



Australian Government

Department of Defence

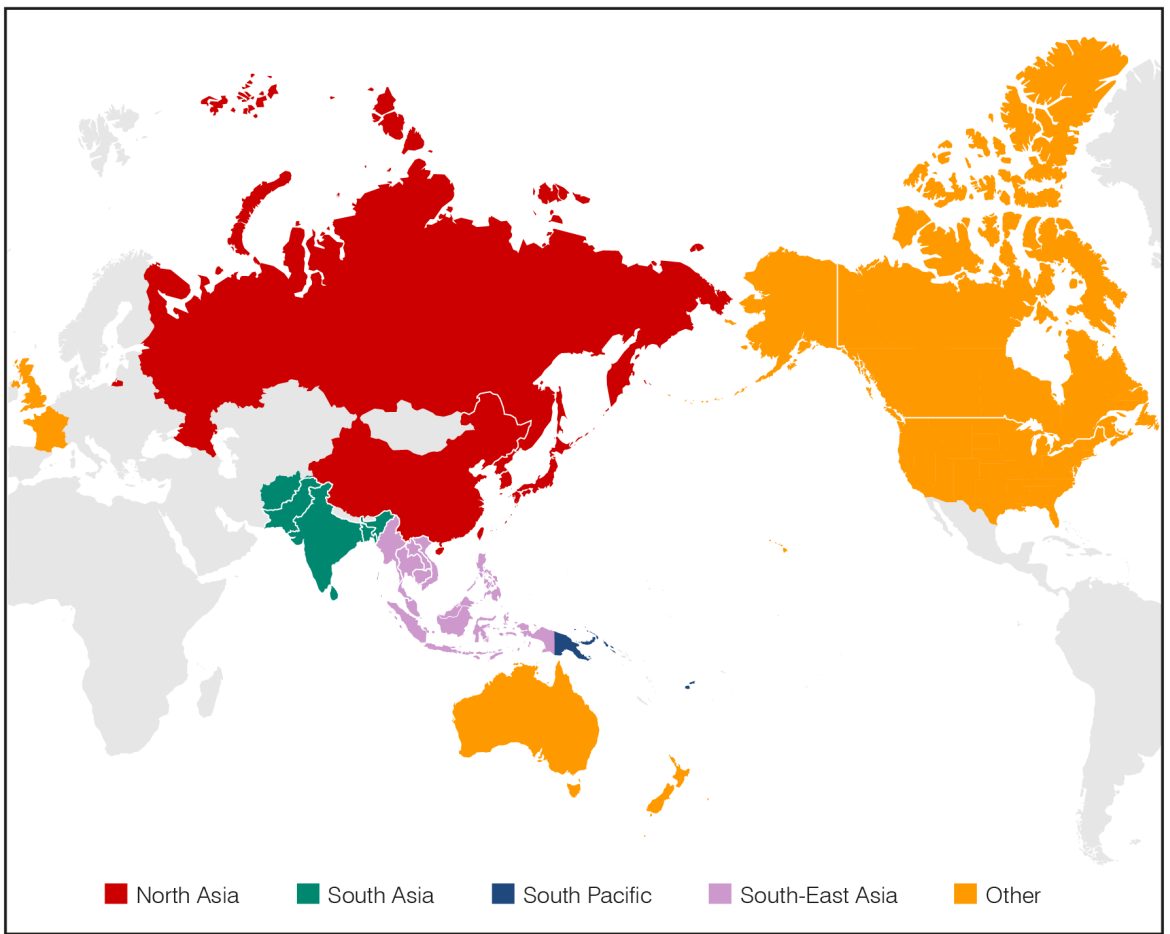


2017

DEFENCE ECONOMIC TRENDS IN THE ASIA-PACIFIC

DIO Reference Aid 17-515





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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

EIU Economist Intelligence Unit

GDP gross domestic product

IMF International Monetary Fund

LNG liquefied natural gas

m million

MoU memorandum of understanding

PNG Papua New Guinea

tr trillion

UK United Kingdom

US United States

US\$ US dollar

Online version

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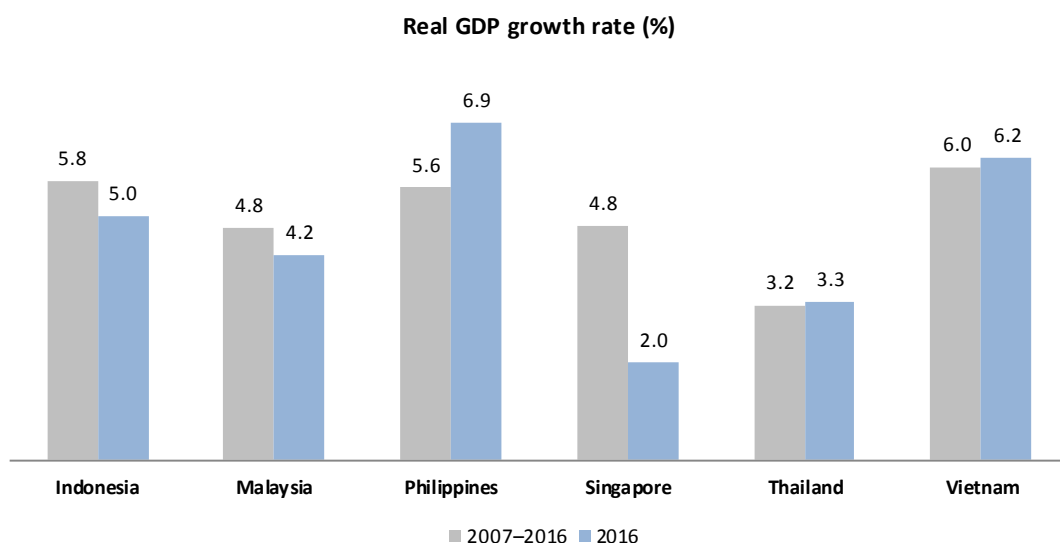
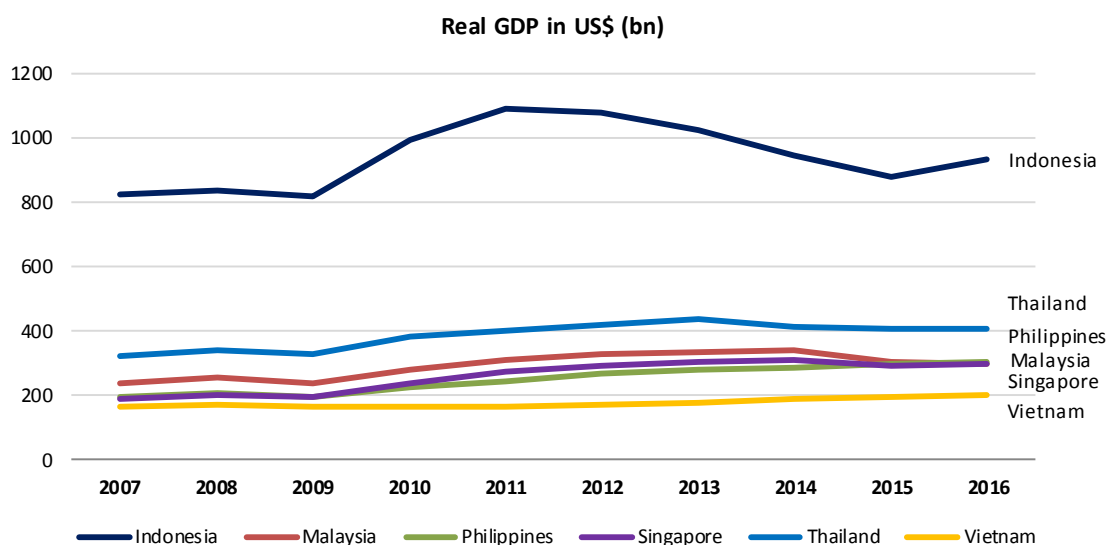
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Regional economy

Economic growth in South-East Asia in 2016 remained strong, but most increases in national averages remained below long-term averages. Economic liberalisation, regional integration, stronger policy buffers and domestic political stability in South-East Asian countries contributed to economic resilience and sustained economic growth. However, a slowdown in the Chinese economy and the subsequent fall in commodity prices limited the region's economic growth through lower export revenue. Out to 2021, South-East Asia is expected to experience reduced growth due to a continued slowdown in China's economic growth and a decline in investment growth.

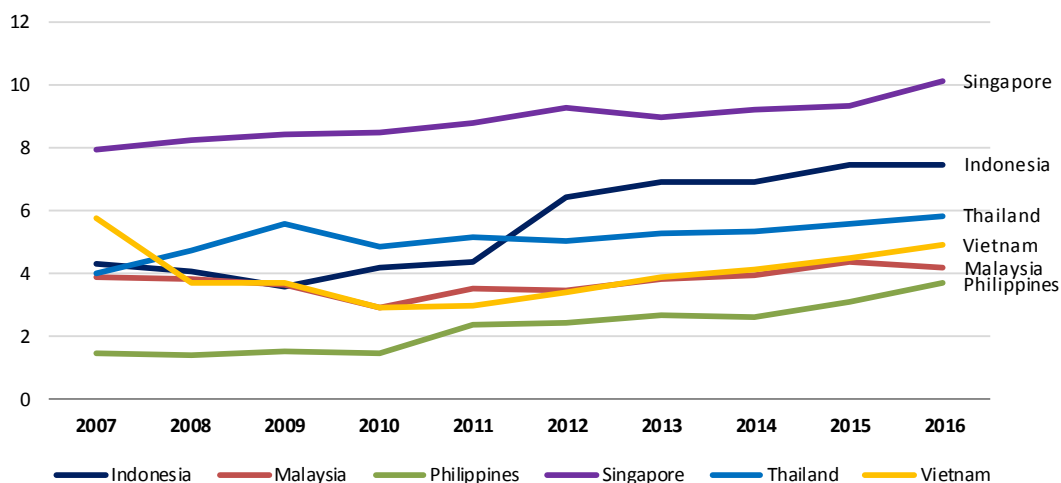
Defence spending

In 2016, all South-East Asian countries except Timor-Leste and Malaysia increased their defence budgets – with Brunei and the Philippines growing their respective budgets by the highest real growth rate. Bilateral cooperation remained a strong feature of defence relations in the region and led to numerous international trade opportunities. South-East Asia remains an attractive market for defence-related companies; Vietnam is ranked in the top 10 globally for military imports. Strong economic growth, internal security concerns and regional territorial disputes remain key drivers for growth in defence spending in South-East Asia.

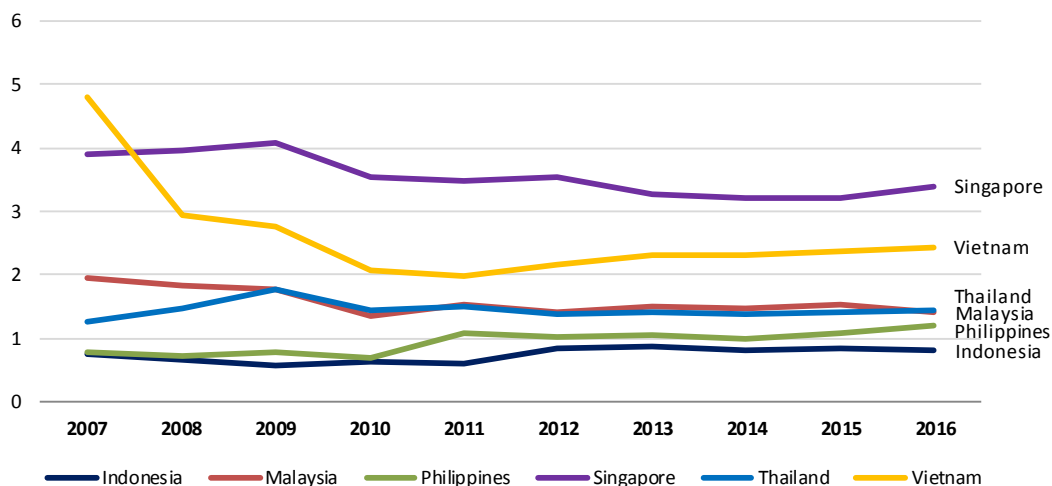


Note: Cambodia, Brunei, Laos and Timor-Leste are not included in the graphs due to their small GDPs and defence budgets compared to the region. The GDPs and defence budget figures of these countries can be found on the individual country pages.

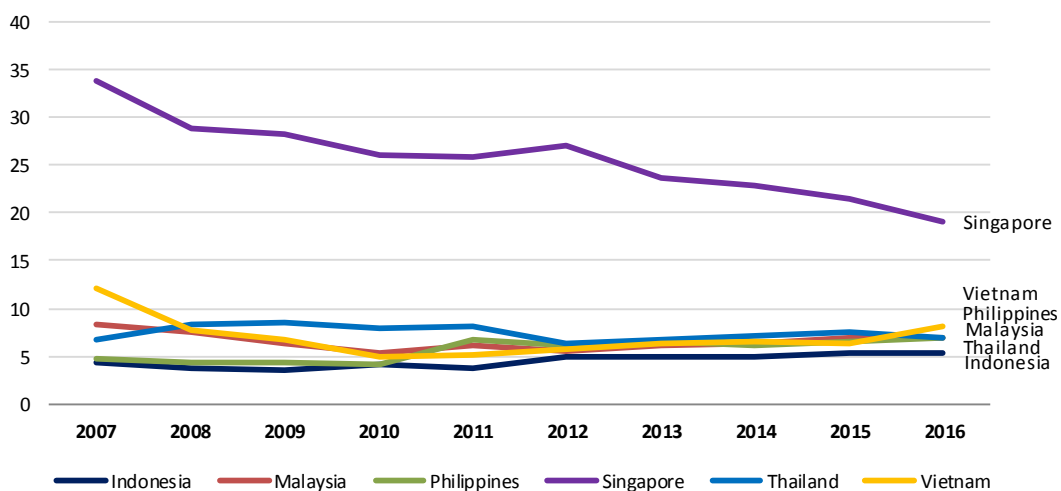
Defence spending in US\$ (bn) (2016 constant and exchange rate)



Defence spending as percentage of real GDP



Defence spending as percentage of government spending

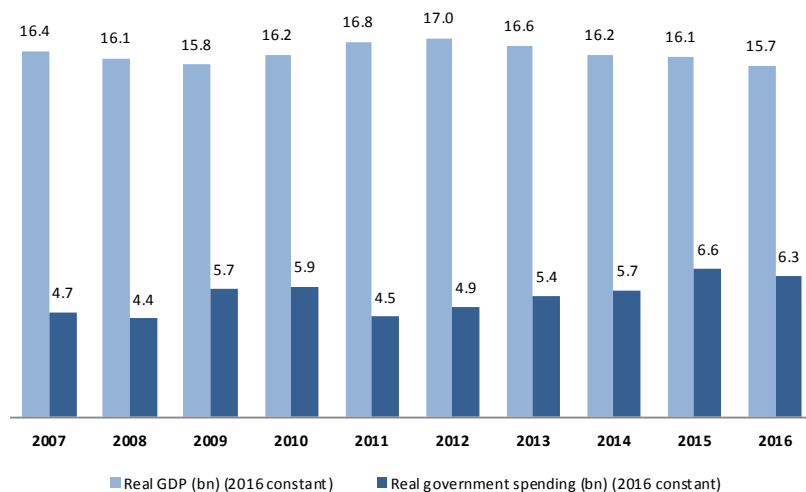


Brunei	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (m) (current)	520.0	508.9	508.5	512.0	514.0	513.2	516.0	719.2	537.5	564.7
Spending in local currency (m) (2016 constant)	462.5	401.7	515.2	444.6	371.3	366.3	379.0	538.3	488.1	564.7
Spending in US\$ (m) (current, in-year exchange rate)	345.0	359.1	349.6	375.5	408.6	410.7	412.4	567.6	390.9	408.8
Spending in US\$ (m) (2016 constant and exchange rate)	334.8	290.8	373.0	321.8	268.8	265.2	274.4	389.7	353.4	408.8
Real growth rate (%)	-0.1	-13.2	28.3	-13.7	-16.5	-1.4	3.5	42.0	-9.3	15.7
Expenditure (% of real GDP)	2.8	2.5	3.3	2.7	2.2	2.2	2.3	3.3	3.0	3.6
Expenditure (% of real government spending)	9.9	9.1	9.0	7.6	8.3	7.4	7.0	9.5	7.4	9.0

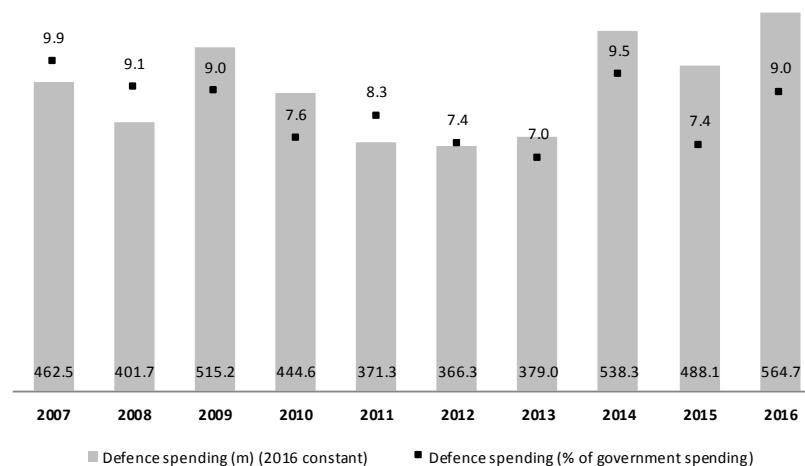
Gross domestic product (GDP)										
Real GDP in local currency (bn)	16.4	16.1	15.8	16.2	16.8	17.0	16.6	16.2	16.1	15.7
Real GDP in US\$ (bn)	10.9	11.4	10.9	11.9	13.4	13.6	13.3	12.8	11.7	11.4
Real growth rate (%)	0.2	-1.9	-1.8	2.6	3.7	0.9	-2.1	-2.3	-0.6	-2.5
Real GDP per capita in US\$	29446.3	29899.1	28616.6	30517.3	34318.0	33991.0	32415.5	31257.2	27959.7	27143.9

Government spending (bn)	4.7	4.4	5.7	5.9	4.5	4.9	5.4	5.7	6.6	6.3
Population (million)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Inflation (%)	1.0	2.1	1.0	0.4	2.0	0.5	0.4	-0.2	-0.4	-0.7

Real GDP and government spending in local currency



Defence spending in local currency





Country name	Brunei
Capital city	Bandar Seri Begawan
Population	424 000
Active armed forces	7 000

Land size	5765 km ²
Currency	Brunei dollar (B\$)
Fiscal year	1 April – 31 March
Economy	Less-developed country with a market economy
Industries	Oil and natural gas

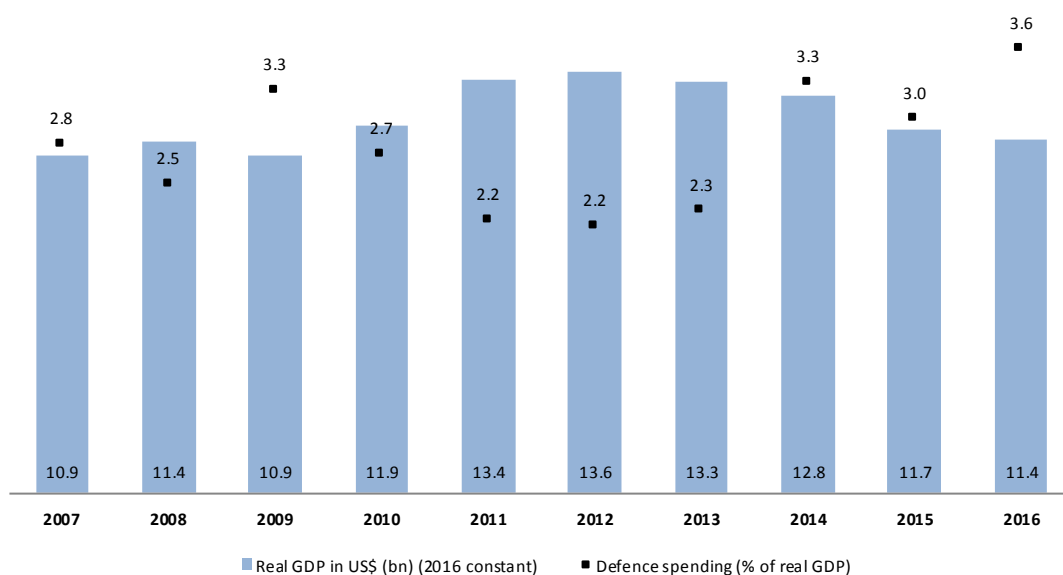
Economy

Over the past 10 years, Brunei averaged –0.4 per cent annual real economic growth. In 2016, the economy contracted by 2.5 per cent, due to ongoing low oil and gas prices. Increased construction as well as machinery and equipment production was offset by declines in the forestry sector and government services and expenditure. Brunei has attempted to diversify the economy to mitigate dependence on the oil and gas sector through *halal* manufacturing, information technology and tourism. Brunei's economy will benefit from a gradual recovery of oil and gas prices out to 2021, but will be held back by low private consumption.

Defence spending

Brunei's 2016 defence budget was B\$564.7m (US\$408.8m) – a 15.7 per cent real increase on the 2015 defence budget. Under the budget breakdown, personnel expenses remained unchanged, recurring expenditure decreased and special expenditure increased. In December 2016, the Royal Brunei Navy decommissioned one of its three coastal patrol craft, the KDB *Pemburu*. Meanwhile, the 12 Sikorsky S-70i Black Hawk helicopters Brunei acquired in 2013–2015 were fully integrated into the Royal Brunei Air Force.

Real GDP in US\$ and defence spending as a percentage of real GDP

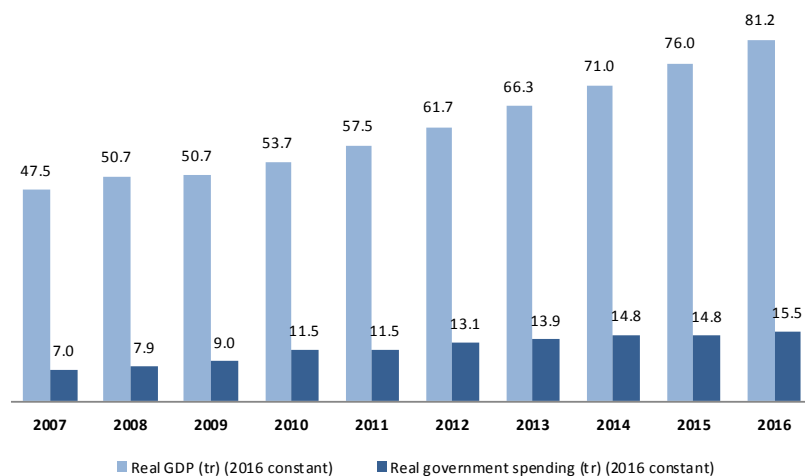


Cambodia	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	320.5	335.0	565.4	702.5	779.9	876.4	980.5	1122.3	1322.8	1551.2
Spending in local currency (bn) (2016 constant)	434.3	404.4	665.9	802.3	861.7	955.7	1045.2	1176.6	1369.4	1551.2
Spending in US\$ (bn) (current, in-year exchange rate)	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.4
Spending in US\$ (bn) (2016 constant and exchange rate)	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4
Real growth rate (%)	-3.4	-6.9	64.7	20.5	7.4	10.9	9.4	12.6	16.4	13.3
Expenditure (% of real GDP)	0.9	0.8	1.3	1.5	1.5	1.5	1.6	1.7	1.8	1.9
Expenditure (% of real government spending)	6.2	5.1	7.4	7.0	7.5	7.3	7.5	7.9	9.3	10.0

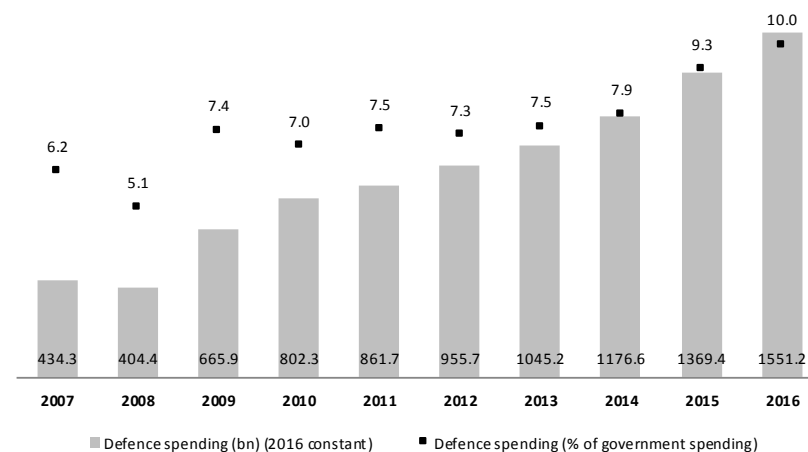
Gross domestic product (GDP)										
Real GDP in local currency (tr)	47.5	50.7	50.7	53.7	57.5	61.7	66.3	71.0	76.0	81.2
Real GDP in US\$ (bn)	11.7	12.5	12.3	12.8	14.2	15.3	16.5	17.6	18.7	20.0
Real growth rate (%)	10.2	6.7	0.1	6.0	7.1	7.3	7.4	7.1	7.0	6.9
Real GDP per capita in US\$	856.0	900.3	869.4	897.3	975.1	1035.9	1096.2	1151.8	1204.2	1269.9

Government spending (tr)	7.0	7.9	9.0	11.5	11.5	13.1	13.9	14.8	14.8	15.5
Population (million)	13.7	13.9	14.1	14.3	14.5	14.8	15.0	15.3	15.5	15.8
Inflation (%)	7.7	25.0	-0.7	4.0	5.5	2.9	2.9	3.9	1.2	3.0

Real GDP and government spending in local currency



Defence spending in local currency





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

Country name	Cambodia
Capital city	Phnom Penh
Population	15.8 million
Active armed forces	124 000

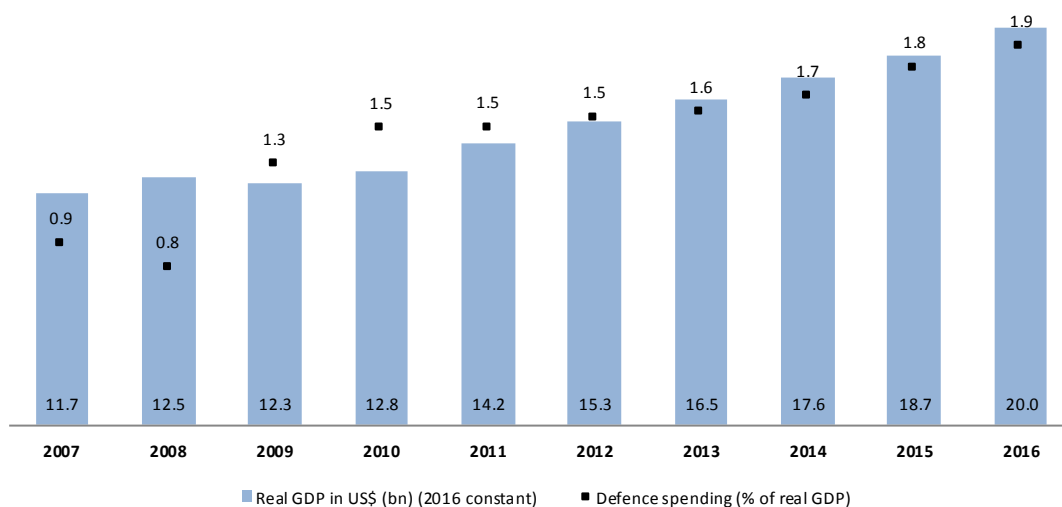
Economy

Over the past 10 years, Cambodia averaged 6.5 per cent annual real economic growth. In 2016, the economy grew by 6.9 per cent due to increased overall investment growth, improved market competitiveness and foreign direct investment. In 2016, subdued growth in agriculture, construction and tourism was largely offset by foreign direct investment and improved market competitiveness. Cambodia's economy is forecast to average 6.8 per cent real growth to 2021, according to the EIU, based on continued looser fiscal policy, growth in the textile and garment sectors and the implementation of banking reforms that will improve efficiency and the allocation of capital.

Defence spending

Cambodia's 2016 defence budget was 1551.2bn Riel (US\$382.2m) – a 13.3 per cent real increase on the 2015 defence budget. These additional defence budget allocations were to be spent primarily on increasing personnel wages, according to The Diplomat. Due to Cambodia's small defence budget, the state depends on grants or loans from other countries, particularly China. In October 2016, Cambodia signed 31 agreements with China including agreements on technical, intelligence and maritime cooperation. Cambodia's National Military Police acquired from China three VN4 armoured personnel carriers, which were fitted with 12.7 mm heavy machine guns and smoke grenade launchers.

Real GDP in US\$ and defence spending as a percentage of real GDP

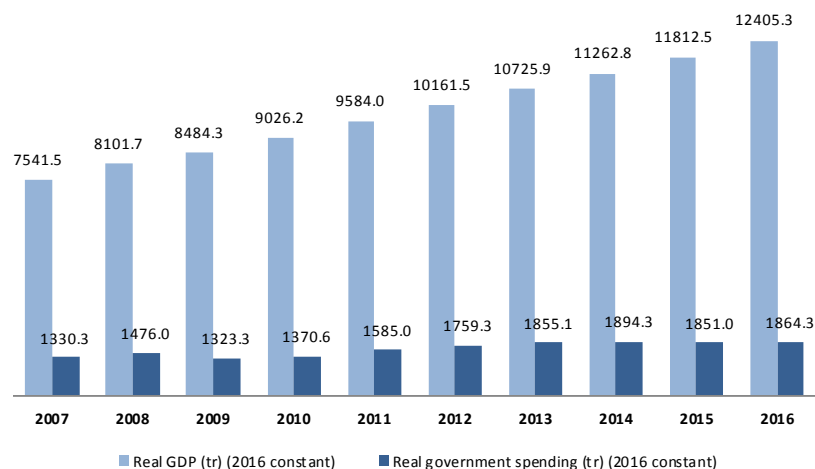


Indonesia	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (tr) (current)	32.6	36.4	33.7	42.3	47.5	72.5	82.0	86.4	96.9	99.5
Spending in local currency (tr) (2016 constant)	57.3	54.5	47.5	55.6	58.1	85.6	92.1	92.1	99.3	99.5
Spending in US\$ (bn) (current, in-year exchange rate)	3.6	3.8	3.2	4.7	5.4	7.7	7.8	7.3	7.2	7.5
Spending in US\$ (bn) (2016 constant and exchange rate)	4.3	4.1	3.6	4.2	4.4	6.4	6.9	6.9	7.5	7.5
Real growth rate (%)	3.9	-4.9	-12.8	17.1	4.5	47.2	7.7	-0.1	7.9	0.1
Expenditure (% of real GDP)	0.8	0.7	0.6	0.6	0.6	0.8	0.9	0.8	0.8	0.8
Expenditure (% of real government spending)	4.3	3.7	3.6	4.1	3.7	4.9	5.0	4.9	5.4	5.3

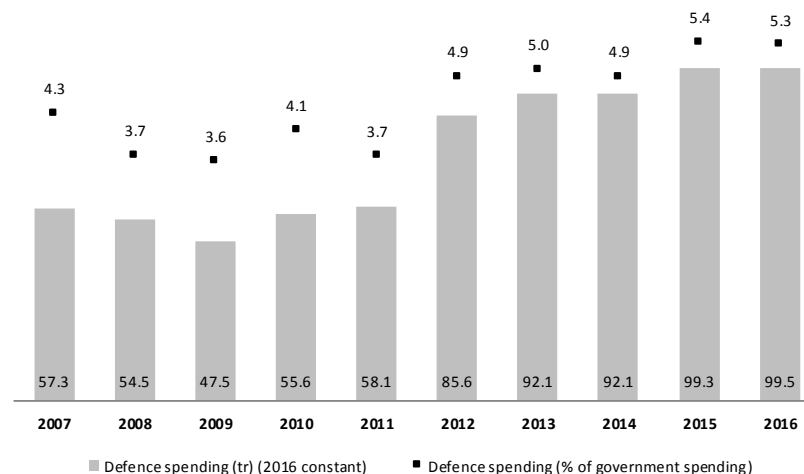
Gross domestic product (GDP)										
Real GDP in local currency (tr)	7541.5	8101.7	8484.3	9026.2	9584.0	10161.5	10725.9	11262.8	11812.5	12405.3
Real GDP in US\$ (bn)	825.0	835.3	816.6	992.9	1092.8	1082.6	1025.3	949.2	882.2	932.1
Real growth rate (%)	6.3	7.4	4.7	6.4	6.2	6.0	5.6	5.0	4.9	5.0
Real GDP per capita in US\$	3515.3	3516.9	3398.6	4086.7	4449.1	4361.3	4088.5	3747.6	3449.5	3610.3

Government spending (tr)	1330.3	1476.0	1323.3	1370.6	1585.0	1759.3	1855.1	1894.3	1851.0	1864.3
Population (million)	234.7	237.5	240.3	243.0	245.6	248.2	250.8	253.3	255.8	258.2
Inflation (%)	6.3	9.9	4.8	5.1	5.4	4.0	6.4	6.4	6.4	3.5

Real GDP and government spending in local currency



Defence spending in local currency





Land size	1 904 569 km ²
Currency	Rupiah (IDR)
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

Country name	Indonesia
Capital city	Jakarta
Population	258.2 million
Active armed forces	396 000

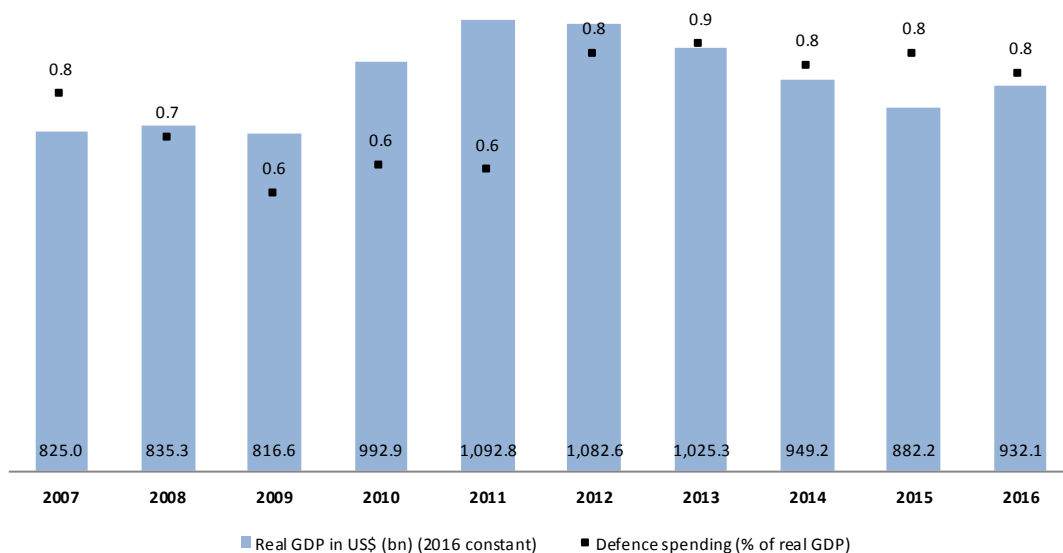
Economy

Over the past 10 years, Indonesia averaged 5.8 per cent annual real growth. In 2016, the economy grew by 5.0 per cent, which was much lower than the government's target of 7.0 per cent, due to inadequate infrastructure, limits on foreign control arrangements and discretionary licensing, and other cyclic factors. But the strong growth relative to global growth reflects stable household consumption and a growing middle class. Indonesia's economy is forecast to average 5.0 per cent real growth to 2021, according to the EIU, due to private consumption growth and investment initiatives. However, this growth will be reduced by the ongoing slowdown in China's economic growth.

