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Department of Defence

DEFENCE INTELLIGENCE ORGANISATION
AUSTRALIA

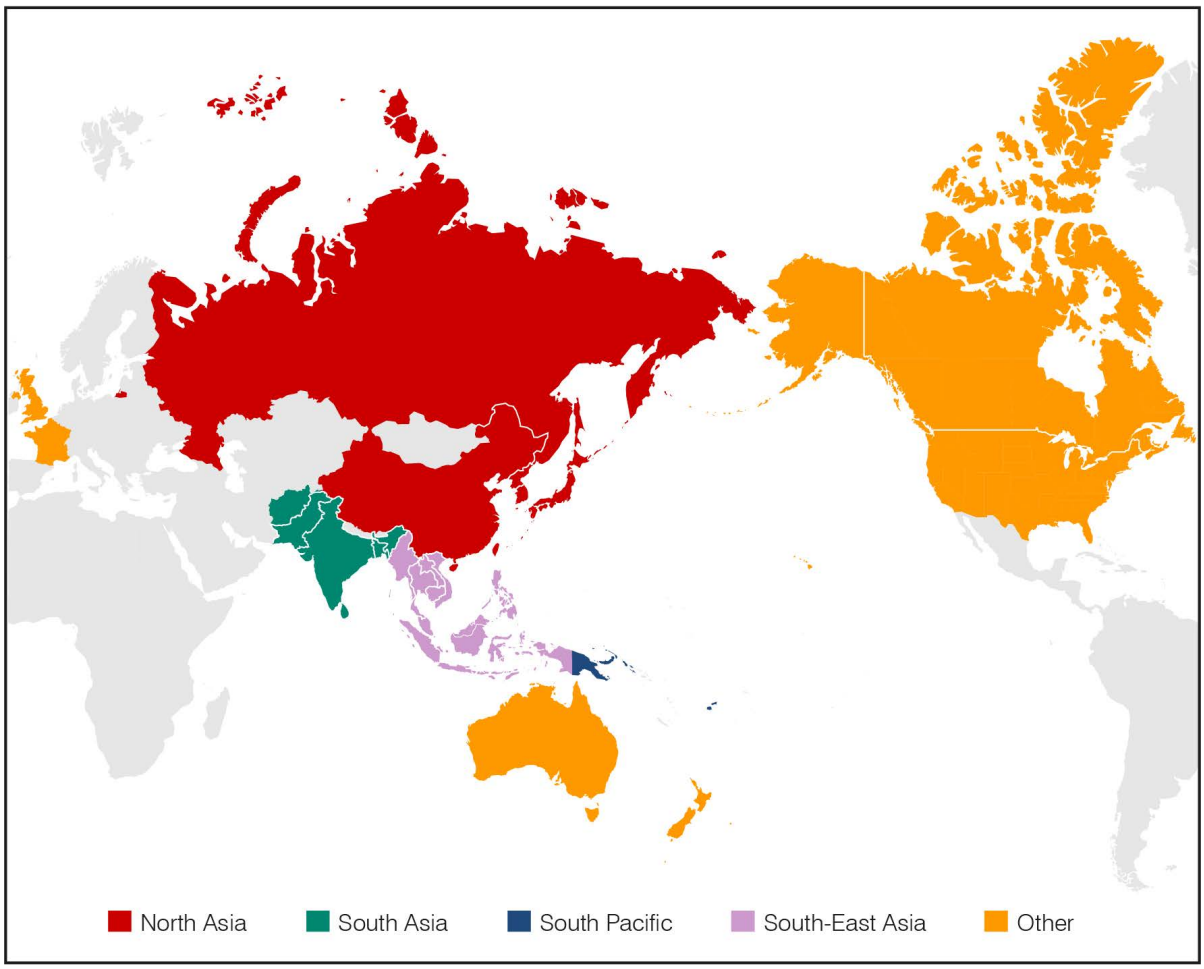
2018

DEFENCE ECONOMIC TRENDS IN THE ASIA-PACIFIC

DIO Reference Aid 18–511

DEFENCE ECONOMIC TRENDS IN THE ASIA-PACIFIC 2018

DIO Reference Aid 18–511, December 2018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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 economic data to illustrate trends over time. It also enables comparisons between individual countries or regions.

Abbreviations

bn	billion
EIU	Economist Intelligence Unit
GDP	gross domestic product
IT	information technology
LNG	liquefied natural gas
m	million
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organisation
PNG	Papua New Guinea
tr	trillion
UN	United Nations
US	United States
USD	United States Dollar

Online version

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

If you have any questions in relation to *Defence Economic Trends 2018*, please contact us directly by phone or fax at:

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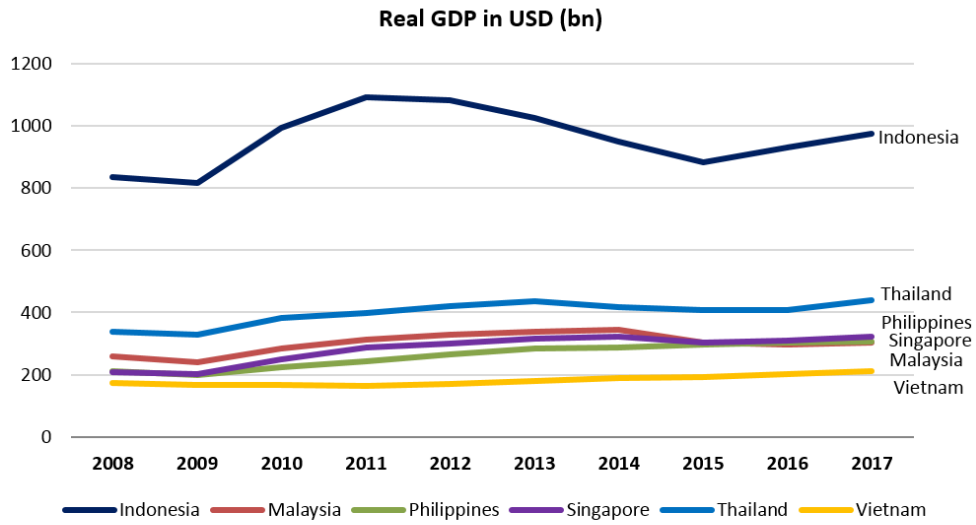
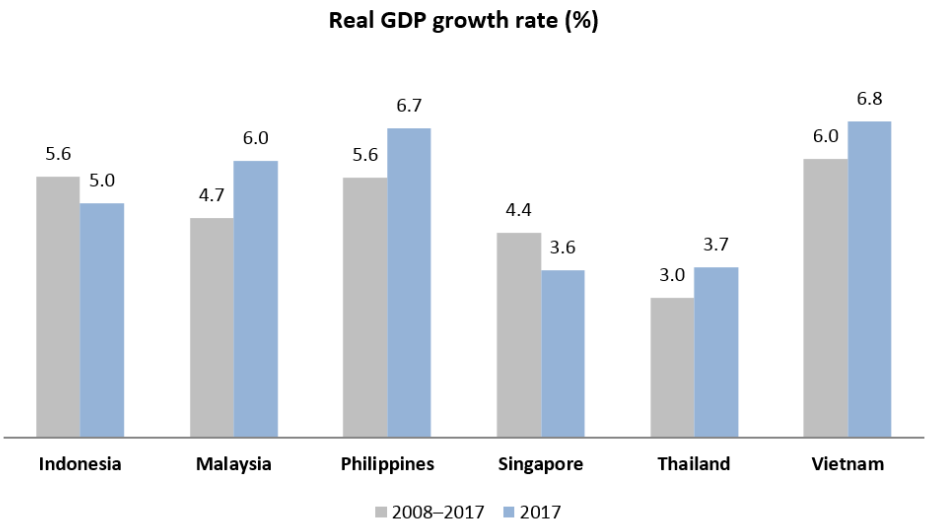
Regional Economy

With the exception of Timor-Leste and Brunei, economies in South-East Asia grew in 2017. Vietnam, Malaysia, Thailand, Myanmar and Singapore saw strong domestic consumption and retail trade. Meanwhile, investment in Brunei, Laos and Indonesia also contributed to growth in the region. Economic liberalisation, regional integration, stronger policy buffers and domestic political stability continue to contribute to sustained economic growth in South-East Asia.

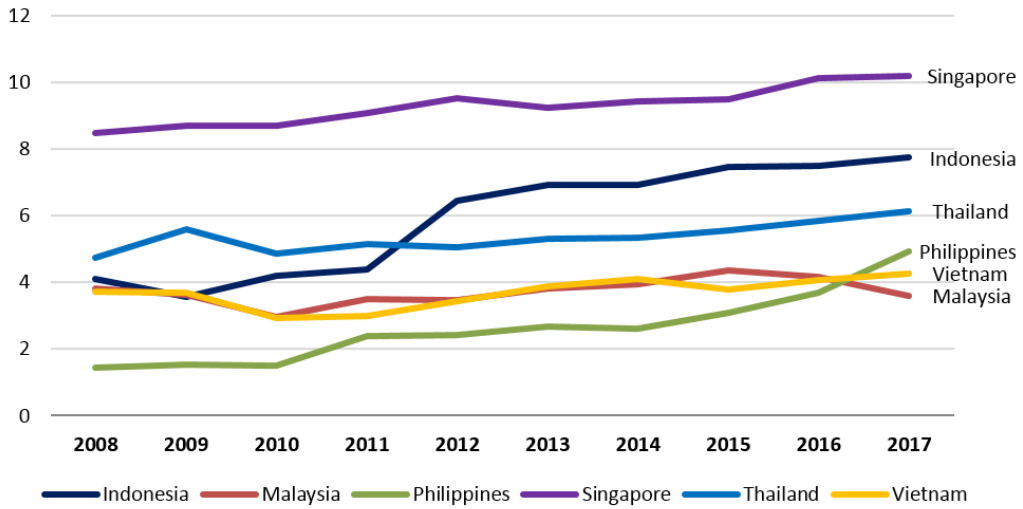
Defence Spending

With the exception of Brunei, Timor-Leste, Myanmar and Malaysia, South-East Asian defence spending grew in 2017. South-East Asia remains an attractive market for defence-related companies due to modernisation programs in armed forces across the region. Strong economic growth, internal security concerns and regional territorial disputes remain key drivers for growth in defence spending in the region. Cambodia, Brunei, Laos and Timor-Leste are not included in the graphs due to their small GDPs and defence budgets compared to the rest of the region. The GDP and defence budget figures of these countries can be found on the individual country pages.

