	516.0
US\$ (million)	424.5	370.0	353.1	371.8	343.9	429.1	437.7	395.7	397.9	410.5
Real growth (%)	-11.5	-14.2	-8.9	-0.1	-13.2	28.3	-4.4	-16.6	-0.1	3.8
Percentage of real GDP	3.8	3.2	2.8	2.8	2.5	3.3	3.0	2.4	2.4	2.5
Percentage of nominal government spending	10.3	10.1	9.2	8.7	8.3	8.4	7.6	7.4	6.8	6.7
Per capita (2013 US\$)	1,206.1	1,030.5	967.4	1,004.8	917.1	1,129.1	1,130.9	1,006.9	994.6	1,011.1
GDP:										
Current local (billion)	13.3	15.9	18.2	18.5	20.4	15.6	16.9	21.0	21.2	20.8
US\$ billion (real GDP)	11.2	11.4	12.5	13.2	13.8	13.2	14.4	16.2	16.4	16.6
Real growth (%)	0.5	0.4	4.4	0.2	-1.9	-1.8	2.6	3.4	0.9	1.4
Per capita (2013 US\$)	31,850.0	31,835.8	34,245.1	35,670.8	36,762.6	34,666.2	37,256.1	41,133.6	41,060.7	40,798.0
Government spending (current local million)	4.9	5.1	5.6	6.0	6.1	6.0	6.8	6.9	7.6	7.7
Population (million)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Inflation (annual % change)	0.9	1.1	0.2	1.0	2.1	1.0	0.4	2.0	0.5	1.5

35 Growth in defence spending vs growth in GDP (annual % change)



12 Percentage of government spending on defence





Country Name	Brunei
Capital City	Bandar Seri Begawan
Population	406 000
Land Size	6000 km ²

Currency	Brunei dollar
Fiscal Year	1 April–31 March
Economy	Less-developed country with a market economy
Industries	Oil, natural gas and tourism

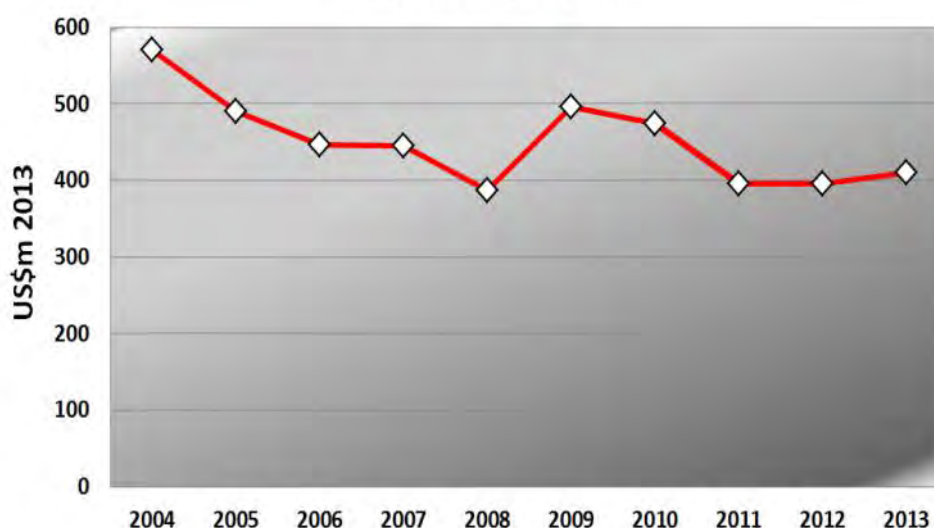
Economy

Over the past 10 years, Brunei averaged 1 per cent annual real economic growth. In 2013, the economy grew by 1.4 per cent, driven by growth in the non-energy sector, especially tourism, manufacturing and construction. Growth in investment, the continued expansion of the international airport, the development of Brunei's information and communications technology sector and large trade surpluses will support economic growth. But economic growth will continue to vary according to changes in global oil and gas prices. Brunei's economy is forecast to average 5.9 per cent real growth to 2018, according to the IMF.

Defence spending

Brunei's 2013 defence budget was B\$516m (US\$410m) representing a 3.8 per cent real increase on the 2012 defence budget. In November 2013, Brunei took delivery of 4 of the 12 Sikorsky S-70i Black Hawk utility helicopters purchased in 2011, with the remainder due to be delivered in 2014. Brunei has acquired four DARUSSALAM-class offshore patrol vessels (OPV) to replace their WASPADA-class vessels, with delivery of the last OPV, the KDB *Daruttauqwa*, expected in 2014.

Defence budget



INSUFFICIENT RELIABLE DATA AVAILABLE



Country Name	Burma
Capital City	Nay Pyi Taw
Population	65 million
Land Size	677 000 km ²

Currency	Kyat
Fiscal Year	1 April–31 March
Economy	Less-developed country with a market economy
Industries	Timber, gems, oil, natural gas, tourism and rice

Economy

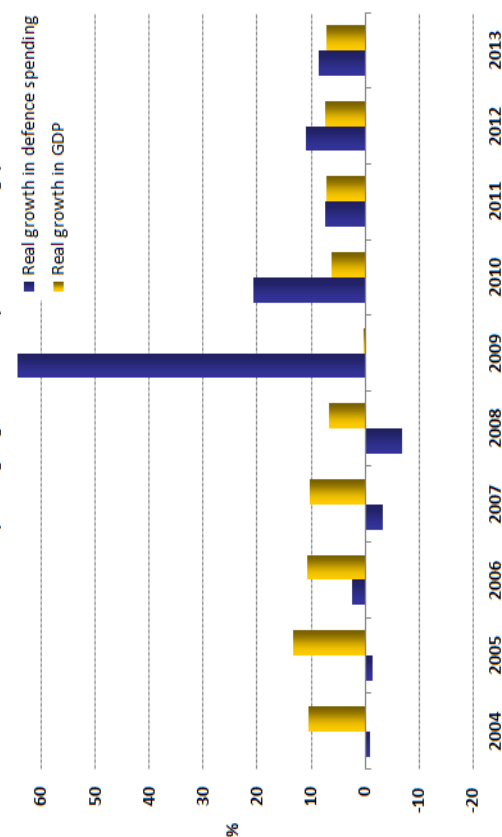
Over the past 10 years, Burma averaged 8.5 per cent annual real economic growth. In 2013, the economy grew by 6.8 per cent, driven by strong growth in foreign direct investment, infrastructure investment, government expenditure and increased tourism from hosting the South-East Asian Games in December 2013. Increased investment in infrastructure, increased foreign direct investment and growth in the telecommunications sector will support economic growth over the next five years. But high inflation in conjunction with infrastructure and capacity constraints – including electricity shortages – will limit Burma's growth potential. Burma's economy is forecast to average 7 per cent real growth to 2018, according to the IMF.

Defence spending

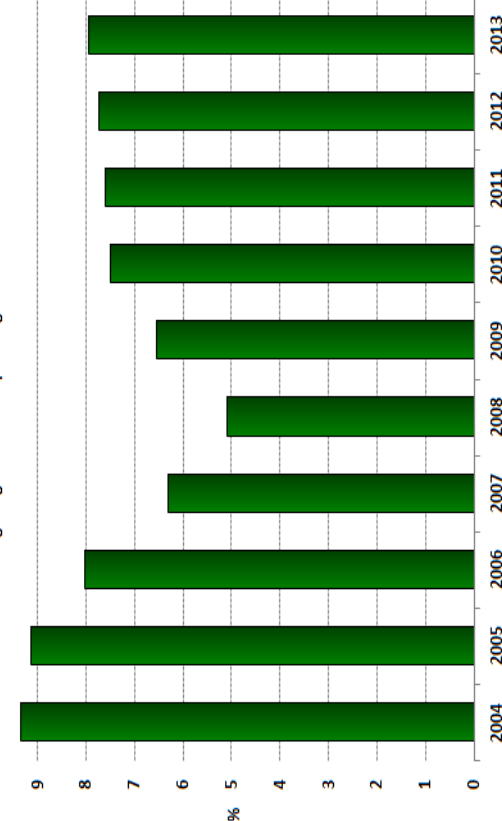
Burma's 2013 defence budget was K2.2tr (US\$2.5bn), reported as a five per cent decrease on the 2012 defence budget. In 2009, Burma signed a contract for 20 MiG-29s with Rosoboronexport. At least four were due to be delivered by 2013. Under the same contract, Mi-35 HIND-E helicopters have been supplied to Burma and were in service by January 2013. Burma's frigate construction program continues at the naval dockyard in Yangon. The frigate UMS *Kyansittha* was launched in September 2012, with plans to build additional vessels. Burma is also producing corvettes based on Chinese-supplied hulls.

Cambodia	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (million)	278,000	290,400	311,360	320,500	334,999	565,390	702,472	779,879	876,394	980,515
2013 local (million)	421,366	414,944	425,202	410,902	382,607	629,222	759,109	814,999	903,755	980,515
US\$ (million)	104.8	101.4	103.6	101.3	94.4	152.0	181.4	201.4	225.0	245.1
Real growth (%)	-1.0	-1.5	2.5	-3.4	-6.9	64.5	20.6	7.4	10.9	8.5
Percentage of real GDP	1.3	1.1	1.0	0.9	0.8	1.3	1.5	1.5	1.5	1.6
Percentage of nominal government spending	9.4	9.1	8.1	6.3	5.1	6.5	7.5	7.6	7.7	7.9
Per capita (2013 US\$)	7.7	7.3	7.3	7.1	6.5	10.3	12.1	13.3	14.7	15.9
GDP:										
Current local (billion)	21,438.3	25,754.3	29,849.5	35,042.2	41,968.4	43,107.8	47,101.6	52,154.1	56,711.2	62,584.8
US\$ billion (real GDP)	8.1	9.0	9.9	11.1	11.8	11.6	12.2	13.5	14.6	15.6
Real growth (%)	10.3	13.2	10.8	10.2	6.7	0.1	6.1	7.1	7.3	7.0
Per capita (2013 US\$)	596.4	650.3	701.5	773.2	811.9	782.8	813.4	891.9	954.4	1,015.3
Government spending (current local million)	2,972.4	3,176.0	3,866.2	5,066.4	6,551.1	8,633.8	9,363.4	10,236.1	11,326.2	12,334.8
Population (million)	13.6	13.8	14.2	14.3	14.6	14.8	15.0	15.1	15.3	15.4
Inflation (annual % change)	3.9	6.3	6.1	7.7	25.0	-0.7	4.0	5.5	2.9	2.9

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Cambodia
Capital City	Phnom Penh
Population	15.4 million
Land Size	181 035 km ²

Currency	Riel
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Gems, cement, forestry, rubber, food, tourism, textiles, apparel and footwear

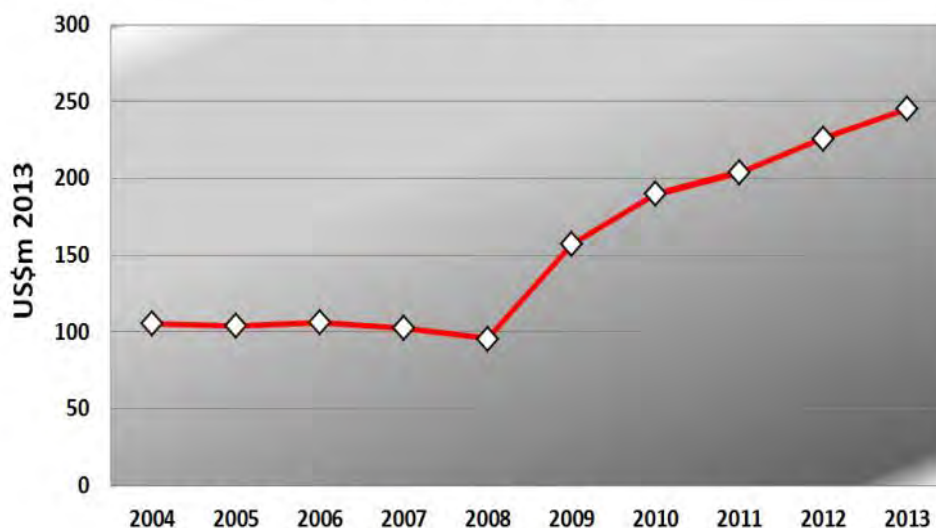
Economy

Over the past 10 years, Cambodia averaged 7.9 per cent annual real economic growth. Despite lower investment and consumer confidence following the 2013 elections, the economy grew by 7 per cent due to growth in the construction, tourism and service sectors. Infrastructure and private investment, domestic consumption and stronger external demand will generate real economic growth in Cambodia, which is forecast to average 7.4 per cent to 2018, according to the IMF.

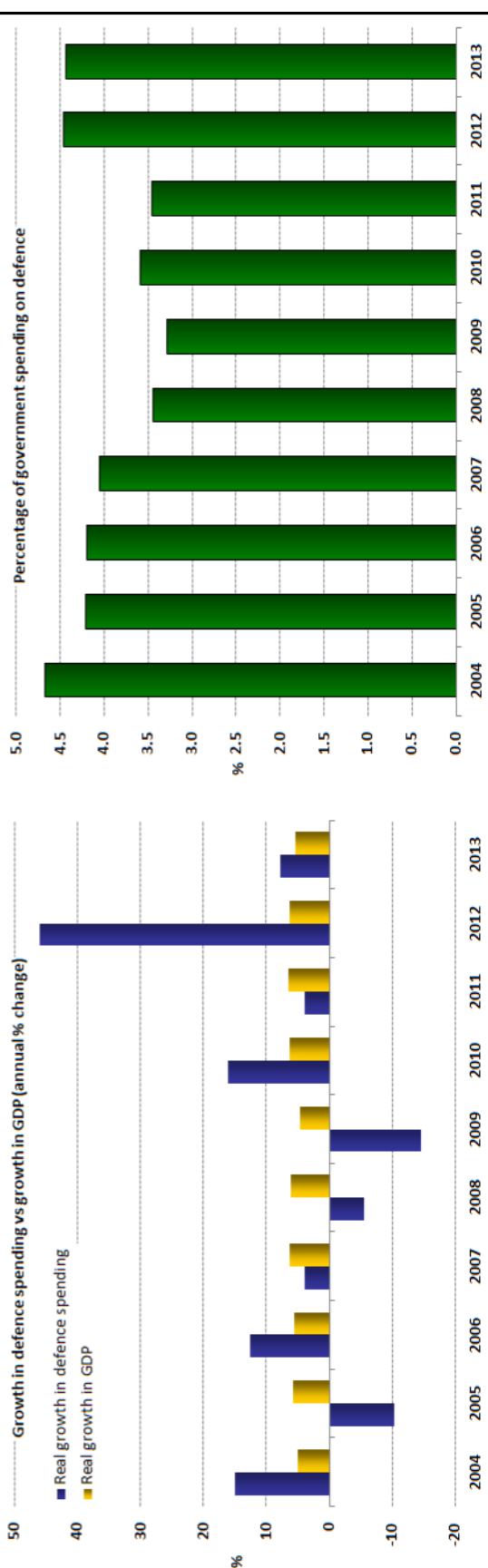
Defence spending

Cambodia's 2013 defence budget was KHR980bn (US\$245m), representing an 8.5 per cent real increase on the 2012 defence budget. Cambodia relies heavily on China for military aid and capability procurement. In November 2013, 12 Chinese-built Z-9 utility helicopters (six utility, four assault and two VIP transport variants) – that were purchased in 2011 using a Chinese loan – were delivered to the Royal Cambodian Air Force. In 2012, Cambodia also took delivery of two MA60 transport aircraft from China.

Defence budget



Indonesia	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	21,444.2	21,978.6	28,229.2	32,640.1	36,398.8	33,667.6	42,310.1	47,498.5	72,538.5	81,963.6
2013 local (billion)	51,069.6	45,781.0	51,540.4	53,563.3	50,555.7	43,188.4	50,135.2	52,055.8	76,055.8	81,963.6
US\$ (billion)	5.7	4.7	5.6	5.9	5.2	4.2	5.5	5.9	8.1	7.8
Real growth (%)	14.9	-10.4	12.6	3.9	-5.6	-14.6	16.1	3.8	46.1	7.8
Percentage of real GDP	0.9	0.8	0.8	0.8	0.7	0.6	0.7	0.6	0.9	0.9
Percentage of nominal government spending	4.7	4.2	4.2	4.1	3.5	3.3	3.6	3.5	4.5	4.4
Per capita (2013 US\$)	26.2	21.3	25.0	25.7	22.6	17.7	23.2	24.6	33.2	31.5
GDP:										
Current local (billion)	2,295,826.2	2,774,281.1	3,339,216.8	3,950,893.2	4,948,688.4	5,606,203.4	6,446,851.9	7,422,781.2	8,241,864.3	9,099,378.5
US\$ billion (real GDP)	612.1	595.3	665.2	709.2	709.5	691.2	840.8	927.3	921.1	867.5
Real growth (%)	5.0	5.7	5.5	6.3	6.0	4.6	6.2	6.5	6.2	5.3
Per capita (2013 US\$)	2,804.2	2,688.6	2,962.5	3,113.9	3,071.5	2,949.9	3,538.0	3,847.4	3,767.9	3,498.5
Government spending (current local billion)	457,589.1	520,255.8	671,839.3	803,030.9	1,053,231.8	1,023,398.9	1,175,503.1	1,369,824.9	1,622,768.7	1,845,573.5
Population (million)	218.3	221.4	224.6	227.8	231.0	234.3	237.6	241.0	244.5	248.0
Inflation (annual % change)	6.1	10.5	13.1	6.7	9.8	4.8	5.1	5.4	4.3	7.3





Country Name	Indonesia
Capital City	Jakarta
Population	248 million
Land Size	1 905 000 km ²

Currency	Rupiah
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Petroleum, natural gas, mining, cement, chemical fertilisers, plywood, rubber, tourism, textiles and apparel

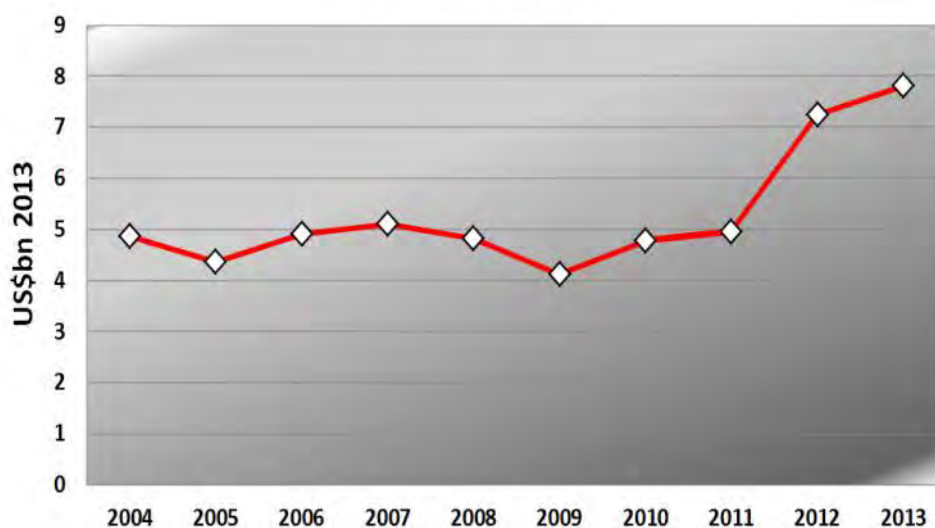
Economy

Over the past 10 years, Indonesia averaged 5.7 per cent annual real economic growth. In 2013, the economy grew by 5.3 per cent as balance of payments concerns, exchange rate volatility, tighter monetary policy and a reduction in fuel subsidies resulted in a drop in foreign investment, slower economic growth and higher inflation. Indonesia's economy is forecast to average 5.9 per cent real growth to 2018, according to the IMF, driven by growth in private consumption and increased exports.

Defence spending

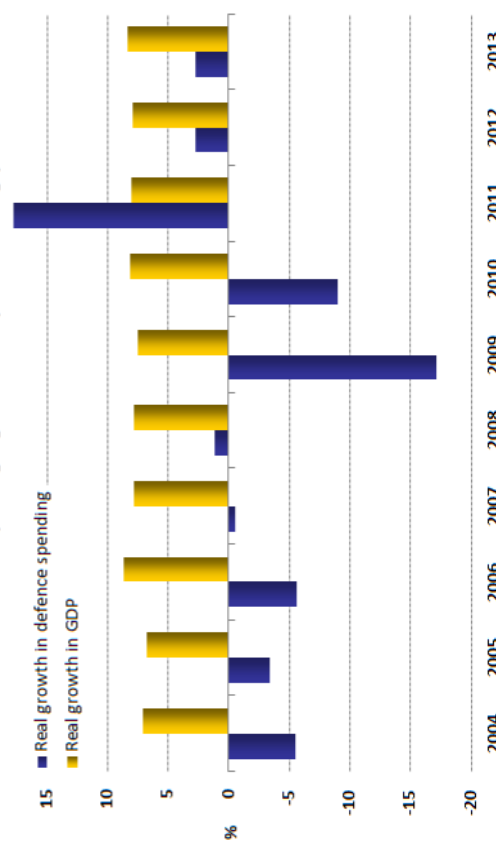
Indonesia's 2013 defence budget was Rp82tr (US\$7.8bn), representing a 7.8 per cent real increase on the 2012 defence budget. In 2013, Indonesia received the first 2 of 103 Leopard 2A6 tanks and the first 2 of 42 Marder 1A3 infantry fighting vehicles purchased from Germany, with more to be delivered in 2014. In September 2013, Indonesia received four Grob Aircraft G120TP flying trainers, and in October 2013 Indonesia's Navy took delivery of the first of three indigenously produced maritime patrol-configured CN235s, with delivery of the remaining aircraft expected by early 2014. The first of three ex-Bruneian light frigates is due for delivery in mid-2014. Indonesia has also agreed to purchase eight Apache AH-64E attack helicopters from the US.

Defence budget

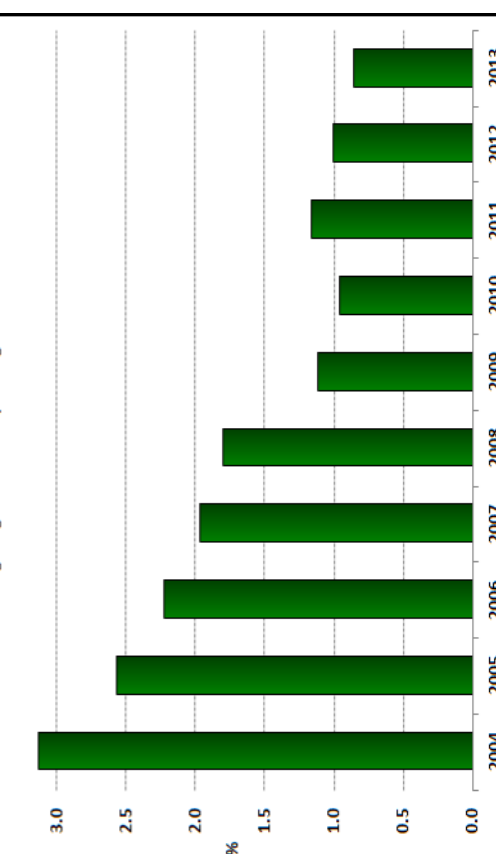


Laos	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (million)	120,000	125,000	135,000		150,000	119,000	119,000	150,000	160,000	172,000
2013 local (million)	200,328	193,577	182,739		183,750	152,270	138,550	163,078	167,501	172,000
US\$ (million)	18.9	18.2	18.1	19.0	21.0	17.9	16.8	20.4	21.0	20.9
Real growth (%)	-5.5	-3.4	-5.6	-0.6	1.1	-17.1	-9.0	17.7	2.7	2.7
Percentage of real GDP	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Percentage of nominal government spending	3.1	2.6	2.2	2.0	1.8	1.1	1.0	1.2	1.0	0.9
Per capita (2013 US\$)	3.3	3.1	3.1	3.2	3.4	2.9	2.6	3.1	3.2	3.1
GDP:										
Current local (million)	25,151.5	28,947.8	35,980.9	40,467.1	46,214.7	47,562.3	56,522.6	65,398.2	73,269.0	83,104.7
US\$ billion (real GDP)	4.0	4.2	4.8	5.5	6.5	7.2	8.0	8.9	9.6	10.1
Real growth (%)	7.0	6.8	8.6	7.8	7.8	7.5	8.1	8.0	7.9	8.3
Per capita (2013 US\$)	696.0	729.0	818.2	912.2	1,056.2	1,142.6	1,247.8	1,360.8	1,444.6	1,490.4
Government spending (current local million)	3,822.7	4,850.8	6,051.7	7,095.4	8,317.9	10,598.1	12,302.3	12,878.0	15,795.9	20,033.7
Population (million)	5.7	5.8	5.9	6.0	6.1	6.3	6.4	6.5	6.6	6.8
Inflation (annual % change)	10.5	7.2	6.8	4.5	7.6	0.0	6.0	7.6	4.3	7.4

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Laos
Capital City	Vientiane
Population	6.8 million
Land Size	237 000 km ²

Currency	Kip
Fiscal Year	1 October–30 September
Economy	Less-developed country with a centrally planned economy
Industries	Copper, tin, timber, tourism, hydroelectricity, apparel, rice and cement

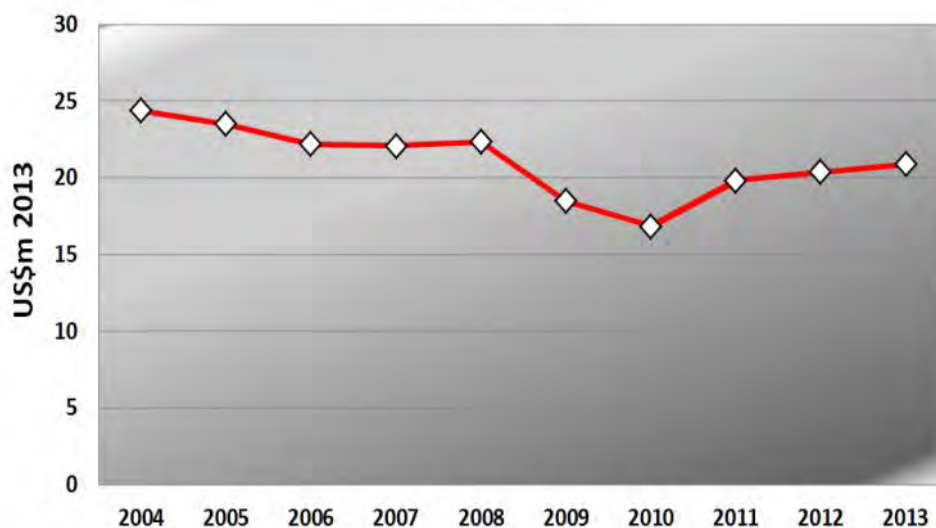
Economy

Over the past 10 years, Laos' annual real economic growth was strong, averaging 7.8 per cent. The economy grew by 8.3 per cent in 2013, supported by high mineral commodity prices, tourism, high levels of investment – especially in agriculture, mining, hydropower and rail – and the economic growth of trading partners. The approval of the high-speed rail network connecting southern China, Laos and Thailand will support high levels of growth to 2018. Laos' February 2013 accession to the World Trade Organization will also provide economic opportunities. Laos' economy is forecast to average 7.7 per cent real growth to 2018, according to the IMF.

Defence spending

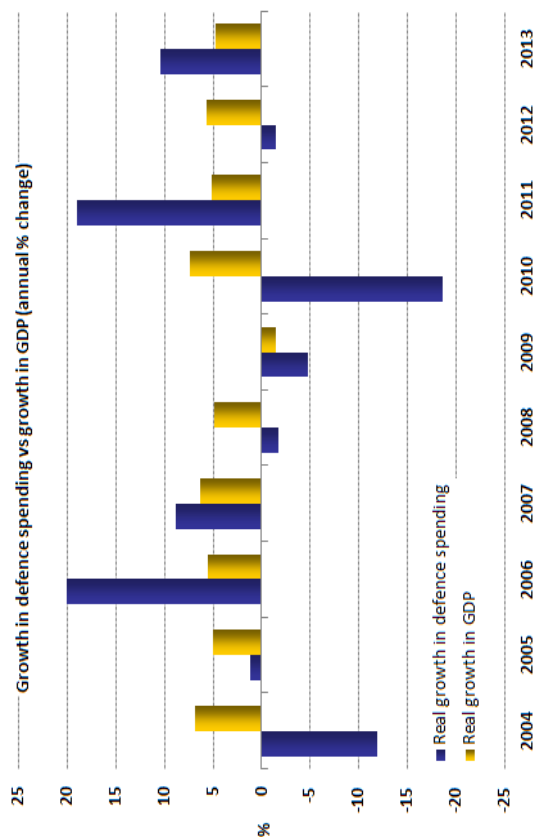
Laos' 2013 defence budget was \$172bn (US\$21m), representing a 2.7 per cent real increase on the 2012 defence budget. The Laos People's Army is equipped with weapons originating from communist and former communist states. Since the end of the Cold War, China has replaced Russia and Vietnam as Laos' main supplier of military equipment. Laos has difficulty acquiring new equipment, and the armed forces are primarily equipped to counter low-intensity insurgencies and maintain civil order.