Defence spending

Indonesia's 2016 defence budget was IDR99462.1bn (US\$7.5bn) – a 0.1 per cent real increase on the 2015 budget. Indonesia approved the US\$849.3m acquisition of an Airbus Defence and Space satellite with Skynet services that will be in operation by 2019. In November 2016, Indonesia closed a deal for France to supply its VL MICA shipborne defence missile system to support the Indonesian Navy's two-ship SIGMA 10514 frigate program. In December 2016, Indonesia ordered 50 Bushmaster protected mobility vehicles from Australia and procured two UMS Skeldar UAVs, which were scheduled for delivery in 2017.

Real GDP in US\$ and defence spending as a percentage of real GDP

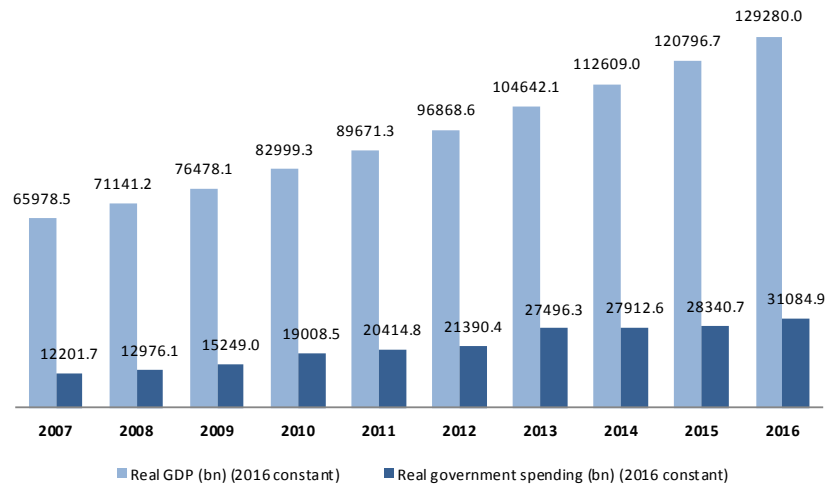


Laos	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	140.0	150.0	119.0	119.0	150.0	160.0	172.0	197.0	N/A	N/A
Spending in local currency (bn) (2016 constant)	227.8	224.2	183.2	167.8	202.8	189.9	191.7	207.7	N/A	N/A
Spending in US\$ (m) (current, in-year exchange rate)	14.6	17.2	14.0	14.4	18.7	20.0	21.9	24.5	N/A	N/A
Spending in US\$ (m) (2016 constant and exchange rate)	27.8	27.4	22.4	20.5	24.8	23.2	23.4	25.4	N/A	N/A
Real growth rate (%)	-3.5	-1.6	-18.3	-8.4	20.8	-6.3	1.0	8.3	N/A	N/A
Expenditure (% of real GDP)	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	N/A	N/A
Expenditure (% of real government spending)	1.9	1.7	1.2	0.9	1.0	0.9	0.7	0.7	N/A	N/A

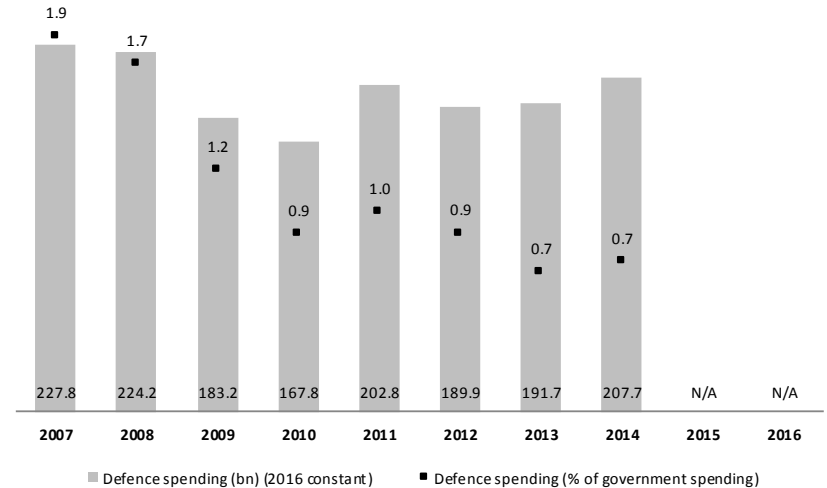
Gross domestic product (GDP)										
Real GDP in local currency (bn)	65978.5	71141.2	76478.1	82999.3	89671.3	96868.6	104642.1	112609.0	120796.7	129280.0
Real GDP in US\$ (bn)	6.9	8.1	9.0	10.0	11.2	12.1	13.3	14.0	14.8	15.8
Real growth rate (%)	7.6	7.8	7.5	8.5	8.0	8.0	8.0	7.6	7.3	7.0
Real GDP per capita in US\$	1154.7	1344.3	1459.8	1608.9	1763.2	1885.7	2049.9	2127.4	2224.7	2338.7

Government spending (bn)	12201.7	12976.1	15249.0	19008.5	20414.8	21390.4	27496.3	27912.6	28340.7	31084.9
Population (million)	5.9	6.1	6.2	6.2	6.3	6.4	6.5	6.6	6.7	6.8
Inflation (%)	4.5	7.6	0.0	6.0	7.6	4.3	6.4	4.1	1.3	1.5

Real GDP and government spending in local currency



Defence spending in local currency





Land size	236 800 km ²
Currency	Kip
Fiscal year	1 October – 30 September
Economy	Less-developed country with a centrally-planned economy
Industries	Petroleum, natural gas, mining, cement, chemical fertilisers, plywood, rubber, tourism, textiles and apparel

Country name	Laos
Capital city	Vientiane
Population	7.0 million
Active armed forces	396 000

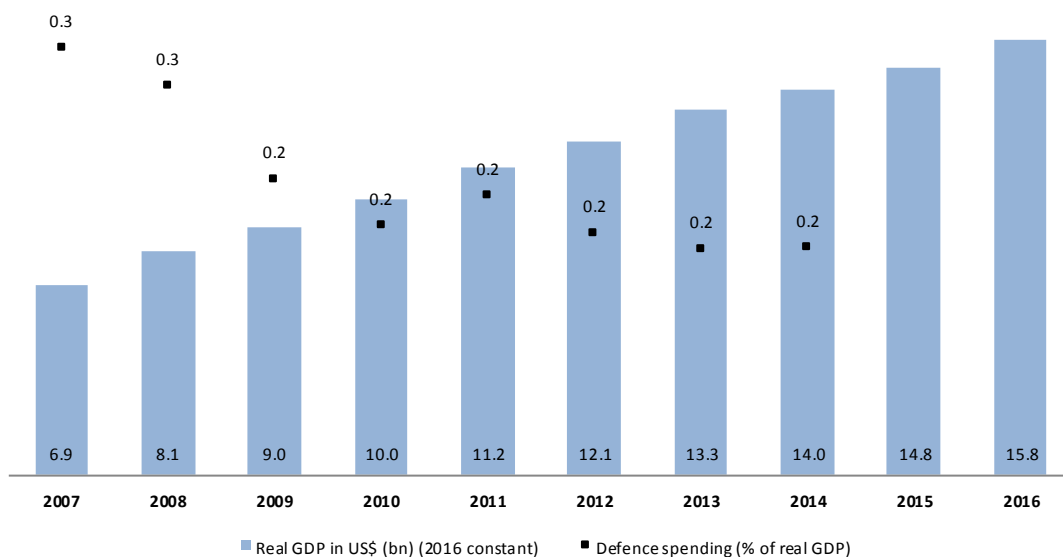
Economy

Over the past 10 years, Laos averaged 7.7 per cent annual real economic growth. In 2016, the economy grew by 7.0 per cent due to stable foreign direct investment, and revenue from energy exports and the construction sector. Developments in hydropower, engineering, communications and textiles continued to drive economic activity in Laos. Laos intends to maintain annual economic growth at 7.2 per cent to 2020, based on continued investment in the power sector, regional integration and banking reforms. But Laos's economy will also face a limited foreign-exchange reserves buffer and a slowdown in China's economy.

Defence spending

Laos did not officially announce its defence budget for 2015 or 2016. Laos' defence budget was used primarily to modernise or repair its existing force. Laos signed a contract with Russian Helicopters, part of the state-owned company Rostec, to repair the Mi-17s that Laos purchased in 1997. South Korea and Laos have agreed to establish military attachés in their respective countries to strengthen bilateral ties, according to IHS Jane's. Laos' armed forces are primarily equipped to counter low-intensity insurgencies.

Real GDP in US\$ and defence spending as a percentage of real GDP

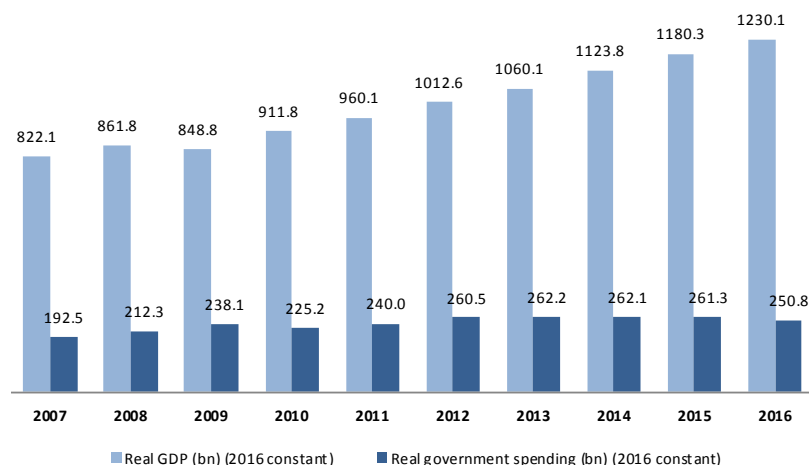


Malaysia	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	13.4	14.5	13.0	11.0	13.8	13.7	15.3	16.1	17.8	17.3
Spending in local currency (bn) (2016 constant)	16.1	15.8	15.0	12.2	14.6	14.3	15.9	16.4	18.1	17.3
Spending in US\$ (bn) (current, in-year exchange rate)	3.9	4.4	3.7	3.4	4.5	4.4	4.8	4.9	4.5	4.2
Spending in US\$ (bn) (2016 constant and exchange rate)	3.9	3.8	3.6	2.9	3.5	3.4	3.8	3.9	4.4	4.2
Real growth rate (%)	8.9	-1.8	-4.8	-18.6	19.1	-1.8	11.0	3.0	10.7	-4.4
Expenditure (% of real GDP)	2.0	1.8	1.8	1.3	1.5	1.4	1.5	1.5	1.5	1.4
Expenditure (% of real government spending)	8.3	7.4	6.3	5.4	6.1	5.5	6.1	6.2	6.9	6.9

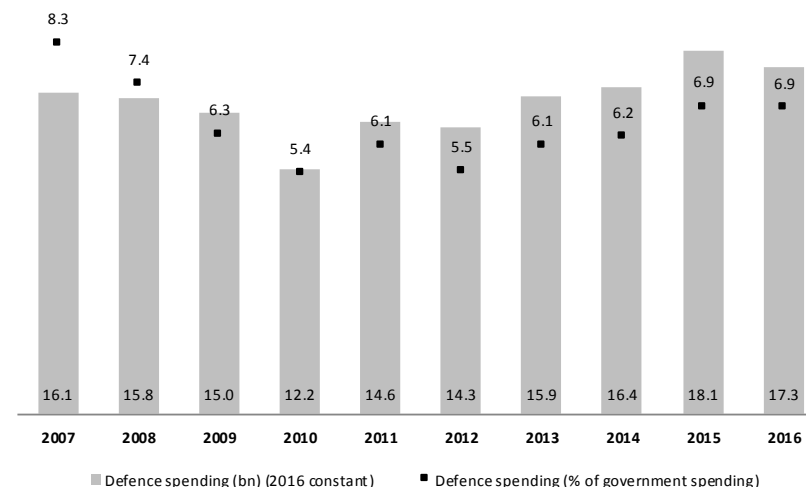
Gross domestic product (GDP)										
Real GDP in local currency (bn)	822.1	861.8	848.8	911.8	960.1	1012.6	1060.1	1123.8	1180.3	1230.1
Real GDP in US\$ (bn)	239.2	258.5	240.8	283.1	313.7	327.8	336.5	343.4	302.2	296.5
Real growth rate (%)	6.3	4.8	-1.5	7.4	5.3	5.5	4.7	6.0	5.0	4.2
Real GDP per capita in US\$	8982.2	9536.6	8723.1	10069.2	10956.2	11238.2	11325.7	11359.4	9836.9	9508.3

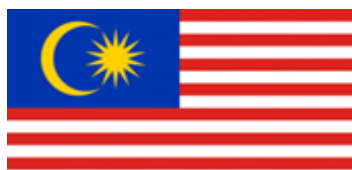
Government spending (bn)	192.5	212.3	238.1	225.2	240.0	260.5	262.2	262.1	261.3	250.8
Population (million)	26.6	27.1	27.6	28.1	28.6	29.2	29.7	30.2	30.7	31.2
Inflation (%)	2.0	5.4	0.6	1.7	3.2	1.7	2.1	3.1	2.1	2.1

Real GDP and government spending in local currency



Defence spending in local currency





Land size	329 847 km ²
Currency	Ringgit (MYR)
Fiscal year	1 January – 31 December
Economy	Less-developed country with a market economy
Industries	Rubber, palm oil, electronics, tin, timber, agriculture and oil

Country name	Malaysia
Capital city	Kuala Lumpur
Population	30.8 million
Active armed forces	109 000

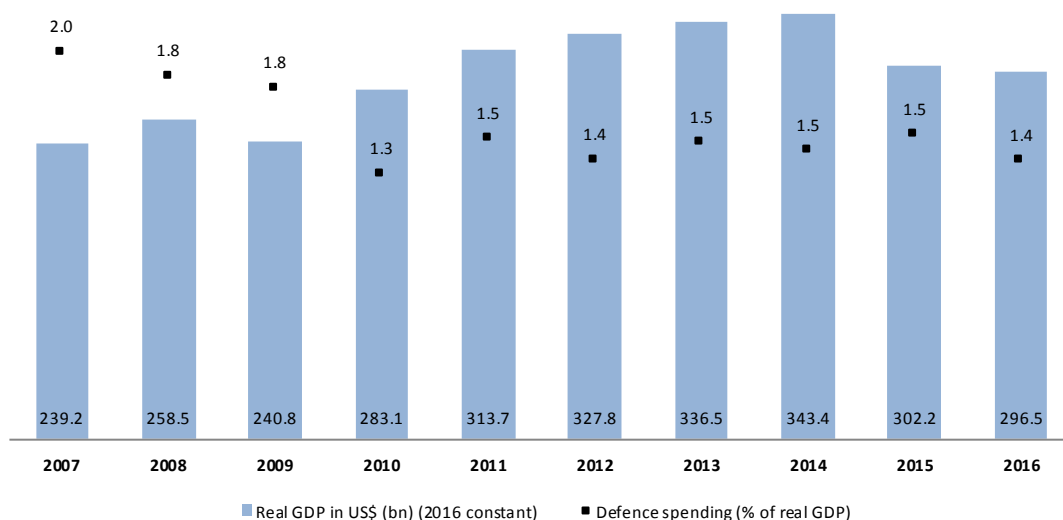
Economy

Over the past 10 years, Malaysia averaged 4.8 per cent annual real economic growth. In 2016, the economy grew by 4.2 per cent due to an acceleration in fixed investment, low commodity prices, subdued external demand and private consumption. Increased economic diversification over 2015 ensured Malaysia remained resilient to a downturn in commodity exports. A weaker ringgit drove Malaysia's export growth. Malaysia's economy is forecast to average 5.1 per cent real growth to 2021, according to the EIU. This growth will be supported by a steady expansion in the manufacturing and services sectors, as well as strong external demand for agricultural products.

Defence spending

Malaysia's 2016 defence budget was MYR17.3bn (US\$4.2bn) – a 4.2 per cent real decrease on the 2015 defence budget. In February 2016, the Malaysian Army announced an order for six MD-530G light attack helicopters from US-based company MD Helicopters. In November 2016, Malaysia signed its first major defence contract with China, agreeing to purchase four littoral mission ships with each country to build two of the four. Malaysia also formalised several agreements at the April Defence Services Asian 2016 Exhibition. The largest of these agreements was for US\$233.3m worth of Thales Starstreak high velocity ground-based air defence missile systems.

Real GDP in US\$ and defence spending as a percentage of real GDP

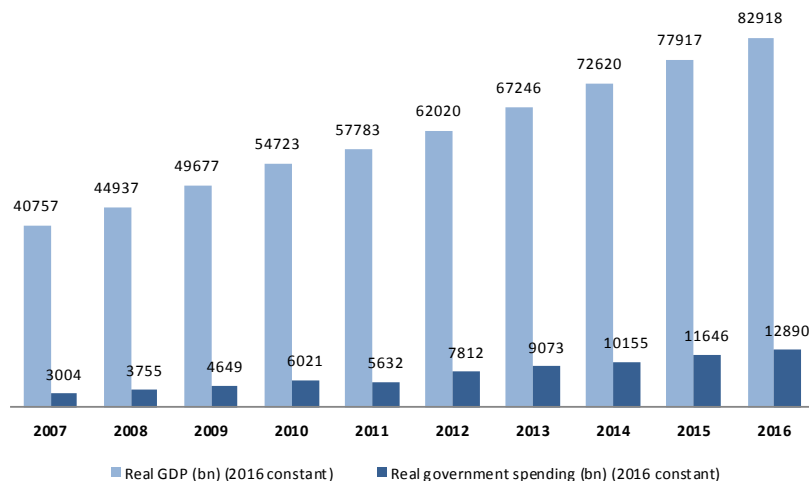


Myanmar	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	N/A	N/A	N/A	N/A	N/A	N/A	2244.8	2360.0	2750.0	2880.0
Spending in local currency (bn) (2016 constant)	N/A	N/A	N/A	N/A	N/A	N/A	2602.2	2626.1	2944.1	2880.0
Spending in US\$ (bn) (current, in-year exchange rate)	N/A	N/A	N/A	N/A	N/A	N/A	2.4	2.4	2.4	2.3
Spending in US\$ (bn) (2016 constant and exchange rate)	N/A	N/A	N/A	N/A	N/A	N/A	2.1	2.1	2.4	2.3
Real growth rate (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.9	12.1	-2.2
Expenditure (% of real GDP)	N/A	N/A	N/A	N/A	N/A	N/A	3.9	3.6	3.8	3.5
Expenditure (% of real government spending)	N/A	N/A	N/A	N/A	N/A	N/A	28.7	25.9	25.3	22.3

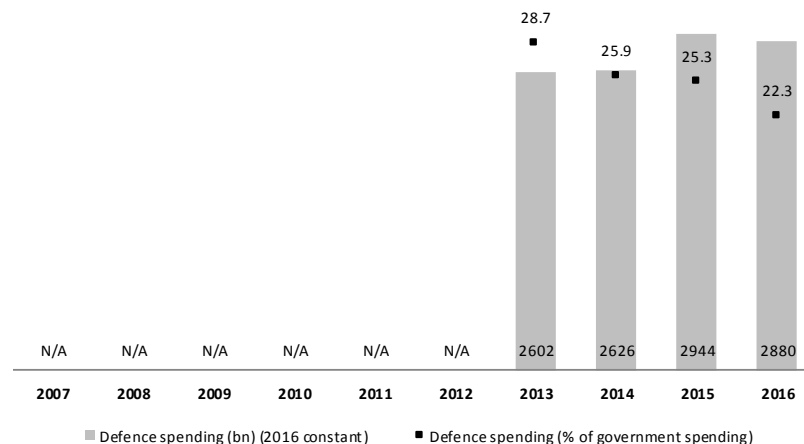
Gross domestic product (GDP)										
Real GDP in local currency (bn)	40756.8	44936.5	49677.3	54723.3	57783.2	62020.2	67246.1	72619.9	77916.8	82917.6
Real GDP in US\$ (bn)	31.6	37.9	47.1	56.4	70.9	72.8	72.0	73.8	67.0	67.1
Real growth rate (%)	12.0	10.3	10.6	10.2	5.6	7.3	8.4	8.0	7.3	6.4
Real GDP per capita in US\$	642.5	766.4	945.5	1124.8	1402.5	1427.2	1400.1	1420.8	1278.9	1269.7

Government spending (bn)	3003.7	3754.6	4649.2	6020.6	5631.9	7812.1	9073.5	10155.3	11645.8	12889.9
Population (million)	49.2	49.5	49.8	50.2	50.6	51.0	51.4	51.9	52.4	52.9
Inflation (%)	35.0	26.8	1.5	7.7	5.0	1.5	5.5	5.4	9.5	7.0

Real GDP and government spending in local currency



Defence spending in local currency





Land size	676 578 km ²
Currency	Kyat (MMK)
Fiscal year	1 April – 31 March
Economy	Less-developed country with a market economy
Industries	Timber, gems, oil, natural gas, tourism and rice

Country name	Myanmar
Capital city	Nay Pyi Taw
Population	54.4 million
Active armed forces	406 000

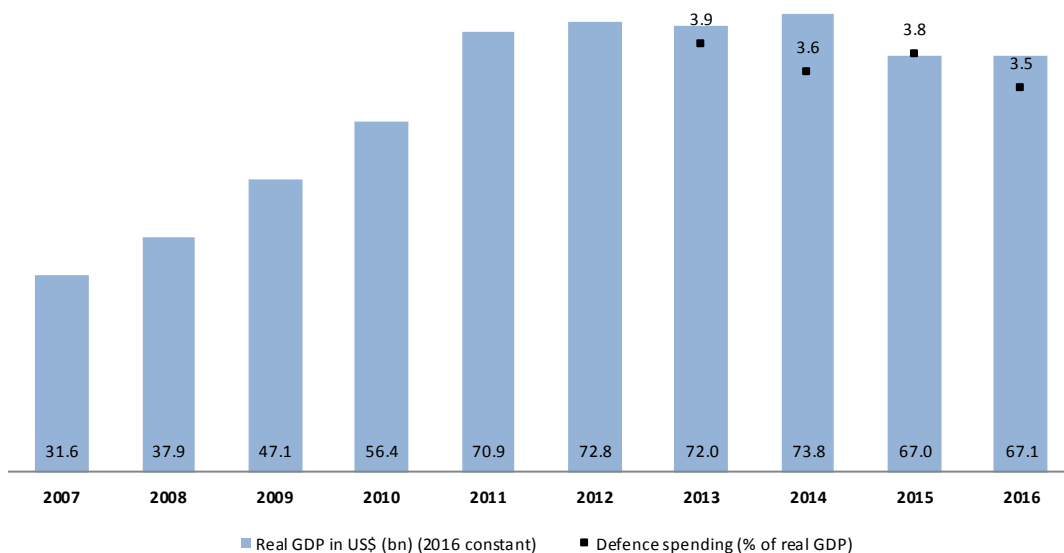
Economy

Over the past 10 years, Myanmar averaged 8.6 per cent annual real economic growth. In 2016, the economy grew by 6.4 per cent due to major infrastructure projects, new economic policies from the ruling National League for Democracy Party and the lifting of US sanctions. Growth was slightly stunted by a decrease in new investment flows during the election year, weak global demand and ongoing recovery efforts following severe flooding and landslides in 2015. Myanmar's economy is forecast to average 7.2 per cent real growth to 2021, according to the EIU, underpinned by large and primarily foreign-invested projects across infrastructure, manufacturing and energy sectors.

Defence spending

Myanmar's 2016 defence budget was MMK2800.0bn (US\$2.3bn) – a 2.2 per cent real decrease on the 2015 defence budget. Russia delivered the first of three Yak-130 trainer aircraft to Myanmar in November 2016, over a year after the contract was signed. In June 2016, Myanmar signed an military cooperation agreement with Russia, outlining cooperation across navy, military medicine and military training. Towards the end of 2016, Myanmar advanced negotiations with Pakistan to license-build 16 third-generation JF-17 Thunder fighter jets. In September 2016, the US government revoked the national emergency order and lifted the economic and financial sanctions program.

Real GDP in US\$ and defence spending as a percentage of real GDP

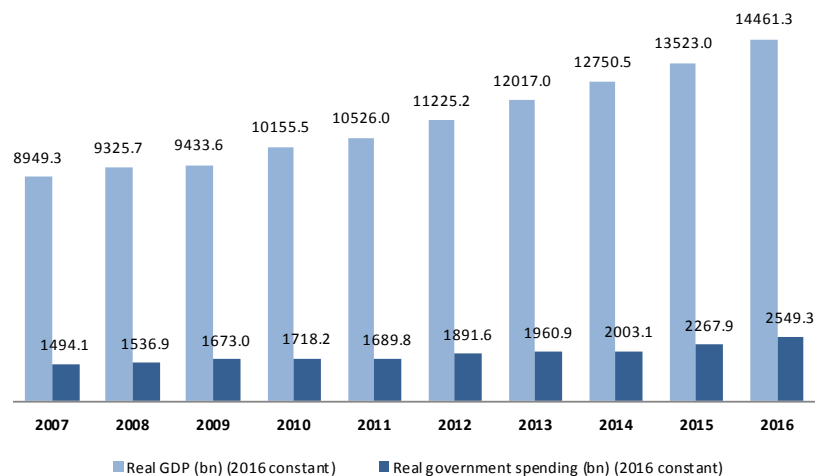


Philippines	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	54.3	56.1	61.5	62.7	104.7	107.9	121.6	123.1	144.5	175.2
Spending in local currency (bn) (2016 constant)	70.7	67.8	72.4	70.8	113.6	114.8	126.8	124.4	146.9	175.2
Spending in US\$ (bn) (current, in-year exchange rate)	1.2	1.3	1.3	1.4	2.4	2.6	2.9	2.8	3.2	3.7
Spending in US\$ (bn) (2016 constant and exchange rate)	1.5	1.4	1.5	1.5	2.4	2.4	2.7	2.6	3.1	3.7
Real growth rate (%)	-2.9	-4.0	6.7	-2.2	60.5	1.1	10.5	-1.9	18.1	19.2
Expenditure (% of real GDP)	0.8	0.7	0.8	0.7	1.1	1.0	1.1	1.0	1.1	1.2
Expenditure (% of real government spending)	4.7	4.4	4.3	4.1	6.7	6.1	6.5	6.2	6.5	6.9

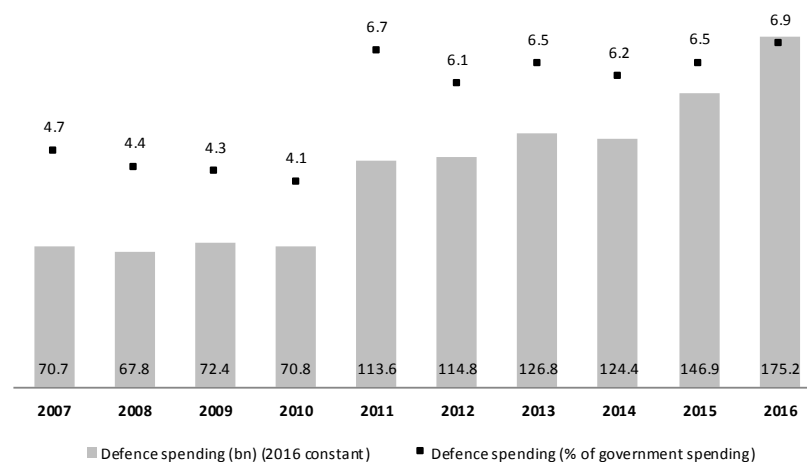
Gross domestic product (GDP)										
Real GDP in local currency (bn)	8949.3	9325.7	9433.6	10155.5	10526.0	11225.2	12017.0	12750.5	13523.0	14461.3
Real GDP in US\$ (bn)	193.9	210.4	197.9	225.1	243.0	265.8	283.1	287.2	297.2	304.5
Real growth rate (%)	6.6	4.2	1.2	7.7	3.6	6.6	7.1	6.1	6.1	6.9
Real GDP per capita in US\$	2171.8	2318.4	2145.4	2402.0	2550.6	2744.2	2874.8	2869.1	2921.8	2947.1

Government spending (bn)	1494.1	1536.9	1673.0	1718.2	1689.8	1891.6	1960.9	2003.1	2267.9	2549.3
Population (million)	89.3	90.8	92.2	93.7	95.3	96.9	98.5	100.1	101.7	103.3
Inflation (%)	3.0	8.2	4.2	3.8	4.7	3.2	2.9	4.2	1.4	1.8

Real GDP and government spending in local currency



Defence spending in local currency





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

Country name	Philippines
Capital city	Manila
Population	102.3 million
Active armed forces	125 000

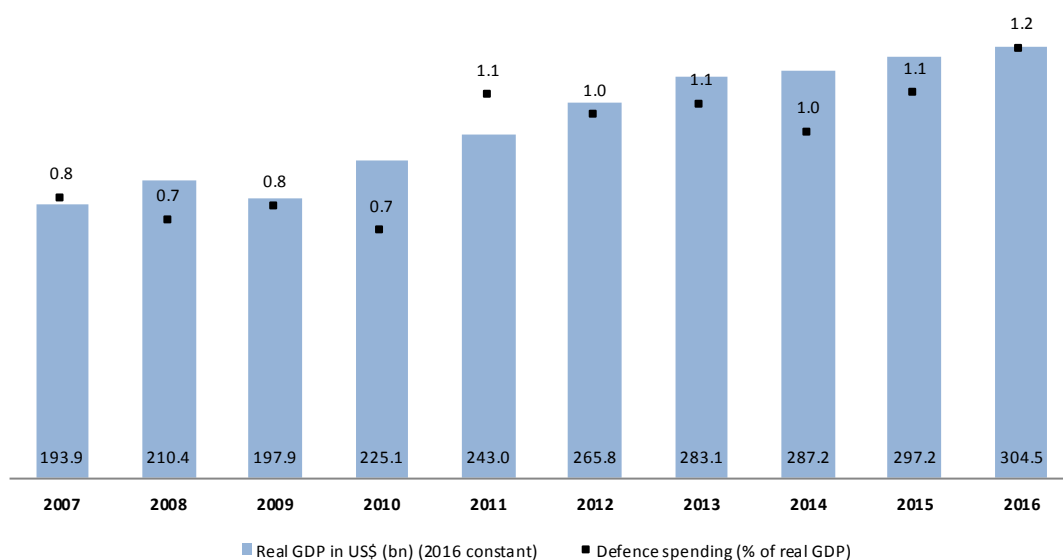
Economy

Over the past 10 years, the Philippines averaged 5.6 per cent annual real economic growth. In 2016, the economy grew by 6.9 per cent due to strong performance from the services and industry sectors. Private consumption and high levels of public spending also fuelled growth, which led to a positive adjustment on sovereign investment ratings. Growth was slightly inhibited by a decrease in net exports due to a challenging global environment. The agriculture sector reduced output due to the effects of the El Nino weather system. The Philippine economy is forecast to average 6.2 per cent real growth to 2021, according to the EIU, due to household spending and export growth.