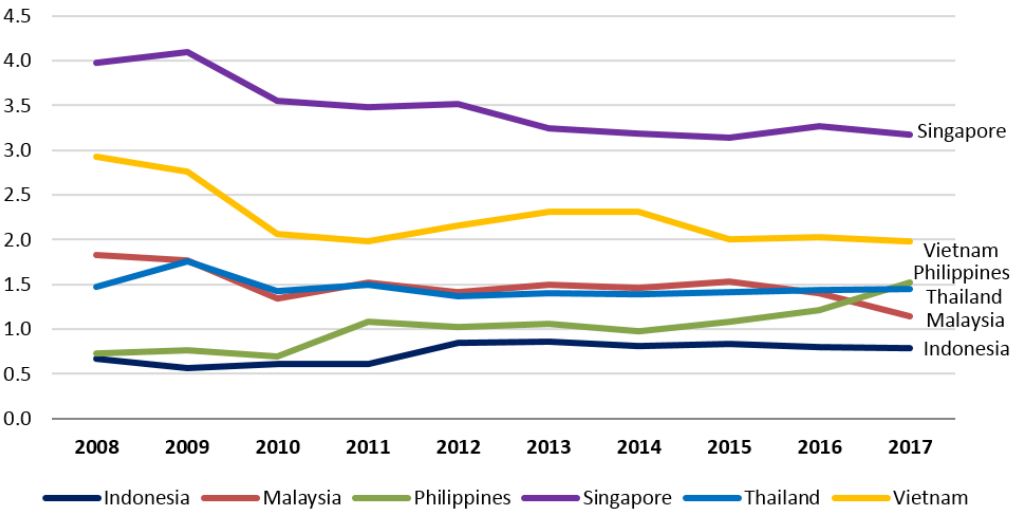




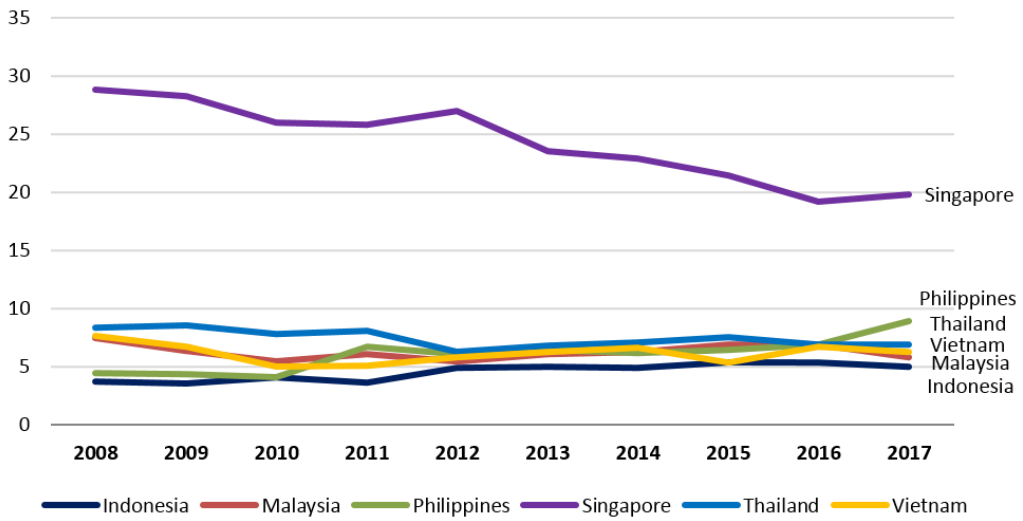
Defence spending in USD (bn) (2016 constant and exchange rate)



Defence spending as percentage of real GDP

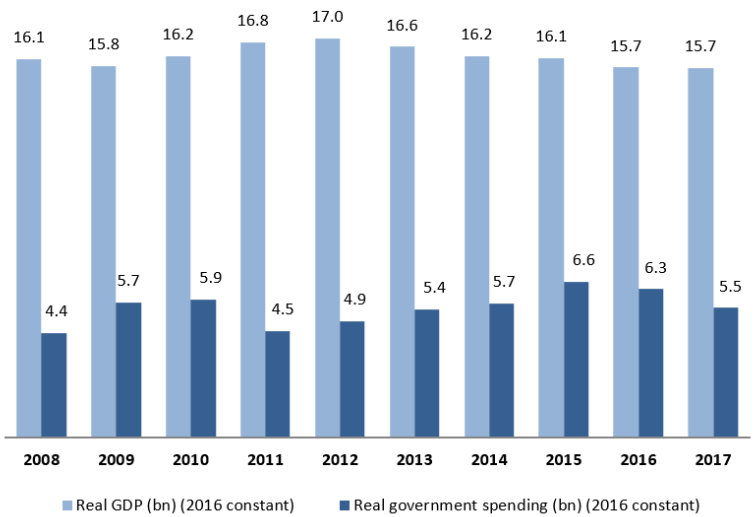


Defence spending as percentage of government spending

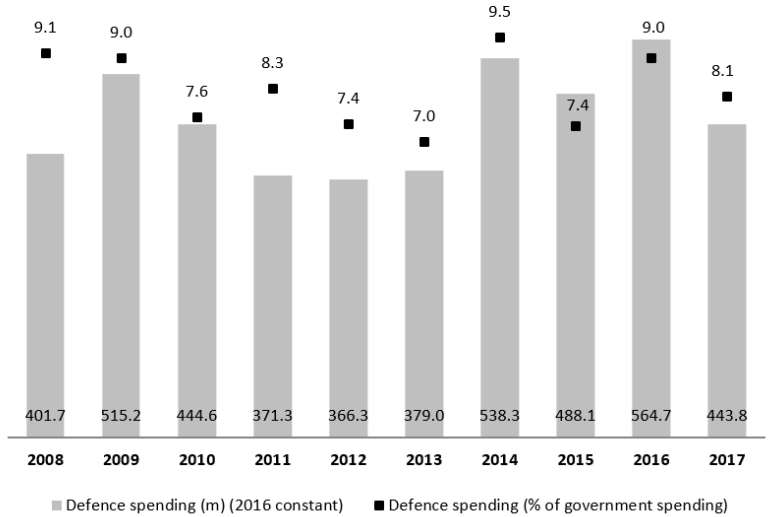


Brunei	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (m) (current)	508.9	508.5	512.0	514.0	513.2	516.0	719.2	537.5	564.7	451.8
Spending in local currency (m) (2016 constant)	401.7	515.2	444.6	371.3	366.3	379.0	538.3	488.1	564.7	443.8
Spending in USD (m) (current, in-year exchange rate)	359.1	349.6	375.5	408.6	410.7	412.4	567.6	390.9	408.8	326.7
Spending in USD (m) (2016 constant and exchange rate)	290.8	373.0	321.8	268.8	265.2	274.4	389.7	353.4	408.8	321.3
Real growth rate (%)	-13.2	28.3	-13.7	-16.5	-1.4	3.5	42.0	-9.3	15.7	-21.4
Expenditure (% of real GDP)	2.5	3.3	2.7	2.2	2.2	2.3	3.3	3.0	3.6	2.8
Expenditure (% of real government spending)	9.1	9.0	7.6	8.3	7.4	7.0	9.5	7.4	9.0	8.1
Gross domestic product (GDP)										
Real GDP in local currency (bn)	16.1	15.8	16.2	16.8	17.0	16.6	16.2	16.1	15.7	15.7
Real GDP in USD (bn)	11.4	10.9	11.9	13.4	13.6	13.3	12.8	11.7	11.4	11.4
Real growth rate (%)	-1.9	-1.8	2.6	3.7	0.9	-2.1	-2.3	-0.6	-2.5	-0.2
Real GDP per capita in USD	29899.1	28616.6	30517.3	34318.0	33991.0	32415.5	31257.2	27959.7	27143.9	26788.3
Government spending (bn)	4.4	5.7	5.9	4.5	4.9	5.4	5.7	6.6	6.3	5.5
Population (million)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Inflation (%)	2.1	1.0	0.4	2.0	0.5	0.4	-0.2	-0.4	-0.7	-0.2

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	7000

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

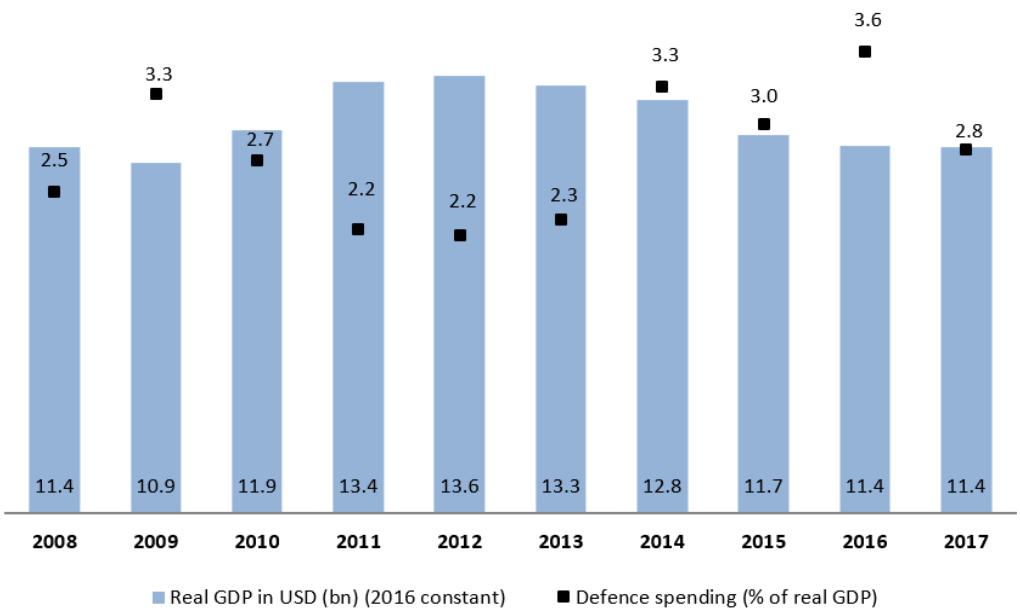
Economy

Over the past 10 years, Brunei averaged -0.4 per cent annual real economic growth. In 2017, the economy contracted by 0.2 per cent due to ongoing low oil and gas prices. Brunei's economy is forecast to gradually recover over the next two years, according to the EIU, based on significant efforts by the Brunei government to diversify the economy and improve the regulatory environment. Additionally, exports are projected to rise with the modest recovery in oil production and prices.