Defence budget

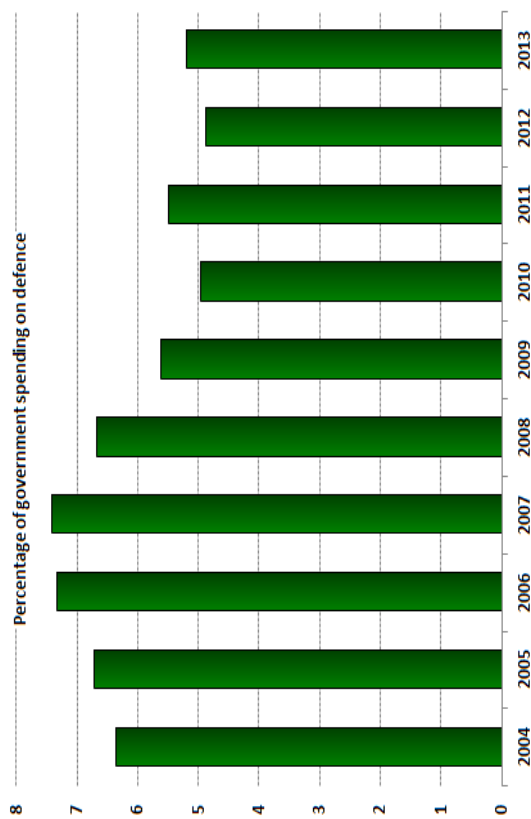


Malaysia	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	8.5	9.4	11.7	13.4	14.5	13.0	11.0	13.8	13.7	15.3
2013 local (billion)	11.7	11.9	14.2	15.5	15.2	14.5	11.8	14.0	13.8	15.3
US\$ (billion)	3.1	3.1	3.9	4.5	4.6	4.1	3.7	4.6	4.5	4.8
Real growth (%)	-11.9	1.2	20.0	8.9	-1.8	-4.8	-18.6	19.0	-1.5	10.4
Percentage of real GDP	1.8	1.7	2.0	2.0	1.9	1.8	1.4	1.6	1.5	1.5
Percentage of nominal government spending	6.4	6.7	7.3	7.4	6.7	5.6	5.0	5.5	4.9	5.2
Per capita (2013 US\$)	119.0	118.2	144.6	165.8	165.8	146.4	128.0	158.3	151.8	160.2
GDP:										
Current local (billion)	474.0	543.6	596.8	665.3	770.0	712.9	797.3	884.5	941.2	992.5
US\$ billion (real GDP)	171.9	181.1	197.4	224.0	242.1	225.5	265.0	293.3	306.9	312.4
Real growth (%)	6.8	5.0	5.6	6.3	4.8	-1.5	7.4	5.1	5.6	4.7
Per capita (2013 US\$)	6,635.9	6,839.0	7,358.7	8,238.1	8,791.8	8,029.4	9,269.7	10,125.2	10,418.9	10,428.7
Government spending (current local billion)	133.6	139.7	159.9	180.4	217.1	230.6	221.6	251.5	280.5	293.5
Population (million)	25.9	26.5	26.8	27.2	27.5	28.1	28.6	29.0	29.5	30.0
Inflation (annual % change)	1.4	3.0	3.6	2.0	5.4	0.6	1.7	3.2	1.7	2.0

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Malaysia
Capital City	Kuala Lumpur
Population	30 million
Land Size	330 000 km ²

Currency	Ringgit
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Rubber, palm oil, electronics, tin, timber, agriculture and oil

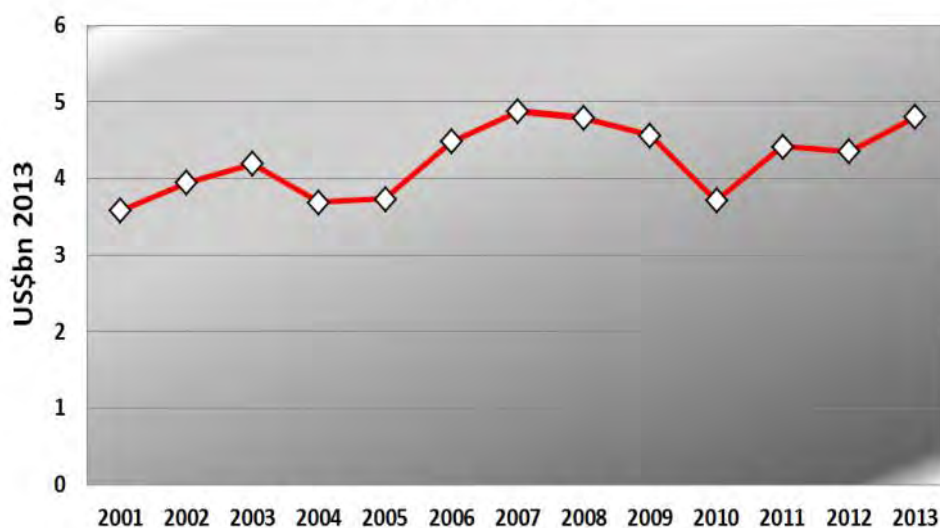
Economy

Over the past 10 years, Malaysia averaged 5 per cent annual real economic growth. The economy grew by 4.7 per cent in 2013, supported by private consumption and strong exports from the electrical and electronic sector and mining. Low levels of inflation and strong economic fundamentals will support healthy growth to 2018. Domestic consumption, fixed investment and improving external conditions will stimulate the economy, which is forecast to average 5.1 per cent real growth to 2018, according to the IMF.

Defence spending

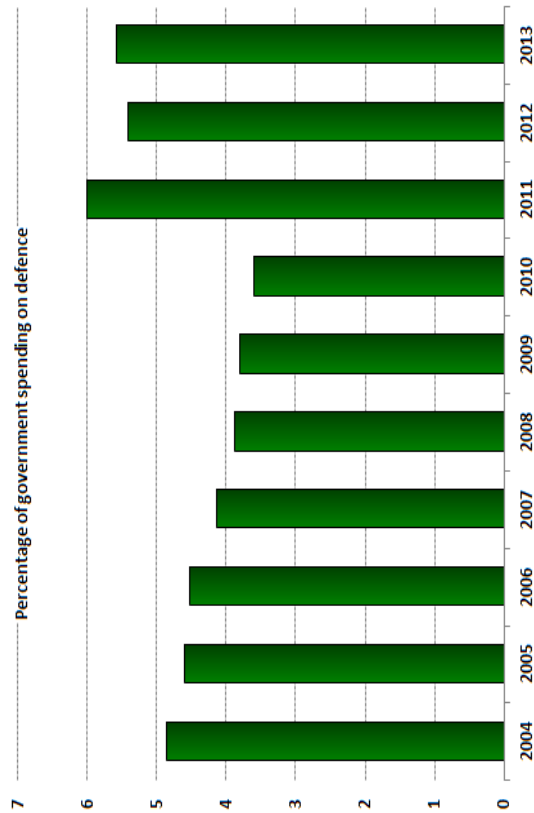
Malaysia's 2013 defence budget was RM15.3bn (US\$4.8bn), representing a 10.4 per cent real increase on the 2012 defence budget. In October 2013, Malaysia announced its intention to purchase six offshore patrol vessels, four Airbus A400M Atlas cargo aircraft – to be delivered by 2016 – and to build 257 8x8 AV-8 armoured fighting vehicles. The Royal Malaysia Air Force has shortlisted Boeing's Super Hornet, SAAB's Gripen, Dassault's Rafale, Russia's Sukhoi Su-30 and EADS' Eurofighter Typhoon as possible MiG-29 replacements. The Royal Malaysian Navy's Second Generation Patrol Vessel Program will construct up to six vessels, with the first scheduled for delivery in 2017.

Defence budget

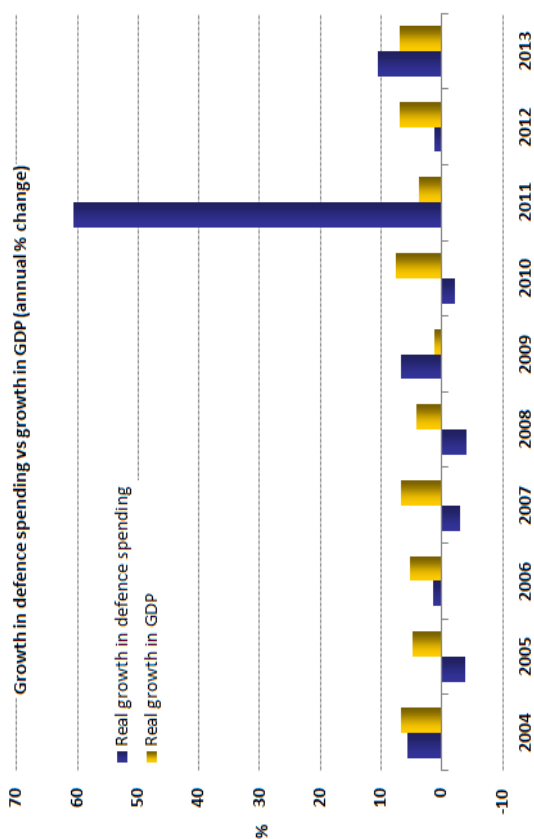


Philippines	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	50.2	51.0	54.3	54.3	56.1	61.5	62.7	104.7	107.9	121.6
2013 local (billion)	71.6	68.8	69.7	67.7	65.0	69.3	67.8	108.8	110.0	121.6
US\$ (billion)	1.3	1.2	1.4	1.5	1.5	1.5	1.5	2.5	2.6	2.9
Real growth (%)	5.6	-3.9	1.4	-2.9	-4.0	6.6	-2.2	60.5	1.1	10.5
Percentage of real GDP	1.0	0.9	0.9	0.8	0.7	0.8	0.7	1.1	1.0	1.1
Percentage of nominal government spending	4.9	4.6	4.5	4.2	3.9	3.8	3.6	6.0	5.4	5.6
Per capita (2013 US\$)	15.3	14.6	15.6	16.5	16.1	16.0	16.2	26.7	27.2	29.5
GDP:										
Current local (billion)	5,120.4	5,677.8	6,271.2	6,892.7	7,720.9	8,026.1	9,003.5	9,706.3	10,564.9	11,507.8
US\$ billion (real GDP)	130.3	138.9	156.9	186.0	201.0	189.8	215.8	232.9	255.1	272.2
Real growth (%)	6.7	4.8	5.2	6.6	4.2	1.1	7.6	3.6	6.8	6.8
Per capita (2013 US\$)	1,559.1	1,628.8	1,804.0	2,096.7	2,221.1	2,085.9	2,330.0	2,472.2	2,663.2	2,792.3
Government spending (current local billion)	1,031.2	1,109.0	1,197.6	1,308.9	1,439.7	1,611.7	1,731.9	1,742.6	1,989.7	2,176.4
Population (million)	83.6	85.3	87.0	88.7	90.5	91.0	92.6	94.2	95.8	97.5
Inflation (annual % change)	4.8	6.6	5.5	2.9	8.2	4.2	3.8	4.7	3.2	2.8

Percentage of government spending on defence



Growth in defence spending vs growth in GDP (annual % change)





Country Name	Philippines
Capital City	Manila
Population	97.5 million
Land Size	300 000 km ²

Currency	Philippines peso
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Textiles, pharmaceuticals, chemicals, wood products, electronics, petroleum refining and fishing

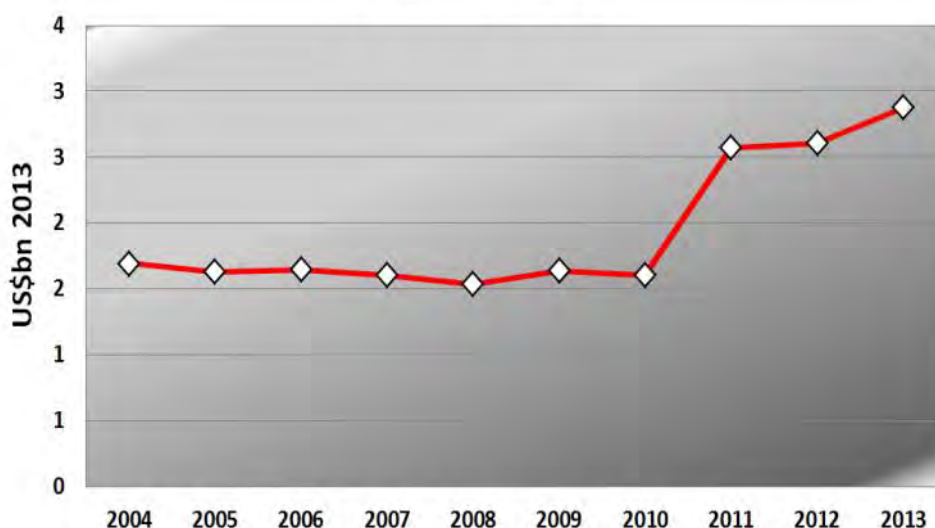
Economy

Over the past 10 years, the Philippines averaged 5.4 per cent annual real economic growth. In 2013, the economy grew by 6.8 per cent, largely due to strong private consumption driven by overseas remittances and increased urbanisation, growth in fixed investment and demand for services exports. The economic impact of Typhoon Haiyan will constrain economic growth in the short term; however, reconstruction spending and lower global food and oil prices will support domestic consumption and be a source of continued economic growth. The Philippines' economy is forecast to average 5.6 per cent real growth to 2018, according to the IMF.

Defence spending

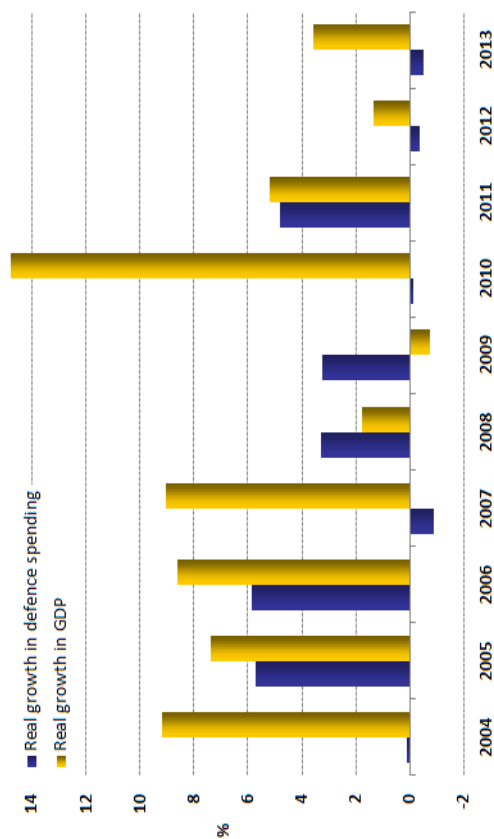
The Philippines' 2013 defence budget was ₱121.6bn (US\$2.9bn), representing a 10.5 per cent real increase on the 2012 defence budget. The Armed Forces of the Philippines sought bids for twelve 155 mm towed howitzers in late 2013 and also announced plans to purchase reconnaissance UAVs. Indonesian company PT PAL was awarded the contract to procure two strategic sealift vessels for the Philippines Navy. In 2013, the Philippines announced the purchase of AgustaWestland AW109 helicopters – eight attack helicopters for the air force and at least three maritime helicopters for the Navy – with deliveries starting in 2014. The Philippines Air Force plans to purchase 12 FA50 Golden Eagle light attack aircraft from South Korea in 2014.

Defence budget

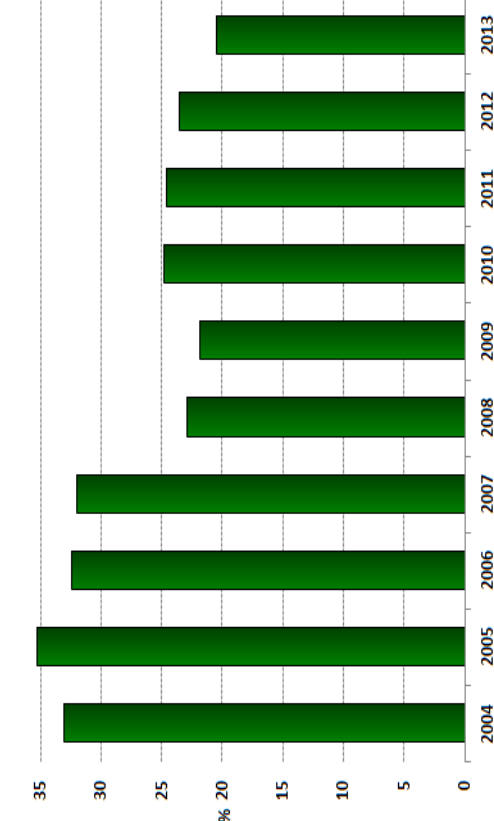


Singapore												
Official defence budget:												
Current local currency (billion)	8.6	9.3	10.0	10.6	10.8	11.4	11.5	12.1	12.3	12.3	12.3	12.3
2013 local (billion)	10.1	10.6	11.3	11.2	11.5	11.9	11.9	12.4	12.4	12.4	12.3	12.3
US\$ (billion)	6.0	6.4	7.1	7.4	8.1	8.2	8.7	9.9	9.9	9.9	9.8	9.8
Real growth (%)	0.1	5.7	5.9	-0.9	3.3	3.2	-0.1	4.8	-0.4	-0.5	-0.5	-0.5
Percentage of real GDP	4.5	4.5	4.3	3.9	4.0	4.2	3.6	3.6	3.6	3.4	3.4	3.4
Percentage of nominal government spending	33.1	35.3	32.5	32.0	23.0	22.0	24.9	24.6	23.6	20.5	20.5	20.5
Per capita (2013 US\$)	1,428.1	1,497.3	1,609.3	1,612.5	1,682.6	1,638.8	1,715.1	1,908.8	1,867.5	1,806.7	1,806.7	1,806.7
GDP:												
Current local (billion)	190.5	208.8	231.4	268.1	269.7	274.7	315.9	334.1	345.6	361.3	361.3	361.3
US\$ billion (real GDP)	131.5	143.4	163.1	187.5	203.2	196.1	240.2	273.8	279.2	287.4	287.4	287.4
Real growth (%)	9.2	7.4	8.6	9.0	1.7	-0.8	14.8	5.2	1.3	3.5	3.5	3.5
Per capita (2013 US\$)	31,557.6	33,610.9	37,070.1	40,862.5	41,999.2	39,321.9	47,302.1	52,811.9	52,557.3	52,913.6	52,913.6	52,913.6
Government spending (current local billion)	26.1	26.3	30.9	33.0	47.1	52.1	46.0	49.1	52.1	60.1	60.1	60.1
Population (million)	4.2	4.3	4.4	4.6	4.8	5.0	5.1	5.2	5.3	5.4	5.4	5.4
Inflation (annual % change)	1.7	0.5	1.0	2.1	6.6	0.6	2.8	5.2	4.6	2.3	2.3	2.3

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Singapore
Capital City	Singapore
Population	5.4 million
Land Size	1000 km ²

Currency	Singapore dollar
Fiscal Year	1 April–31 March
Economy	Industrialised country with a market economy
Industries	Electronics, financial services, petroleum refining, rubber, ship repair and biopharmaceuticals

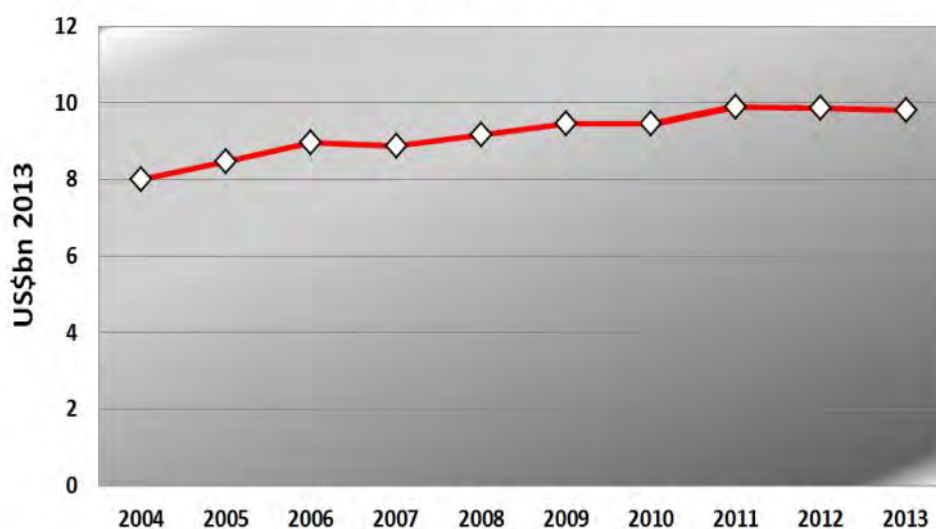
Economy

Over the past 10 years, Singapore averaged 6 per cent annual real economic growth. Supported by exports, construction and manufacturing, the economy grew by 3.5 per cent in 2013. Singapore's economy is forecast to average 3.7 per cent real growth to 2018, according to the IMF, supported by developed countries' the economic recovery and increased public and private investment.

Defence spending

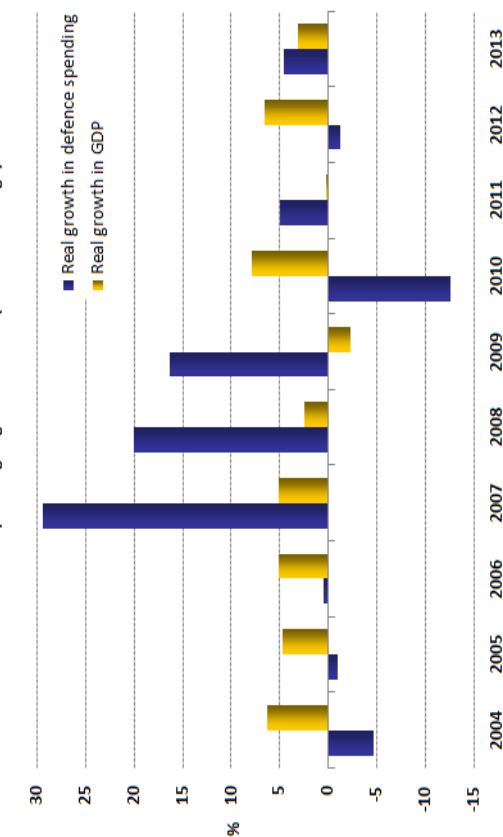
Singapore's 2013 defence budget was S\$12.3bn (US\$9.8bn), representing a 0.5 per cent real decrease on the 2012 defence budget. In December 2013, Singapore announced it had signed a contract with ThyssenKrupp Marine Systems for two HDW-class 218SG submarines. Singapore also announced the addition of eight indigenously designed and built naval patrol vessels to replace the FEARLESS-class patrol vessels, with delivery of the first vessel planned for 2016. In September 2013, the government announced plans to acquire the ASTER-30 surface-to-air missile system, and upgrade its fleet of F-16 fighter aircraft. Singapore also intends to replace its KC-135R tanker aircraft with either the Airbus A330 multi-role tanker transport or the Boeing 767-based KC-46A.

Defence budget

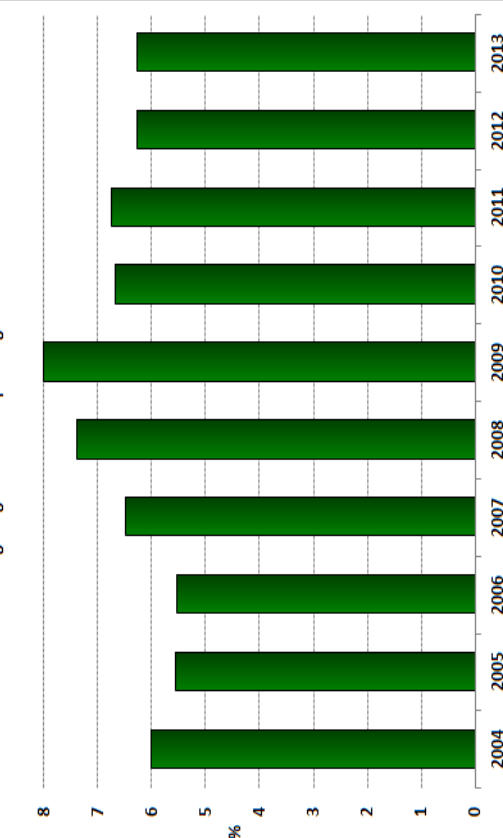


Thailand	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	78.6	81.2	85.9	115.0	143.5	170.2	154.0	168.5	168.7	180.5
2013 local (billion)	106.0	105.0	105.5	136.5	163.9	190.6	166.5	174.7	172.6	180.5
US\$ (billion)	2.6	2.6	2.8	4.0	4.9	5.6	5.3	5.7	5.6	6.0
Real growth (%)	-4.7	-1.0	0.5	29.4	20.1	16.3	-12.7	5.0	-1.2	4.6
Percentage of real GDP	1.2	1.1	1.1	1.3	1.6	1.9	1.5	1.6	1.5	1.5
Percentage of nominal government spending	6.0	5.6	5.6	6.5	7.4	8.0	6.7	6.8	6.3	6.3
Per capita (2013 US\$)	40.5	40.1	42.7	60.2	74.2	83.1	78.1	84.8	81.8	88.4
GDP:										
Current local (billion)	6,489.5	7,092.9	7,844.9	8,525.2	9,080.5	9,041.6	10,104.8	10,540.1	11,375.3	11,999.1
US\$ billion (real GDP)	217.8	227.9	254.3	293.1	311.3	295.4	344.6	358.4	374.4	400.9
Real growth (%)	6.3	4.6	5.1	5.0	2.5	-2.3	7.8	0.1	6.5	3.1
Per capita (2013 US\$)	3,346.2	3,499.0	3,895.4	4,459.2	4,693.8	4,417.2	5,122.7	5,303.0	5,514.6	5,878.8
Government spending (current local billion)	1,306.4	1,459.6	1,546.4	1,769.2	1,941.2	2,123.9	2,303.6	2,496.1	2,687.2	2,870.2
Population (million)	65.1	65.1	65.3	65.7	66.3	66.9	67.3	67.6	67.9	68.2
Inflation (annual % change)	2.8	4.5	4.6	2.2	5.5	-0.9	3.3	3.8	3.0	2.2

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Thailand
Capital City	Bangkok
Population	68.2 million
Land Size	513 000 km ²

Currency	Baht
Fiscal Year	1 October–30 September
Economy	Less-developed country with a market economy
Industries	Tourism, apparel, agriculture, cement, electronics, furniture, plastics and tin

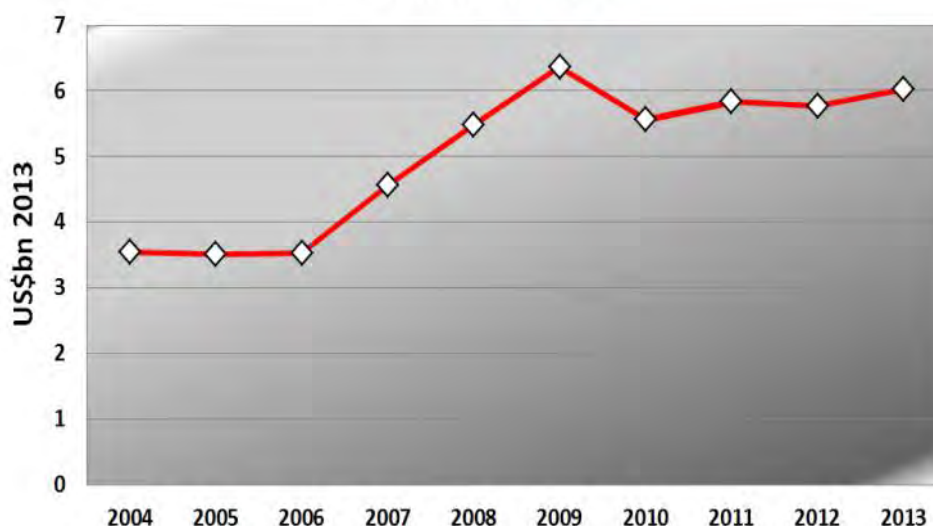
Economy

Over the past 10 years, Thailand averaged 3.9 per cent annual real economic growth. The economy experienced softer growth of 3.1 per cent in 2013, due to weak private consumption, lower levels of fixed investment and tepid export growth. Political instability will negatively impact tourism and business and consumer confidence, and may limit economic growth. But economic growth will be supported by government investment in large infrastructure projects and domestic consumption. Thailand's economy is forecast to average 4.8 per cent real growth to 2018, according to the IMF.