Defence spending

The Philippines' 2016 defence budget was 175.2bn Pesos (US\$3.7bn) – a 19.2 per cent real increase on the 2015 defence budget. The US approved the foreign military sale of two AN/SPS-77 Sea Giraffe 3-D air search radars, which are estimated to cost a total of US\$25m. The Philippines also entered into an arrangement worth US\$311m to procure two light frigates from South Korea. Following the announcement of closer ties with China, the Philippines accepted a Chinese government military aid deal for provision of arms and small vessels worth US\$14m. China has also promised an additional US\$500m in a soft loan that is payable before 2025 for the purchase of weapons and equipment.

Real GDP in US\$ and defence spending as a percentage of real GDP

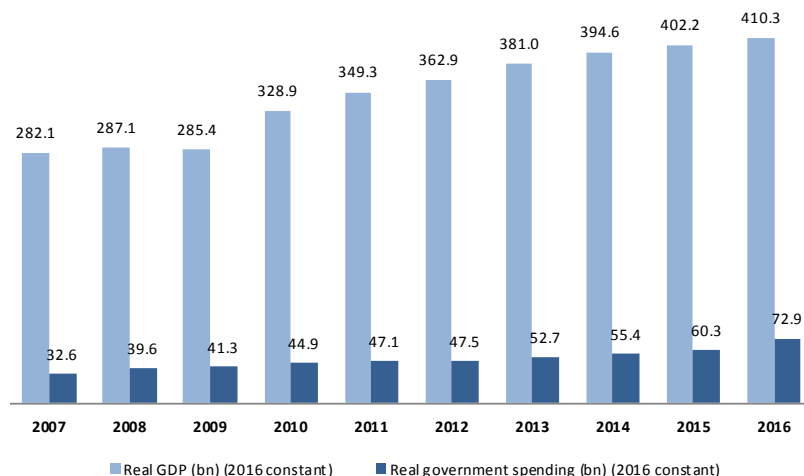


Singapore	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	10.6	10.8	11.4	11.5	12.1	12.8	12.3	12.6	13.1	14.0
Spending in local currency (bn) (2016 constant)	11.0	11.4	11.7	11.7	12.2	12.8	12.4	12.7	12.9	14.0
Spending in US\$ (bn) (current, in-year exchange rate)	7.0	7.6	7.9	8.4	9.6	10.2	9.9	9.9	9.5	10.1
Spending in US\$ (bn) (2016 constant and exchange rate)	8.0	8.3	8.4	8.5	8.8	9.3	9.0	9.2	9.4	10.1
Real growth rate (%)	-0.5	3.7	2.4	0.1	4.1	5.4	-3.2	2.3	1.8	8.0
Expenditure (% of real GDP)	3.9	4.0	4.1	3.6	3.5	3.5	3.3	3.2	3.2	3.4
Expenditure (% of real government spending)	33.8	28.8	28.3	26.0	25.8	27.0	23.6	22.9	21.5	19.2

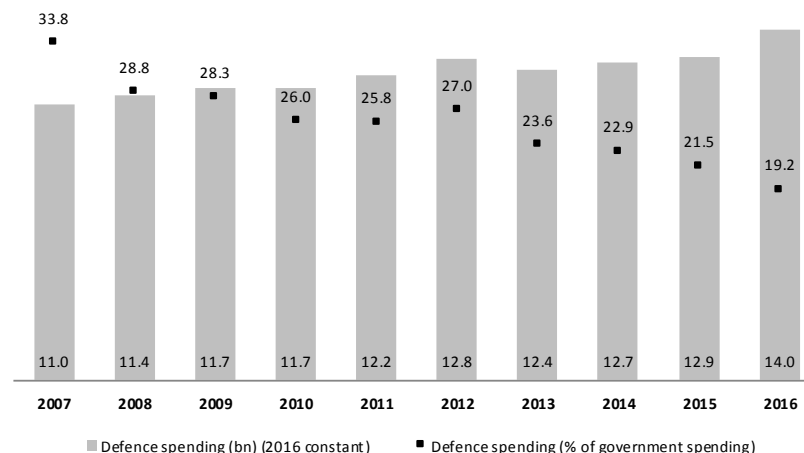
Gross domestic product (GDP)										
Real GDP in local currency (bn)	282.1	287.1	285.4	328.9	349.3	362.9	381.0	394.6	402.2	410.3
Real GDP in US\$ (bn)	187.2	202.9	196.2	241.2	277.7	290.4	304.5	311.4	292.6	297.0
Real growth rate (%)	9.1	1.8	-0.6	15.2	6.2	3.9	5.0	3.6	1.9	2.0
Real GDP per capita in US\$	40786.8	41932.9	39336.9	47509.0	53571.8	54657.3	56394.9	56939.9	52859.4	52960.7

Government spending (bn)	32.6	39.6	41.3	44.9	47.1	47.5	52.7	55.4	60.3	72.9
Population (million)	4.6	4.8	5.0	5.1	5.2	5.3	5.4	5.5	5.5	5.6
Inflation (%)	2.1	6.6	0.6	2.8	5.2	4.6	2.4	1.0	-0.5	-0.5

Real GDP and government spending in local currency



Defence spending in local currency





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

Country name	Singapore
Capital city	Singapore
Population	5.6 million
Active armed forces	73 000

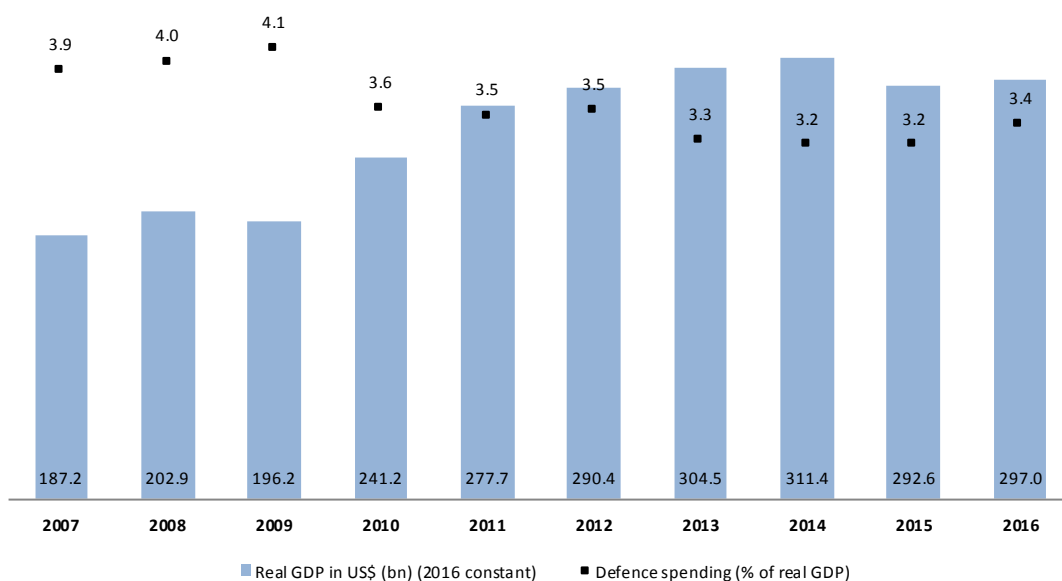
Economy

Over the past 10 years, Singapore averaged 4.7 per cent annual real economic growth. In 2016, the economy grew by 2.0 per cent due to the sluggish performance of the manufacturing and services sectors. The export-dependent country was further hampered by weak global demand, particularly from China. Singapore's economy is forecast to average 2.5 per cent real growth by 2021, according to the EIU, based on a slight increase in global demand but hampered by reduced consumption spending and a slowdown in the Chinese economy that will reduce exports.

Defence spending

Singapore's 2016 defence budget was S\$14.0bn (US\$10.1bn) – a 8.0 per cent real increase on the 2015 defence budget. In November 2016, the Singaporean Defence Ministry announced the acquisition of the indigenously produced Belrex protected combat support vehicle to replace the unarmoured MB290 utility vehicle, the procurement of 16 EC725 Super Cougar transport helicopters from France and of a further 10 CH-47F Chinook transport helicopters from the US. Singapore also successfully tested the aerostat system, which the Singapore armed forces intend to deploy to improve the detection of air and maritime threats.

Real GDP in US\$ and defence spending as a percentage of real GDP

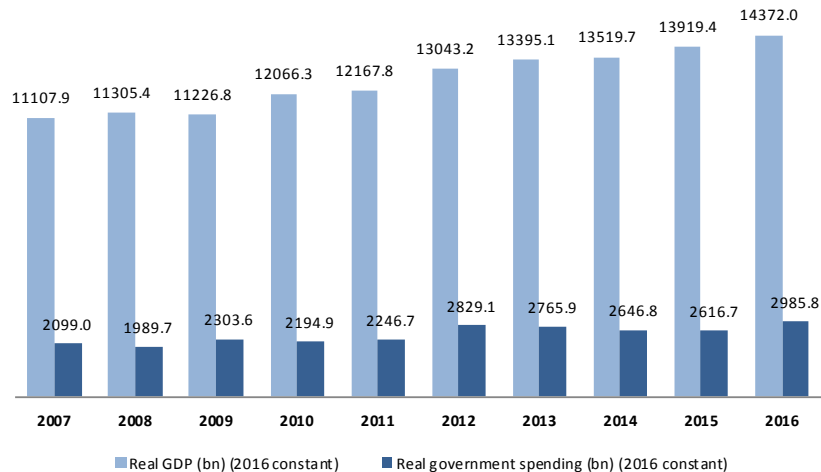


Thailand	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	115.0	143.5	170.2	154.0	168.5	168.7	180.5	183.8	192.9	206.5
Spending in local currency (bn) (2016 constant)	140.7	167.0	197.6	172.0	181.4	178.1	187.3	188.3	196.4	206.5
Spending in US\$ (bn) (current, in-year exchange rate)	3.3	4.3	5.0	4.9	5.5	5.4	5.9	5.7	5.6	5.8
Spending in US\$ (bn) (2016 constant and exchange rate)	4.0	4.7	5.6	4.9	5.1	5.0	5.3	5.3	5.6	5.8
Real growth rate (%)	30.6	18.7	18.3	-13.0	5.5	-1.8	5.1	0.5	4.3	5.1
Expenditure (% of real GDP)	1.3	1.5	1.8	1.4	1.5	1.4	1.4	1.4	1.4	1.4
Expenditure (% of real government spending)	6.7	8.4	8.6	7.8	8.1	6.3	6.8	7.1	7.5	6.9

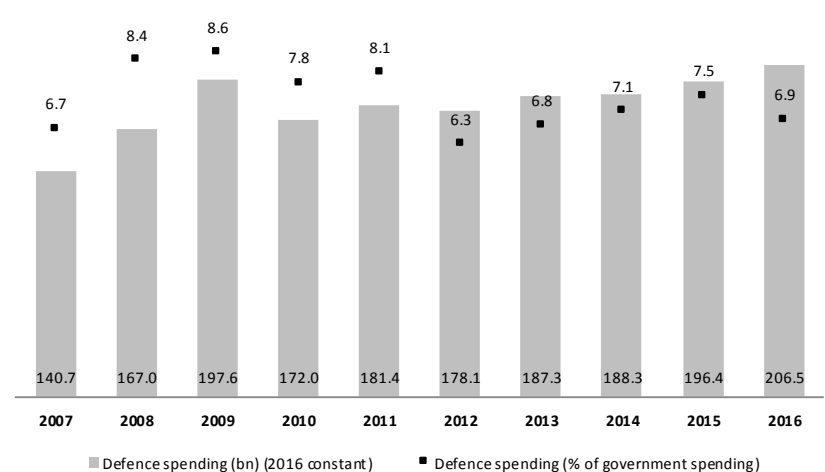
Gross domestic product (GDP)										
Real GDP in local currency (bn)	11107.9	11305.4	11226.8	12066.3	12167.8	13043.2	13395.1	13519.7	13919.4	14372.0
Real GDP in US\$ (bn)	321.8	339.4	327.4	380.8	399.1	419.6	436.0	416.2	406.4	407.2
Real growth rate (%)	5.5	1.8	-0.7	7.5	0.8	7.2	2.7	0.9	3.0	3.3
Real GDP per capita in US\$	4861.3	5099.7	4895.9	5666.1	5909.3	6185.1	6397.6	6084.0	5919.7	5912.8

Government spending (bn)	2099.0	1989.7	2303.6	2194.9	2246.7	2829.1	2765.9	2646.8	2616.7	2985.8
Population (million)	66.2	66.5	66.9	67.2	67.5	67.8	68.1	68.4	68.7	68.9
Inflation (%)	2.2	5.5	-0.8	3.3	3.8	3.0	2.2	1.9	-0.9	0.2

Real GDP and government spending in local currency



Defence spending in local currency





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

Country name	Thailand
Capital city	Bangkok
Population	68.1 million
Active armed forces	361 000

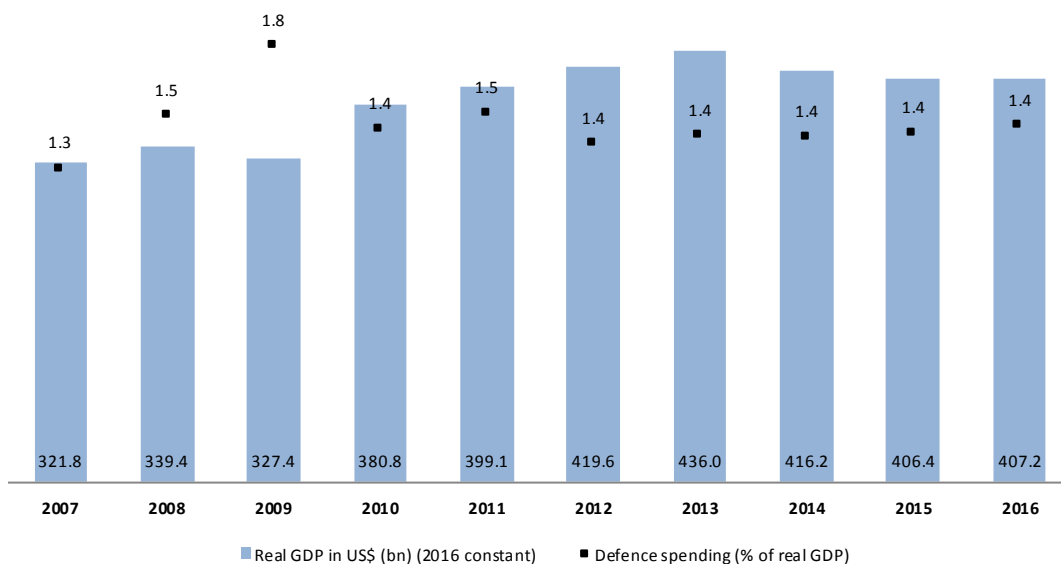
Economy

Over the past 10 years, Thailand averaged 3.2 per cent annual real economic growth. In 2016, the economy grew by 3.3 per cent due to strong growth in tourism and recovering private consumption and public spending. This growth followed 15 months of declining consumer prices and a slowdown in China's growth. Thailand's economy is forecast to average 3.0 per cent real growth to 2021, according to the EIU. This growth is due to stable growth in the agriculture and tourism sectors but will be constrained by China's slowdown, which will reduce exports.

Defence spending

Thailand's 2016 defence budget was 206.5bn Baht (US\$5.8bn) – a 5.1 per cent real increase on the 2015 defence budget. In April 2016, Thailand signed an agreement to purchase its first batch of 28 Chinese VT4 main battle tanks, which have a possible delivery date of March 2018. In July 2016, Thailand approved the purchase of three Chinese-made S26T submarines worth US\$1bn with the sale to occur in 2017. Thailand also procured two French EC725 Super Cougar transport helicopters for delivery in 2019, two Saab 340 airborne early warning and control aircraft from Sweden and an undisclosed number of Mk-54 MAKO anti-submarine warfare torpedoes from the US.

Real GDP in US\$ and defence spending as a percentage of real GDP

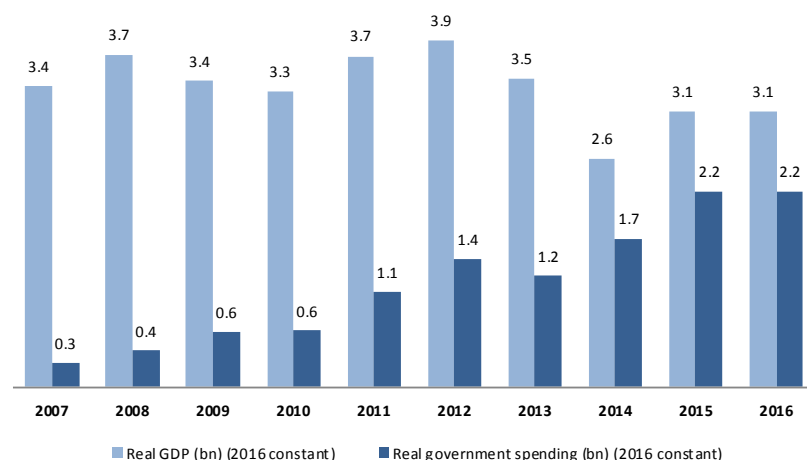


Timor-Leste	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (m) (current)	18.4	23.7	46.6	23.2	28.4	37.7	32.9	31.1	33.4	27.2
Spending in local currency (m) (2016 constant)	21.4	19.9	48.3	19.4	18.6	22.0	20.2	19.8	33.4	27.2
Spending in US\$ (m) (current, in-year exchange rate)	18.4	23.7	46.6	23.2	28.4	37.7	32.9	31.1	33.4	27.2
Spending in US\$ (m) (2016 constant and exchange rate)	21.4	19.9	48.3	19.4	18.6	22.0	20.2	19.8	33.4	27.2
Real growth rate (%)	-30.3	-7.2	142.6	-59.9	-3.9	18.4	-8.3	-2.2	69.0	-18.6
Expenditure (% of real GDP)	0.6	0.5	1.4	0.6	0.5	0.6	0.6	0.8	1.1	0.9
Expenditure (% of real government spending)	7.8	4.9	7.7	3.1	1.7	1.5	1.6	1.2	1.5	1.2

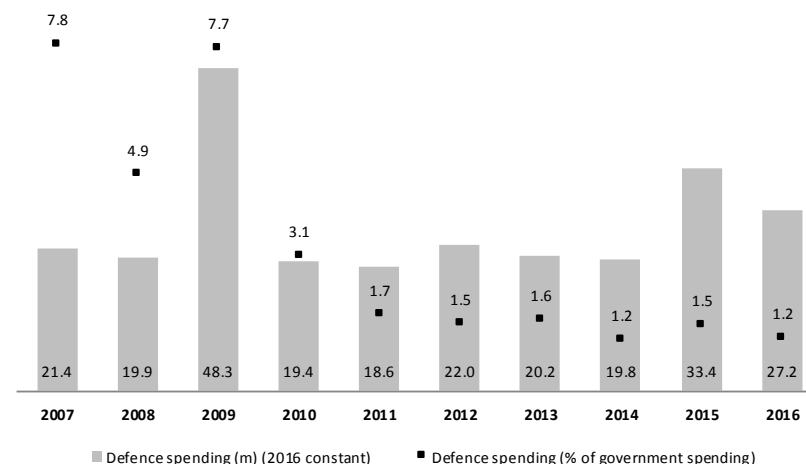
Gross domestic product (GDP)										
Real GDP in local currency (bn)	3.4	3.7	3.4	3.3	3.7	3.9	3.5	2.6	3.1	3.1
Real GDP in US\$ (bn)	3.4	3.7	3.4	3.3	3.7	3.9	3.5	2.6	3.1	3.1
Real growth rate (%)	3.9	10.4	-7.8	-3.3	11.9	4.8	-11.0	-26.1	20.9	-0.1
Real GDP per capita in US\$	3172.8	3460.1	3148.4	2993.7	3285.3	3368.2	2930.7	2115.4	2499.6	2442.9

Government spending (bn)	0.3	0.4	0.6	0.6	1.1	1.4	1.2	1.7	2.2	2.2
Population (million)	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3
Inflation (%)	10.3	9.1	0.6	6.8	13.5	11.8	11.2	0.4	0.6	-1.2

Real GDP and government spending in local currency



Defence spending in local currency





Land size	14 874 km ²
Currency	US\$
Fiscal year	1 January – 31 December
Economy	Less-developed country with a market economy
Industries	Oil, coffee, fishing, cottage industries, rice and subsistence farming

Country name	Timor-Leste
Capital city	Dili
Population	1.3 million
Active armed forces	1 000

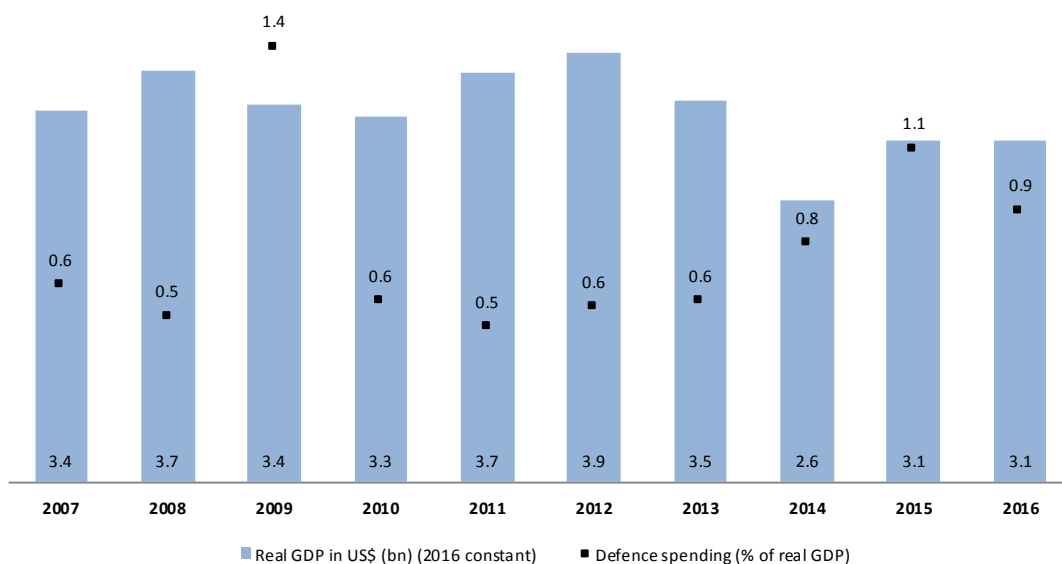
Economy

Over the past 10 years, Timor-Leste averaged –0.5 per cent annual real economic growth. In 2016, the economy contracted by 0.1 per cent due mostly to the fall in oil and gas outputs. The economy was supported by sustained income from petroleum, as well as dividends from investment infrastructure beginning to show results and an increase in capital investment. Timor-Leste's economic growth will remain volatile, remaining largely dependent on government expenditure and oil production.

Defence spending

Timor-Leste's 2016 defence budget was US\$27.2m – an 18.6 per cent real decrease on the 2015 defence budget. In 2016, Timor-Leste increased its engagement with Indonesia and China, and participated in the US Navy led Pacific Partnership series of exercise. No major acquisitions or Defence spending activities were announced.

Real GDP in US\$ and defence spending as a percentage of real GDP

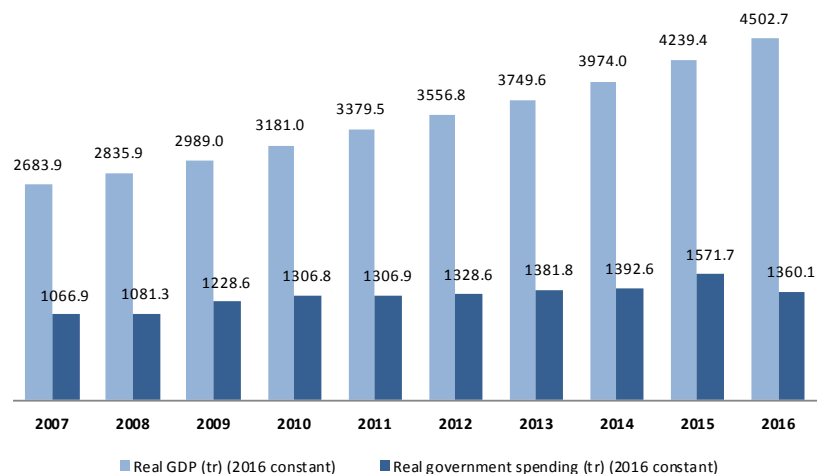


Vietnam	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (tr) (current)	60.0	47.3	50.0	44.4	55.1	70.0	82.7	91.0	99.0	110.0
Spending in local currency (tr) (2016 constant)	129.2	83.0	82.6	65.5	67.0	76.7	86.5	91.8	100.1	110.0
Spending in US\$ (bn) (current, in-year exchange rate)	3.7	2.9	2.8	2.3	2.7	3.4	3.9	4.3	4.5	4.9
Spending in US\$ (bn) (2016 constant and exchange rate)	5.8	3.7	3.7	2.9	3.0	3.4	3.9	4.1	4.5	4.9
Real growth rate (%)	-0.5	-35.7	-0.5	-20.8	2.3	14.5	12.8	6.1	9.0	9.9
Expenditure (% of real GDP)	4.8	2.9	2.8	2.1	2.0	2.2	2.3	2.3	2.4	2.4
Expenditure (% of real government spending)	12.1	7.7	6.7	5.0	5.1	5.8	6.3	6.6	6.4	8.1

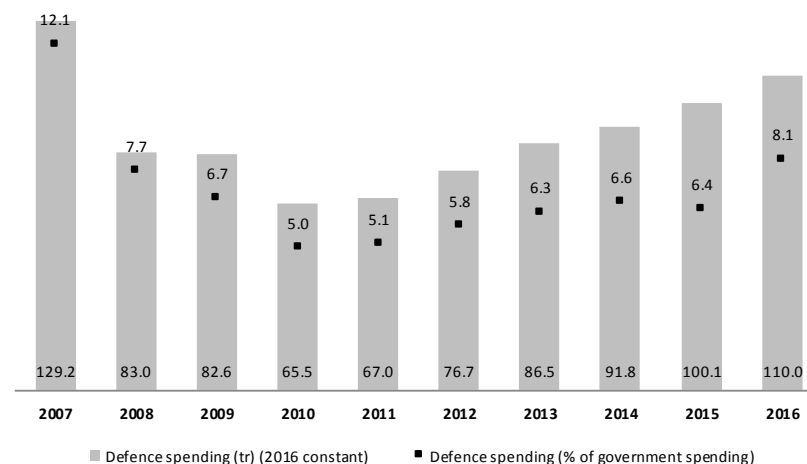
Gross domestic product (GDP)										
Real GDP in local currency (tr)	2683.9	2835.9	2989.0	3181.0	3379.5	3556.8	3749.6	3974.0	4239.4	4502.7
Real GDP in US\$ (bn)	166.9	172.5	167.9	166.3	163.7	170.5	178.4	187.5	193.5	201.4
Real growth rate (%)	7.1	5.7	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.2
Real GDP per capita in US\$	1943.6	1989.4	1917.7	1879.4	1829.9	1885.2	1949.9	2026.6	2068.0	2129.9

Government spending (tr)	1066.9	1081.3	1228.6	1306.8	1306.9	1328.6	1381.8	1392.6	1571.7	1360.1
Population (million)	85.9	86.7	87.6	88.5	89.4	90.5	91.5	92.5	93.6	94.6
Inflation (%)	8.3	23.1	6.7	9.2	18.7	9.1	6.6	4.1	0.6	2.7

Real GDP and government spending in local currency



Defence spending in local currency





Country name Vietnam
Capital city Hanoi
Population 94.4 million
Active armed forces 482 000

Land size 331 210 km²
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

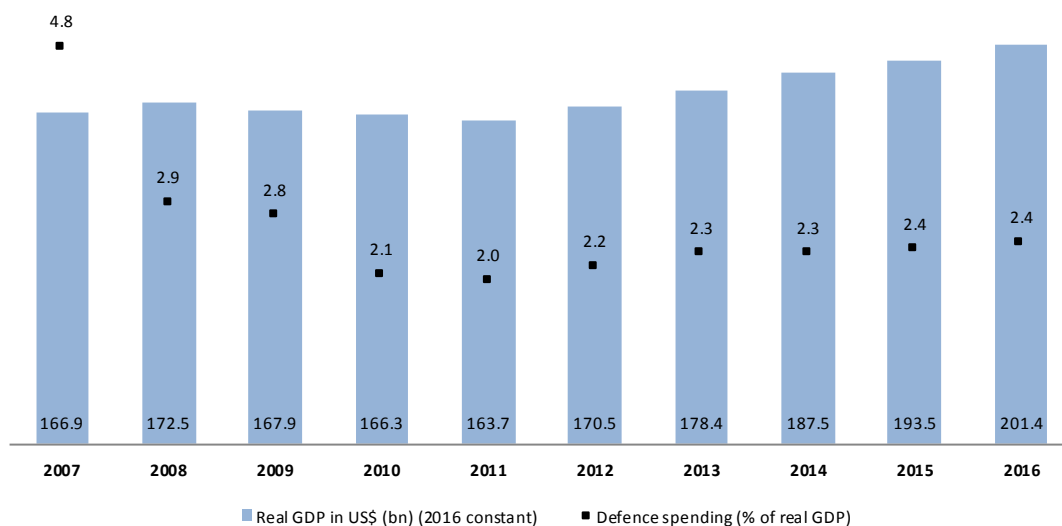
Economy

Over the past 10 years, Vietnam averaged 6.0 per cent annual real economic growth. In 2016, the economy grew by 6.2 per cent due to looser monetary policy, foreign investment and strong exports. Growth was slightly stunted due to a slowdown in the agricultural and industrial sectors, following a severe drought that impaired rice and coffee exports. Excepting any major natural disasters, the recovering agricultural sector will provide more support to economic growth. Vietnam's economy is forecast to average 6.3 per cent real growth to 2021, according to the EIU, based on increases in foreign direct investment and export-orientated manufacturing.

Defence spending

Vietnam's 2016 defence budget was 110.0tr Dong (US\$4.9bn) – a 9.9 per cent real increase on the 2015 defence budget. In June 2016, Vietnam was in preliminary discussions with Lockheed Martin over the purchase of four to six P-3 and S-3 maritime surveillance planes. In September 2016, India and Vietnam signed several agreements to enhance bilateral defence cooperation including on the training of Vietnamese pilots in operating Su-30MK2 multi-role combat aircraft and a contract for the purchase of four offshore high-speed patrol boats. In 2016, Vietnam also began to develop its own missile, the KCT-15 anti-ship cruise missile, based on the Russian Zvezda-Strela 3M24 Uran.