Defence Spending

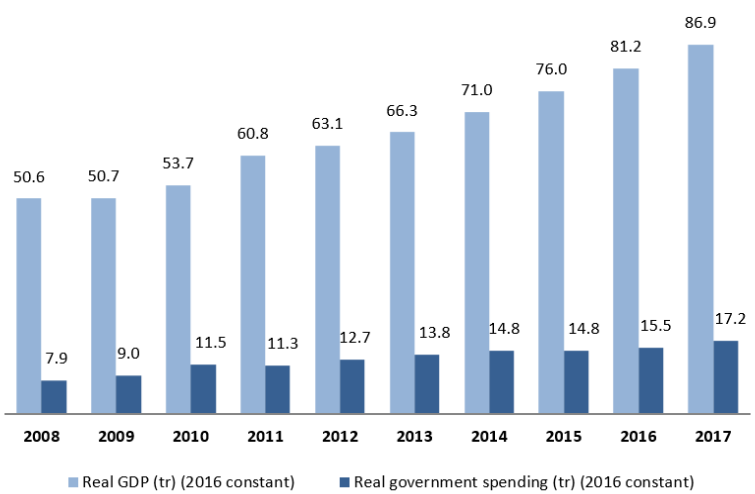
Brunei's 2017 defence budget was BND443.8m (USD321.3m) – a 21.4 per cent real decrease on the 2016 defence budget. Brunei's defence priorities in 2017 included training and support of defence personnel, increased defence diplomacy, intelligence exchanges, military training and national, regional and international exercises. The Ministry of Defence is also implementing new cost-saving approaches such as the establishment of a 'savings task force'.

Real GDP in USD and defence spending as a percentage of real GDP

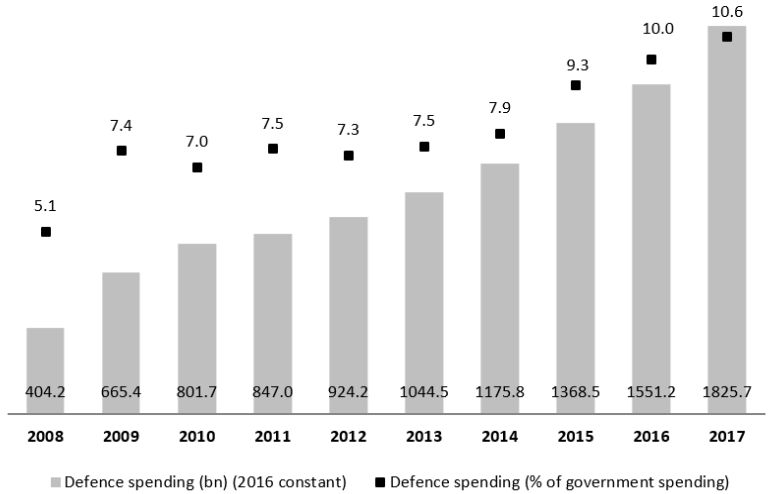


Cambodia	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	335.0	565.4	702.5	779.9	876.4	980.5	1122.3	1322.8	1551.2	1879.6
Spending in local currency (bn) (2016 constant)	404.2	665.4	801.7	847.0	924.2	1044.5	1175.8	1368.5	1551.2	1825.7
Spending in USD (m) (current, in-year exchange rate)	82.6	136.6	167.9	192.2	217.3	243.5	278.0	325.2	382.2	464.0
Spending in USD (m) (2016 constant and exchange rate)	99.6	163.9	197.5	208.7	227.7	257.3	289.7	337.2	382.2	449.8
Real growth rate (%)	-6.9	64.6	20.5	5.6	9.1	13.0	12.6	16.4	13.4	17.7
Expenditure (% of real GDP)	0.8	1.3	1.5	1.4	1.5	1.6	1.7	1.8	1.9	2.1
Expenditure (% of real government spending)	5.1	7.4	7.0	7.5	7.3	7.5	7.9	9.3	10.0	10.6
Gross domestic product (GDP)										
Real GDP in local currency (tr)	50.6	50.7	53.7	60.8	63.1	66.3	71.0	76.0	81.2	86.9
Real GDP in USD (m)	12488.7	12242.0	12830.8	14985.0	15650.8	16457.7	17576.9	18673.6	20016.8	21459.2
Real growth rate (%)	6.7	0.1	6.0	13.3	3.8	5.0	7.1	7.0	7.0	7.0
Real GDP per capita in USD	899.7	868.8	896.7	1030.7	1059.1	1095.5	1151.0	1203.4	1269.9	1340.4
Government spending (tr)	7.9	9.0	11.5	11.3	12.7	13.8	14.8	14.8	15.5	17.2
Population (million)	13.9	14.1	14.3	14.5	14.8	15.0	15.3	15.5	15.8	16.0
Inflation (%)	25.0	-0.7	4.0	5.3	3.1	2.9	3.9	1.2	3.0	3.0

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Cambodia
Capital city	Phnom Penh
Population	16 million
Active armed forces	124 000

Land size	181 035 km^2
Currency	Riel (KHR)
Fiscal year	1 January – 31 December
Economy	Less-developed country with a market economy
Industries	Gems, cement, forestry, rubber, food, tourism, textiles, apparel and footwear

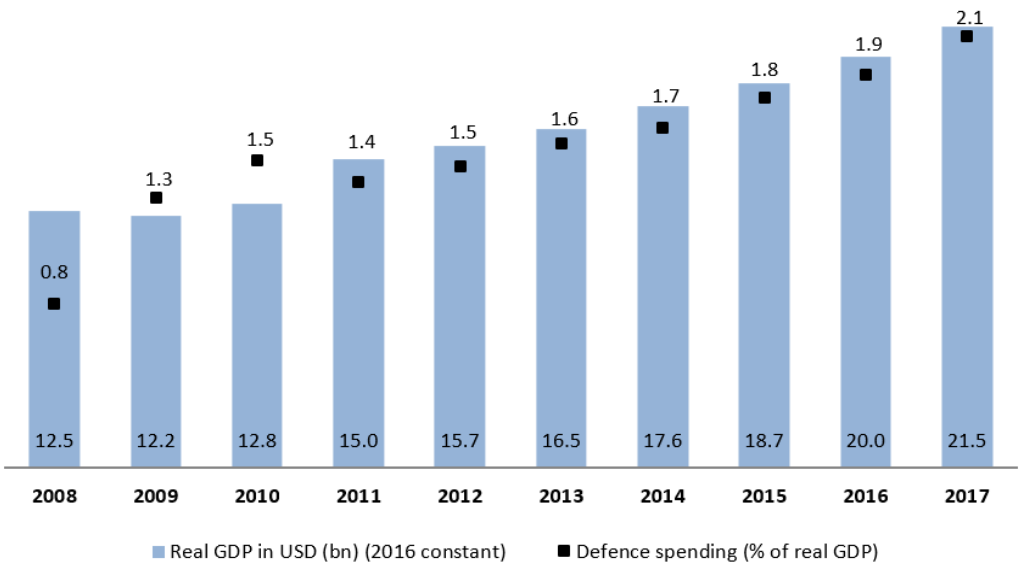
Economy

Over the past 10 years, Cambodia averaged 6.2 per cent annual real economic growth. In 2017, the economy grew by 7 per cent, due to increased exports of electrical machinery, equipment and auto parts. Cambodia also experienced a recovery of foreign tourist arrivals. Due to US dollar appreciation, rising labour costs, and competition from other regional low-wage countries, growth in garment exports slowed. Cambodia's economy is forecast to average 6.7 per cent real growth to 2022, according to the EIU, based on strong activity in the manufacturing and tourism sectors.

Defence Spending

Cambodia's 2017 defence budget was KHR1825.7bn (USD450m) – a 17.7 per cent real increase on the 2016 defence budget. According to the Phnom Penh Post, the budget increase predominantly went to increased salaries. In March 2017, Cambodia received 208 military trucks and 14 engineering vehicles from South Korea. In December 2017, China pledged to build an air defence school in Kampong Speu province, and in January 2018 Cambodia's Defence Minister announced China was to provide around 100 armoured vehicles to the Cambodian Army.

