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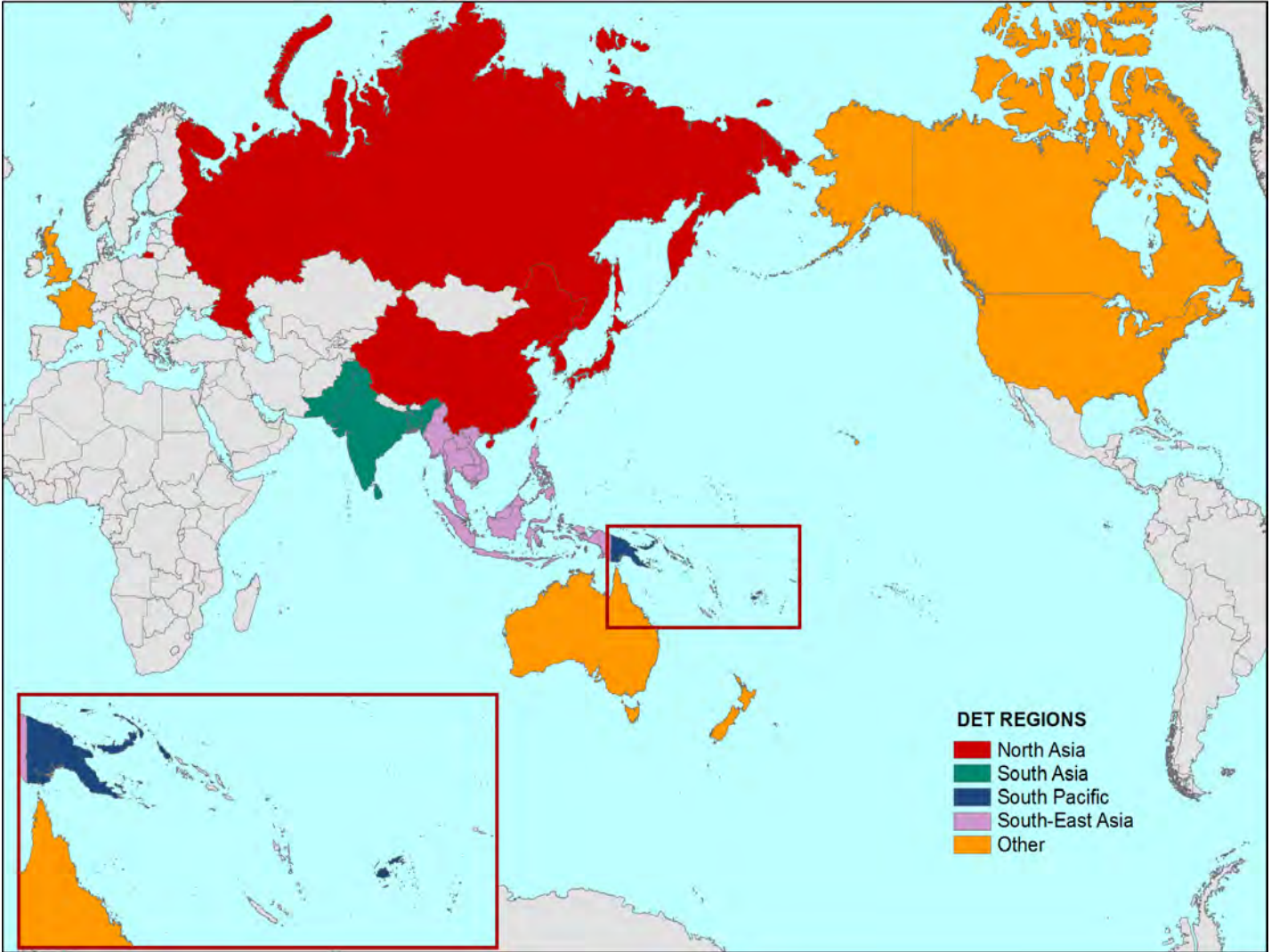
2015

DEFENCE ECONOMIC TRENDS IN THE ASIA-PACIFIC

DIO Reference Aid 15-003



**DEFENCE
ECONOMIC TRENDS
IN THE ASIA-PACIFIC
2015**



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Purpose

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

AWACS Airborne Warning and Control System

bn billion

EU European Union

FDI foreign direct investment

GDP gross domestic product

GEC global economic crisis

IFV infantry fighting vehicle

IMF International Monetary Fund

m million

PNG Papua New Guinea

PNGDF PNG Defence Force

SOE state-owned enterprise

SSBN Nuclear Ballistic Missile Submarine

tr trillion

UN United Nations

US United States

Online version

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We encourage readers to comment on this publication. Please email dio.customerrelations@defence.gov.au with your comments, so we can improve subsequent editions.

If you have any questions in relation to Defence Economic Trends 2015 please contact us directly by phone or fax at:

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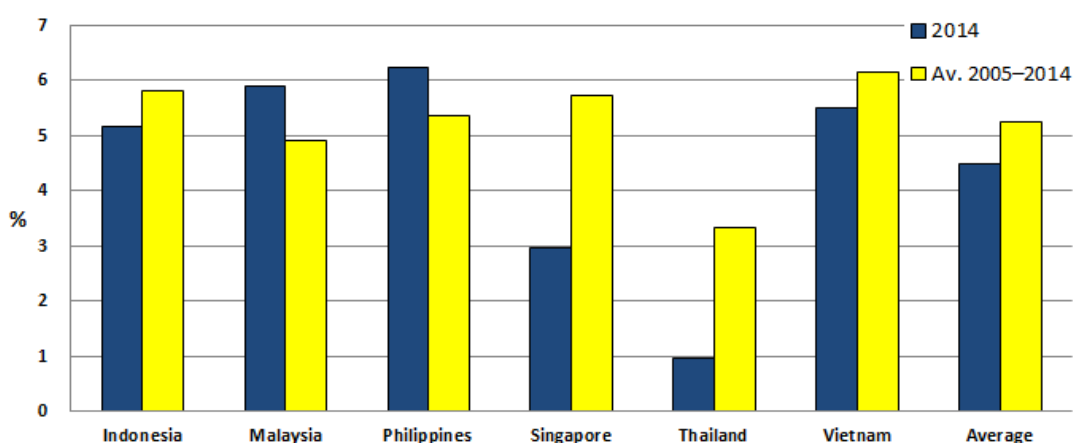
Regional economy

Economic growth in South-East Asia in 2014 was strong in most countries, with the exception of Thailand – due to political instability – and Singapore, which was below average due to subdued external demand. In 2014, domestic consumption supported growth in Indonesia, Malaysia and the Philippines, with the latter two countries also supported by increased fixed investment. Although the decline in commodity prices will reduce growth in Malaysia and Brunei in the next few years, higher disposable incomes will benefit other countries in the region. Out to 2019, the impact of easing growth in China on external demand will be only partially offset by improved growth in the US.

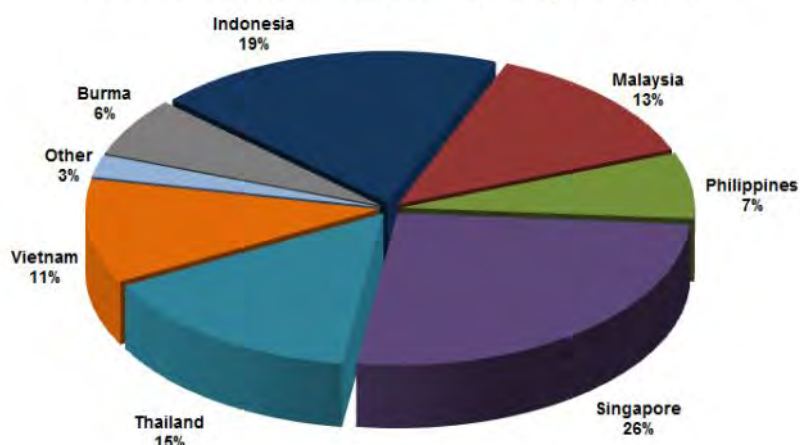
Defence spending

In 2014, larger South-East Asian countries experienced either moderate real increases or real decreases in defence spending. Nonetheless, South-East Asia remains an attractive market for defence-related companies due to 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.

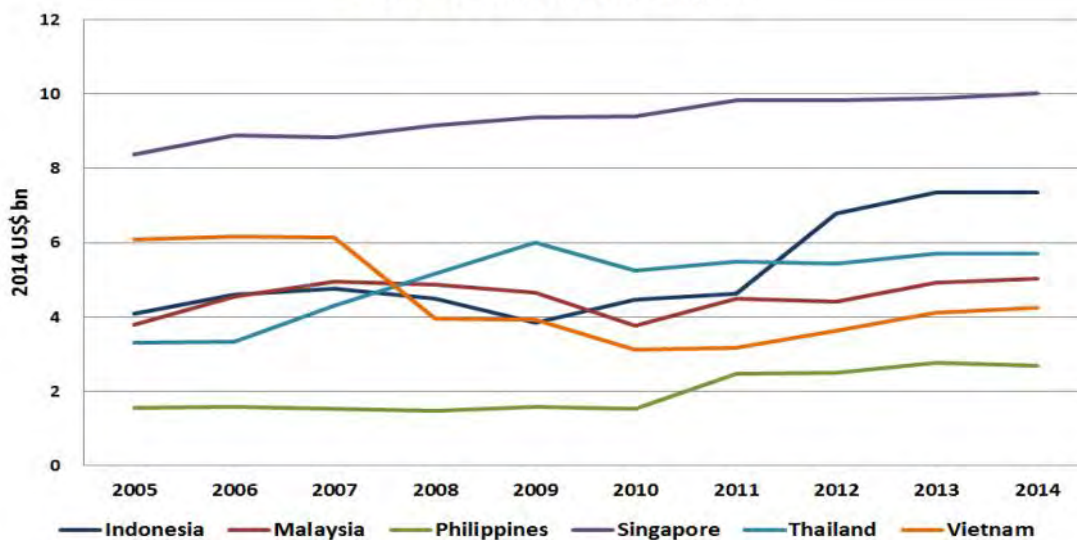
2014 GDP growth compared to average GDP growth



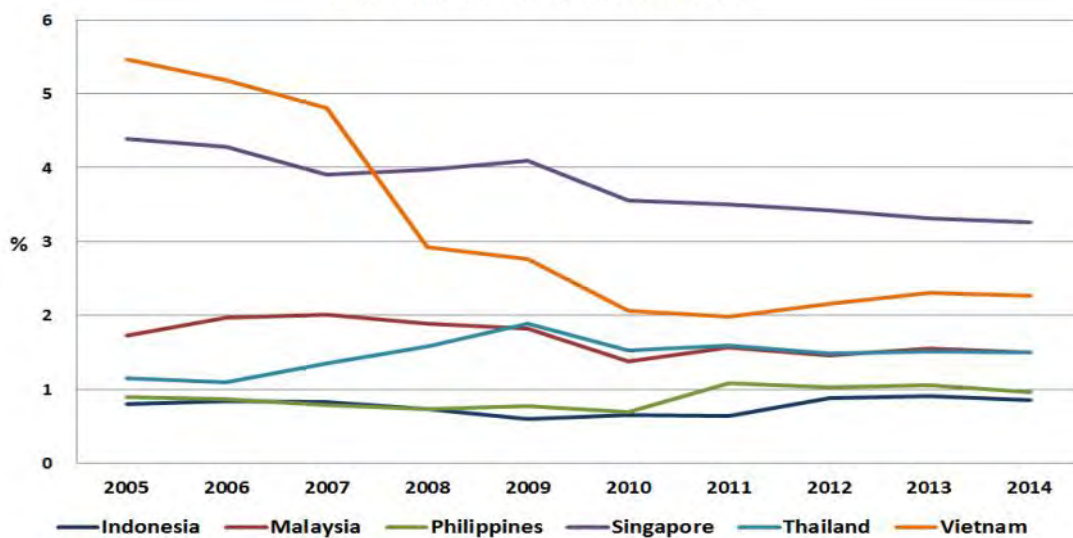
Contribution to South-East Asian defence spending in 2014



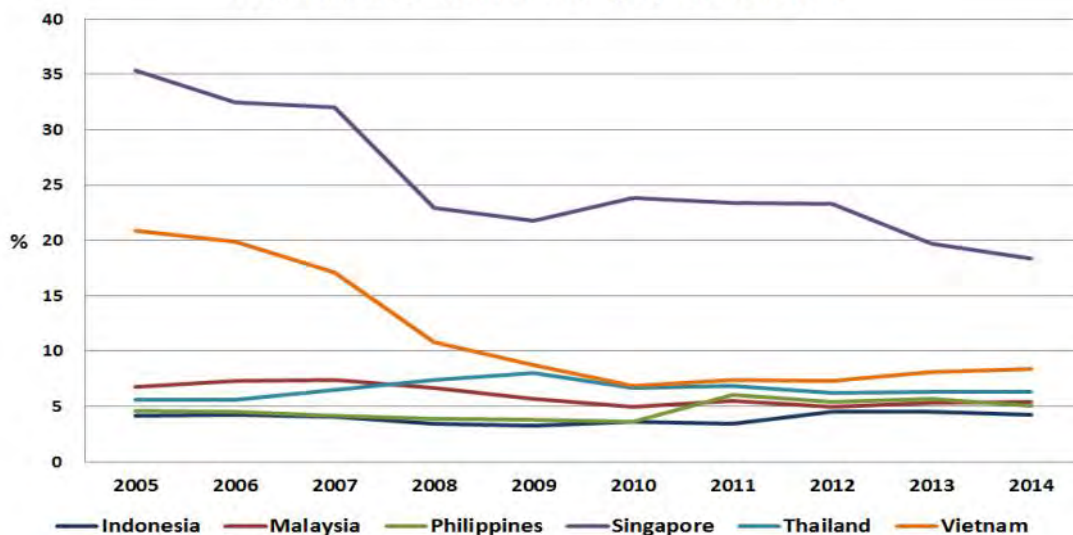
South-East Asian defence budgets



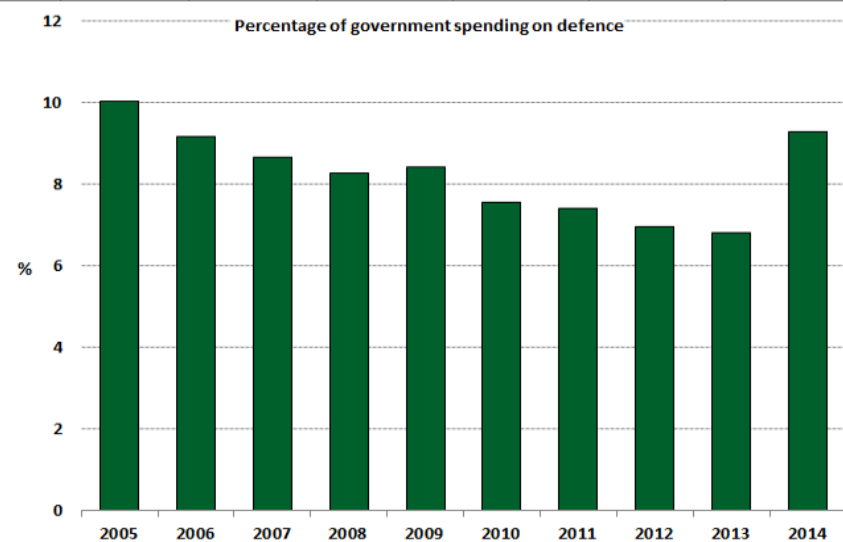
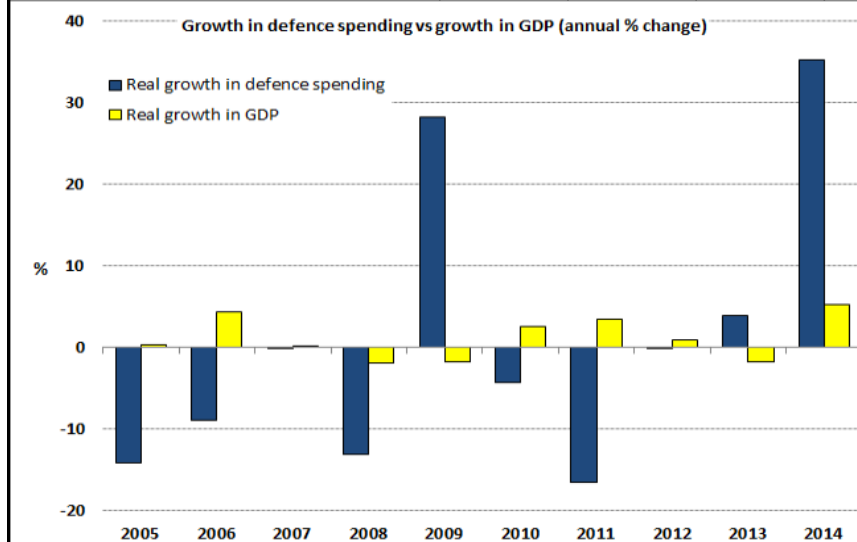
Proportion of GDP spent on defence



Proportion of government outlays spent on defence



Brunei	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget										
Local currency (million) (current)	513.5	514.9	520.0	508.9	508.5	512.0	514.0	513.2	516.0	719.2
Local currency (million) (2014 constant)	634.0	577.7	576.9	501.0	642.6	614.4	512.5	511.9	531.6	719.2
US\$ (million) (current, in-year exchange rate)	308.5	324.0	345.0	359.7	349.6	375.5	408.6	410.6	412.4	573.1
US\$ (million) (2014 constant and exchange rate)	505.3	460.4	459.8	399.3	512.1	489.7	408.4	408.0	423.6	573.1
Real growth (%)	-14.2	-8.9	-0.1	-13.2	28.3	-4.4	-16.6	-0.1	3.8	35.3
Percentage of real GDP	3.2	2.8	2.8	2.5	3.3	3.0	2.4	2.4	2.6	3.3
Percentage of nominal government spending	10.1	9.2	8.7	8.3	8.4	7.6	7.4	7.0	6.8	9.3
Per capita US\$ (2014 constant and exchange rate)	1,407.5	1,261.3	1,242.6	1,064.8	1,347.7	1,265.3	1,039.3	1,020.0	1,043.5	1,387.8
GDP										
Current local (billion)	15.9	18.2	18.5	20.4	15.6	16.9	21.0	21.2	20.2	21.9
US\$ billion (real GDP)	11.8	12.9	13.6	14.2	13.6	14.8	16.6	16.9	16.6	17.4
Real growth (%)	0.4	4.4	0.2	-1.9	-1.8	2.6	3.4	0.9	-1.7	5.3
Per capita (2014 US\$)	32,779.7	35,260.4	36,728.4	37,852.5	35,694.0	38,360.6	42,353.1	42,278.1	40,871.2	42,193.7
Government spending (current local million)	5.1	5.6	6.0	6.1	6.0	6.8	6.9	7.4	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)	1.1	0.2	1.0	2.1	1.0	0.2	0.1	0.1	0.4	0.4





Country name	Brunei
Capital city	Bandar Seri Begawan
Population	413 000
Land size	5765 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

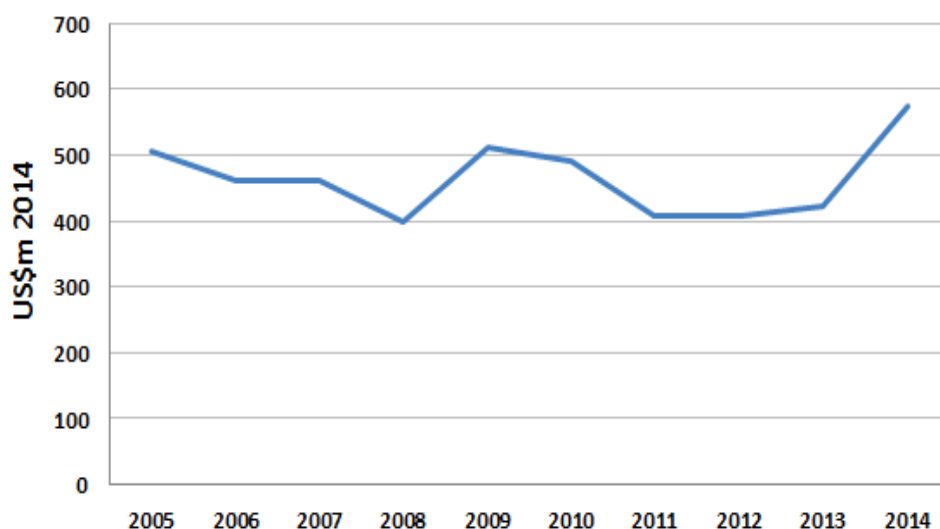
Economy

Over the past 10 years, Brunei averaged 1.2 per cent annual economic growth. In 2014, the economy grew by 5.3 per cent as the oil and gas sector recovered from a contraction in 2013. Economic growth was also driven by low levels of inflation, and the continued expansion of the international airport, construction and tourism sectors. Efforts to diversify the economy – through the development of Brunei's information and communications technology sector and the construction of chemical plants – and large current account and budget surpluses will support continued growth. But overall economic performance will be sensitive to changes in global oil and gas prices. Brunei's economy is forecast to average 4 per cent growth to 2019, according to the IMF.

Defence spending

Brunei's 2014 defence budget was B\$719m (US\$573m), representing a 35.3 per cent real increase on the 2013 defence budget. In May 2014, Brunei accepted delivery of the KDB *Daruttaqwa*, the last of four DARUSSALAM-class offshore patrol vessels purchased to replace its WASPADA-class vessels. In October, Brunei requested a C-130J Super Hercules aircraft from the US, and it is reportedly considering the purchase of three CN235-220 maritime aircraft from Indonesian company PT Dirgantara Indonesia.

Defence budget



INSUFFICIENT RELIABLE DATA AVAILABLE



Country name	Burma
Capital city	Nay Pyi Taw
Population	51.4 million
Land size	676 578 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

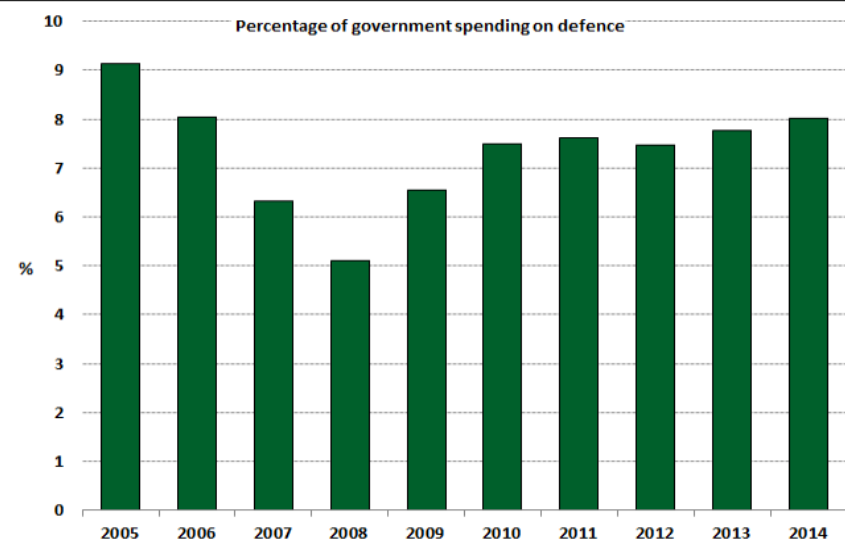
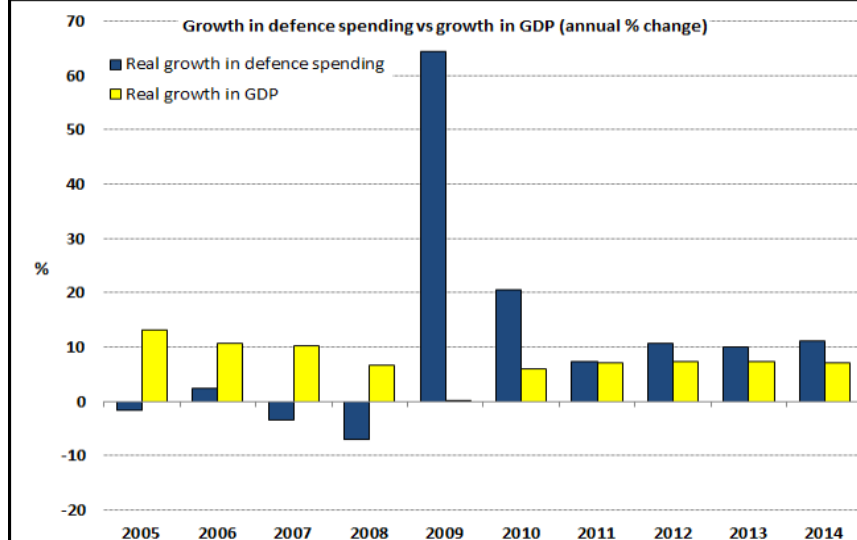
Over the past 10 years, Burma averaged 8.3 per cent annual economic growth. In 2014, the economy grew by 8.5 per cent, driven by high levels of foreign investment, rising gas production, domestic demand and infrastructure development. The licensing of foreign banks in October 2014, the development of the country's nascent telecommunications sector, and growth in tourism and exports will help expand the economy, but capacity constraints and a large trade deficit will limit growth potential. Burma's economy is forecast to average 8 per cent growth to 2019, according to the IMF.

Burma's population estimate was revised down by around 9m people after the country's first census in three decades was completed in early 2014.

Defence spending

Burma's 2014 defence budget was K2.4tr (US\$2.4bn), a 1.4 per cent real decrease on the 2013 defence budget. Burma's frigate construction program continues at the naval dockyard in Yangon. In March 2014, the frigate UMS *Sinbyushin* was launched, with plans to build additional vessels; and in May, an indigenously built new class of torpedo boat was inducted into the navy. In June, it was reported that Burma is considering the acquisition of the Sino-Pakistani JF-17 Thunder multi-role combat aircraft.

Cambodia	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (million) (current)	290,400.0	311,360.0	320,500.0	334,999.0	565,390.0	702,472.0	779,879.0	876,394.0	980,515.0	1,122,320.3
Local currency (million) (2014 constant)	421,214.9	431,628.1	417,112.5	388,389.4	638,727.6	770,582.2	827,316.0	916,492.5	1,009,228.8	1,122,320.3
US\$ (million) (current, in-year exchange rate)	71.0	75.9	79.0	82.6	136.6	167.9	192.7	218.2	245.4	277.4
US\$ (million) (2014 constant and exchange rate)	104.1	106.7	103.1	96.0	157.9	190.5	204.5	226.5	249.5	277.4
Real growth (%)	-1.5	2.5	-3.4	-6.9	64.5	20.6	7.4	10.8	10.1	11.2
Percentage of real GDP	1.1	1.0	0.9	0.8	1.3	1.5	1.5	1.5	1.6	1.6
Percentage of nominal government spending	9.1	8.1	6.3	5.1	6.5	7.5	7.6	7.5	7.8	8.0
Per capita US\$ (2014 constant and exchange rate)	7.8	7.9	7.5	6.9	11.2	13.3	14.0	15.2	16.5	18.1
GDP:										
Current local (billion)	25,754.3	29,849.5	35,042.2	41,968.4	43,107.8	47,101.6	52,154.1	56,776.0	61,968.2	68,364.4
US\$ billion (real GDP)	9.1	10.1	11.2	12.0	11.8	12.3	13.7	14.8	16.0	16.9
Real growth (%)	13.2	10.8	10.2	6.7	0.1	6.1	7.1	7.3	7.4	7.2
Per capita (2014 US\$)	683.4	744.0	817.9	860.9	831.8	859.5	936.3	994.4	1,058.2	1,103.6
Government spending (current local million)	3,176.0	3,866.2	5,066.4	6,551.1	8,633.8	9,363.4	10,236.1	11,740.1	12,596.6	14,011.4
Population (million)	13.4	13.6	13.7	13.9	14.1	14.4	14.6	14.9	15.1	15.3
Inflation (annual % change)	6.3	6.1	7.7	25.0	-0.7	4.0	5.5	2.9	3.0	4.5





Country name	Cambodia
Capital city	Phnom Penh
Population	15.3 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

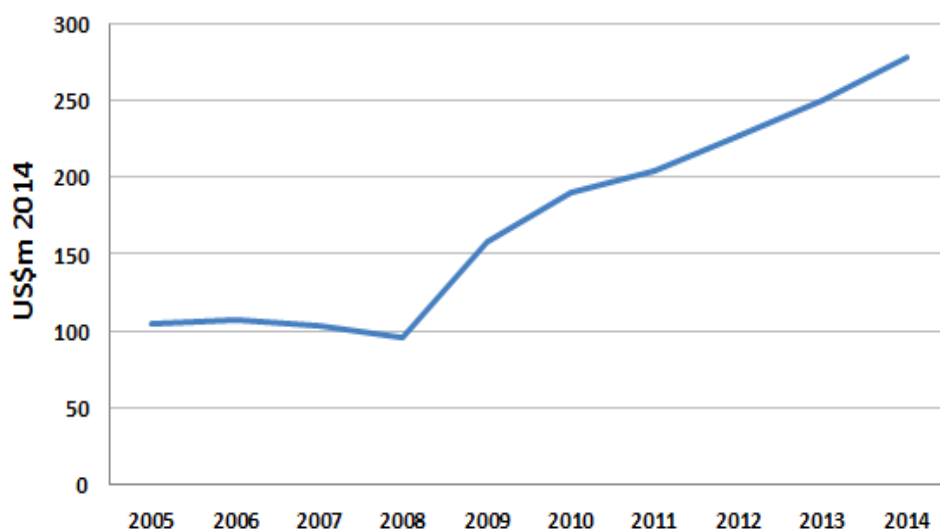
Economy

Over the past 10 years, Cambodia averaged 7.6 per cent annual economic growth. Despite labour unrest and slower growth in private sector credit and tourism, the economy grew by 7.2 per cent in 2014, driven by infrastructure investment, public spending and private consumption. Although a large wage increase for garment workers may reduce that sector's competitiveness, clothing and textiles will remain an important export for Cambodia. Agriculture exports, tourism and service sector growth will drive Cambodia's economic growth, which is forecast to average 7.4 per cent to 2019, according to the IMF.