Real GDP in US\$ and defence spending as a percentage of real GDP

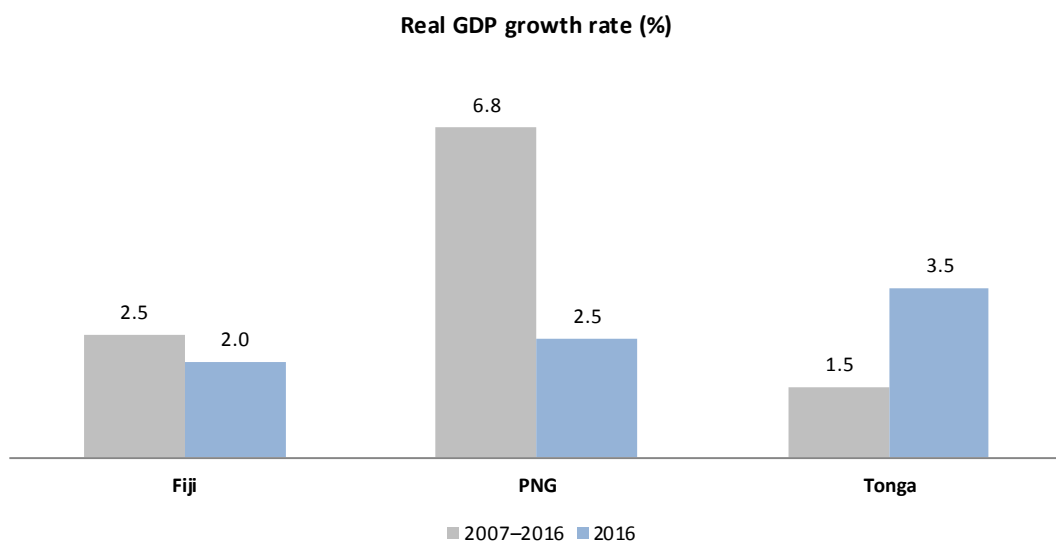
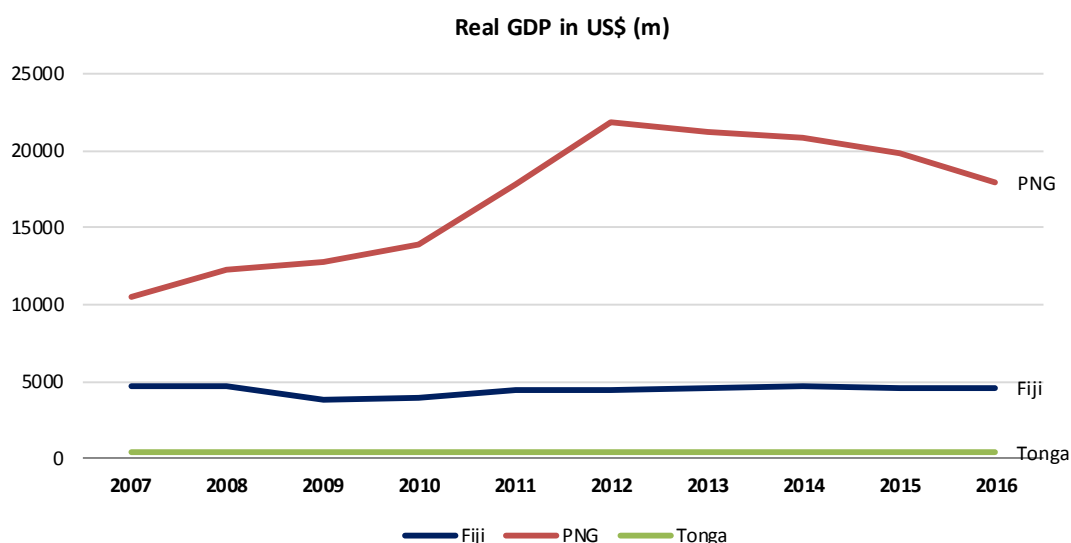


Regional economy

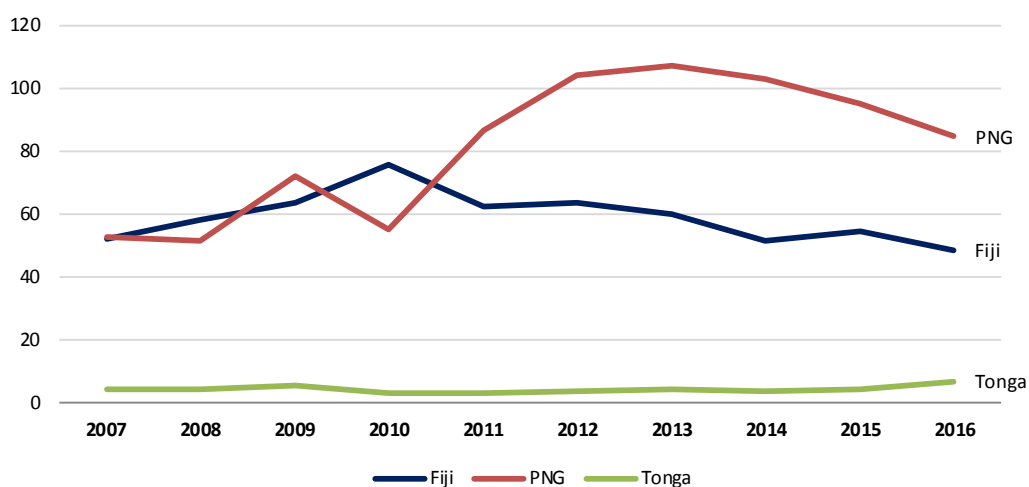
The South Pacific is characterised by small, narrow-based economies that rely on remittances, tourism and commodity exports. Countries in the region remain vulnerable to exogenous shocks including natural disasters and fluctuations in commodity prices. Fiji and PNG experienced constrained growth due to natural disasters that occurred in 2015–2016. Out to 2021, sustained development in the South Pacific will depend on countries' resilience in recovering from natural disasters, improved access to trade, and investment in sustainable industries.

Defence spending

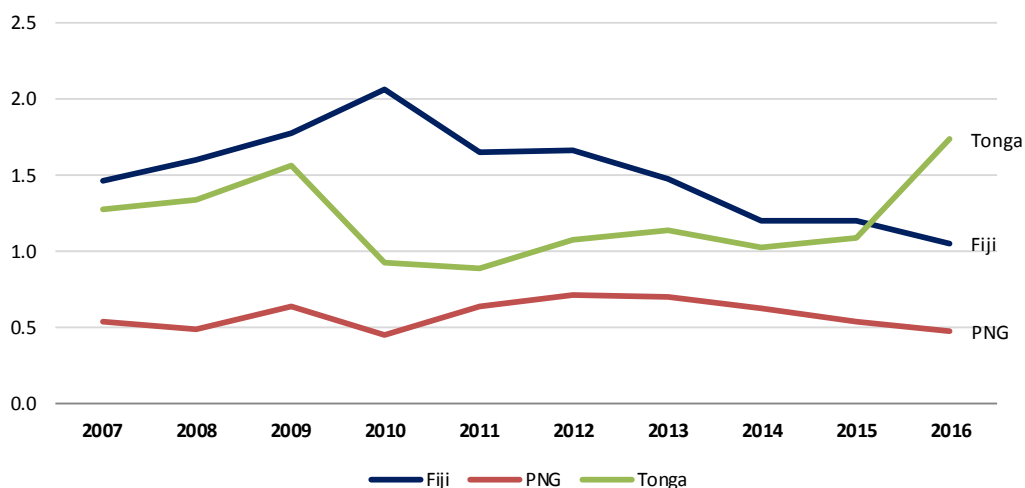
South Pacific countries prioritise their spending towards welfare and infrastructure development, and place a lower priority on defence spending. In 2016, Tonga experienced real growth in its defence spending, whereas Fiji and PNG reduced their defence spending in real dollars and as a proportion of GDP. The South Pacific region remained dependent on foreign military aid for overall improvements in, and acquisitions for, defence forces – particularly from Australia and New Zealand, as well as from the US, China and Russia. South Pacific defence forces continued to provide internal and regional support to disaster relief operations.



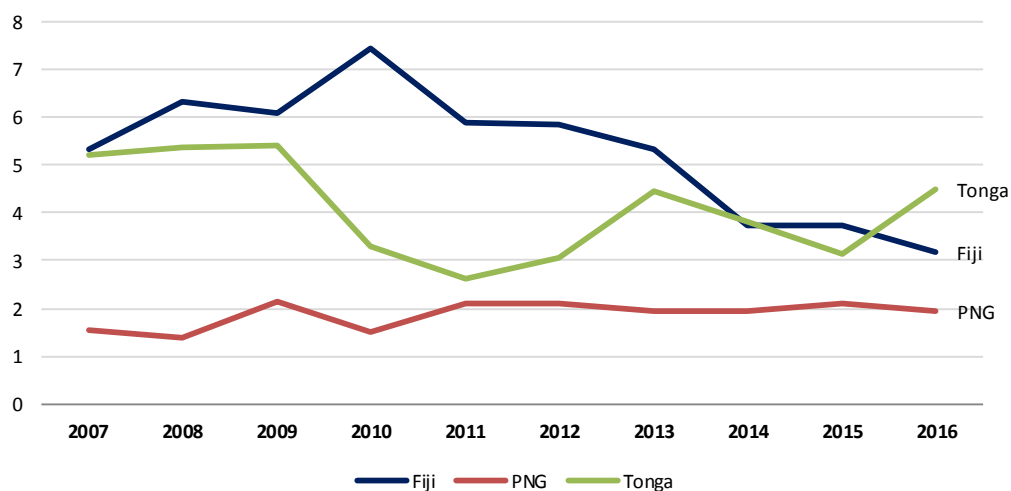
Defence spending in US\$ (m) (2016 constant and exchange rate)



Defence spending as percentage of real GDP



Defence spending as percentage of government spending

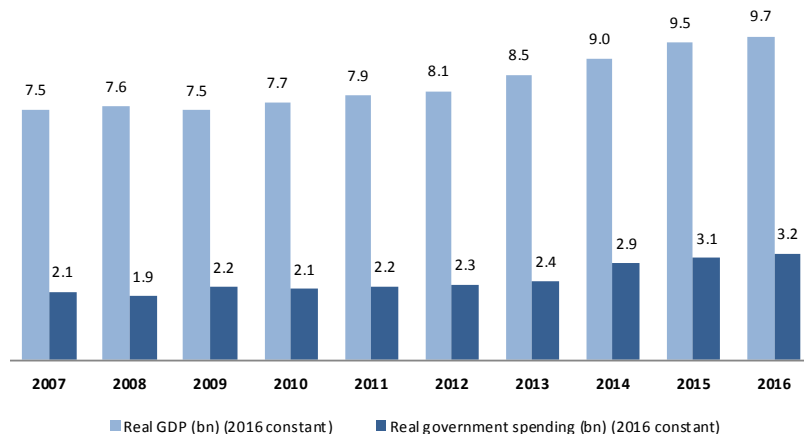


Fiji	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (m) (current)	80.0	90.0	100.0	124.0	112.0	117.9	113.4	101.5	110.8	102.2
Spending in local currency (m) (2016 constant)	109.5	121.6	133.2	158.5	130.8	133.6	125.6	108.4	114.4	102.2
Spending in US\$ (m) (current, in-year exchange rate)	49.7	56.5	51.1	64.6	62.4	65.9	61.6	53.8	52.8	48.8
Spending in US\$ (m) (2016 constant and exchange rate)	52.3	58.0	63.6	75.7	62.5	63.8	60.0	51.8	54.6	48.8
Real growth rate (%)	5.0	11.0	9.6	19.0	-17.5	2.1	-6.0	-13.7	5.6	-10.7
Expenditure (% of real GDP)	1.5	1.6	1.8	2.1	1.7	1.7	1.5	1.2	1.2	1.1
Expenditure (% of real government spending)	5.3	6.3	6.1	7.4	5.9	5.9	5.3	3.7	3.7	3.2

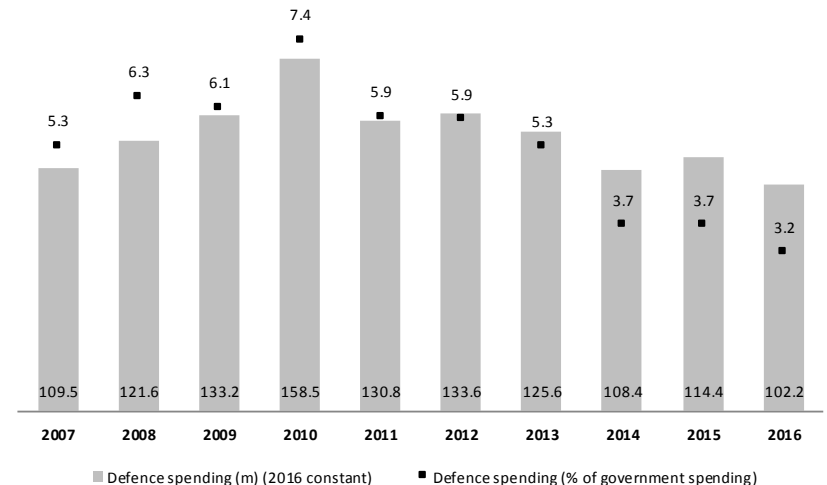
Gross domestic product (GDP)										
Real GDP in local currency (bn)	7.5	7.6	7.5	7.7	7.9	8.1	8.5	9.0	9.5	9.7
Real GDP in US\$ (bn)	4.7	4.8	3.8	4.0	4.4	4.5	4.6	4.8	4.5	4.6
Real growth rate (%)	-0.8	1.0	-1.4	3.0	2.7	1.9	6.1	5.5	5.6	2.0
Real GDP per capita in US\$	5617.2	5665.7	4499.4	4667.6	5069.2	5174.6	5274.9	5366.2	5096.7	5146.4

Government spending (bn)	2.1	1.9	2.2	2.1	2.2	2.3	2.4	2.9	3.1	3.2
Population (million)	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Inflation (%)	4.8	7.7	3.2	3.7	7.3	3.4	2.9	0.5	1.4	3.9

Real GDP and government spending in local currency



Defence spending in local currency





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

Country name	Fiji
Capital city	Suva
Population	890 000
Active armed forces	4 000

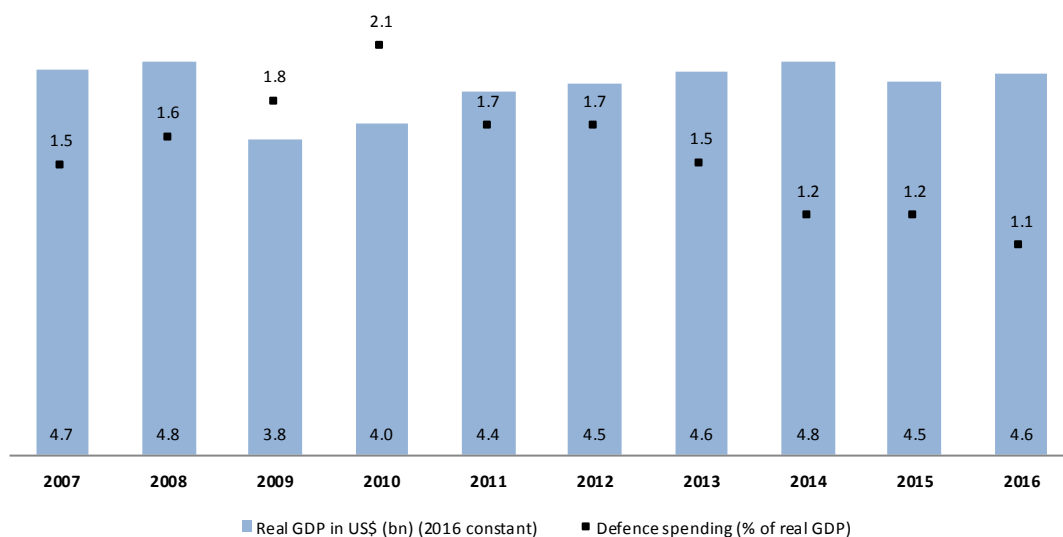
Economy

Over the past 10 years, Fiji averaged 2.5 per cent annual real economic growth. In 2016, the economy grew by only 2.0 per cent due to poor performance in the agricultural sector, particularly the sugar sector. But growth continued due to tourism, remittance inflows, consumption and government investment in infrastructure projects. Fiji's economy will continue to grow in 2017–2018 based on the stable increase in tourism and cyclone recovery-related spending and construction. However, Fiji will continue to suffer from the lasting impact of natural disasters on physical capital assets and the agriculture sector.

Defence spending

Fiji's 2016 defence budget was FJ\$102.2m (US\$48.8m) – a 10.7 per cent real decrease on the 2015 defence budget. In addition to its ongoing UN deployments to the Sinai, Iraq, Lebanon and Sudan, Fiji deployed 301 soldiers to Syria in 2016 as part of the UN Disengagement Observer Force Mission. In January, a consignment of small arms and two mobile workshops from Russia arrived in Suva, according to local media reports. Due to the humanitarian disaster caused by Tropical Cyclone Winston in Fiji in 2016, Fiji's defence forces were engaged in multilateral disaster relief operations with Australia, New Zealand, France and Indonesia.

Real GDP in US\$ and defence spending as a percentage of real GDP

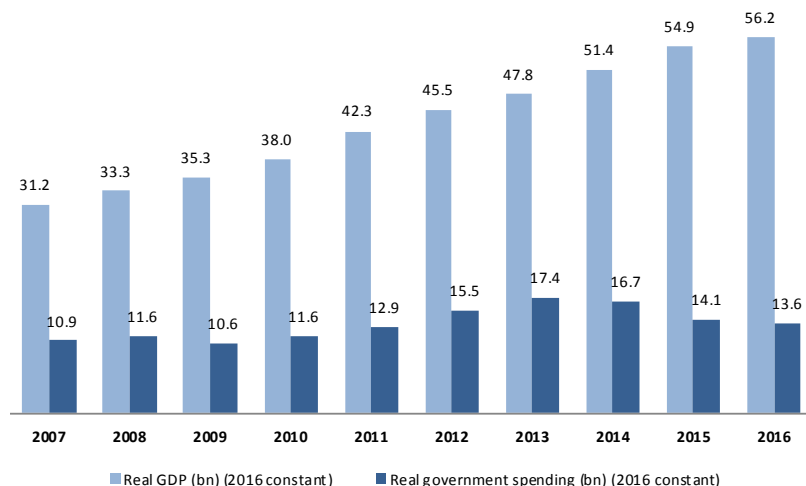


PNG	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (m) (current)	100.2	105.3	143.3	120.3	196.7	230.1	242.0	280.0	285.2	265.5
Spending in local currency (m) (2016 constant)	166.3	162.2	226.5	173.1	271.6	325.9	336.7	323.4	297.8	265.5
Spending in US\$ (m) (current, in-year exchange rate)	33.8	39.0	52.0	44.2	83.0	110.4	107.8	113.7	103.0	84.7
Spending in US\$ (m) (2016 constant and exchange rate)	53.1	51.8	72.3	55.2	86.7	104.0	107.5	103.2	95.0	84.7
Real growth rate (%)	-5.6	-2.5	39.7	-23.6	56.9	20.0	3.3	-3.9	-7.9	-10.8
Expenditure (% of real GDP)	0.5	0.5	0.6	0.5	0.6	0.7	0.7	0.6	0.5	0.5
Expenditure (% of real government spending)	1.5	1.4	2.1	1.5	2.1	2.1	1.9	1.9	2.1	2.0

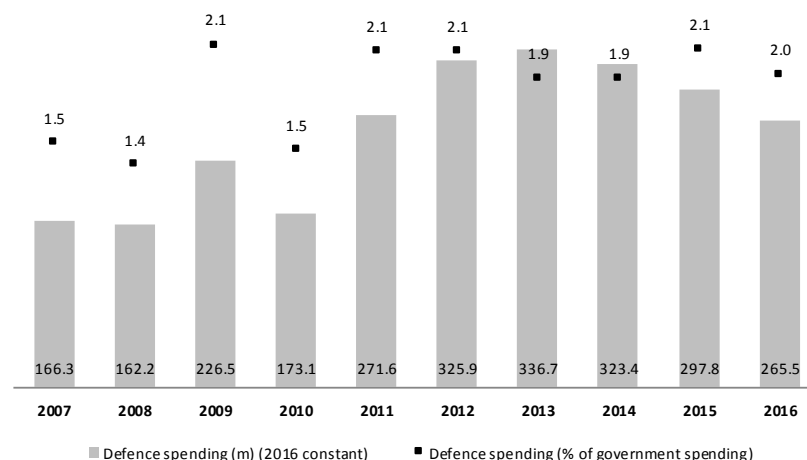
Gross domestic product (GDP)										
Real GDP in local currency (bn)	31.2	33.3	35.3	38.0	42.3	45.5	47.8	51.4	54.9	56.2
Real GDP in US\$ (bn)	10.5	12.3	12.8	14.0	17.8	21.8	21.3	20.9	19.8	17.9
Real growth rate (%)	7.2	6.6	6.1	7.6	11.3	7.7	4.9	7.6	6.8	2.5
Real GDP per capita in US\$	1587.9	1815.6	1845.0	1965.3	2452.2	2939.2	2802.0	2691.0	2502.9	2219.6

Government spending (bn)	10.9	11.6	10.6	11.6	12.9	15.5	17.4	16.7	14.1	13.6
Population (million)	6.6	6.8	6.9	7.1	7.3	7.4	7.6	7.8	7.9	8.1
Inflation (%)	0.9	10.7	6.9	6.0	4.5	4.5	5.0	5.2	6.0	6.7

Real GDP and government spending in local currency



Defence spending in local currency





Country name	Papua New Guinea
Capital city	Port Moresby
Population	7.8 million
Active armed forces	2 000

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 (LNG) mining

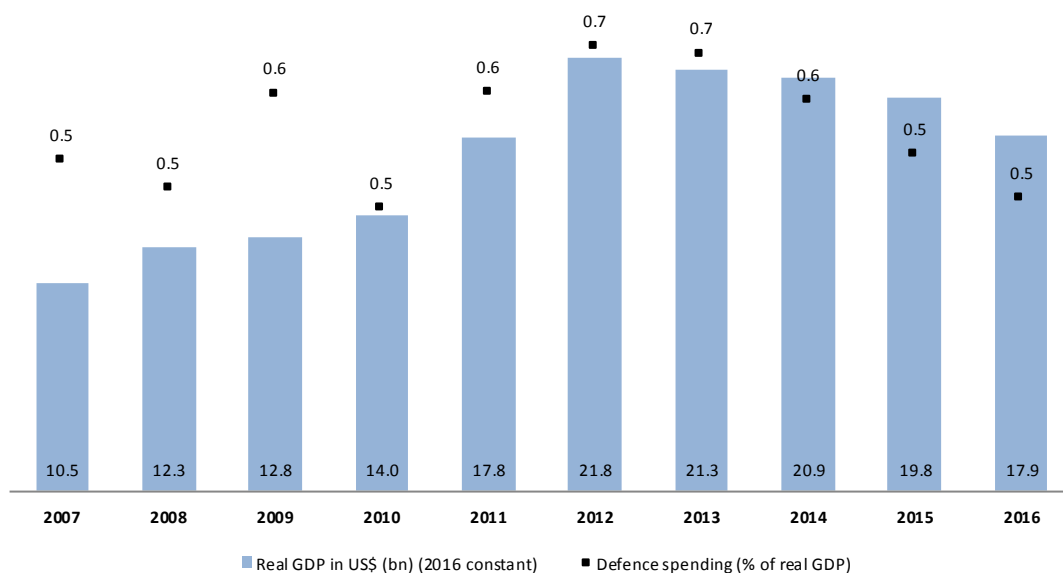
Economy

Over the past 10 years, PNG averaged 6.8 per cent annual real economic growth. In 2016, the economy grew by only 2.5 per cent, compared to 6.8 per cent in 2015, due to a decline in commodity prices. Due to a lack of diversification, PNG's economy remains vulnerable to a change in global and regional economic trends. Poor capacity realisation of LNG projects and unfavourable weather patterns also contributed to this sharp decline in growth. PNG's economy is forecast to average only 2.8 per cent real growth to 2021, according to the EIU, based on weaker global growth and economic benefits from investments in new capacity occurring after 2021.

Defence spending

PNG's 2016 defence budget was K265.5m (US\$84.7m) – a 10.8 per cent real decrease on the 2015 defence budget. This budget decrease was in line with expenditure cuts made by the government across many sectors. In February, PNG agreed to purchase four PAC 750 planes and two CT 4 military trainer planes from New Zealand for US\$2.6m over a duration of five years. In September, the PNGDF signed an MoU with the owner of the Port Moresby wharf to relocate Basilisk naval base to a new site at Motukea. No other major acquisitions or defence spending activities were announced in 2016, and budget limitations hampered border patrols, according to local media reporting.

Real GDP in US\$ and defence spending as a percentage of real GDP

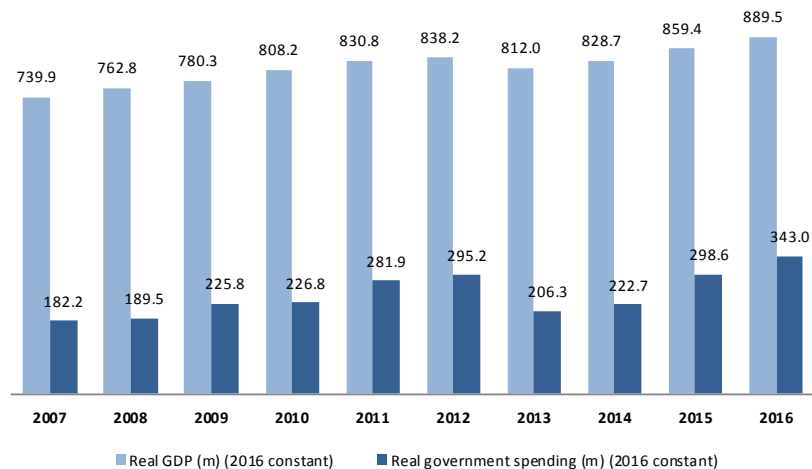


Tonga	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (m) (current)	7.7	8.9	10.4	6.6	6.9	8.6	8.8	8.2	9.2	15.4
Spending in local currency (m) (2016 constant)	9.5	10.2	12.2	7.5	7.4	9.0	9.2	8.5	9.4	15.4
Spending in US\$ (m) (current, in-year exchange rate)	3.9	4.6	5.1	3.5	4.0	5.0	5.0	4.4	4.4	7.0
Spending in US\$ (m) (2016 constant and exchange rate)	4.3	4.6	5.5	3.4	3.3	4.1	4.2	3.8	4.2	7.0
Real growth rate (%)	-2.8	7.5	19.8	-38.6	-1.2	22.5	1.9	-8.1	10.8	64.5
Expenditure (% of real GDP)	1.3	1.3	1.6	0.9	0.9	1.1	1.1	1.0	1.1	1.7
Expenditure (% of real government spending)	5.2	5.4	5.4	3.3	2.6	3.1	4.5	3.8	3.1	4.5

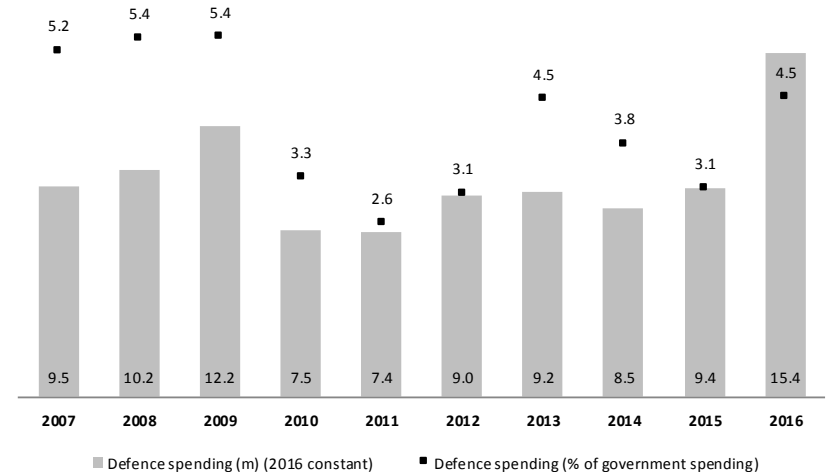
Gross domestic product (GDP)										
Real GDP in local currency (m)	739.9	762.8	780.3	808.2	830.8	838.2	812.0	828.7	859.4	889.5
Real GDP in US\$ (m)	375.4	392.7	383.5	424.0	480.5	487.4	457.8	448.7	408.1	401.5
Real growth rate (%)	-4.2	3.1	2.3	3.6	2.8	0.9	-3.1	2.1	3.7	3.5
Real GDP per capita in US\$	3753.9	3926.9	3835.4	4240.3	4805.1	4874.5	4161.6	4079.5	3710.4	3649.7

Government spending (m)	182.2	189.5	225.8	226.8	281.9	295.2	206.3	222.7	298.6	343.0
Population (million)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Inflation (%)	5.8	10.4	1.4	3.5	6.3	1.1	0.8	2.5	-1.1	2.6

Real GDP and government spending in local currency



Defence spending in local currency





Land size	747 km ²
Currency	Pa'anga (TOP)
Fiscal year	1 July – 30 June
Economy	Less-developed country with a market economy
Industries	Tourism, fish, squash and vanilla

Country name	Tonga
Capital city	Nuku'alofa
Population	103 000
Active armed forces	600

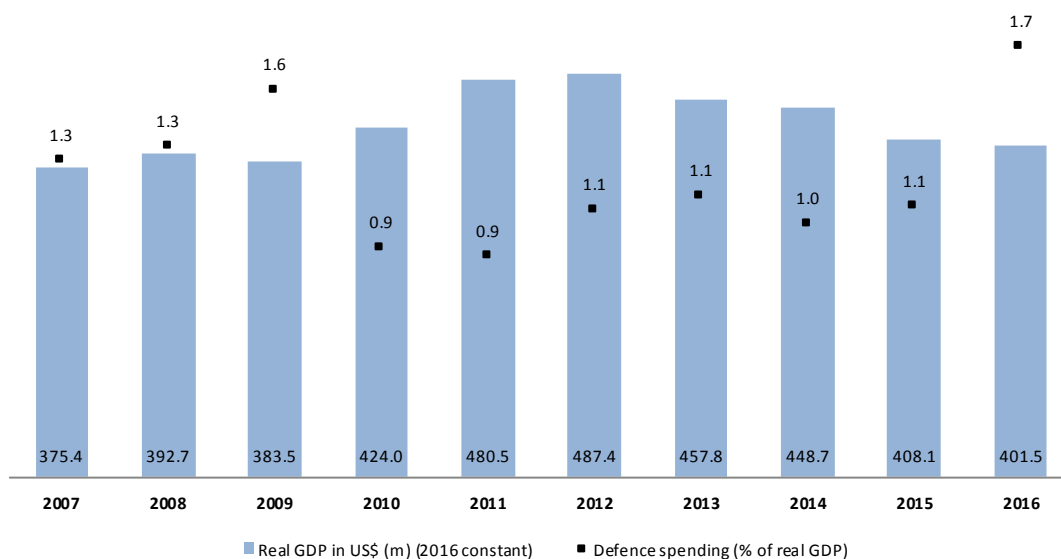
Economy

Over the past 10 years, Tonga averaged 1.4 per cent annual real economic growth. In 2016, the economy grew by 3.5 per cent due to increased construction, foreign direct investment, tourism and remittance inflows. Recovery in the agricultural sector has also ensured Tonga's continued economic growth. High debt levels and adverse weather conditions will continue to pose risks to the economy. Tonga's economy is forecast to continue to grow to 2021, particularly due to construction of the Nuku'alofa wharf, but growth will lessen as the economy reverts to a reliance on fisheries, tourism and remittances.

Defence spending

Tonga's 2016 defence budget was TOP15.4m (US\$7.0m) – a 64.5 per cent real increase on the 2015 defence budget. The large increase is mostly due to an unspecified TOP4.5m (US\$2.1) donor-funded construction project, according to Tonga's budget statement. No other major acquisitions or defence spending activities were announced. Tonga's armed forces receives foreign assistance for new acquisitions and operations.