Defence spending

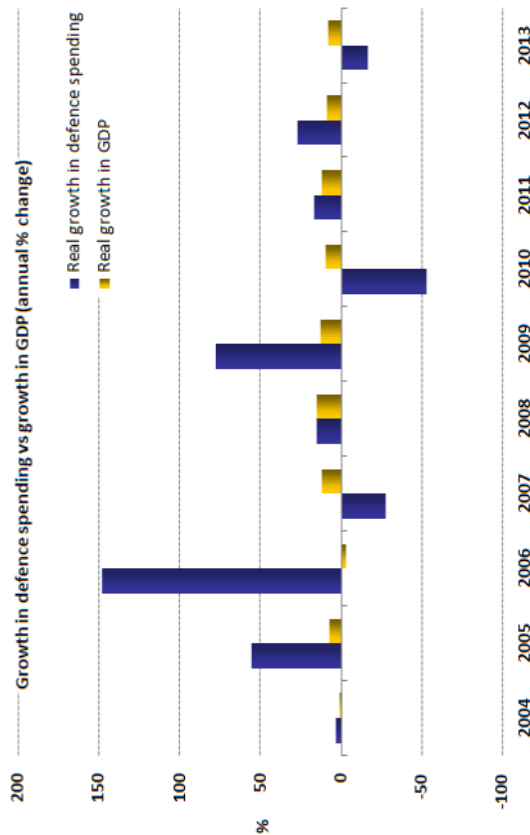
Thailand's 2013 defence budget was ฿180.5bn (US\$6bn), representing a 4.6 per cent real increase on the 2012 defence budget. In April 2013, the Royal Thai Air Force received the last of twelve Gripen fighter jets and two SAAB 340 Erieye airborne early warning and control aircraft from Sweden. In July 2013, Bangkok approved the purchase of a South Korean-made frigate. In October 2013, Thailand took delivery of the first 5 of 49 Ukrainian T-84-derived Oplot main battle tanks that were ordered in September 2011. Thailand is also acquiring up to 215 BTR-3E1 amphibious armoured personnel carriers, with final deliveries expected by 2015.

Defence budget

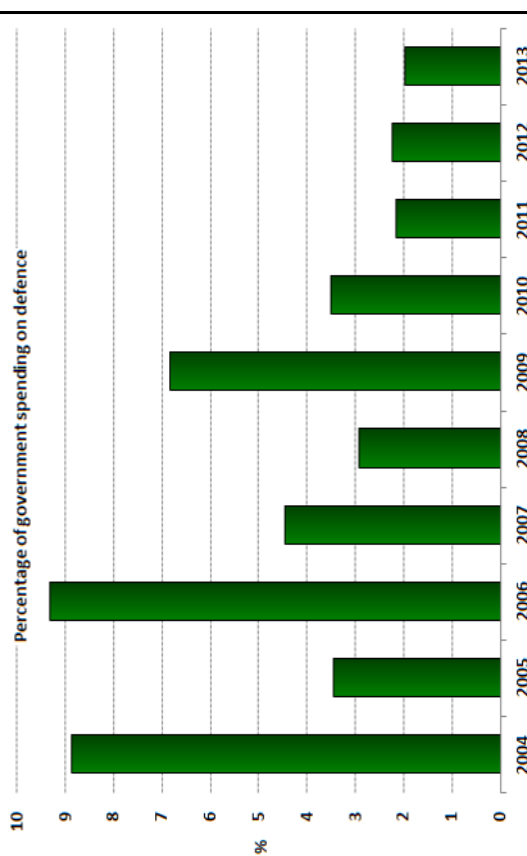


Timor-Leste	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (million)	6.2	9.8	25.4	18.4	23.7	46.6	23.2	28.4	37.7	32.9
2013 local (million)	10.1	15.7	39.0	28.2	32.3	57.5	26.9	31.3	39.6	32.9
US\$ (million)	10.1	15.7	39.0	28.2	32.3	57.5	26.9	31.3	39.6	32.9
Real growth (%)	2.8	55.5	148.4	-27.6	14.7	77.9	-53.3	16.6	26.5	-17.0
Percentage of real GDP	1.8	2.6	6.6	4.3	4.3	6.7	2.9	3.0	3.5	2.7
Percentage of nominal government spending	8.9	3.5	9.3	4.5	2.9	6.8	3.5	2.2	2.3	2.0
Per capita (2013 US\$)	10.6	16.2	39.4	27.9	31.3	54.3	24.7	28.0	34.4	27.7
GDP:										
Current local (billion)	0.4	0.4	0.4	0.4	0.6	0.7	0.8	1.0	1.1	1.2
US\$ billion (real GDP)	0.6	0.6	0.6	0.7	0.8	0.9	0.9	1.0	1.1	1.2
Real growth (%)	0.4	6.6	-3.3	11.7	14.7	12.7	9.5	12.1	8.2	8.0
Per capita (2013 US\$)	601.9	629.9	597.6	653.5	732.1	804.7	857.7	934.8	982.7	1,031.2
Government spending (current local million)	0.1	0.3	0.3	0.4	0.8	0.7	0.7	1.3	1.7	1.6
Population (million)	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2
Inflation (annual % change)	2.2	1.8	4.1	9.0	7.6	0.1	4.5	11.7	13.1	10.6

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Timor-Leste
Capital City	Dili
Population	1.2 million
Land Size	14 874 km ²

Currency	US dollar
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Oil, coffee, fishing, cottage industries, rice and subsistence farming

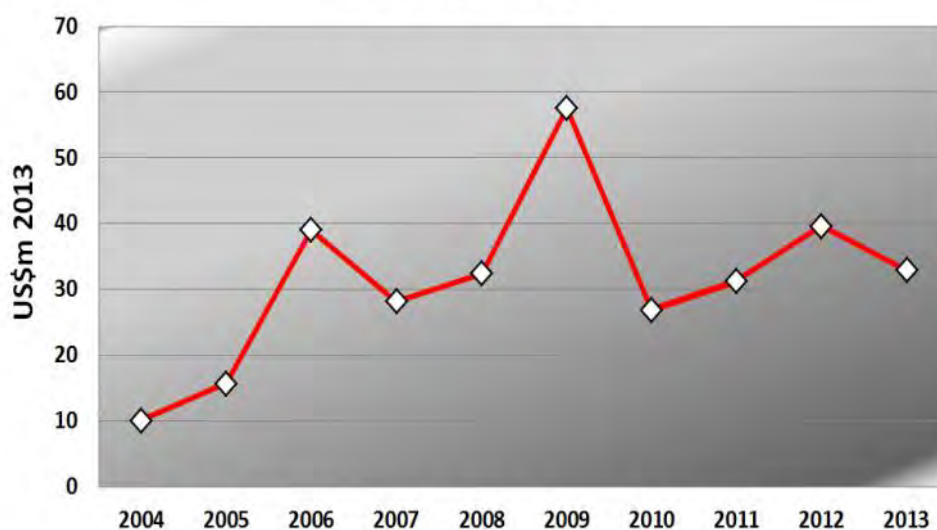
Economy

Over the past 10 years, Timor-Leste averaged 8.1 per cent annual real economic growth. In 2013, the economy grew by 8 per cent due to large government spending, high coffee prices and strong growth in private sector credit. Almost wholly financed by petroleum exports, strong government expenditure will support economic growth to 2018, but rising inflation – especially for food and transport – and the country's reliance on imports for consumer and capital goods will constrain real growth. Timor-Leste's economy is forecast to average 8.8 per cent real growth to 2018, according to the IMF.

Defence spending

Timor-Leste's 2013 defence budget was US\$32.9m, representing a 17 per cent real decrease on the 2012 budget. In October 2013, China gave the Timorese Defence Force (F-FDTL) small patrol craft. Dili has made little notable progress in achieving procurement plans outlined in its *Force 2020* development plan.

Defence budget

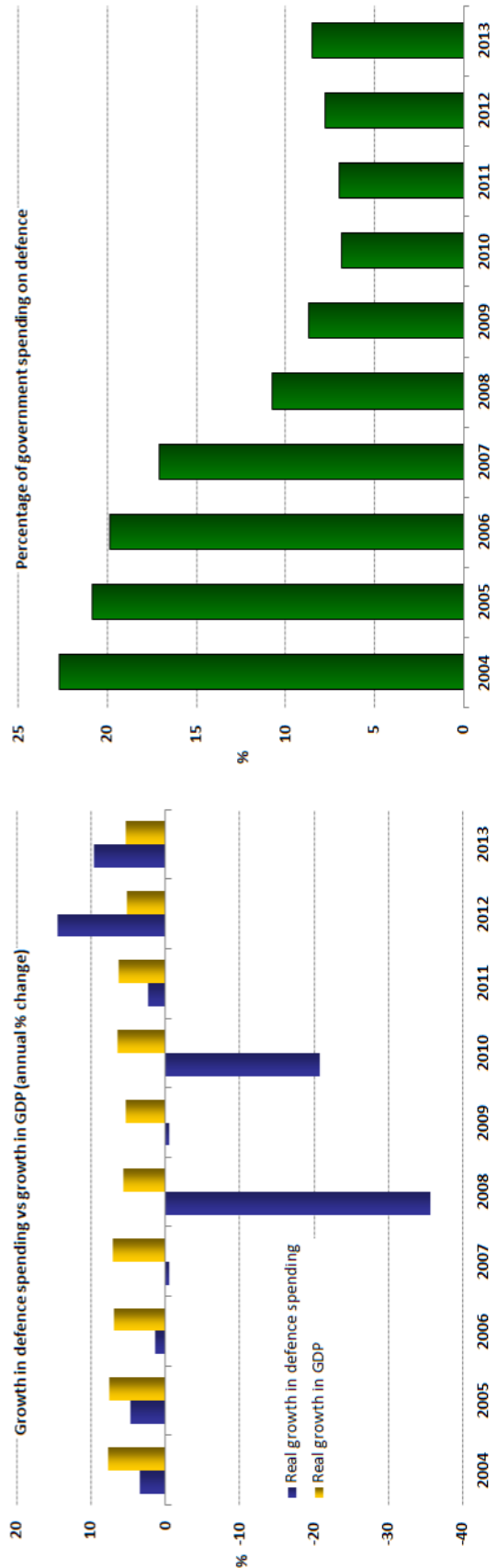


Vietnam	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	43,763.0	50,000.0	55,000.0	60,000.0	47,300.0	50,000.0	44,400.0	55,100.0	70,000.0	82,700.0
2013 local (billion)	120,281.7	126,020.7	127,681.7	127,052.4	81,647.9	81,257.4	64,383.1	65,890.0	75,462.7	82,700.0
US\$ (billion)	7.6	7.9	8.0	7.9	5.0	4.6	3.4	3.2	3.6	3.8
Real growth (%)	3.5	4.8	1.3	-0.5	-35.7	-0.5	-20.8	2.3	14.5	9.6
Percentage of real GDP	5.6	5.5	5.2	4.8	2.9	2.8	2.1	2.0	2.2	2.2
Percentage of nominal government spending	22.8	20.9	19.9	17.1	10.8	8.7	6.9	7.0	7.8	8.6
Per capita (2013 US\$)	93.2	96.5	95.9	93.8	58.3	53.1	38.7	36.3	40.8	42.6
GDP:										
Current local (billion)	779,337.7	914,000.8	1,061,564.5	1,246,769.3	1,616,047.1	1,809,149.0	2,157,828.5	2,779,880.2	3,245,419.2	3,684,123.5
US\$ billion (real GDP)	136.1	145.3	154.1	164.2	169.6	165.2	163.6	160.9	167.7	170.0
Real growth (%)	7.8	7.5	7.0	7.1	5.7	5.4	6.4	6.2	5.2	5.3
Per capita (2013 US\$)	1,659.2	1,763.5	1,850.1	1,949.1	1,992.8	1,920.1	1,882.0	1,832.1	1,889.4	1,895.6
Government spending (current local billion)	192,295.0	239,287.0	276,625.0	350,286.7	437,274.0	571,827.1	647,711.6	782,101.0	897,927.6	965,903.2
Population (million)	82.0	82.4	83.3	84.2	85.1	86.0	86.9	87.8	88.8	89.7
Inflation (annual % change)	7.9	8.4	7.5	8.3	23.1	6.7	9.2	18.7	9.1	8.8

Growth in defence spending vs growth in GDP (annual % change)

25

Percentage of government spending on defence





Country Name	Vietnam
Capital City	Hanoi
Population	89.7 million
Land Size	332 000 km ²

Currency	Dong
Fiscal Year	1 January–31 December
Economy	Less-developed country with a centrally planned economy
Industries	Food processing, garments, shoes, mining, cement, glass, fertiliser, tyres, oil, coal, steel, paper, coffee and rice

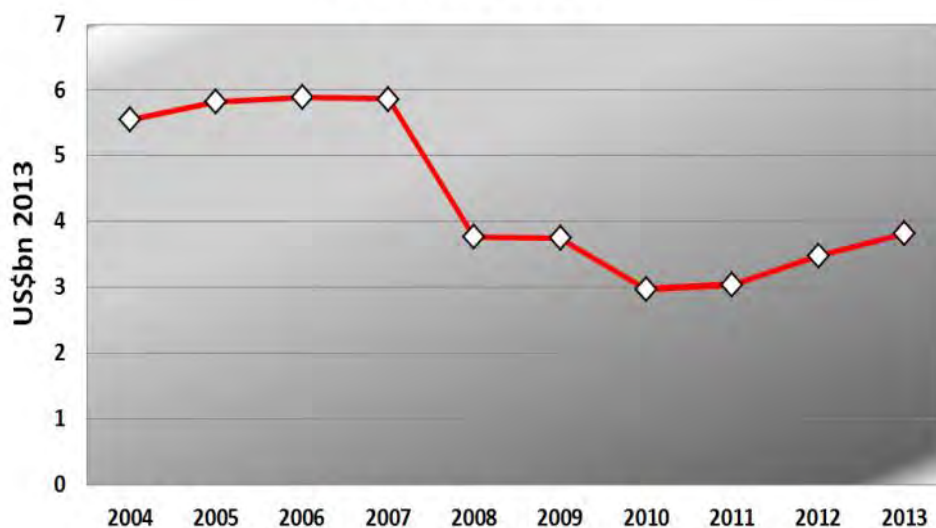
Economy

Over the past 10 years, Vietnam averaged 6.4 per cent annual real economic growth. In 2013, the economy grew by 5.3 per cent, supported by growth in exports, manufacturing, investment, lower levels of inflation and more-stable economic fundamentals. Problems in the banking sector – including the high level of non-performing loans – and the slow pace of SOE reform will constrain economic growth, but growth in foreign direct investment will help drive economic activity to 2018. Vietnam's economy is forecast to average 5.5 per cent real growth to 2018, according to the IMF.

Defence spending

Vietnam's 2013 defence budget was $\text{₫}82.7\text{tr}$ (US\$3.8bn), representing a 9.6 per cent real increase on the 2012 defence budget. In November 2013, Vietnam took delivery of the first of six Russian-made Kilo-class diesel-electric submarines, with the remainder to be delivered by 2016. In January and July 2013, the second and third of three Airbus Military C-212-400 light transport aircraft purchased for maritime patrol missions were delivered. In August 2013, Vietnam announced that it had ordered two SIGMA-Class corvettes, and also signed a contract with Russia to purchase 12 Sukhoi Su-30MK2 fighter jets, to be delivered in 2014–2015.

Defence budget



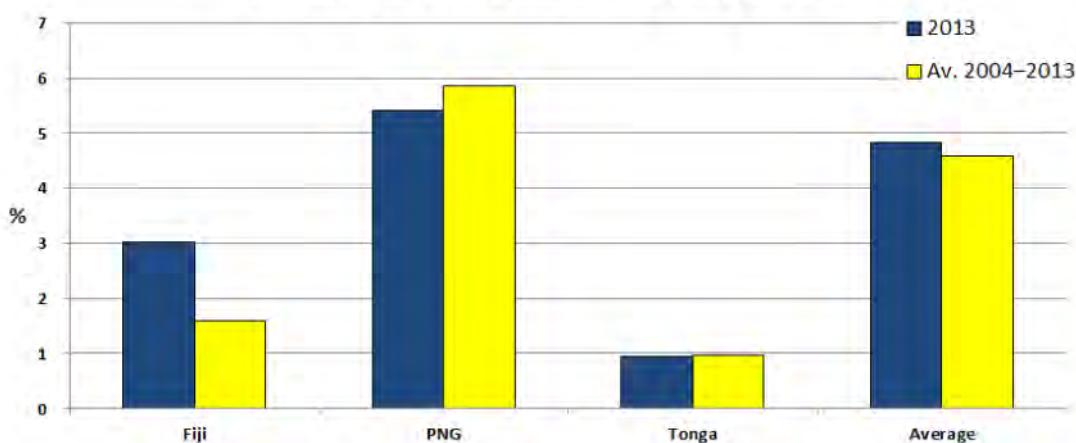
Regional economy

The South Pacific is characterised by small, narrow-based economies that rely on remittances, tourism and commodity exports. These countries have limited prospects for diversifying their economies, and therefore remain vulnerable to fluctuations in commodity prices. Economic conditions were mixed for the region in 2013. Although stagnant levels of remittances and slower construction activity constrained economic growth in Tonga, strong levels of investment, domestic consumption and government spending drove growth in Fiji and PNG.

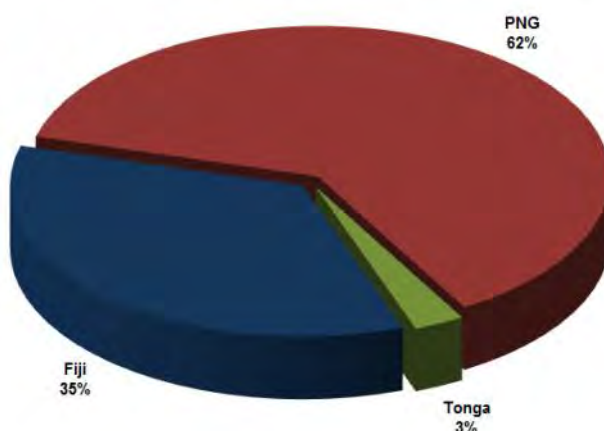
Defence spending

Defence spending remains a secondary priority in the region and South Pacific countries have very few funds to spend on defence. For many of these countries, the armed forces gain operational experience by deploying small numbers to global multilateral assistance missions, or alongside partner countries. Many South Pacific countries often rely on foreign partners for military acquisitions or overall improvements to their defence forces.

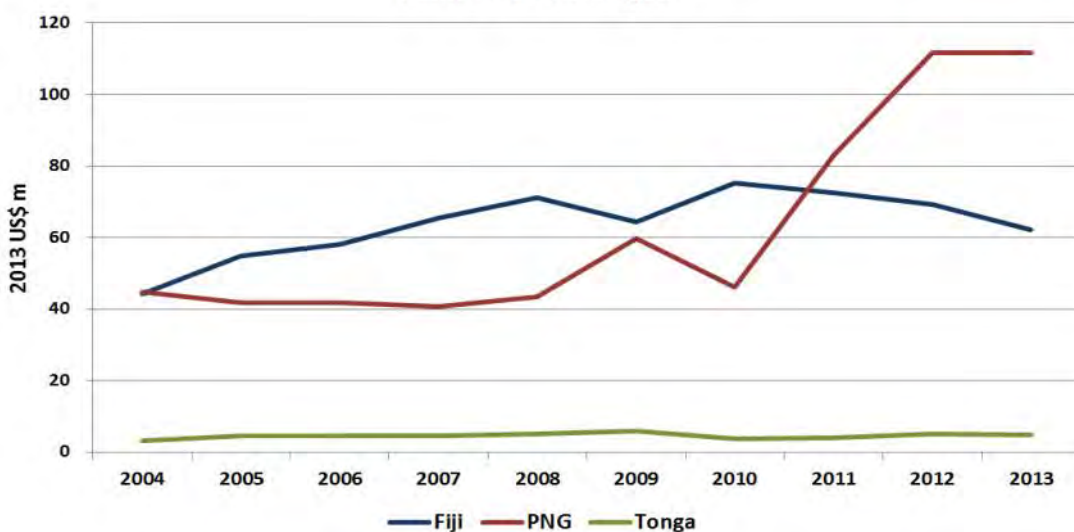
2013 GDP growth compared to average GDP growth



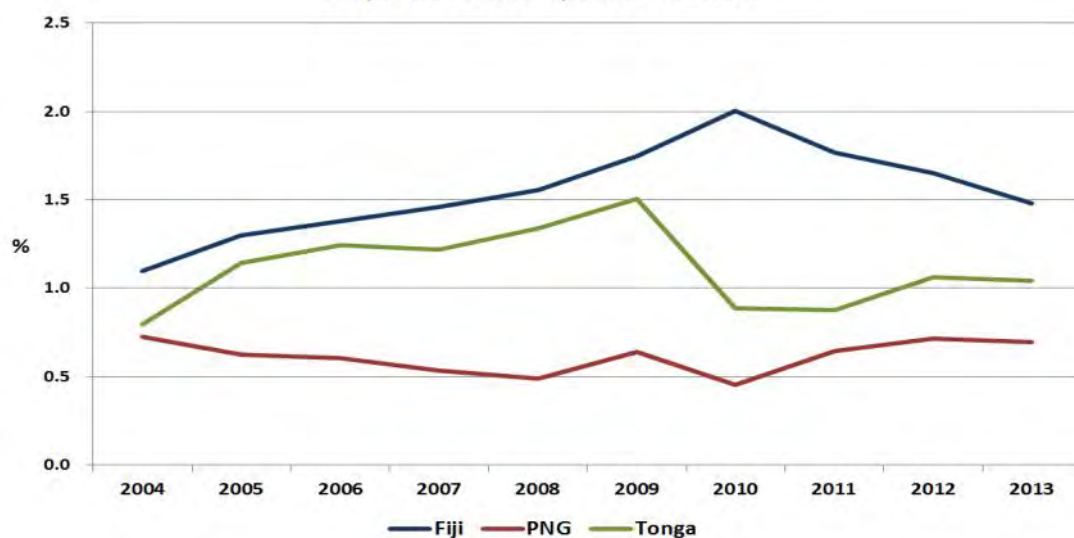
Contribution to Pacific defence spending in 2013



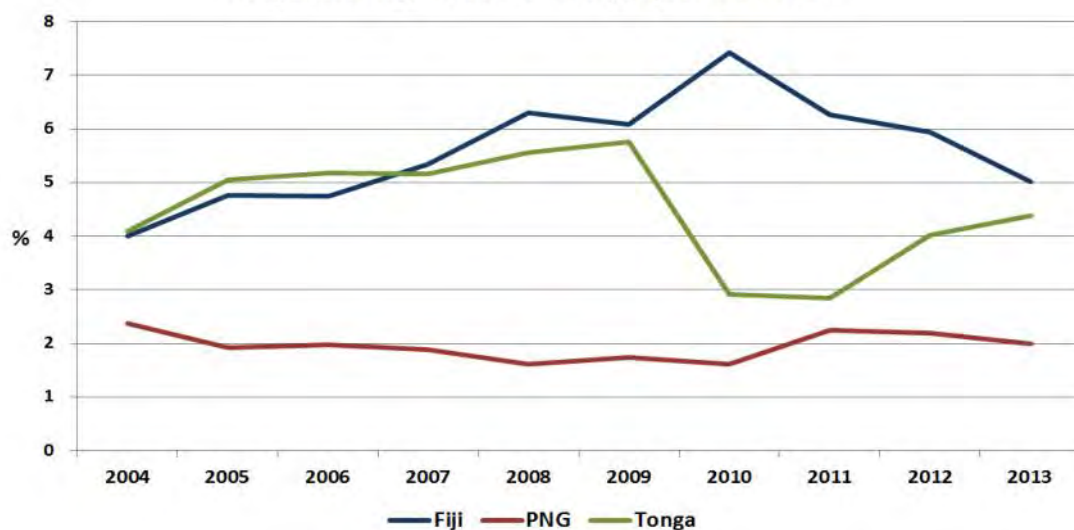
Pacific defence budgets



Proportion of GDP spent on defence

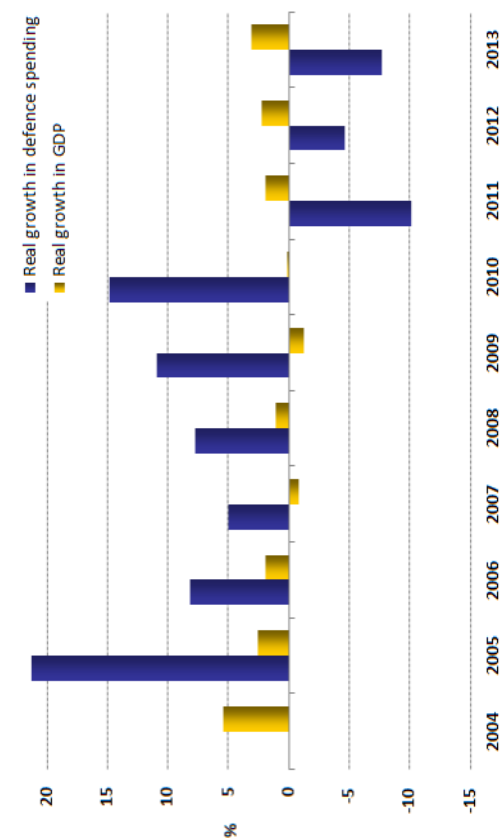


Proportion of government outlays spent on defence

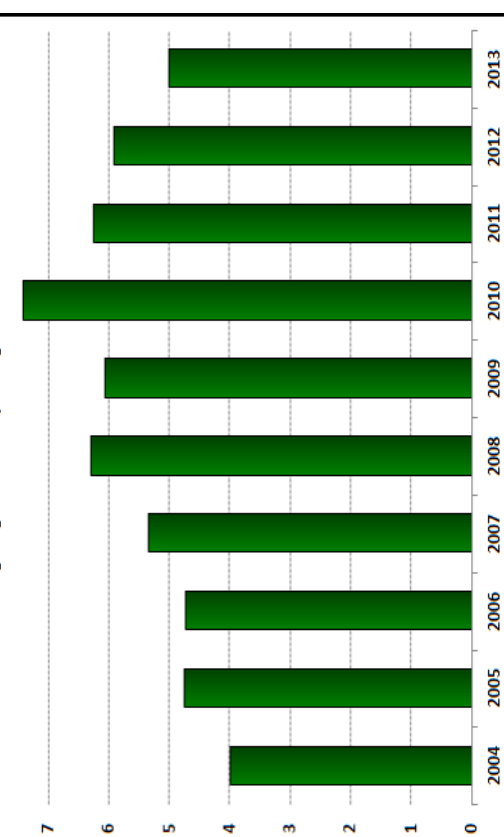


Fiji	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (million)	53.0	66.0	74.0	80.0	90.0	100.0	124.0	119.0	118.9	114.4
2013 local (million)	76.6	92.9	100.4	105.4	113.6	125.9	144.6	130.0	124.0	114.4
US\$ (million)	44.2	54.9	58.0	65.5	71.3	64.4	75.4	72.5	69.3	62.3
Real growth (%)	-	21.2	8.1	5.0	7.7	10.9	14.8	-10.1	-4.6	-7.7
Percentage of real GDP	1.1	1.3	1.4	1.5	1.6	1.7	2.0	1.8	1.7	1.5
Percentage of nominal government spending	4.0	4.8	4.7	5.3	6.3	6.1	7.4	6.3	5.9	5.0
Per capita (2013 US\$)	52.2	64.3	67.3	75.3	81.3	72.9	84.7	81.1	77.0	69.0
GDP:										
Current local (billion)	4.8	5.1	5.4	5.5	5.8	5.7	6.2	6.7	7.2	7.7
US\$ billion (real GDP)	4.0	4.2	4.2	4.5	4.6	3.7	3.8	4.1	4.2	4.2
Real growth (%)	5.4	2.5	1.9	-0.9	1.0	-1.3	0.1	1.9	2.2	3.0
Per capita (2013 US\$)	4,755.7	4,955.4	4,884.4	5,163.5	5,223.3	4,172.8	4,226.1	4,585.5	4,668.6	4,671.1
Government spending (current local billion)	1.3	1.4	1.6	1.5	1.4	1.6	1.7	1.9	2.0	2.3
Population (million)	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Inflation (annual % change)	2.8	2.3	2.5	4.8	7.7	3.7	5.5	8.7	4.3	2.9

25 Growth in defence spending vs growth in GDP (annual % change)



8 Percentage of government spending on defence





Country Name	Fiji
Capital City	Suva
Population	0.9 million
Land Size	18 333 km ²

Currency	Fiji dollar
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Tourism, sugar, clothing, copra, gold and silver mining, timber and cottage industries

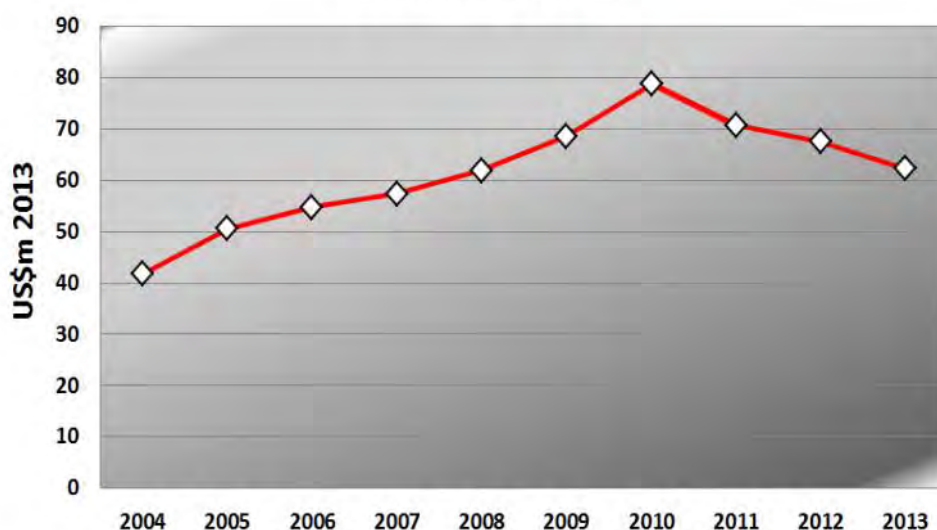
Economy

Over the past 10 years, Fiji averaged 1.6 per cent annual real economic growth. In 2013, the economy grew by 3 per cent, supported by government expenditure and growth in private consumption and investment – offsetting weaker performance in tourism and agriculture. Expansionary monetary policy, increased disposable incomes due to tax cuts, infrastructure investment and growth in tourism and remittances will support economic growth to 2018. Fiji's economy is forecast to average 2.3 per cent real growth to 2018, according to the IMF.