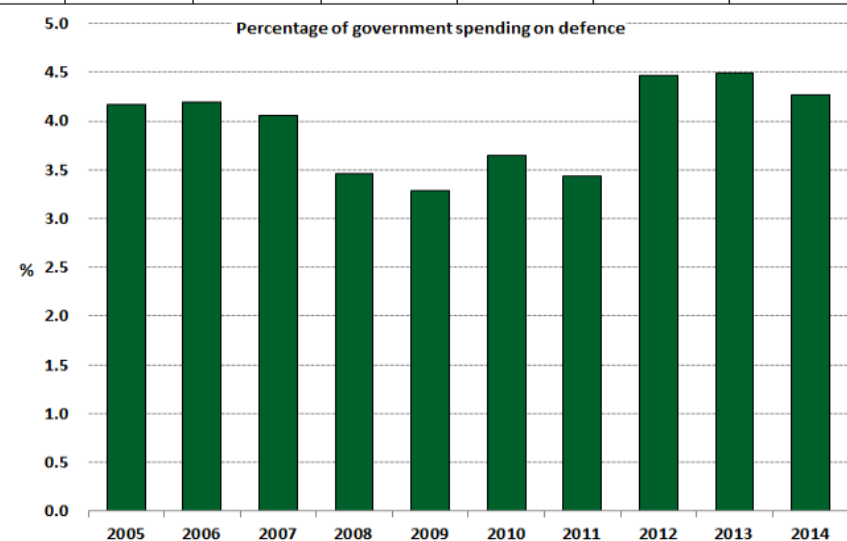
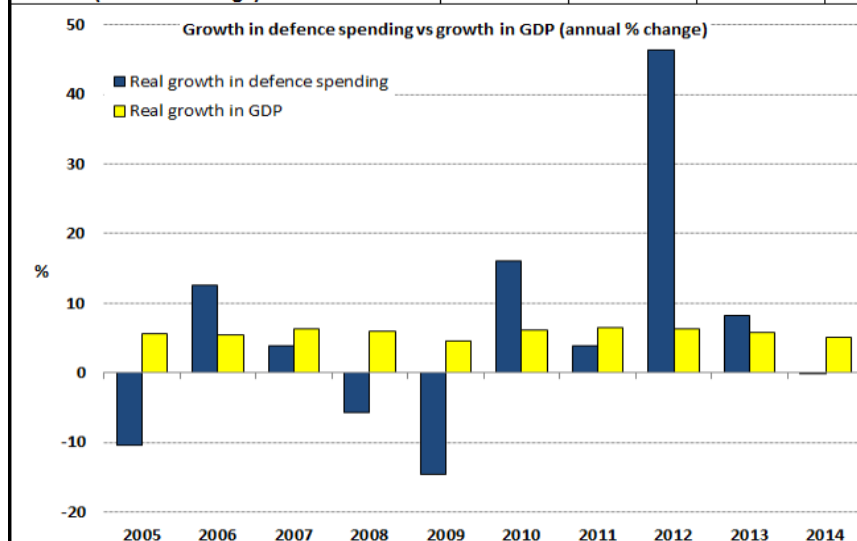
Defence spending

Cambodia's 2014 defence budget was KHR1122bn (US\$277m), representing an 11.2 per cent real increase on the 2013 defence budget. Cambodia relies heavily on China for military aid and capability procurement. In November 2013, Cambodia took delivery of 12 Chinese-built Z-9 utility helicopters that were purchased in 2011 using a Chinese loan. In September 2014, Vietnam announced it had provided US\$22m to support Cambodia's military modernisation efforts.

Defence budget



Indonesia	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	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	86,376.7
Local currency (billion) (2014 constant)	47,937.0	53,967.6	56,085.8	52,936.5	45,222.4	52,496.2	54,531.4	79,782.2	86,389.7	86,376.7
US\$ (billion) (current, in-year exchange rate)	2.3	3.1	3.6	3.8	3.2	4.7	5.4	7.7	7.9	7.3
US\$ (billion) (2014 constant and exchange rate)	4.1	4.6	4.8	4.5	3.8	4.5	4.6	6.8	7.3	7.3
Real growth (%)	-10.4	12.6	3.9	-5.6	-14.6	16.1	3.9	46.3	8.3	0.0
Percentage of real GDP	0.8	0.8	0.8	0.7	0.6	0.7	0.6	0.9	0.9	0.9
Percentage of nominal government spending	4.2	4.2	4.1	3.5	3.3	3.7	3.4	4.5	4.5	4.3
Per capita US\$ (2014 constant and exchange rate)	18.4	20.4	20.9	19.5	16.4	18.8	19.2	27.7	29.6	29.2
GDP:										
Current local (billion)	2,774,281.1	3,339,216.8	3,950,893.2	4,948,688.4	5,606,203.4	6,446,851.9	7,419,187.1	8,229,439.4	9,083,972.3	10,068,556.3
US\$ billion (real GDP)	623.3	696.6	742.8	742.4	723.5	880.1	970.8	965.5	917.3	856.1
Real growth (%)	5.7	5.5	6.3	6.0	4.6	6.2	6.5	6.3	5.8	5.2
Per capita (2014 US\$)	2,815.3	3,102.0	3,261.2	3,213.9	3,087.8	3,703.6	4,027.6	3,949.2	3,699.4	3,404.0
Government spending (current local billion)	526,114.4	671,708.9	804,822.8	1,050,154.5	1,023,520.3	1,159,098.3	1,382,960.4	1,622,837.2	1,822,525.0	2,022,707.5
Population (million)	221.4	224.6	227.8	231.0	234.3	237.6	241.0	244.5	248.0	251.5
Inflation (annual % change)	10.5	13.1	6.7	9.8	5.0	5.1	5.3	4.0	6.4	6.0





Country name	Indonesia
Capital city	Jakarta
Population	251.5 million
Land size	1 904 569 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

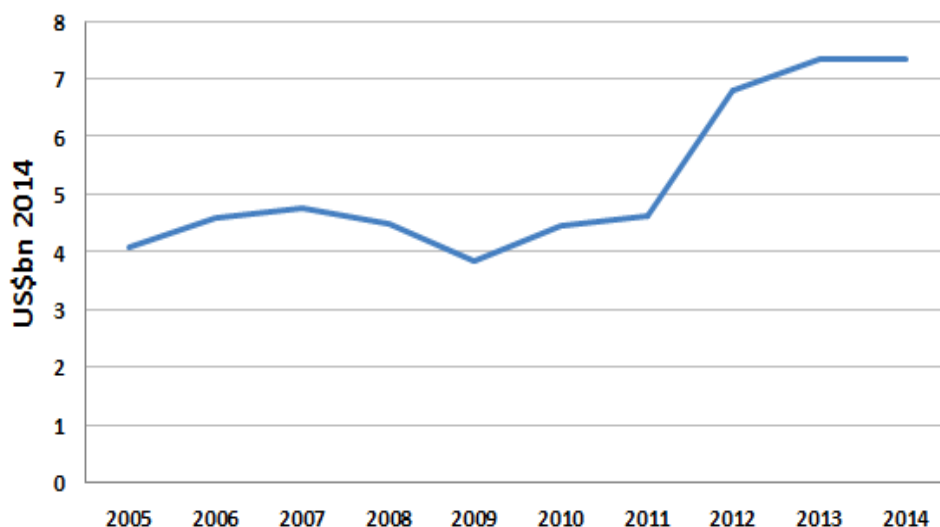
Economy

Over the past 10 years, Indonesia averaged 5.8 per cent annual economic growth. In 2014, the economy grew by 5.2 per cent, driven by domestic consumption and credit growth. However, further growth was constrained by subdued investment and exports. The increase in the subsidised fuel price in November 2014 – along with reduced global oil prices and further fuel subsidy reform in January 2015 – has alleviated fiscal and current account deficit pressures. Despite tight monetary policy and subdued external demand from China and the EU, improved business and consumer confidence will drive domestic consumption and private investment. Indonesia's economy is forecast to average 5.9 per cent growth to 2019, according to the IMF.

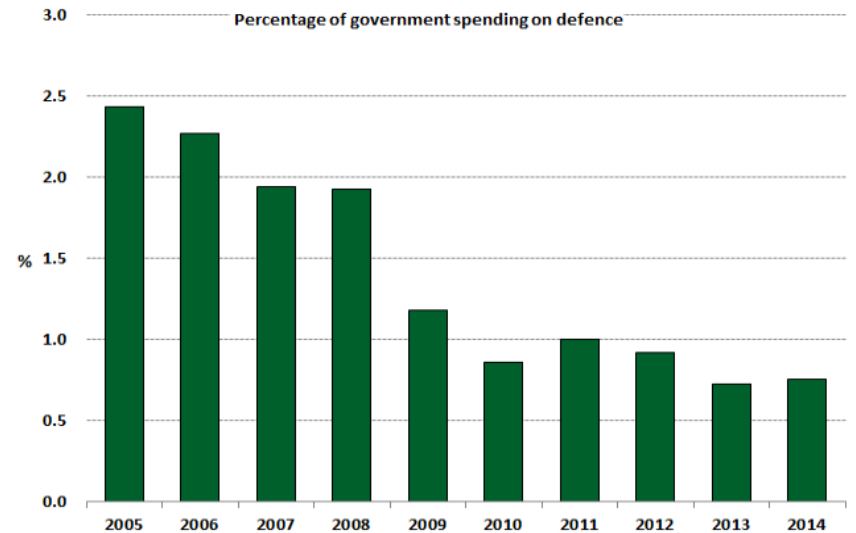
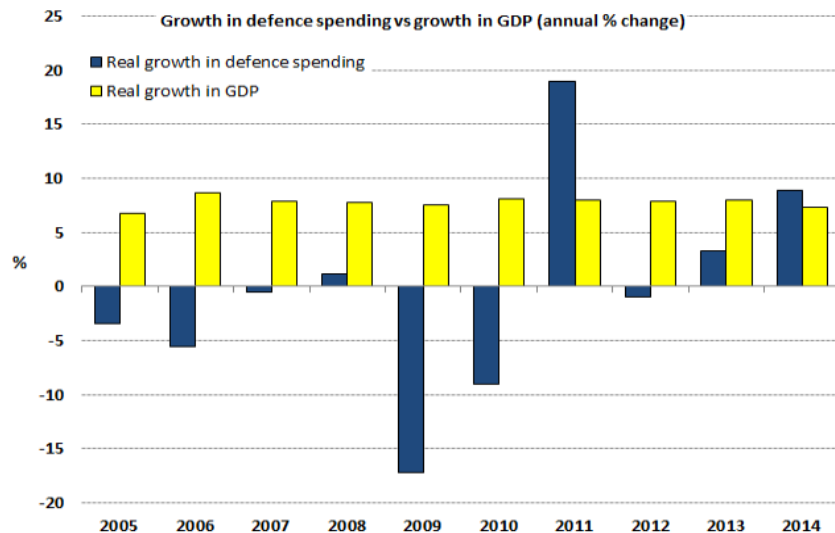
Defence spending

Indonesia's 2014 defence budget was Rp86tr (US\$7.3bn), representing no real increase on the 2013 defence budget. In January 2014, Indonesia received the final 8 of 16 ordered T-50i Golden Eagle lead-in jet trainers. In March and September, the navy received its second and third CN 235-220 maritime patrol aircraft. Indonesia received 18 155mm KH-179 towed howitzers in May, and since July has inaugurated three BUNG TOMO-class frigates. In August, 13 ASTROS II multiple rocket launches were delivered. From July to September, Indonesia received 5 of 24 ordered F-16 C/D Block 52ID fighters, and from May to September received 3 KCR-60-class attack craft. Also in September, Indonesia received 4 Super Tucano light attack aircraft, and commissioned a tank landing ship and 4 KCR-40-class attack craft. In October, Indonesia received 26 Leopard II tanks and 26 Marder IFVs.

Defence budget



Laos	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (million) (current)	125,000.0	135,000.0	140,000.0	150,000.0	119,000.0	119,000.0	150,000.0	160,000.0	172,000.0	197,000.0
Local currency (million) (2014 constant)	207,779.2	196,146.0	195,044.4	197,230.8	163,442.1	148,714.9	176,857.0	175,080.9	180,917.7	197,000.0
US\$ (million) (current, in-year exchange rate)	11.7	13.3	14.6	17.2	14.0	14.4	18.7	20.0	21.9	24.1
US\$ (million) (2014 constant and exchange rate)	25.5	24.0	23.9	24.2	20.0	18.2	21.7	21.5	22.2	24.1
Real growth (%)	-3.4	-5.6	-0.6	1.1	-17.1	-9.0	18.9	-1.0	3.3	8.9
Percentage of real GDP	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Percentage of nominal government spending	2.4	2.3	1.9	1.9	1.2	0.9	1.0	0.9	0.7	0.8
Per capita US\$ (2014 constant and exchange rate)	4.4	4.1	4.0	3.9	3.2	2.8	3.3	3.2	3.3	3.5
GDP:										
Current local (million)	28,947.8	35,980.9	40,467.1	46,214.7	47,562.3	56,522.6	64,727.1	75,251.2	84,572.0	95,511.4
US\$ billion (real GDP)	4.5	5.2	5.9	7.0	7.7	8.6	9.5	10.3	11.3	11.7
Real growth (%)	6.8	8.6	7.8	7.8	7.5	8.1	8.0	7.9	8.0	7.4
Per capita (2014 US\$)	779.9	874.3	977.1	1,133.5	1,223.1	1,336.8	1,457.7	1,547.7	1,676.1	1,697.2
Government spending (current local million)	5,124.4	5,937.9	7,192.4	7,768.0	10,056.4	13,833.2	14,972.6	17,315.8	23,700.9	26,099.3
Population (million)	5.8	5.9	6.0	6.1	6.3	6.4	6.5	6.6	6.8	6.9
Inflation (annual % change)	7.2	6.8	4.5	7.6	0.0	6.0	7.6	4.3	6.4	5.5





Country name	Laos
Capital city	Vientiane
Population	6.9 million
Land size	236 800 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

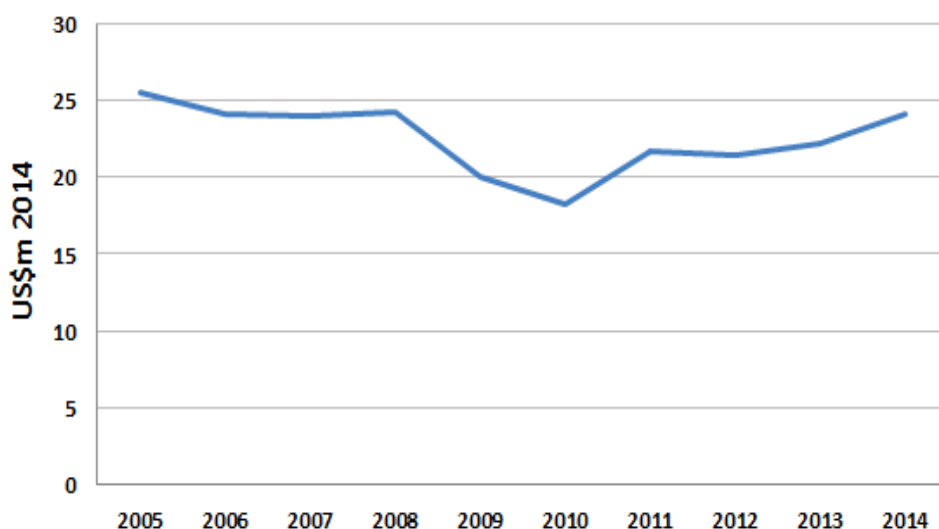
Economy

Over the past 10 years, Laos averaged 7.8 per cent annual economic growth, and it grew by 7.4 per cent in 2014. Mining sector, tourism and investment growth more than offset the adverse effect of reduced economic growth in Thailand – Laos's largest trade partner – and declining commodity prices. Fiscal consolidation to reduce the public debt will restrain public investment and domestic consumption out to 2019. Growth in tourism; improved agricultural production; the construction of the rail network connecting China, Laos and Thailand; and the recovery of the Thai economy will support economic activity in Laos. Laos's economy is forecast to average 7.5 per cent growth to 2019, according to the IMF.

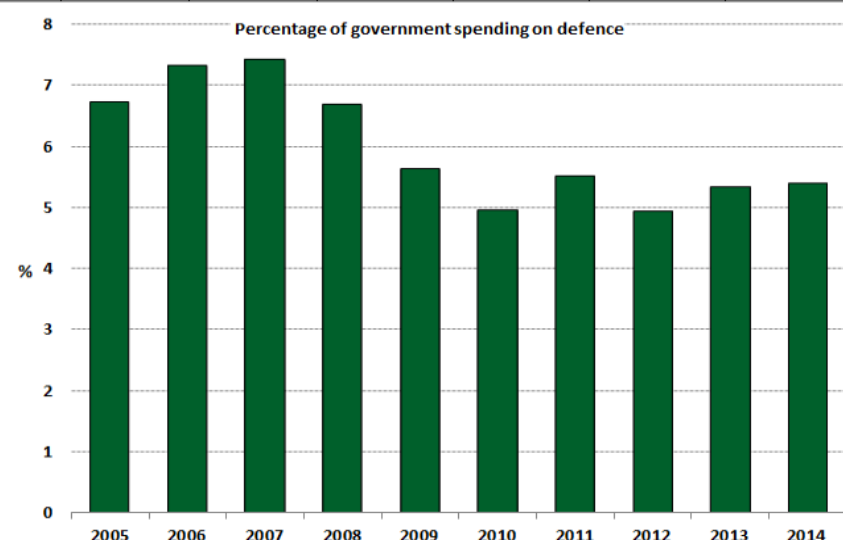
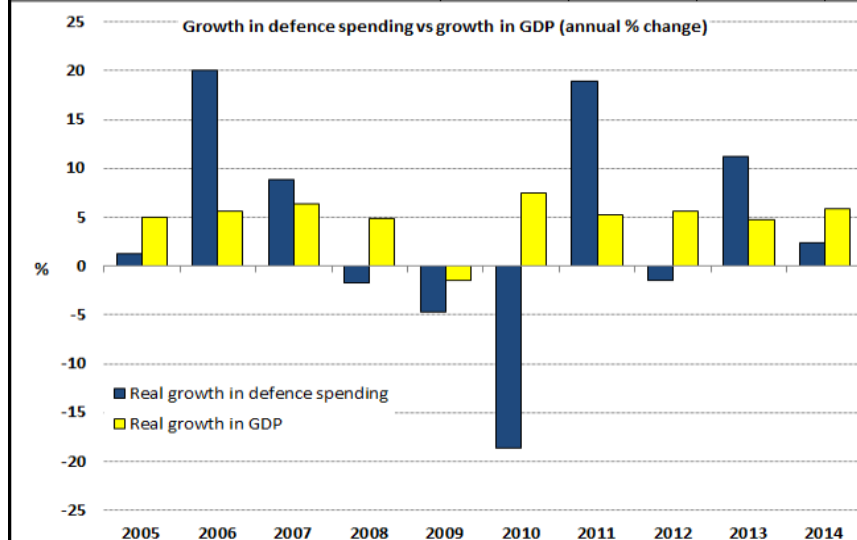
Defence spending

Laos's 2014 defence budget was K197bn (US\$24.1m), representing an 8.9 per cent real increase on the 2013 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's 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	9.4	11.7	13.4	14.5	13.0	11.0	13.8	13.7	15.3	16.1
Local currency (billion) (2014 constant)	12.1	14.6	15.9	15.6	14.8	12.1	14.4	14.2	15.7	16.1
US\$ (billion) (current, in-year exchange rate)	2.5	3.2	3.9	4.4	3.7	3.4	4.5	4.4	4.8	5.0
US\$ (billion) (2014 constant and exchange rate)	3.8	4.6	5.0	4.9	4.6	3.8	4.5	4.4	4.9	5.0
Real growth (%)	1.2	20.0	8.9	-1.8	-4.8	-18.6	18.9	-1.5	11.2	2.3
Percentage of real GDP	1.7	2.0	2.0	1.9	1.8	1.4	1.6	1.5	1.5	1.5
Percentage of nominal government spending	6.7	7.3	7.4	6.7	5.6	5.0	5.5	4.9	5.4	5.4
Per capita US\$ (2014 constant and exchange rate)	143.4	169.8	183.0	176.5	165.2	132.1	154.5	149.8	164.2	165.2
GDP:										
Current local (billion)	543.6	596.8	665.3	770.0	712.9	797.3	885.3	942.0	986.7	1,078.1
US\$ billion (real GDP)	185.5	202.3	229.5	248.1	231.0	271.5	300.7	314.7	323.1	336.9
Real growth (%)	5.0	5.6	6.3	4.8	-1.5	7.4	5.2	5.6	4.7	5.9
Per capita (2014 US\$)	7,007.5	7,540.0	8,467.8	8,989.1	8,227.1	9,498.0	10,345.6	10,660.1	10,788.7	11,061.9
Government spending (current local billion)	139.7	159.9	180.4	217.1	230.6	221.6	250.5	277.4	284.9	297.9
Population (million)	26.5	26.8	27.1	27.6	28.1	28.6	29.1	29.5	29.9	30.5
Inflation (annual % change)	3.0	3.6	2.0	5.4	0.6	1.7	3.2	1.7	2.1	2.9





Country name	Malaysia
Capital city	Kuala Lumpur
Population	30.5 million
Land size	329 847 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

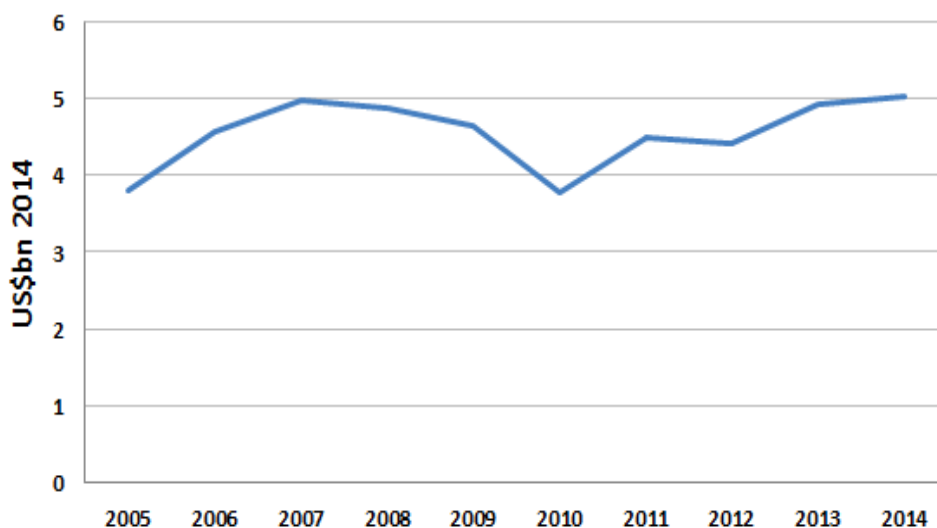
Economy

Over the past 10 years, Malaysia averaged 4.9 per cent annual economic growth. Despite severe flooding in December and tighter fiscal and monetary policies, the economy grew by 5.9 per cent in 2014, supported by growth in private fixed investment, private consumption and strong industrial production. Capital flight, lower current account surpluses, and the sharp depreciation of the ringgit and commodity prices will hinder economic growth and exacerbate fiscal pressures in 2015. But plans to eliminate fuel subsidies and introduce a goods and services tax will, if implemented, help address fiscal concerns. Malaysia's economy is forecast to average 5 per cent growth to 2019, according to the IMF, driven by domestic consumption and fixed investment.

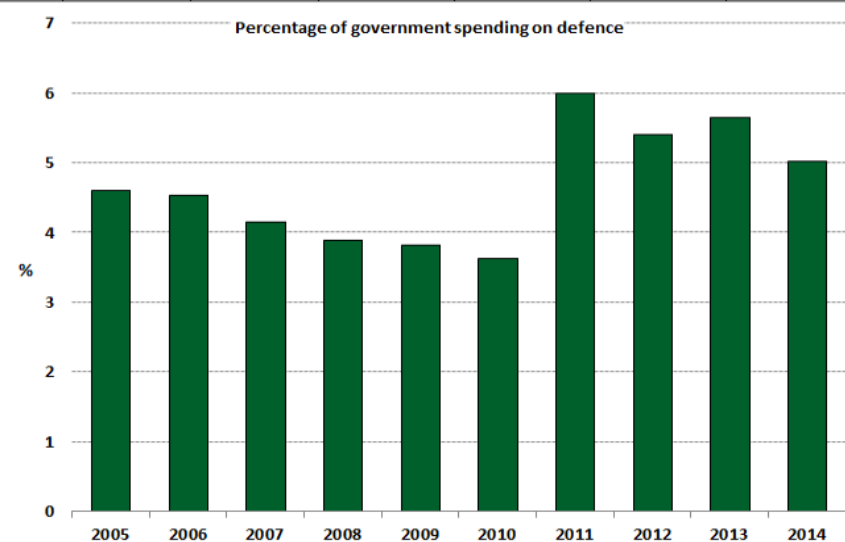
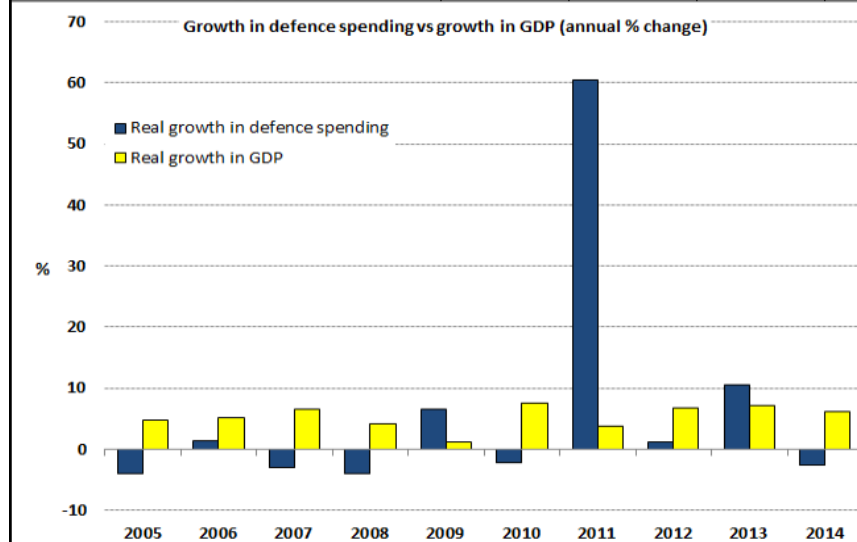
Defence spending

Malaysia's 2014 defence budget was RM16.1bn (US\$5bn), representing a 2.3 per cent real increase on the 2013 defence budget. In February 2014, Malaysia announced it will proceed with an upgrade to its Hercules C-130 medium transport aircraft. Malaysia completed the Service Life Extension Program for two KASTURI-class frigates in 2014 – KD *Kasturi* in January and KD *Lekir* in November. Also in 2014, the Royal Malaysian Air Force received the last of 12 EC 725 medium-lift helicopters ordered in 2010. In December, the Royal Malaysian Army received the first 12 of 257 8x8 AV-8 armoured fighting vehicles, with the remainder to be delivered by 2018. The Royal Malaysian Air Force is scheduled to start receiving its four Airbus A400M Atlas transport aircraft and five PC-7 Mark II training aircraft in 2015.

Defence budget



Philippines	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	51.0	54.3	54.3	56.1	61.5	62.7	104.7	107.9	121.6	123.1
Local currency (billion) (2014 constant)	68.8	69.7	67.7	65.0	69.3	67.8	108.8	110.0	121.6	118.5
US\$ (billion) (current, in-year exchange rate)	0.9	1.1	1.2	1.3	1.3	1.4	2.4	2.6	2.9	2.8
US\$ (billion) (2014 constant and exchange rate)	1.6	1.6	1.5	1.5	1.6	1.5	2.5	2.5	2.8	2.7
Real growth (%)	-3.9	1.4	-2.9	-4.0	6.6	-2.2	60.5	1.1	10.5	-2.6
Percentage of real GDP	0.9	0.9	0.8	0.7	0.8	0.7	1.1	1.0	1.1	1.0
Percentage of nominal government spending	4.6	4.5	4.2	3.9	3.8	3.6	6.0	5.4	5.7	5.0
Per capita US\$ (2014 constant and exchange rate)	18.3	18.2	17.3	16.3	17.3	16.6	26.2	26.1	28.3	27.1
GDP:										
Current local (billion)	5,677.8	6,271.2	6,892.7	7,720.9	8,026.1	9,003.5	9,708.3	10,567.3	11,548.2	12,746.2
US\$ billion (real GDP)	138.9	156.9	186.0	201.0	189.8	215.7	232.9	255.1	272.1	278.8
Real growth (%)	4.8	5.2	6.6	4.2	1.1	7.6	3.7	6.8	7.2	6.2
Per capita (2014 US\$)	1,628.7	1,803.9	2,096.6	2,221.0	2,085.8	2,329.8	2,472.6	2,663.3	2,790.9	2,804.1
Government spending (current local billion)	1,109.0	1,197.6	1,308.9	1,439.7	1,611.7	1,725.6	1,747.3	1,997.6	2,151.7	2,447.9
Population (million)	85.3	87.0	88.7	90.5	91.0	92.6	94.2	95.8	97.5	99.4
Inflation (annual % change)	6.6	5.5	2.9	8.2	4.2	3.8	4.7	3.2	2.9	4.5





Country name	Philippines
Capital city	Manila
Population	99.4 million
Land size	300 000 km ²

Currency	Philippine 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

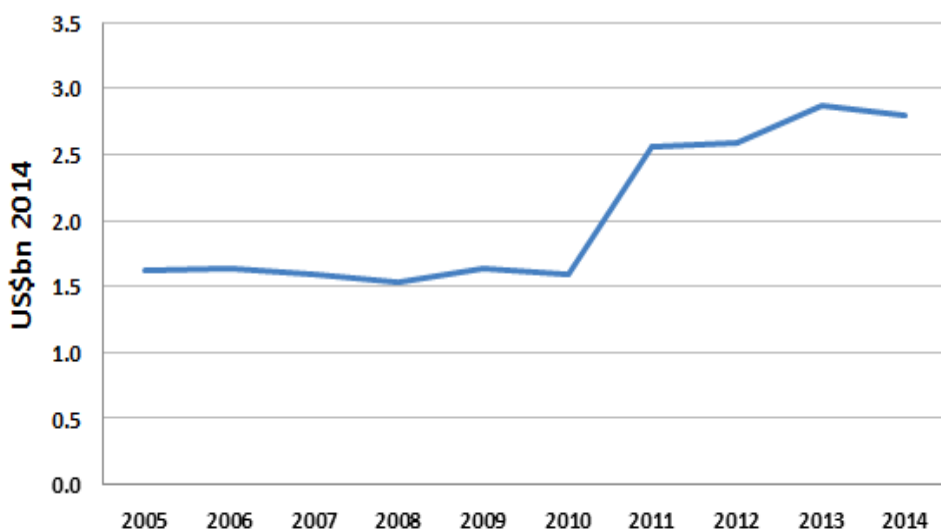
Economy

Over the past 10 years, the Philippines averaged 5.3 per cent annual economic growth. In 2014, the economy's 6.2 per cent growth was driven by the construction sector and by increasing exports, investment and private consumption – supported by greater remittances and rising domestic credit. But the economic impact of Typhoon Haiyan in the first half of 2014 and lower government spending slowed the pace of further economic growth. Ongoing reconstruction efforts, and increasing levels of remittances and urbanisation – which support growth in private consumption – will drive economic activity over the next five years. The Philippines' economy is forecast to average 6.1 per cent growth to 2019, according to the IMF.