Real GDP in US\$ and defence spending as a percentage of real GDP

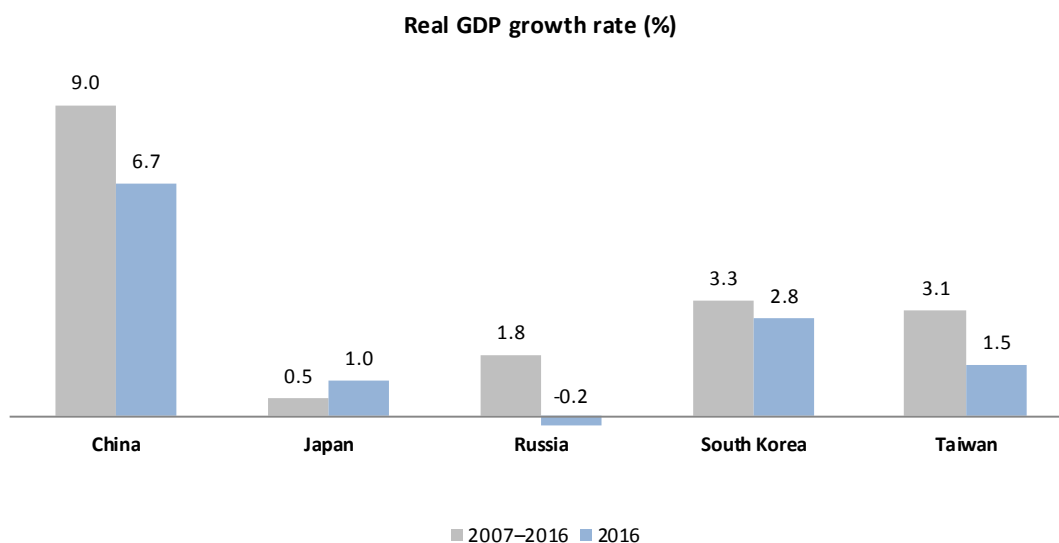
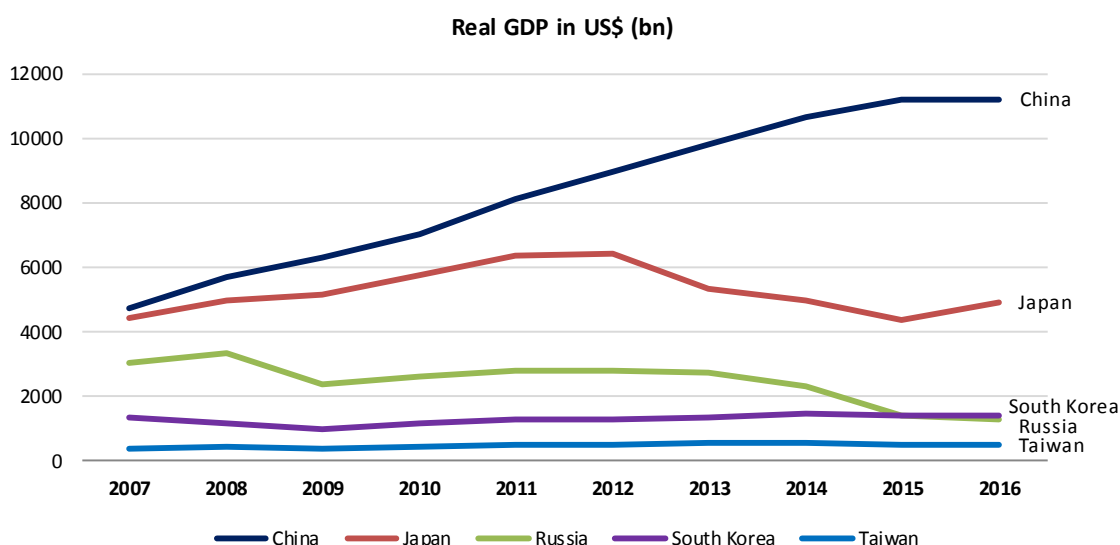


Regional economy

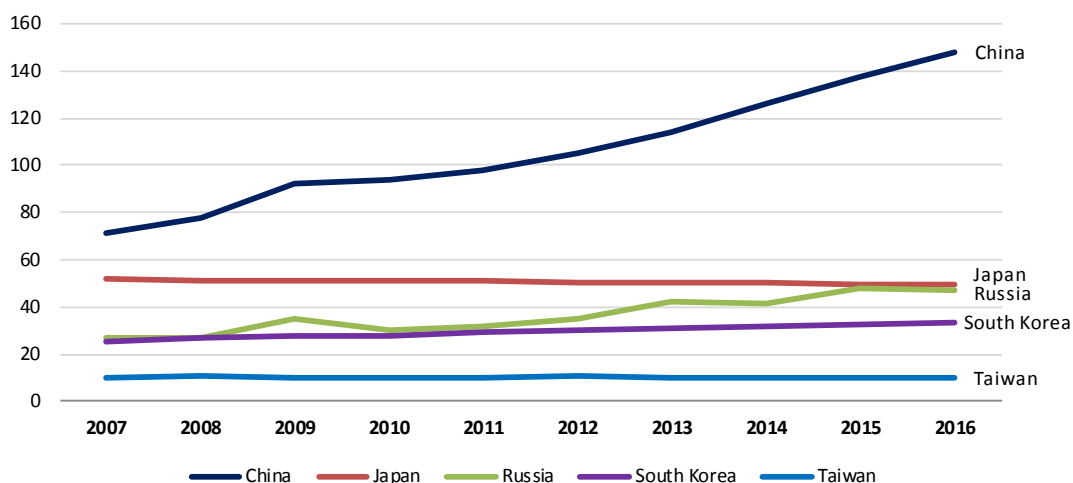
North Asian economic growth remained low in 2016 with the exception of China, which experienced 6.7 per cent real economic growth. Lower Chinese growth rates, partly arising from China's ongoing efforts to change from an export- and investment-based economy to a domestic consumption-based economy, will continue to drag on North Asia's slow growth. Lower oil and commodity prices contributed negatively to Russian and regional growth. Out to 2021, North Asia's economic growth will remain low due to the ongoing slowdown in China's growth, regional industrial over-capacity and weak export growth.

Defence spending

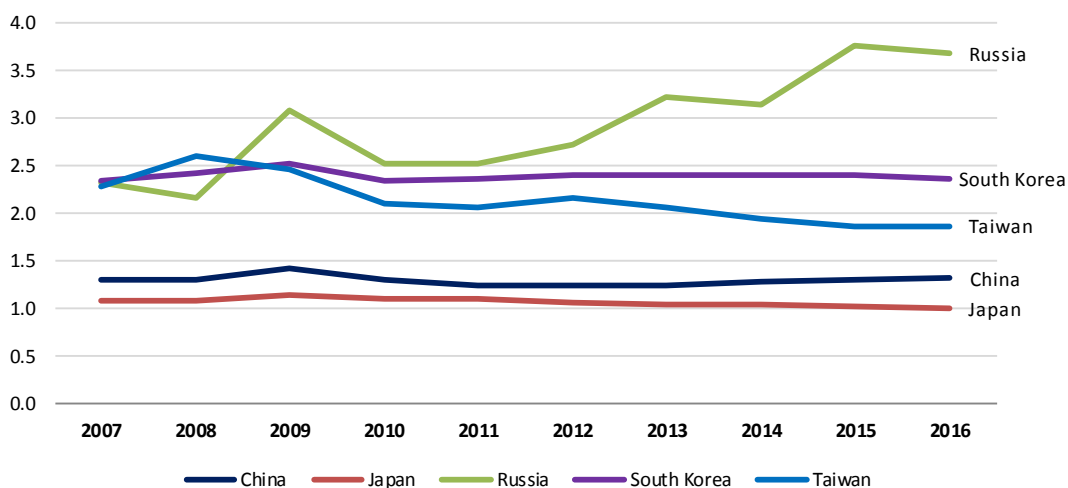
Of North Asian countries, China, Japan, South Korea and Taiwan saw real increases in local currency defence spending, while Russian spending fell. The region continued military modernisation efforts and the procurement of air and maritime platforms. Although China represents over half of the region's spending, Russia spends the most on defence as a proportion of GDP and government spending. Despite spending the least on defence as a proportion of GDP, Japan remains the second largest defence spender in North Asia.



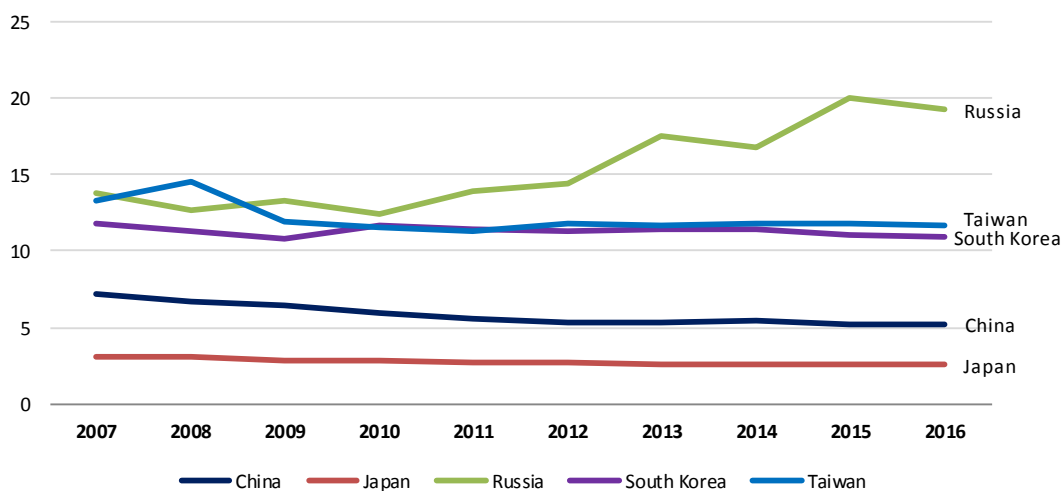
Defence spending in US\$ (bn) (2016 constant and exchange rate)



Defence spending as percentage of real GDP



Defence spending as percentage of government spending

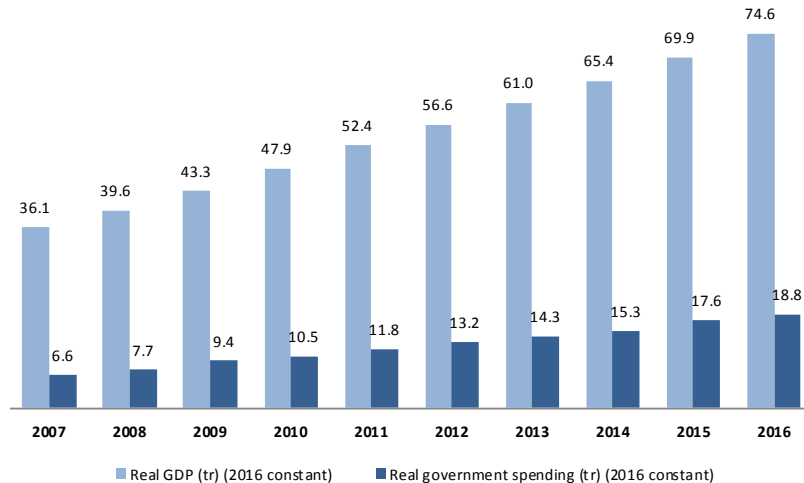


China	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	355.5	417.9	495.3	533.3	602.8	669.2	741.1	829.0	913.5	983.0
Spending in local currency (bn) (2016 constant)	471.9	516.8	612.8	621.7	650.2	699.7	757.0	838.1	913.9	983.0
Spending in US\$ (bn) (current, in-year exchange rate)	46.7	60.1	72.5	78.8	93.3	106.0	119.6	134.9	146.7	147.9
Spending in US\$ (bn) (2016 constant and exchange rate)	71.0	77.8	92.2	93.6	97.9	105.3	113.9	126.1	137.5	147.9
Real growth rate (%)	-16.9	9.5	18.6	1.5	4.6	7.6	8.2	10.7	9.0	7.6
Expenditure (% of real GDP)	1.3	1.3	1.4	1.3	1.2	1.2	1.2	1.3	1.3	1.3
Expenditure (% of real government spending)	7.1	6.7	6.5	5.9	5.5	5.3	5.3	5.5	5.2	5.2

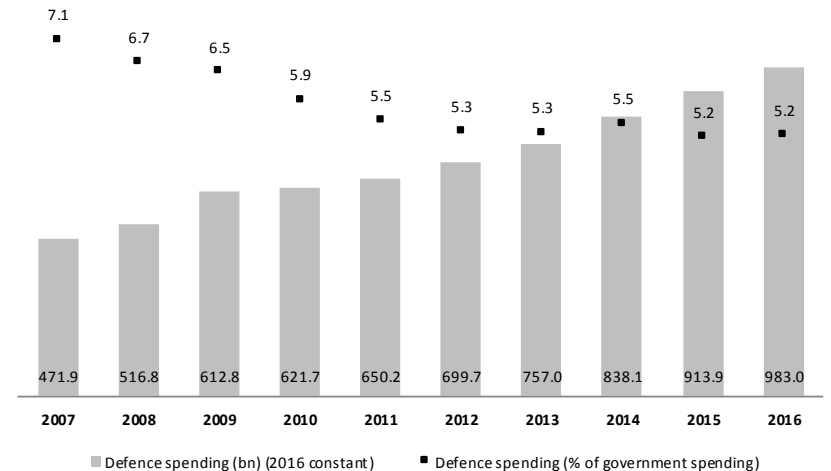
Gross domestic product (GDP)										
Real GDP in local currency (tr)	36.1	39.6	43.3	47.9	52.4	56.6	61.0	65.4	69.9	74.6
Real GDP in US\$ (tr)	4.7	5.7	6.3	7.1	8.1	9.0	9.8	10.7	11.2	11.2
Real growth rate (%)	14.2	9.7	9.4	10.6	9.5	7.9	7.8	7.3	6.9	6.7
Real GDP per capita in US\$	3613.8	4320.4	4786.0	5301.1	6059.4	6667.7	7290.3	7860.1	8252.5	8222.5

Government spending (tr)	6.6	7.7	9.4	10.5	11.8	13.2	14.3	15.3	17.6	18.8
Population (million)	1312.0	1318.0	1324.0	1334.0	1339.0	1344.0	1350.0	1355.0	1361.0	1366.0
Inflation (%)	4.8	5.9	-0.7	3.2	5.5	2.6	2.6	2.1	1.5	2.1

Real GDP and government spending in local currency



Defence spending in local currency





Land size	9 596 960 km ²
Currency	Renminbi (unit: 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

Country name	China
Capital city	Beijing
Population	1.37 billion
Active armed forces	2.33 million

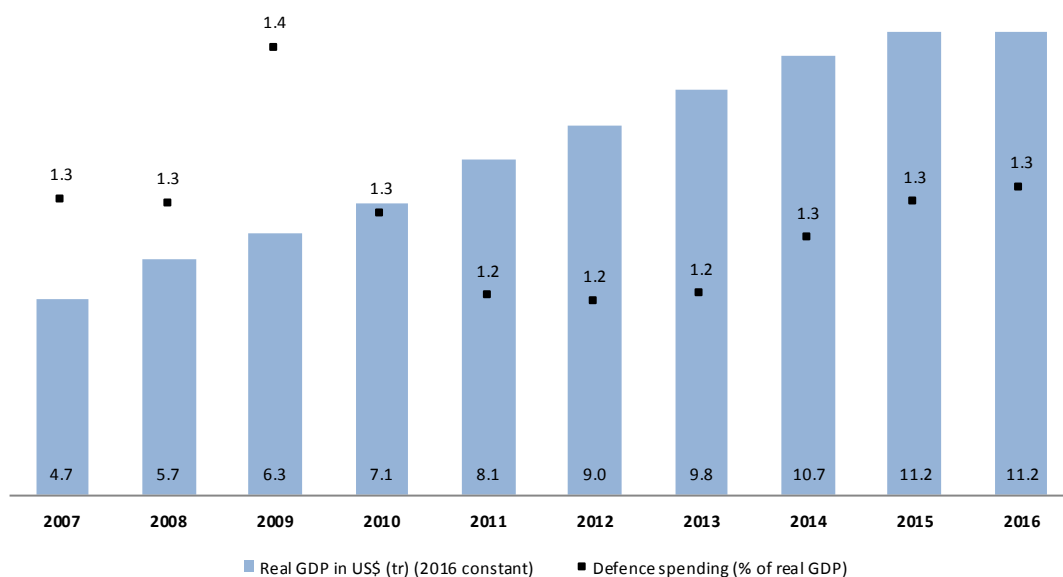
Economy

Over the past 10 years, China averaged 9.0 per cent annual real economic growth. In 2016, the economy grew by 6.7 per cent, a slower growth rate than the average over the previous decade, in part due to over-capacity in the heavy industrial sector and lagging reforms in the services sector. In 2016, growth in property development and strong inflows of foreign direct investment offset a fall in private investments and decreased demand. China's economy is forecast to average 5.9 per cent real growth to 2021, according to the EIU, based on greater credit controls, slowing demand for global commodities, and reduced investment, particularly related to household construction.

Defence spending

China's 2016 defence budget was 983.0bn Yuan (US\$147.9bn) – a 7.6 per cent real increase on the 2015 defence budget. However, the budget is opaque and difficult to determine accurately due to a lack of transparency and budgetary exclusions, which include some domestic and overseas platform purchases, and research and development expenses. In July 2016, China entered into service the Y-20 heavy strategic transport aircraft which made its official debut in 2010. In November 2016, China debuted the J-20 stealth fighter and a CH-5 combat drone at an air show in Zhuhai. Also in November 2016, China announced that its first aircraft carrier, the Liaoning, was combat ready.

Real GDP in US\$ and defence spending as a percentage of real GDP

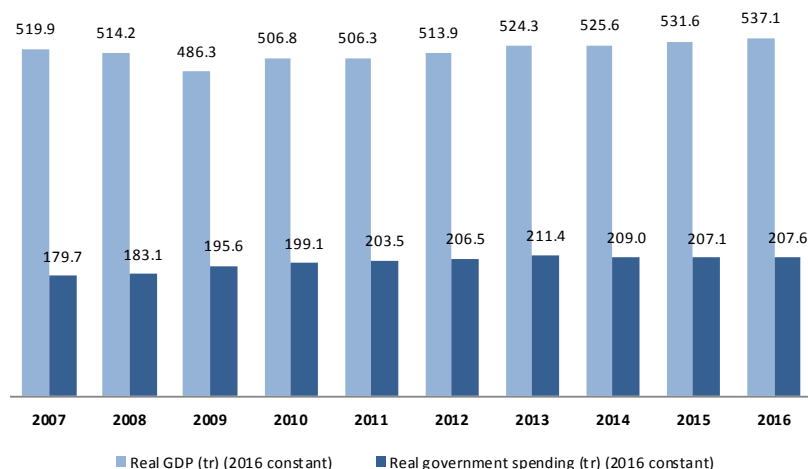


Japan	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	5725.1	5631.8	5561.3	5504.7	5418.6	5285.0	5258.3	5329.1	5373.3	5396.2
Spending in local currency (bn) (2016 constant)	5598.2	5560.5	5524.5	5573.7	5580.1	5484.8	5476.2	5453.7	5387.9	5396.2
Spending in US\$ (bn) (current, in-year exchange rate)	48.6	54.5	59.4	62.7	68.0	66.2	53.9	50.3	44.4	49.6
Spending in US\$ (bn) (2016 constant and exchange rate)	51.5	51.1	50.8	51.2	51.3	50.4	50.4	50.1	49.5	49.6
Real growth rate (%)	-0.8	-0.7	-0.6	0.9	0.1	-1.7	-0.2	-0.4	-1.2	0.2
Expenditure (% of real GDP)	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0
Expenditure (% of real government spending)	3.1	3.0	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.6

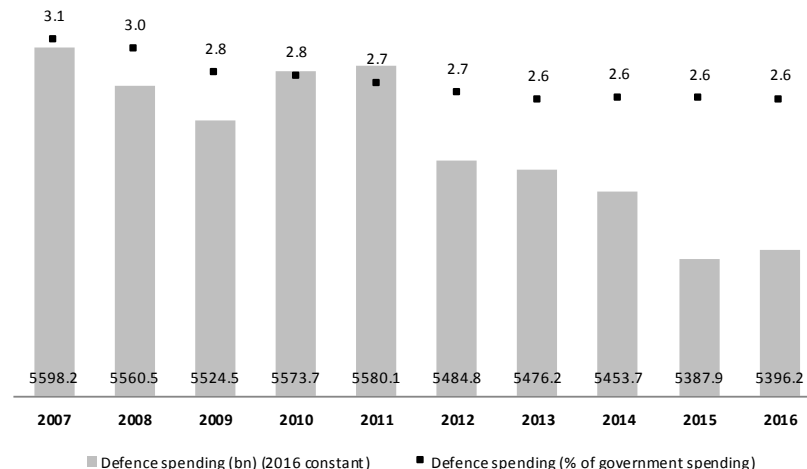
Gross domestic product (GDP)										
Real GDP in local currency (tr)	519.9	514.2	486.3	506.8	506.3	513.9	524.3	525.6	531.6	537.1
Real GDP in US\$ (tr)	4.4	5.0	5.2	5.8	6.4	6.4	5.4	5.0	4.4	4.9
Real growth rate (%)	1.6	-1.1	-5.4	4.2	-0.1	1.5	2.0	0.2	1.1	1.0
Real GDP per capita in US\$	34354.1	38689.1	40409.4	44925.2	49426.4	50138.0	41883.1	38741.1	34326.2	38657.6

Government spending (tr)	179.7	183.1	195.6	199.1	203.5	206.5	211.4	209.0	207.1	207.6
Population (million)	128.5	128.6	128.6	128.6	128.5	128.4	128.3	128.2	128.0	127.7
Inflation (%)	0.1	1.4	-1.4	-0.7	-0.3	-0.1	0.3	2.8	0.8	-0.1

Real GDP and government spending in local currency



Defence spending in local currency





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

Country name	Japan
Capital city	Tokyo
Population	126.3 million
Active armed forces	247 000

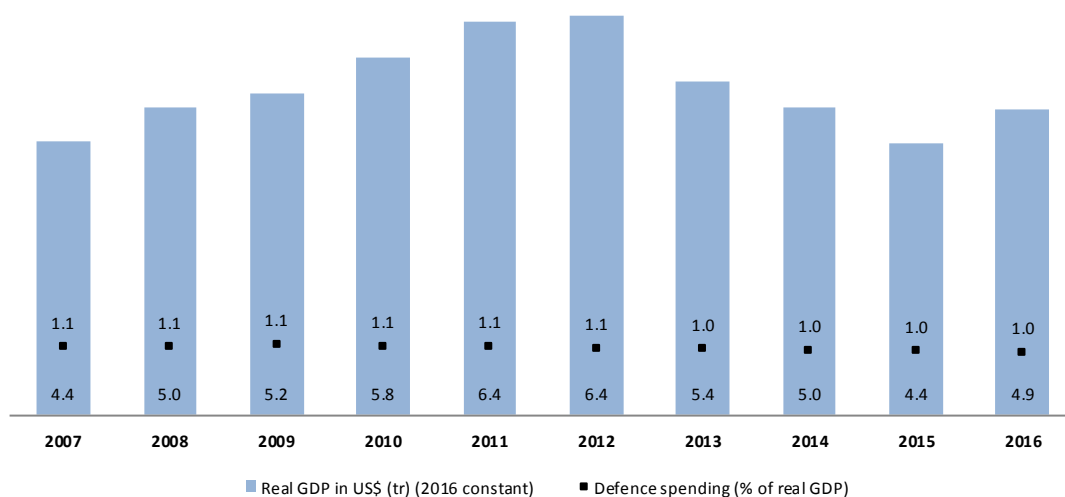
Economy

Over the past 10 years, Japan averaged 0.5 per cent annual real economic growth. In 2016, the economy grew by only 1.0 per cent, due to persistent deflation, high levels of government debt and a rapidly ageing population. But the external sector boosted manufacturing output and consumer confidence. The tension between high levels of social spending and inadequate government revenue continued to be a focus. Japan's economy is forecast to average 1.1 per cent real growth to 2021, according to the EIU, based on subdued internal and external demand.

Defence spending

Japan's 2016 defence budget was ¥5.4tr (US\$49.6bn) – a 0.2 per cent real increase on the 2015 defence budget. If the budget for former military personnel is not included, Japan's defence budget increased by 1.2 per cent in real terms, to ¥5.1tr (US\$46.5bn). Key budgeted acquisitions included 17 Mitsubishi SH-60K anti-submarine warfare helicopters, 6 F-35A fighter aircraft, a new E-2D airborne early-warning aircraft, 11 AAV7 amphibious assault vehicles, 36 mobile combat vehicles, 6 Type-10 main battle tanks, 4 V-22 Osprey tilt-rotor aircraft, and funds towards the acquisition of new KC-46A aerial refuelling aircraft, C-2 transport aircraft and 3 Global Hawk UAVs.

Real GDP in US\$ and defence spending as a percentage of real GDP



INSUFFICIENT RELIABLE DATA AVAILABLE



Country name	North Korea
Capital city	Pyongyang
Population	25.0 million
Active armed forces	1.2 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 data has been released for North Korea since 1965. Despite the impact of international sanctions, economic growth has been modest but primarily concentrated in Pyongyang. Foreign direct investment and foreign trade were low and largely to China. In 2014, exports reached a total of US\$3.1bn and imports a total of US\$4.0bn.

Defence spending

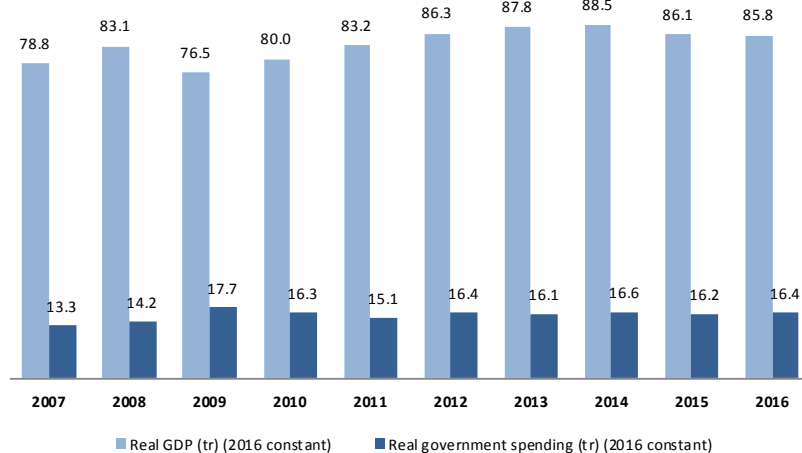
Reliable data on North Korea's defence spending is not available. Since 2013, North Korea's *byungjin* policy has emphasised the parallel development of the country's nuclear program with the economy. North Korea also adheres to a 'military first' policy that ensures a large portion of government spending is directed towards military expenditure. In 2016, the UN applied further sanctions against North Korea due to its ballistic-missile launches and nuclear tests.

Russia	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (tr) (current)	0.8	1.0	1.3	1.3	1.5	1.9	2.3	2.5	3.1	3.2
Spending in local currency (tr) (2016 constant)	1.8	1.8	2.4	2.0	2.1	2.4	2.8	2.8	3.2	3.2
Spending in US\$ (bn) (current, in-year exchange rate)	32.1	38.5	40.3	41.3	51.8	60.1	73.7	64.9	51.2	47.1
Spending in US\$ (bn) (2016 constant and exchange rate)	27.2	26.8	35.1	30.1	31.4	35.1	42.1	41.6	48.1	47.1
Real growth rate (%)	8.6	-1.4	31.1	-14.2	4.2	11.7	20.1	-1.2	15.8	-2.1
Expenditure (% of real GDP)	2.3	2.2	3.1	2.5	2.5	2.7	3.2	3.2	3.8	3.7
Expenditure (% of real government spending)	13.7	12.6	13.3	12.4	13.9	14.4	17.6	16.8	20.0	19.2

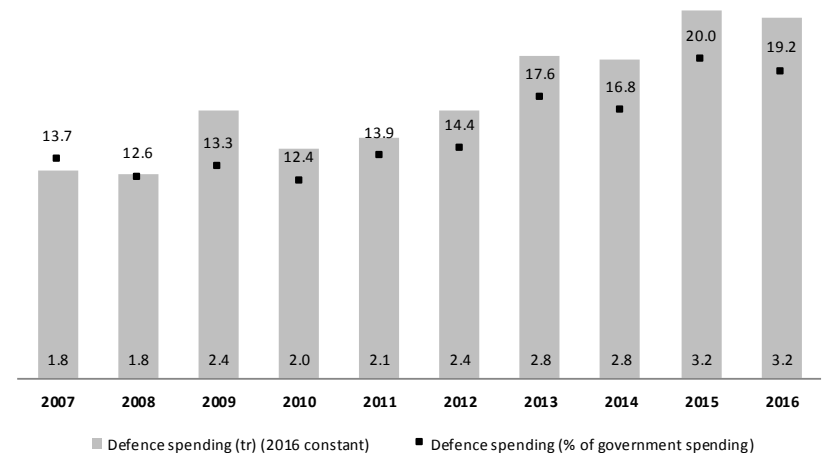
Gross domestic product (GDP)										
Real GDP in local currency (tr)	78.8	83.1	76.5	80.0	83.2	86.3	87.8	88.5	86.1	85.8
Real GDP in US\$ (tr)	3.1	3.3	2.4	2.6	2.8	2.8	2.8	2.3	1.4	1.3
Real growth rate (%)	8.5	5.5	-7.9	4.5	4.0	3.7	1.8	0.8	-2.8	-0.2
Real GDP per capita in US\$	21520.5	23377.4	16851.9	18401.2	19772.1	19516.7	19213.2	15726.8	9610.7	8707.9

Government spending (tr)	13.3	14.2	17.7	16.3	15.1	16.4	16.1	16.6	16.2	16.4
Population (million)	143.2	143.1	143.1	143.2	143.3	143.4	143.6	146.6	146.9	147.0
Inflation (%)	9.0	14.1	11.6	6.8	8.4	5.1	6.8	7.8	15.5	7.0

Real GDP and government spending in local currency



Defence spending in local currency





Land size	17 098 242 km ²
Currency	Russian ruble
Fiscal year	1 January – 31 December
Economy	Industrialised country with an emerging market economy
Industries	Oil and gas, coal, precious metals and timber

Country name	Russia
Capital city	Moscow
Population	146.5 million
Active armed forces	798 000

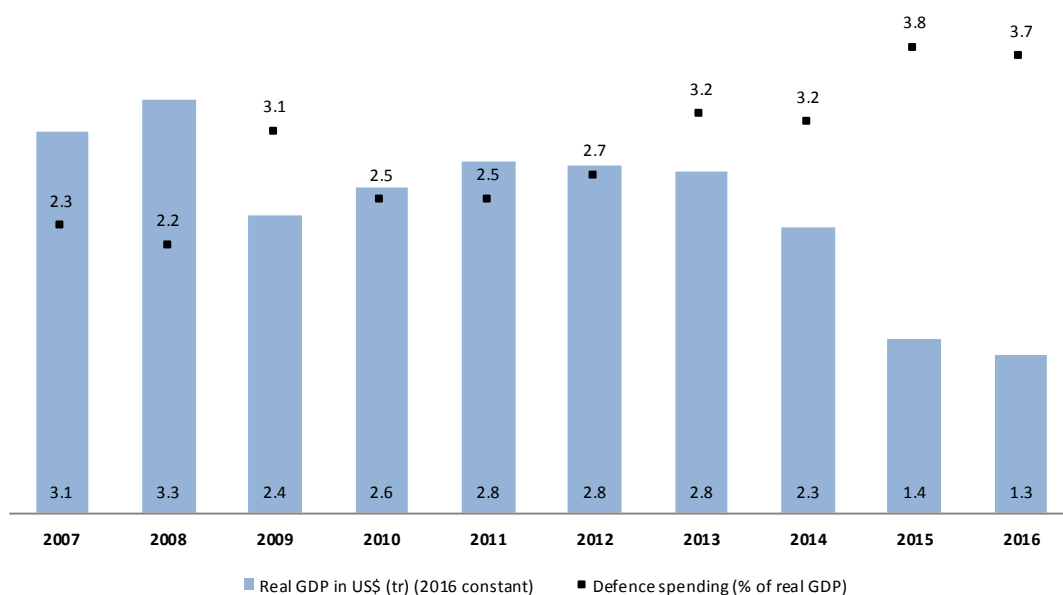
Economy

Over the past 10 years, Russia averaged 1.7 per cent annual real economic growth. In 2016, the economy contracted by 0.2 per cent, due to weak global demand, low commodity prices and international sanctions. General government primary expenditure, excluding spending on defence and social benefits, was cut by 10 per cent. Despite these weaknesses, a drop in the real effective exchange rate benefited sectors such as agriculture, and chemical, leather and rubber production. Russia's economy is forecast to average 1.6 per cent real growth to 2021, according to the EIU, due to an increase in private consumption and lower interest rates.