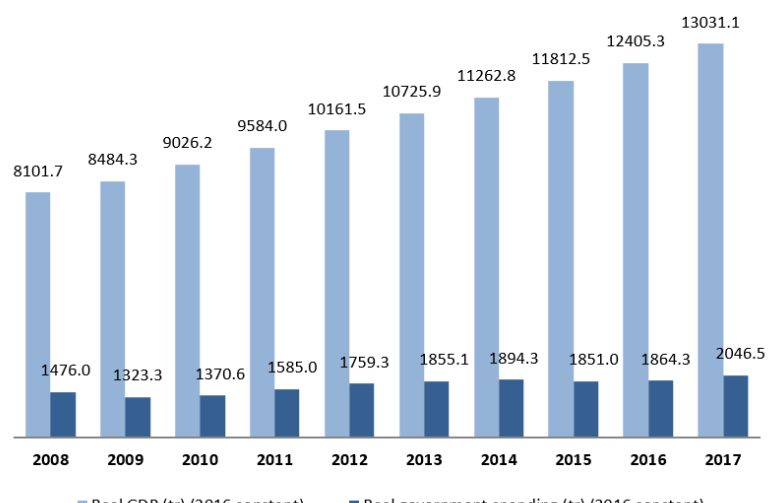
Real GDP in USD and defence spending as a percentage of real GDP



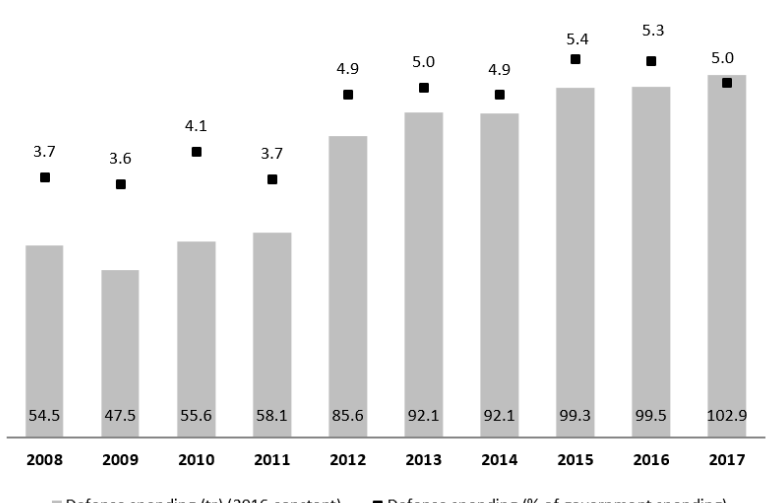
contents

Indonesia	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (tr) (current)	36.4	33.7	42.3	47.5	72.5	82.0	86.4	96.9	99.5	108.0
Spending in local currency (tr) (2016 constant)	54.5	47.5	55.6	58.1	85.6	92.1	92.1	99.3	99.5	102.9
Spending in USD (bn) (current, in-year exchange rate)	3.8	3.2	4.7	5.4	7.7	7.8	7.3	7.2	7.5	8.1
Spending in USD (bn) (2016 constant and exchange rate)	4.1	3.6	4.2	4.4	6.4	6.9	6.9	7.5	7.5	7.7
Real growth rate (%)	-4.9	-12.8	17.1	4.5	47.2	7.7	-0.1	7.9	0.1	3.5
Expenditure (% of real GDP)	0.7	0.6	0.6	0.6	0.8	0.9	0.8	0.8	0.8	0.8
Expenditure (% of real government spending)	3.7	3.6	4.1	3.7	4.9	5.0	4.9	5.4	5.3	5.0
Gross domestic product (GDP)										
Real GDP in local currency (tr)	8101.7	8484.3	9026.2	9584.0	10161.5	10725.9	11262.8	11812.5	12405.3	13031.1
Real GDP in USD (bn)	835.3	816.6	992.9	1092.8	1082.6	1025.3	949.2	882.2	932.1	973.9
Real growth rate (%)	7.4	4.7	6.4	6.2	6.0	5.6	5.0	4.9	5.0	5.0
Real GDP per capita in USD	3516.9	3398.6	4086.7	4449.1	4361.3	4088.5	3747.6	3449.5	3610.3	3737.3
Government spending (tr)	1476.0	1323.3	1370.6	1585.0	1759.3	1855.1	1894.3	1851.0	1864.3	2046.5
Population (million)	237.5	240.3	243.0	245.6	248.2	250.8	253.3	255.8	258.2	260.6
Inflation (%)	9.9	4.8	5.2	5.4	4.0	6.4	6.4	6.4	3.5	3.8

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Indonesia
Capital city	Jakarta
Population	260.6 million
Active armed forces	396 000

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

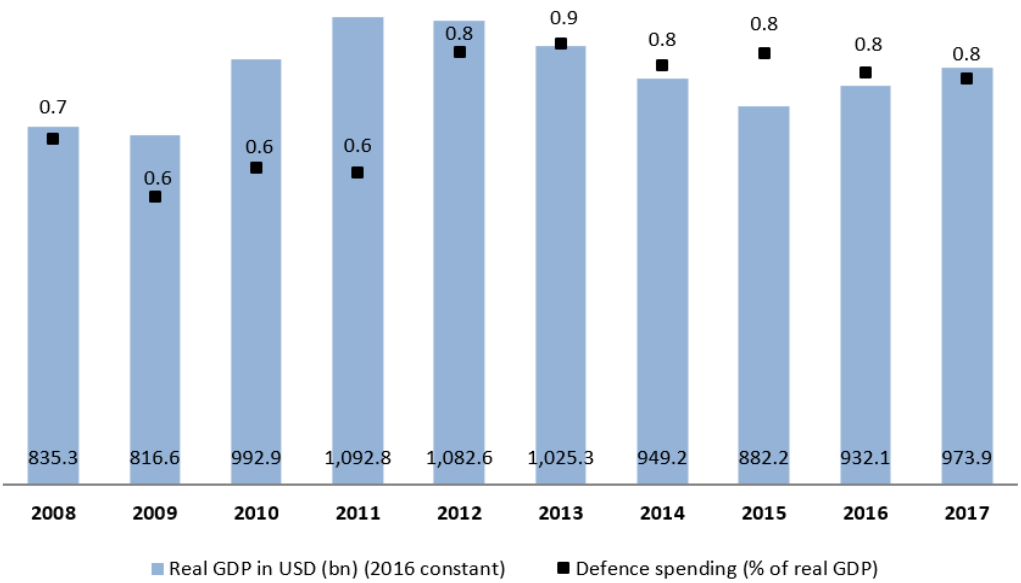
Economy

Over the past 10 years, Indonesia averaged 5.6 per cent annual real growth. In 2017, the economy grew by 5 per cent, due to strong investment and export growth. Private consumption growth remained flat, but showed an increase in the sale of passenger cars and motorcycles. Indonesia has also seen the benefits of reduced fuel subsidies implemented in 2015, which has allowed for an increase in public capital investments and foreign direct investment. Indonesia's economy is forecast to average 5.1 per cent real growth to 2022, according to the EIU.

Defence Spending

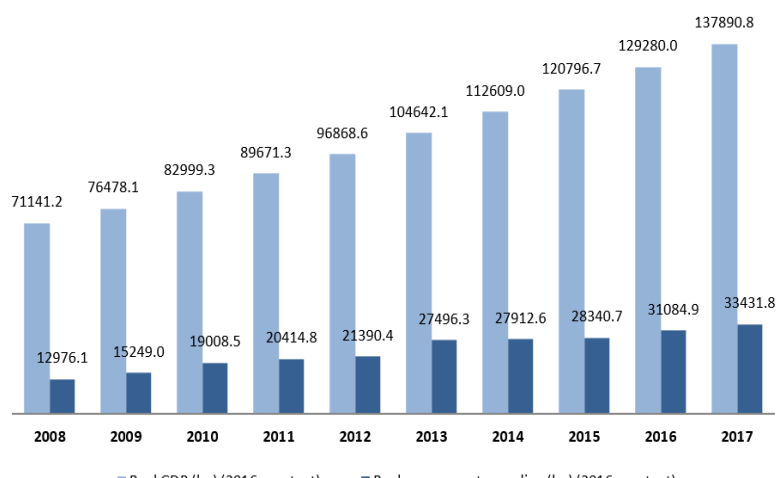
Indonesia's 2017 defence budget was IDR102.9tr (USD7.7bn) – a 3.5 per cent real increase on the 2016 defence budget. In October 2017, Indonesia signed a contract for the Norwegian advanced surface-to-air missile system (NASAMS), worth USD77m. In February 2018, Jakarta ordered 11 Sukhoi Su-35 FLANKER M multi-role fighter aircraft from Russia, worth USD1.14bn. Additionally, in April 2018, Indonesia received its second NAGAPASSA-class submarine. Indigenous construction of a third submarine is underway.