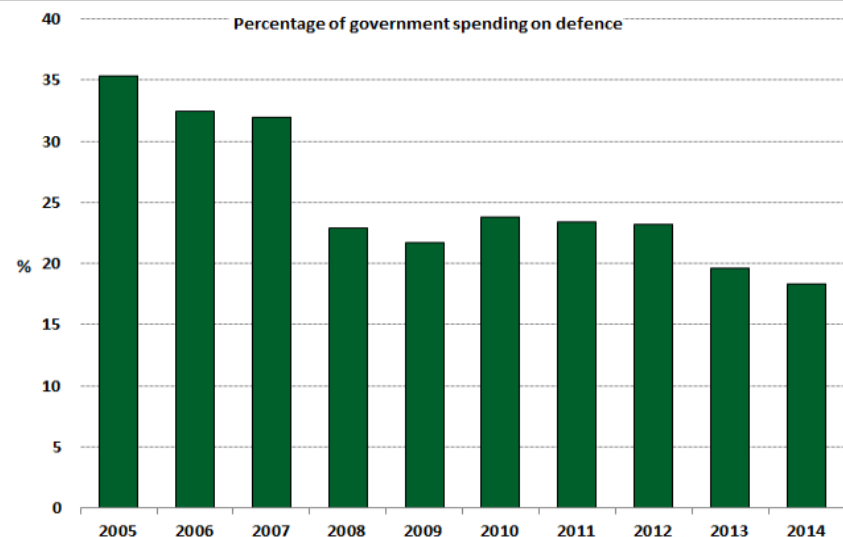
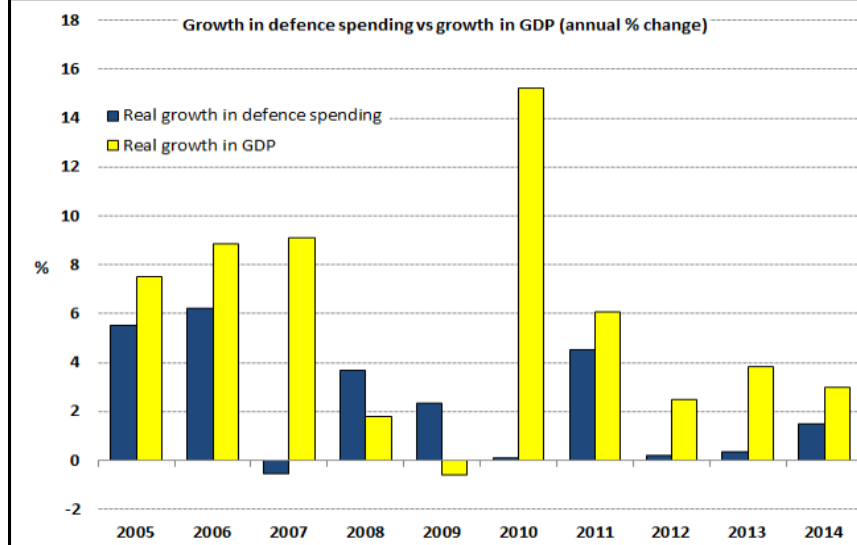
Defence spending

The Philippines' 2014 defence budget was ₱123.1bn (US\$2.7bn), representing a 2.6 per cent real decrease on the 2013 defence budget. In January 2014, the Philippines announced its purchase of 28 Israeli-built infantry fighting vehicles and its planned purchase of an additional 14 M113 armoured personnel carriers from BAE Systems. In March, the Philippines procured 12 FA-50 fighter jets from South Korea, to be delivered by 2017, and announced the purchase of eight Bell 412 helicopters from Canada, with deliveries starting in 2015. South Korea announced in June it would decommission and gift a POHANG-class corvette to the Philippines. In July, the Philippines contracted Indonesian company PT PAL to deliver two strategic sealift vessels by 2017. The navy received two AW-109 Power helicopters in December, and the air force will receive eight AW-109s in 2015.

Defence budget



Singapore	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	9.3	10.0	10.6	10.8	11.4	11.5	12.1	12.3	12.3	12.6
Local currency (billion) (2014 constant)	10.5	11.1	11.1	11.5	11.8	11.8	12.3	12.3	12.4	12.6
US\$ (billion) (current, in-year exchange rate)	5.6	6.3	7.0	7.6	7.9	8.4	9.6	9.8	9.9	10.0
US\$ (billion) (2014 constant and exchange rate)	8.4	8.9	8.8	9.2	9.4	9.4	9.8	9.8	9.9	10.0
Real growth (%)	5.5	6.2	-0.5	3.7	2.4	0.1	4.5	0.2	0.3	1.5
Percentage of real GDP	4.4	4.3	3.9	4.0	4.1	3.6	3.5	3.4	3.3	3.3
Percentage of nominal government spending	35.3	32.5	32.0	23.0	21.8	23.8	23.4	23.3	19.7	18.3
Per capita US\$ (2014 constant and exchange rate)	1,960.9	2,018.5	1,925.5	1,893.1	1,879.9	1,849.0	1,893.2	1,851.6	1,827.8	1,829.9
GDP:										
Current local (billion)	212.1	234.8	271.3	272.0	279.9	322.4	344.7	358.5	372.8	385.3
US\$ billion (real GDP)	143.8	164.0	188.6	204.5	197.8	243.1	279.5	288.4	299.1	307.1
Real growth (%)	7.5	8.9	9.1	1.8	-0.6	15.2	6.1	2.5	3.9	3.0
Per capita (2014 US\$)	33,709.8	37,260.3	41,106.6	42,266.9	39,645.6	47,882.8	53,915.6	54,283.7	55,393.5	56,109.1
Government spending (current local billion)	26.3	30.9	33.0	47.1	52.5	48.1	51.6	52.8	62.7	68.5
Population (million)	4.3	4.4	4.6	4.8	5.0	5.1	5.2	5.3	5.4	5.5
Inflation (annual % change)	0.5	1.0	2.1	6.6	0.6	2.8	5.2	4.6	2.4	1.4





Country name	Singapore
Capital city	Singapore
Population	5.5 million
Land size	697 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

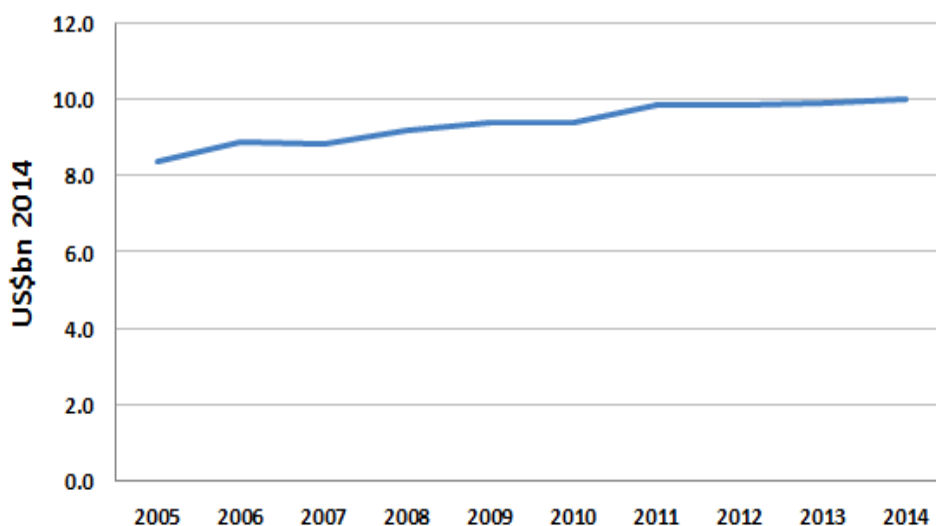
Economy

Over the past 10 years, Singapore averaged 5.7 per cent annual economic growth. In 2014, the economy grew a modest 3 per cent, reflecting subdued growth in developed countries' economies and slower growth in China. Singapore's economy was also constrained by slowing growth in manufacturing and construction, but business and financial services supported economic activity. Despite a tight labour market, increasing domestic demand, manufacturing and construction activity will support growth out to 2019 as its trading partners' economies grow and as infrastructure development increases. Singapore's economy is forecast to average 3 per cent growth to 2019, according to the IMF.

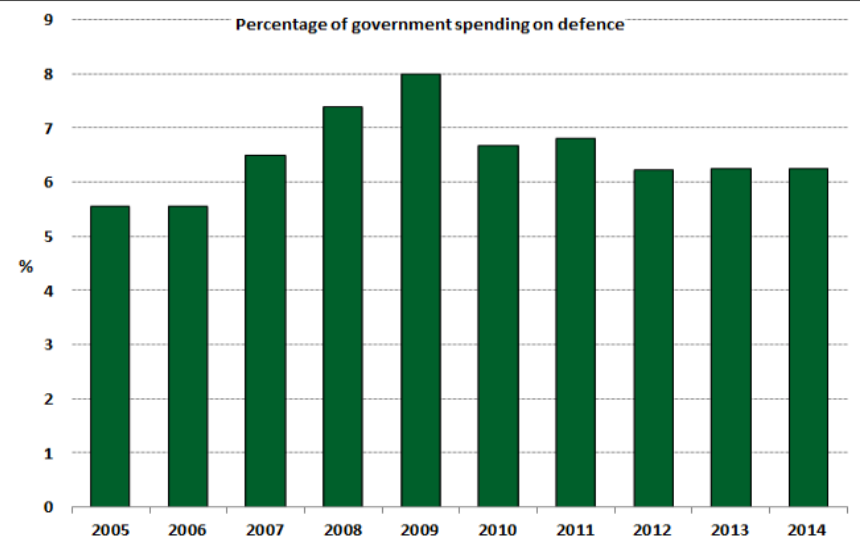
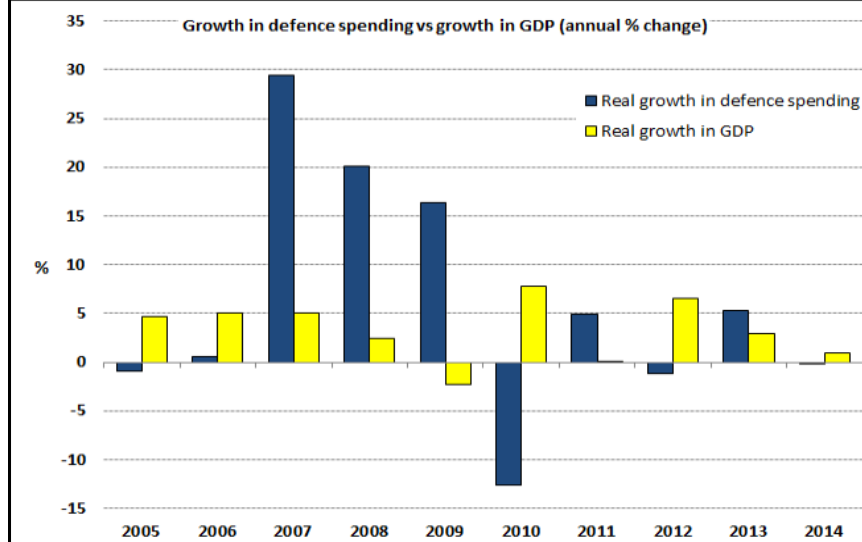
Defence spending

Singapore's 2014 defence budget was S\$12.6bn (US\$10bn), representing a 1.5 per cent real increase on the 2013 defence budget. In 2014, Singapore selected the Airbus A330 multi-role tanker transport to replace its KC-135R tanker aircraft and in March announced it will acquire an additional two S-70B Seahawk helicopters for its naval helicopter fleet, to be delivered in 2016. In September, Singapore's air force inducted 12 Alenia Aermacchia M-346 Master advanced lead-in fighter trainers. Singapore is considering the purchase of a multi-mission ship for humanitarian assistance and disaster relief missions and has reportedly increased the number of Boeing F-15SG Strike Eagle fighters beyond its declared fleet of 24 aircraft.

Defence budget



Thailand	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	81.2	85.9	115.0	143.5	170.2	154.0	168.5	168.7	180.5	183.8
Local currency (billion) (2014 constant)	106.4	106.9	138.3	166.1	193.1	168.6	177.0	174.8	184.0	183.8
US\$ (billion) (current, in-year exchange rate)	2.0	2.3	3.3	4.3	5.0	4.9	5.5	5.4	5.9	5.7
US\$ (billion) (2014 constant and exchange rate)	3.3	3.3	4.3	5.2	6.0	5.2	5.5	5.4	5.7	5.7
Real growth (%)	-1.0	0.5	29.4	20.1	16.3	-12.7	5.0	-1.2	5.3	-0.1
Percentage of real GDP	1.1	1.1	1.3	1.6	1.9	1.5	1.6	1.5	1.5	1.5
Percentage of nominal government spending	5.6	5.6	6.5	7.4	8.0	6.7	6.8	6.2	6.3	6.3
Per capita US\$ (2014 constant and exchange rate)	50.7	50.9	65.4	77.8	89.7	77.9	81.4	80.0	83.8	83.3
GDP:										
Current local (billion)	7,092.9	7,844.9	8,525.2	9,080.5	9,041.6	10,104.8	10,540.1	11,375.3	11,898.7	12,248.2
US\$ billion (real GDP)	230.9	257.6	297.0	315.4	299.3	349.2	363.1	379.3	394.8	380.5
Real growth (%)	4.6	5.1	5.0	2.5	-2.3	7.8	0.1	6.5	2.9	1.0
Per capita (2014 US\$)	3,545.0	3,946.6	4,517.8	4,755.5	4,475.3	5,190.1	5,372.8	5,587.2	5,786.8	5,550.2
Government spending (current local billion)	1,459.6	1,546.4	1,769.2	1,941.2	2,123.9	2,303.6	2,475.0	2,703.2	2,881.3	2,932.9
Population (million)	65.1	65.3	65.7	66.3	66.9	67.3	67.6	67.9	68.2	68.6
Inflation (annual % change)	4.5	4.6	2.2	5.5	-0.9	3.3	3.8	3.0	2.2	2.1





Country name	Thailand
Capital city	Bangkok
Population	68.6 million
Land size	513 120 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

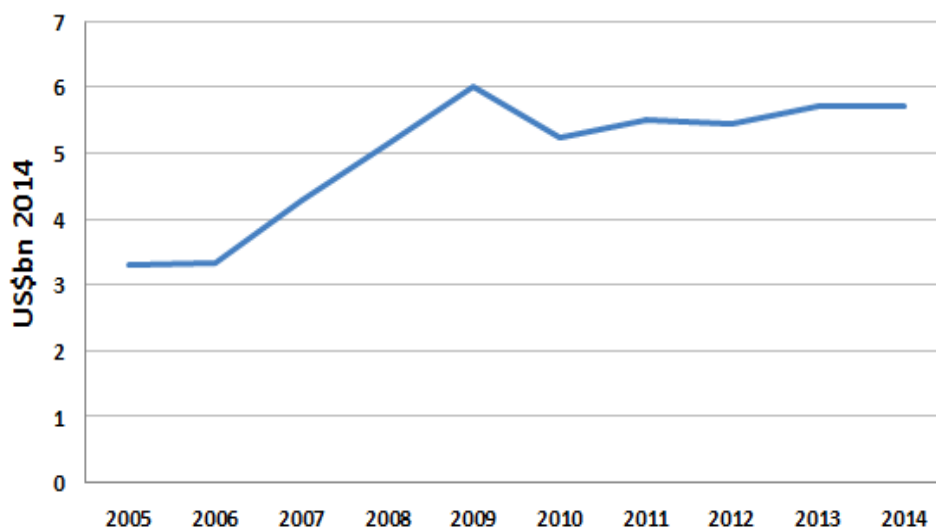
Economy

Over the past 10 years, Thailand averaged 3.3 per cent annual economic growth. The economy experienced softer growth of 1 per cent in 2014, due to the impact of political instability on business and consumer confidence, and on tourism. Contractions in investment and industrial output – particularly manufacturing – as well as high levels of household debt weighed on growth in private consumption. Higher household incomes, increased investment and government spending, and improved political stability will support Thailand's economic recovery. Thailand's economy is forecast to average 4.4 per cent growth to 2019, according to the IMF.

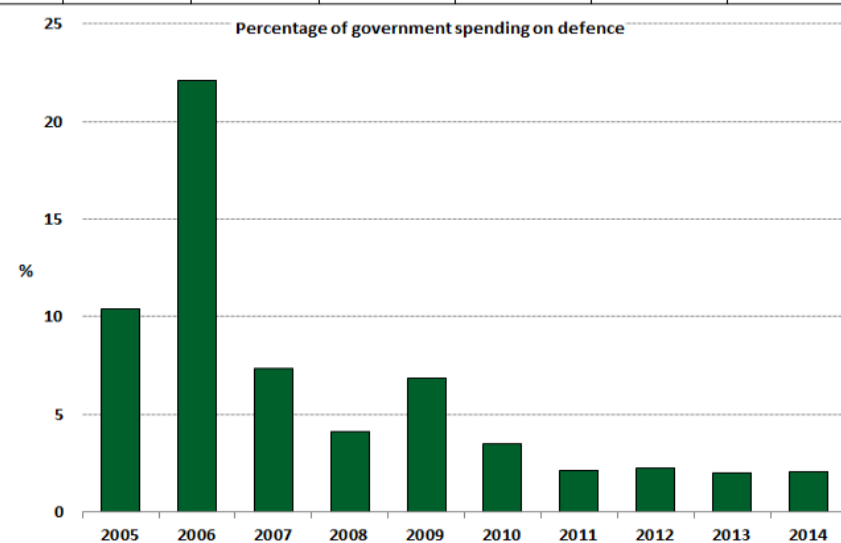
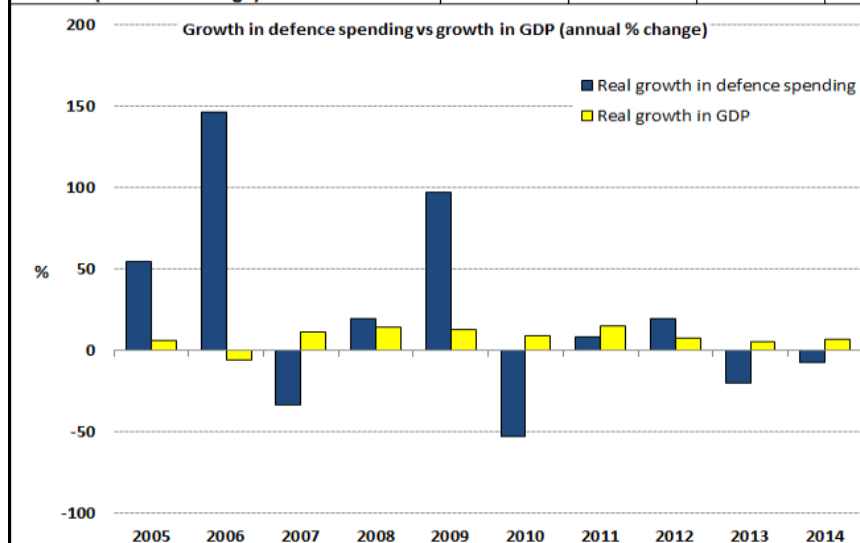
Defence spending

Thailand's 2014 defence budget was ฿183.8bn (US\$5.7bn), representing a 0.1 per cent real decrease on the 2013 defence budget. In February 2014, Thailand took delivery of two AW139 multi-role helicopters. In March, Marsun delivered three M36 patrol vessels to the Thai navy. Thailand signed a contract with Saab in June to procure the ARTHUR Weapons Locating Systems radar for the Royal Thai Marine Corps. In October, Thailand purchased five Airbus EC645 T2 light-utility helicopters with delivery starting in 2016, and two Airbus EC725 multi-role helicopters with delivery starting in 2017.

Defence budget



Timor-Leste	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (million) (current)	9.8	25.4	18.4	23.7	46.6	23.2	28.4	37.7	32.9	31.1
Local currency (million) (2014 constant)	17.8	43.8	29.3	35.0	69.0	32.6	35.4	42.3	33.7	31.1
US\$ (million) (current, in-year exchange rate)	9.8	25.4	18.4	23.7	46.6	23.2	28.4	37.7	32.9	31.1
US\$ (million) (2014 constant and exchange rate)	17.8	43.8	29.3	35.0	69.0	32.6	35.4	42.3	33.7	31.1
Real growth (%)	54.6	146.7	-33.2	19.4	97.4	-52.7	8.4	19.6	-20.3	-7.6
Percentage of real GDP	2.8	7.4	4.4	4.6	8.1	3.5	3.3	3.7	2.8	2.4
Percentage of nominal government spending	10.4	22.1	7.3	4.1	6.8	3.5	2.2	2.3	2.0	2.1
Per capita US\$ (2014 constant and exchange rate)	18.3	44.3	29.0	33.8	65.1	30.0	31.6	36.6	28.2	25.3
GDP:										
Current local (billion)	0.3	0.3	0.4	0.5	0.6	0.7	0.9	1.0	1.2	1.3
US\$ billion (real GDP)	0.6	0.6	0.7	0.8	0.9	0.9	1.1	1.2	1.2	1.3
Real growth (%)	6.2	-5.7	11.4	14.2	13.0	9.4	14.7	7.8	5.4	6.6
Per capita (2014 US\$)	649.5	600.6	655.4	731.1	805.7	857.7	956.3	999.1	1,020.1	1,053.6
Government spending (current local million)	0.1	0.1	0.3	0.6	0.7	0.7	1.3	1.7	1.6	1.5
Population (million)	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2
Inflation (annual % change)	1.6	5.2	8.6	7.4	-0.2	5.2	13.2	10.9	9.5	2.5





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

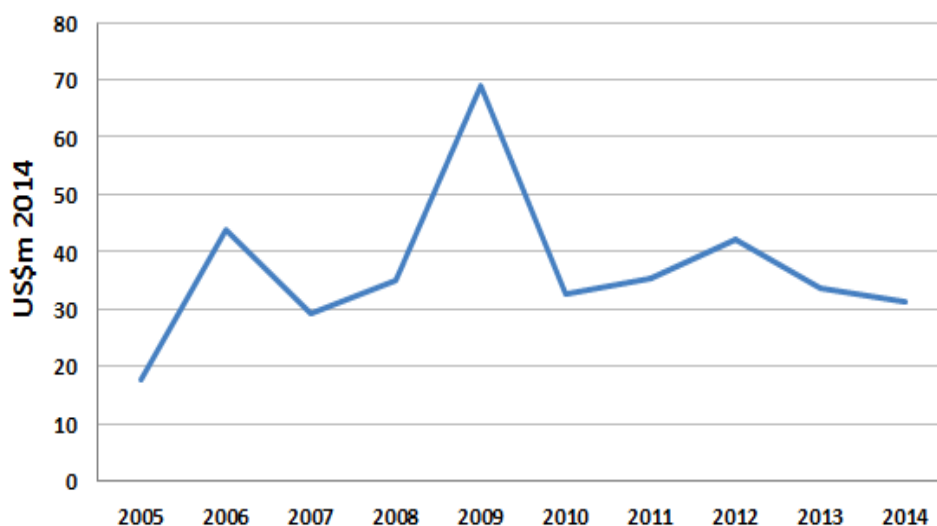
Economy

Over the past 10 years, Timor-Leste averaged 8.3 per cent annual economic growth. In 2014, the economy grew by 6.6 per cent due to government spending financed by petroleum revenue and lower inflation. A lack of human capital, physical infrastructure and slower private sector credit growth contributed to weakness in the non-oil sector. Despite the decline in commodity prices, petroleum exports will support sustained high levels of government spending over the next five years, which will drive economic activity. Government investment in infrastructure will help develop non-energy sectors of the economy. Timor-Leste's economy is forecast to average 7.1 per cent growth to 2019, according to the IMF.

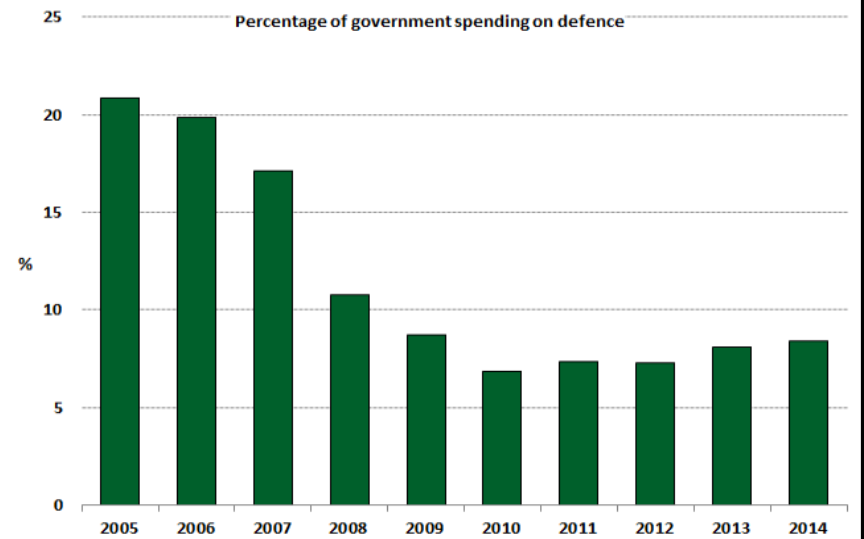
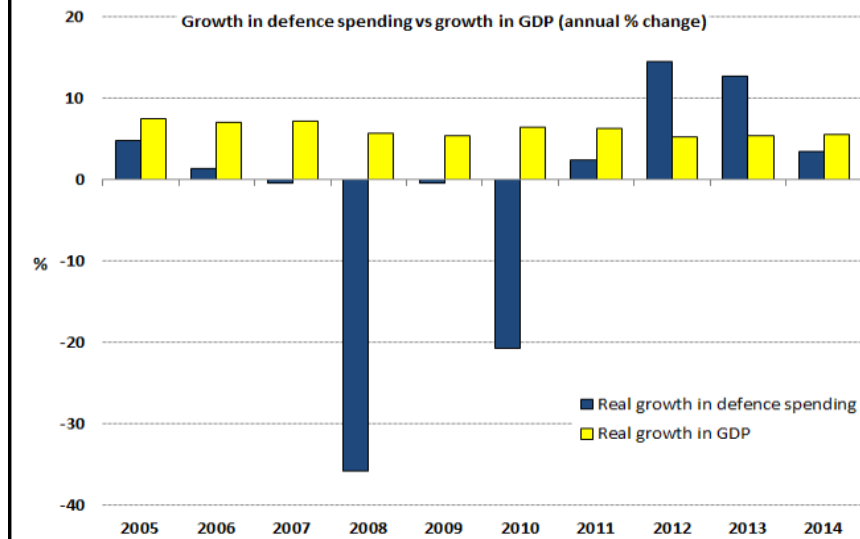
Defence spending

Timor-Leste's 2014 defence budget was US\$31.1m, representing a 7.6 per cent real decrease on the 2013 budget. Dili has made little notable progress in achieving procurement plans outlined in its *Force 2020* development plan. Timor-Leste is considering joining Australia's Pacific Patrol Boat Program.

Defence budget



Vietnam	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	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	91,000.0
Local currency (billion) (2014 constant)	130,320.0	132,037.7	131,386.8	84,433.4	84,029.5	66,579.6	68,137.9	78,037.2	88,005.4	91,000.0
US\$ (billion) (current, in-year exchange rate)	3.2	3.4	3.7	2.9	2.8	2.3	2.7	3.4	3.9	4.2
US\$ (billion) (2014 constant and exchange rate)	6.1	6.2	6.1	3.9	3.9	3.1	3.2	3.6	4.1	4.2
Real growth (%)	4.8	1.3	-0.5	-35.7	-0.5	-20.8	2.3	14.5	12.8	3.4
Percentage of real GDP	5.5	5.2	4.8	2.9	2.8	2.1	2.0	2.2	2.3	2.3
Percentage of nominal government spending	20.9	19.9	17.1	10.8	8.7	6.9	7.4	7.3	8.1	8.4
Per capita US\$ (2014 constant and exchange rate)	73.8	74.0	72.8	46.3	45.6	35.8	36.2	41.0	45.8	46.9
GDP:										
Current local (billion)	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	3,584,260.9	4,024,000.0
US\$ billion (real GDP)	150.3	159.4	169.8	175.4	170.8	169.1	166.4	173.4	181.5	187.8
Real growth (%)	7.5	7.0	7.1	5.7	5.4	6.4	6.2	5.2	5.4	5.5
Per capita (2014 US\$)	1,823.6	1,913.2	2,015.6	2,060.8	1,985.5	1,945.2	1,894.9	1,953.8	2,023.7	2,072.7
Government spending (current local billion)	239,364.0	276,774.0	350,479.1	437,416.0	571,807.1	647,711.0	748,897.0	954,229.4	1,021,243.5	1,083,042.1
Population (million)	82.4	83.3	84.2	85.1	86.0	86.9	87.8	88.8	89.7	90.6
Inflation (annual % change)	8.4	7.5	8.3	23.1	6.7	9.2	18.7	9.1	6.6	5.2





Country name	Vietnam
Capital city	Hanoi
Population	90.6 million
Land size	331 210 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

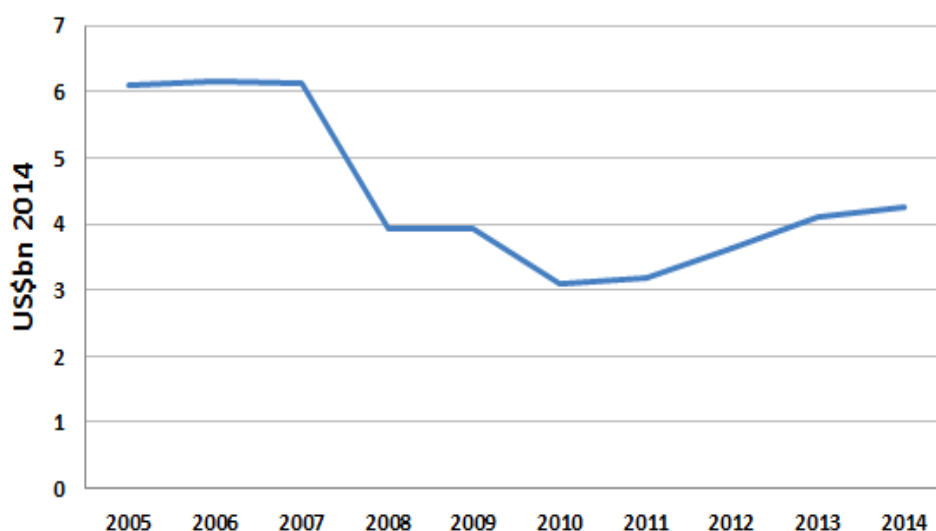
Economy

Over the past 10 years, Vietnam averaged 6.2 per cent annual economic growth. In 2014, the economy grew by 5.5 per cent, supported by declining inflation, export growth producing current account surpluses, and increasing foreign investment, especially in the manufacturing sector. Sluggish growth in private sector credit in part reflects subdued domestic demand and efforts to reduce the level of non-performing loans in the banking sector. Increasing foreign investment, growth in trading partners' economies, an increasing working age population and growth in private consumption will drive economic activity over the next five years. Vietnam's economy is forecast to average 5.8 per cent growth to 2019, according to the IMF.

Defence spending

Vietnam's 2014 defence budget was $\text{₫}91\text{tr}$ (US\$4.2bn), representing a 3.4 per cent real increase on the 2013 defence budget. Since January 2014, Vietnam has received the first three of six Kilo-class submarines, with the remainder to be delivered by 2016. In May and September, Vietnam took delivery of its third and fourth TT400TP-class patrol boats. In July, it was reported that Vietnam may be acquiring three Airbus C295 transport aircraft, and Vietnam's navy received two indigenously made MOLNIYA-class corvettes. In August 2013, Vietnam purchased 12 Sukhoi Su-30MK2 fighter jets from Russia, which were to be delivered in 2014–2015.

Defence budget



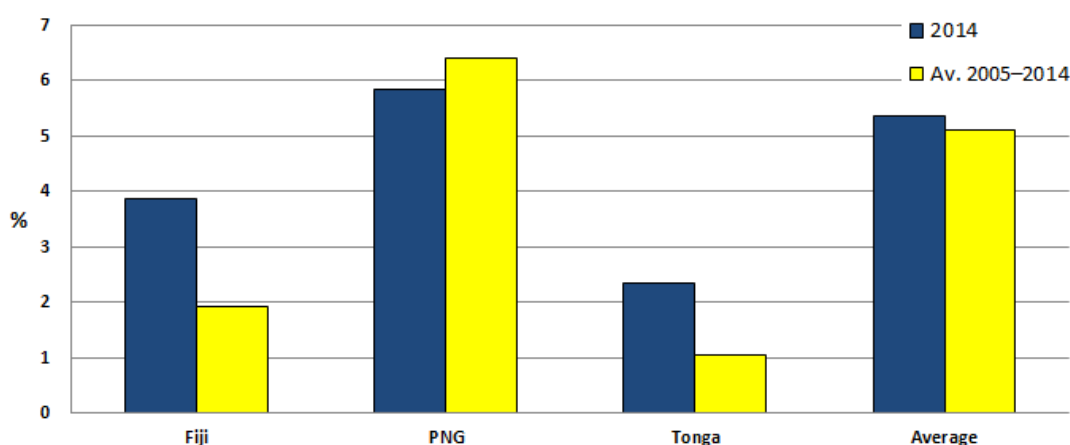
Regional economy

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 2014. Although high levels of government spending drove economic growth in PNG and Fiji, Tonga's economy was impacted by Cyclone Ian and associated post-cyclone reconstruction. The region was also impacted by subdued agriculture output, varying levels of remittances, and tourism growth.