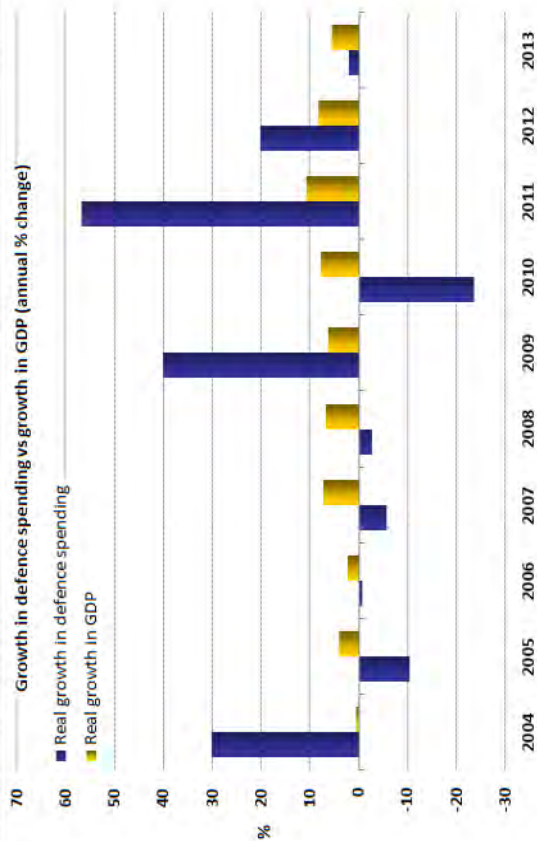
Defence spending

Fiji's 2013 defence budget was FJ\$114m (US\$62m), representing a 7.7 per cent real decrease on the 2012 defence budget. In July 2013, Fiji's navy refitted one of its patrol boats – RFNS *Lautoka* – to enable another seven years of service. The 2006 military coup disrupted Fiji's relationships with its traditional military partners, Australia and New Zealand; however, Fiji continues to develop ties with China and other partners. In 2013, Fiji deployed around 500 soldiers to the Golan Heights as part of the UN Disengagement Observer Force mission, in addition to its ongoing UN deployments to the Sinai and Iraq.

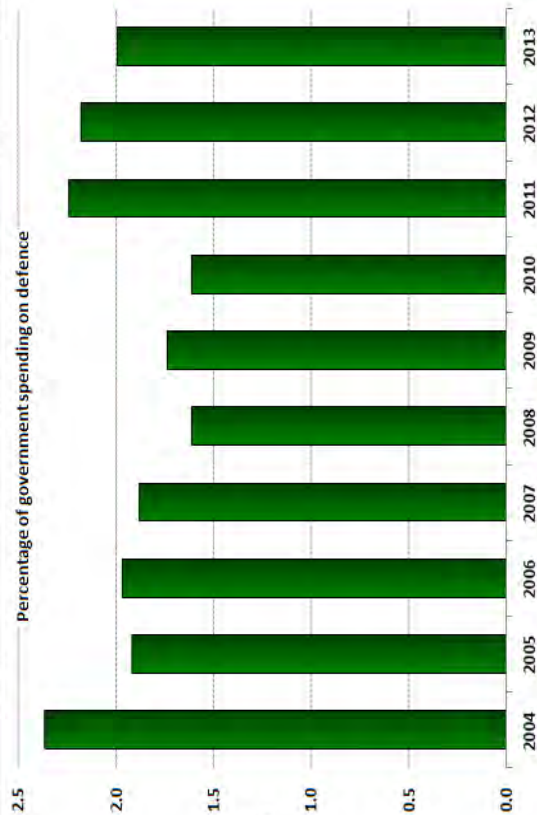
Defence budget



Papua New Guinea	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (million)	97.4	94.2	102.3	100.2	105.0	143.3	120.3	196.7	230.1	242.0
2013 local (million)	144.2	129.3	128.2	121.0	117.7	164.8	125.9	197.4	237.1	242.0
US\$ (million)	44.8	41.7	42.0	40.8	43.6	59.8	46.3	83.3	111.7	111.6
Real growth (%)	30.1	-10.3	-0.8	-5.6	-2.7	40.0	-23.6	56.8	20.1	2.1
Percentage of real GDP	0.7	0.6	0.6	0.5	0.5	0.6	0.5	0.6	0.7	0.7
Percentage of nominal government spending	2.4	1.9	2.0	1.9	1.6	1.7	1.6	2.2	2.2	2.0
Per capita (2013 US\$)	7.9	7.2	7.1	6.7	7.0	9.4	7.1	12.5	16.4	16.0
GDP:										
Current local (billion)	13.5	15.1	16.9	18.8	21.6	22.3	26.4	30.5	32.1	34.9
US\$ billion (real GDP)	6.2	6.7	6.9	7.7	9.0	9.3	10.2	12.9	15.6	16.1
Real growth (%)	0.6	3.9	2.3	7.1	6.6	6.1	7.7	10.7	8.1	5.4
Per capita (2013 US\$)	1,095.3	1,155.0	1,171.5	1,264.3	1,446.7	1,470.9	1,565.7	1,938.8	2,284.1	2,300.3
Government spending (current local billion)										
Population (million)	4.1	4.9	5.2	5.3	6.5	8.2	7.4	8.8	10.5	12.1
Inflation (annual % change)	5.6	5.8	5.9	6.1	6.2	6.3	6.5	6.7	6.8	7.0
	2.2	1.8	2.4	0.9	10.8	6.9	6.0	8.4	2.2	5.3



Percentage of government spending on defence





Country Name	Papua New Guinea
Capital City	Port Moresby
Population	7 million
Land Size	462 840 km ²

Currency	Kina
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Copra crushing, palm oil, timber, crude oil production, construction and gold, silver, copper and liquefied natural gas mining

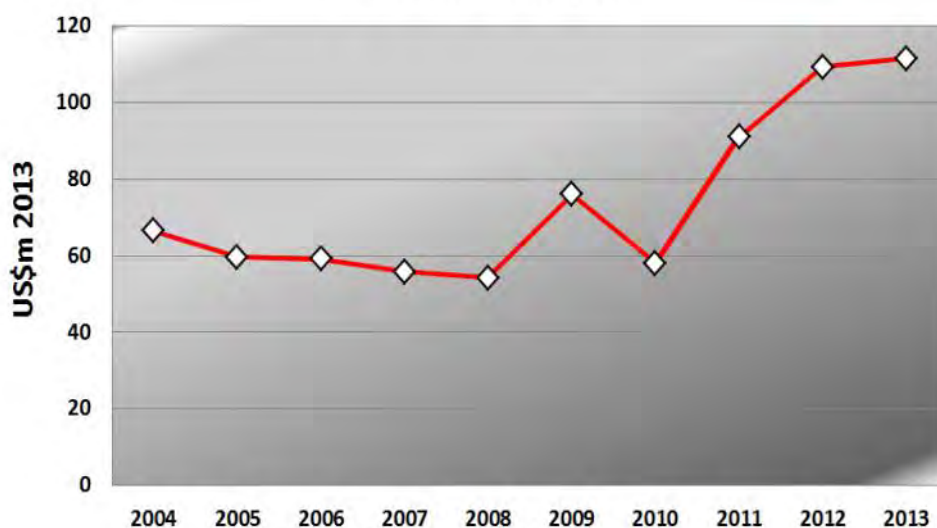
Economy

Over the past 10 years, PNG averaged 5.9 per cent real economic growth. Despite falling commodity prices and slowing growth in the non-mineral sector, the economy grew 5.4 per cent in 2013, supported by government expenditure and ongoing construction on the ExxonMobil liquefied natural gas (LNG) project. The economy is forecast to average 7.6 per cent real growth to 2018, according to the IMF, supported by government spending, growth in goods and services exports and the extraction phase of the LNG project commencing.

Defence spending

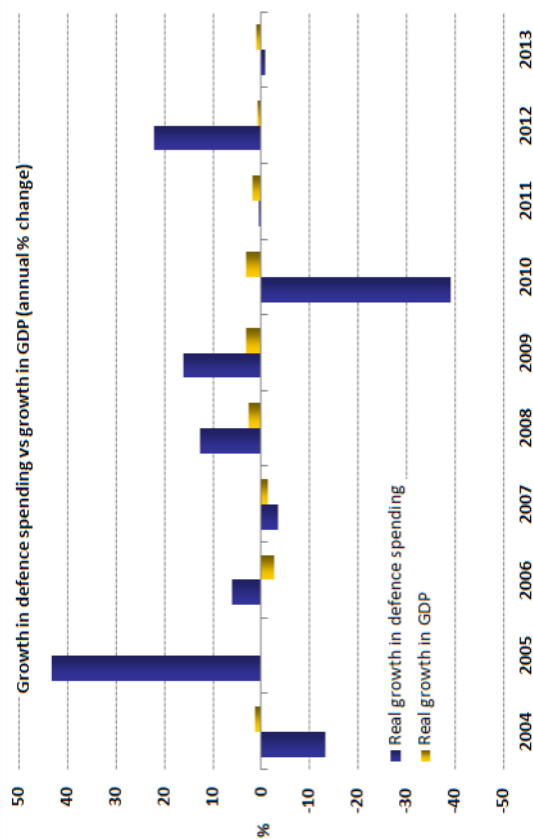
Papua New Guinea's 2013 defence budget was K242m (US\$111.6m), representing a 2.1 per cent real increase on the 2012 defence budget. In November 2013, PNG announced it would purchase four PAC 750 aircraft from New Zealand. In December 2013, PNG released its Defence White Paper, which outlined plans to modernise the PNGDF, especially its fixed wing and maritime elements. The PNGDF continues to receive substantial financial and training support from foreign partners – including Australia and New Zealand – and contributes personnel to multilateral forces.

Defence budget

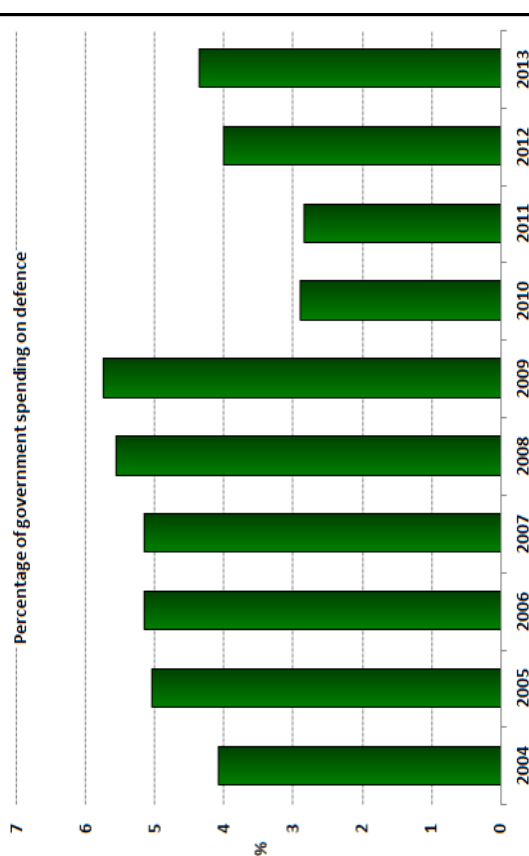


Tonga	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (million)	3.9	6.3	7.4	7.7	8.9	10.4	6.6	6.9	8.6	8.8
2013 local (million)	6.2	8.9	9.5	9.1	10.3	11.9	7.3	7.3	8.9	8.8
US\$ (million)	3.1	4.5	4.7	4.7	5.2	6.0	3.9	4.1	5.2	5.0
Real growth (%)	-13.2	43.4	6.0	-3.5	12.7	16.1	-39.3	0.6	22.3	-0.9
Percentage of real GDP	0.8	1.1	1.2	1.2	1.3	1.5	0.9	0.9	1.1	1.0
Percentage of nominal government spending	4.1	5.0	5.2	5.2	5.6	5.8	2.9	2.8	4.0	4.4
Per capita (2013 US\$)	31.0	44.8	46.1	45.9	50.7	57.8	37.5	40.2	50.2	47.9
GDP:										
Current local (million)	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.8
US\$ billion (real GDP)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Real growth (%)	1.2	0.1	-2.7	-1.5	2.6	3.2	3.2	1.8	0.7	0.9
Per capita (2013 US\$)	3,885.1	3,929.3	3,707.9	3,770.5	3,790.4	3,839.8	4,230.5	4,594.7	4,719.7	4,586.5
Government spending (current local billion)	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Population (million)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Inflation (annual % change)	10.8	8.5	6.1	7.4	7.5	3.5	3.9	4.6	3.1	3.2

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Tonga
Capital City	Nuku'alofa
Population	104 000
Land Size	748 km ²

Currency	Pa'anga
Fiscal Year	1 July–30 June
Economy	Less-developed country with a market economy
Industries	Tourism, fish, squash and vanilla

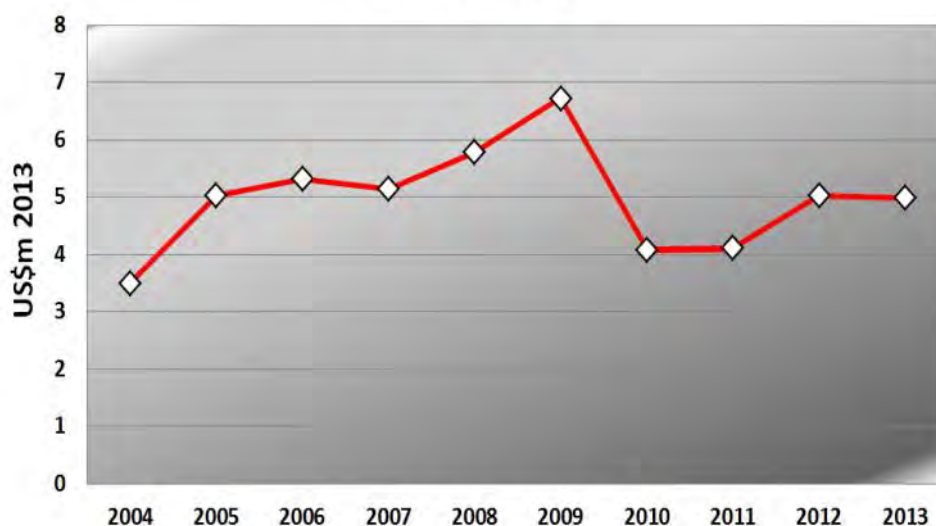
Economy

Over the past 10 years, Tonga averaged 1 per cent annual real economic growth. The economy grew by only 0.9 per cent in 2013 due to stagnant levels of remittances, slowing construction activity and investment and the decline of private sector credit. Economic growth will be facilitated by growth in the tourism sector and higher levels of remittances on the back of improved global economic conditions and lower unemployment in the US. Tonga's economy is forecast to average 1.7 per cent real growth to 2018, according to the IMF.

Defence spending

Tonga's 2013 defence budget was T\$8.8m (US\$5m), representing a 0.9 per cent real decrease on the 2012 defence budget. The Tonga Defence Services are poorly funded and rely on foreign assistance for new acquisitions. The navy operates three patrol boats supported by Australia's Pacific Patrol Boat Program. In May 2013, Australia announced it will provide a landing craft in mid-2014 to Tonga in support of its dedicated sealift capabilities. Tonga contributes personnel to multilateral UN missions, including to Afghanistan.

Defence budget



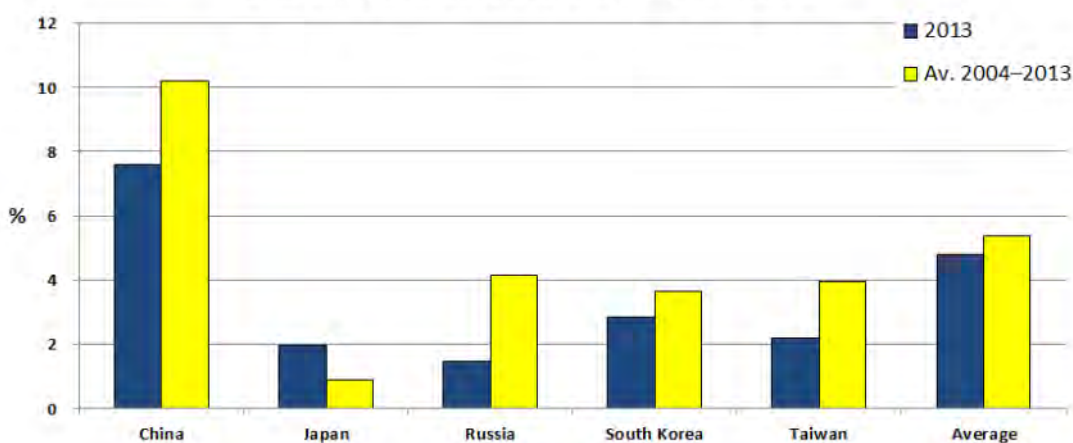
Regional economy

Slowing economic growth in China resulted in slower growth for North Asia, despite the economic recovery of the US and Europe and Japan's expansionary monetary and fiscal measures. Russia's economy suffered from structural economic problems, including reliance on oil and gas exports and non-competitive sectors and markets. Growth in domestic consumption and a gradual recovery in exports will underpin economic growth in the region, and the global economic recovery will help offset slowing growth in China.

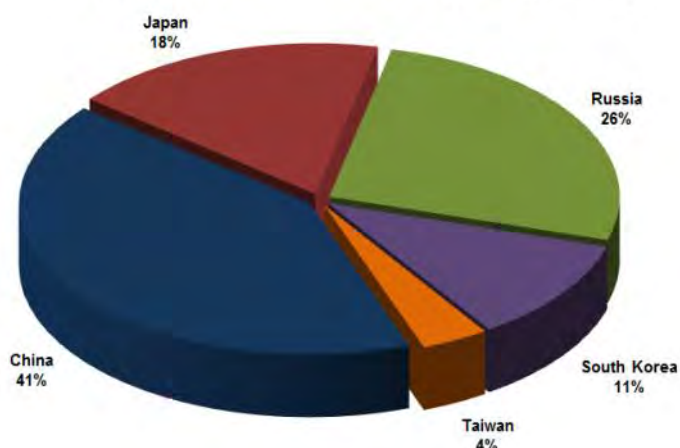
Defence spending

Increased regional defence spending in 2013 has sustained military modernisation. Russia's large increase to defence funding over the past two years has been driven by its military modernisation program. Maritime and air platforms have been procured in the face of continued regional tension. North Korea has been excluded from the regional comparison charts below due to a lack of reliable data.

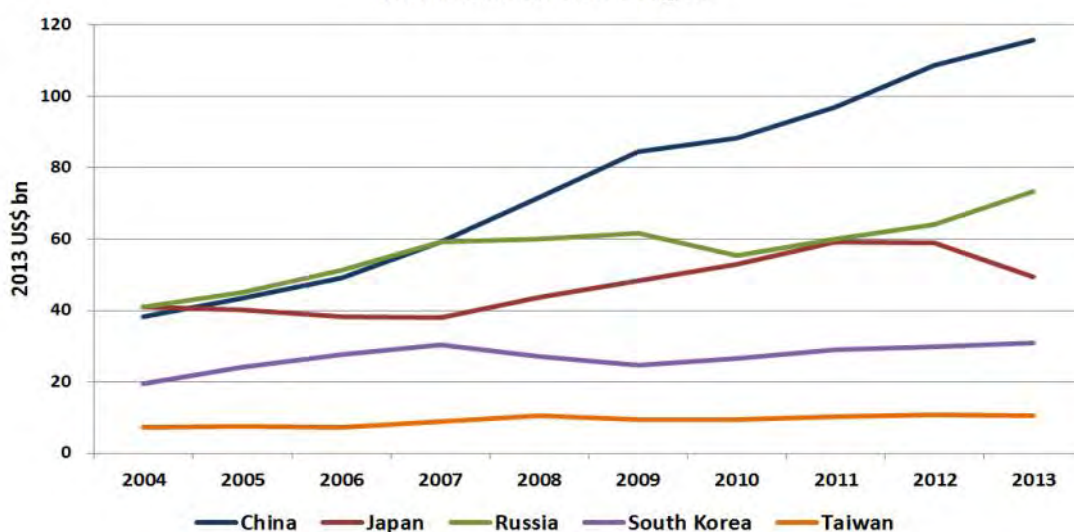
2013 GDP growth compared to average GDP growth



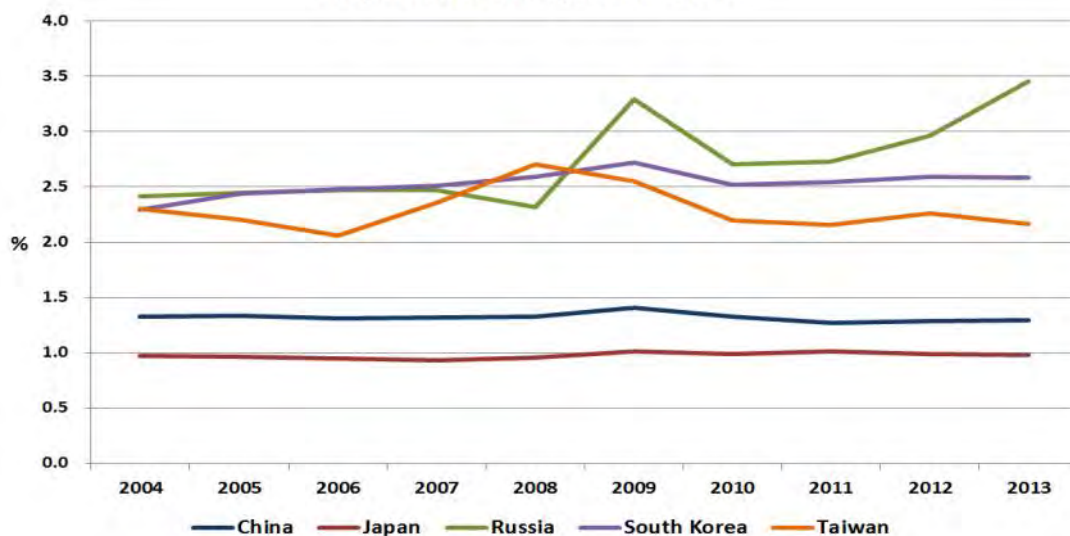
Contribution to North Asian defence spending in 2013



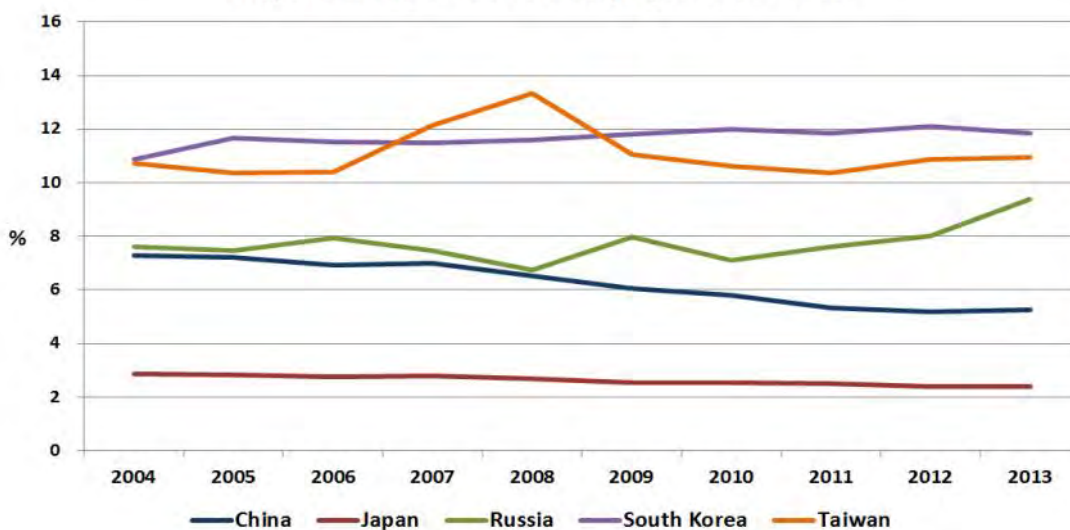
North Asian defence budgets



Proportion of GDP spent on defence

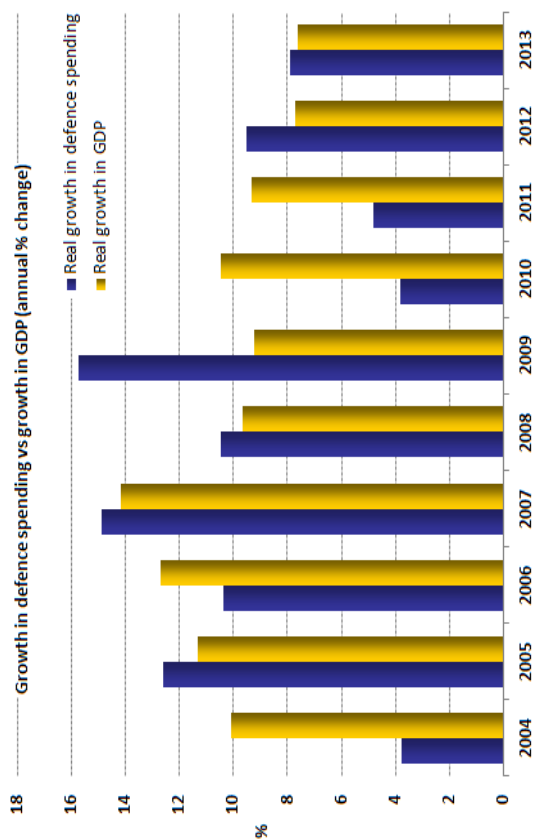


Proportion of government outlays spent on defence

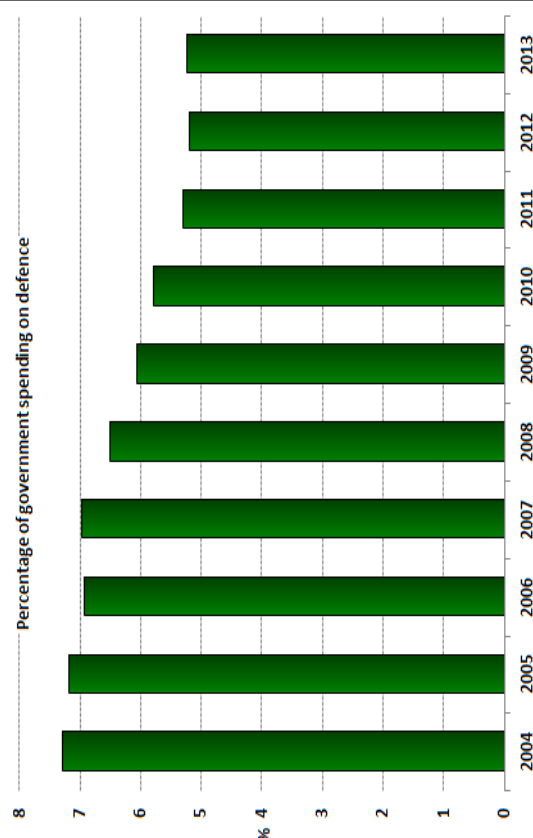


China	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	211.7	247.7	283.8	350.9	417.8	480.7	532.1	601.1	670.3	740.6
2013 local (billion)	315.7	355.5	392.4	450.7	497.9	576.4	598.4	627.0	686.5	740.6
US\$ (billion)	38.1	43.4	49.2	59.3	71.7	84.4	88.4	97.0	108.8	115.8
Real growth (%)	3.8	12.6	10.4	14.9	10.5	15.8	3.8	4.8	9.5	7.9
Percentage of real GDP	1.3	1.3	1.3	1.3	1.3	1.4	1.3	1.3	1.3	1.3
Percentage of nominal government spending	7.3	7.2	6.9	7.0	6.5	6.1	5.8	5.3	5.2	5.3
Per capita (2013 US\$)	29.3	33.2	37.4	44.8	54.0	63.2	65.9	72.0	80.3	85.1
GDP:										
Current local (billion)	15,987.8	18,493.7	21,631.4	26,581.0	31,404.5	34,090.3	40,151.3	47,310.4	51,894.2	57,187.9
US\$ billion (real GDP)	2,880.9	3,239.0	3,750.6	4,488.0	5,387.2	5,984.4	6,668.7	7,637.5	8,419.7	8,939.3
Real growth (%)	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.6
Per capita (2013 US\$)	2,216.3	2,477.1	2,853.3	3,396.7	4,056.6	4,484.4	4,973.3	5,668.5	6,218.2	6,569.3
Government spending (current local billion)	2,895.5	3,441.4	4,090.3	5,022.7	6,404.3	7,925.5	9,168.1	11,301.6	12,901.6	14,090.6
Population (million)	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.8
Inflation (annual % change)	3.9	1.8	1.5	4.8	5.9	-0.7	3.3	5.4	2.7	2.7