Real GDP in USD and defence spending as a percentage of real GDP

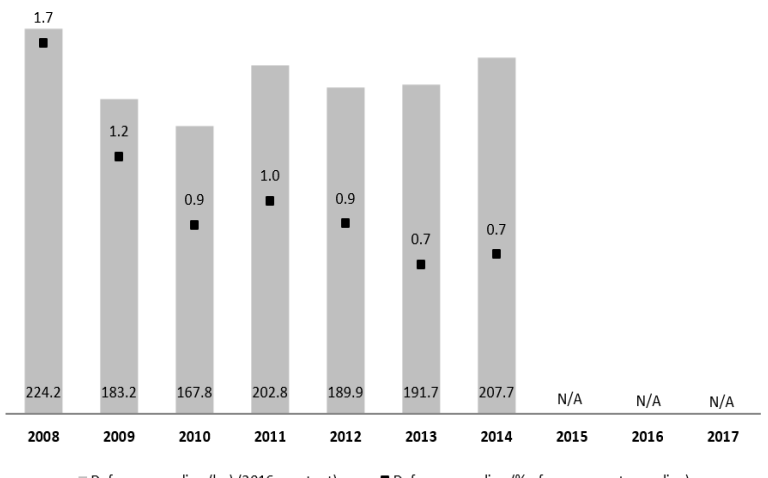


Laos	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	150.0	119.0	119.0	150.0	160.0	172.0	197.0	N/A	N/A	N/A
Spending in local currency (bn) (2016 constant)	224.2	183.2	167.8	202.8	189.9	191.7	207.7	N/A	N/A	N/A
Spending in USD (m) (current, in-year exchange rate)	17.2	14.0	14.4	18.7	20.0	22.0	24.5	N/A	N/A	N/A
Spending in USD (m) (2016 constant and exchange rate)	27.6	22.6	20.7	25.0	23.4	23.6	25.6	N/A	N/A	N/A
Real growth rate (%)	-1.6	-18.3	-8.4	20.8	-6.3	1.0	8.3	N/A	N/A	N/A
Expenditure (% of real GDP)	0.3	0.2	0.2	0.2	0.2	0.2	0.2	N/A	N/A	N/A
Expenditure (% of real government spending)	1.7	1.2	0.9	1.0	0.9	0.7	0.7	N/A	N/A	N/A
Gross domestic product (GDP)										
Real GDP in local currency (bn)	71141.2	76478.1	82999.3	89671.3	96868.6	104642.1	112609.0	120796.7	129280.0	137890.8
Real GDP in USD (bn)	8.1	9.0	10.0	11.2	12.1	13.4	14.0	14.9	15.9	16.7
Real growth rate (%)	7.8	7.5	8.5	8.0	8.0	8.0	7.6	7.3	7.0	6.7
Real GDP per capita in USD	1344.3	1459.8	1608.9	1763.2	1885.9	2056.4	2129.1	2230.3	2354.5	2438.5
Government spending (bn)	12976.1	15249.0	19008.5	20414.8	21390.4	27496.3	27912.6	28340.7	31084.9	33431.8
Population (million)	6.1	6.2	6.2	6.3	6.4	6.5	6.6	6.7	6.8	6.9
Inflation (%)	7.6	0.0	6.0	7.6	4.3	6.4	4.1	1.3	1.5	0.8

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Laos
Capital city	Vientiane
Population	6.9 million
Active armed forces	29 000

Land size	236 800 km^2
Currency	Kip (LAK)
Fiscal year	1 October – 30 September
Economy	Less-developed country with a centrally planned economy
Industries	Copper, tin, timber, tourism, hydroelectricity, apparel, rice and cement

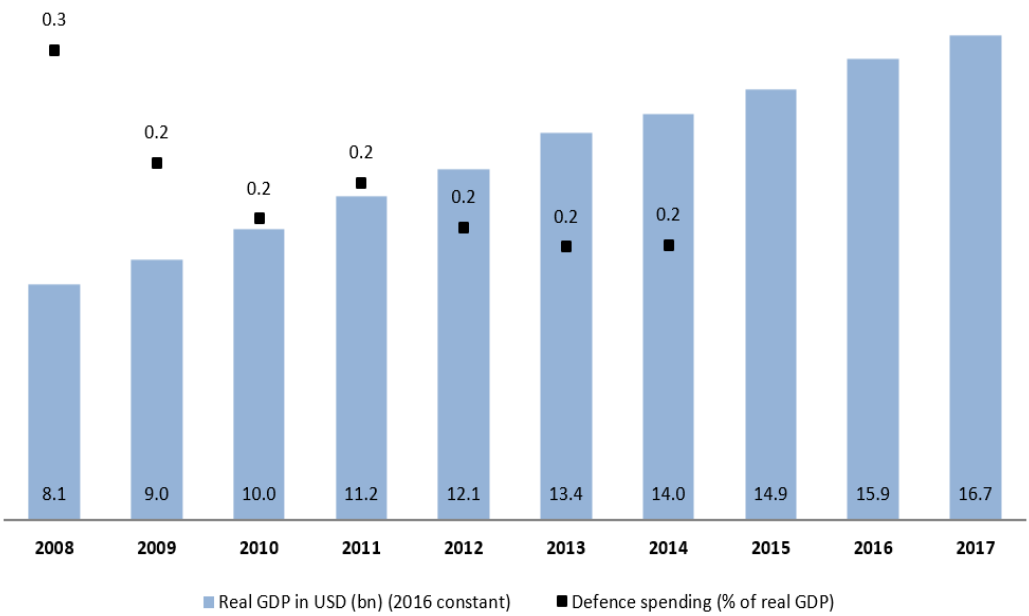
Economy

Over the past 10 years, Laos averaged 7.6 per cent annual real growth. In 2017, the economy grew by 6.7 per cent, due to activity in the mining and power sectors. The increase in energy exports and foreign direct investment has helped offset the impact of a weakening tourism sector, strict controls over government spending, and high public debt. Laos' economy is forecast to continue growing steadily due to hydroelectric exports, private investment, development of the tourism industry, and construction of a USD6bn rail project linking Vientiane and the Laos–China border.

Defence Spending

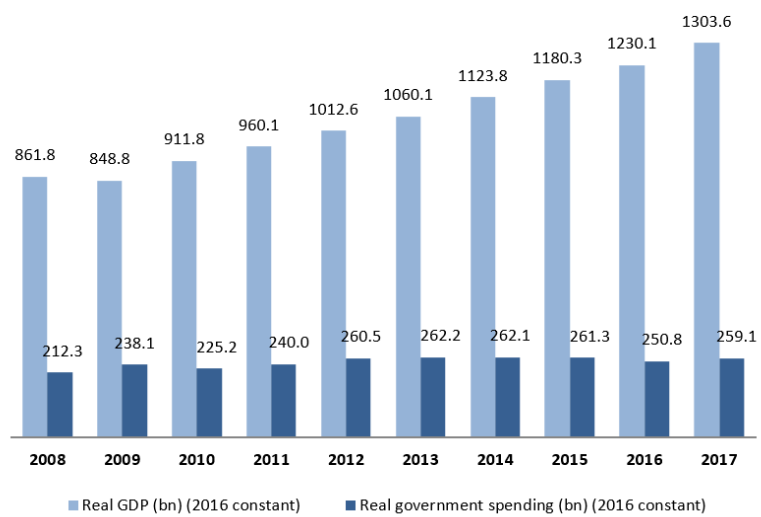
Laos has not officially announced a defence budget since 2015. In January 2017, Laos and Vietnam signed a cooperation agreement to facilitate visits, information sharing and defence policy cooperation. During a January 2018 visit to Laos by the Russian Defence Minister, the Prime Minister of Laos publicly noted the reliance of the Laotian Armed Forces on Russian assistance.

Real GDP in USD and defence spending as a percentage of real GDP

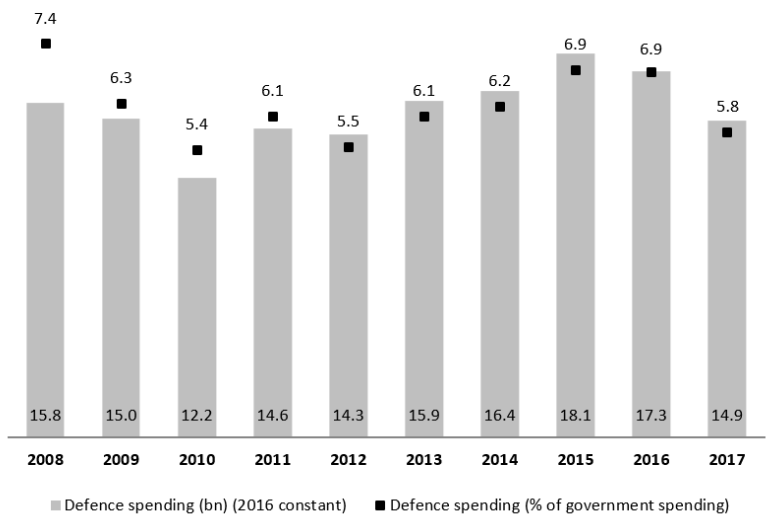


Malaysia	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	14.5	13.0	11.0	13.8	13.7	15.3	16.1	17.8	17.3	15.1
Spending in local currency (bn) (2016 constant)	15.8	15.0	12.2	14.6	14.3	15.9	16.4	18.1	17.3	14.9
Spending in USD (bn) (current, in-year exchange rate)	4.4	3.7	3.4	4.5	4.4	4.8	4.9	4.5	4.2	3.5
Spending in USD (bn) (2016 constant and exchange rate	3.8	3.6	2.9	3.5	3.4	3.8	3.9	4.4	4.2	3.6
Real growth rate (%)	-1.8	-4.8	-18.6	19.1	-1.8	11.0	3.0	10.7	-4.4	-13.7
Expenditure (% of real GDP)	1.8	1.8	1.3	1.5	1.4	1.5	1.5	1.5	1.4	1.1
Expenditure (% of real government spending)	7.4	6.3	5.4	6.1	5.5	6.1	6.2	6.9	6.9	5.8
Gross domestic product (GDP)										
Real GDP in local currency (bn)	861.8	848.8	911.8	960.1	1012.6	1060.1	1123.8	1180.3	1230.1	1303.6
Real GDP in USD (bn)	258.5	240.8	283.1	313.7	327.8	336.5	343.4	302.2	296.5	303.1
Real growth rate (%)	4.8	-1.5	7.4	5.3	5.5	4.7	6.0	5.0	4.2	6.0
Real GDP per capita in USD	9536.6	8723.1	10069.2	10956.2	11238.2	11325.7	11359.4	9836.9	9508.3	9586.5
Government spending (bn)	212.3	238.1	225.2	240.0	260.5	262.2	262.1	261.3	250.8	259.1
Population (million)	27.1	27.6	28.1	28.6	29.2	29.7	30.2	30.7	31.2	31.6
Inflation (%)	5.4	0.6	1.7	3.2	1.7	2.1	3.1	2.1	2.1	3.8

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Malaysia
Capital city	Kuala Lumpur
Population	31.6 million
Active armed forces	109 000