Defence spending

Russia's 2016 defence budget was 3.2tr Rubles (US\$47.1bn) – a 2.1 per cent real decrease on the 2015 defence budget. Russia's defence priorities for capability development in 2016 were to enhance the combat capability of strategic nuclear forces and the balanced development of the Russian armed forces. According to the Russian defence minister, 70 per cent of arms and military equipment will be modernised by 2021. Russia continues to place a high priority on information technology, such as intelligence gathering technology and cyber capabilities. Russia received its first Buk-M3 medium-range surface-to-air-missile system in mid-2016.

Real GDP in US\$ and defence spending as a percentage of real GDP

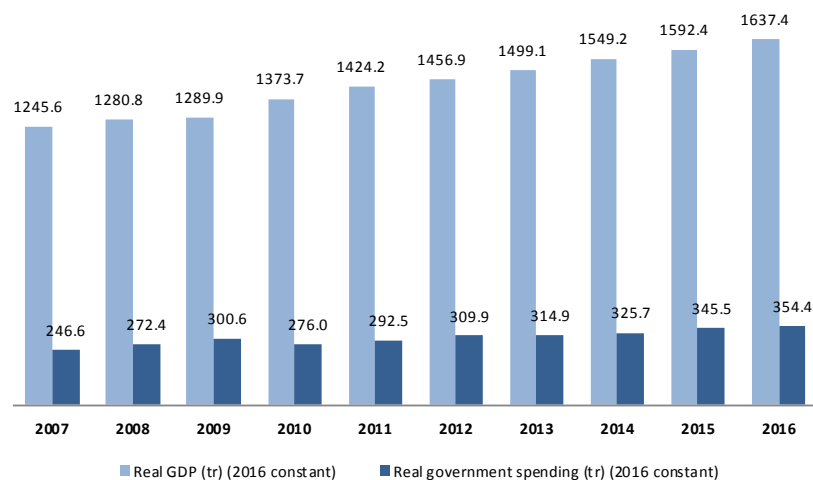


South Korea	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (tr) (current)	24.5	26.6	29.0	29.6	31.4	33.0	34.3	35.7	37.5	38.8
Spending in local currency (tr) (2016 constant)	29.2	30.9	32.5	32.1	33.6	34.9	36.0	37.2	38.1	38.8
Spending in US\$ (bn) (current, in-year exchange rate)	26.4	24.2	22.7	25.6	28.3	29.2	31.4	33.9	33.1	33.4
Spending in US\$ (bn) (2016 constant and exchange rate)	25.2	26.6	28.0	27.6	28.9	30.0	31.0	32.1	32.9	33.4
Real growth rate (%)	6.3	5.7	5.0	-1.1	4.6	3.9	3.3	3.3	2.4	1.7
Expenditure (% of real GDP)	2.3	2.4	2.5	2.3	2.4	2.4	2.4	2.4	2.4	2.4
Expenditure (% of real government spending)	11.9	11.3	10.8	11.6	11.5	11.2	11.4	11.4	11.0	10.9

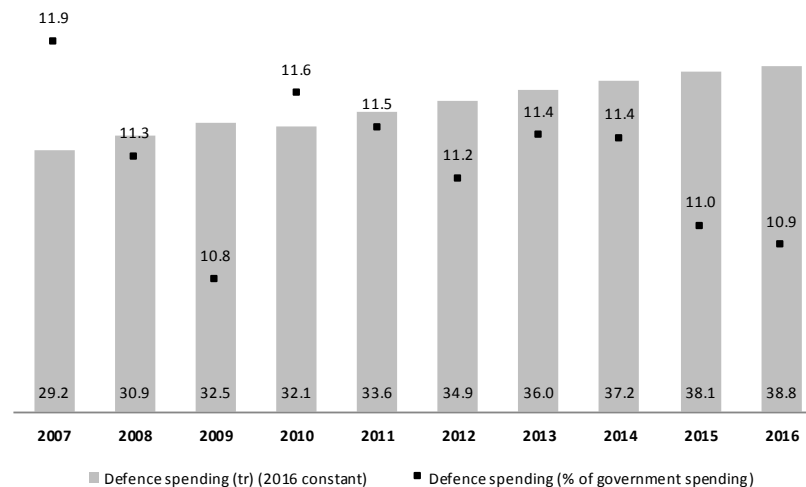
Gross domestic product (GDP)										
Real GDP in local currency (tr)	1245.6	1280.8	1289.9	1373.7	1424.2	1456.9	1499.1	1549.2	1592.4	1637.4
Real GDP in US\$ (bn)	1340.2	1164.2	1009.9	1187.8	1285.1	1292.9	1369.0	1471.4	1408.0	1410.6
Real growth rate (%)	5.5	2.8	0.7	6.5	3.7	2.3	2.9	3.3	2.8	2.8
Real GDP per capita in US\$	27316.6	23654.0	20451.5	23970.6	25834.5	25883.4	27288.6	29202.9	27829.6	27773.9

Government spending (tr)	246.6	272.4	300.6	276.0	292.5	309.9	314.9	325.7	345.5	354.4
Population (million)	49.1	49.2	49.4	49.6	49.7	50.0	50.2	50.4	50.6	50.8
Inflation (%)	2.5	4.7	2.8	2.9	4.0	2.2	1.3	1.3	0.7	1.0

Real GDP and government spending in local currency



Defence spending in local currency





Land size	99 720 km ²
Currency	Won
Fiscal year	1 January – 31 December
Economy	Industrialised country with a market economy
Industries	Automobiles, electronics, chemicals, shipbuilding, textiles and apparel

Country name	South Korea
Capital city	Seoul
Population	50.5 million
Active armed forces	628 000

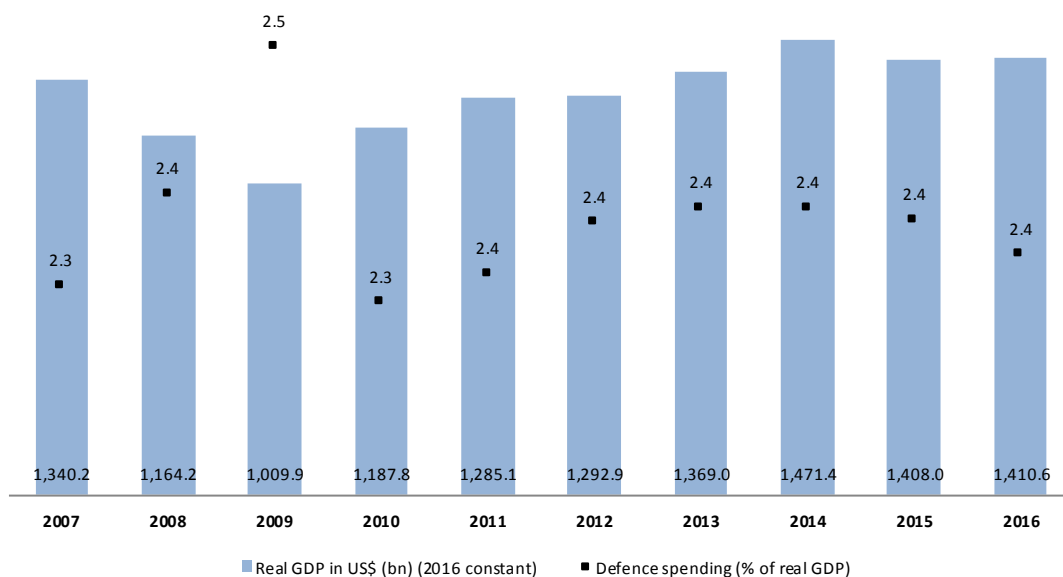
Economy

Over the past 10 years, South Korea averaged 3.3 per cent annual real economic growth. In 2016, the economy grew by 2.8 per cent due to the strength of the electronic and services industries and continued private and government consumption. Former president Park's corruption scandals in 2016 hurt consumer confidence and impaired private consumption. Moderate growth continued with the help of record low interest rates, a persistent government surplus and low public debt. Fixed investment growth also reached its highest level in six years. South Korea's economy is forecast to average 2.6 per cent real growth to 2021, according to the EIU.

Defence spending

South Korea's 2016 defence budget was 38.8tr Won (US\$33.4bn) – a 1.7 per cent real increase on the 2015 defence budget. The 2016 defence budget placed a high priority on defence modernisation and force maintenance. Lockheed Martin was awarded the contract to update South Korea's fleet of 134 F-16s, worth US\$1.2bn. In 2016, South Korea acquired the latest version of the AIM-9X Sidewinder short-range air-to-air missile from the US, in addition to several machine parts for updating capabilities and the Large Aircraft Infrared Countermeasures System, estimated at US\$141m. In May 2016, South Korea announced the delivery of four of 30 Apache Guardian helicopters.

Real GDP in US\$ and defence spending as a percentage of real GDP

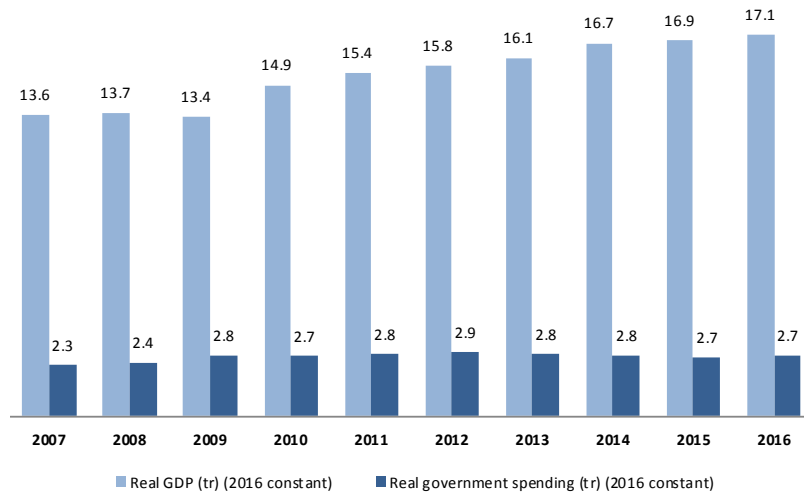


Taiwan	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	304.9	341.5	318.7	297.4	294.6	317.3	312.7	311.1	312.8	320.1
Spending in local currency (bn) (2016 constant)	308.4	354.5	330.4	313.2	317.7	340.3	330.6	323.4	314.8	320.1
Spending in US\$ (bn) (current, in-year exchange rate)	9.3	10.8	9.6	9.4	10.0	10.7	10.5	10.2	9.8	9.9
Spending in US\$ (bn) (2016 constant and exchange rate)	9.5	11.0	10.2	9.7	9.8	10.5	10.2	10.0	9.7	9.9
Real growth rate (%)	21.3	15.0	-6.8	-5.2	1.4	7.1	-2.9	-2.2	-2.7	1.7
Expenditure (% of real GDP)	2.3	2.6	2.5	2.1	2.1	2.2	2.1	1.9	1.9	1.9
Expenditure (% of real government spending)	13.3	14.6	11.9	11.6	11.3	11.8	11.7	11.8	11.8	11.7

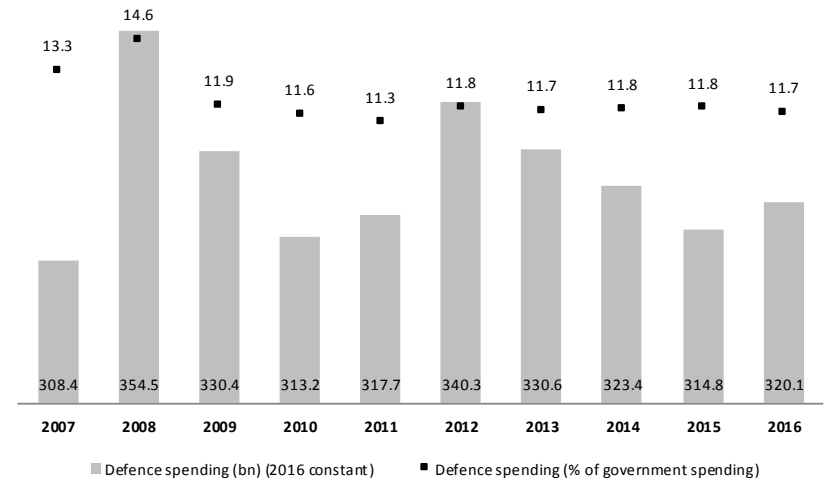
Gross domestic product (GDP)										
Real GDP in local currency (tr)	13.6	13.7	13.4	14.9	15.4	15.8	16.1	16.7	16.9	17.1
Real GDP in US\$ (bn)	412.9	433.0	406.6	469.9	523.8	531.9	540.8	551.6	528.6	529.6
Real growth rate (%)	6.5	0.7	-1.6	10.6	3.8	2.1	2.2	4.0	0.7	1.5
Real GDP per capita in US\$	17983.1	18796.1	17584.4	20285.6	22552.3	22814.8	23138.5	23539.1	22502.4	22496.9

Government spending (tr)	2.3	2.4	2.8	2.7	2.8	2.9	2.8	2.8	2.7	2.7
Population (million)	23.0	23.0	23.1	23.2	23.2	23.3	23.4	23.4	23.5	23.5
Inflation (%)	1.8	3.5	-0.9	1.0	1.4	1.9	0.8	1.2	-0.3	1.4

Real GDP and government spending in local currency



Defence spending in local currency



Name	Taiwan	Land size	35 980 km ²
Capital city	Taipei	Currency	New Dollar
Population	23.5 million	Fiscal year	1 January – 31 December
Active armed forces	215 000	Economy	Newly industrialised market economy
		Industries	Electronics, petroleum refining, chemicals, textiles, iron and steel, machinery, cement, and food processing

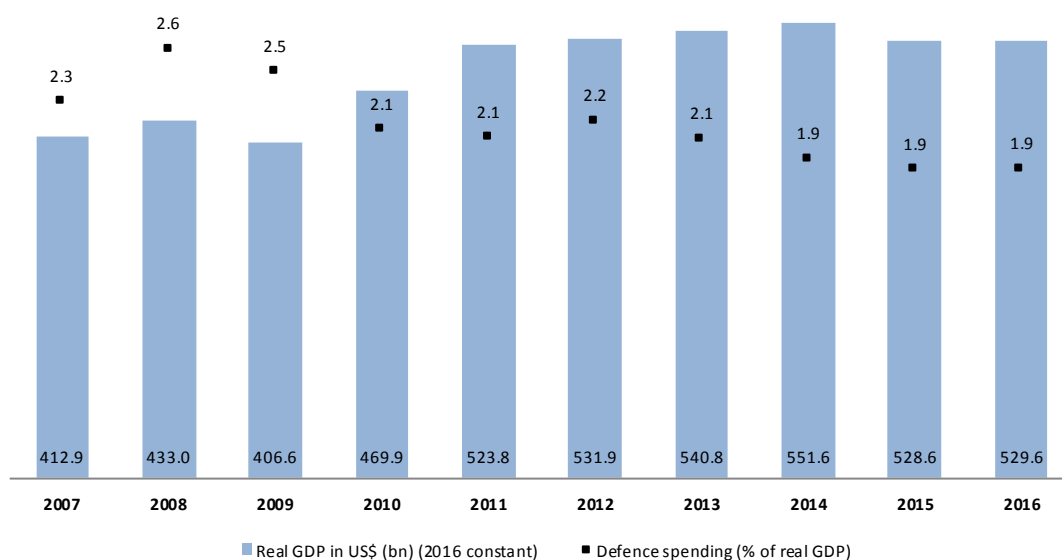
Economy

Over the past 10 years, Taiwan averaged 3.0 per cent annual real economic growth. In 2016, the economy grew by 1.5 per cent, due to internal demand. Strong internal demand – comprised of private and government investment and government consumption – continues to balance out Taiwan's small export market. Taiwan's economy is forecast to average 1.9 per cent real growth in 2021, according to the EIU, based on recovering global demand following a halt in declining crude oil and raw materials prices.

Defence spending

Taiwan's 2016 defence budget was NT\$320.1bn (US\$9.9bn) – a 1.7 per cent real increase on the 2015 defence budget. In June 2016, Taiwan announced the indigenous build of 10 vessel worth an expected US\$14.7bn over 23 years. Included in the indigenous build project are next-generation jet trainers, minesweepers, support ships and small warships, which include a large landing platform dock vessel and the next iteration of the Tuo Jiang missile-capable fast attack craft. Taiwan paid US\$149m to Sikorsky for six UH-60M multi-role medium helicopters estimated to be completed by December 2021.

Real GDP in US\$ and defence spending as a percentage of real GDP

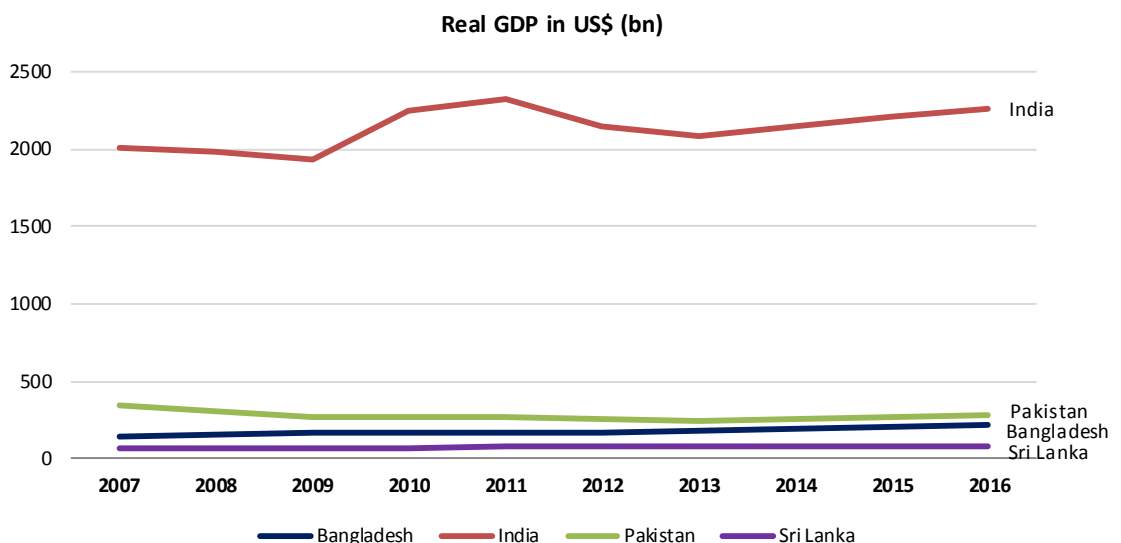


Regional economy

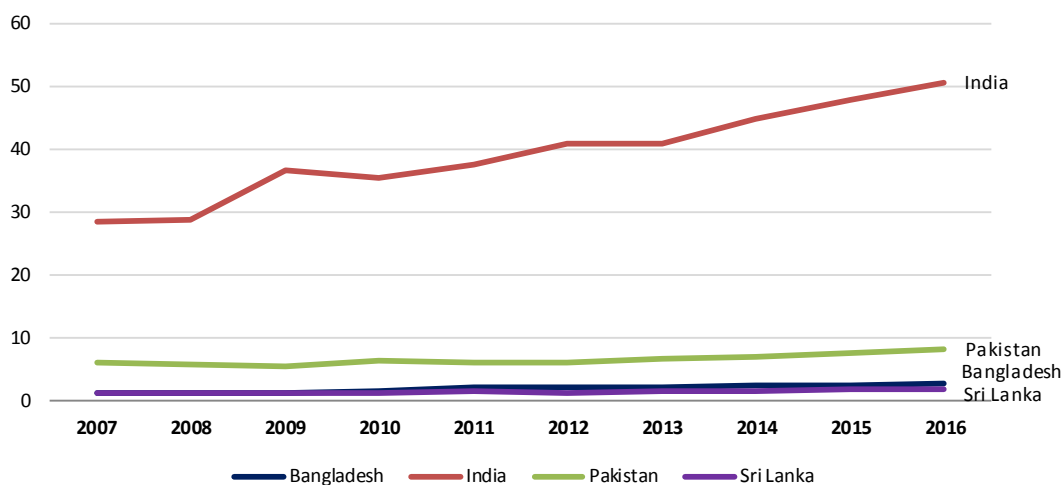
South Asia continued to experience high levels of economic growth in 2016 primarily due to India's economic growth. The region's growth was also supported by strong private consumption, sustained low commodity prices, infrastructure investment, expansionary fiscal policies and ongoing economic reforms. These factors shielded the region from the negative impacts of weak industrial activity and unfavourable weather patterns that impaired agriculture sectors. Out to 2021, South Asia's economic growth is expected to remain robust, driven by private consumption, low commodity prices and expansionary fiscal policies.

Defence spending

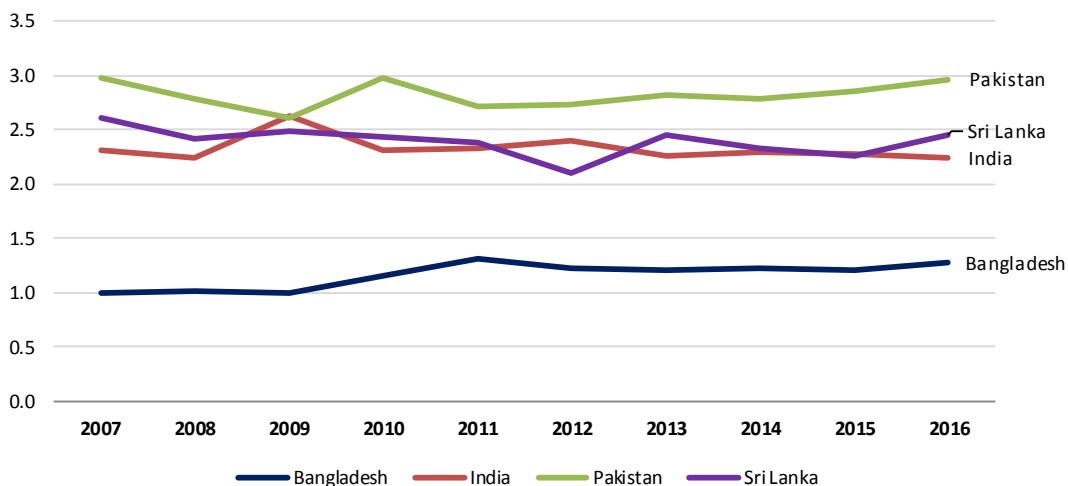
South Asian defence spending in 2016 saw strong real increases across all defence budgets except Afghanistan. South Asian countries placed a high priority on military modernisation in 2016 and continued to invest in air and maritime defence and combat platforms. Bilateral defence cooperation with foreign partners continued, particularly with the US, Russia and China. Although India's defence spending accounted for almost 80 per cent of the region's spending, Pakistan remained the highest spender as a proportion of GDP. South Asian defence modernisation and procurement was driven by inter-state rivalries and internal security challenges.



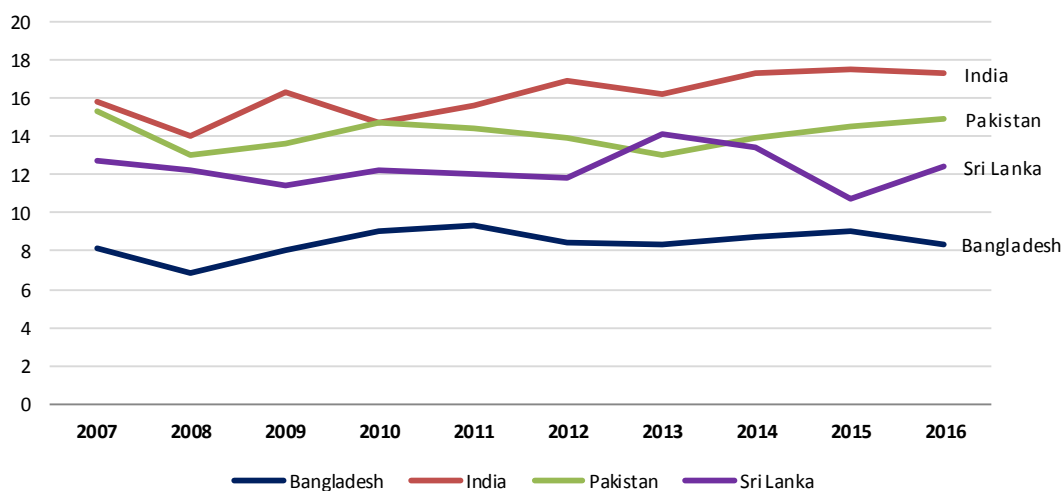
Defence spending in US\$ (bn) (2016 constant and exchange rate)



Defence spending as percentage of real GDP



Defence spending as percentage of government spending

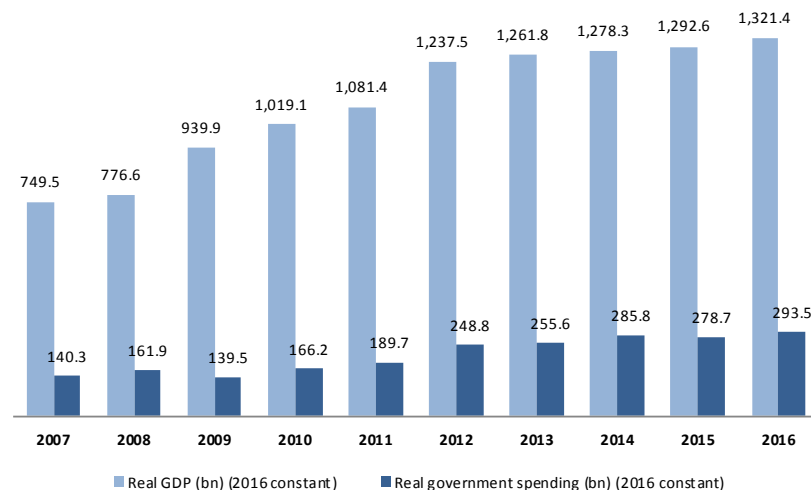


Afghanistan	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	N/A	N/A	N/A	29.6	43.3	48.8	78.6	105.2	103.5	89.5
Spending in local currency (bn) (2016 constant)	N/A	N/A	N/A	41.3	54.6	56.8	87.5	116.8	108.9	89.5
Spending in US\$ (bn) (current, in-year exchange rate)	N/A	N/A	N/A	0.6	0.9	1.0	1.4	1.8	1.7	1.3
Spending in US\$ (bn) (2016 constant and exchange rate)	N/A	N/A	N/A	0.6	0.8	0.8	1.3	1.7	1.6	1.3
Real growth rate (%)	N/A	N/A	N/A	N/A	32.4	4.0	54.0	33.5	-6.7	-17.9
Expenditure (% of real GDP)	N/A	N/A	N/A	4.1	5.1	4.6	6.9	9.1	8.4	6.8
Expenditure (% of real government spending)	N/A	N/A	N/A	24.8	28.8	22.8	34.2	40.9	39.1	30.5

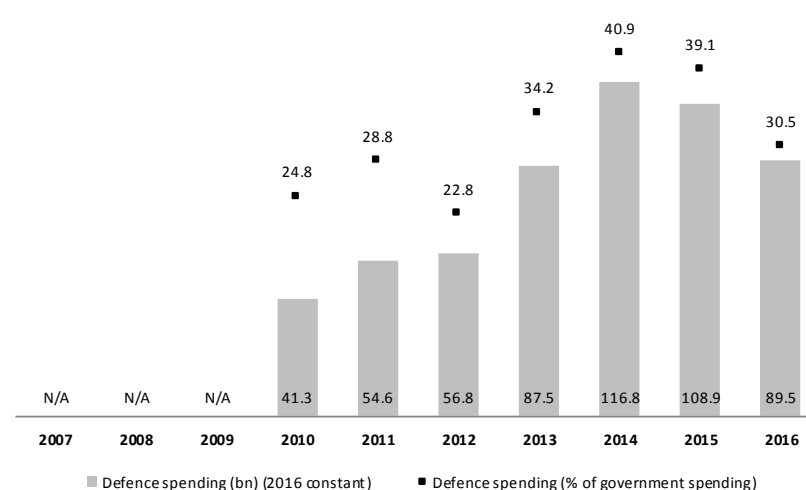
Gross domestic product (GDP)										
Real GDP in local currency (bn)	749.5	776.6	939.9	1019.1	1081.4	1237.5	1261.8	1278.3	1292.6	1321.4
Real GDP in US\$ (bn)	15.0	15.5	18.7	21.9	23.1	24.3	22.8	22.3	21.1	19.5
Real growth rate (%)	13.7	3.6	21.0	8.4	6.1	14.4	2.0	1.3	1.1	2.2
Real GDP per capita in US\$	563.6	566.3	666.9	761.7	778.7	791.7	718.0	681.7	626.6	561.8

Government spending (bn)	140.3	161.9	139.5	166.2	189.7	248.8	255.6	285.8	278.7	293.5
Population (million)	26.6	27.3	28.0	28.8	29.7	30.7	31.7	32.8	33.7	34.7
Inflation (%)	8.5	30.6	-8.3	0.9	10.2	7.2	7.7	4.6	-2.9	3.6

Real GDP and government spending in local currency



Defence spending in local currency





Land size	652 864 km ²
Currency	Afghani (AFN)
Fiscal year	1 January – 31 December
Economy	Less-developed country with a market economy
Industries	Agriculture, textiles, handcrafts

Name	Afghanistan
Capital city	Kabul
Population	33.4 million
Active armed forces	161 000

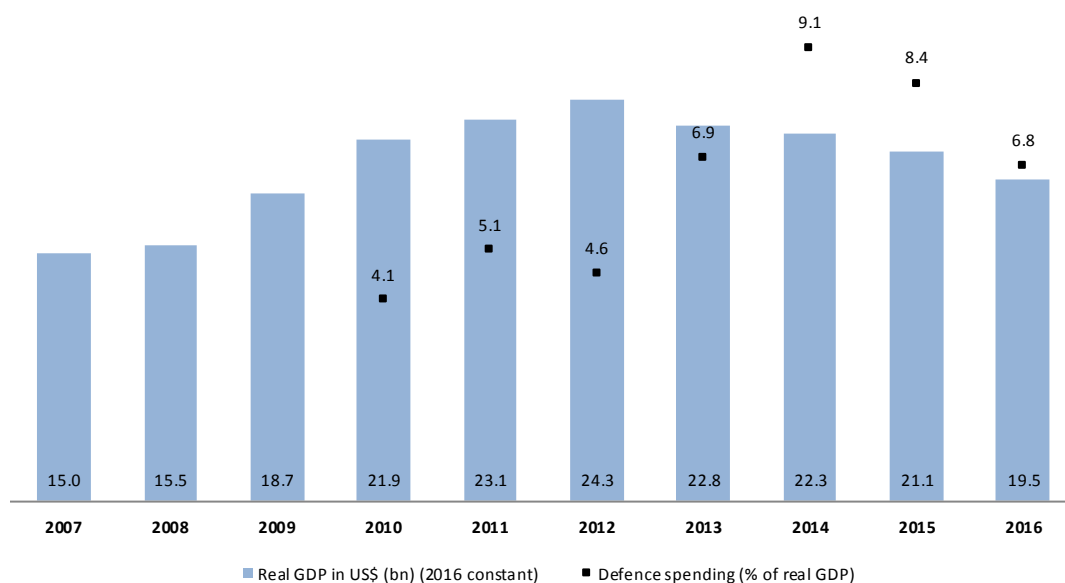
Economy

Over the past 10 years, Afghanistan averaged 7.2 per cent annual real economic growth. In 2016, the economy grew by only 2.2 per cent due to suppressed business sentiment and the mixed performance in the agricultural sector. Inflation increased due to currency depreciation and the recovery in global food prices. Government revenue collection has improved since 2014 but remains a key issue that ensures the government remains reliant on foreign assistance. Growth in Afghanistan's economy is expected to reach 3.1 per cent by 2019, according to the World Bank, based on increased political stability if the security environment does not deteriorate.