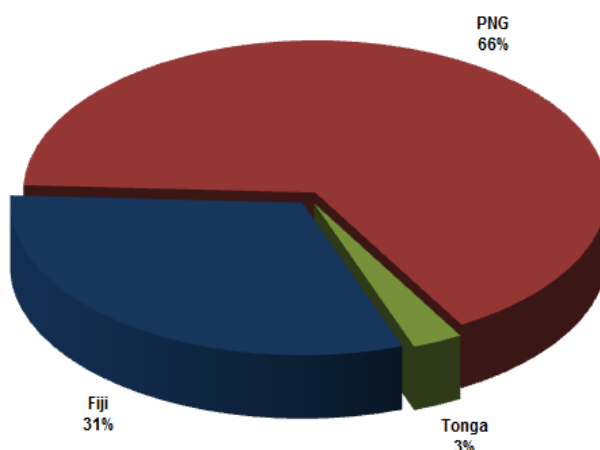
Defence spending

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

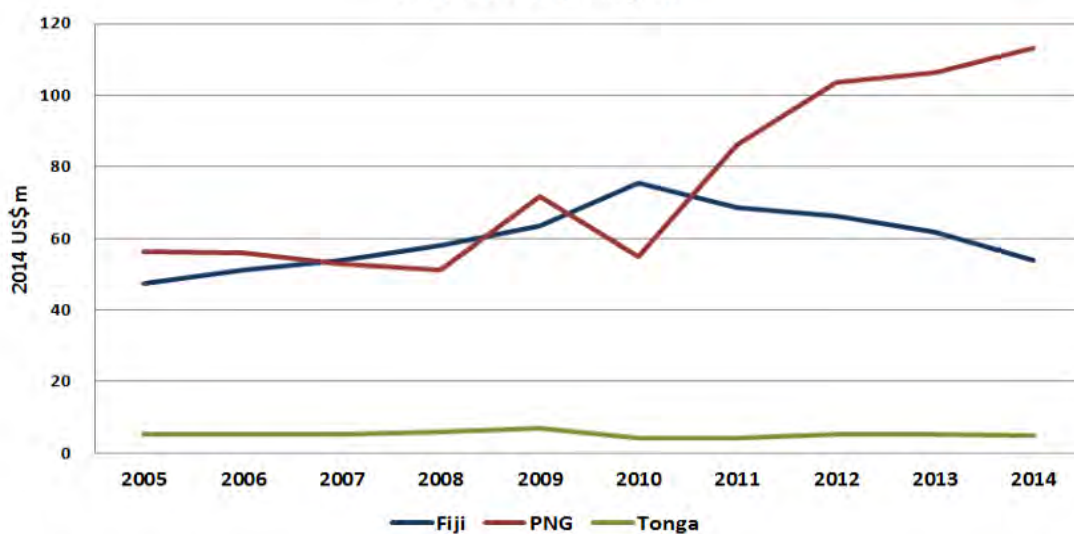
2014 GDP growth compared to average GDP growth



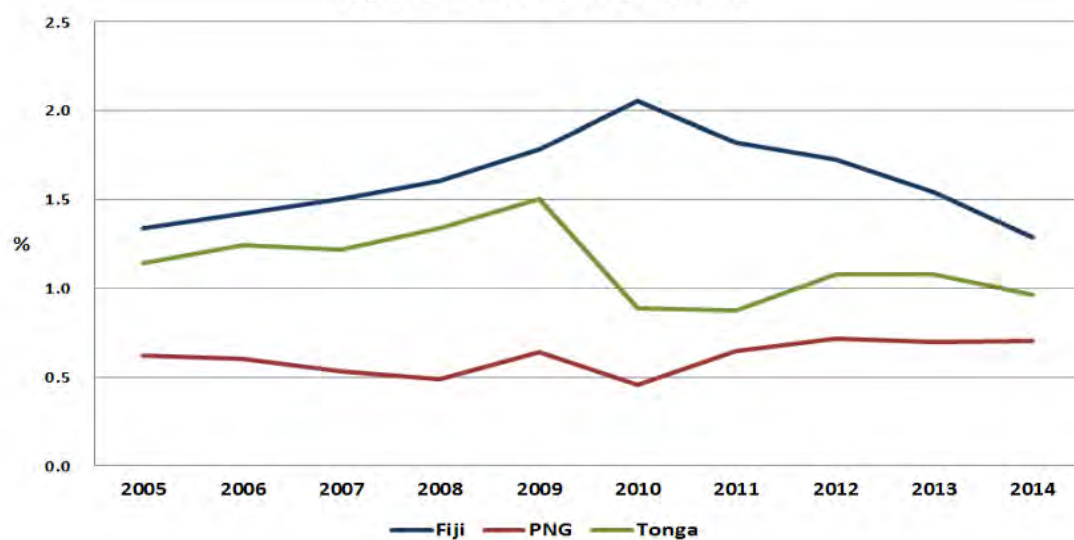
Contribution to Pacific defence spending in 2014



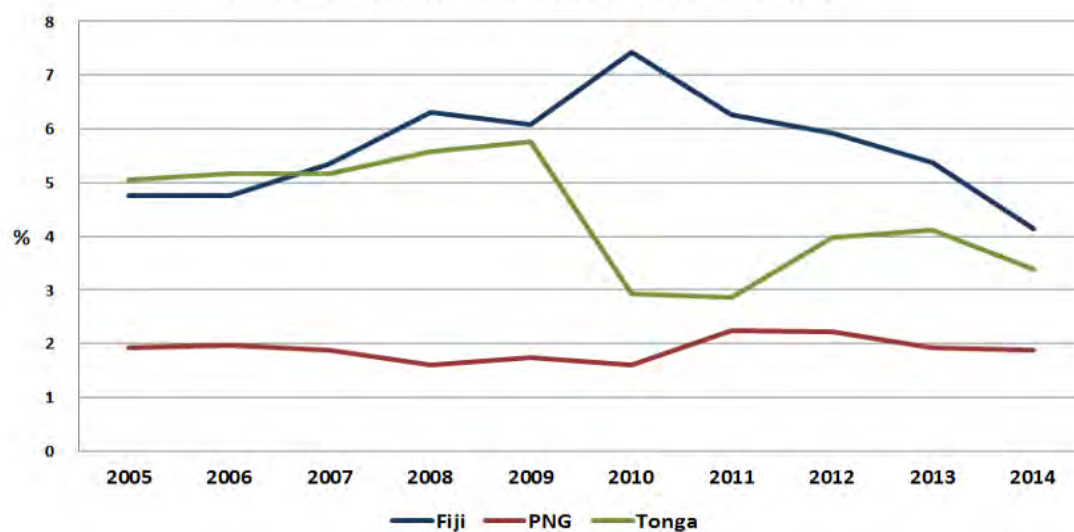
Pacific defence budgets



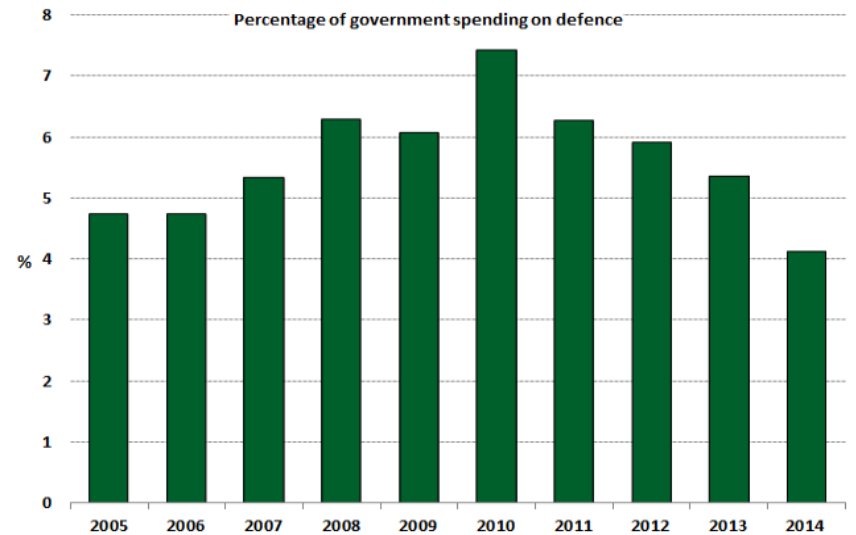
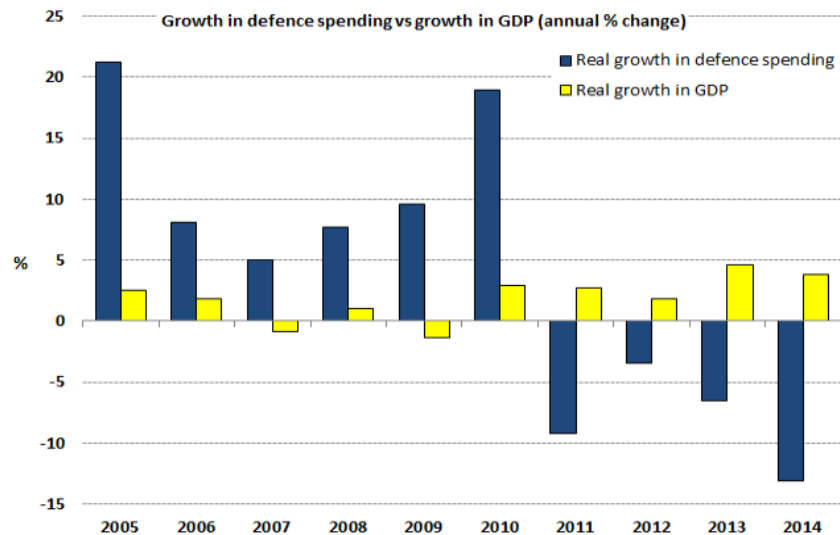
Proportion of GDP spent on defence



Proportion of government outlays spent on defence



Fiji	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (million) (current)	66.0	74.0	80.0	90.0	100.0	124.0	119.0	118.9	114.4	101.5
Local currency (million) (2014 constant)	89.5	96.7	101.6	109.4	119.9	142.6	129.5	125.0	116.8	101.5
US\$ (million) (current, in-year exchange rate)	39.0	42.7	49.7	56.5	51.1	64.6	66.4	66.4	62.1	53.8
US\$ (million) (2014 constant and exchange rate)	47.4	51.2	53.8	58.0	63.5	75.6	68.6	66.3	61.9	53.8
Real growth (%)	21.2	8.1	5.0	7.7	9.6	19.0	-9.2	-3.5	-6.6	-13.1
Percentage of real GDP	1.3	1.4	1.5	1.6	1.8	2.1	1.8	1.7	1.5	1.3
Percentage of nominal government spending	4.8	4.7	5.3	6.3	6.1	7.4	6.3	5.9	5.4	4.1
Per capita US\$ (2014 constant and exchange rate)	57.7	61.9	64.4	68.7	74.6	87.8	79.1	75.7	70.3	60.7
GDP:										
Current local (billion)	4.9	5.2	5.3	5.6	5.6	6.0	6.5	6.9	7.4	7.9
US\$ billion (real GDP)	4.0	3.9	4.2	4.3	3.4	3.6	4.0	4.0	4.1	4.2
Real growth (%)	2.5	1.9	-0.9	1.0	-1.4	2.9	2.7	1.8	4.6	3.9
Per capita (2014 US\$)	4,812.6	4,754.6	5,024.4	5,074.1	4,040.0	4,194.9	4,572.0	4,627.7	4,675.0	4,715.3
Government spending (current local billion)	1.4	1.6	1.5	1.4	1.6	1.7	1.9	2.0	2.1	2.5
Population (million)	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Inflation (annual % change)	2.3	2.5	4.8	7.7	3.7	3.7	7.3	3.4	2.9	1.2





Country name	Fiji
Capital city	Suva
Population	885 000
Land size	18 274 km ²

Currency	Fijian 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

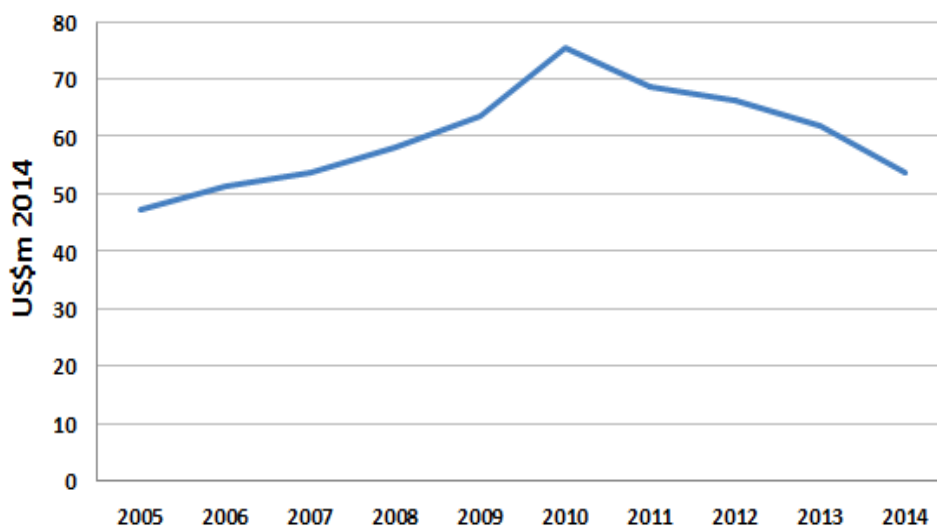
Economy

Over the past 10 years, Fiji averaged 1.9 per cent annual economic growth. In 2014, the economy grew by 3.9 per cent, supported by strong domestic consumption, growth in tourism and remittances and high levels of government spending. But low prices and diminished output for key commodities, including gold and sugar, contributed to large current account deficits. Despite subdued agriculture output, improved investor and consumer confidence, increased disposable incomes and growth in tourism and domestic credit will support economic growth, which is forecast to average 2.6 per cent to 2019, according to the IMF.

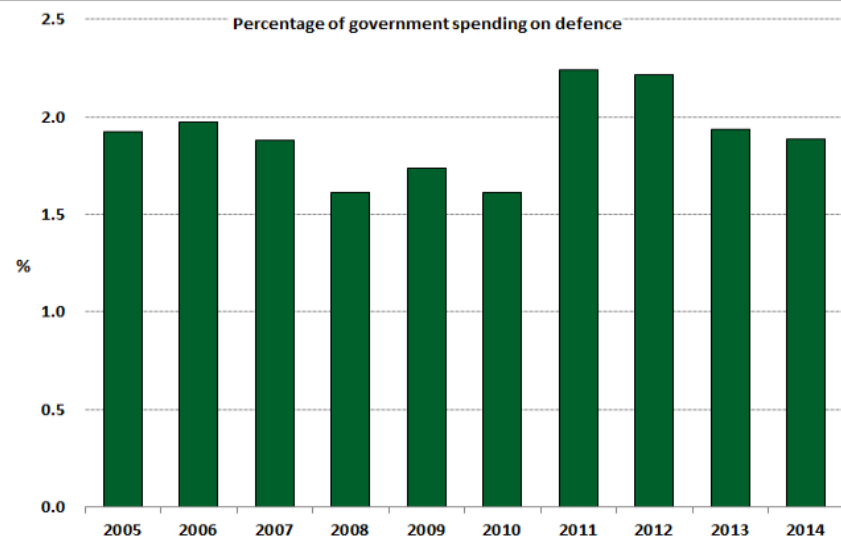
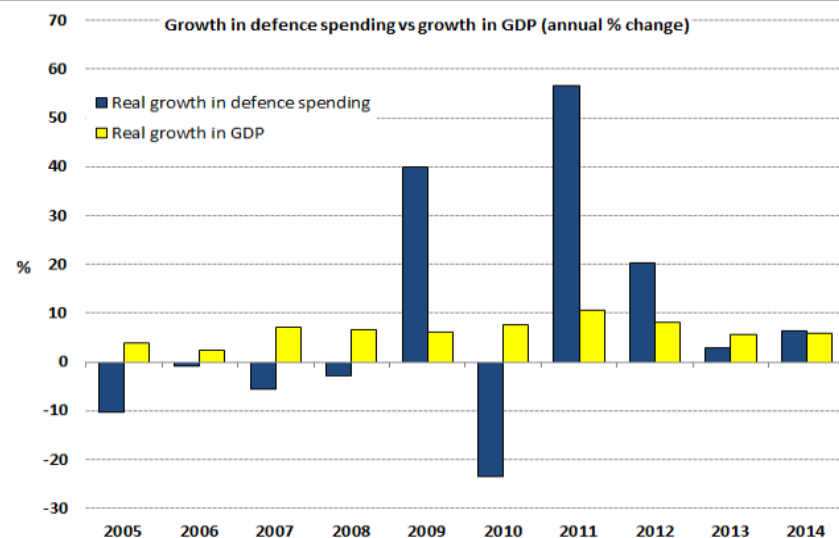
Defence spending

Fiji's 2014 defence budget was FJ\$101.5m (US\$53.8m), representing a 13.1 per cent real decrease on the 2013 defence budget. In addition to its ongoing UN deployments to the Sinai and Iraq, Fiji deployed around 500 soldiers to the Golan Heights in 2014 as part of the UN Disengagement Observer Force mission. In June 2014, Russia announced it would seek to supply light weapons and other equipment to Fiji in support of its UN missions, and Australia invited Fiji to participate in the new Pacific Patrol Boat Program as part of the Defence Cooperation Program. In October, Fiji's government announced plans to relocate the Stanley Brown Naval Base in Walu Bay, Suva and is considering four proposed sites.

Defence budget



Papua New Guinea	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (million) (current)	94.2	102.3	100.2	105.0	143.3	120.3	196.7	230.1	242.0	280.0
Local currency (million) (2014 constant)	139.4	138.2	130.5	126.9	177.7	135.7	212.7	256.0	263.3	280.0
US\$ (million) (current, in-year exchange rate)	30.4	33.5	33.8	38.9	52.0	44.2	83.0	110.4	107.8	113.1
US\$ (million) (2014 constant and exchange rate)	56.3	55.9	52.7	51.3	71.8	54.8	85.9	103.4	106.4	113.1
Real growth (%)	-10.3	-0.8	-5.6	-2.7	40.0	-23.6	56.7	20.3	2.9	6.3
Percentage of real GDP	0.6	0.6	0.5	0.5	0.6	0.5	0.6	0.7	0.7	0.7
Percentage of nominal government spending	1.9	2.0	1.9	1.6	1.7	1.6	2.2	2.2	1.9	1.9
Per capita US\$ (2014 constant and exchange rate)	9.7	9.4	8.7	8.3	11.3	8.3	12.5	14.4	14.5	15.0
GDP:										
Current local (billion)	15.1	16.9	18.8	21.6	22.3	26.4	30.5	32.1	34.6	39.8
US\$ billion (real GDP)	7.2	7.5	8.3	9.7	10.1	11.0	13.9	17.1	16.8	16.1
Real growth (%)	3.9	2.3	7.1	6.6	6.1	7.7	10.7	8.1	5.5	5.8
Per capita (2014 US\$)	1,245.2	1,263.0	1,363.0	1,559.7	1,585.7	1,660.6	2,023.2	2,388.7	2,283.2	2,137.6
Government spending (current local billion)	4.9	5.2	5.3	6.5	8.2	7.4	8.8	10.4	12.5	14.9
Population (million)	5.8	5.9	6.1	6.2	6.3	6.6	6.9	7.2	7.3	7.5
Inflation (annual % change)	1.8	2.4	0.9	10.8	6.9	5.1	4.4	4.5	5.0	5.3





Country name	Papua New Guinea
Capital city	Port Moresby
Population	7.5 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

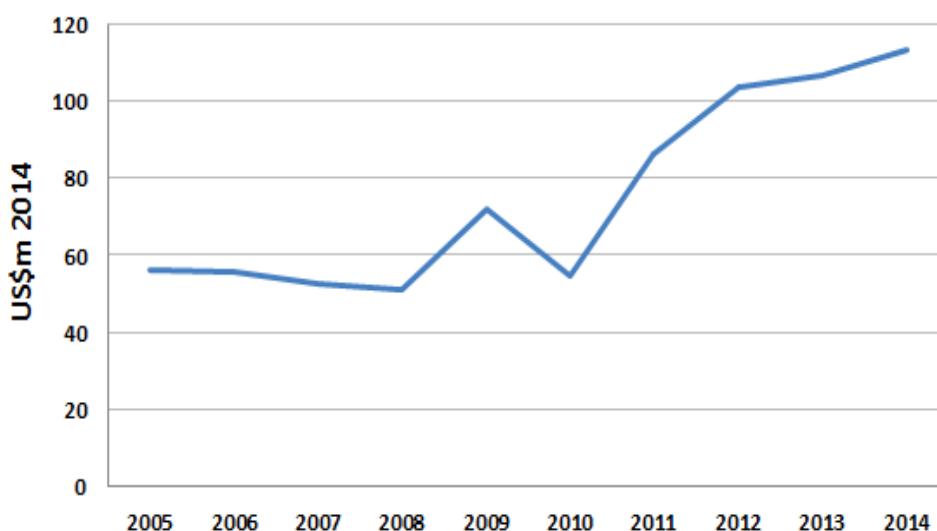
Economy

Over the past 10 years, PNG averaged 6.4 per cent economic growth. High levels of government spending and the early start to the ExxonMobil liquefied natural gas (LNG) production contributed to economic growth in 2014 of 5.8 per cent. Further growth was constrained by lower production levels for the agriculture and mining sectors, rising inflation, declining commodity prices for key exports and declining construction activity. As the LNG project enters its first full year of production, the economy is forecast to grow 20 per cent in 2015 and afterwards average 7.6 per cent growth to 2019, according to the IMF, supported by sustained high levels of government spending. But these projections are sensitive to LNG production volumes and commodity prices.

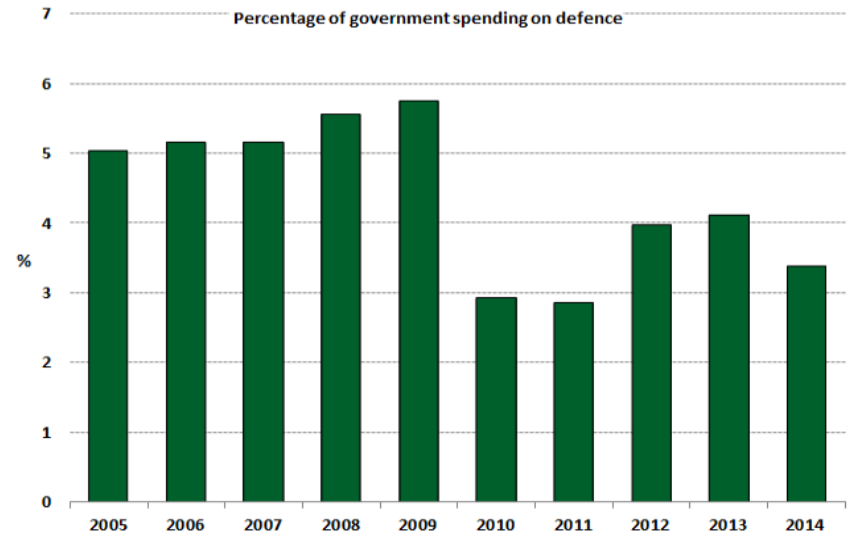
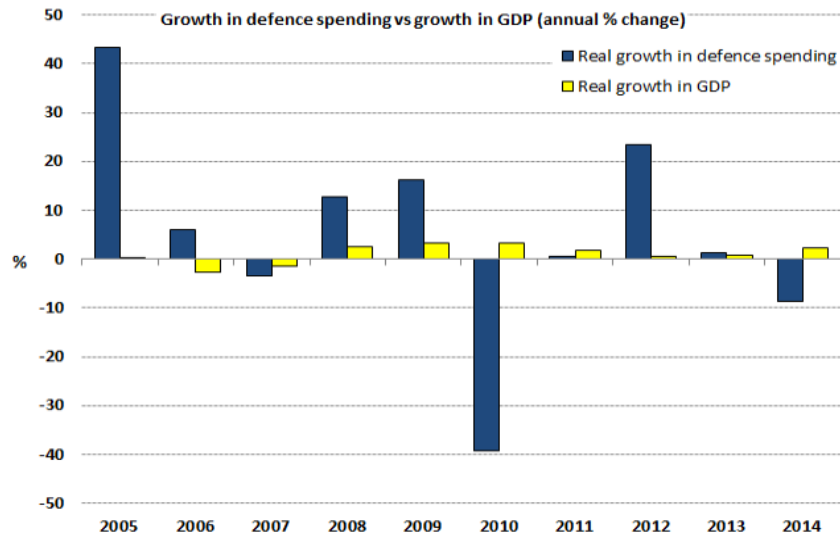
Defence spending

PNG's 2014 defence budget was K280m (US\$113.1m), representing a 6.3 per cent real increase on the 2013 defence budget. In August 2014, PNG's Defence Minister announced plans to secure a K1.9bn (US\$767.6m) loan to purchase weapons, boats and uniforms and to upgrade facilities. In November, Australia gifted HMPNGS *Lakekamu* – a decommissioned BALIKPAPAN-class landing craft heavy. The PNGDF increased recruitment in 2014 – the force aspires to reach 5000 by 2017. PNG's Defence White Paper outlines plans to modernise its air 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (million) (current)	6.3	7.4	7.7	8.9	10.4	6.6	6.9	8.6	8.8	8.2
Local currency (million) (2014 constant)	8.8	9.3	9.0	10.1	11.8	7.2	7.2	8.9	9.0	8.2
US\$ (million) (current, in-year exchange rate)	3.2	3.7	3.9	4.5	5.2	3.5	3.9	5.0	5.1	4.8
US\$ (million) (2014 constant and exchange rate)	5.1	5.4	5.2	5.9	6.8	4.1	4.2	5.1	5.2	4.8
Real growth (%)	43.4	6.0	-3.5	12.7	16.1	-39.3	0.5	23.5	1.2	-8.6
Percentage of real GDP	1.1	1.2	1.2	1.3	1.5	0.9	0.9	1.1	1.1	1.0
Percentage of nominal government spending	5.0	5.2	5.2	5.6	5.8	2.9	2.9	4.0	4.1	3.4
Per capita US\$ (2014 constant and exchange rate)	50.5	53.0	51.1	57.6	66.3	40.3	40.5	50.0	50.1	45.8
GDP:										
Current local (million)	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.8	0.9
US\$ billion (real GDP)	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Real growth (%)	0.1	-2.7	-1.5	2.6	3.2	3.2	1.7	0.5	0.9	2.3
Per capita (2013 US\$)	3,875.4	3,657.0	3,718.7	3,738.4	3,787.1	4,172.4	4,528.2	4,669.6	4,622.8	4,750.0
Government spending (current local billion)										
	0.1	0.1	0.1	0.2	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)										
	8.5	6.1	7.4	7.5	3.5	3.9	4.6	2.0	1.1	1.6





Country name	Tonga
Capital city	Nuku'alofa
Population	104 000
Land size	747 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

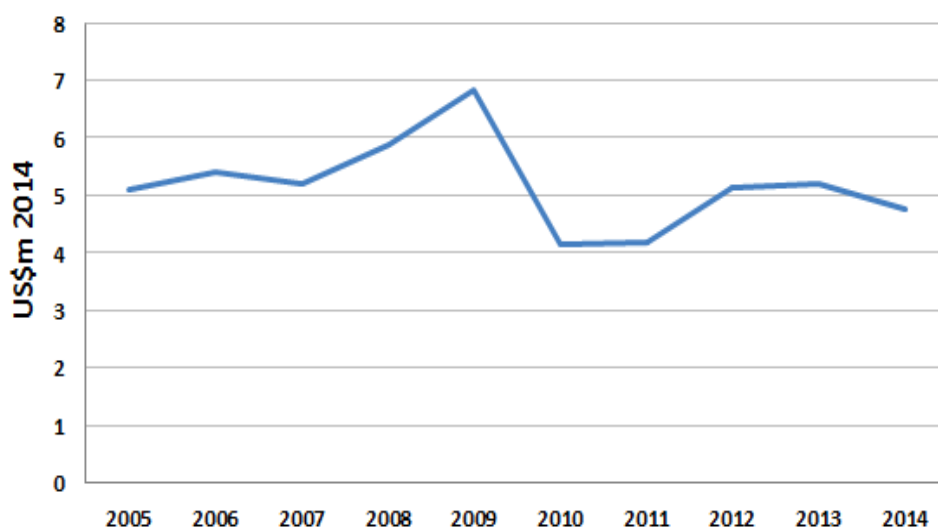
Economy

Over the past 10 years, Tonga averaged 1 per cent annual economic growth. The economy grew by only 2.3 per cent in 2014, due to low levels of remittances and damage caused by Cyclone Ian in January. Cyclone Ian also disrupted agriculture production, which, along with high food prices, caused an acceleration in the pace of inflation. But post-cyclone reconstruction supported economic activity. Economic growth will be supported by a depreciating currency, increasing tourist numbers, moderate inflation due to low fuel prices, and increasing remittances. Low levels of private sector credit and domestic productivity will constrain growth. Tonga's economy is forecast to average 2.3 per cent growth to 2019, according to the IMF.

Defence spending

Tonga's 2014 defence budget was T\$8.2m (US\$4.8m), representing an 8.6 per cent real decrease on the 2013 defence budget. The Tonga Defence Services are poorly funded and rely on foreign assistance for new acquisitions and operations. In April 2014, Tonga completed upgrading its military communications network with Australian assistance, and entered into a military partnership with the National Guard of Nevada. Tonga will also receive a 30 m landing craft medium from Australia in mid-2015 in support of its dedicated sealift capabilities. The navy operates three patrol boats supported by Australia's Pacific Patrol Boat Program. Tonga contributes personnel to multilateral UN missions, including to Afghanistan.

Defence budget



Regional economy

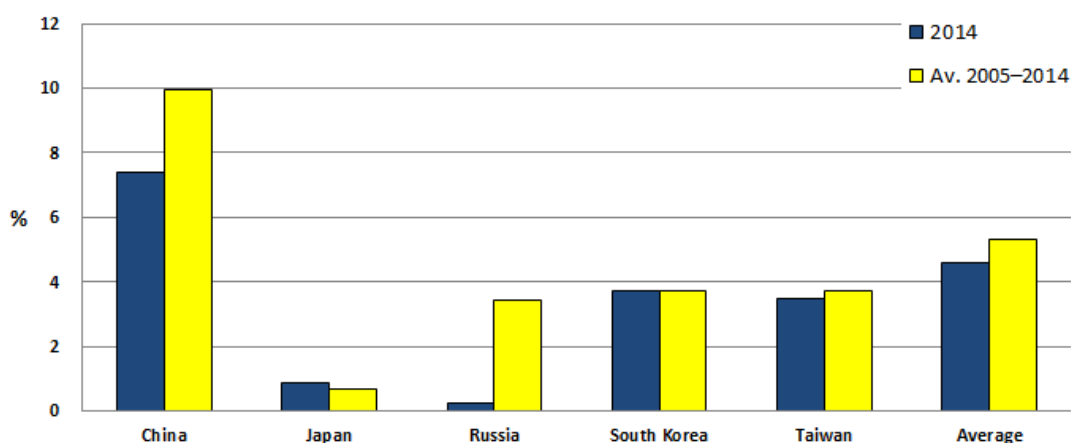
Tepid growth in Europe and China's transition to a lower-growth economy are ongoing and resulted in lower growth for North Asia in 2014, despite improved economic conditions in the US. Diminished domestic demand in Japan and South Korea weighed on growth, while the decline in oil prices had a significant negative impact on Russia's economy. China's more modest economic growth will also moderate regional economic activity out to 2019.