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

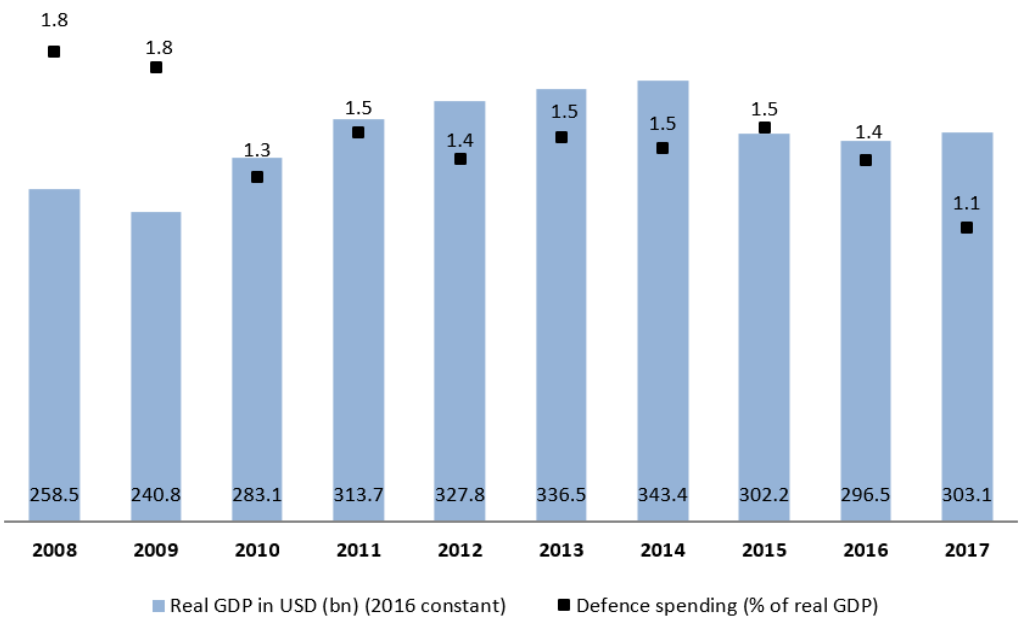
Economy

Over the past 10 years, Malaysia averaged 4.7 per cent annual real economic growth. In 2017, the economy grew by 6 per cent, due to increased private consumption, improved domestic demand and increased external demand for manufactured products and commodity exports. The higher than average growth was also driven by improved labour market conditions and wage growth, while higher private and public investment contributed to increased capital expenditure. Malaysia's economy is forecast to average 5.4 per cent real growth to 2022, according to the EIU.

Defence Spending

Malaysia's 2017 defence budget was MYR14.9bn (USD3.6bn) – a 13.7 per cent decrease on the 2016 defence budget. As a result of the budget decrease, major procurement programs were placed on hold – including seeking a multi-role combat aircraft to replace the Royal Malaysian Air Force's 18 MiG-29N/NUB FULCRUM aircraft. Procurement did not completely halt, as Malaysia signed a contract with China in April 2017 for the purchase of four littoral mission vessels (LMV) valued at MYR1.17bn (USD$282m), two of which will be built in Malaysia.

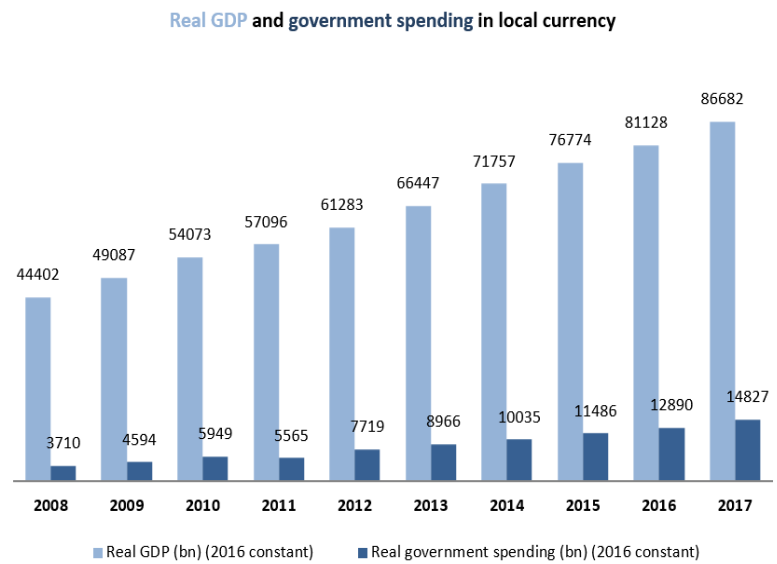
Real GDP in USD and defence spending as a percentage of real GDP

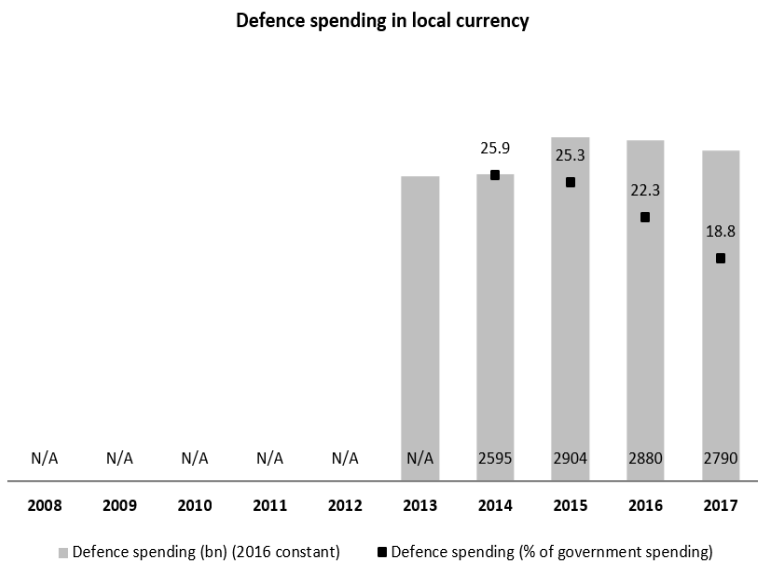


MYANMAR

Myanmar	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	N/A	N/A	N/A	N/A	N/A	2244.8	2360.0	2750.0	2880.0	2910.0
Spending in local currency (bn) (2016 constant)	N/A	N/A	N/A	N/A	N/A	2571.2	2594.9	2903.6	2880.0	2789.5
Spending in USD (bn) (current, in-year exchange rate)	N/A	N/A	N/A	N/A	N/A	2.4	2.4	2.4	2.3	2.1
Spending in USD (bn) (2016 constant and exchange rate	N/A	N/A	N/A	N/A	N/A	2.1	2.1	2.4	2.3	2.3
Real growth rate (%)	N/A	N/A	N/A	N/A	N/A	N/A	0.9	11.9	-0.8	-3.1
Expenditure (% of real GDP)	N/A	N/A	N/A	N/A	N/A	3.9	3.6	3.8	3.5	3.2
Expenditure (% of real government spending)	N/A	N/A	N/A	N/A	N/A	28.7	25.9	25.3	22.3	18.8
Gross domestic product (GDP)										
Real GDP in local currency (bn)	44402.5	49086.9	54073.0	57096.5	61283.1	66446.9	71756.6	76774.4	81128.0	86681.6
Real GDP in USD (bn)	8160.0	8802.7	9596.1	10487.8	95.7	71.2	72.9	66.0	65.7	63.8
Real growth rate (%)	10.3	10.6	10.2	5.6	7.3	8.4	8.0	7.0	5.7	6.8
Real GDP per capita in USD	164915.9	176756.9	191325.3	207460.5	1876.1	1383.4	1403.9	1260.1	1242.3	1195.6
Government spending (bn)	3710.0	4594.0	5949.0	5564.9	7719.3	8965.6	10034.6	11485.6	12889.9	14826.8
Population (million)	49.5	49.8	50.2	50.6	51.0	51.4	51.9	52.4	52.9	53.4
Inflation (%)	26.8	1.5	7.7	5.0	1.5	5.5	5.4	9.5	7.0	5.4

*Myanmar implemented a managed floating exchange rate in 2012. Updated currency figures demonstrate relative effects on Real GDP in USD. Figures using Real GDP in USD are shown from 2012 only, for ease of interpretation.





Country name	Myanmar
Capital city	Nay Pyi Taw
Population	53.4 million
Active armed forces	406 000

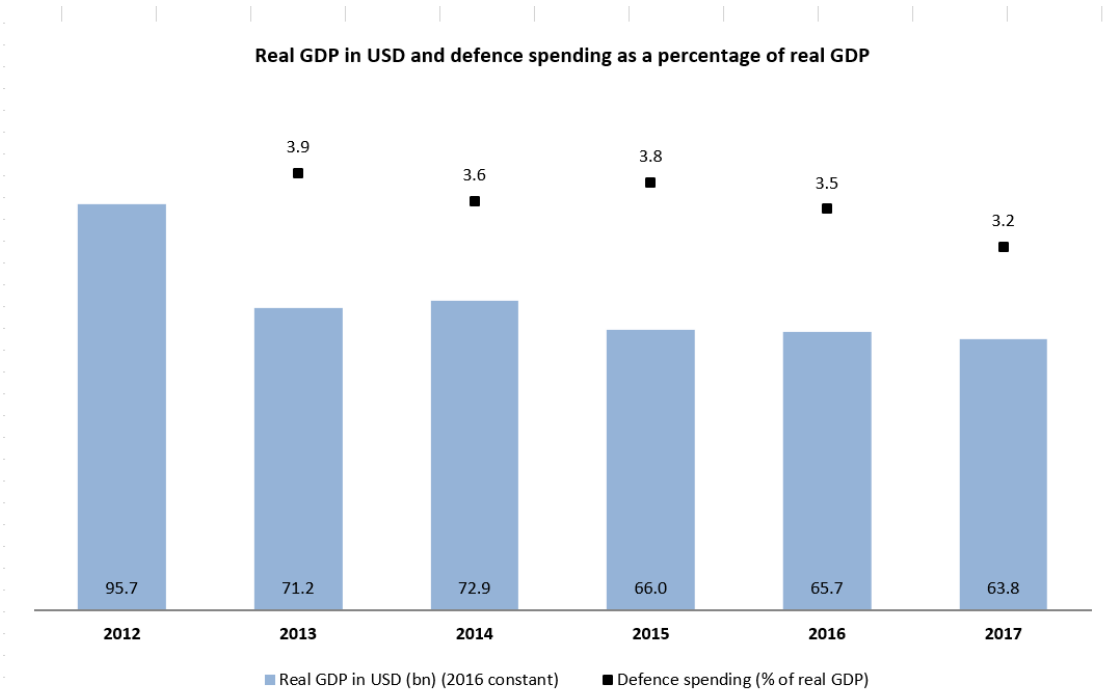
Land size	676 578km^2
Currency	Kyat (MMK)
Fiscal year	1 April – 31 March
Economy	Less-developed country with a market economy
Industries	Timber, gems, oil, natural gas, tourism and rice

Economy

Over the past 10 years, Myanmar averaged 8 per cent annual real economic growth. In 2017, the economy grew by 6.8 per cent, due to agricultural exports and increased demand for locally made garments and light manufactured goods. Rising domestic demand has also helped increase growth. Myanmar's economy is forecast to average 7.2 per cent real growth to 2022, according to the EIU, based on projected increases in public and private investment in crucial infrastructure services.