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	China
Capital City	Beijing
Population	1.36 billion
Land Size	9 561 000 km ²

Currency	Renminbi (unit of currency: Yuan)
Fiscal Year	1 January–31 December
Economy	Socialist market economy
Industries	Wide ranging, including iron, steel, petroleum, cement, chemical fertilisers, automobiles, electronics and telecommunications

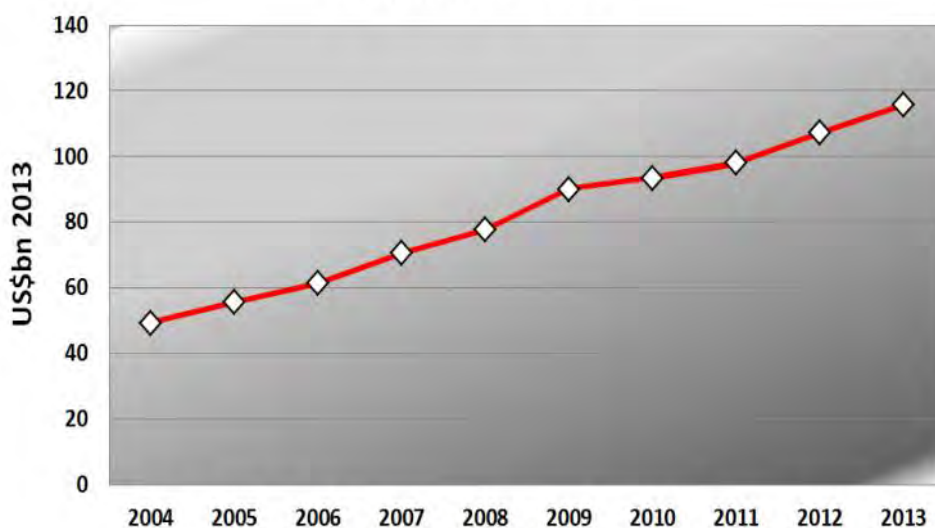
Economy

Over the past 10 years, China averaged 10.2 per cent annual real economic growth. Slowing export growth and lower levels of fixed investment contributed to more tepid economic growth in 2013 of 7.6 per cent. Public and private consumption, real estate development and government-backed investment drove economic growth in 2013, resulting in little structural readjustment to the economy. Beijing's efforts to reduce high levels of local government debt will result in lower credit and investment growth to 2018. China's economy is forecast to average 7 per cent real growth to 2018 according to the IMF, as the government seeks to move to a slower, more sustainable, consumption-led economic growth model.

Defence spending

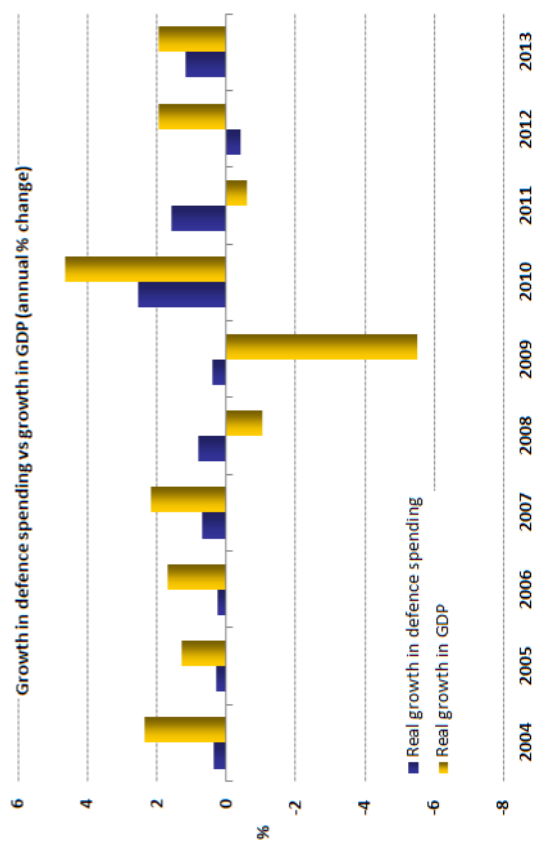
China's official 2013 defence budget was RMB740.6bn (US\$115.8bn), representing a 7.9 per cent real increase on the 2012 defence budget. However, some commentators place China's total defence spending at a much higher figure. China's military modernisation program, using domestically produced capabilities, reached several milestones in 2013. In February, the PLA Navy received the first Type 056 JIANGDAO-class corvette, with plans to build an additional 19; in November, China's first indigenously built stealth combat UAV completed its maiden flight; and, in December, the Harbin/Changhe Z-20 utility helicopter also had its first flight. China will probably build several aircraft carriers over the next 15 years.

Defence budget

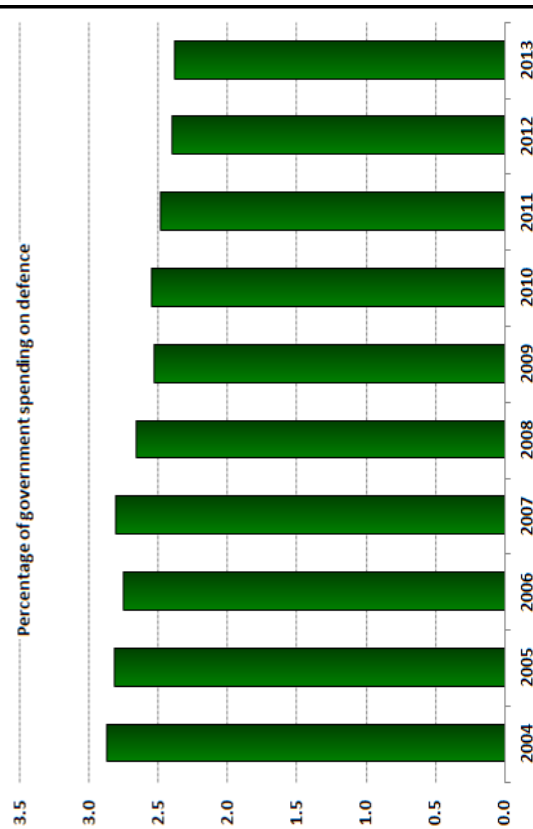


Japan	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	4,903.0	4,856.4	4,813.9	4,801.6	4,779.6	4,774.1	4,790.3	4,775.2	4,713.8	4,753.8
2013 local (billion)	4,419.1	4,432.6	4,443.6	4,473.9	4,510.5	4,527.9	4,643.8	4,717.7	4,698.2	4,753.8
US\$ (billion)	40.8	40.2	38.2	38.0	43.6	48.4	52.9	59.1	58.9	49.3
Real growth (%)	0.3	0.3	0.2	0.7	0.8	0.4	2.6	1.6	-0.4	1.2
Percentage of real GDP	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Percentage of nominal government spending	2.9	2.8	2.8	2.8	2.7	2.5	2.6	2.5	2.4	2.4
Per capita (2013 US\$)	319.7	314.7	298.8	296.9	340.8	377.9	413.1	462.2	461.4	386.8
GDP:										
Current local (billion)	503,725.4	503,903.0	506,687.0	512,975.2	501,209.3	471,138.6	482,384.4	470,560.1	475,572.6	483,250.2
US\$ billion (real GDP)	4,196.3	4,172.9	4,021.6	4,059.0	4,576.1	4,775.5	5,327.3	5,825.3	5,940.5	5,007.2
Real growth (%)	2.4	1.3	1.7	2.2	-1.0	-5.5	4.7	-0.6	2.0	2.0
Per capita (2013 US\$)	32,847.4	32,657.9	31,455.4	31,715.2	35,732.9	37,293.4	41,603.8	45,546.8	46,551.5	39,321.2
Government spending (current local billion)	170,517.5	171,889.9	174,749.2	170,881.7	179,081.5	188,371.6	187,708.5	191,761.4	196,175.6	198,706.3
Population (million)	127.8	127.8	127.9	128.0	128.1	128.1	128.0	127.9	127.6	127.3
Inflation (annual % change)	0.0	-0.3	0.2	0.1	1.4	-1.3	-0.7	-0.3	0.0	0.0

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Japan
Capital City	Tokyo
Population	127.3 million
Land Size	378 000 km ²

Currency	Yen
Fiscal Year	1 April–31 March
Economy	Advanced country with market economy
Industries	Automobiles, electronics, machine tools, steel and non-ferrous metals, ships, chemicals and textiles

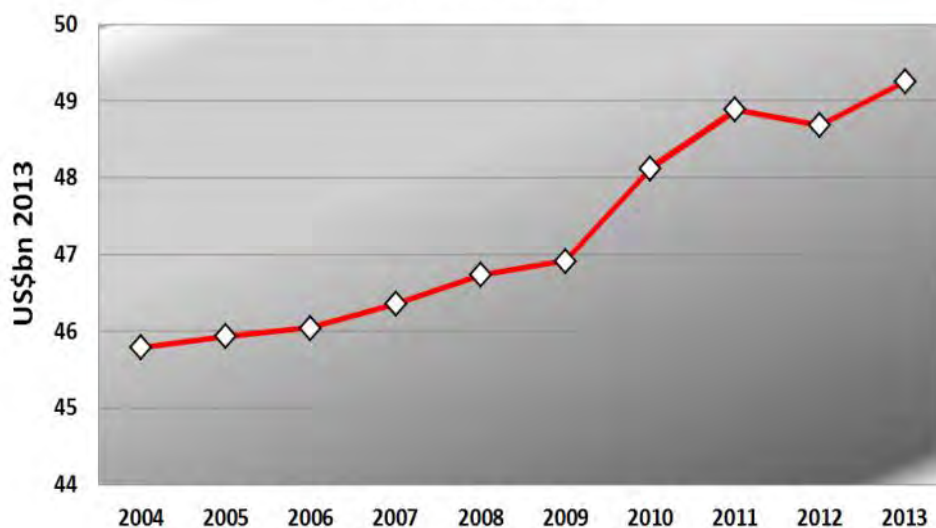
Economy

Over the past 10 years, Japan averaged 0.9 per cent annual real economic growth. Despite the widening of the trade deficit as a result of the yen's depreciation, the economy grew by 2 per cent in 2013, driven by growth in private consumption and public investment spending and supported by low interest rates and fiscal stimulus. Loose monetary policy, stronger exports and improved business and consumer confidence will support modest real economic growth, which is forecast to average 1.2 per cent to 2018, according to the IMF.

Defence spending

Japan's 2013 defence budget was ¥4.75tr (US\$49.3bn), representing a 1.2 per cent real increase on the 2012 defence budget. In March 2013, Japan commissioned its fifth SORYU-class diesel-electric attack submarine, with an additional five ordered for the Self-Defence Forces. In the same month, Japan received the first 2 of a 70-strong fleet of Kawasaki P-1 anti-submarine patrol aircraft, which will replace the P-3C Orion aircraft currently in service. The government's five-year Mid-Term Defence Program – released in December 2013 – includes plans to purchase 17 MV-22 Osprey tilt-rotor aircraft, 3 Global Hawk surveillance drones and 52 amphibious vehicles.

Defence budget



INSUFFICIENT RELIABLE DATA AVAILABLE



Country Name	North Korea
Capital City	Pyongyang
Population	24.7 million
Land Size	121 000 km ²

Currency	North Korean won
Fiscal Year	1 January–31 December
Economy	Less-developed country with centrally planned economy
Industries	Military products, machine building, chemicals, mining, metallurgy and apparel

Economy

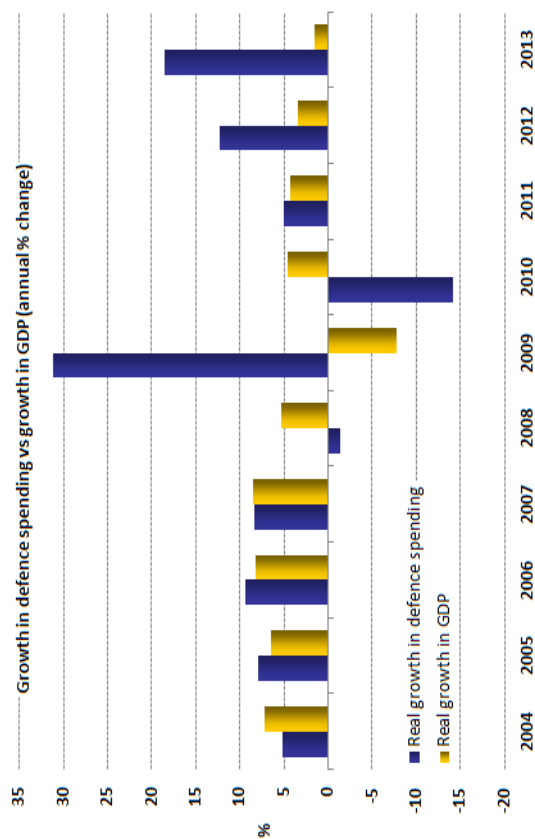
No official information is published for North Korea. North Korea's output is estimated to be lower than it was in the late 1980s, but the economy has shown some improvement since the 1990s famine crisis. North Korea will continue to rely on international food aid and its trade and aid relationship with China.

Defence spending

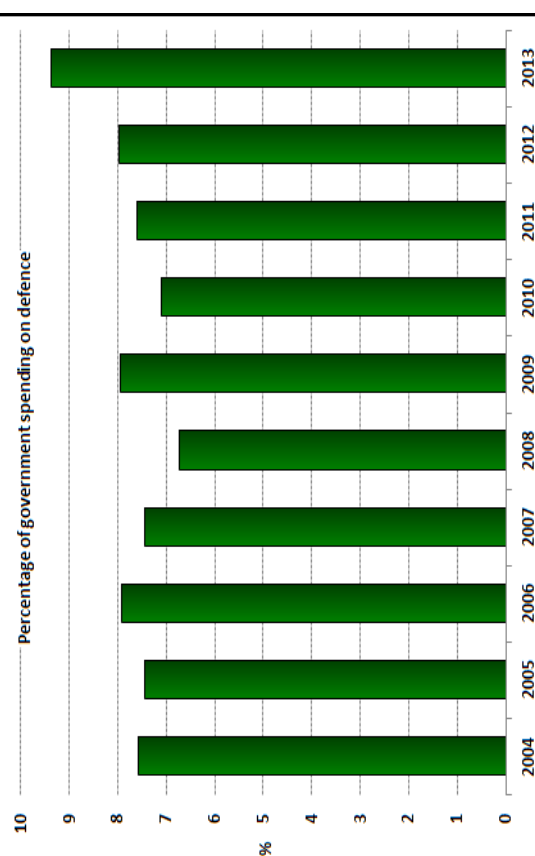
Reliable data on North Korea's defence spending is not available. Pyongyang follows a 'military first' policy that ensures priority is given to defence of the nation. Therefore, a large portion of government spending is directed towards military expenditure.

Russia	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	411.0	529.0	666.0	821.5	955.9	1,278.5	1,253.2	1,520.8	1,853.3	2,345.7
2013 local (billion)	1,181.8	1,275.1	1,393.9	1,510.7	1,490.2	1,954.7	1,677.9	1,762.5	1,979.7	2,345.7
US\$ (billion)	41.0	45.1	51.3	59.1	60.0	61.6	55.3	60.0	64.2	73.2
Real growth (%)	5.1	7.9	9.3	8.4	-1.4	31.2	-14.2	5.0	12.3	18.5
Percentage of real GDP	2.4	2.4	2.5	2.5	2.3	3.3	2.7	2.7	3.0	3.5
Percentage of nominal government spending	7.6	7.5	7.9	7.5	6.8	8.0	7.1	7.6	8.0	9.4
Per capita (2013 US\$)	284.3	313.4	358.0	413.6	419.9	431.6	386.6	421.2	452.3	517.6
GDP:										
Current local (billion)	17,027.2	21,609.8	26,917.2	33,247.5	41,276.8	38,807.2	46,308.5	55,799.6	62,599.1	67,855.8
US\$ billion (real GDP)	1,699.9	1,840.8	2,071.8	2,390.1	2,589.3	1,869.3	2,041.7	2,200.9	2,168.2	2,117.8
Real growth (%)	7.2	6.4	8.2	8.5	5.2	-7.8	4.5	4.3	3.4	1.5
Per capita (2013 US\$)	11,780.0	12,801.0	14,467.9	16,737.6	18,132.1	13,099.2	14,287.4	15,454.5	15,276.9	14,973.5
Government spending (current local billion)	5,405.4	7,088.8	8,384.0	11,005.7	14,157.0	16,048.3	17,616.7	19,994.6	23,174.7	24,958.2
Population (million)	144.3	143.8	143.2	142.8	142.8	142.7	142.9	142.4	141.9	141.4
Inflation (annual % change)	10.9	12.7	9.7	9.0	14.1	11.7	6.9	8.4	5.1	6.7

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Russia
Capital City	Moscow
Population	141.4 million
Land Size	17 098 000 km ²

Currency	Ruble
Fiscal Year	1 January–31 December
Economy	Industrialised country with an emerging market economy
Industries	Oil and gas, coal, precious metals and timber

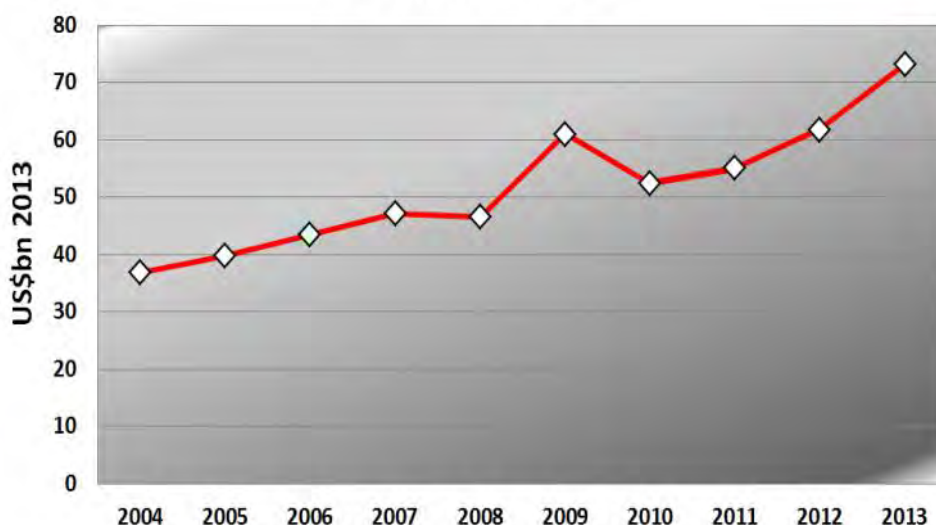
Economy

Over the past 10 years, Russia averaged 4.1 per cent annual real economic growth. The economy grew by 1.5 per cent in 2013. Economic growth was constrained by a lack of foreign investment and infrastructure investment, lower commodity prices for oil and gas exports and softer domestic consumption and external demand. Although an ageing demographic and its dependence on oil and gas exports present risks to Russia's growth potential, domestic consumption and an increase in exports will drive real economic growth, which is forecast to average 3.4 per cent to 2018, according to the IMF.

Defence spending

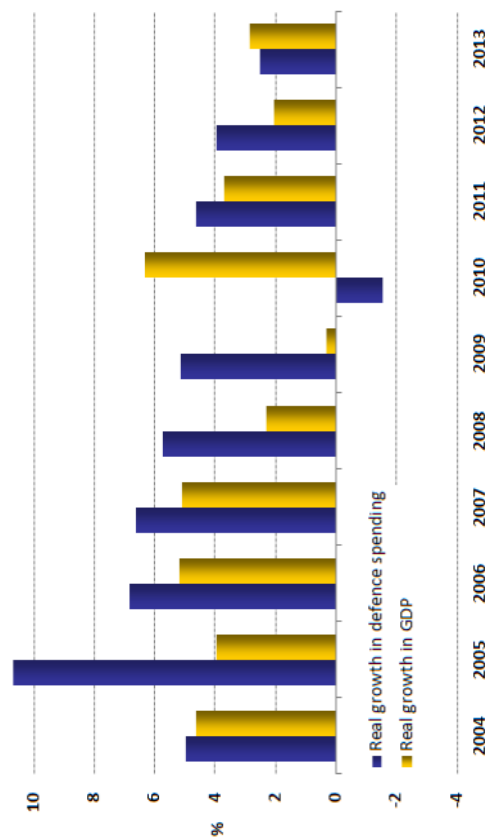
Russia's 2013 defence budget was RUB2.3tr (US\$73.2bn), representing an 18.5 per cent real increase on the 2012 defence budget. In September 2013, Russia announced its plan to acquire additional Sukhoi Su-30SM FLANKER fighter aircraft as part of its rearmament and modernisation plan. The Russian Navy commissioned its first YASEN-class nuclear-powered attack submarine in December 2013, and laid-down its fourth ADMIRAL GORSHKOV-class frigate in November 2013. Russia is also due to receive the second of two French-made MISTRAL-class amphibious vessels in 2014 – the first vessel was launched in October 2013. In December 2013, President Putin announced the government's intention to receive 40 intercontinental ballistic missiles, more than 210 airplanes and helicopters and more than 250 armoured vehicles units in 2014.

Defence budget

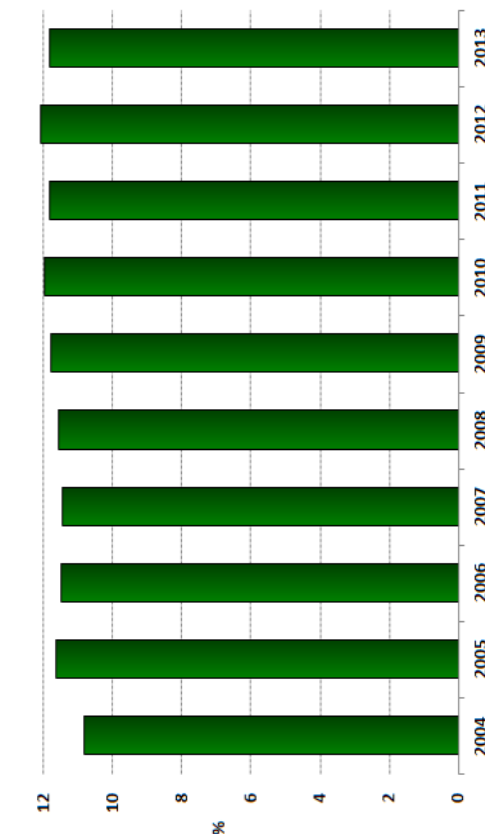


South Korea		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:											
Current local currency (billion)		18,941.2	21,102.6	22,512.9	24,497.2	26,649.0	28,980.3	29,562.7	31,403.1	32,957.6	34,345.3
2013 local (billion)		22,337.7	24,724.9	26,415.0	28,157.6	29,764.5	31,295.6	30,810.8	32,233.9	33,509.0	34,345.3
US\$ (billion)		19.5	24.1	27.7	30.3	27.0	24.5	26.7	29.1	29.7	30.9
Real growth (%)		5.0	10.7	6.8	6.6	5.7	5.1	-1.5	4.6	4.0	2.5
Percentage of real GDP		2.3	2.4	2.5	2.5	2.6	2.7	2.5	2.5	2.6	2.6
Percentage of nominal government spending		10.9	11.7	11.5	11.5	11.6	11.8	12.0	11.9	12.1	11.8
Per capita (2013 US\$)		406.0	501.5	571.9	623.5	551.8	498.3	539.4	584.3	594.9	615.3
GDP:											
Current local (billion)		826,892.7	865,241.1	908,743.8	975,013.0	1,026,451.8	1,065,036.8	1,173,274.9	1,235,160.6	1,272,459.5	1,330,550.6
US\$ billion (real GDP)		851.4	989.9	1,116.7	1,206.0	1,040.3	900.7	1,057.7	1,144.0	1,148.4	1,197.5
Real growth (%)		4.6	4.0	5.2	5.1	2.3	0.3	6.3	3.7	2.0	2.8
Per capita (2013 US\$)		17,723.9	20,563.5	23,086.5	24,816.2	21,252.6	18,313.5	21,407.3	22,980.7	22,966.8	23,837.6
Government spending (current local billion)		174,436.6	180,663.1	195,700.8	213,396.1	229,789.6	245,273.3	246,379.7	264,870.5	272,463.2	290,165.7
Population (million)		48.0	48.1	48.4	48.6	48.9	49.2	49.4	49.8	50.0	50.2
Inflation (annual % change)		3.6	2.8	2.2	2.5	4.7	2.8	2.9	4.0	2.2	1.4

12 Growth in defence spending vs growth in GDP (annual % change)



14 Percentage of government spending on defence





Country Name	South Korea
Capital City	Seoul
Population	50.2 million
Land Size	99 000 km ²

Currency	South Korean won
Fiscal Year	1 January–31 December
Economy	Industrialised country with a market economy
Industries	Automobiles, electronics, chemicals, shipbuilding, textiles and apparel

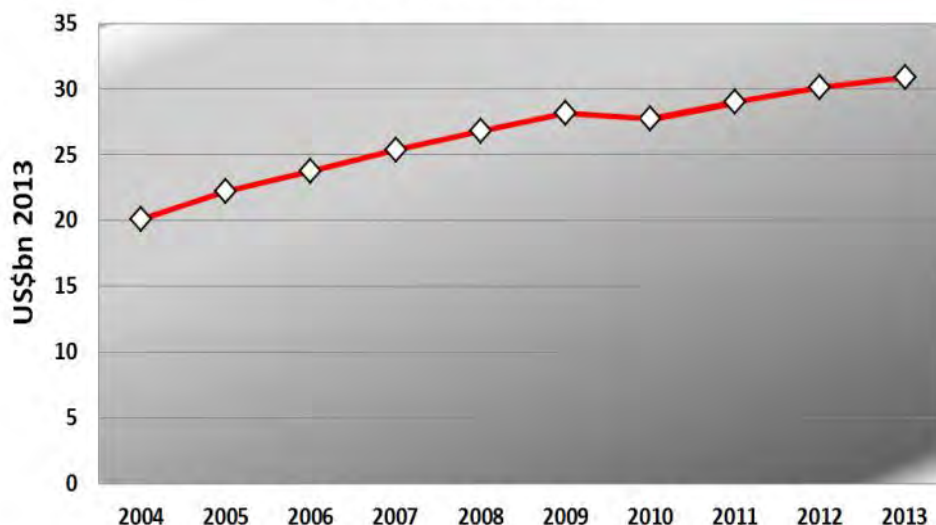
Economy

Over the past 10 years, South Korea averaged 3.6 per cent annual real economic growth. The economy grew by 2.8 per cent in 2013, supported by low inflation, increased government expenditure and growth in domestic consumption. Despite China's economic slowdown and Seoul's efforts to reduce the role of the external sector for economic growth, increased demand for South Korean exports – as global economic conditions recover – will support real economic growth to 2018. South Korea's economy is forecast to average 3.9 per cent real growth to 2018, according to the IMF.