Although Russia's economy will be constrained by low commodity prices and sanctions, other countries will be supported by improving domestic demand and growth in the US.

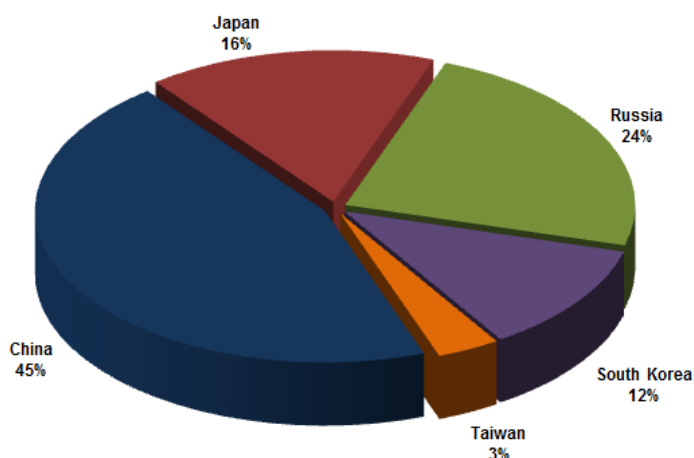
Defence spending

North Asia's defence spending in 2014 saw real increases for all defence budgets except Taiwan's, as the region continued military modernisation and the procurement of air and maritime platforms 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.

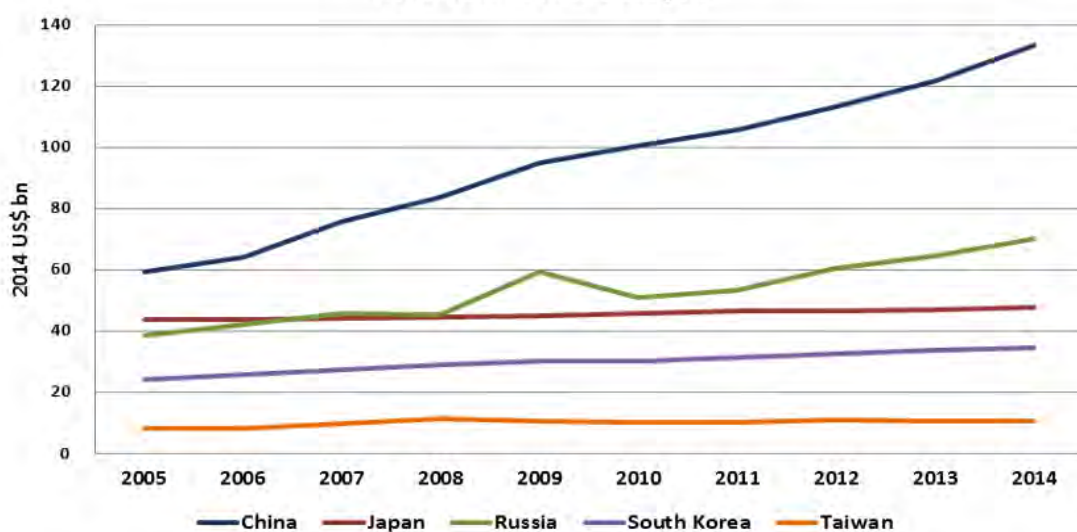
2014 GDP growth compared to average GDP growth



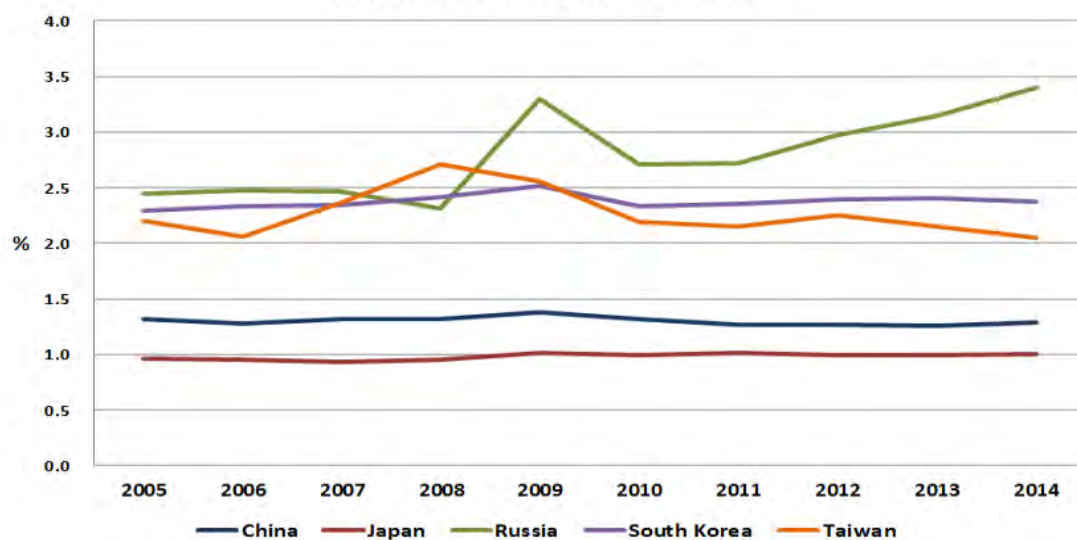
Contribution to North Asian defence spending in 2014



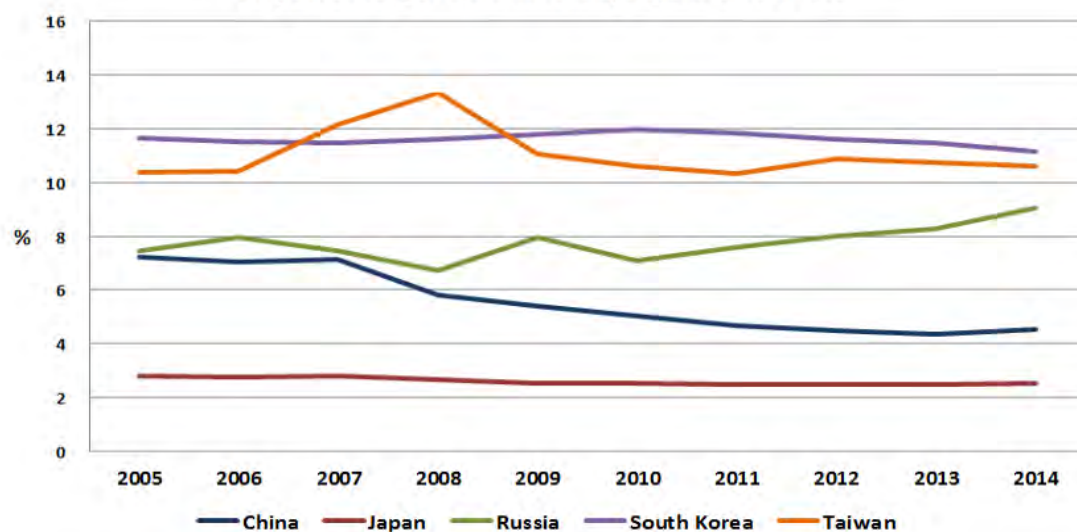
North Asian defence budgets



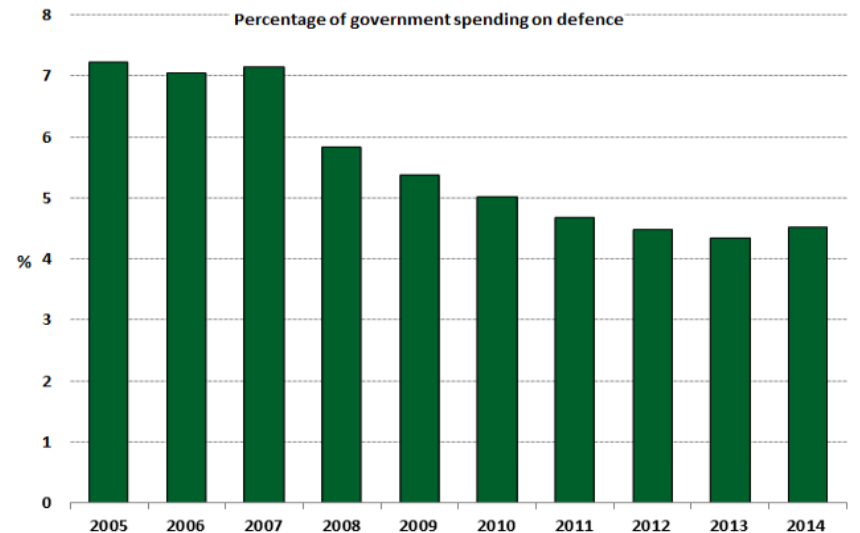
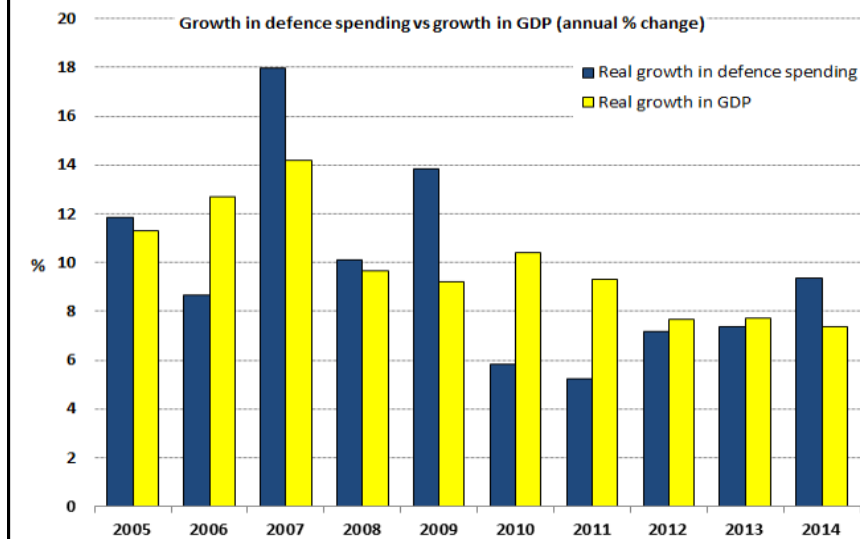
Proportion of GDP spent on defence



Proportion of government outlays spent on defence



China	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	247.7	283.8	350.9	417.8	480.7	532.1	601.1	670.3	740.6	828.7
Local currency (billion) (2014 constant)	368.0	399.8	471.6	519.3	591.2	625.7	658.4	705.6	757.7	828.7
US\$ (billion) (current, in-year exchange rate)	30.2	35.6	46.1	60.1	70.4	78.6	93.0	106.2	119.5	133.1
US\$ (billion) (2014 constant and exchange rate)	59.1	64.2	75.8	83.4	95.0	100.5	105.8	113.4	121.7	133.1
Real growth (%)	11.8	8.6	18.0	10.1	13.8	5.8	5.2	7.2	7.4	9.4
Percentage of real GDP	1.3	1.3	1.3	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Percentage of nominal government spending	7.2	7.0	7.1	5.8	5.4	5.0	4.7	4.5	4.3	4.5
Per capita US\$ (2014 constant and exchange rate)	45.2	48.9	57.3	62.8	71.2	75.0	78.5	83.7	89.5	97.4
GDP:										
Current local (billion)	18,742.3	22,271.3	26,659.9	31,597.5	34,877.5	40,281.6	47,261.9	52,939.9	58,667.3	64,452.9
US\$ billion (real GDP)	3,397.8	3,934.5	4,709.6	5,653.2	6,279.8	6,995.6	8,011.9	8,828.6	9,687.6	10,355.4
Real growth (%)	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.7	7.4
Per capita (2014 US\$)	2,598.6	2,993.2	3,564.4	4,256.9	4,705.8	5,217.1	5,946.4	6,520.2	7,119.3	7,572.4
Government spending (current local billion)	3,427.9	4,027.2	4,909.8	7,164.5	8,928.9	10,600.2	12,816.4	14,915.9	17,046.5	18,284.2
Population (million)	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	1,367.5
Inflation (annual % change)	1.8	1.5	4.8	5.9	-0.7	3.3	5.4	2.6	2.6	2.3





Country name	China
Capital city	Beijing
Population	1.37 billion
Land size	9 596 960 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

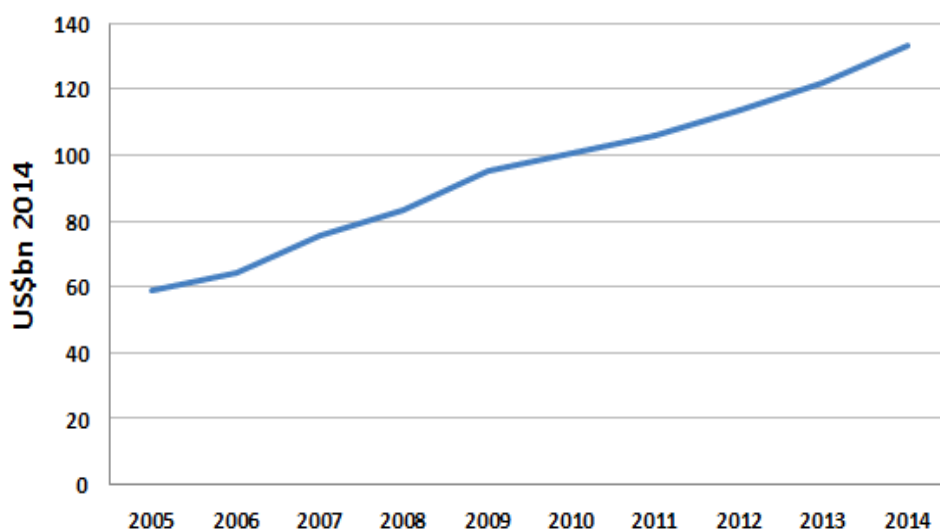
Economy

Over the past 10 years, China averaged 9.2 per cent annual real economic growth. Higher disposable incomes, stable export growth, government spending through stimulus measures, and an interest rate cut in November were used to sustain moderating economic growth in 2014 of 7.4 per cent. Declining house prices, weak industrial output and domestic demand, slowing fixed investment, and controls over local government financing – to reduce local government debt – have moderated economic growth. China's economy is forecast to average 6.7 per cent real growth to 2019, according to the IMF, as the government seeks to move to a slower, more sustainable, consumption-led economic growth model.

Defence spending

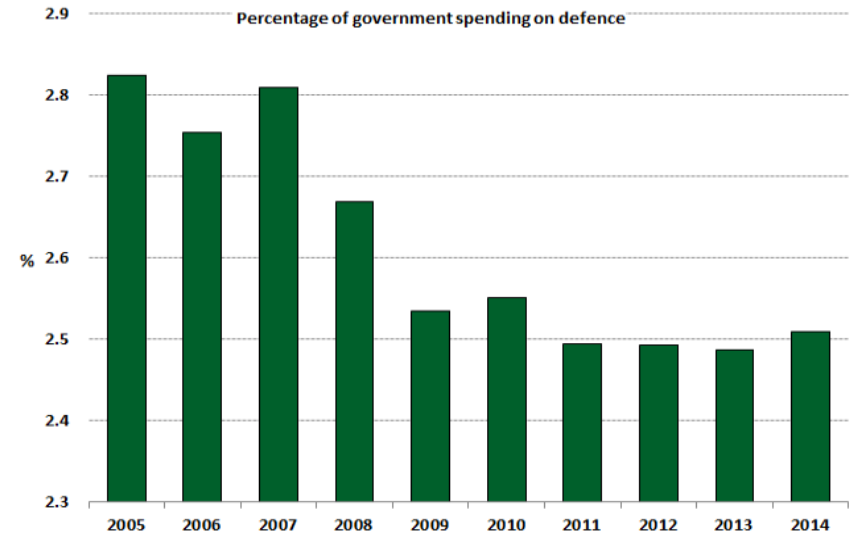
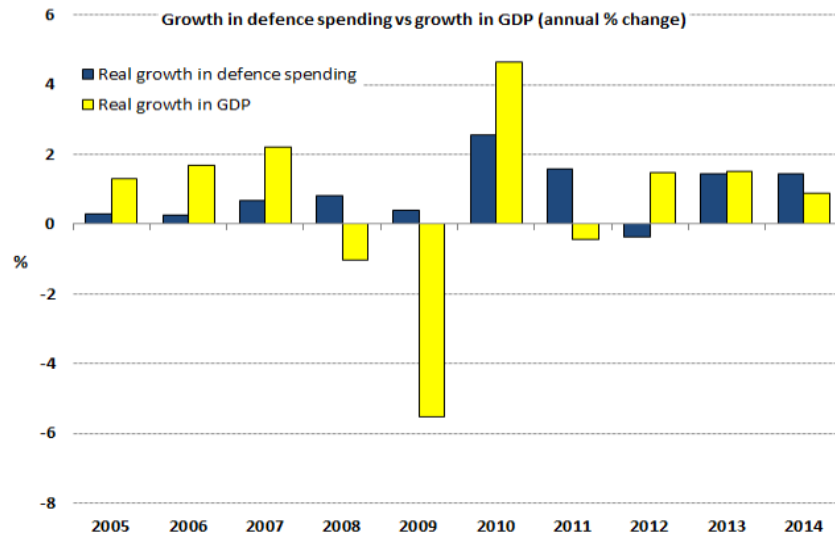
China's official 2014 defence budget was RMB828.7bn* (US\$133.1bn), representing a 9.4 per cent real increase on the 2013 defence budget. However, some commentators place China's total defence spending at a much higher figure. In August 2014, China reportedly confirmed it is developing Dongfeng-41 intercontinental ballistic missiles. In November, China unveiled its indigenously produced J-31 Falcon Eagle stealth fighter jet – which is slated for export – and announced its Y-20 Kunpeng heavy lift transport aircraft will start being delivered. Beijing also commissioned its first JIANGDAO-class corvette designed for anti-submarine warfare in November. China will probably build several aircraft carriers over the next 15 years.

Defence budget



*The budget figure assumes the local government contribution for 2014 was RMB20.4bn.

Japan	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	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	4,884.8
Local currency (billion) (2014 constant)	4,476.9	4,488.0	4,518.6	4,555.6	4,573.2	4,690.2	4,763.6	4,746.3	4,815.6	4,884.8
US\$ (billion) (current, in-year exchange rate)	44.1	41.4	40.8	46.2	51.0	54.6	59.8	59.1	48.7	47.7
US\$ (billion) (2014 constant and exchange rate)	43.7	43.8	44.1	44.5	44.6	45.8	46.5	46.3	47.0	47.7
Real growth (%)	0.3	0.2	0.7	0.8	0.4	2.6	1.6	-0.4	1.5	1.4
Percentage of real GDP	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Percentage of nominal government spending	2.8	2.8	2.8	2.7	2.5	2.6	2.5	2.5	2.5	2.5
Per capita US\$ (2014 constant and exchange rate)	342.0	342.7	344.7	347.3	348.6	357.6	363.6	363.1	369.2	375.3
GDP:										
Current local (billion)	503,903.0	506,687.0	512,975.2	501,209.3	471,138.6	482,384.4	471,310.8	473,784.3	478,075.3	488,609.5
US\$ billion (real GDP)	4,214.6	4,061.8	4,099.6	4,621.9	4,823.2	5,380.6	5,891.3	5,978.8	4,962.2	4,769.8
Real growth (%)	1.3	1.7	2.2	-1.0	-5.5	4.7	-0.5	1.5	1.5	0.9
Per capita (2014 US\$)	32,984.6	31,770.1	32,032.4	36,090.3	37,666.5	42,020.0	46,063.3	46,852.1	38,967.9	37,539.5
Government spending (current local billion)	171,889.9	174,749.2	170,881.7	179,081.5	188,371.6	187,708.5	191,390.2	189,033.6	191,069.3	194,622.4
Population (million)	127.8	127.9	128.0	128.1	128.1	128.0	127.9	127.6	127.3	127.1
Inflation (annual % change)	-0.3	0.2	0.1	1.4	-1.3	-0.7	-0.3	0.0	0.4	2.7





Country name	Japan
Capital city	Tokyo
Population	127.1 million
Land size	377 915 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

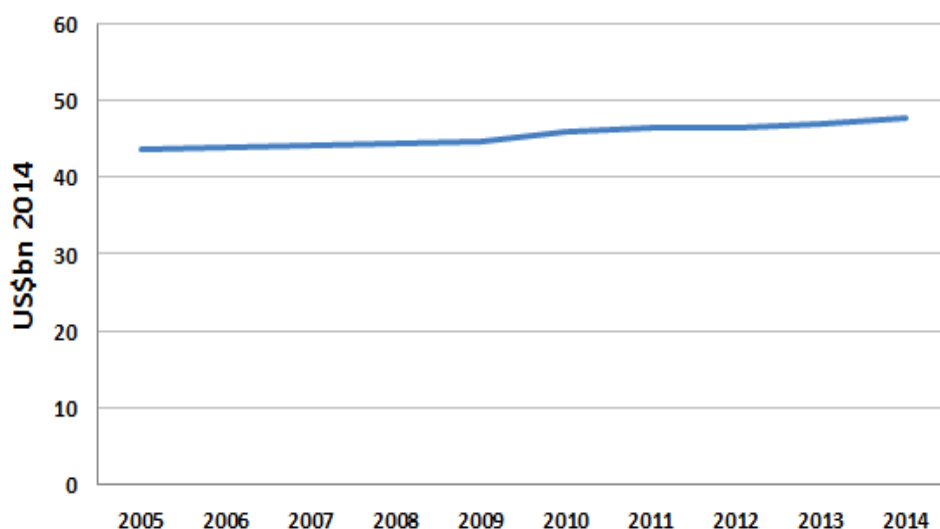
Economy

Over the past 10 years, Japan averaged 0.7 per cent annual real economic growth. The economy grew by 0.9 per cent in 2014, initially supported by ultra-loose monetary policy – increasing money supply through central bank quantitative easing – and fiscal stimulus. However, the increase of three percentage points to the consumption tax had a large negative impact on private consumption. Additional quantitative easing and structural reform efforts will attempt to revive the country's economic growth above its current trend. Japan's economy is forecast to average 0.9 per cent real growth to 2019, according to the IMF.

Defence spending

Japan's 2014 defence budget was ¥4.88tr (US\$47.7bn), representing a 1.4 per cent real increase on the 2013 defence budget. In March 2014, Japan commissioned its third and fourth AKIZUKI-class destroyers. In April, Japan purchased four Bushmaster protected mobility vehicles from Thales Australia. Japan confirmed in September that it had begun sea trials of its new large helicopter carrier, *Izumo*, due to be commissioned in March 2015. In November 2014, Japan confirmed it would buy the Northrop Grumman E-2D Advanced Hawkeye airborne early warning and control aircraft, the Global Hawk surveillance drone and the MV-22 Osprey tilt-rotor aircraft. Japan relaxed its arms export control principles in April and announced plans to establish a new procurement agency within the Ministry of Defence.

Defence budget



INSUFFICIENT RELIABLE DATA AVAILABLE



Country name	North Korea
Capital city	Pyongyang
Population	24.9 million
Land size	120 538 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

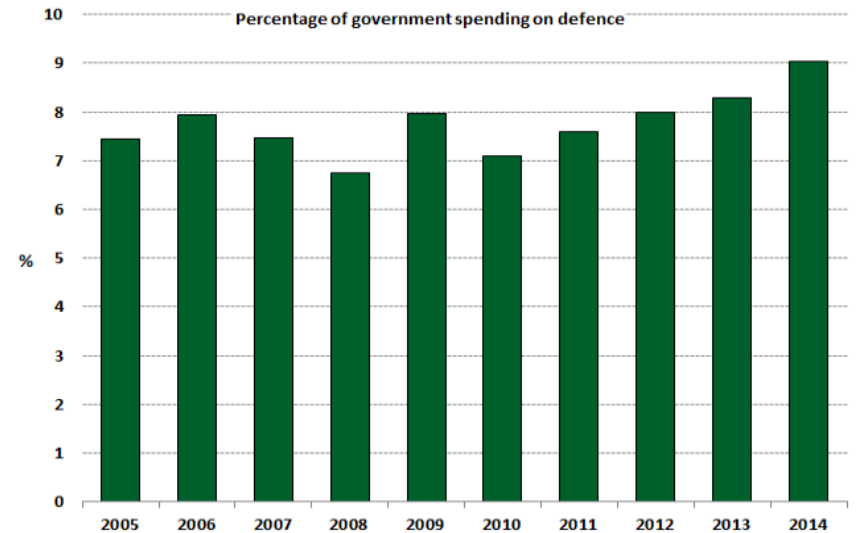
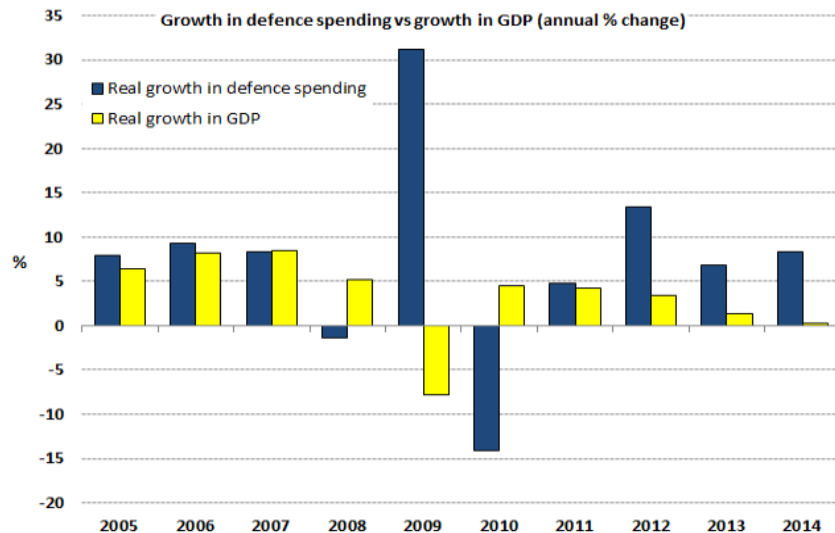
Economy

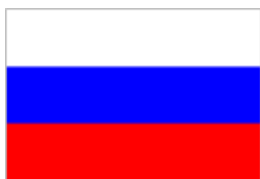
No official information is published for North Korea. Despite some signs of modest economic growth in recent years, North Korea's economy remains largely stagnant. Some estimates suggest its GDP is around 20 per cent below late-1980s levels. North Korea will continue to rely on international food aid, arms proliferation and its trade and aid relationship with China. North Korea has increased its diplomatic outreach efforts in a bid to attract foreign investment and promote tourism to the country in order to secure greater sources of foreign currency.

Defence spending

Reliable data on North Korea's defence spending is not available. Since 2013, the *byungjin* policy has emphasised the parallel development of the economy and the country's nuclear program. However Pyongyang also follows a 'military first' policy that ensures a large portion of government spending is directed towards military expenditure.

Russia	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	529.0	666.0	821.5	955.9	1,278.5	1,253.2	1,520.8	1,853.3	2,098.4	2,470.0
Local currency (billion) (2014 constant)	1,364.9	1,492.1	1,617.1	1,595.2	2,092.3	1,796.1	1,881.0	2,132.1	2,279.2	2,470.0
US\$ (billion) (current, in-year exchange rate)	18.7	24.5	32.1	38.5	40.3	41.3	51.8	60.1	65.9	69.9
US\$ (billion) (2014 constant and exchange rate)	38.6	42.2	45.8	45.2	59.2	50.8	53.2	60.4	64.5	69.9
Real growth (%)	7.9	9.3	8.4	-1.4	31.2	-14.2	4.7	13.3	6.9	8.4
Percentage of real GDP	2.4	2.5	2.5	2.3	3.3	2.7	2.7	3.0	3.1	3.4
Percentage of nominal government spending	7.5	7.9	7.5	6.8	8.0	7.1	7.6	8.0	8.3	9.0
Per capita US\$ (2014 constant and exchange rate)	269.8	295.8	320.5	316.4	414.7	355.8	372.3	421.1	449.0	486.5
GDP:										
Current local (billion)	21,609.8	26,917.2	33,247.5	41,276.8	38,807.2	46,308.5	55,967.2	62,218.4	66,755.3	72,680.0
US\$ billion (real GDP)	1,970.4	2,217.7	2,558.5	2,771.6	2,000.9	2,185.5	2,355.9	2,320.9	2,277.4	2,057.3
Real growth (%)	6.4	8.2	8.5	5.2	-7.8	4.5	4.3	3.4	1.3	0.2
Per capita (2014 US\$)	13,759.9	15,530.2	17,916.5	19,422.7	14,012.0	15,293.7	16,474.8	16,195.9	15,848.2	14,316.6
Government spending (current local billion)	7,088.8	8,384.0	11,005.7	14,157.0	16,048.3	17,616.7	19,994.6	23,174.7	25,290.9	27,316.0
Population (million)	143.2	142.8	142.8	142.7	142.8	142.9	143.0	143.3	143.7	143.7
Inflation (annual % change)	12.7	9.7	9.0	14.1	11.7	6.9	8.4	5.1	6.8	7.4





Country name	Russia
Capital city	Moscow
Population	143.7 million
Land size	17 098 242 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

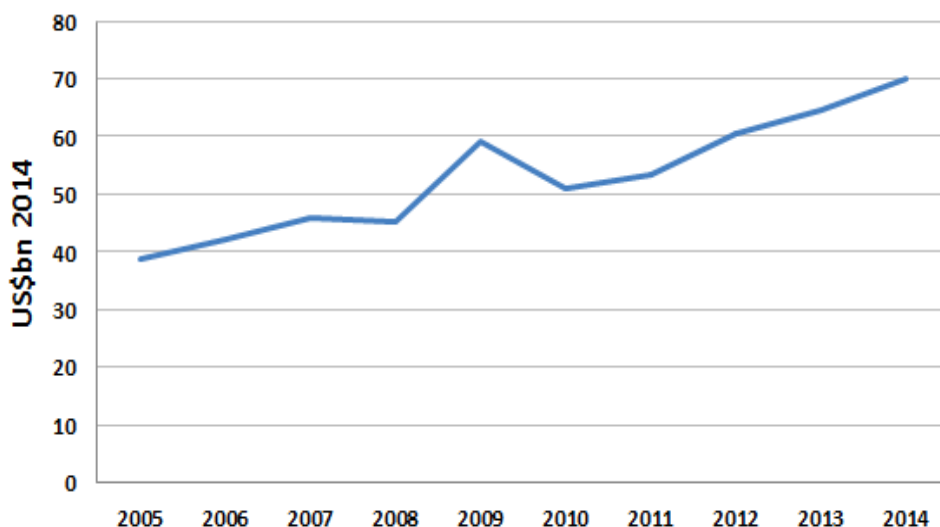
Economy

Over the past 10 years, Russia averaged 3.4 per cent annual real economic growth. The economy grew by 0.2 per cent in 2014. Economic growth was constrained by a significant decline in commodity prices, a sharp depreciation of the ruble, rising inflation and the impact of Western sanctions. In December 2014, the Russian Ministry of Economy warned that the country will go into recession in 2015 if the 2014 trend continues. Sustained lower commodity prices, an ageing population, high corporate debt, falling real incomes, low private investment and poor business confidence will place substantial constraints on Russia's economic performance. Real economic growth is forecast to average 1.6 per cent to 2019, according to the IMF.