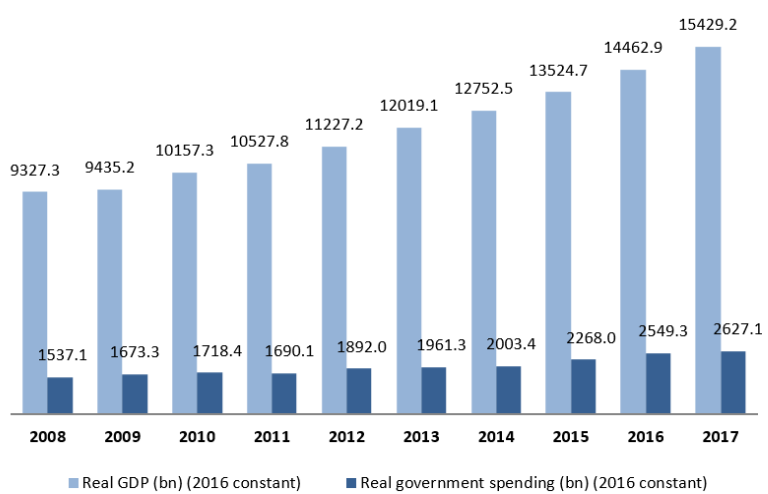
Defence Spending

Myanmar's 2017 defence budget was MMK2.79tr (USD2.3bn) – a 3.1 per cent real decrease on the 2016 defence budget. This amounted to approximately 13.8 per cent of government expenditure and approximately 3.2 per cent of national GDP. In December 2017, Myanmar procured six Yak-130 advanced jet trainers, two Fokker-70 airliners and two ATR-42-430 airliners.

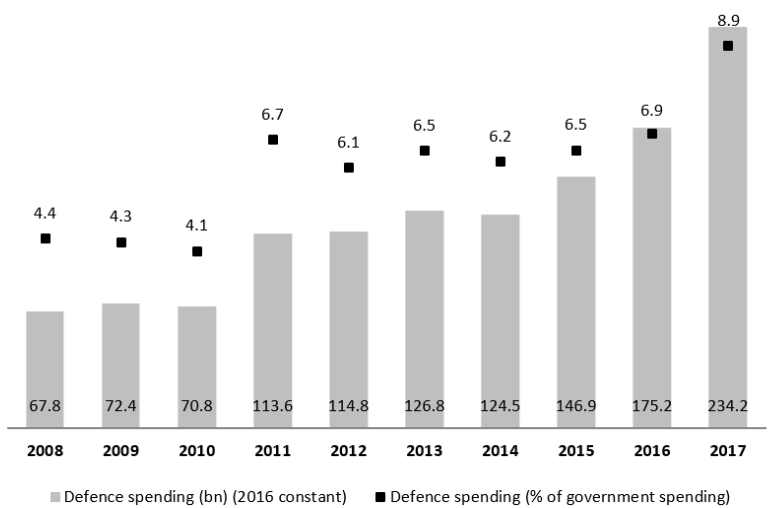


Philippines	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	56.1	61.5	62.7	104.7	107.9	121.6	123.1	144.5	175.2	239.6
Spending in local currency (bn) (2016 constant)	67.8	72.4	70.8	113.6	114.8	126.8	124.5	146.9	175.2	234.2
Spending in USD (bn) (current, in-year exchange rate)	1.3	1.3	1.4	2.4	2.6	2.9	2.8	3.2	3.7	4.8
Spending in USD (bn) (2016 constant and exchange rate)	1.4	1.5	1.5	2.4	2.4	2.7	2.6	3.1	3.7	4.9
Real growth rate (%)	-4.0	6.7	-2.2	60.5	1.1	10.5	-1.9	18.1	19.3	33.7
Expenditure (% of real GDP)	0.7	0.8	0.7	1.1	1.0	1.1	1.0	1.1	1.2	1.5
Expenditure (% of real government spending)	4.4	4.3	4.1	6.7	6.1	6.5	6.2	6.5	6.9	8.9
Gross domestic product (GDP)										
Real GDP in local currency (bn)	9327.3	9435.2	10157.3	10527.8	11227.2	12019.1	12752.5	13524.7	14462.9	15429.2
Real GDP in USD (bn)	210.4	197.9	225.2	243.1	265.9	283.2	287.3	297.2	304.5	306.1
Real growth rate (%)	4.2	1.2	7.7	3.6	6.6	7.1	6.1	6.1	6.9	6.7
Real GDP per capita in USD	2318.8	2145.8	2402.4	2551.1	2744.6	2875.3	2869.6	2922.1	2947.4	2917.6
Government spending (bn)	1537.1	1673.3	1718.4	1690.1	1892.0	1961.3	2003.4	2268.0	2549.3	2627.1
Population (million)	90.8	92.2	93.7	95.3	96.9	98.5	100.1	101.7	103.3	104.9
Inflation (%)	8.2	4.2	3.8	4.7	3.2	2.9	4.2	1.4	1.8	3.2

Real GDP and government spending in local currency



Defence spending in local currency



Country name	The Philippines
Capital city	Manila
Population	104.9 million
Active armed forces	125 000

Land size	676 578 km^2
Currency	Philippine peso (PHP)
Fiscal year	1 January – 31 December
Economy	Less-developed country with a market economy
Industries	Textiles, pharmaceuticals, chemicals, wood products, electronics, petroleum refining and fishing

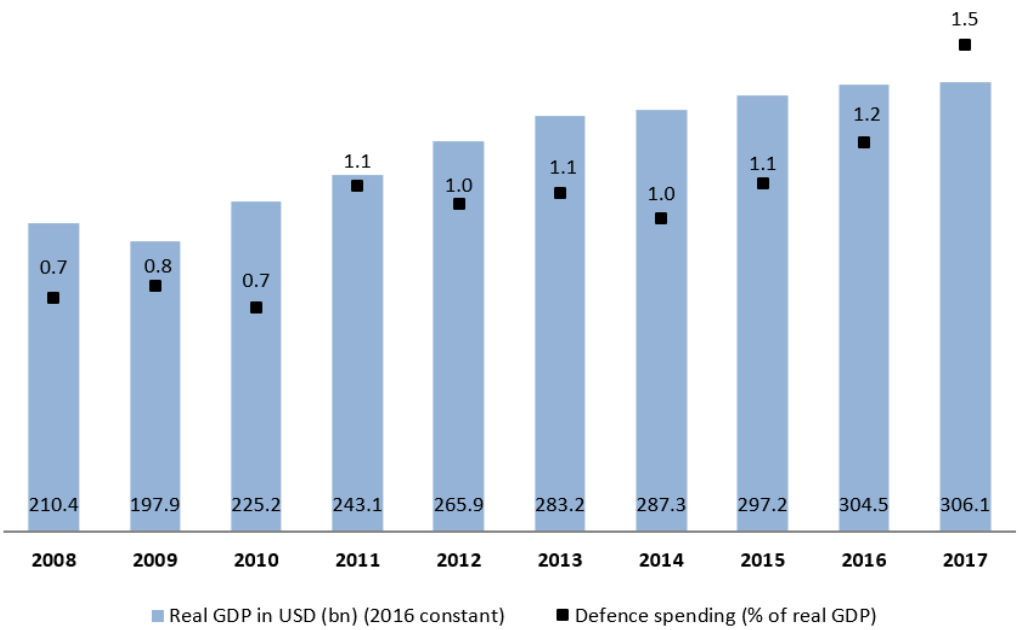
Economy

Over the past 10 years, the Philippines averaged 5.6 per cent annual real economic growth. In 2017, the economy grew by 6.7 per cent, due to strong household spending, rising remittances and a sustained expansion of consumer credit. Growth was also aided by recovery in the Philippines' main trading partners – the US, Japan and Europe. The agriculture sector rebounded from lows in 2016 and more than offset decreases in private construction spending. The Philippine economy is forecast to average 6.2 per cent real growth to 2022, according to the EIU.