Defence spending

Afghanistan's 2016 defence budget was AFN89.5 (US\$1.3bn) – a 17.9 per cent real decrease on the 2015 defence budget. Donors funded 87 per cent of the budget and NATO foreign ministers agreed in May 2016 to extend their training mission to Afghanistan under 'Resolute Support' to 2020. Over 2016, the Afghan Air Force received the last 9 of 27 MD 530F Cayuse Warrior light attack aircraft. In July 2016, China provided Afghanistan with a first batch of military aid, which contained logistics equipment, spare parts for military vehicles, ammunition and weapons. In April 2016, the Afghan National Army received the first two of eight Insitu ScanEagle unmanned aerial systems.

Real GDP in US\$ and defence spending as a percentage of real GDP

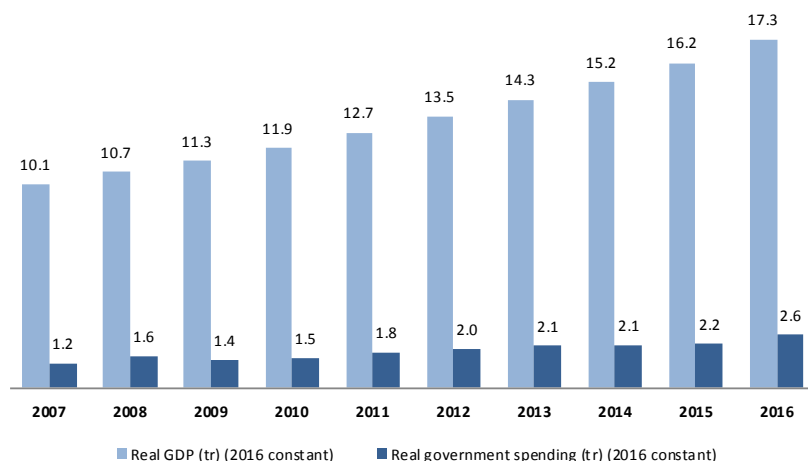


Bangladesh	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	54.7	64.1	70.5	91.8	119.5	128.9	144.6	164.6	183.8	221.3
Spending in local currency (bn) (2016 constant)	100.8	109.4	112.8	137.0	165.4	164.9	172.6	186.0	196.2	221.3
Spending in US\$ (bn) (current, in-year exchange rate)	0.8	0.9	1.0	1.3	1.6	1.6	1.9	2.1	2.4	2.8
Spending in US\$ (bn) (2016 constant and exchange rate)	1.3	1.4	1.4	1.7	2.1	2.1	2.2	2.4	2.5	2.8
Real growth rate (%)	4.8	8.6	3.1	21.4	20.8	-0.3	4.7	7.8	5.5	12.8
Expenditure (% of real GDP)	1.0	1.0	1.0	1.2	1.3	1.2	1.2	1.2	1.2	1.3
Expenditure (% of real government spending)	8.2	6.8	8.0	9.0	9.3	8.5	8.3	8.7	9.0	8.4

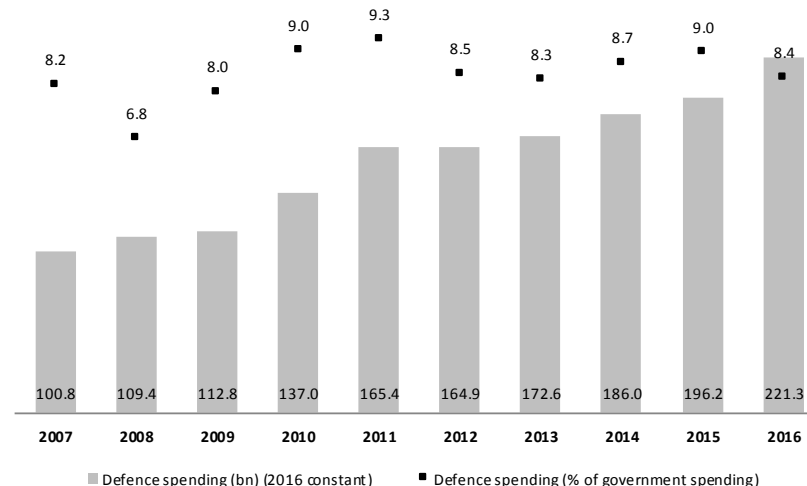
Gross domestic product (GDP)										
Real GDP in local currency (tr)	10.1	10.7	11.3	11.9	12.7	13.5	14.3	15.2	16.2	17.3
Real GDP in US\$ (bn)	147.0	156.5	163.4	171.0	171.0	164.9	183.3	195.6	207.5	220.8
Real growth rate (%)	7.1	6.0	5.0	5.6	6.5	6.5	6.0	6.1	6.6	7.1
Real GDP per capita in US\$	999.4	1051.8	1085.8	1123.6	1110.7	1059.2	1163.2	1226.8	1287.5	1355.2

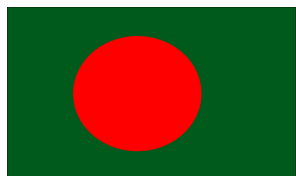
Government spending (tr)	1.2	1.6	1.4	1.5	1.8	2.0	2.1	2.1	2.2	2.6
Population (million)	147.1	148.8	150.5	152.1	153.9	155.7	157.6	159.4	161.2	163.0
Inflation (%)	13.9	4.3	5.4	8.1	10.3	6.6	7.5	7.0	6.2	5.5

Real GDP and government spending in local currency



Defence spending in local currency





Land size	148 460 km ²
Currency	Taka (BDT)
Fiscal year	1 July – 30 June
Economy	Less-developed country with a market economy
Industries	Cotton, wheat, jute, tobacco, apparel, pharmaceuticals, petroleum products and natural gas

Name	Bangladesh
Capital city	Dhaka
Population	162.9 million
Active armed forces	157 000

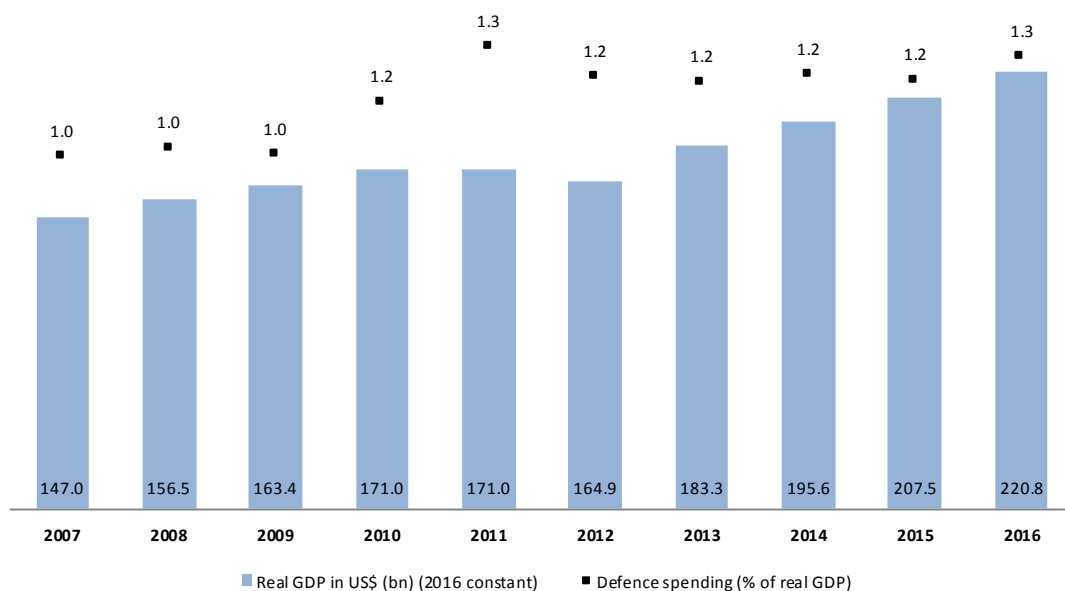
Economy

Over the past 10 years, Bangladesh averaged 6.2 per cent annual real economic growth. In 2016, the economy grew by 7.1 per cent due to large cross-border infrastructure investments and an increase in private investment and private sector wages. A sustained increase in per capita income was generated by continued expansion of the garment industry and a rise in the employment of women. But a decline in remittance inflows caused a drop in private consumption. Bangladesh's economy is forecast to average 6.9 per cent real growth to 2021, according to the EIU, based on growth in the labour force, capital and productivity.

Defence spending

Bangladesh's 2016 defence budget was BDT221.3bn (US\$2.8bn) – a 12.8 per cent real increase on the 2015 defence budget. The defence budget was primarily used for non-development costs, including maintenance, military salaries and multilateral cooperation operations. In October 2016, Bangladesh purchased one C-295 Transport Aircraft from Spain for delivery in 2017. In November 2016, Bangladesh acquired two refurbished Type 035G Ming-class diesel-electric submarines from China for delivery in early 2017. Bangladesh also contributed personnel and equipment to multilateral UN missions, including in Lebanon.

Real GDP in US\$ and defence spending as a percentage of real GDP

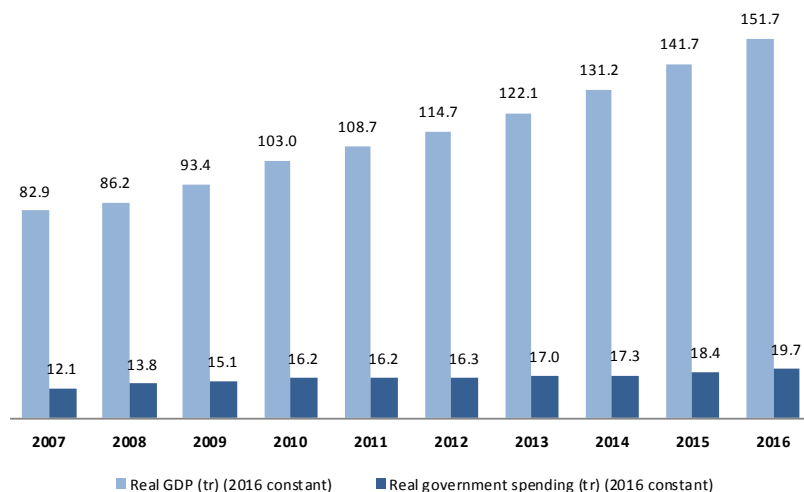


India	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (tr) (current)	1.1	1.2	1.7	1.8	2.0	2.4	2.5	2.9	3.1	3.4
Spending in local currency (tr) (2016 constant)	1.9	1.9	2.5	2.4	2.5	2.7	2.8	3.0	3.2	3.4
Spending in US\$ (bn) (current, in-year exchange rate)	27.3	28.4	34.4	38.4	43.4	44.6	43.2	46.7	48.3	50.7
Spending in US\$ (bn) (2016 constant and exchange rate)	28.5	28.7	36.6	35.4	37.6	40.9	41.0	44.7	47.8	50.7
Real growth rate (%)	2.4	0.9	27.4	-3.2	6.1	8.9	0.2	9.2	6.8	6.2
Expenditure (% of real GDP)	2.3	2.2	2.6	2.3	2.3	2.4	2.3	2.3	2.3	2.2
Expenditure (% of real government spending)	15.8	14.0	16.3	14.7	15.6	16.9	16.2	17.3	17.5	17.3

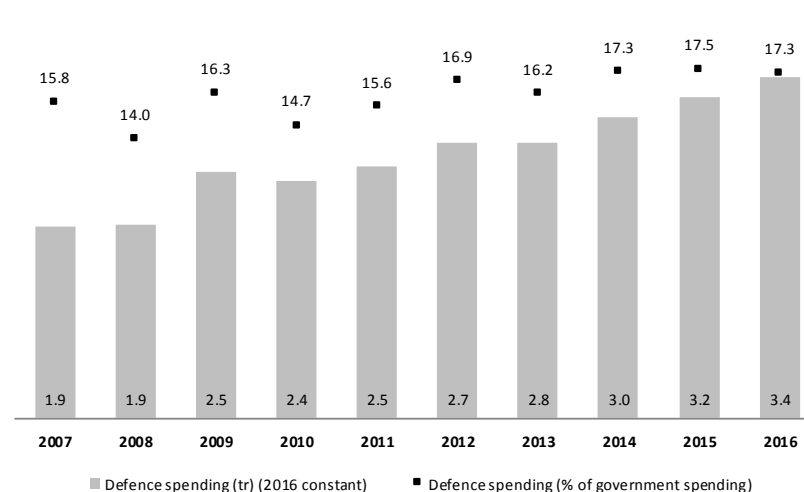
Gross domestic product (GDP)										
Real GDP in local currency (tr)	82.9	86.2	93.4	103.0	108.7	114.7	122.1	131.2	141.7	151.7
Real GDP in US\$ (tr)	2.0	2.0	1.9	2.3	2.3	2.1	2.1	2.2	2.2	2.3
Real growth rate (%)	9.8	4.0	8.3	10.2	5.6	5.5	6.4	7.5	7.9	7.1
Real GDP per capita in US\$	1699.1	1655.7	1589.1	1829.4	1867.3	1699.8	1629.5	1661.9	1686.8	1705.0

Government spending (tr)	12.1	13.8	15.1	16.2	16.2	16.3	17.0	17.3	18.4	19.7
Population (million)	1179.7	1197.1	1214.3	1231.0	1247.2	1263.1	1278.6	1293.9	1309.1	1324.2
Inflation (%)	6.0	8.6	9.7	10.4	8.3	9.4	9.9	6.6	4.9	4.9

Real GDP and government spending in local currency



Defence spending in local currency





Land size	3 287 263 km ²
Currency	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

Name	India
Capital city	New Delhi
Population	1.327 billion
Active armed forces	1.35 million

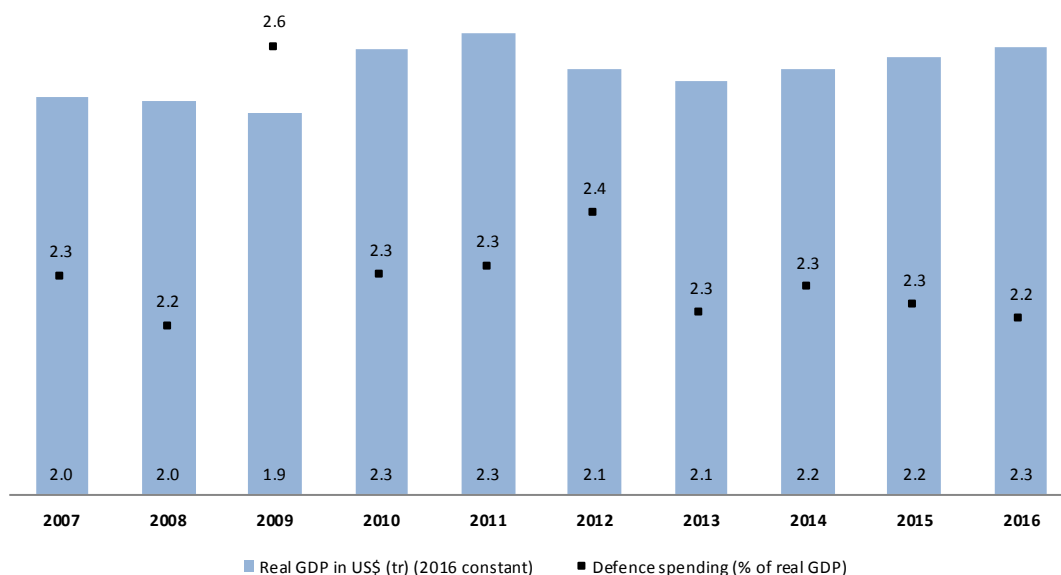
Economy

Over the past 10 years, India averaged 7.2 per cent annual real economic growth. In 2016, the economy grew by 7.1 per cent due to a revival in private investment and a gradual increase in private consumption. As one of the world's largest oil importers, India benefited from low global oil prices and a concurrent increase in production output from the agricultural sector. India's economic growth was also attributable to strong government reforms, including a November demonetisation program. India's economy is forecast to average 7.7 per cent real growth to 2021, according to the EIU, based on increasing investor confidence and further government reforms.

Defence spending

India's 2016 defence budget was 3.4tr Rupees (US\$50.7bn) – a 6.2 per cent real increase on the 2015 defence budget. India signed new contracts with Israel Aerospace Industries worth US\$1.4bn for the acquisition of new air combat systems, 10 Heron TP drones and two Phalcon/IL-76 airborne early warning and control systems. Cooperation with Russia included the joint development of the Kamov Ka-226T light-utility helicopter and the acquisition of five S-400 Triumf air defence missile systems. India also procured 320 Hawk-100 fighter jets from the UK and 12 Yang Yang MCM ships from South Korea. Construction of the first vessel is expected to start in 2018.

Real GDP in US\$ and defence spending as a percentage of real GDP

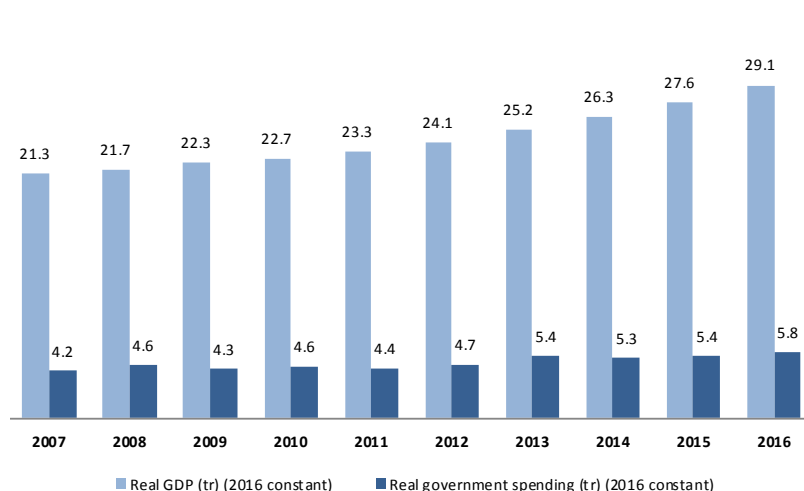


Pakistan	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	275.0	296.1	344.7	443.5	496.7	547.4	629.6	701.3	783.1	863.2
Spending in local currency (bn) (2016 constant)	635.0	603.9	582.6	676.2	633.0	658.4	707.9	734.1	787.4	863.2
Spending in US\$ (bn) (current, in-year exchange rate)	4.5	4.2	4.2	5.2	5.8	5.9	6.2	6.9	7.6	8.2
Spending in US\$ (bn) (2016 constant and exchange rate)	6.1	5.8	5.6	6.5	6.0	6.3	6.8	7.0	7.5	8.2
Real growth rate (%)	2.5	-4.9	-3.5	16.1	-6.4	4.0	7.5	3.7	7.3	9.6
Expenditure (% of real GDP)	3.0	2.8	2.6	3.0	2.7	2.7	2.8	2.8	2.9	3.0
Expenditure (% of real government spending)	15.3	13.0	13.6	14.7	14.4	13.9	13.1	14.0	14.5	14.9

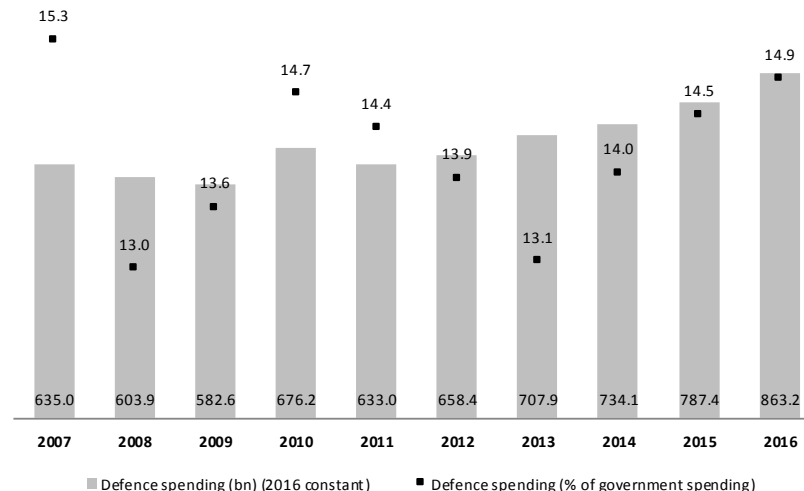
Gross domestic product (GDP)										
Real GDP in local currency (tr)	21.3	21.7	22.3	22.7	23.3	24.1	25.2	26.3	27.6	29.1
Real GDP in US\$ (bn)	351.2	308.2	273.0	266.1	269.8	258.1	247.7	260.6	268.5	277.8
Real growth rate (%)	4.8	1.7	2.8	1.6	2.7	3.5	4.4	4.7	4.7	5.5
Real GDP per capita in US\$	2190.7	1883.1	1634.5	1560.1	1548.8	1451.0	1362.9	1404.5	1417.7	1437.8

Government spending (tr)	4.2	4.6	4.3	4.6	4.4	4.7	5.4	5.3	5.4	5.8
Population (million)	160.3	163.6	167.1	170.6	174.2	177.9	181.7	185.5	189.4	193.2
Inflation (%)	7.6	19.8	12.1	12.9	11.9	9.7	7.7	7.2	2.5	3.8

Real GDP and government spending in local currency



Defence spending in local currency





Land size	796 095 km ²
Currency	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

Name	Pakistan
Capital city	Islamabad
Population	192.8 million
Active armed forces	644 000

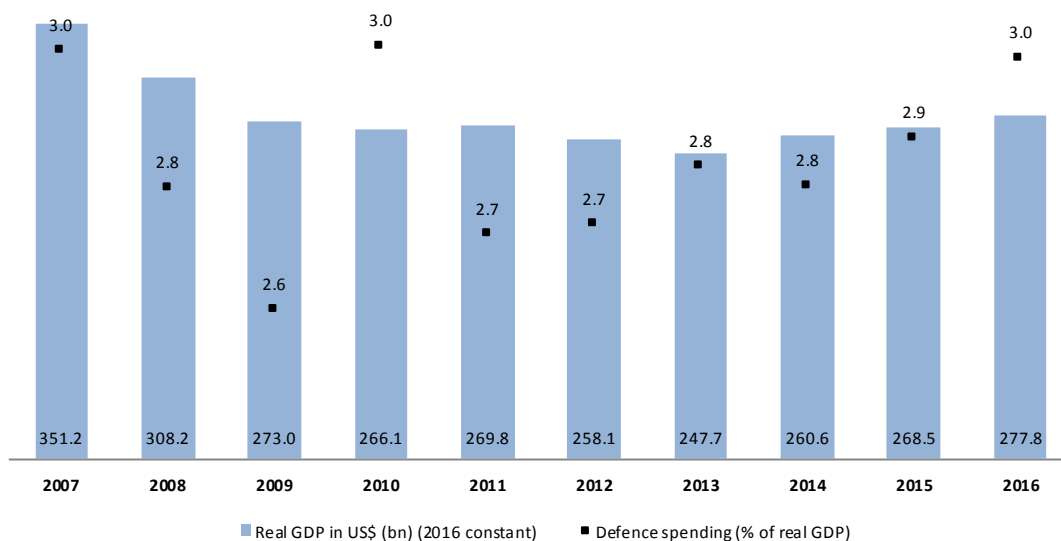
Economy

Over the past 10 years, Pakistan averaged 3.6 per cent real economic growth. In 2016, the economy grew by 5.5 per cent due to rising infrastructure spending, low commodity prices and an improved business market. The economic effects of weak industrial activity, low agricultural output and an appreciation of the real exchange rate were offset by reforms that raised revenues and eased energy constraints. Pakistan remains vulnerable to fiscal and external sector issues as well as energy shortages. Pakistan's economy is forecast to average 5.1 per cent real growth to 2021, according to the EIU.

Defence spending

Pakistan's 2016 defence budget was 863.2bn Rupees (US\$8.2bn) – an 9.6 per cent real increase on the 2015 defence budget. In April 2016, the US approved the sale of nine Bell AH-1Z Viper attack helicopters and six new medical evacuation aircraft to boost Pakistan's ongoing effort to replace and improve its existing air platforms. In May 2016, Pakistan signed a contract with Italian-based company Leonardo-Finmeccanica to purchase an undisclosed number of AugustaWestland AW139 intermediate twin-engine helicopters. Pakistan procured a multipurpose barge and two tugboats in June 2016 from state-owned company Karachi Shipyard and Engineering Works.

Real GDP in US\$ and defence spending as a percentage of real GDP

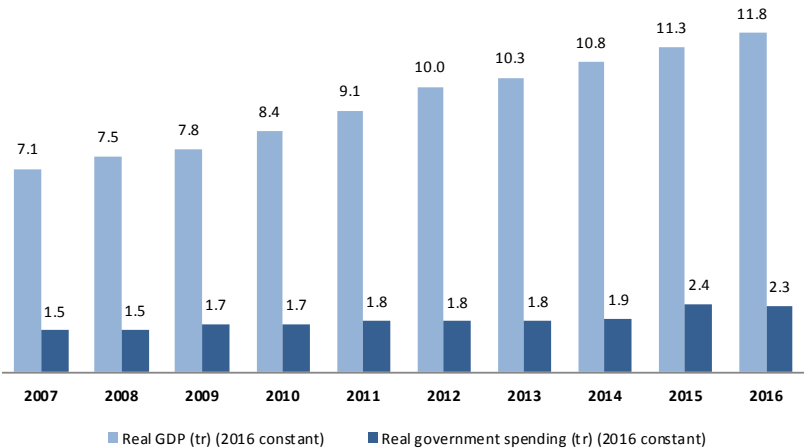


Sri Lanka	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	107.2	122.2	137.6	155.9	172.0	184.1	235.2	240.6	246.9	289.1
Spending in local currency (bn) (2016 constant)	186.0	182.3	194.0	204.8	217.7	210.2	252.8	251.3	255.8	289.1
Spending in US\$ (bn) (current, in-year exchange rate)	1.0	1.1	1.2	1.4	1.6	1.4	1.8	1.8	1.8	2.0
Spending in US\$ (bn) (2016 constant and exchange rate)	1.3	1.3	1.3	1.4	1.5	1.4	1.7	1.7	1.8	2.0
Real growth rate (%)	35.3	-2.0	6.4	5.6	6.3	-3.4	20.2	-0.6	1.8	13.0
Expenditure (% of real GDP)	2.6	2.4	2.5	2.4	2.4	2.1	2.5	2.3	2.3	2.4
Expenditure (% of real government spending)	12.7	12.3	11.5	12.2	12.0	11.8	14.1	13.4	10.8	12.4

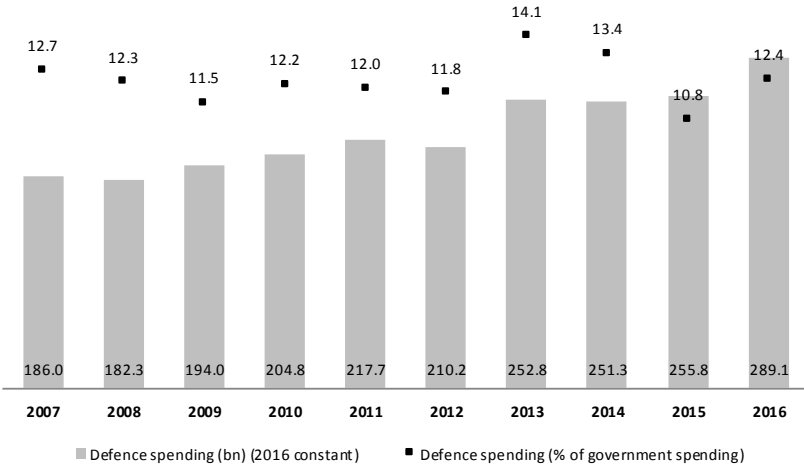
Gross domestic product (GDP)										
Real GDP in local currency (tr)	7.1	7.5	7.8	8.4	9.1	10.0	10.3	10.8	11.3	11.8
Real GDP in US\$ (bn)	64.3	69.5	67.9	74.5	82.6	78.1	79.9	82.9	83.5	81.3
Real growth rate (%)	6.8	6.0	3.5	8.0	8.4	9.1	3.4	5.0	4.8	4.4
Real GDP per capita in US\$	3244.7	3485.8	3379.5	3689.1	4065.4	3825.9	3889.9	4018.5	4027.3	3902.8

Government spending (tr)	1.5	1.5	1.7	1.7	1.8	1.8	1.8	1.9	2.4	2.3
Population (million)	19.8	20.0	20.1	20.2	20.3	20.4	20.5	20.6	20.7	20.8
Inflation (%)	15.9	22.4	3.5	6.2	6.7	7.6	6.9	2.8	2.2	4.0

Real GDP and government spending in local currency



Defence spending in local currency





Land size	65 610 km ²
Currency	Sri Lankan rupee (LKR)
Fiscal year	1 July – 30 June
Economy	Less-developed country with a market economy
Industries	Textiles, tourism, tea, coconuts, tobacco, IT services, insurance and banking, cement and construction

Name	Sri Lanka
Capital city	Colombo
Population	21.8 million
Active armed forces	161 000

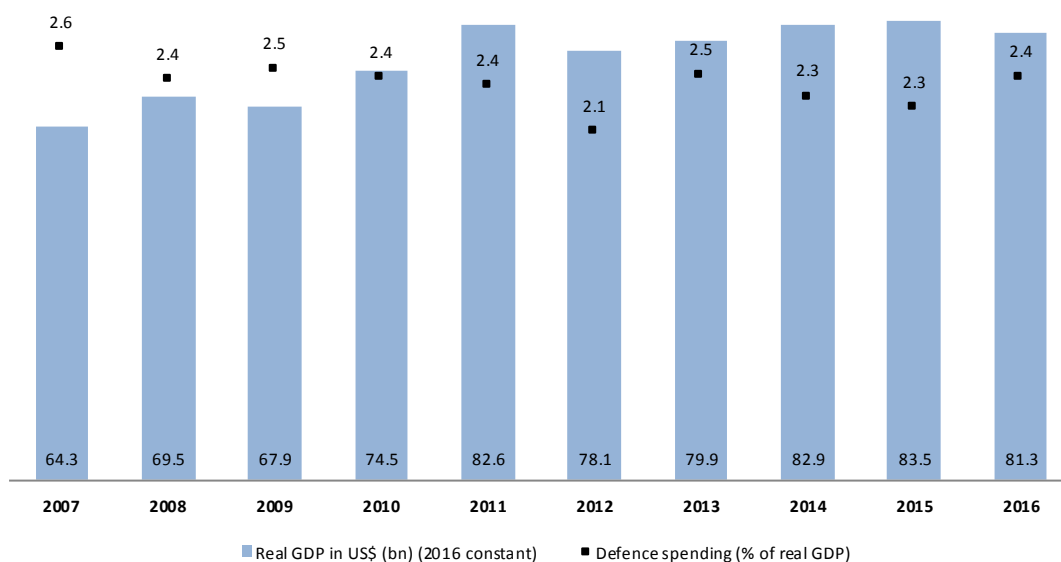
Economy

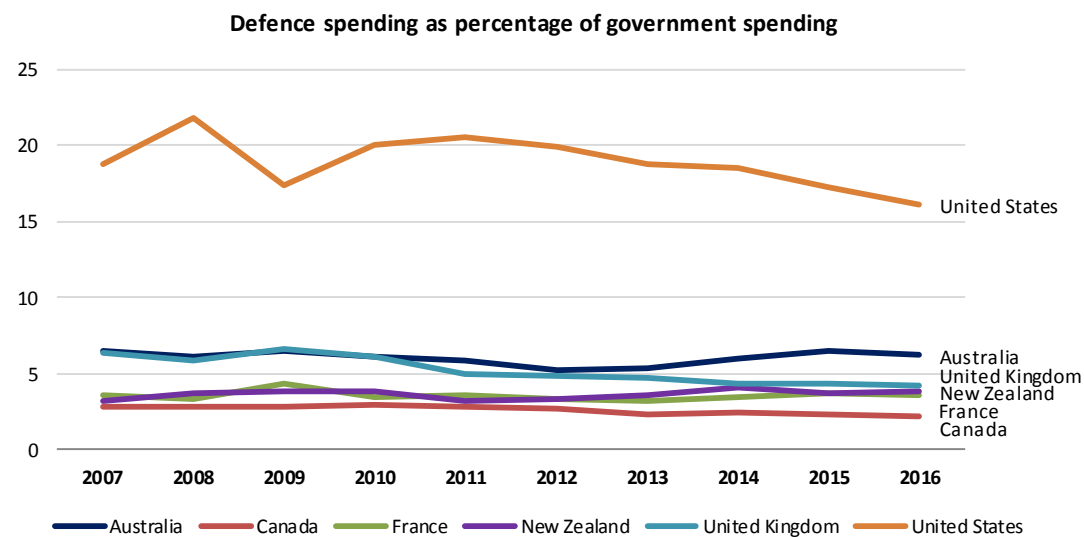
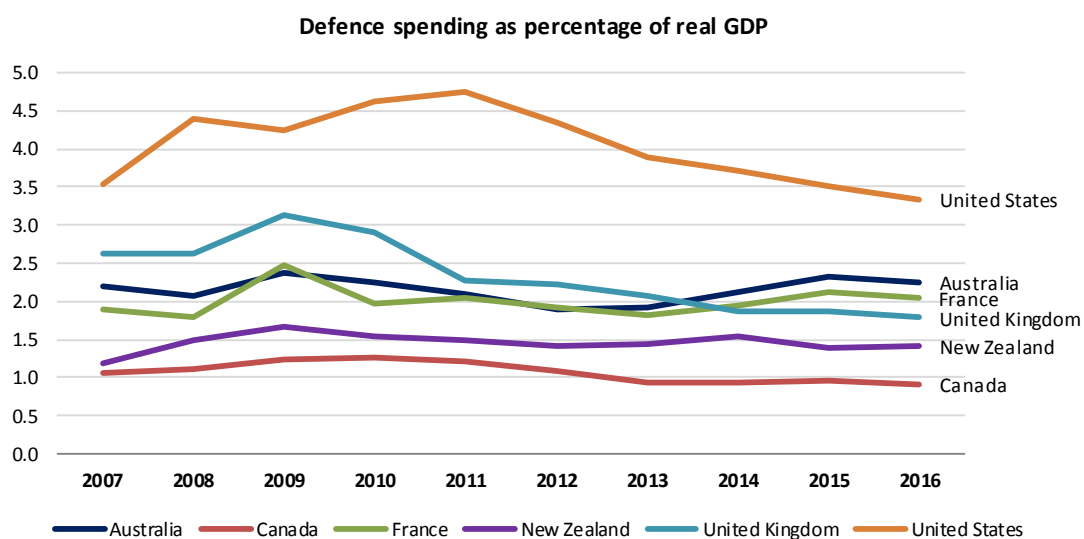
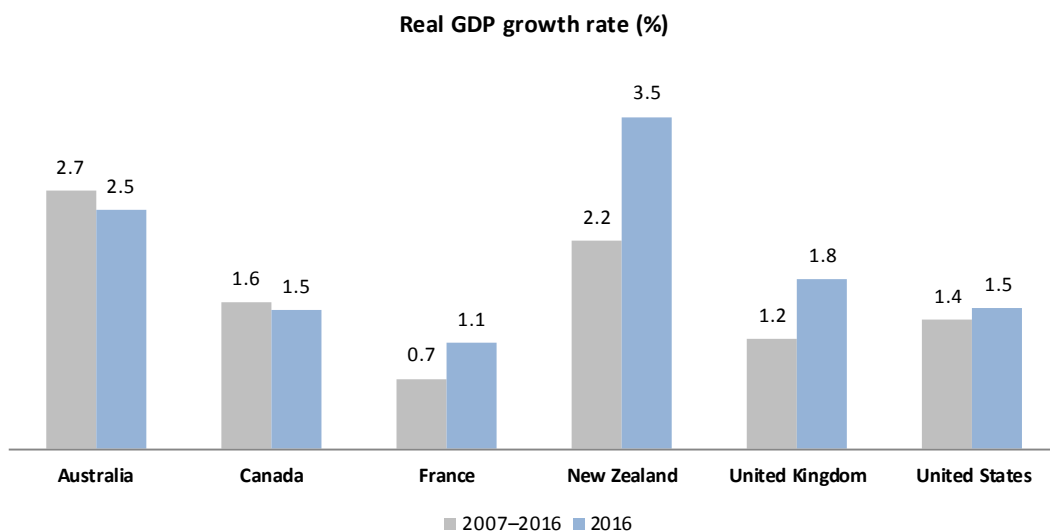
Over the past 10 years, Sri Lanka averaged 5.9 per cent annual real growth. In 2016, the economy grew by 4.4 per cent, due to a continued focus on private sector development. Economic growth was also supported by major infrastructure projects, development in the energy sector and a focus on small- and medium-sized enterprises. Key economic risks arise from high debt levels and possible cost overruns on infrastructure projects. Sri Lanka's economy is forecast to average 4.8 per cent real growth to 2021, according to the EIU, based on foreign direct investment and private consumption.