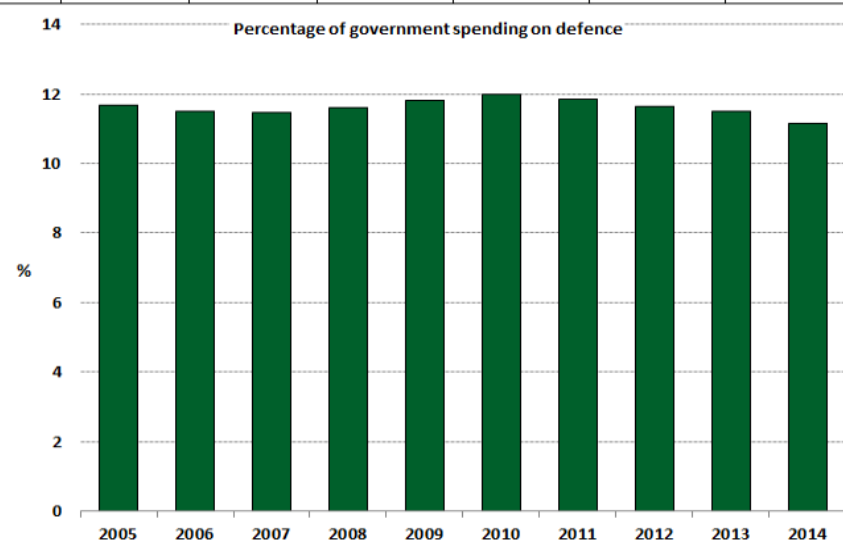
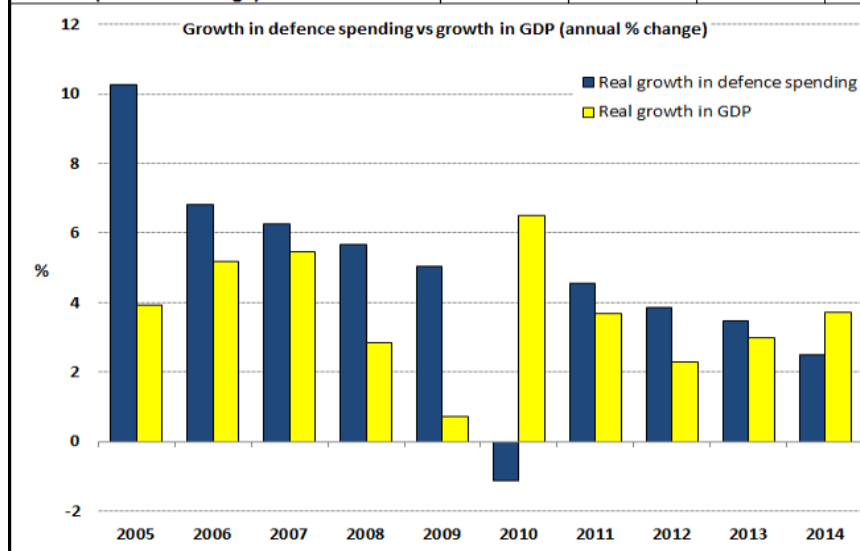
Defence spending

Russia's 2014 defence budget was RUB2.5tr (US\$69.9bn), representing an 8.4 per cent real increase on the 2013 defence budget. In December 2013, Russia commissioned its second BOREY-class SSBN, *Alexander Nevsky*, and in December 2014 commissioned the third vessel, *Vladimir Monomakh*. In March 2014, Moscow took delivery of its third A-50U AWACS aircraft, and in April it signed a contract to procure 16 MiG-29 SMT fighter jets. In July, Russia received its first Il-38N anti-submarine warfare plane, and its second Tupolev Tu-124ON air surveillance aircraft. From July to November, Russia received up to five Sukhoi Su-30M FLANKER fighter aircraft, and announced an order for an additional seven in September. In November, the army received a brigade set of Iskander-M tactical ballistic missile systems. Russia is yet to receive its two French-made MISTRAL-class amphibious vessels.

Defence budget



South Korea	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	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	35,705.6
Local currency (billion) (2014 constant)	24,881.2	26,581.1	28,246.8	29,845.7	31,346.3	30,996.2	32,412.1	33,665.3	34,839.4	35,705.6
US\$ (billion) (current, in-year exchange rate)	20.6	23.6	26.4	24.2	22.7	25.6	28.3	29.3	31.4	34.4
US\$ (billion) (2014 constant and exchange rate)	24.0	25.6	27.2	28.8	30.2	29.9	31.3	32.5	33.6	34.4
Real growth (%)	10.3	6.8	6.3	5.7	5.0	-1.1	4.6	3.9	3.5	2.5
Percentage of real GDP	2.3	2.3	2.3	2.4	2.5	2.3	2.4	2.4	2.4	2.4
Percentage of nominal government spending	11.7	11.5	11.5	11.6	11.8	12.0	11.9	11.6	11.5	11.2
Per capita US\$ (2014 constant and exchange rate)	498.5	530.0	560.6	588.1	614.7	605.1	628.0	649.3	669.1	682.8
GDP:										
Current local (billion)	919,797.3	966,054.6	1,043,257.8	1,104,492.2	1,151,707.8	1,265,308.0	1,332,681.0	1,377,456.6	1,428,294.7	1,502,856.8
US\$ billion (real GDP)	1,059.0	1,194.6	1,294.5	1,122.4	975.6	1,147.6	1,241.1	1,249.1	1,323.2	1,449.5
Real growth (%)	3.9	5.2	5.5	2.8	0.7	6.5	3.7	2.3	3.0	3.7
Per capita (2014 US\$)	21,998.3	24,696.8	26,637.3	22,930.8	19,835.9	23,225.5	24,932.2	24,979.3	26,348.8	28,738.7
Government spending (current local billion)	180,663.1	195,700.8	213,396.1	229,789.6	245,273.3	246,379.7	264,870.5	283,219.0	298,734.0	319,429.0
Population (million)	48.1	48.4	48.6	48.9	49.2	49.4	49.8	50.0	50.2	50.4
Inflation (annual % change)	2.8	2.2	2.5	4.7	2.8	2.9	4.0	2.2	1.3	1.6





Country name	South Korea
Capital city	Seoul
Population	50.4 million
Land size	99 720 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

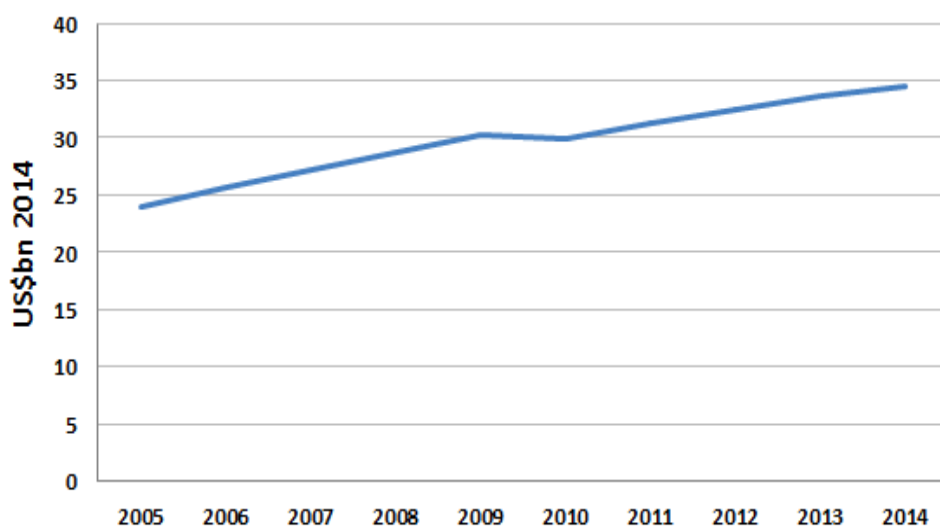
Economy

Over the past 10 years, South Korea averaged 3.7 per cent annual real economic growth. Economic activity in 2014 reflected this average, growing by 3.7 per cent, despite weak domestic demand and investment and consumer sentiment, and sluggish export and industrial output. Improved private consumption and export growth – assisted by South Korea's 2015 signing of a free trade agreement with China – will help drive economic activity. But the lacklustre growth of other trade partners' economies, high household debt and an ageing population will constrain South Korea's economic growth, which is forecast to average 3.9 per cent to 2019, according to the IMF.

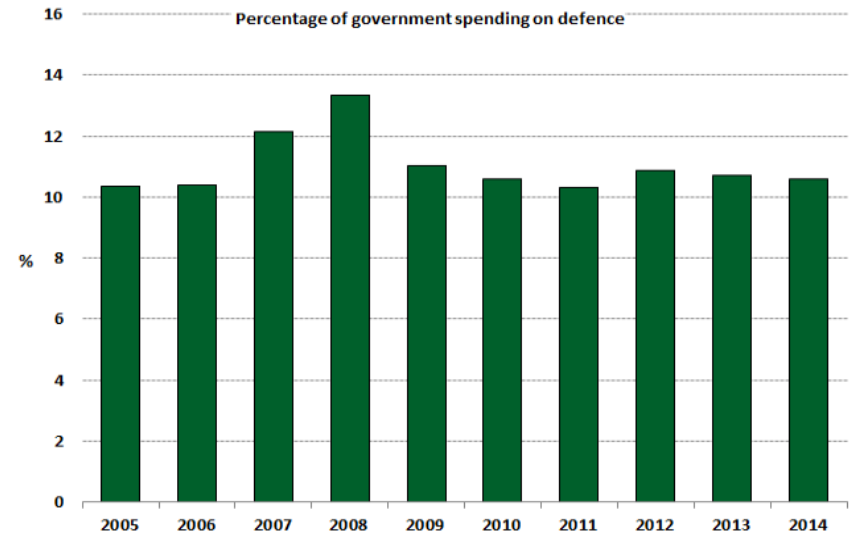
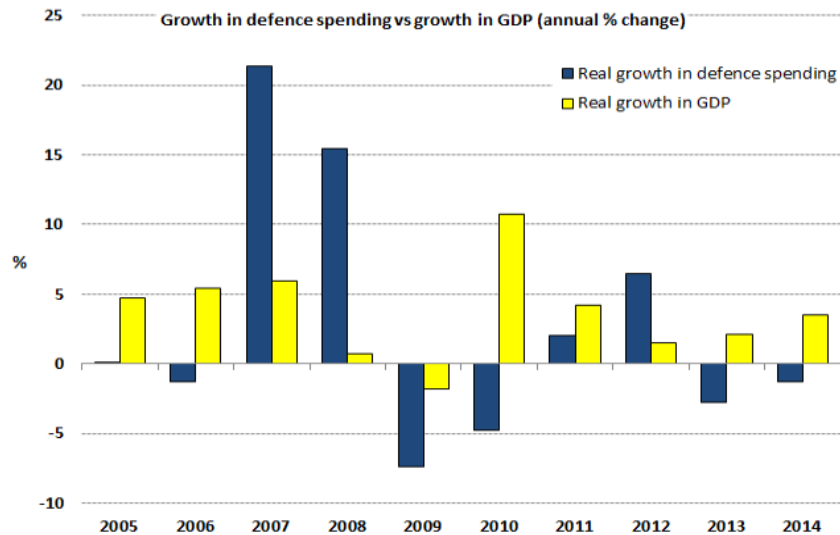
Defence spending

South Korea's 2014 defence budget was ₩35.7tr (US\$34.4bn), representing a 2.5 per cent real increase on the 2013 defence budget. In July 2014, South Korea launched its fifth of nine KSS-2 diesel submarines, with commissioning expected to occur in 2015. Seoul also launched its fourth and fifth INCHEON-class guided-missile frigates in August and October, with up to 20 expected to be delivered to the Navy by the mid-2020s. In September, South Korea announced its decision to acquire 40 Lockheed Martin F-35A Lighting II fighter aircraft. In November, Seoul announced it will complete deployment of 100 next-generation K-2 Black Panther main battle tanks by 2017, and the US approved the sale to South Korea of 136 PAC-3 surface-to-air missiles. South Korea is expected to make a decision on the acquisition of four aerial refueling tankers in 2015.

Defence budget



Taiwan	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	258.5	252.5	304.9	341.5	318.7	297.4	294.6	317.3	312.7	311.1
Local currency (billion) (2014 constant)	244.6	241.5	293.2	338.3	313.5	298.5	304.5	324.1	315.2	311.1
US\$ (billion) (current, in-year exchange rate)	8.0	7.8	9.3	10.8	9.6	9.4	10.0	10.7	10.5	10.4
US\$ (billion) (2014 constant and exchange rate)	8.1	8.0	9.8	11.3	10.4	9.9	10.1	10.8	10.5	10.4
Real growth (%)	0.0	-1.2	21.4	15.4	-7.3	-4.8	2.0	6.4	-2.7	-1.3
Percentage of real GDP	2.2	2.1	2.4	2.7	2.6	2.2	2.1	2.3	2.1	2.0
Percentage of nominal government spending	10.4	10.4	12.1	13.3	11.0	10.6	10.3	10.9	10.7	10.6
Per capita US\$ (2014 constant and exchange rate)	357.4	351.3	424.9	488.7	451.1	428.8	436.2	462.5	448.7	441.8
GDP:										
Current local (billion)	11,740.3	12,243.5	12,910.5	12,620.2	12,481.1	13,552.1	13,709.1	14,077.1	14,560.6	15,190.4
US\$ billion (real GDP)	345.2	360.0	378.0	396.5	371.4	429.7	480.8	485.5	493.0	505.5
Real growth (%)	4.7	5.4	6.0	0.7	-1.8	10.8	4.2	1.5	2.1	3.5
Per capita (2014 US\$)	15,161.2	15,737.2	16,463.5	17,212.5	16,064.6	18,551.9	20,701.8	20,822.5	21,093.8	21,571.9
Government spending (current local billion)	2,493.2	2,424.1	2,511.5	2,559.9	2,884.8	2,799.1	2,847.9	2,919.3	2,914.8	2,928.3
Population (million)	22.8	22.9	23.0	23.0	23.1	23.2	23.2	23.3	23.4	23.4
Inflation (annual % change)	2.3	0.6	1.8	3.5	-0.9	1.0	1.4	1.9	0.8	1.4



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	35 980 km ²	Industries	Electronics, petroleum refining, chemicals, textiles, iron and steel, machinery, cement, and food

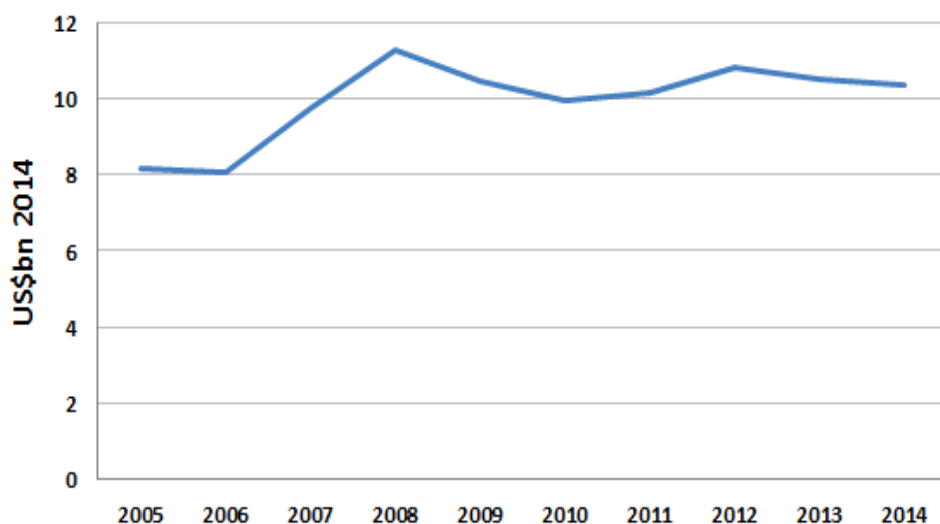
Economy

Over the past 10 years, Taiwan averaged 3.7 per cent annual real economic growth. In 2014, economic growth was 3.5 per cent due to high levels of electronics exports, strong industrial output and low interest rates, although a series of food safety scandals weighed heavily on private consumption. Improving growth in the US and currency depreciation against the US dollar in 2014 will help support export growth, but this growth may be slower due to diminished growth in China and Europe and the currency's appreciation against the yen. Lower fuel prices and increasing tourism levels will also support economic activity in the face of slower export growth over the next five years. Taiwan's economy is forecast to average 4.3 per cent real growth out to 2019, according to the IMF.

Defence spending

Taiwan's 2014 defence budget was NT\$311.1bn (US\$10.4bn), representing a 1.3 per cent real decrease on the 2013 defence budget. In December 2013, Taiwan revealed it has received UGM-84L submarine-launched Harpoon Block II anti-ship cruise missiles. From January to October 2014, Taiwan took delivery of the final 24 of 30 AH-64E Apache attack helicopters ordered from the US in 2008. In December, Taiwan received the first four of 60 UH-60 Black Hawk medium-lift utility helicopters, with the remainder to be delivered by 2019. Taiwan is considering the purchase of OLIVER HAZARD PERRY-class frigates.

Defence budget

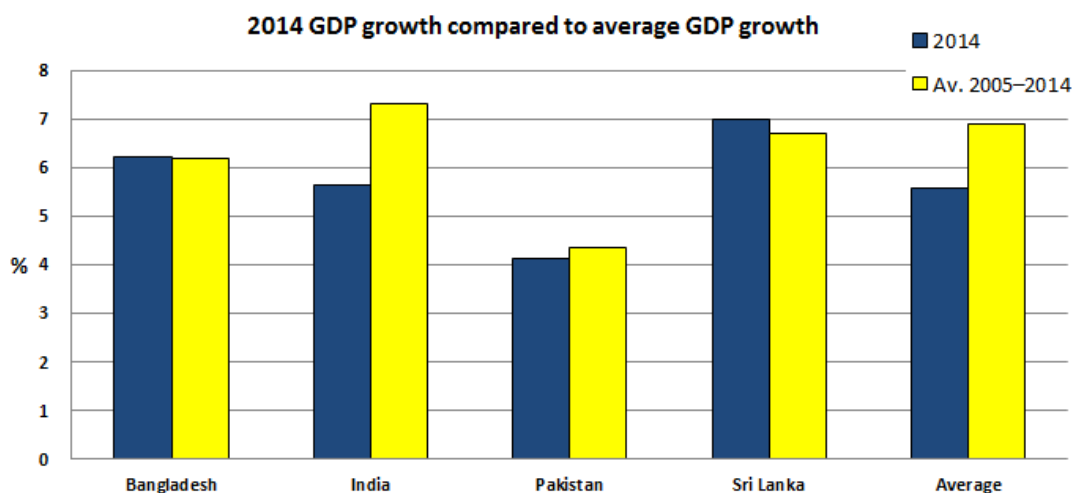


Regional economy

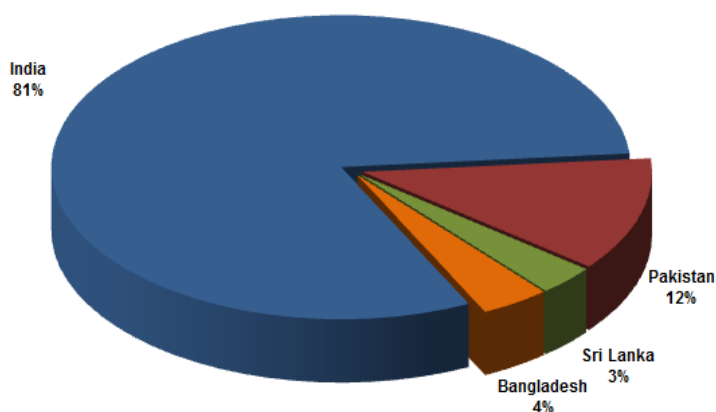
Moderating inflation pressures and increasing private consumption supported economic growth in most South Asian countries. But infrastructure deficits, high government debt and some countries' external account imbalances continue to hamper South Asia's economic growth as a whole. Increased investment, remittances and disposable income will support economic activity in the region out to 2019. However, structural problems in the economy, infrastructure bottlenecks and fiscal consolidation will constrain regional growth.

Defence spending

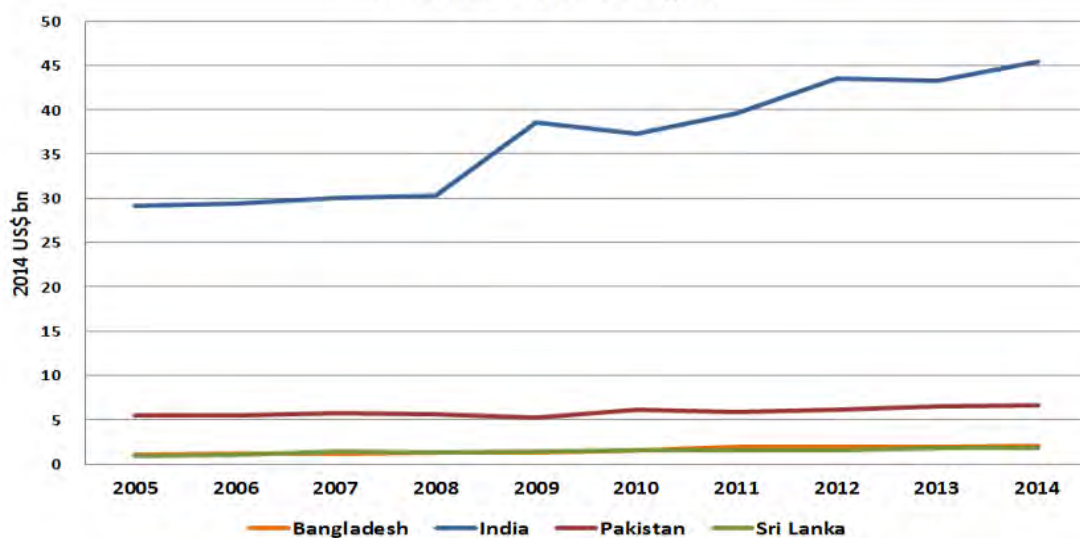
South Asian defence budgets have grown strongly over the last decade. India, Pakistan and Bangladesh enjoyed real increases in defence funding, while Sri Lanka experienced a real decrease in its 2014 defence budget. South Asian countries have continued to modernise their militaries, driven by internal security challenges and ongoing inter-state rivalries. Air, maritime and land platforms were procured across the region, except in Sri Lanka, which only saw improvements in its naval patrol capability.



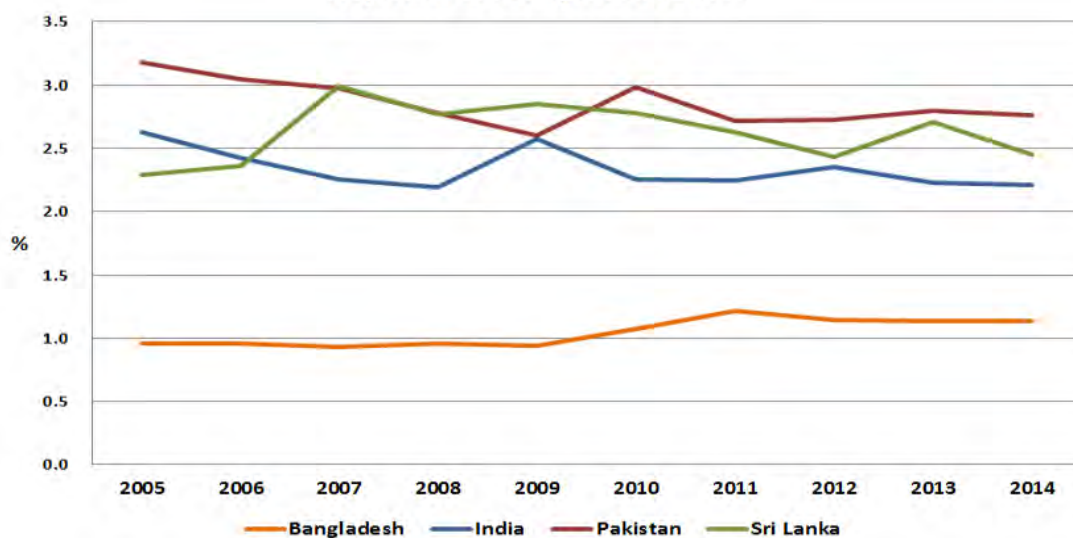
Contribution to South Asian defence spending in 2014



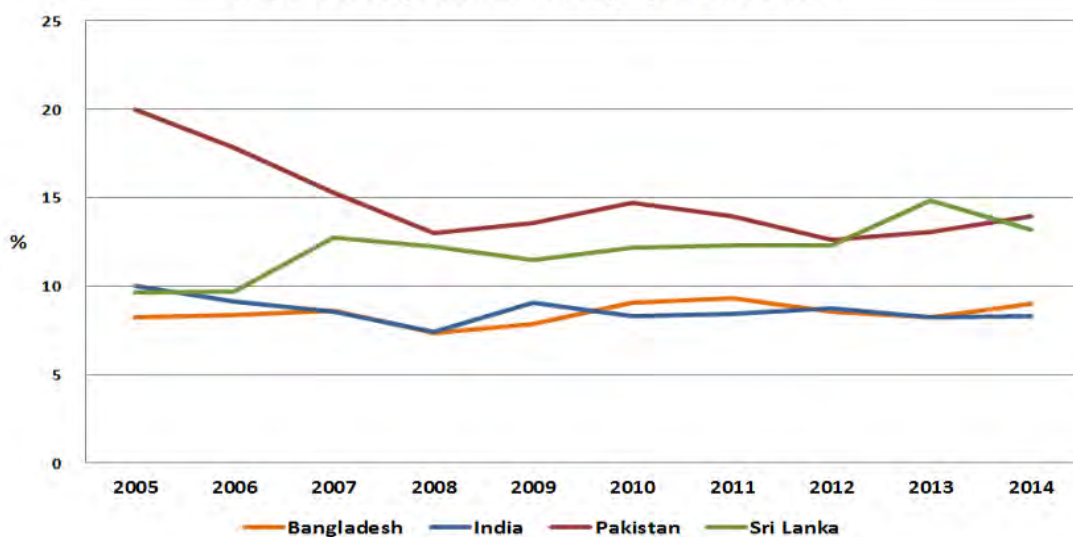
South Asian defence budgets



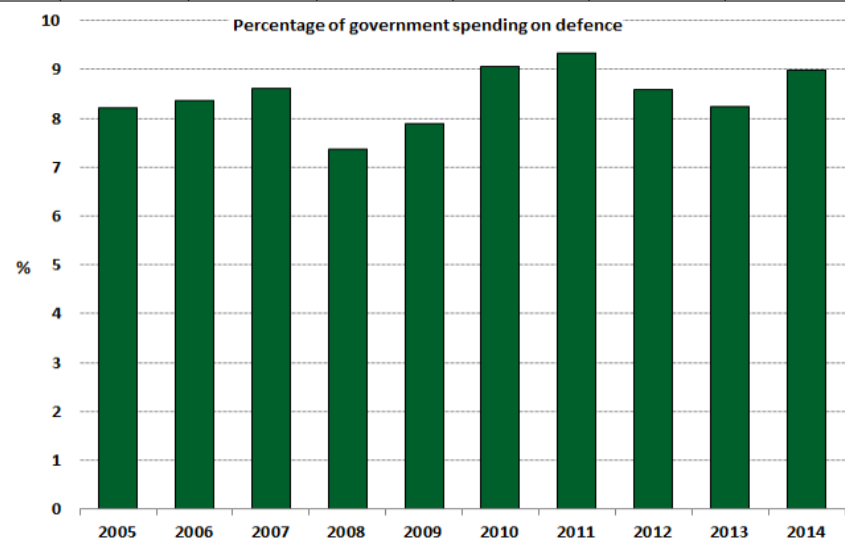
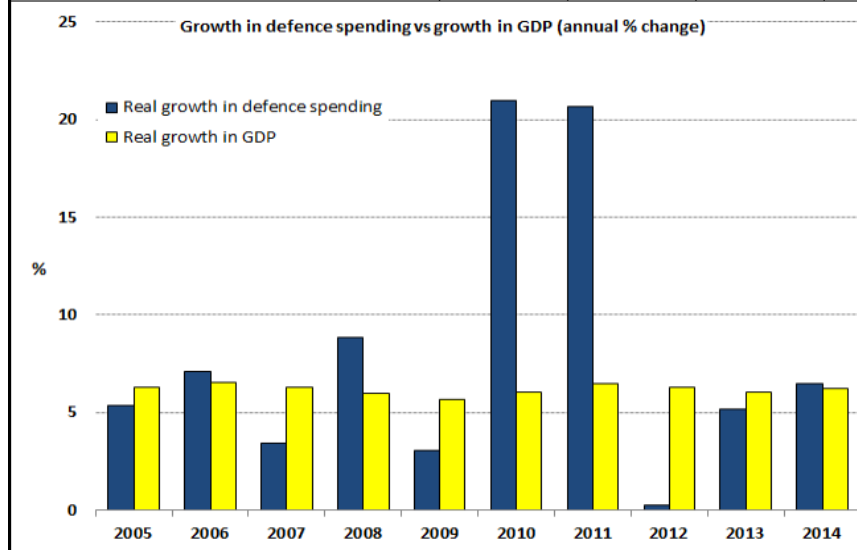
Proportion of GDP spent on defence



Proportion of government outlays spent on defence



Bangladesh	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	43.2	49.0	54.7	64.1	70.5	91.8	119.5	128.9	144.6	164.6
Local currency (billion) (2014 constant)	80.9	86.6	89.6	97.5	100.5	121.5	146.6	147.0	154.6	164.6
US\$ (billion) (current, in-year exchange rate)	0.7	0.7	0.8	0.9	1.0	1.3	1.6	1.6	1.8	2.1
US\$ (billion) (2014 constant and exchange rate)	1.0	1.1	1.2	1.3	1.3	1.6	1.9	1.9	2.0	2.1
Real growth (%)	5.3	7.1	3.4	8.9	3.0	21.0	20.6	0.2	5.2	6.5
Percentage of real GDP	1.0	1.0	0.9	1.0	0.9	1.1	1.2	1.1	1.1	1.1
Percentage of nominal government spending	8.2	8.4	8.6	7.4	7.9	9.1	9.4	8.6	8.3	9.0
Per capita US\$ (2014 constant and exchange rate)	7.3	7.7	7.9	8.5	8.7	10.4	12.4	12.2	12.7	13.4
GDP:										
Current local (billion)	4,512.8	5,096.8	5,843.4	6,660.0	7,518.3	8,574.0	9,859.6	11,270.6	12,749.2	14,479.9
US\$ billion (real GDP)	131.4	132.2	139.0	147.6	155.3	161.8	160.9	161.6	173.0	186.6
Real growth (%)	6.3	6.5	6.3	6.0	5.7	6.0	6.5	6.3	6.1	6.2
Per capita (2014 US\$)	917.8	912.3	949.2	997.3	1,038.6	1,070.8	1,052.8	1,044.7	1,104.6	1,179.3
Government spending (current local billion)										
	525.0	585.1	634.0	869.1	893.2	1,012.8	1,277.8	1,500.9	1,751.6	1,829.0
Population (million)										
	143.1	144.9	146.5	148.0	149.5	151.1	152.9	154.7	156.6	158.2
Inflation (annual % change)										
	7.0	6.8	9.1	8.9	5.4	8.1	10.7	6.2	7.5	7.2





Country name	Bangladesh
Capital city	Dhaka
Population	158.2 million
Land size	143 998 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

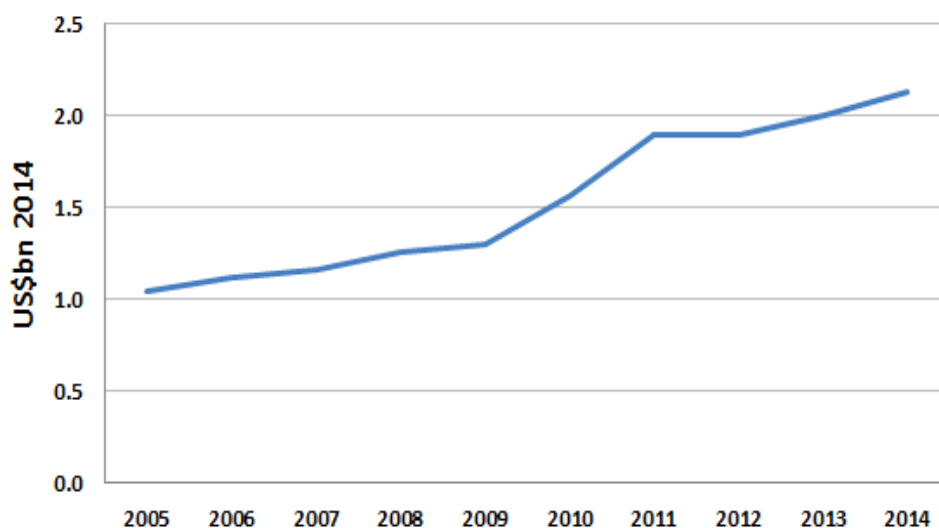
Economy

Over the past 10 years, Bangladesh averaged 6.2 per cent annual economic growth. Despite political unrest caused by the January 2014 elections, stagnant export growth – reflecting soft growth in the EU – and high inflation, the economy grew by 6.2 per cent in 2014. This was driven by growth in remittances, favourable weather supporting agricultural output, public investment and private consumption. Continued increases in private consumption will drive growth, while export growth will be modest due to the slow growth of trade partner economies. Tighter monetary policy settings and inadequate infrastructure will also constrain growth. Bangladesh's economy is forecast to average 6.8 per cent growth to 2019, according to the IMF.