Defence spending

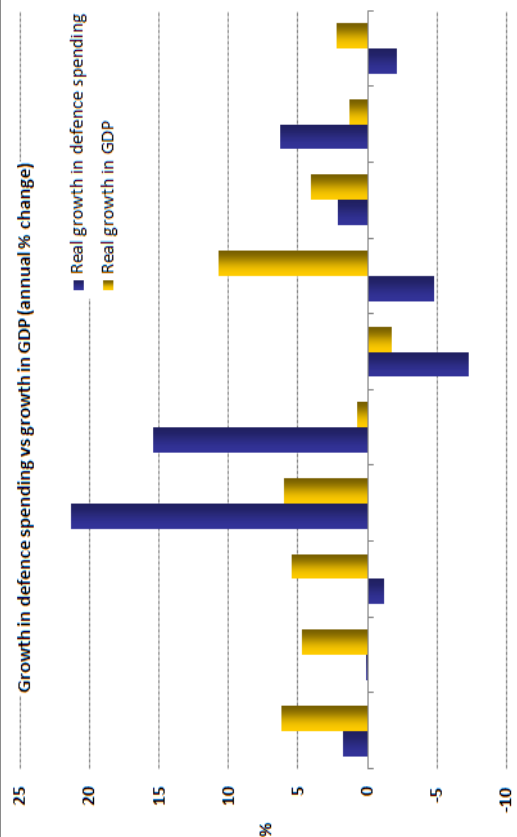
South Korea's 2013 defence budget was ₩34.3tr (US\$30.9bn), representing a 2.5 per cent real increase on the 2012 defence budget. In 2013, the Republic of Korea Navy received its first INCHEON-class frigate under the Future Frigate Experimental Program – with another two scheduled to be commissioned in 2014 – and confirmed its plans to acquire three KDX-III Aegis-equipped destroyers after 2023. In January 2013, Seoul announced it will acquire eight AW-159 Wildcat helicopters for maritime operations, and in April 2013 Boeing was awarded the contract to supply 36 AH-64E Apache attack helicopters. In September 2013, Seoul restarted Phase III of its F-X next-generation fighter program – in which the Lockheed Martin F-35 Lightning II, the EADS Eurofighter Typhoon and an advanced F-15 variant are competing – with a final decision expected in late 2014.

Defence budget

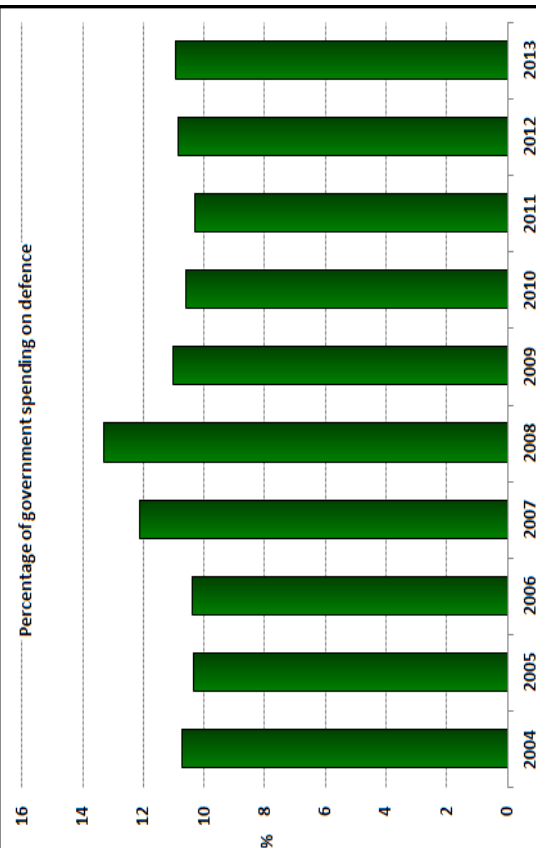


Taiwan	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	261.9	258.5	252.5	304.9	341.5	318.7	297.4	294.6	317.3	312.7
2013 local (billion)	241.1	241.2	238.2	289.1	333.6	309.1	294.3	300.7	319.5	312.7
US\$ (billion)	7.2	7.5	7.3	8.8	10.6	9.4	9.3	10.2	10.8	10.5
Real growth (%)	1.8	0.0	-1.2	21.4	15.4	-7.3	-4.8	2.1	6.3	-2.1
Percentage of real GDP	2.3	2.2	2.1	2.4	2.7	2.6	2.2	2.2	2.3	2.2
Percentage of nominal government spending	10.7	10.4	10.4	12.1	13.3	11.0	10.6	10.3	10.9	10.9
Per capita (2013 US\$)	317.9	329.2	320.1	383.5	459.3	404.5	401.6	439.3	462.8	448.0
GDP:										
Current local (billion)	11,365.3	11,740.3	12,243.5	12,910.5	12,620.2	12,481.1	13,552.1	13,674.3	14,042.1	14,451.0
US\$ billion (real GDP)	313.0	340.5	355.1	372.8	391.1	366.3	423.8	473.6	477.5	484.7
Real growth (%)	6.2	4.7	5.4	6.0	0.7	-1.8	10.8	4.1	1.3	2.2
Per capita (2013 US\$)	13,796.7	14,952.2	15,520.2	16,236.5	16,975.2	15,843.1	18,296.1	20,392.0	20,479.3	20,706.3
Government spending (current local billion)	2,439.9	2,493.2	2,424.1	2,511.5	2,559.9	2,884.8	2,799.1	2,847.3	2,918.7	2,855.8
Population (million)	22.7	22.8	22.9	23.0	23.0	23.1	23.2	23.2	23.3	23.4
Inflation (annual % change)	1.6	2.3	0.6	1.8	3.5	-0.9	1.0	1.4	1.9	1.2

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence



Name	Taiwan	Currency	New Taiwan dollar
Capital City	Taipei	Fiscal Year	1 January–31 December
Population	23.4 million	Economy	Newly industrialised market economy
Land Size	36 000 km ²	Industries	Electronics, petroleum refining, chemicals, textiles, iron and steel, machinery, cement, and food

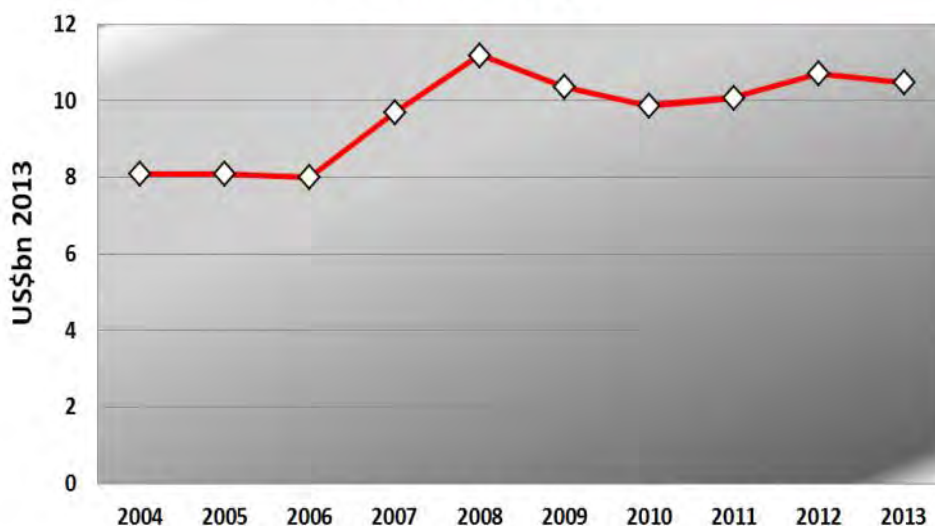
Economy

Over the past 10 years, Taiwan averaged 4 per cent annual real economic growth. In 2013, economic growth was 2.2 per cent due to slowing growth in China, low growth in exports and stagnant levels of private investment. Taiwan's economy is forecast to average 4.2 per cent real growth to 2018, according to the IMF. Growth will be driven by net exports as global economic conditions improve and generate stronger external demand, and will be supported by low interest rates and low levels of inflation.

Defence spending

Taiwan's 2013 defence budget was NT\$312.7bn (US\$10.5bn), representing a 2.1 per cent real decrease on the 2012 defence budget. The defence force is transitioning to an all-volunteer force by 2017 and the associated costs continue to divert resources from other defence budget items. In November 2013, Taiwan took delivery of six AH-64E Apache attack helicopters, with the remaining 24 to be delivered in 2014. In 2013, Lockheed Martin was awarded the contract to upgrade the navy's 12 P-3C Orion aircraft – the first of which was delivered in September 2013 – and is also upgrading the air force's F-16A/B fighter aircraft.

Defence budget



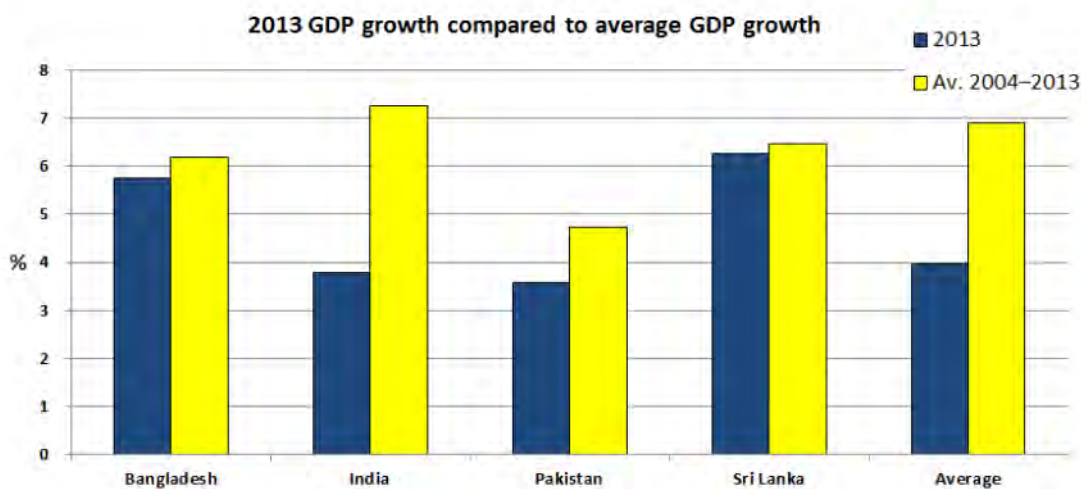
Regional economy

Fiscal and current account imbalances in India and Pakistan negatively impacted economic growth in South Asia. India suffered from currency depreciation and capital withdrawals and Pakistan required an IMF loan to avoid a balance of payments crisis. But a favourable monsoon season, lower commodity prices and increasing remittances to Bangladesh and Sri Lanka supported real growth in the region.

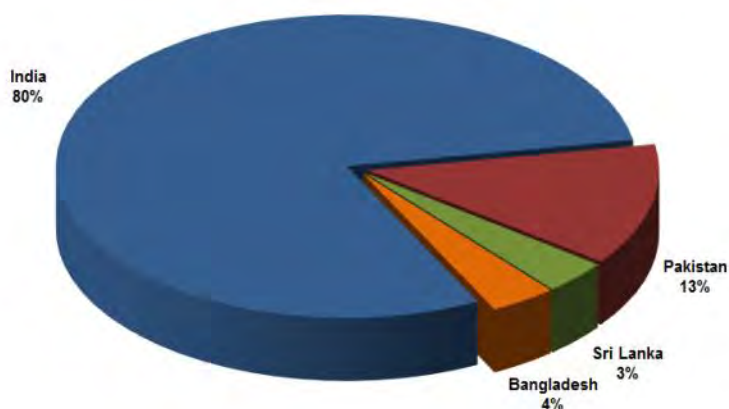
Structural problems, infrastructure bottlenecks and fiscal consolidation will constrain growth out to 2018, but increased investment, remittances and disposable incomes will support growth for the region.

Defence spending

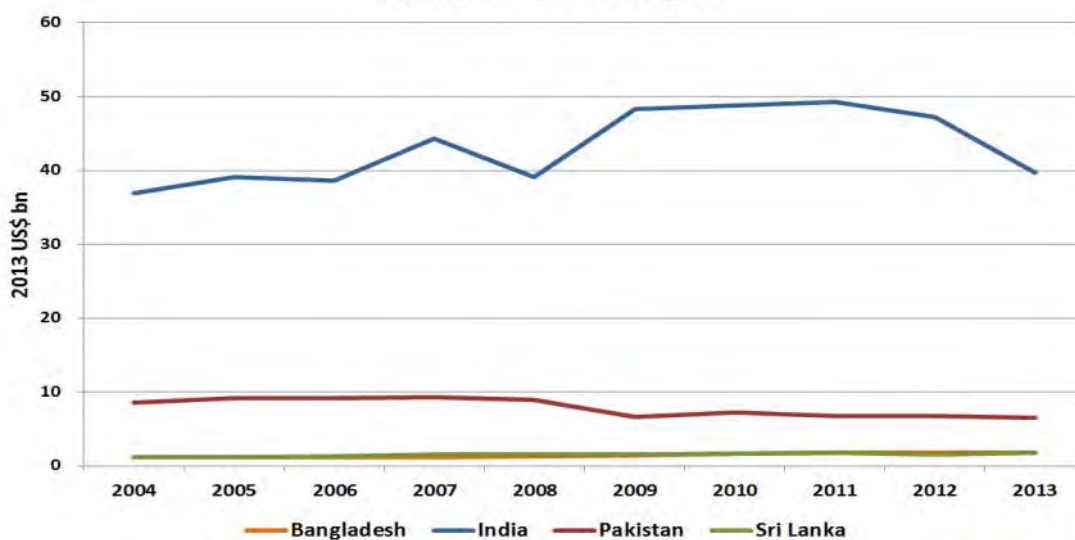
South Asian defence budgets have grown strongly over the last decade. 2013 saw a disparity in defence budget growth across South Asia, with the largest regional defence spender, India, recording a real decrease in its 2013 defence budget. Despite this, South Asian countries have continued to modernise their militaries, driven by internal security challenges and ongoing inter-state rivalries.



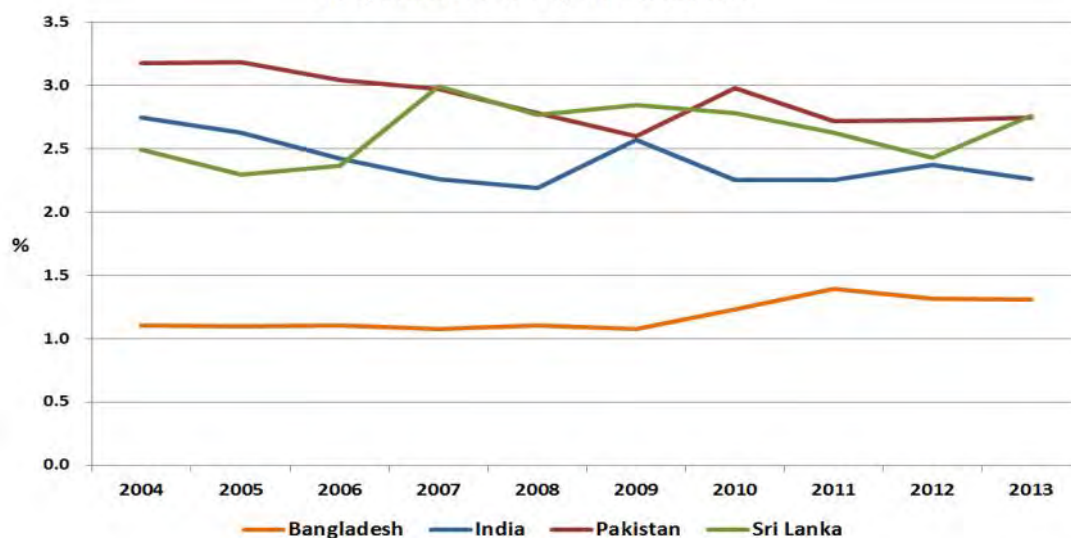
Contribution to South Asian defence spending in 2013



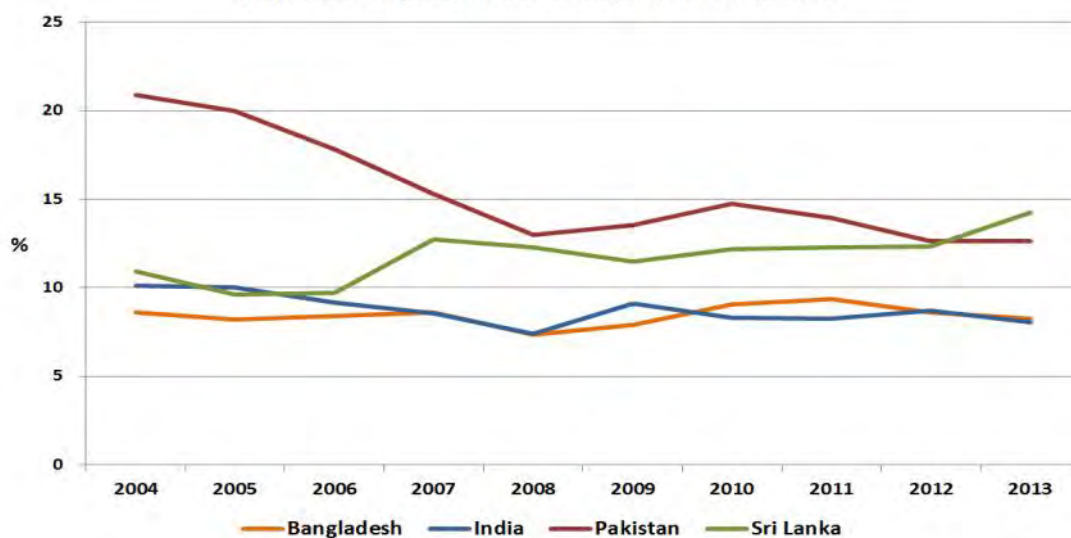
South Asian defence budgets



Proportion of GDP spent on defence

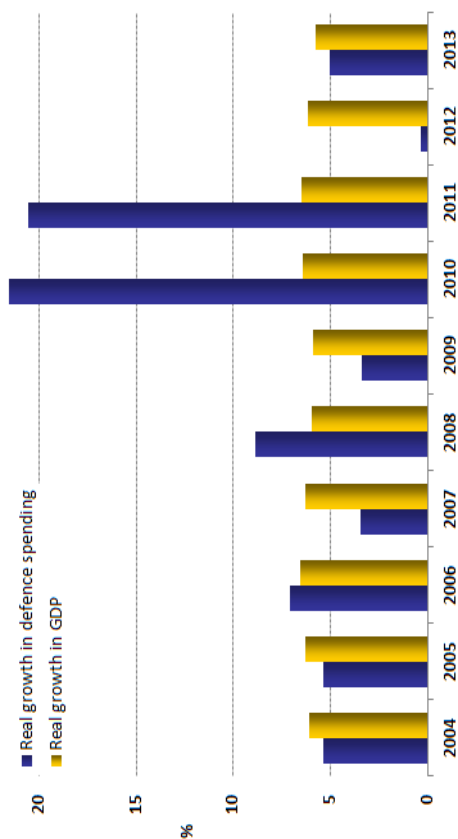


Proportion of government outlays spent on defence

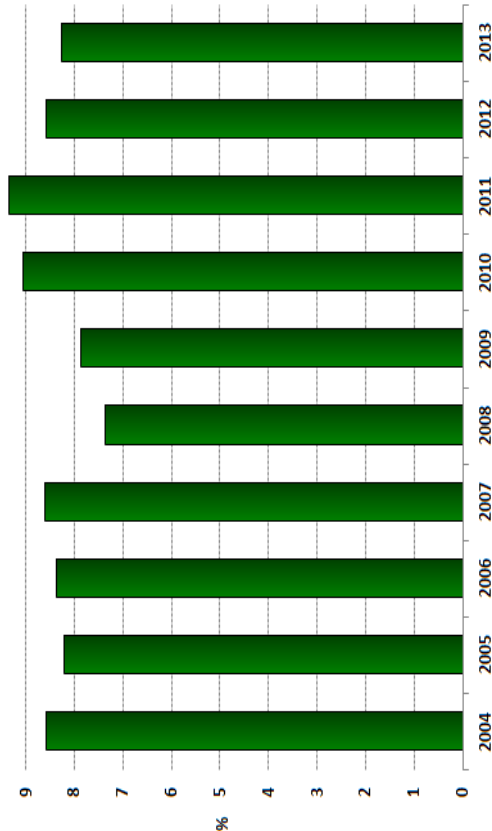


Bangladesh												
Official defence budget:												
Current local currency (billion)	39.0	43.2	49.0	54.7	64.1	70.5	91.8	119.5	128.9	144.6		
2013 local (billion)	71.3	75.2	80.5	83.2	90.6	93.6	113.8	137.3	137.7	144.6		
US\$ (billion)	1.2	1.2	1.2	1.2	1.3	1.4	1.6	1.8	1.7	1.8		
Real growth (%)	5.3	5.3	7.1	3.4	8.9	3.4	21.6	20.6	0.3	5.0		
Percentage of real GDP	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.4	1.3	1.3		
Percentage of nominal government spending	8.6	8.2	8.4	8.6	7.4	7.9	9.1	9.4	8.6	8.3		
Per capita (2013 US\$)	8.5	8.2	8.2	8.3	8.9	9.1	10.7	12.0	11.2	11.8		
GDP:												
Current local (billion)	3,518.4	3,932.2	4,441.0	5,091.5	5,803.1	6,545.6	7,455.1	8,574.2	9,780.6	11,052.3		
US\$ billion (real GDP)	108.1	106.3	107.0	112.5	119.5	126.0	131.8	131.0	131.4	140.2		
Real growth (%)	6.1	6.3	6.5	6.3	6.0	5.9	6.4	6.5	6.1	5.8		
Per capita (2013 US\$)	765.6	742.9	738.5	768.4	807.4	842.8	872.0	858.0	851.8	899.3		
Government spending (current local billion)	453.9	525.0	585.1	634.0	869.1	893.2	1,012.8	1,277.5	1,500.9	1,749.0		
Population (million)	141.2	143.1	144.9	146.5	148.0	149.5	151.1	152.7	154.3	155.9		
Inflation (annual % change)	6.1	7.0	6.8	9.1	8.9	5.4	8.1	10.7	8.7	7.6		

25 Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	Bangladesh
Capital City	Dhaka
Population	155.9 million
Land Size	130 468 km ²

Currency	Bangladeshi taka
Fiscal Year	1 July–30 June
Economy	Less-developed country with a market economy
Industries	Cotton, wheat, jute, tobacco, garments, pharmaceuticals, petroleum products and natural gas

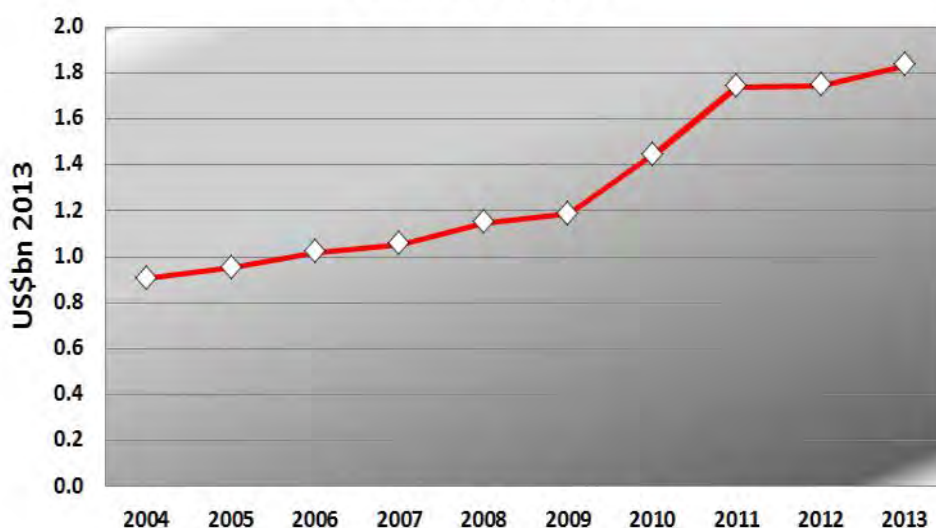
Economy

Over the past 10 years, Bangladesh averaged 6.2 per cent annual real economic growth. The economy grew by 5.8 per cent in 2013, driven by strong export growth – especially from the garment sector. But a decline in remittances, strikes over worker safety, and low agriculture growth due to poor weather and the fall of rice prices constrained the pace of economic growth. Bangladesh's economic growth, led by improved growth in agriculture and remittances, is forecast to remain stable and average 6.7 per cent real growth to 2018, according to the IMF.

Defence spending

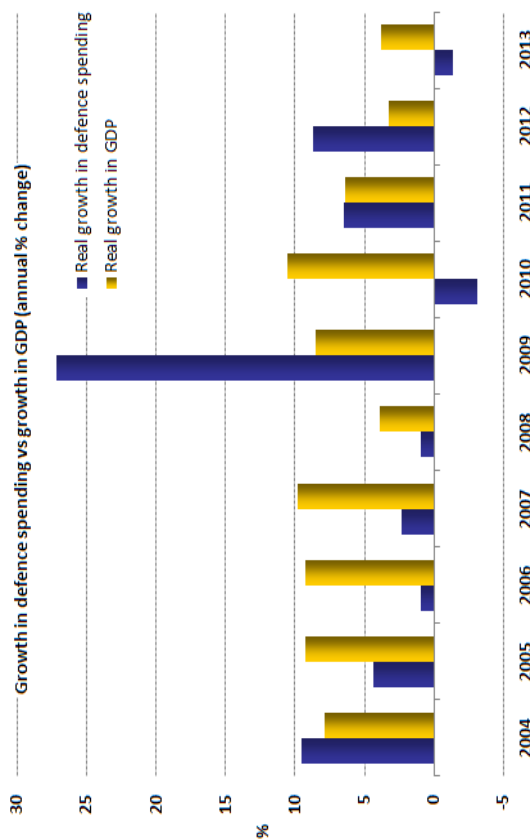
Bangladesh's 2013 defence budget was Tk144.6bn (US\$1.8bn), representing a five per cent real increase on the 2012 defence budget. In December 2012, the army received the first deliveries of 44 Chinese-built MBT-2000 main battle tanks. In January 2013, Dhaka commissioned its first indigenously built warship, the BNS *Padma*. In the same month, Bangladesh also signed its largest defence deal with Russia to purchase training fighter aircraft, helicopters and anti-tank missiles, and separately announced its intention to purchase submarines.