Defence spending

Sri Lanka's 2016 defence budget was LKR289.1bn (US\$2.0bn) – a 13.0 per cent real increase on the 2015 defence budget. In May 2016, Japan confirmed that it would provide the Sri Lankan Coast Guard with two patrol craft. China extended an October 2016 offer of US\$17m to provide military assistance and the provision of an offshore patrol vessel. In January 2016, Sri Lanka agreed on a US\$400m deal with Pakistan to purchase up to 12 JF-17 Thunder fighter aircraft, but the program has stalled. In September 2016, the US lifted long-standing military trade restrictions imposed on Sri Lanka.

Real GDP in US\$ and defence spending as a percentage of real GDP



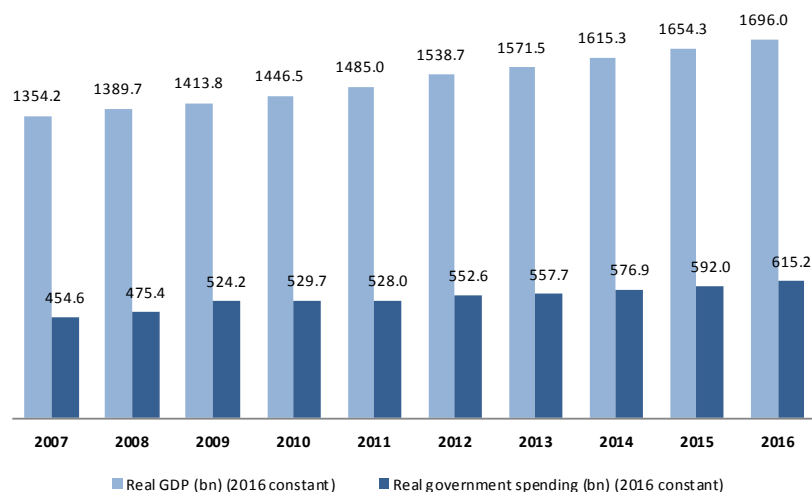


Australia	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	24.8	25.7	30.1	30.5	30.5	28.4	29.8	34.2	37.9	38.2
Spending in local currency (bn) (2016 constant)	29.7	28.8	33.7	32.5	31.1	29.0	30.1	34.4	38.4	38.2
Spending in US\$ (bn) (current, in-year exchange rate)	20.8	21.9	23.8	28.1	31.5	29.5	28.9	30.9	28.5	28.4
Spending in US\$ (bn) (2016 constant and exchange rate)	22.1	21.5	25.1	24.2	23.1	21.6	22.4	25.6	28.6	28.4
Real growth rate (%)	6.8	-2.8	17.0	-3.7	-4.4	-6.5	3.5	14.5	11.5	-0.4
Expenditure (% of real GDP)	2.2	2.1	2.4	2.2	2.1	1.9	1.9	2.1	2.3	2.3
Expenditure (% of real government spending)	6.5	6.1	6.4	6.1	5.9	5.3	5.4	6.0	6.5	6.2

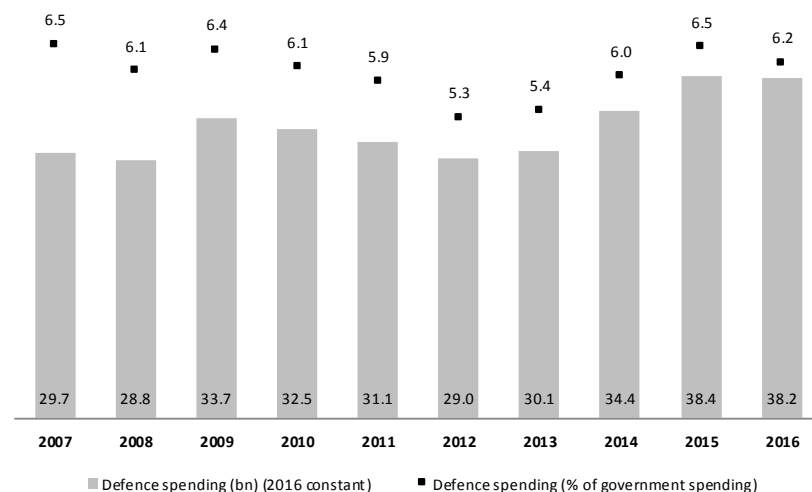
Gross domestic product (GDP)										
Real GDP in local currency (bn)	1354.2	1389.7	1413.8	1446.5	1485.0	1538.7	1571.5	1615.3	1654.3	1696.0
Real GDP in US\$ (bn)	1135.8	1184.4	1120.0	1331.3	1533.8	1594.4	1521.9	1458.2	1244.6	1261.7
Real growth rate (%)	4.5	2.6	1.7	2.3	2.7	3.6	2.1	2.8	2.4	2.5
Real GDP per capita in US\$	54220.5	55496.8	51522.4	60186.2	68229.0	69860.9	65736.5	62115.5	52295.4	52298.3

Government spending (bn)	454.6	475.4	524.2	529.7	528.0	552.6	557.7	576.9	592.0	615.2
Population (million)	20.9	21.3	21.7	22.1	22.5	22.8	23.2	23.5	23.8	24.1
Inflation (%)	2.3	4.4	1.8	2.9	3.3	1.8	2.5	2.5	1.5	1.3

Real GDP and government spending in local currency



Defence spending in local currency

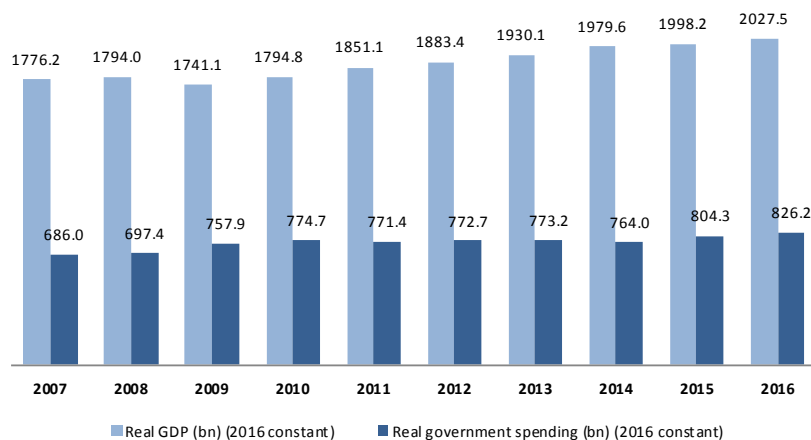


Canada	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	16.9	18.3	19.2	21.1	21.3	19.8	18.0	18.7	18.9	18.6
Spending in local currency (bn) (2016 constant)	19.1	19.9	21.4	22.8	22.3	20.5	18.3	18.6	19.1	18.6
Spending in US\$ (bn) (current, in-year exchange rate)	15.7	17.1	16.9	20.5	21.5	19.8	17.5	16.9	14.8	14.1
Spending in US\$ (bn) (2016 constant and exchange rate)	14.4	15.0	16.1	17.2	16.8	15.4	13.8	14.1	14.4	14.1
Real growth rate (%)	10.5	4.2	7.6	6.6	-2.3	-8.1	-10.6	1.8	2.3	-2.2
Expenditure (% of real GDP)	1.1	1.1	1.2	1.3	1.2	1.1	0.9	0.9	1.0	0.9
Expenditure (% of real government spending)	2.8	2.8	2.8	2.9	2.9	2.6	2.4	2.4	2.4	2.3

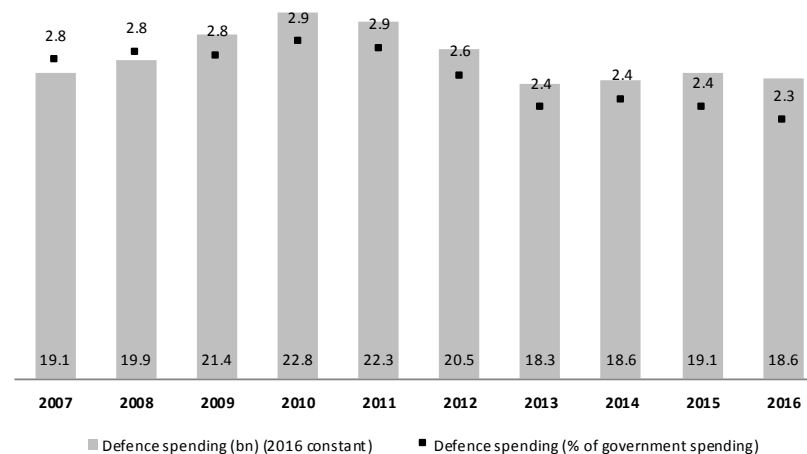
Gross domestic product (GDP)										
Real GDP in local currency (bn)	1776.2	1794.0	1741.1	1794.8	1851.1	1883.4	1930.1	1979.6	1998.2	2027.5
Real GDP in US\$ (bn)	1653.6	1681.7	1525.3	1742.3	1871.7	1884.6	1873.9	1792.0	1562.6	1529.5
Real growth rate (%)	2.1	1.0	-2.9	3.1	3.1	1.7	2.5	2.6	0.9	1.5
Real GDP per capita in US\$	50077.3	50342.9	45141.4	50989.8	54190.2	53997.4	53151.6	50329.6	43464.8	42147.9

Government spending (bn)	686.0	697.4	757.9	774.7	771.4	772.7	773.2	764.0	804.3	826.2
Population (million)	33.0	33.4	33.8	34.2	34.5	34.9	35.3	35.6	36.0	36.3
Inflation (%)	2.1	2.4	0.3	1.8	2.9	1.5	0.9	1.9	1.1	1.4

Real GDP and government spending in local currency



Defence spending in local currency

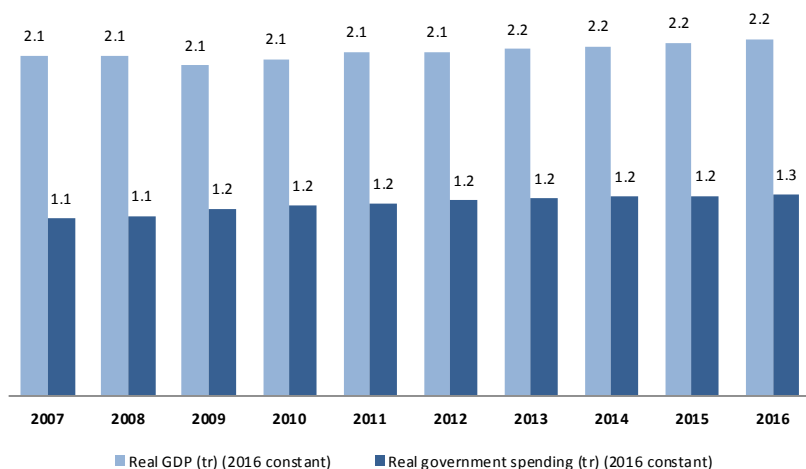


France	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	37.0	35.9	47.8	39.3	42.0	40.2	38.6	42.0	46.6	45.4
Spending in local currency (bn) (2016 constant)	40.2	38.1	50.7	41.2	43.7	41.4	39.4	42.6	46.8	45.4
Spending in US\$ (bn) (current, in-year exchange rate)	50.7	52.7	66.6	52.1	58.4	51.7	51.3	55.8	51.8	50.2
Spending in US\$ (bn) (2016 constant and exchange rate)	44.5	42.2	56.1	45.6	48.3	45.8	43.6	47.1	51.8	50.2
Real growth rate (%)	-2.5	-5.2	33.1	-18.7	5.9	-5.3	-4.7	8.0	9.9	-3.1
Expenditure (% of real GDP)	1.9	1.8	2.5	2.0	2.0	1.9	1.8	2.0	2.1	2.0
Expenditure (% of real government spending)	3.6	3.4	4.3	3.5	3.6	3.4	3.2	3.4	3.7	3.6

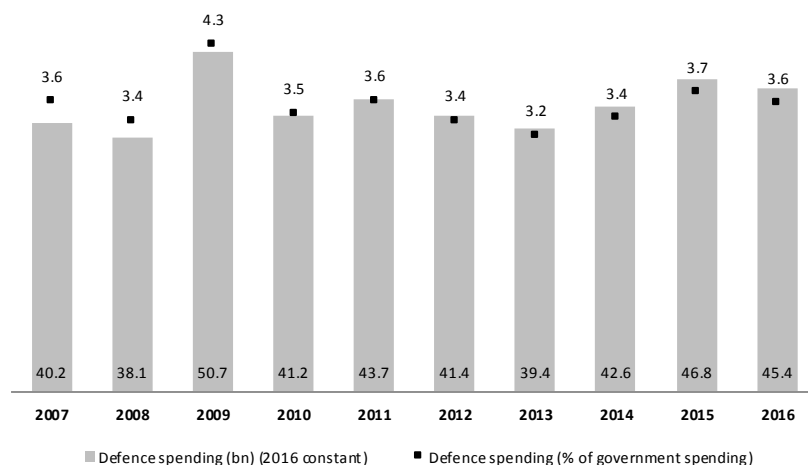
Gross domestic product (GDP)										
Real GDP in local currency (tr)	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2
Real GDP in US\$ (tr)	2.9	3.1	2.9	2.8	3.0	2.8	2.9	2.9	2.4	2.5
Real growth rate (%)	2.3	0.1	-2.9	1.9	2.1	0.2	0.6	1.0	1.0	1.1
Real GDP per capita in US\$	46850.3	50007.9	45754.0	44158.0	47054.7	43362.5	44873.8	45151.6	37913.6	38077.4

Government spending (tr)	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3
Population (million)	62.0	62.3	62.7	63.0	63.3	63.6	63.9	64.2	64.5	64.7
Inflation (%)	1.6	3.2	0.1	1.7	2.3	2.2	1.0	0.6	0.1	0.3

Real GDP and government spending in local currency



Defence spending in local currency

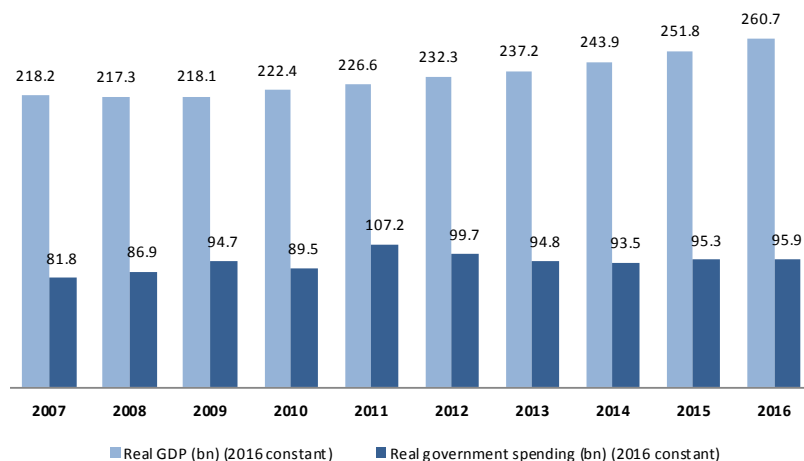


New Zealand	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	2.2	2.8	3.2	3.1	3.2	3.1	3.3	3.7	3.5	3.7
Spending in local currency (bn) (2016 constant)	2.6	3.2	3.6	3.4	3.4	3.3	3.4	3.8	3.5	3.7
Spending in US\$ (bn) (current, in-year exchange rate)	1.6	2.0	2.0	2.2	2.5	2.5	2.7	3.1	2.4	2.6
Spending in US\$ (bn) (2016 constant and exchange rate)	1.8	2.3	2.5	2.4	2.4	2.3	2.4	2.6	2.4	2.6
Real growth rate (%)	3.9	25.4	12.4	-6.3	-0.4	-2.8	2.7	11.2	-7.0	5.2
Expenditure (% of real GDP)	1.2	1.5	1.7	1.5	1.5	1.4	1.4	1.5	1.4	1.4
Expenditure (% of real government spending)	3.2	3.7	3.8	3.8	3.2	3.3	3.6	4.0	3.7	3.9

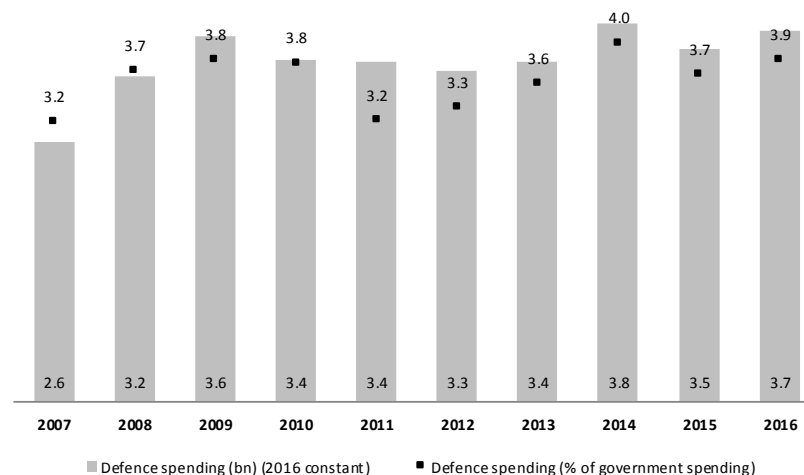
Gross domestic product (GDP)										
Real GDP in local currency (bn)	218.2	217.3	218.1	222.4	226.6	232.3	237.2	243.9	251.8	260.7
Real GDP in US\$ (bn)	160.7	155.2	138.6	160.6	179.4	188.4	194.6	202.6	176.4	181.8
Real growth rate (%)	4.0	-0.4	0.4	2.0	1.9	2.5	2.1	2.8	3.2	3.5
Real GDP per capita in US\$	38013.8	36416.9	32185.6	36885.8	40898.2	42704.6	43770.1	44896.9	38345.4	38752.4

Government spending (bn)	81.8	86.9	94.7	89.5	107.2	99.7	94.8	93.5	95.3	95.9
Population (million)	4.2	4.3	4.3	4.4	4.4	4.4	4.4	4.5	4.6	4.7
Inflation (%)	2.4	4.0	2.1	2.3	4.0	1.1	1.1	1.2	0.3	0.6

Real GDP and government spending in local currency



Defence spending in local currency

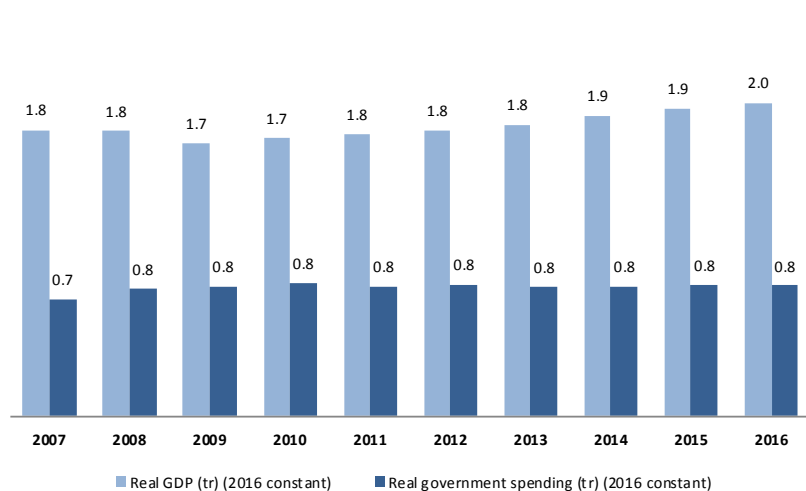


United Kingdom	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	40.4	41.5	47.8	46.1	37.3	37.5	36.3	34.3	35.4	35.0
Spending in local currency (bn) (2016 constant)	47.1	47.1	53.4	50.7	40.2	39.8	37.8	35.1	36.1	35.0
Spending in US\$ (bn) (current, in-year exchange rate)	80.9	76.9	74.8	71.3	59.8	59.5	56.8	56.5	54.1	47.4
Spending in US\$ (bn) (2016 constant and exchange rate)	63.9	63.8	72.4	68.7	54.5	54.0	51.3	47.6	48.9	47.4
Real growth rate (%)	-0.3	-0.1	13.5	-5.0	-20.7	-1.0	-5.0	-7.1	2.7	-3.1
Expenditure (% of real GDP)	2.6	2.6	3.1	2.9	2.3	2.2	2.1	1.9	1.9	1.8
Expenditure (% of real government spending)	6.4	5.9	6.6	6.1	4.9	4.8	4.7	4.3	4.4	4.3

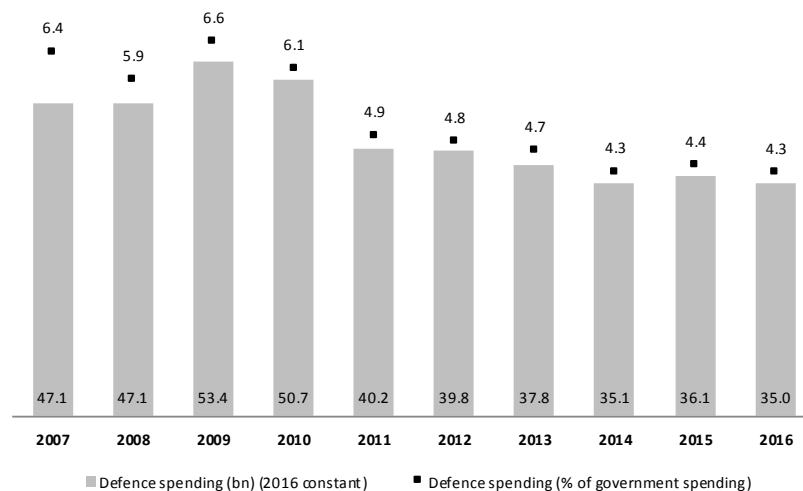
Gross domestic product (GDP)										
Real GDP in local currency (tr)	1.8	1.8	1.7	1.7	1.8	1.8	1.8	1.9	1.9	2.0
Real GDP in US\$ (tr)	3.6	3.3	2.7	2.7	2.8	2.8	2.9	3.1	2.9	2.7
Real growth rate (%)	2.4	-0.5	-4.2	1.7	1.5	1.5	2.1	3.1	2.3	1.8
Real GDP per capita in US\$	58679.8	53571.1	43004.4	42870.3	44780.5	44641.2	44689.9	48207.2	45504.0	40808.7

Government spending (tr)	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Population (million)	61.2	61.7	62.2	62.7	63.2	63.6	64.0	64.3	64.7	65.1
Inflation (%)	2.4	3.5	2.0	2.5	3.8	2.6	2.3	1.5	0.4	1.0

Real GDP and government spending in local currency



Defence spending in local currency

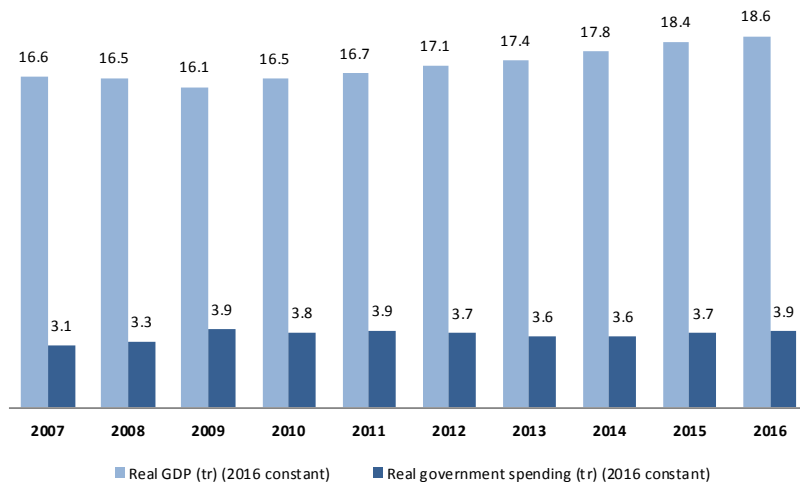


United States of America	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Official defence budget										
Spending in local currency (bn) (current)	513.0	647.2	611.1	692.8	738.7	702.8	647.4	648.9	636.6	620.9
Spending in local currency (bn) (2016 constant)	587.2	726.5	680.9	762.6	796.7	744.2	674.7	664.3	644.7	620.9
Spending in US\$ (bn) (current, in-year exchange rate)	513.0	647.2	611.1	692.8	738.7	702.8	647.4	648.9	636.6	620.9
Spending in US\$ (bn) (2016 constant and exchange rate)	587.2	726.5	680.9	762.6	796.7	744.2	674.7	664.3	644.7	620.9
Real growth rate (%)	13.1	23.7	-6.3	12.0	4.5	-6.6	-9.3	-1.5	-2.9	-3.7
Expenditure (% of real GDP)	3.5	4.4	4.2	4.6	4.8	4.4	3.9	3.7	3.5	3.3
Expenditure (% of real government spending)	18.8	21.7	17.4	20.0	20.5	19.9	18.7	18.5	17.3	16.1

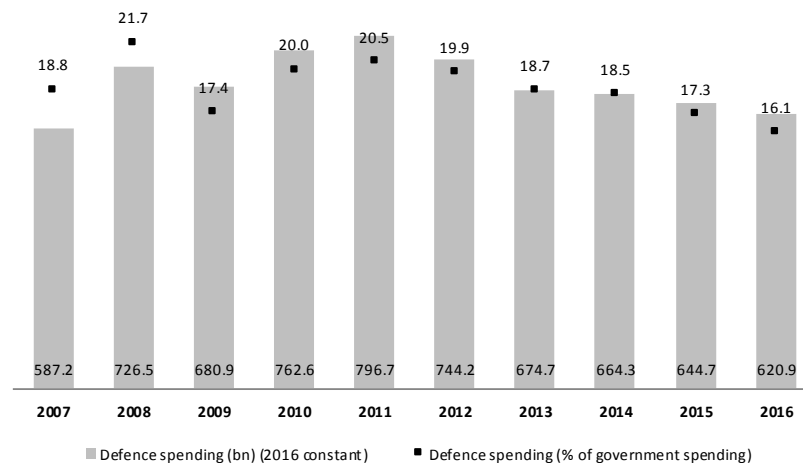
Gross domestic product (GDP)										
Real GDP in local currency (tr)	16.6	16.5	16.1	16.5	16.7	17.1	17.4	17.8	18.4	18.6
Real GDP in US\$ (tr)	16.6	16.5	16.1	16.5	16.7	17.1	17.4	17.8	18.4	18.6
Real growth rate (%)	1.8	-0.3	-2.8	2.5	1.6	2.2	1.7	2.6	2.9	1.5
Real GDP per capita in US\$	54949.7	54286.3	52327.1	53249.0	53709.0	54491.1	54984.1	55958.8	57110.4	57502.9

Government spending (tr)	3.1	3.3	3.9	3.8	3.9	3.7	3.6	3.6	3.7	3.9
Population (million)	301.6	304.4	307.0	309.3	311.6	314.0	316.4	318.8	321.3	323.9
Inflation (%)	2.9	3.8	-0.3	1.6	3.1	2.1	1.5	1.6	0.1	1.3

Real GDP and government spending in local currency



Defence spending in local currency



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.

The economic information for *Defence Economic Trends 2017* was sourced from the Economist Intelligence Unit (EIU), released in October. The use of EIU data differs from previous publications, which used International Monetary Fund (IMF) economic statistics. This change will result in different real GDP in local currencies and US dollars and real defence spending in local currencies and US dollars compared to previous editions. Although new economic forecasts were released during the development of this publication, not all data can be updated to the latest predictions.

As changed in the previous edition, *Defence Economic Trends 2017* employs a GDP price deflator, which is used to deflate historic defence budgets. The defence budgets are expressed in local currency into 2016 constant terms.

The defence spending paragraphs do not represent an exhaustive list of all procurement activities in 2016. These paragraphs are intended to provide a snapshot of major acquisitions and spending decisions prominent in open-source reporting throughout 2016.

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	Sources
Official defence budget (local currency)	Official budget sources from national governments Other open sources, including reputable media and official newspapers
Economic, government spending and population data	EIU dataset
General financial information	EIU, World Bank and Asian Development Bank. Other open sources, including reputable media and official newspapers
Active armed forces	The Military Balance 2016 report, released by the International Institute for Strategic Studies (IISS)

Other publishers of similar data

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

- IMF
- IISS
- 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. IISS generally indicates separate budgets in footnotes if these budgets exist. 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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