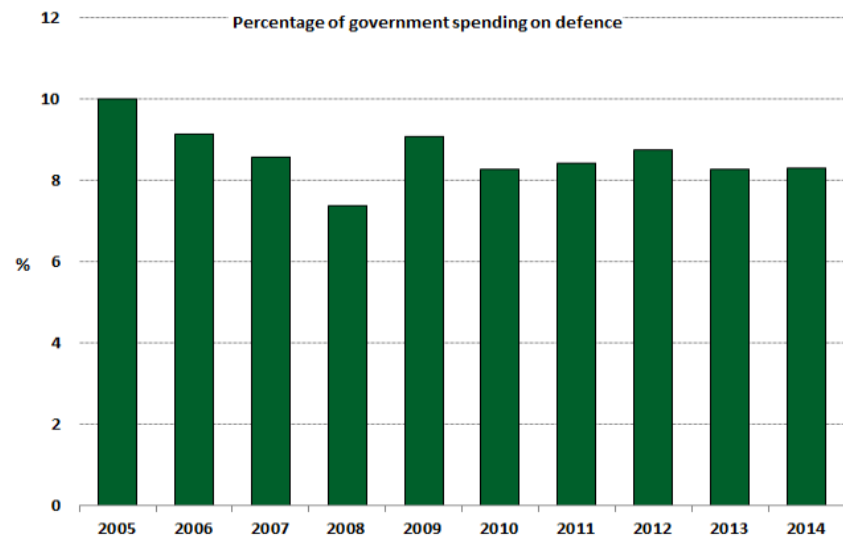
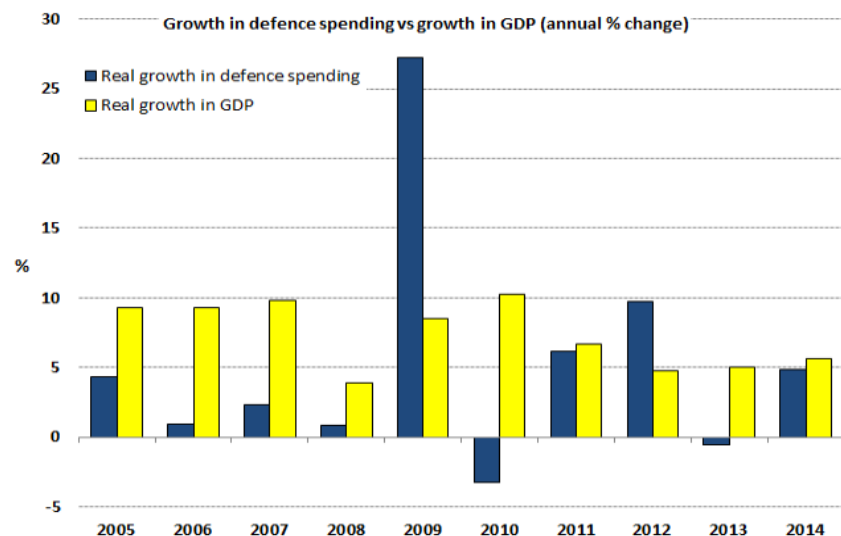
Defence spending

Bangladesh's 2014 defence budget was Tk164.6bn (US\$2.1bn), representing a 6.5 per cent real increase on the 2013 defence budget. In December 2013, Bangladesh commissioned the final three of five indigenously built PADMA-class warships. In January 2014, Bangladesh's purchase of 24 Yak-130 light fighter jets from Russia became public, and delivery will begin in 2015. In February 2014, Bangladesh finalised an agreement to purchase two MING-class submarines from China to be delivered by 2019. In June, Bangladesh announced it would receive five Mi-171Sh multi-role medium helicopters from Russia, to be delivered in 2015. In September, Bangladesh received the first four of nine K-8W training aircraft from China.

Defence budget



India	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	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	2,852.0
Local currency (billion) (2014 constant)	1,829.5	1,846.2	1,889.4	1,906.0	2,424.4	2,346.2	2,491.1	2,733.3	2,719.0	2,852.0
US\$ (billion) (current, in-year exchange rate)	21.9	23.0	28.0	26.8	35.1	38.6	42.3	43.8	41.9	45.4
US\$ (billion) (2014 constant and exchange rate)	29.1	29.4	30.1	30.3	38.6	37.3	39.6	43.5	43.3	45.4
Real growth (%)	4.3	0.9	2.3	0.9	27.2	-3.2	6.2	9.7	-0.5	4.9
Percentage of real GDP	2.6	2.4	2.3	2.2	2.6	2.3	2.2	2.4	2.2	2.2
Percentage of nominal government spending	10.0	9.1	8.6	7.4	9.1	8.3	8.4	8.8	8.3	8.3
Per capita US\$ (2014 constant and exchange rate)	26.1	26.0	26.2	26.1	32.7	31.2	32.7	35.4	34.8	36.0
GDP:										
Current local (billion)	36,933.7	42,947.1	49,870.9	56,300.6	64,778.3	77,841.2	90,097.2	101,132.8	113,550.7	128,726.9
US\$ billion (real GDP)	1,574.1	1,682.9	2,076.4	1,887.3	1,986.1	2,280.5	2,312.1	2,132.8	2,014.3	2,047.8
Real growth (%)	9.3	9.3	9.8	3.9	8.5	10.3	6.6	4.7	5.0	5.6
Per capita (2014 US\$)	1,413.1	1,489.3	1,811.9	1,624.2	1,685.8	1,909.0	1,909.3	1,738.0	1,620.1	1,625.6
Government spending (current local billion)	9,689.4	11,383.0	13,150.3	16,704.0	18,312.3	21,191.0	24,026.6	27,171.5	30,638.7	34,365.5
Population (million)	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	1,259.7
Inflation (annual % change)	4.4	7.0	5.9	9.2	10.6	9.5	9.5	10.2	9.5	7.8





Country name	India
Capital city	New Delhi
Population	1.26 billion
Land size	3 287 263 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

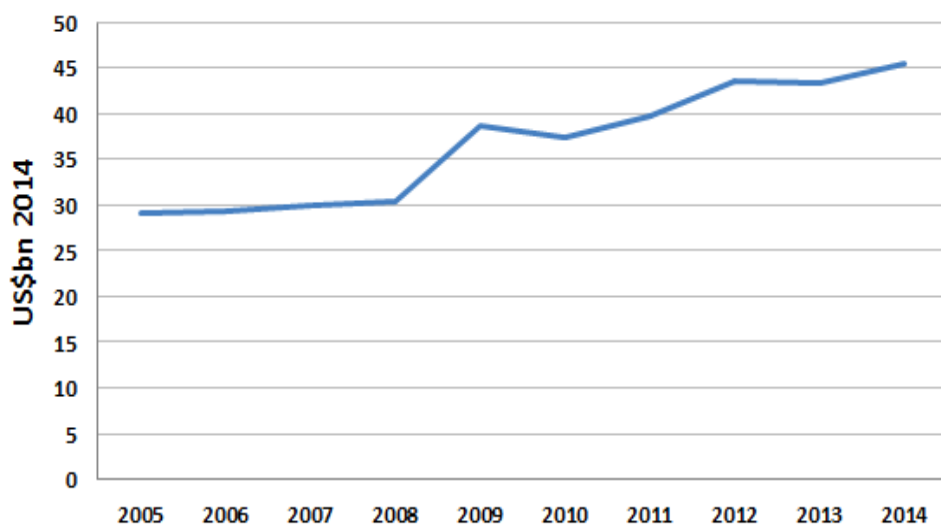
Economy

India averaged 7.3 per cent annual economic growth over the past 10 years. Despite sluggish industrial activity and tight monetary policy, India's economy grew by 5.6 per cent in 2014. This growth was accommodated by low food and fuel prices – reducing inflationary pressures – and driven by strong private consumption and a growing workforce. Labour law reform, infrastructure investment and increased domestic consumption will support economic growth out to 2019, despite fiscal consolidation – aimed at reducing high government debt – and a poor investment climate. In July, the government increased the FDI limit to 49 per cent in the defence sector to attract foreign investment. India's economy is forecast to average 6.6 per cent growth to 2019, according to the IMF.

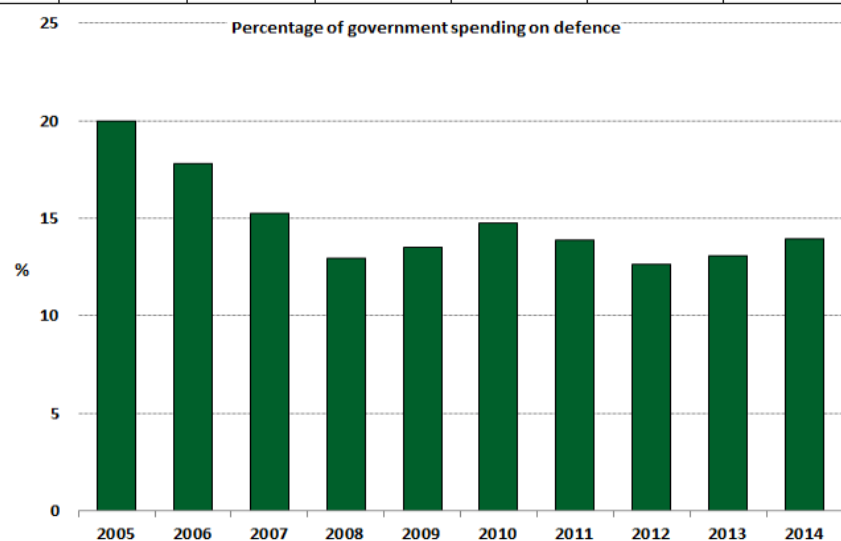
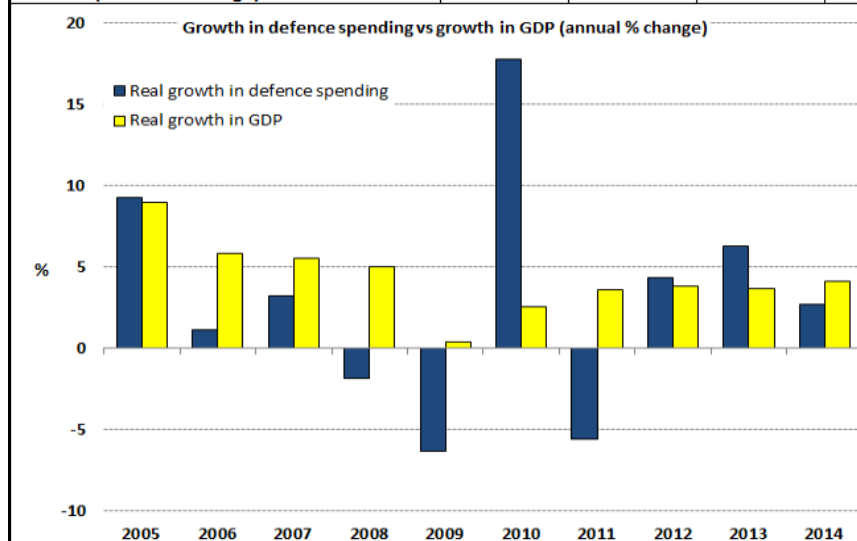
Defence spending

India's 2014 defence budget was Rs2.9tr (US\$45.4bn), representing a 4.9 per cent real increase on the 2013 defence budget. In 2014, India received its fourth, fifth and sixth of eight P-8I maritime patrol aircraft from Boeing in May, September and November respectively. In July, India announced it will purchase an additional six C-130J Hercules transport aircraft from Lockheed Martin, and took delivery of its first KAMORTA-class anti-submarine corvette. In October, India approved the purchase of 8000 Spike anti-tank guided missiles from Israel, which is also supplying 262 Barak 1 surface-to-air missiles for Indian destroyers and frigates. India also approved the construction of six indigenously built conventional submarines. In November, India approved the purchase of 814 155mm mounted howitzers.

Defence budget



Pakistan	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	223.0	250.0	275.0	296.1	342.9	443.5	496.7	547.4	629.6	701.3
Local currency (billion) (2014 constant)	576.5	583.2	602.0	591.0	553.7	652.1	615.7	642.3	682.9	701.3
US\$ (billion) (current, in-year exchange rate)	3.8	4.2	4.5	4.8	4.4	5.3	5.8	6.1	6.5	6.7
US\$ (billion) (2014 constant and exchange rate)	5.5	5.5	5.7	5.6	5.3	6.2	5.9	6.1	6.5	6.7
Real growth (%)	9.3	1.1	3.2	-1.8	-6.3	17.8	-5.6	4.3	6.3	2.7
Percentage of real GDP	3.2	3.0	3.0	2.8	2.6	3.0	2.7	2.7	2.8	2.8
Percentage of nominal government spending	20.0	17.8	15.3	13.0	13.5	14.7	13.9	12.7	13.1	14.0
Per capita US\$ (2014 constant and exchange rate)	35.9	35.7	36.2	34.1	31.3	36.1	33.4	34.1	35.5	35.8
GDP:										
Current local (billion)	7,005.4	8,216.2	9,239.8	10,637.8	13,199.7	14,867.0	18,276.4	20,046.5	22,489.1	25,401.9
US\$ billion (real GDP)	306.6	320.2	333.7	341.7	274.1	261.2	264.8	264.1	252.5	241.4
Real growth (%)	9.0	5.8	5.5	5.0	0.4	2.6	3.6	3.8	3.7	4.1
Per capita (2014 US\$)	2,010.2	2,060.8	2,110.0	2,075.4	1,629.6	1,520.9	1,510.5	1,476.1	1,382.6	1,295.9
Government spending (current local billion)	1,116.5	1,401.8	1,800.0	2,281.0	2,531.3	3,008.4	3,566.4	4,326.3	4,816.3	5,026.9
Population (million)	152.5	155.4	158.2	164.7	168.2	171.7	175.3	178.9	182.6	186.3
Inflation (annual % change)	9.3	8.0	7.8	10.8	17.6	10.1	13.7	11.0	7.4	8.6





Country name	Pakistan
Capital city	Islamabad
Population	186.3 million
Land size	796 095 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

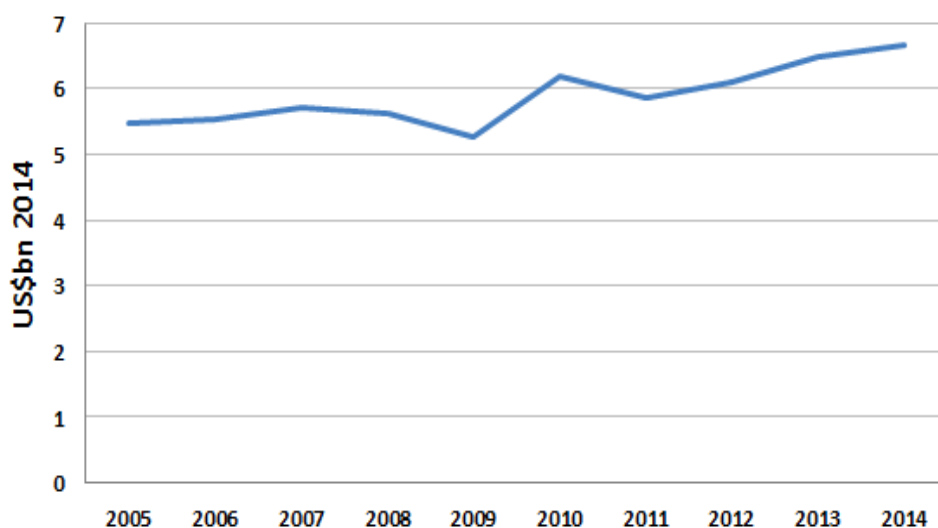
Economy

Over the past 10 years, Pakistan averaged 4.4 per cent annual economic growth. In 2014, the economy grew by 4.1 per cent, supported by historically low inflation, some improvement in electricity supply, and private and government investment. But Pakistan's large trade deficit and ongoing repayment of its IMF loan, which supports the country's balance of payments position, constrained economic growth. Although inflation will remain elevated as the currency depreciates and subsidies are reduced, ongoing economic reform will help address weak fundamentals out to 2019, aided by high levels of government and private consumption. Electricity shortages and high fiscal deficits will hamper economic growth, which is forecast to average 4.7 per cent growth to 2019, according to the IMF.

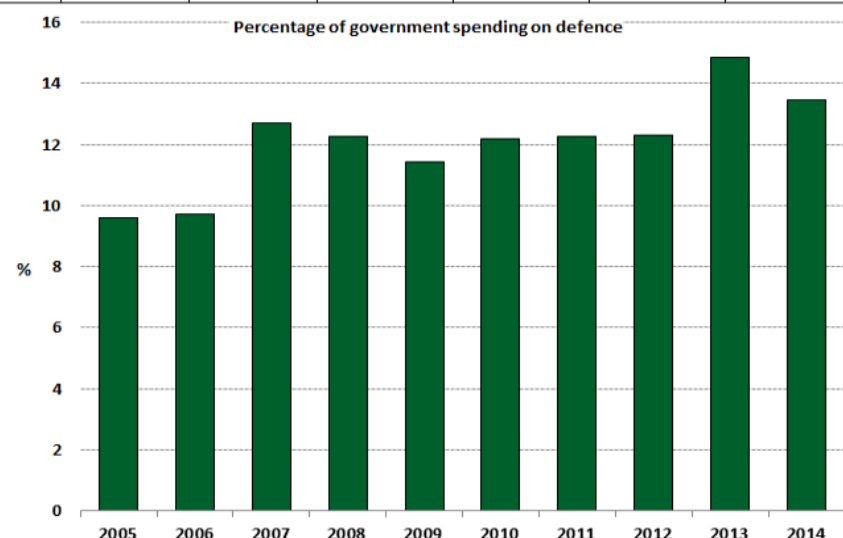
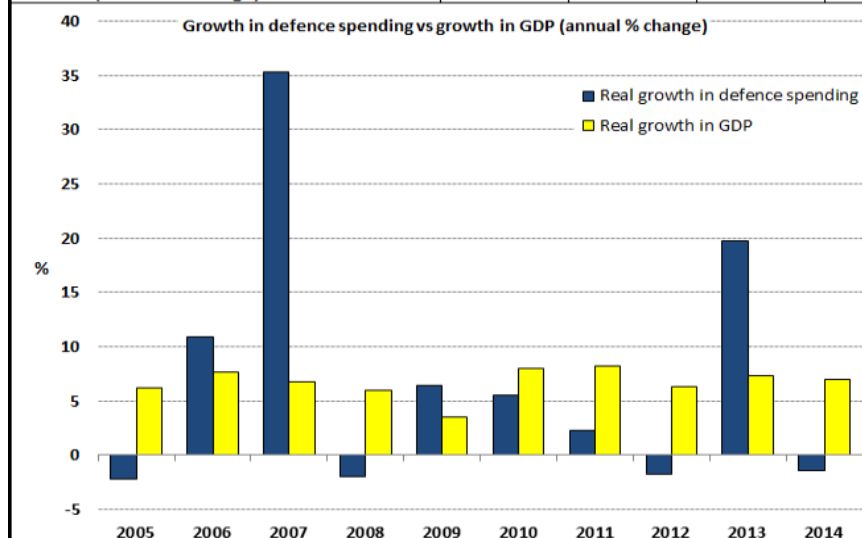
Defence spending

Pakistan's 2014 defence budget was Rs701.3bn (US\$6.7bn), representing a 2.7 per cent real increase on the 2013 defence budget. In February 2014, Pakistan purchased 13 F-16 A/B fighter aircraft from Jordan, with all aircraft inducted by May. In March, Pakistan announced plans to purchase helicopters and submarines from China. In June, Russia announced that it would supply Mi-35 Hind attack helicopters to Pakistan. Pakistan is developing a new version of its indigenously built Al Khalid main battle tank 2000, and is continuing its acquisition of the Sino-Pakistani JF-17 Thunder Block multi-role combat aircraft. Pakistan is considering options to replace its ageing surface fleet, particularly the Type-21 frigates.

Defence budget



Sri Lanka	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	56.3	69.5	107.2	122.2	137.6	155.9	172.0	184.1	235.2	240.6
Local currency (billion) (2014 constant)	122.8	136.1	184.1	180.5	192.0	202.7	207.4	203.8	244.1	240.6
US\$ (billion) (current, in-year exchange rate)	0.6	0.7	1.0	1.1	1.2	1.4	1.6	1.4	1.8	1.8
US\$ (billion) (2014 constant and exchange rate)	0.9	1.0	1.4	1.3	1.4	1.5	1.5	1.5	1.8	1.8
Real growth (%)	-2.1	10.9	35.3	-2.0	6.4	5.6	2.3	-1.7	19.8	-1.4
Percentage of real GDP	2.3	2.4	3.0	2.8	2.8	2.8	2.6	2.4	2.7	2.5
Percentage of nominal government spending	9.6	9.7	12.7	12.3	11.5	12.2	12.3	12.3	14.9	13.5
Per capita US\$ (2014 constant and exchange rate)	46.5	51.2	68.7	66.8	70.5	73.9	75.0	73.3	87.1	85.3
GDP:										
Current local (billion)	2,452.8	2,938.7	3,578.7	4,410.7	4,835.3	5,604.1	6,543.3	7,578.6	8,673.9	9,629.4
US\$ billion (real GDP)	53.2	55.4	55.6	60.1	58.7	64.4	71.3	65.7	69.2	71.6
Real growth (%)	6.2	7.7	6.8	5.9	3.5	8.0	8.2	6.3	7.3	7.0
Per capita (2014 US\$)	2,713.7	2,801.8	2,790.9	2,994.8	2,897.5	3,158.1	3,471.5	3,181.0	3,324.7	3,413.8
Government spending (current local billion)										
	584.8	713.6	841.6	996.1	1,201.9	1,280.2	1,400.1	1,492.9	1,583.6	1,783.8
Population (million)										
	19.6	19.8	19.9	20.1	20.2	20.4	20.5	20.7	20.8	21.0
Inflation (annual % change)										
	11.0	10.0	15.8	22.4	3.5	6.2	6.7	7.5	6.9	3.8





Country name	Sri Lanka
Capital city	Colombo
Population	21 million
Land size	65 610 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

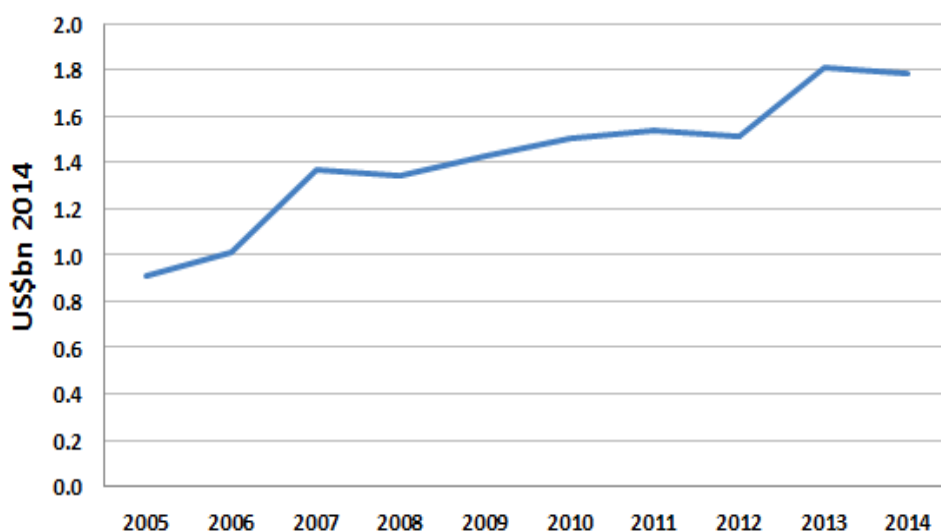
Economy

Over the past 10 years, Sri Lanka averaged 6.7 per cent annual economic growth. In 2014, the economy grew by 7 per cent, supported by strong export growth, construction activity and private consumption growth, and moderating levels of inflation. Although fiscal consolidation will constrain growth, supporting factors include increases in exports and tourism, infrastructure investment and growth in private consumption due to increased remittances, and increasing levels of foreign investment – including China's announced US\$1.4bn investment in the Colombo Port City project. Sri Lanka's economy is forecast to average 6.5 per cent growth to 2019, according to the IMF.

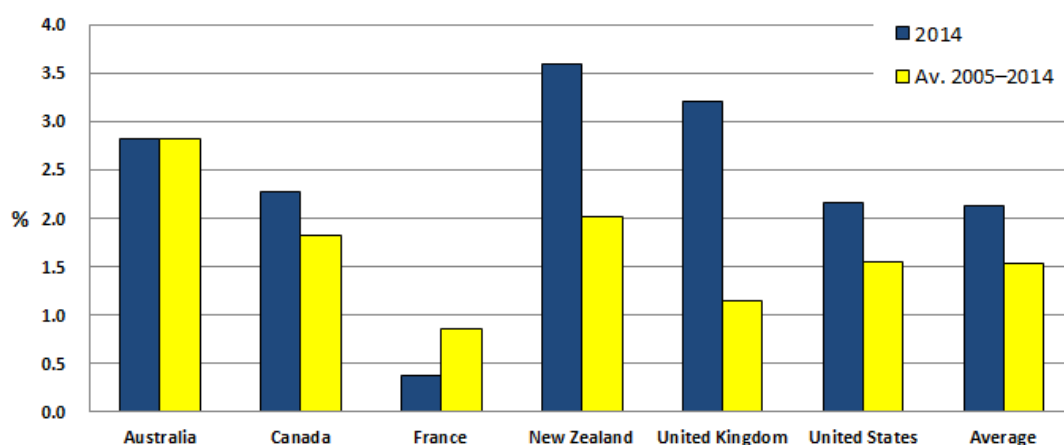
Defence spending

Sri Lanka's 2014 defence budget was Rs240.6bn (US\$1.8bn), representing a 1.4 per cent real decrease on the 2013 defence budget. In March and June 2014, Sri Lanka received two BAY-class patrol boats, donated by Australia. In October, India announced it will provide two naval offshore patrol vessels to Sri Lanka and help train its military personnel. Sri Lanka also receives military support for procurement and training from Russia and China.