Defence budget

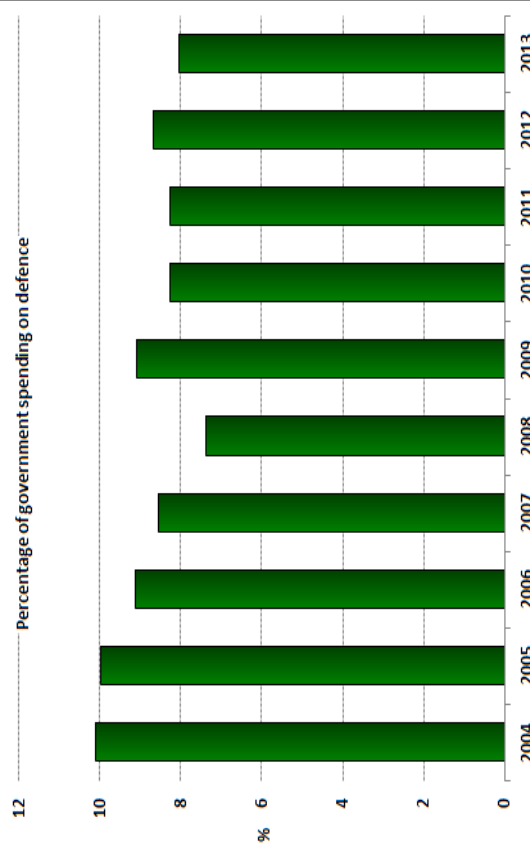


India	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	891.4	969.5	1,041.2	1,127.0	1,235.3	1,666.6	1,757.7	2,025.7	2,382.1	2,533.5
2013 local (billion)	1,657.4	1,729.4	1,745.3	1,786.1	1,801.8	2,291.9	2,220.5	2,363.4	2,569.7	2,533.5
US\$ (billion)	36.9	39.1	38.6	44.4	39.1	48.3	48.7	49.3	47.2	39.7
Real growth (%)	9.5	4.3	0.9	2.3	0.9	27.2	-3.1	6.4	8.7	-1.4
Percentage of real GDP	2.7	2.6	2.4	2.3	2.2	2.6	2.3	2.3	2.4	2.3
Percentage of nominal government spending	10.1	10.0	9.1	8.6	7.4	9.1	8.3	8.3	8.7	8.1
Per capita (2013 US\$)	33.6	35.1	34.1	38.7	33.7	41.0	40.8	40.7	38.5	31.9
GDP:										
Current local (billion)	32,422.1	36,933.7	42,947.0	49,870.9	56,300.6	64,778.3	77,953.1	89,749.5	100,206.2	112,201.9
US\$ billion (real GDP)	1,341.7	1,488.1	1,590.9	1,962.9	1,784.1	1,877.6	2,161.4	2,185.0	1,986.8	1,758.2
Real growth (%)	7.9	9.3	9.3	9.8	3.9	8.5	10.5	6.3	3.2	3.8
Per capita (2013 US\$)	1,222.6	1,335.8	1,407.8	1,712.8	1,535.4	1,593.7	1,809.3	1,804.3	1,619.0	1,414.1
Government spending (current local billion)	8,810.5	9,689.4	11,383.0	13,150.3	16,704.0	18,312.3	21,191.0	24,475.2	27,382.8	31,439.5
Population (million)	1,097.4	1,114.0	1,130.0	1,146.0	1,162.0	1,178.1	1,194.6	1,211.0	1,227.2	1,243.3
Inflation (annual % change)	3.8	4.4	6.7	6.2	9.1	12.4	10.4	8.4	10.4	10.9

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name	India
Capital City	New Delhi
Population	1.24 billion
Land Size	3 287 000 km ²

Currency	Indian rupee
Fiscal Year	1 April–31 March
Economy	Less-developed country with a market economy
Industries	IT services, textiles, chemicals, steel, transportation equipment, cement, mining, petroleum and machinery

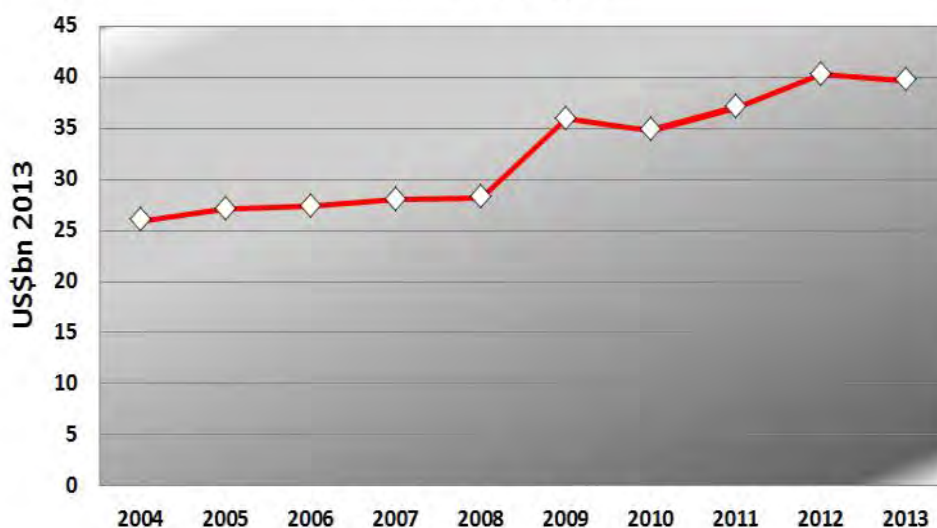
Economy

Over the past 10 years, India averaged 7.2 per cent annual real economic growth. Challenging economic conditions – including balance of payments issues, absence of foreign direct investment, high inflation, tighter monetary policy and high government debt – constrained economic activity, which grew only 3.8 per cent in 2013. Rising domestic demand, higher fuel and food prices and the rupee's weakness will contribute to high inflation to 2018, but growth in the services and agriculture sectors, infrastructure investment and higher disposable incomes will support economic growth. India is forecast to average 6.3 per cent real economic growth to 2018, according to the IMF.

Defence spending

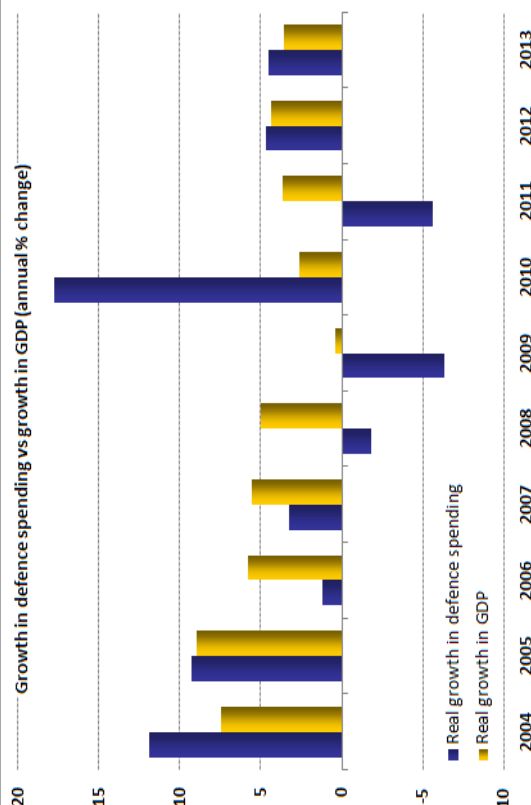
India's 2013 defence budget was Rs2.5tr (US\$39.7bn), representing a 1.4 per cent real decrease on the 2012 defence budget. In August 2013, the nuclear reactor in India's indigenously-built nuclear submarine the *INS Arihant* achieved criticality and the submarine is currently undergoing sea trials. Also in August, India launched the hull of its first indigenous aircraft carrier, the *INS Vikrant*, and in November 2013 the *INS Vikramaditya*, a refurbished former Soviet Navy aircraft carrier, was delivered to the Indian Navy. In December 2013, initial operational clearance was announced for the Indian-built Tejas light combat aircraft.

Defence budget

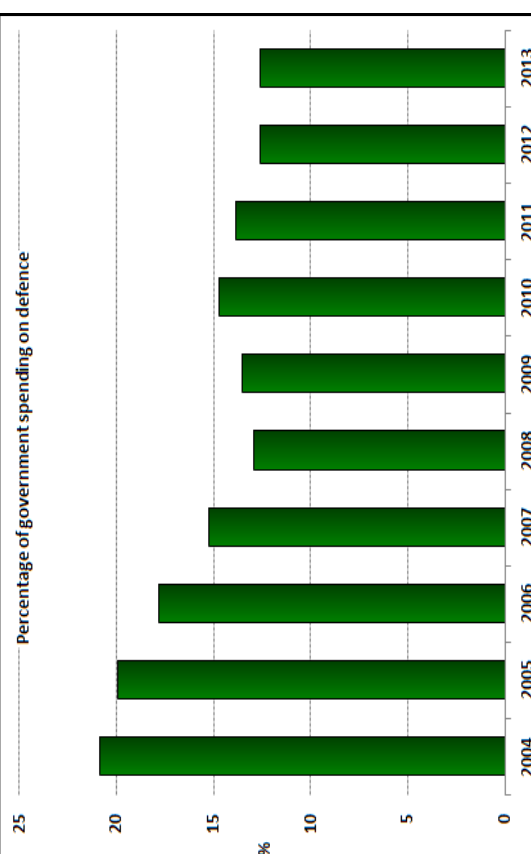


Pakistan	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	193.0	223.0	250.0	275.0	296.1	342.9	443.5	496.7	547.4	629.6
2013 local (billion)	493.5	539.1	545.3	562.9	552.7	517.7	609.8	575.7	602.6	629.6
US\$ (billion)	8.6	9.1	9.1	9.3	8.9	6.7	7.3	6.7	6.8	6.5
Real growth (%)	11.9	9.3	1.1	3.2	-1.8	-6.3	17.8	-5.6	4.7	4.5
Percentage of real GDP	3.2	3.2	3.0	3.0	2.8	2.6	3.0	2.7	2.7	2.7
Percentage of nominal government spending	20.9	20.0	17.8	15.3	13.0	13.5	14.7	13.9	12.7	12.6
Per capita (2013 US\$)	57.3	59.8	58.6	58.7	54.0	39.6	42.4	38.4	37.8	35.6
GDP:										
Current local (billion)	6,079.3	7,005.4	8,216.2	9,239.8	10,637.8	13,199.7	14,867.0	18,284.9	20,090.9	22,909.1
US\$ billion (real GDP)	270.3	286.7	299.4	312.1	319.6	256.3	244.2	247.7	248.3	236.5
Real growth (%)	7.5	9.0	5.8	5.5	5.0	0.4	2.6	3.7	4.4	3.6
Per capita (2013 US\$)	1,805.9	1,879.7	1,927.1	1,973.1	1,940.7	1,523.8	1,422.2	1,413.0	1,387.8	1,295.4
Government spending (current local billion)	922.9	1,116.5	1,401.8	1,800.0	2,281.0	2,531.3	3,008.4	3,566.4	4,326.3	4,980.2
Population (million)	149.7	152.5	155.4	158.2	164.7	168.2	171.7	175.3	178.9	182.6
Inflation (annual % change)	4.0	9.3	8.0	7.8	10.8	17.6	10.1	13.7	11.0	7.4

20 Growth in defence spending vs growth in GDP (annual % change)



25 Percentage of government spending on defence





Country Name	Pakistan
Capital City	Islamabad
Population	182.6 million
Land Size	796 000 km ²

Currency	Pakistani rupee
Fiscal Year	1 July–30 June
Economy	Less-developed country with a market economy
Industries	Textiles, food processing, beverages, construction materials, clothing, paper products and prawns

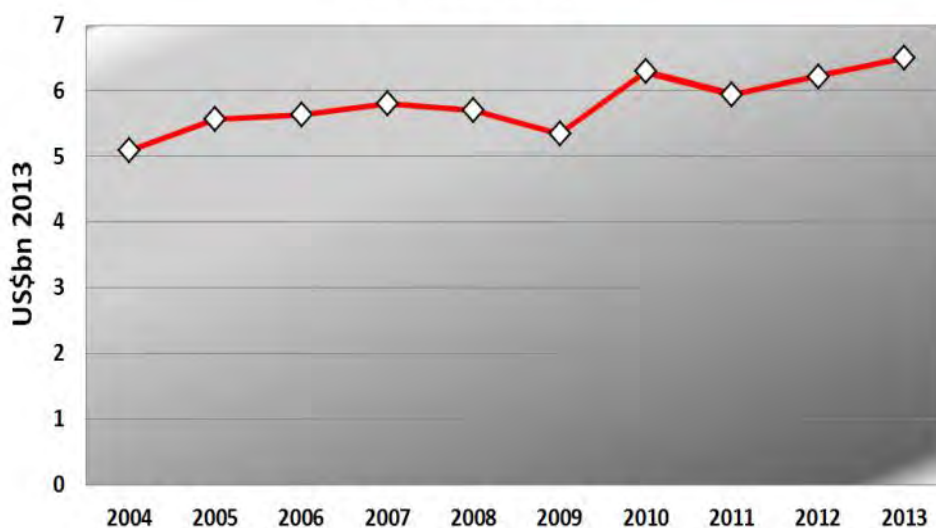
Economy

Over the past 10 years, Pakistan averaged 4.7 per cent annual real economic growth. In 2013, the economy grew by 3.6 per cent, driven by high levels of government expenditure. But growth in 2013 was constrained by high levels of inflation, a large depreciation of the rupee and a deterioration of foreign reserves that required a US\$6.8bn IMF loan. Private consumption and growth in fixed investment will drive economic growth to 2018, but high inflation and structural imbalances in the economy – including fiscal and external imbalances – will undermine growth. Despite PM Sharif's focus on energy sector reform, electricity shortages will persist, further constraining growth. Pakistan's economy is forecast to average 3.9 per cent real growth to 2018, according to the IMF.

Defence spending

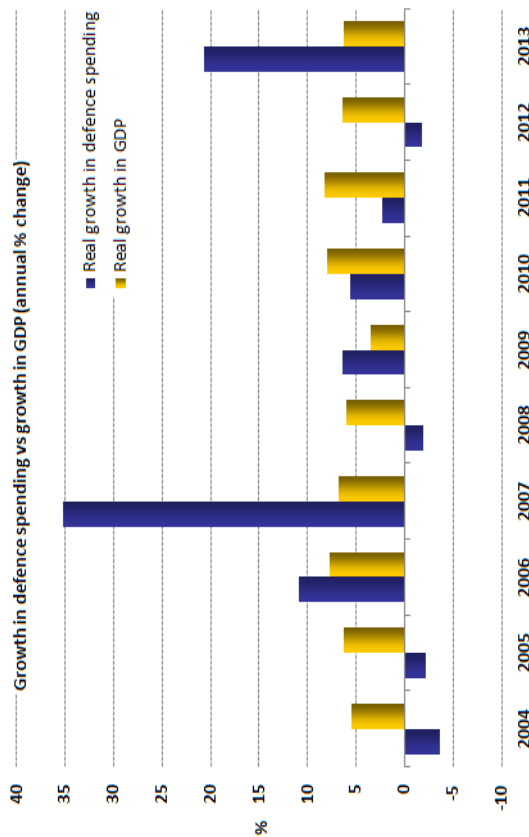
Pakistan's 2013 defence budget was Rs629.6bn (US\$6.5bn), representing a 4.5 per cent real increase on the 2012 defence budget. In September 2013, Pakistan inducted into its navy the last of four F-22P ZULFIQUAR-class frigates purchased from China – this frigate was indigenously built. In November 2013, Pakistan entered into service its first indigenous fleet of strategic Burraq- and Shahpar-type UAVs to be used by the Pakistan Army and Air Force. Pakistan's army is reportedly considering the purchase of Serbian-built Lazar II armoured fighting vehicles, and Pakistan may also be considering a Turkish offer to provide T-129 attack helicopters to replace the ageing AH-1F fleet.

Defence budget

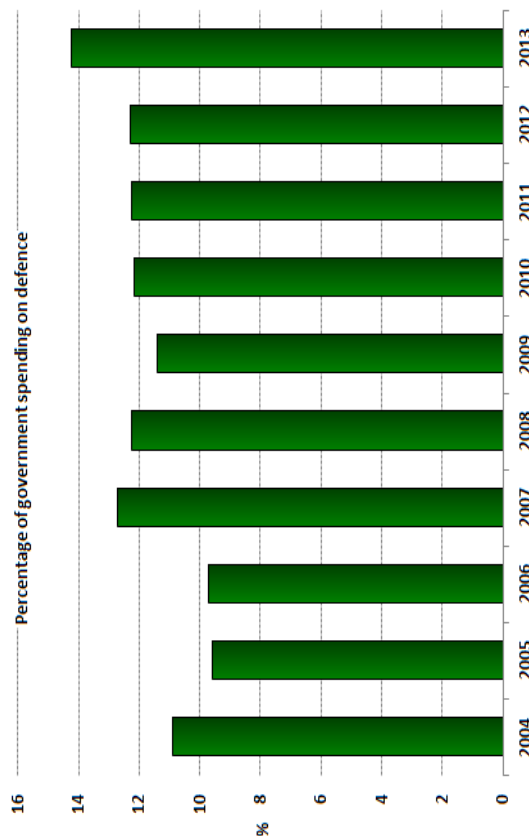


Sri Lanka	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	52.1	56.3	69.5	107.2	122.2	137.6	155.9	172.0	184.1	235.2
2013 local (billion)	120.0	117.4	130.2	176.1	172.6	183.7	193.9	198.3	194.9	235.2
US\$ (billion)	1.2	1.2	1.3	1.6	1.6	1.6	1.7	1.8	1.5	1.8
Real growth (%)	-3.7	-2.1	10.9	35.3	-2.0	6.4	5.6	2.3	-1.7	20.7
Percentage of real GDP	2.5	2.3	2.4	3.0	2.8	2.8	2.8	2.6	2.4	2.8
Percentage of nominal government spending	10.9	9.6	9.7	12.7	12.3	11.5	12.2	12.3	12.3	14.3
Per capita (2013 US\$)	61.0	59.6	63.3	79.9	79.3	78.9	84.0	87.3	73.9	86.3
GDP:										
Current local (billion)	2,090.8	2,452.8	2,938.7	3,578.7	4,410.7	4,835.3	5,604.1	6,544.0	7,582.4	8,526.4
US\$ billion (real GDP)	47.6	50.9	53.0	53.2	57.5	56.1	61.6	68.2	62.9	65.1
Real growth (%)	5.4	6.2	7.7	6.8	5.9	3.5	8.0	8.2	6.4	6.2
Per capita (2013 US\$)	2,447.7	2,595.4	2,679.6	2,669.2	2,864.2	2,771.1	3,020.4	3,320.2	3,043.6	3,127.5
Government spending (current local billion)	476.9	584.8	713.6	841.6	996.1	1,201.9	1,280.2	1,400.1	1,492.9	1,649.6
Population (million)	19.4	19.6	19.8	19.9	20.1	20.2	20.4	20.5	20.7	20.8
Inflation (annual % change)	9.0	11.0	10.0	15.8	22.4	3.5	6.2	6.7	7.5	7.4

40 Growth in defence spending vs growth in GDP (annual % change)



16 Percentage of government spending on defence





Country Name	Sri Lanka
Capital City	Colombo
Population	20.8 million
Land Size	64 630 km ²

Currency	Sri Lankan rupee
Fiscal Year	1 January–31 December
Economy	Less-developed country with a market economy
Industries	Textiles, tourism, tea, coconuts, tobacco, IT services, insurance and banking, cement and construction

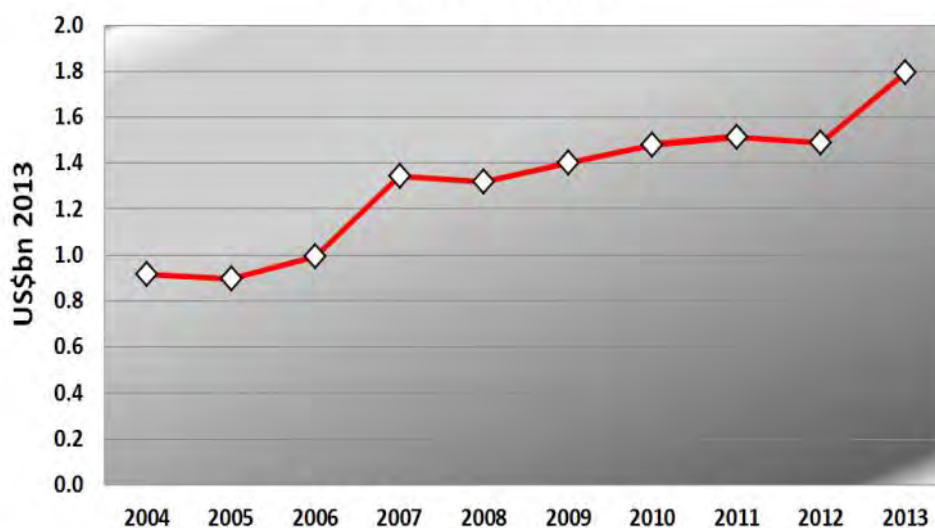
Economy

Over the past 10 years, Sri Lanka averaged 6.5 per cent annual real economic growth. In 2013, the economy grew by 6.2 per cent, supported by a more expansionary monetary policy, remittances, tourism and growth in the service sector. Private consumption, public expenditure on infrastructure and post-conflict construction will support real economic growth to 2018, which is forecast to average 6.6 per cent, according to the IMF.

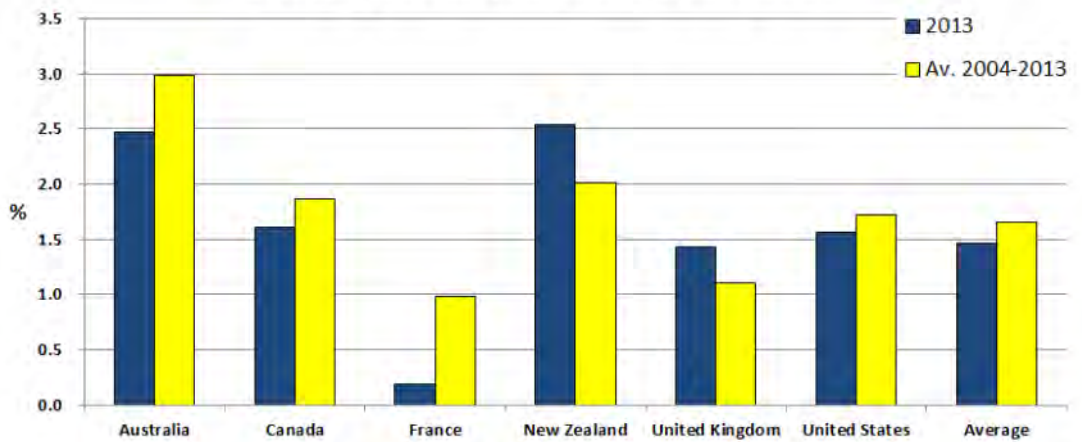
Defence spending

Sri Lanka's 2013 defence budget was Rs235.2bn (US\$1.8bn), representing a 20.7 per cent real increase on the 2012 defence budget. In November 2013, Australia announced it would give Sri Lanka two retired BAY-class patrol boats, to be operated by Sri Lanka's navy. Sri Lanka receives military support for procurement and training from Russia and China. In 2010, Russia gave Sri Lanka aid to purchase Russian-made military equipment and technology, and announced in May 2013 that it may donate eight large helicopters. This will complement the 14 Mi-171 transport helicopters ordered from Russia in mid-2012.

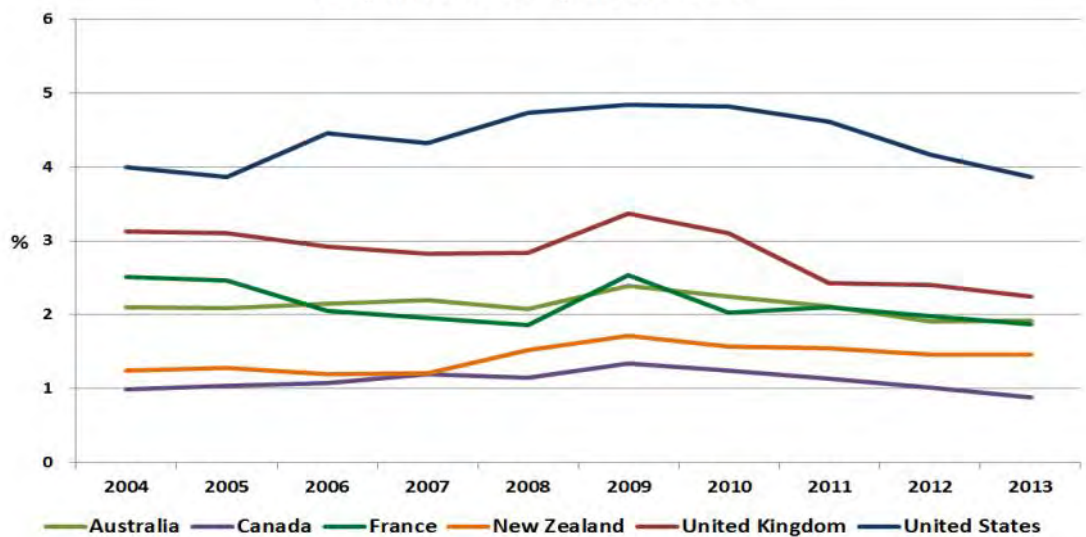
Defence budget



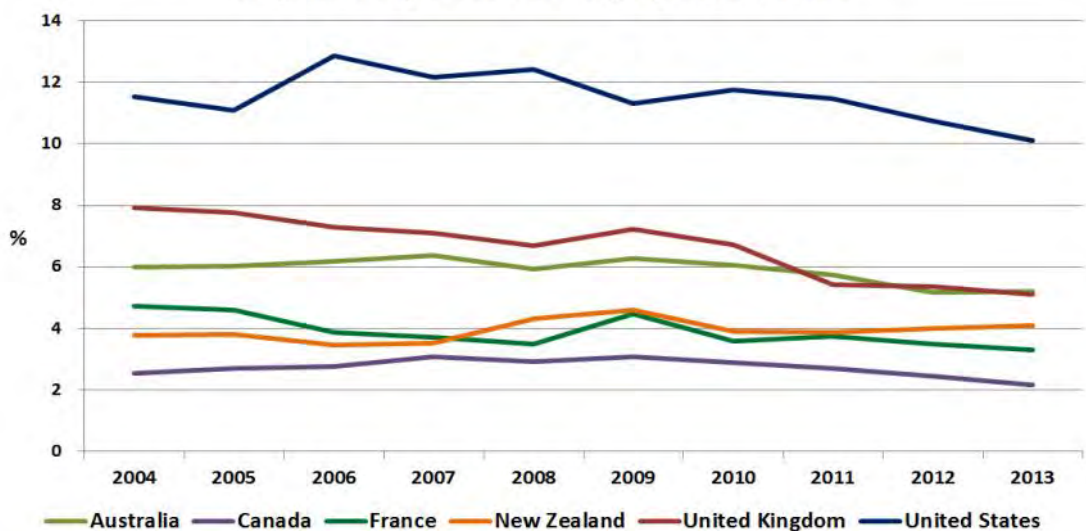
2013 GDP growth compared to average GDP growth



Proportion of GDP spent on defence



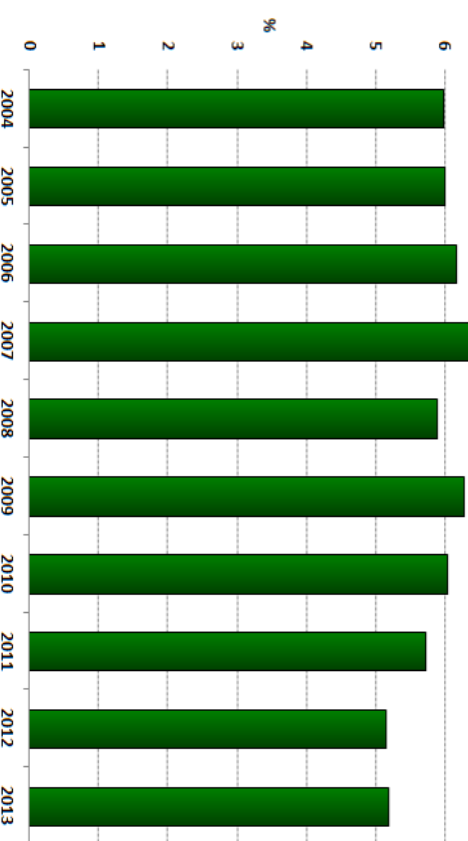
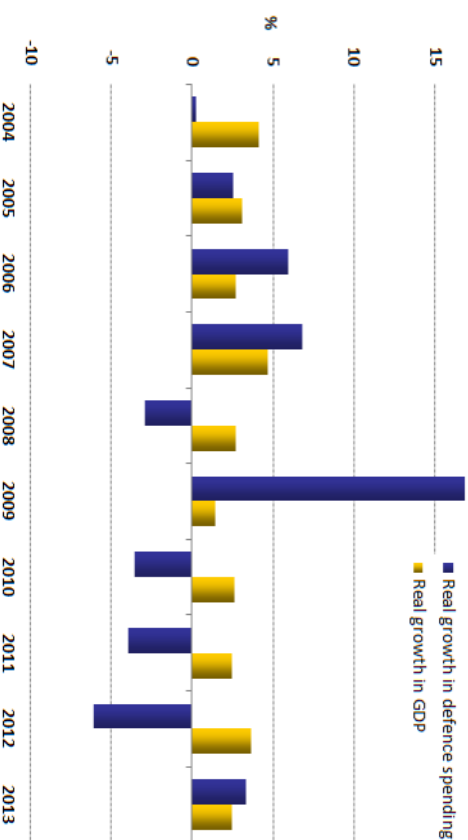
Proportion of government outlays spent on defence