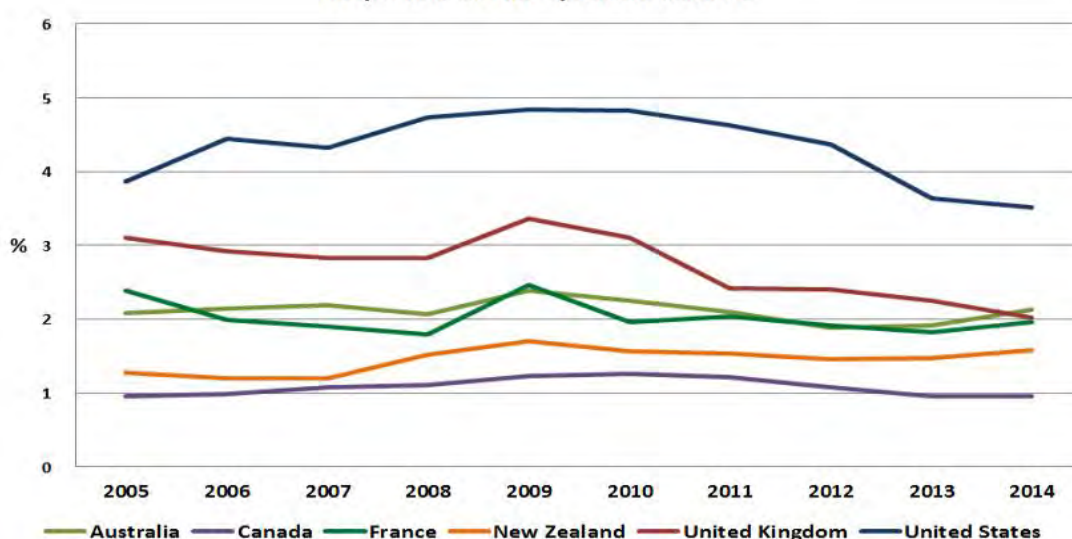
Defence budget



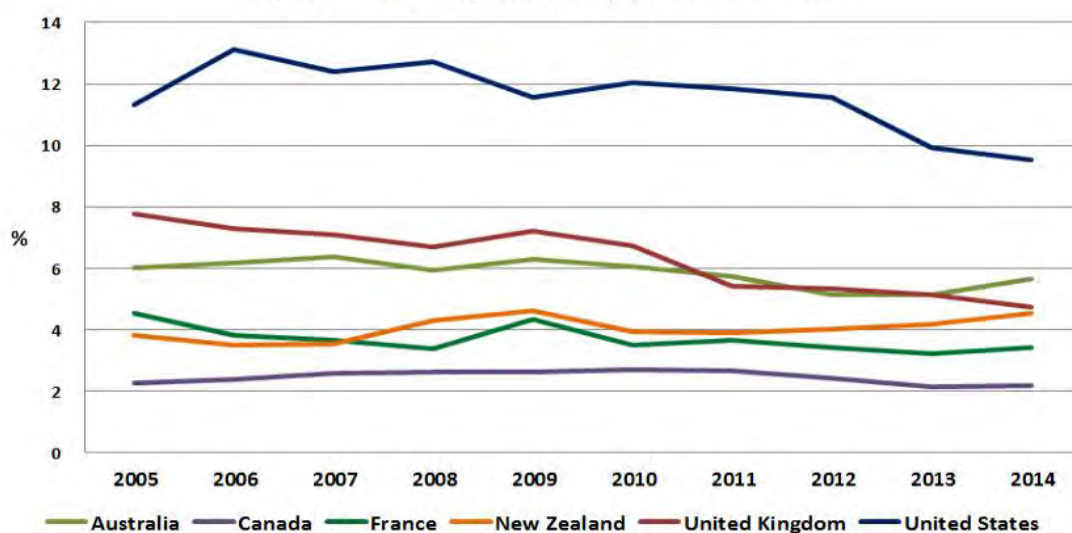
2014 GDP growth compared to average GDP growth



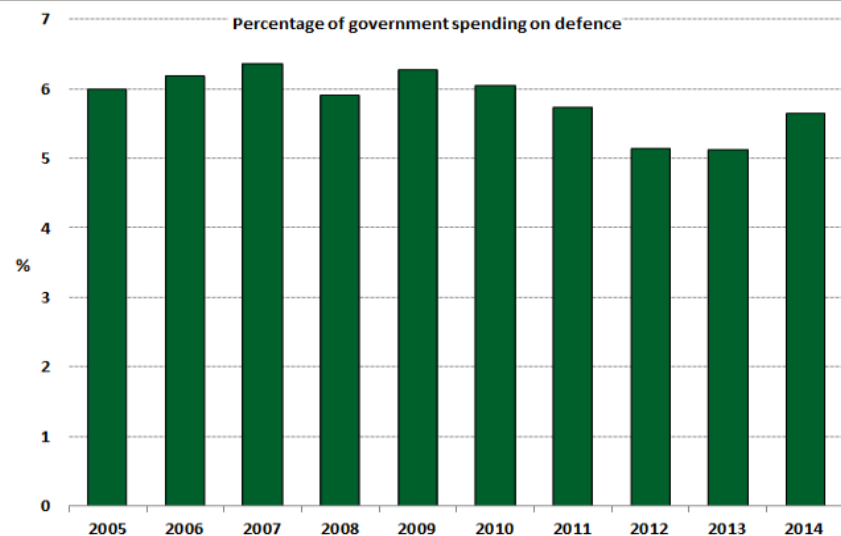
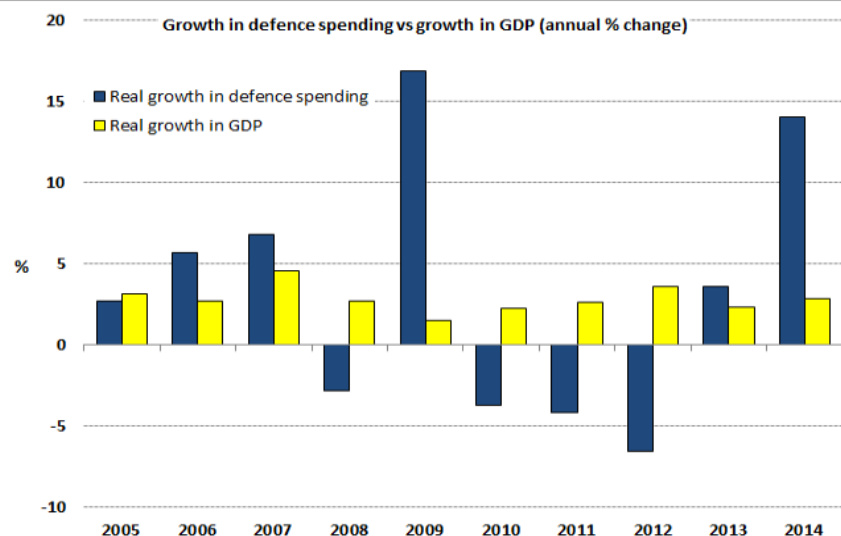
Proportion of GDP spent on defence



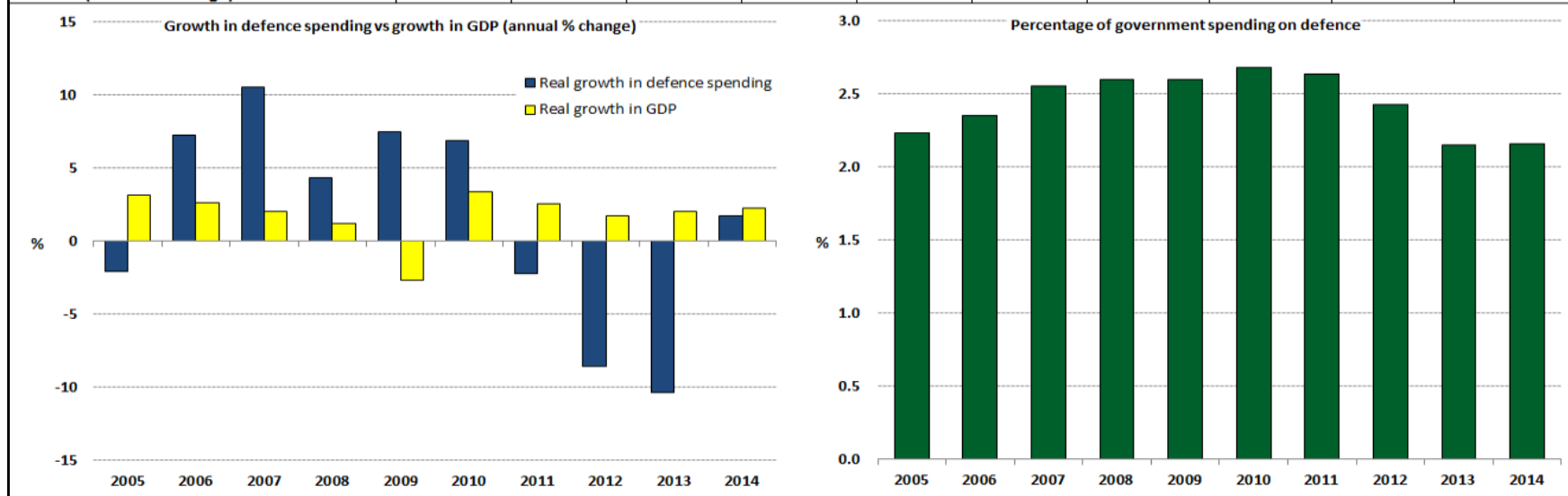
Proportion of government outlays spent on defence



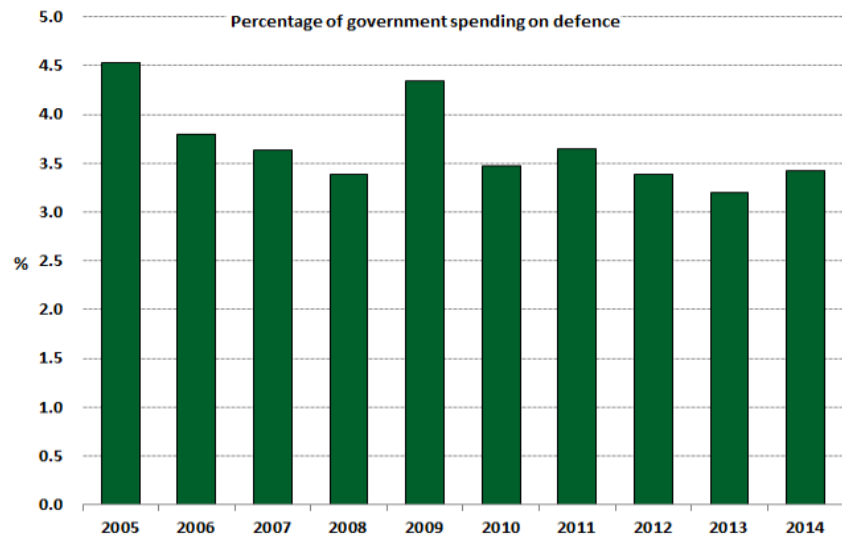
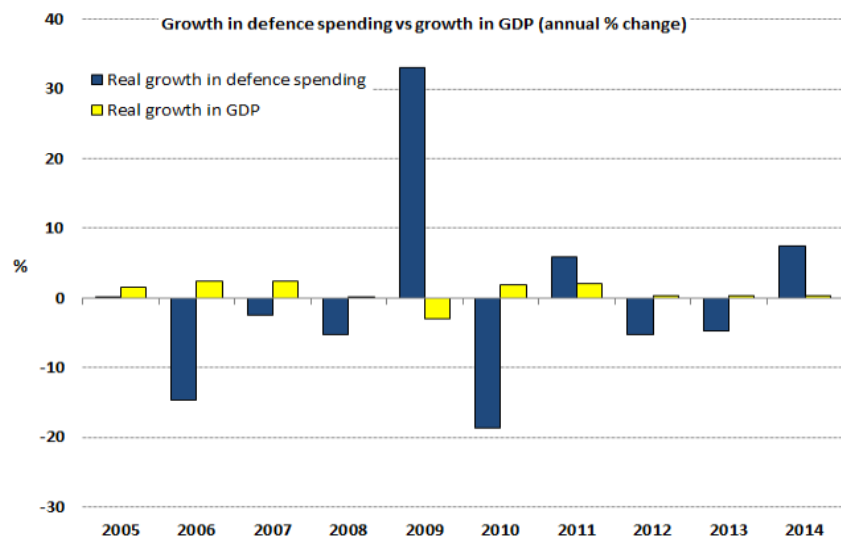
Australia	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	20.0	22.3	24.8	25.7	30.1	30.5	30.5	28.4	29.8	34.2
Local currency (billion) (2014 constant)	26.2	27.7	29.6	28.7	33.6	32.3	31.0	29.0	30.0	34.2
US\$ (billion) (current, in-year exchange rate)	15.3	16.8	20.8	21.9	23.8	28.1	31.5	29.5	28.9	31.5
US\$ (billion) (2014 constant and exchange rate)	24.1	25.5	27.3	26.5	30.9	29.8	28.6	26.7	27.7	31.5
Real growth (%)	2.7	5.7	6.8	-2.8	16.9	-3.7	-4.2	-6.5	3.6	14.0
Percentage of real GDP	2.1	2.1	2.2	2.1	2.4	2.2	2.1	1.9	1.9	2.1
Percentage of nominal government spending	6.0	6.2	6.4	5.9	6.3	6.1	5.7	5.1	5.1	5.7
Per capita US\$ (2014 constant and exchange rate)	1,188.2	1,236.8	1,296.8	1,232.9	1,415.1	1,343.8	1,267.9	1,164.3	1,185.7	1,336.2
GDP:										
Current local (billion)	961.6	1,037.3	1,131.5	1,237.3	1,260.1	1,358.4	1,452.2	1,501.7	1,555.0	1,608.8
US\$ billion (real GDP)	958.3	972.4	1,131.6	1,181.1	1,113.9	1,323.1	1,522.8	1,584.0	1,515.3	1,482.5
Real growth (%)	3.1	2.7	4.5	2.7	1.5	2.2	2.6	3.6	2.3	2.8
Per capita (2014 US\$)	47,179.7	47,140.7	53,843.0	54,994.5	50,941.5	59,674.3	67,621.1	69,102.1	64,980.0	62,822.1
Government spending (current local billion)	333.6	360.0	389.4	433.9	478.5	504.1	531.6	552.5	581.4	605.3
Population (million)	20.3	20.6	21.0	21.5	21.9	22.2	22.5	22.9	23.3	23.6
Inflation (annual % change)	2.7	3.6	2.3	4.4	1.8	2.9	3.3	1.8	2.5	2.7



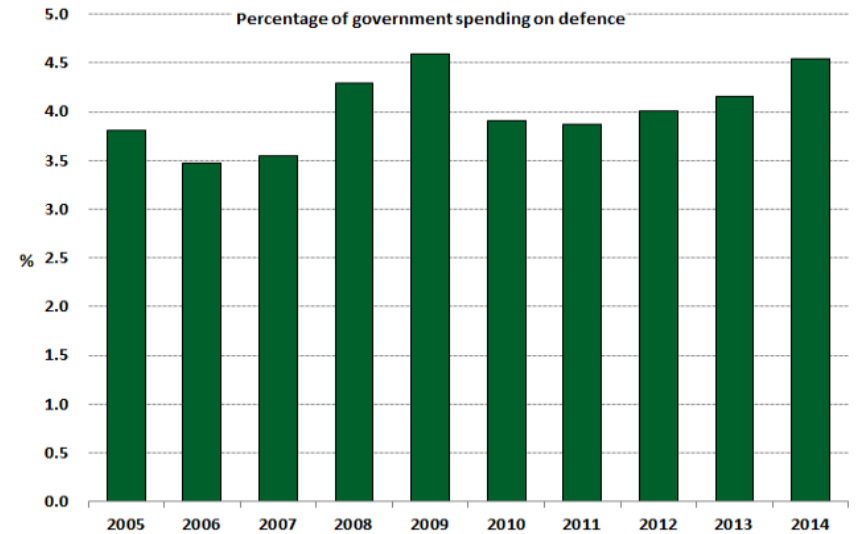
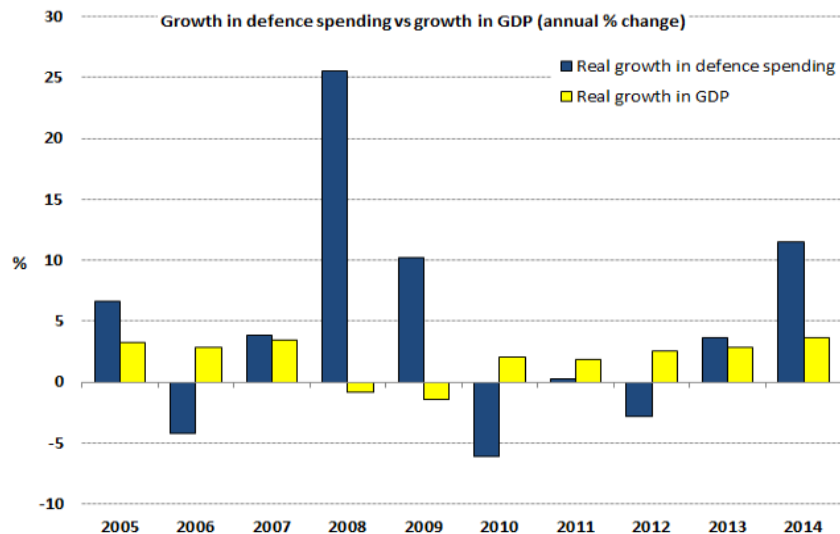
Canada	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	13.4	14.8	16.9	18.3	19.2	21.1	21.3	19.8	18.0	18.7
Local currency (billion) (2014 constant)	16.1	17.3	19.1	19.9	21.4	22.9	22.4	20.5	18.3	18.7
US\$ (billion) (current, in-year exchange rate)	11.1	13.0	15.7	17.1	16.8	20.5	21.5	19.8	17.5	17.1
US\$ (billion) (2014 constant and exchange rate)	14.7	15.8	17.5	18.2	19.6	20.9	20.4	18.7	16.8	17.1
Real growth (%)	-2.1	7.3	10.6	4.3	7.5	6.9	-2.3	-8.5	-10.3	1.7
Percentage of real GDP	1.0	1.0	1.1	1.1	1.2	1.3	1.2	1.1	1.0	1.0
Percentage of nominal government spending	2.2	2.4	2.6	2.6	2.6	2.7	2.6	2.4	2.2	2.2
Per capita US\$ (2014 constant and exchange rate)	457.4	485.7	531.8	548.8	583.1	616.1	596.2	539.0	477.7	481.0
GDP:										
Current local (billion)	1,410.7	1,486.9	1,565.9	1,646.0	1,567.0	1,662.8	1,760.0	1,820.0	1,881.2	1,962.4
US\$ billion (real GDP)	1,397.3	1,531.8	1,650.2	1,680.7	1,526.3	1,750.8	1,868.7	1,882.3	1,863.3	1,793.8
Real growth (%)	3.2	2.6	2.0	1.2	-2.7	3.4	2.5	1.7	2.0	2.3
Per capita (2014 US\$)	43,390.9	47,090.1	50,238.2	50,624.3	45,451.1	51,555.4	54,477.4	54,242.0	53,077.8	50,576.5
Government spending (current local billion)	600.5	627.6	659.6	703.5	740.3	786.8	806.6	816.1	836.5	864.4
Population (million)	32.2	32.5	32.8	33.2	33.6	34.0	34.3	34.7	35.1	35.5
Inflation (annual % change)	2.2	2.0	2.1	2.4	0.3	1.8	2.9	1.5	1.0	1.9



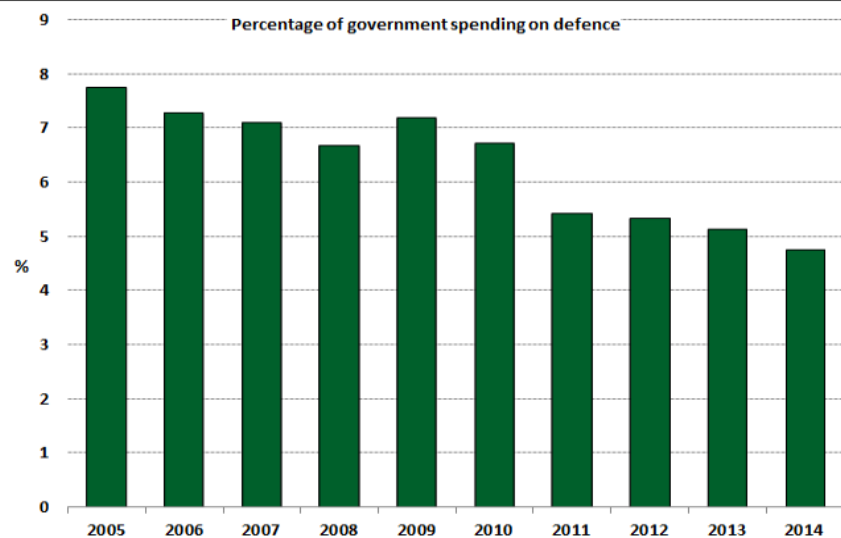
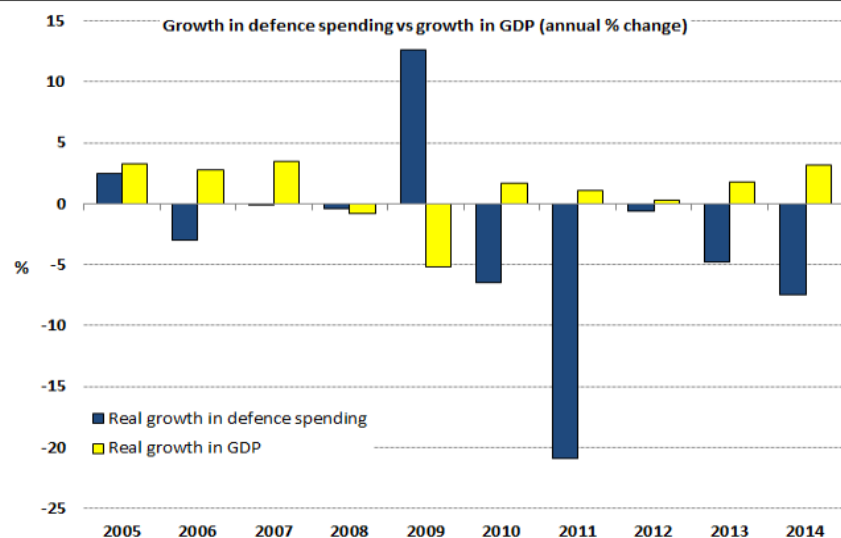
France	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	42.4	37.0	37.0	35.9	47.8	39.3	42.0	40.2	38.6	42.0
Local currency (billion) (2014 constant)	47.9	40.9	39.8	37.7	50.2	40.8	43.3	41.0	39.0	42.0
US\$ (billion) (current, in-year exchange rate)	52.9	46.4	50.7	52.8	66.6	52.1	58.4	51.7	51.3	56.8
US\$ (billion) (2014 constant and exchange rate)	64.9	55.3	53.9	51.1	68.1	55.3	58.6	55.5	52.9	56.8
Real growth (%)	0.1	-14.7	-2.5	-5.2	33.1	-18.7	5.9	-5.3	-4.7	7.5
Percentage of real GDP	2.4	2.0	1.9	1.8	2.5	2.0	2.0	1.9	1.8	2.0
Percentage of nominal government spending	4.5	3.8	3.6	3.4	4.3	3.5	3.6	3.4	3.2	3.4
Per capita US\$ (2014 constant and exchange rate)	1,064.0	901.2	873.0	822.8	1,089.4	881.2	929.0	875.5	830.5	888.8
GDP:										
Current local (billion)	1,772.0	1,853.3	1,945.7	1,995.9	1,939.0	1,998.5	2,059.3	2,091.1	2,113.7	2,142.7
US\$ billion (real GDP)	2,491.7	2,571.2	2,872.9	3,090.8	2,839.0	2,757.9	2,952.1	2,736.7	2,835.4	2,902.3
Real growth (%)	1.6	2.4	2.4	0.2	-2.9	2.0	2.1	0.3	0.3	0.4
Per capita (2014 US\$)	40,873.1	41,876.0	46,491.4	49,743.6	45,449.2	43,939.6	46,806.4	43,179.2	44,539.5	45,383.7
Government spending (current local billion)	937.0	972.8	1,016.2	1,057.6	1,100.6	1,128.0	1,151.5	1,185.4	1,208.2	1,223.1
Population (million)	61.0	61.4	61.8	62.1	62.5	62.8	63.1	63.4	63.7	64.0
Inflation (annual % change)	1.9	1.9	1.6	3.2	0.1	1.7	2.3	2.2	1.0	0.7



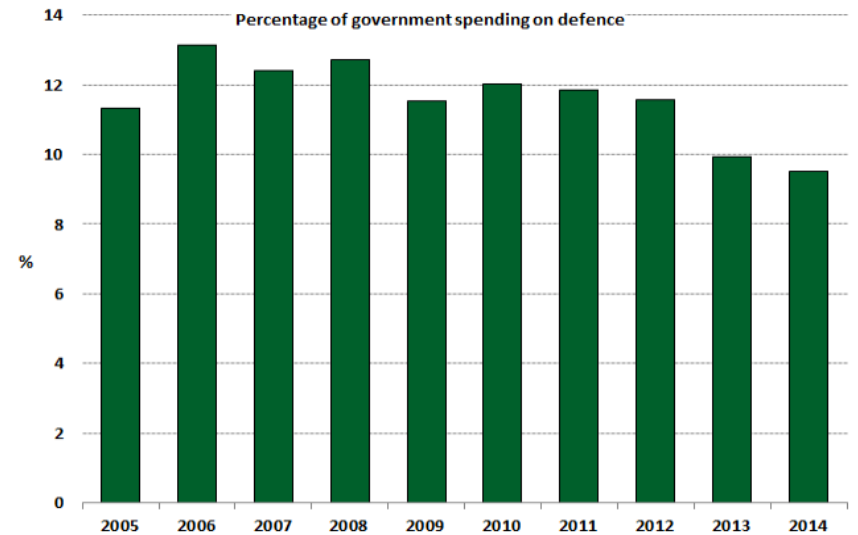
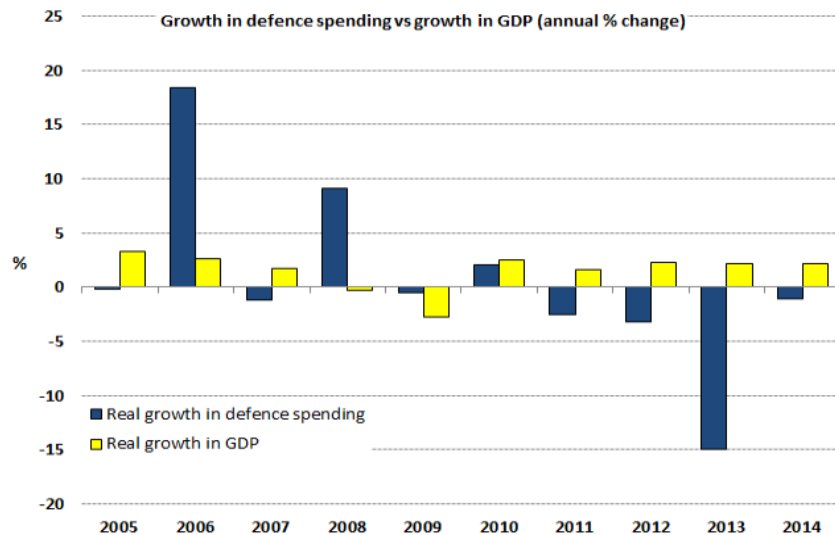
New Zealand	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	2.0	2.0	2.2	2.8	3.2	3.1	3.2	3.1	3.3	3.7
Local currency (billion) (2014 constant)	2.5	2.4	2.5	3.2	3.5	3.3	3.3	3.2	3.3	3.7
US\$ (billion) (current, in-year exchange rate)	1.4	1.3	1.6	2.0	2.0	2.2	2.5	2.5	2.7	3.2
US\$ (billion) (2014 constant and exchange rate)	2.2	2.1	2.2	2.7	3.0	2.8	2.8	2.8	2.9	3.2
Real growth (%)	6.7	-4.2	3.8	25.5	10.3	-6.1	0.2	-2.8	3.6	11.5
Percentage of real GDP	1.3	1.2	1.2	1.5	1.7	1.6	1.5	1.5	1.5	1.6
Percentage of nominal government spending	3.8	3.5	3.6	4.3	4.6	3.9	3.9	4.0	4.2	4.5
Per capita US\$ (2014 constant and exchange rate)	528.3	500.2	514.1	639.3	696.8	647.0	643.4	621.3	637.7	702.1
GDP:										
Current local (billion)	159.4	167.2	180.5	185.8	188.4	197.3	205.6	210.2	221.3	234.1
US\$ billion (real GDP)	139.7	132.4	155.2	149.4	130.7	151.8	169.6	178.1	185.4	201.0
Real growth (%)	3.2	2.8	3.4	-0.8	-1.4	2.1	1.9	2.5	2.8	3.6
Per capita (2014 US\$)	33,723.1	31,585.6	36,636.8	34,932.9	30,222.1	34,678.6	38,444.7	40,110.1	41,365.3	44,298.8
Government spending (current local billion)	53.7	57.6	61.1	65.8	69.8	79.0	81.7	76.5	78.4	81.5
Population (million)	4.1	4.2	4.2	4.3	4.3	4.4	4.4	4.4	4.5	4.5
Inflation (annual % change)	3.0	3.4	2.4	4.0	2.1	2.3	4.0	1.1	1.1	1.6



United Kingdom	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	39.6	39.5	40.4	41.5	47.8	46.1	37.3	37.5	36.3	34.3
Local currency (billion) (2014 constant)	48.7	47.2	47.2	47.0	53.0	49.5	39.2	39.0	37.1	34.3
US\$ (billion) (current, in-year exchange rate)	72.1	72.8	80.9	76.9	74.8	71.3	59.8	59.4	56.8	57.5
US\$ (billion) (2014 constant and exchange rate)	81.6	79.1	79.1	78.7	88.7	83.0	65.6	65.3	62.1	57.5
Real growth (%)	2.5	-3.0	0.0	-0.5	12.7	-6.5	-20.9	-0.6	-4.8	-7.5
Percentage of real GDP	3.1	2.9	2.8	2.8	3.4	3.1	2.4	2.4	2.3	2.0
Percentage of nominal government spending	7.8	7.3	7.1	6.7	7.2	6.7	5.4	5.3	5.1	4.7
Per capita US\$ (2014 constant and exchange rate)	1,354.6	1,306.0	1,297.1	1,282.5	1,435.8	1,332.9	1,037.1	1,024.3	969.0	890.7
GDP:										
Current local (billion)	1,276.7	1,349.5	1,427.9	1,462.1	1,417.4	1,485.6	1,536.9	1,558.4	1,612.8	1,699.9
US\$ billion (real GDP)	2,858.7	2,973.3	3,340.7	3,069.1	2,457.0	2,468.4	2,588.8	2,566.4	2,576.8	2,847.6
Real growth (%)	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.3	1.7	3.2
Per capita (2014 US\$)	47,459.2	49,077.8	54,777.4	49,987.5	39,761.8	39,645.7	40,907.3	40,285.3	40,207.9	44,141.4
Government spending (current local billion)										
Population (million)	60.2	60.6	61.0	61.4	61.8	62.3	63.3	63.7	64.1	64.5
Inflation (annual % change)	2.1	2.3	2.3	3.6	2.2	3.3	4.5	2.8	2.6	1.6



United States	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Official defence budget:										
Local currency (billion) (current)	505.7	617.1	625.8	696.3	697.8	721.3	717.4	706.8	610.1	613.6
Local currency (billion) (2014 constant)	596.6	706.3	697.7	761.4	757.3	773.3	753.6	729.3	620.3	613.6
US\$ (billion) (current, in-year exchange rate)	505.7	617.1	625.8	696.3	697.8	721.3	717.4	706.8	610.1	613.6
US\$ (billion) (2014 constant and exchange rate)	596.6	706.3	697.7	761.4	757.3	773.3	753.6	729.3	620.3	613.6
Real growth (%)	-0.1	18.4	-1.2	9.1	-0.5	2.1	-2.6	-3.2	-14.9	-1.1
Percentage of real GDP	3.9	4.5	4.3	4.7	4.8	4.8	4.6	4.4	3.6	3.5
Percentage of nominal government spending	11.3	13.1	12.4	12.7	11.5	12.0	11.8	11.6	9.9	9.5
Per capita US\$ (2014 constant and exchange rate)	2,014.7	2,362.8	2,311.0	2,498.6	2,463.6	2,496.7	2,415.8	2,321.6	1,960.7	1,926.4
GDP:										
Current local (billion)	13,093.7	13,855.9	14,477.6	14,718.6	14,418.7	14,964.4	15,517.9	16,163.2	16,768.1	17,416.3
US\$ billion (real GDP)	15,447.2	15,859.0	16,141.1	16,094.1	15,647.3	16,043.5	16,300.5	16,678.8	17,048.9	17,416.3
Real growth (%)	3.3	2.7	1.8	-0.3	-2.8	2.5	1.6	2.3	2.2	2.2
Per capita (2014 US\$)	52,166.2	53,052.6	53,464.5	52,816.4	50,906.5	51,797.7	52,255.1	53,091.1	53,888.8	54,678.2
Government spending (current local billion)										
	4,464.7	4,699.8	5,047.4	5,477.1	6,044.5	5,994.2	6,055.6	6,106.5	6,139.2	6,432.4
Population (million)										
	296.1	298.9	301.9	304.7	307.4	309.7	311.9	314.2	316.4	318.5
Inflation (annual % change)										
	3.4	3.2	2.9	3.8	-0.3	1.6	3.1	2.1	1.5	2.0



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 were 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 2015 employs a different methodology to the *Defence Economic Trends* series published before 2013 to calculate historical defence spending in US dollars. Except for Timor-Leste – which uses the consumer price index as its deflator – a GDP price deflator is used to deflate historic defence budgets expressed in local currency into 2014 constant terms. The new method in the country tables now employs two lines translating historical defence expenditure to a US dollar base. One line shows nominal defence budgets in US dollars using year-specific (current) exchange rates; the other line shows the deflated defence budget in US dollars using constant 2014 exchange rates. This first line provides a more accurate view of the buying power displayed by defence budgets at any point in time. The second line allows for comparisons over time in US dollars, removing the fluctuating exchange rate impact. To create simple visual comparisons of defence spending trends, graphical representations of defence budgets use constant 2014 exchange rates.

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 2015*, the information is sourced from the International Monetary Fund's World Economic Outlook, released in October 2014.

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
- costs of retirement pensions of defence personnel and civilian employees.

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