Australia	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	18.7	20.0	22.3	24.8	25.7	30.1	30.5	30.5	28.4	29.8
2013 local (billion)	25.2	25.9	27.4	29.3	28.4	33.2	32.0	30.8	28.9	29.8
US\$ (billion)	18.6	19.7	20.7	24.6	24.2	26.3	29.5	31.7	29.9	28.7
Real growth (%)	0.3	2.6	5.9	6.8	-2.9	16.9	-3.6	-4.0	-6.1	3.3
Percentage of real GDP	2.1	2.1	2.2	2.2	2.1	2.4	2.3	2.1	1.9	1.9
Percentage of nominal government spending	6.0	6.0	6.2	6.4	5.9	6.3	6.1	5.7	5.2	5.2
Per capita (2013 US\$)	927.4	971.6	1,001.4	1,168.7	1,128.5	1,203.0	1,328.6	1,409.5	1,305.6	1,236.1
GDP:										
Current local (billion)	889.2	958.5	1,032.6	1,127.3	1,233.4	1,254.7	1,356.1	1,444.4	1,488.2	1,547.7
US\$ billion (real GDP)	884.8	944.2	958.6	1,116.4	1,165.0	1,097.4	1,308.4	1,503.2	1,564.7	1,488.0
Real growth (%)	4.1	3.1	2.7	4.6	2.7	1.4	2.6	2.4	3.7	2.5
Per capita (2013 US\$)	44,136.9	46,485.5	46,468.6	53,121.6	54,246.8	50,188.3	59,009.4	66,775.2	68,308.4	64,156.0
Government spending (current local billion)	311.7	333.3	359.7	389.1	433.8	478.4	504.0	531.4	551.4	572.6
Population (million)	20.0	20.3	20.6	21.0	21.5	21.9	22.2	22.5	22.9	23.2
Inflation (annual % change)	2.3	2.7	3.6	2.3	4.4	1.8	2.9	3.3	1.8	2.2

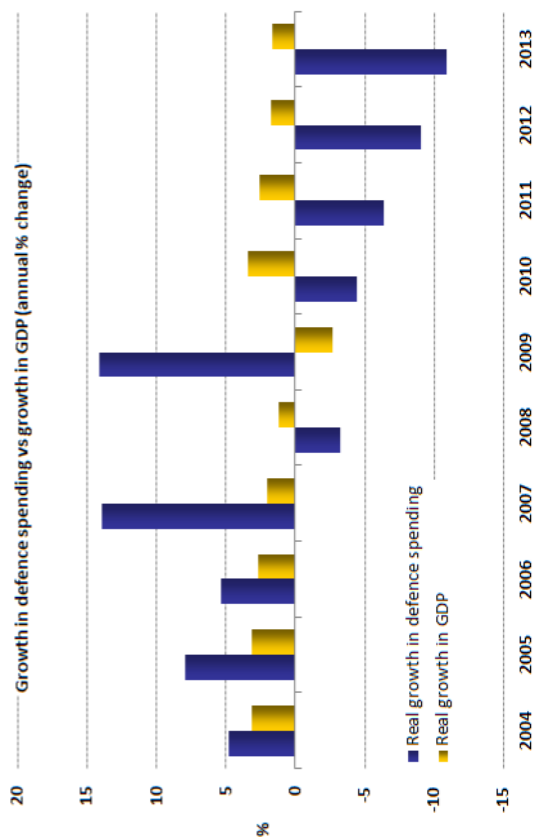
Percentage of government spending on defence

Growth in defence spending vs growth in GDP (annual % change)

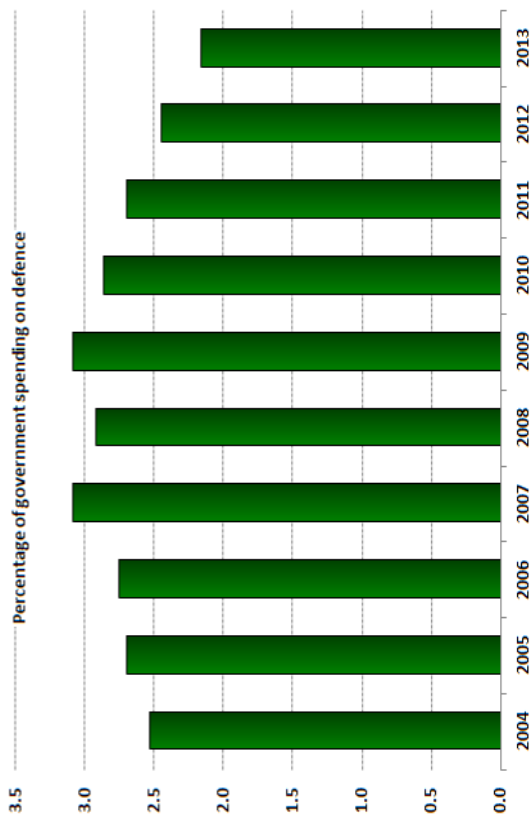


Canada	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	13.2	14.7	15.9	18.7	18.8	21.0	20.6	19.9	18.4	16.6
2013 local (billion)	16.0	17.3	18.2	20.8	20.1	22.9	21.9	20.5	18.6	16.6
US\$ (billion)	12.3	14.3	16.1	19.3	18.8	20.1	21.3	20.7	18.7	16.2
Real growth (%)	4.8	7.9	5.3	13.9	-3.2	14.1	-4.4	-6.4	-9.1	-11.0
Percentage of real GDP	1.0	1.0	1.1	1.2	1.1	1.3	1.2	1.1	1.0	0.9
Percentage of nominal government spending	2.5	2.7	2.8	3.1	2.9	3.1	2.9	2.7	2.5	2.2
Per capita (2013 US\$)	386.3	443.3	493.6	587.6	565.8	595.5	624.1	601.5	535.7	459.6
GDP:										
Current local (billion)	1,324.9	1,410.7	1,486.9	1,565.9	1,646.0	1,567.0	1,662.8	1,760.0	1,820.0	1,873.6
US\$ billion (real GDP)	1,236.8	1,369.9	1,501.8	1,617.9	1,647.7	1,496.4	1,716.4	1,832.1	1,845.4	1,825.1
Real growth (%)	3.1	3.2	2.6	2.0	1.2	-2.7	3.4	2.5	1.7	1.6
Per capita (2013 US\$)	38,771.7	42,537.6	46,161.3	49,202.4	49,533.4	44,437.1	50,371.2	53,198.6	52,987.8	51,871.9
Government spending (current local billion)	519.8	544.4	577.2	604.8	642.3	679.4	717.0	735.9	748.6	767.3
Population (million)	31.9	32.2	32.5	32.9	33.3	33.7	34.1	34.4	34.8	35.2
Inflation (annual % change)	1.8	2.2	2.0	2.1	2.4	0.3	1.8	2.9	1.5	1.1

Growth in defence spending vs growth in GDP (annual % change)



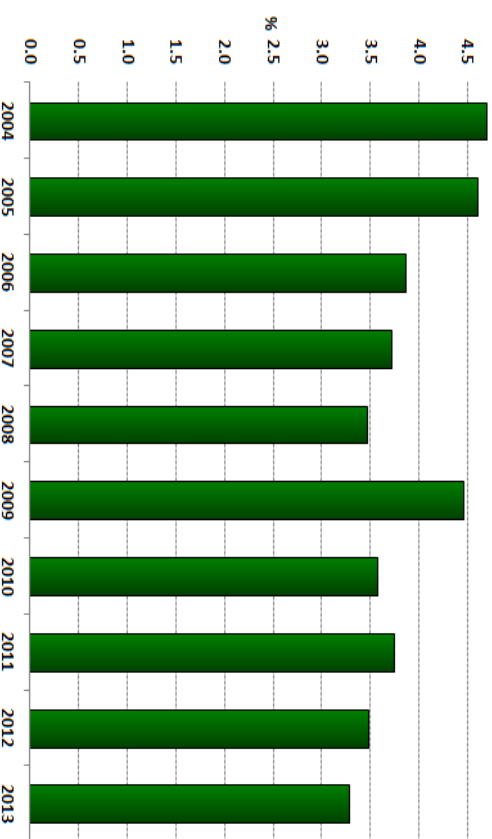
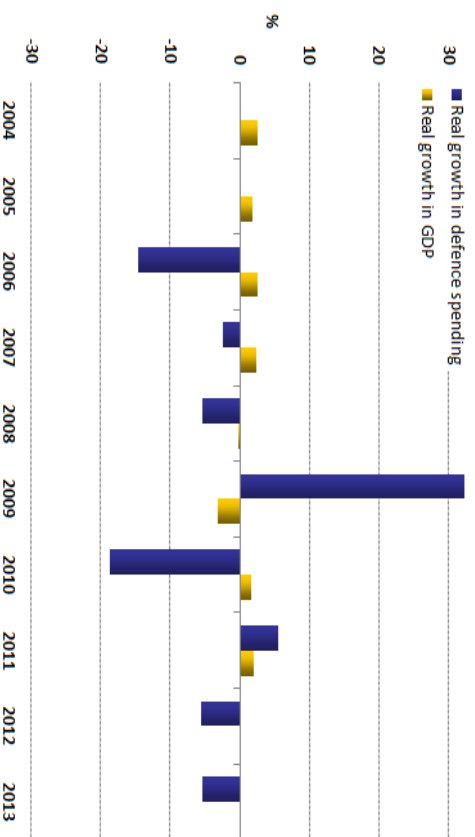
Percentage of government spending on defence



France	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	41.6	42.4	37.0	37.0	35.9	47.8	39.3	42.0	40.2	38.6
2013 local (billion)	48.3	48.4	41.3	40.2	38.0	50.3	41.0	43.2	40.8	38.6
US\$ (billion)	60.0	60.2	51.8	55.1	56.0	70.1	54.3	60.2	52.5	51.2
Real growth (%)	-	0.2	-14.7	-2.5	-5.4	32.3	-18.6	5.6	-5.6	-5.3
Percentage of real GDP	2.5	2.5	2.1	2.0	1.9	2.5	2.0	2.1	2.0	1.9
Percentage of nominal government spending	4.7	4.6	3.9	3.7	3.5	4.5	3.6	3.8	3.5	3.3
Per capita (2013 US\$)	992.1	988.1	843.7	892.0	901.2	1,122.3	865.9	933.7	828.0	804.4
GDP:										
Current local (billion)	1,655.6	1,718.0	1,798.1	1,886.8	1,933.2	1,885.8	1,936.7	2,001.4	2,032.3	2,065.4
US\$ billion (real GDP)	2,390.8	2,439.3	2,519.3	2,812.9	3,017.9	2,766.2	2,680.8	2,868.1	2,651.6	2,738.7
Real growth (%)	2.5	1.8	2.5	2.3	-0.1	-3.1	1.7	2.0	0.0	0.2
Per capita (2013 US\$)	39,514.9	40,013.2	41,031.7	45,520.2	48,570.3	44,283.5	42,711.2	45,460.9	41,817.1	42,990.6
Government spending (current local billion)	881.8	920.4	952.6	992.6	1,030.0	1,070.6	1,095.6	1,118.5	1,151.2	1,174.8
Population (million)	60.5	61.0	61.4	61.8	62.1	62.5	62.8	63.1	63.4	63.7
Inflation (annual % change)	2.3	1.9	1.9	1.6	3.2	0.1	1.7	2.3	2.2	1.0

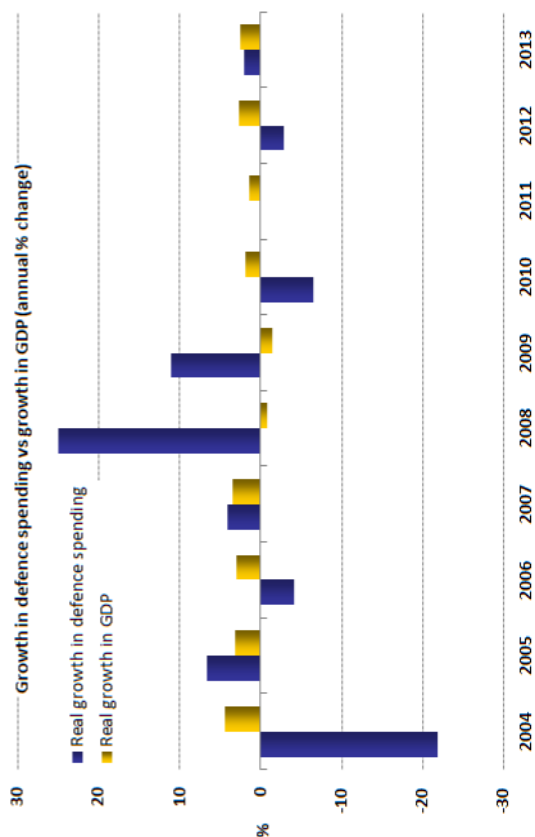
Growth in defence spending vs growth in GDP (annual % change)

Percentage of government spending on defence

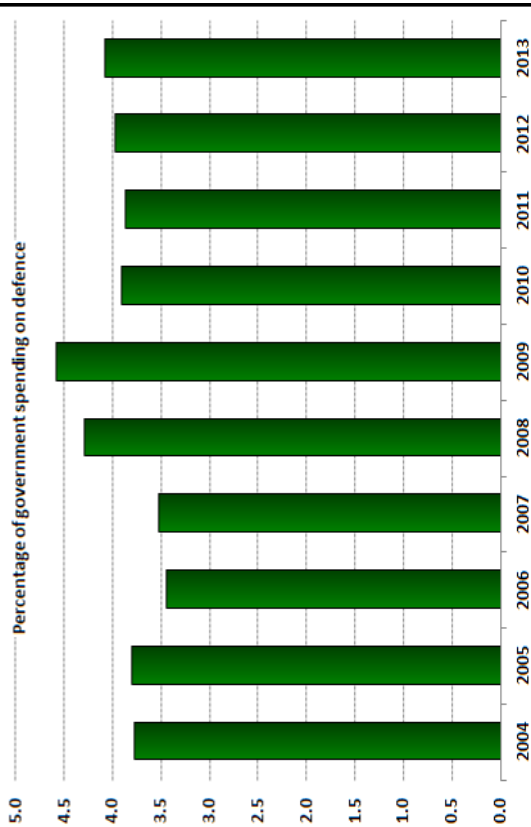


New Zealand	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	1.9	2.0	2.0	2.2	2.8	3.2	3.1	3.2	3.1	3.3
2013 local (billion)	2.4	2.5	2.4	2.5	3.2	3.5	3.3	3.3	3.2	3.3
US\$ (billion)	1.6	1.8	1.6	1.9	2.3	2.2	2.4	2.6	2.6	2.6
Real growth (%)	-22.0	6.6	-4.1	4.1	25.1	11.1	-6.6	0.1	-2.9	2.0
Percentage of real GDP	1.2	1.3	1.2	1.2	1.5	1.7	1.6	1.5	1.5	1.5
Percentage of nominal government spending	3.8	3.8	3.5	3.5	4.3	4.6	3.9	3.9	4.0	4.1
Per capita (2013 US\$)	385.8	431.2	376.7	439.8	529.1	516.0	541.8	589.8	583.3	590.5
GDP:										
Current local (billion)	151.6	159.5	167.3	180.3	186.2	187.3	196.9	204.6	209.5	223.4
US\$ billion (real GDP)	127.0	139.0	131.9	154.7	148.9	130.3	151.0	167.9	176.6	181.1
Real growth (%)	4.4	3.2	2.9	3.5	-0.8	-1.5	1.9	1.4	2.7	2.5
Per capita (2013 US\$)	31,014.4	33,560.2	31,469.1	36,514.7	34,833.0	30,128.7	34,505.9	38,059.6	39,768.4	40,463.1
Government spending (current local billion)	49.8	53.7	57.9	61.5	65.8	69.8	79.0	81.7	77.1	79.8
Population (million)	4.1	4.1	4.2	4.2	4.3	4.3	4.4	4.4	4.4	4.5
Inflation (annual % change)	2.3	3.0	3.4	2.4	4.0	2.1	2.3	4.0	1.1	1.1

Growth in defence spending vs growth in GDP (annual % change)

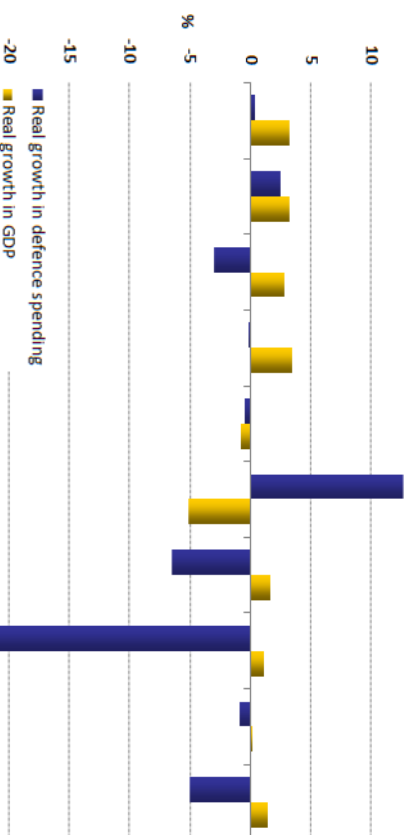


Percentage of government spending on defence

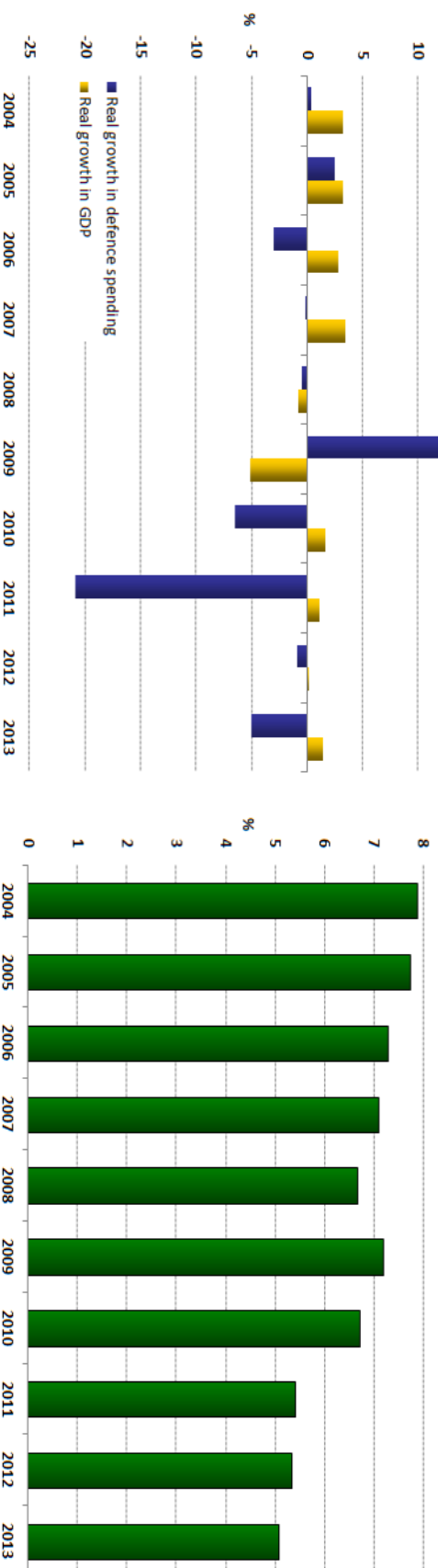


United Kingdom	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	37.9	39.6	39.5	40.4	41.5	47.8	46.1	37.3	37.5	36.3
2013 local (billion)	46.8	48.0	46.5	46.5	46.3	52.2	48.8	38.6	38.2	36.3
US\$ (billion)	85.7	87.3	85.7	93.1	85.8	81.6	75.4	61.9	60.6	55.9
Real growth (%)	0.3	2.5	-3.0	0.0	-0.5	12.7	-6.5	-20.9	-0.9	-5.0
Percentage of real GDP	3.1	3.1	2.9	2.8	2.8	3.4	3.1	2.4	2.4	2.2
Percentage of nominal government spending	7.9	7.8	7.3	7.1	6.7	7.2	6.7	5.4	5.4	5.1
Per capita (2013 US\$)	1,432.9	1,449.7	1,414.8	1,526.4	1,397.4	1,320.6	1,211.6	986.3	958.3	877.5
GDP:										
Current local (billion)	1,213.0	1,276.7	1,349.5	1,427.9	1,462.1	1,417.4	1,485.6	1,536.9	1,562.3	1,615.4
US\$ billion (real GDP)	2,744.2	2,815.4	2,928.3	3,290.0	3,022.6	2,419.7	2,431.0	2,549.6	2,524.8	2,489.7
Real growth (%)	3.2	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.2	1.4
Per capita (2013 US\$)	45,857.8	46,739.8	48,333.8	53,947.1	49,229.8	39,159.0	39,044.7	40,640.5	39,921.3	39,048.8
Government spending (current local billion)	479.2	509.9	540.7	588.4	620.0	662.8	685.0	687.5	700.2	713.1
Population (million)	59.8	60.2	60.6	61.0	61.4	61.8	62.3	62.7	63.2	63.8
Inflation (annual % change)	1.3	2.0	2.3	2.3	3.6	2.1	3.3	4.5	2.8	2.7

15 Growth in defence spending vs growth in GDP (annual % change)

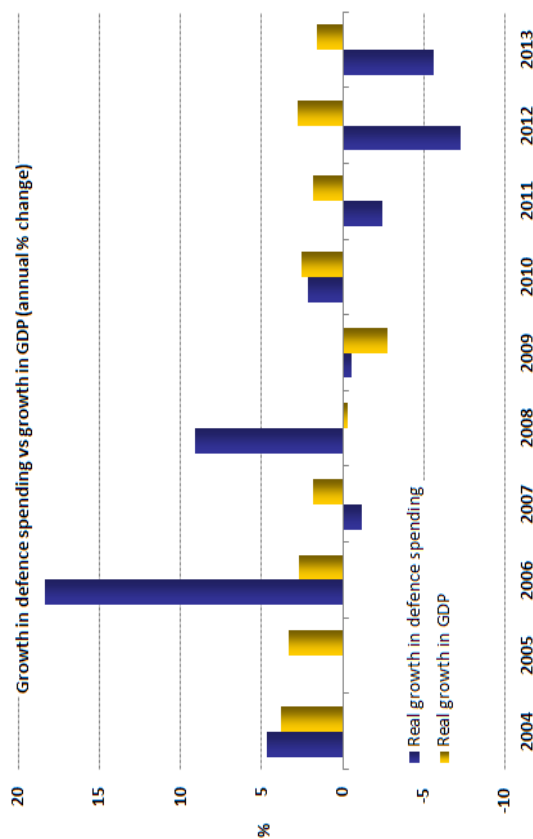


9 Percentage of government spending on defence

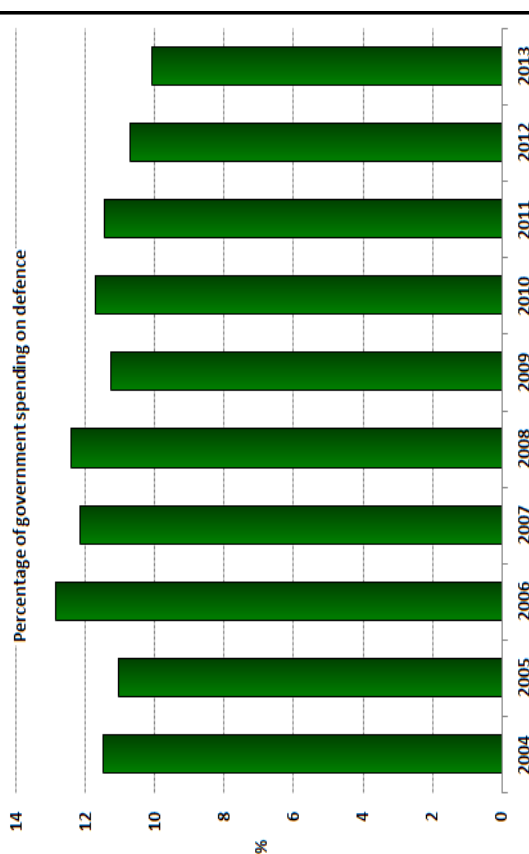


United States	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Official defence budget:										
Current local currency (billion)	490.6	505.7	617.1	625.8	696.3	697.8	721.3	717.4	676.7	647.4
2013 local (billion)	585.9	585.1	692.8	684.4	746.9	742.8	758.6	740.0	686.0	647.4
US\$ (billion)	585.9	585.1	692.8	684.4	746.9	742.8	758.6	740.0	686.0	647.4
Real growth (%)	4.7	-0.1	18.4	-1.2	9.1	-0.6	2.1	-2.5	-7.3	-5.6
Percentage of real GDP	4.0	3.9	4.5	4.3	4.7	4.8	4.8	4.6	4.2	3.9
Percentage of nominal government spending	11.5	11.1	12.9	12.2	12.4	11.3	11.7	11.5	10.7	10.1
Per capita (2013 US\$)	1,996.9	1,976.1	2,317.4	2,266.8	2,451.0	2,416.4	2,449.2	2,372.1	2,183.4	2,045.4
GDP:										
Current local (billion)	12,277.0	13,095.4	13,857.9	14,480.4	14,720.3	14,418.0	14,958.3	15,533.8	16,244.6	16,724.3
US\$ billion (real GDP)	14,661.3	15,152.6	15,556.8	15,835.2	15,789.2	15,346.8	15,731.4	16,022.1	16,467.4	16,724.3
Real growth (%)	3.8	3.4	2.7	1.8	-0.3	-2.8	2.5	1.8	2.8	1.6
Per capita (2013 US\$)	49,972.2	51,171.4	52,041.5	52,451.2	51,815.6	49,928.6	50,790.2	51,362.4	52,413.1	52,839.1
Government spending (current local billion)	4,254.2	4,563.4	4,795.9	5,144.6	5,601.8	6,171.7	6,142.2	6,248.0	6,301.1	6,397.5
Population (million)	293.4	296.1	298.9	301.9	304.7	307.4	309.7	311.9	314.2	316.5
Inflation (annual % change)	2.7	3.4	3.2	2.9	3.8	-0.3	1.6	3.1	2.1	1.4

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence



Methodology

The Defence Economic Trends series is titled and numbered according to the year in which the report is published. *Defence Economic Trends 2013* was the first year this method was implemented. Previous editions have been titled for the calendar year of the budgets being reviewed. The last of the series to use the old convention was *Defence Economic Trends 2011*, which was published in 2012.

Defence Economic Trends 2014 employs a different methodology to calculate historical defence spending in US dollars. A GDP price deflator is used to deflate historic defence budgets expressed in local currency into 2013 constant terms. The new method employs year-specific (current) exchange rates, instead of constant 2013 exchange rates, to translate historical defence expenditure to a US dollar base. This provides a more accurate view of the buying power displayed by defence budgets at any point in time. To create simple visual comparisons of defence spending trends, graphical representations of defence budgets use constant 2013 exchange rates. Part of the annual changes in defence expenditure illustrated in these graphs is attributable to the appreciation or depreciation of the local currency with respect to the US dollar.

Although new economic forecasts were released during the development of this publication, not all data can be updated to the latest predictions. For *Defence Economic Trends 2014*, the information is sourced from the International Monetary Fund's World Economic Outlook, released in October 2013.

Historical methodology

Before *Defence Economic Trends 2013*, a proxy defence deflator was used to calculate nominal defence budget figures into constant US dollars. The model used 2005 as a base year for comparison, using a proxy deflator based on three key defence expenditure factors: capital procurement; personnel; and operating costs. In previous publications, defence budget calculations used constant exchange rates to convert historical defence spending (expressed in local currency) into constant US dollar terms.

Data Sources

The table below shows data sources used for this publication.

Data	Source
Official defence budget (local currency)	Official budget sources from national governments International Institute for Strategic Studies (IISS) <i>The Military Balance</i> series Other open sources, including reputable media or official newspapers
GDP	IMF publications
Government expenditure	IMF publications Official budget sources from national governments (for Timor-Leste only)
General financial information	IMF publications Economist Intelligence Unit
Population	IMF publications CIA World Fact Book (for North Korea only)

Other publishers of similar data

Other organisations that publish data similar to that provided in this publication include:

- the IMF
- the IISS
- the Stockholm International Peace Research Institute (SIPRI).

However, these organisations use different methodologies to compile their data, as illustrated below.

IMF

The IMF primarily distributes a detailed questionnaire to government correspondents, typically located in each country's respective Ministry of Finance or Central Bank.

IISS

The IISS cites official defence budgets and adjusts, where necessary, military expenditure to include all other military-related spending. The only exception occurs in the case of NATO countries, where the IISS uses the figures released by governments and, for comparison, also cites the NATO-defined expenditure. Some countries include internal and border security force expenditure in their defence budgets. Where separate budgets exist, the IISS generally indicates this in footnotes. IISS figures may vary from previous years, often because of updates made by the governments themselves.

Wherever possible, the IISS uses exchange rates taken from IMF publications – although these may not be applicable to commercial transactions. In some cases, in an effort to make US Dollar figures more relevant for international comparisons, the IISS uses a different set of exchange rates to calculate defence spending, which reflects the differences in purchasing power parity terms between the civilian and military sectors.

SIPRI

Where possible, SIPRI includes the following items in its definition of military expenditure:

- all current and capital expenditure on the armed forces and the running of defence departments and other government agencies engaged in defence projects and space activities
- the cost of paramilitary forces, border guards and police (when judged to be trained and equipped for military operations)
- military research and development, testing and evaluation costs and
- costs of retirement pensions of defence personnel and civilian employees.

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