Defence Spending

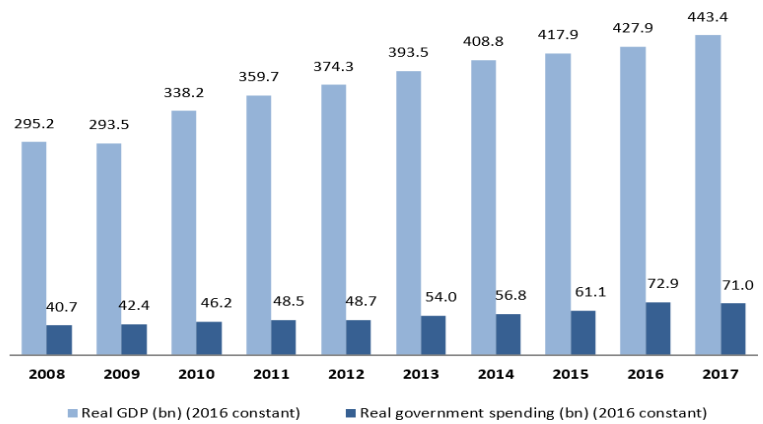
The Philippines' 2017 defence budget was PHP234.2bn (USD4.9bn) – a 33.7 per cent real increase on the 2016 defence budget. In March 2018, the Philippine Navy received the final three of five Beechcraft King Air TC-90 maritime patrol aircraft gifted from Japan. In May 2017, the Philippine Navy commissioned the BRP *Davao del Sur* landing platform dock. In March 2018, the Philippine Coast Guard commissioned its eighth of ten planned PAROLA-class multi-role response vessels from Japan.

Real GDP in USD and defence spending as a percentage of real GDP

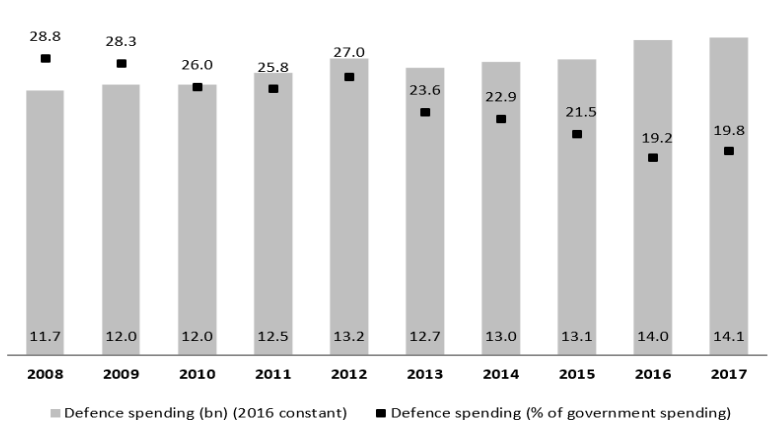


Singapore	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	10.8	11.4	11.5	12.1	12.8	12.3	12.6	13.1	14.0	14.2
Spending in local currency (bn) (2016 constant)	11.7	12.0	12.0	12.5	13.2	12.7	13.0	13.1	14.0	14.1
Spending in USD (bn) (current, in-year exchange rate)	7.6	7.9	8.4	9.6	10.2	9.9	9.9	9.5	10.1	10.3
Spending in USD (bn) (2016 constant and exchange rate	8.5	8.7	8.7	9.1	9.5	9.2	9.4	9.5	10.1	10.2
Real growth rate (%)	3.7	2.4	0.1	4.1	5.2	-3.2	2.1	0.8	6.5	0.8
Expenditure (% of real GDP)	4.0	4.1	3.6	3.5	3.5	3.2	3.2	3.1	3.3	3.2
Expenditure (% of real government spending)	28.8	28.3	26.0	25.8	27.0	23.6	22.9	21.5	19.2	19.8
Gross domestic product (GDP)										
Real GDP in local currency (bn)	295.2	293.5	338.2	359.7	374.3	393.5	408.8	417.9	427.9	443.4
Real GDP in USD (bn)	208.7	201.8	248.0	285.9	299.6	314.5	322.6	304.0	309.8	321.1
Real growth rate (%)	1.8	-0.6	15.2	6.4	4.1	5.1	3.9	2.2	2.4	3.6
Real GDP per capita in USD	43121.2	40451.6	48855.4	55155.4	56387.8	58241.2	58981.0	54919.9	55241.3	57214.8
Government spending (bn)	40.7	42.4	46.2	48.5	48.7	54.0	56.8	61.1	72.9	71.0
Population (million)	4.8	5.0	5.1	5.2	5.3	5.4	5.5	5.5	5.6	5.6
Inflation (%)	6.6	0.6	2.8	5.2	4.6	2.4	1.0	-0.5	-0.5	0.6

Real GDP and government spending in local currency



Defence spending in local currency



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

Land size	697 km^2
Currency	Singapore dollar (SGD)
Fiscal year	1 April – 31 March
Economy	Industrialised country with a market economy
Industries	Electronics, financial services, petroleum refining, rubber, ship repair and biopharmeceuticals

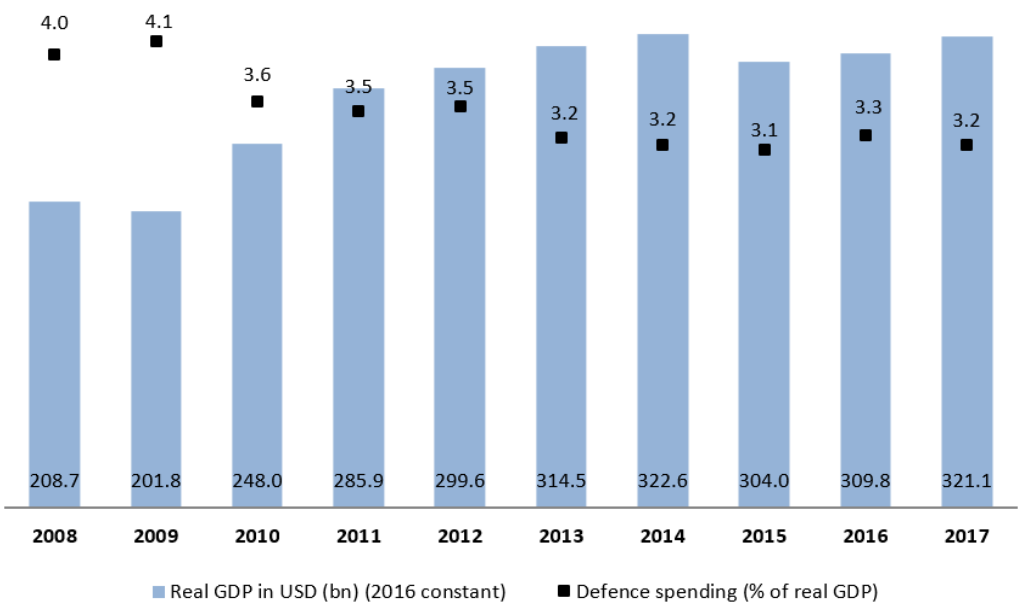
Economy

Over the past 10 years, Singapore averaged 4.3 per cent annual real economic growth. In 2017, the economy grew by 3.6 per cent, due to an increase in global demand for Singaporean manufactured goods. However, a contraction in the construction sector due to diminished private investment negatively impacted Singapore's economy. Singapore's economy is forecast to average 2.8 per cent real growth to 2022, according to the EIU, based on the growth in the manufacturing sector.

Defence Spending

Singapore's 2017 defence budget was SGD14.1bn (USD10.2bn) – a 0.8 per cent real increase on the 2016 defence budget. In May 2017, the Republic of Singapore Navy commissioned its first of eight littoral mission vessels (LMV), which will replace 11 FEARLESS-class patrol boats. Another four LMVs were launched throughout 2017 and a sixth was launched in March 2018. In August, it was reported that Singapore would acquire six Lockheed Martin AN/TPQ-53 counter-battery radar systems worth USD63m.

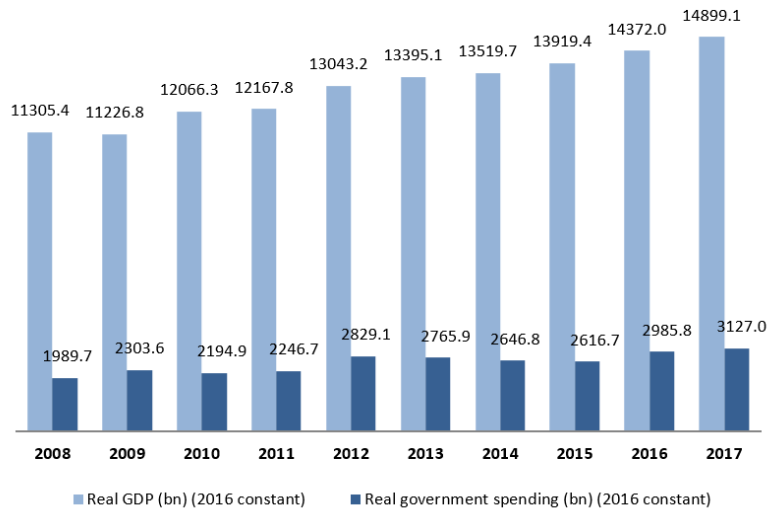
Real GDP in USD and defence spending as a percentage of real GDP



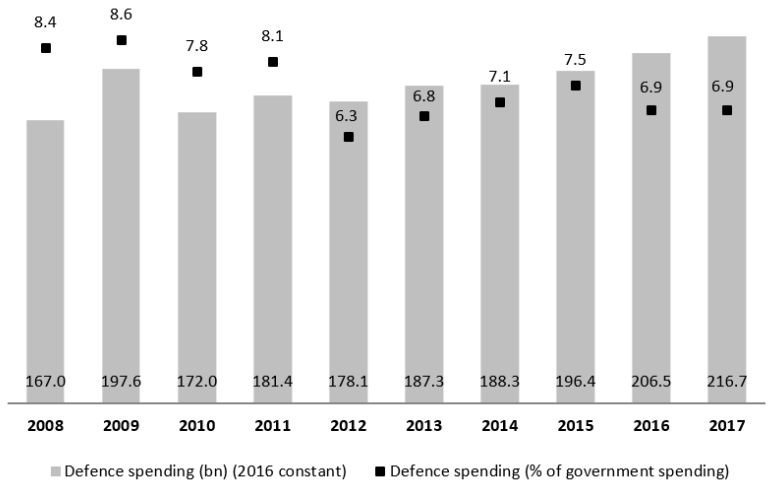
contents

Thailand	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	143.5	170.2	154.0	168.5	168.7	180.5	183.8	192.9	206.5	213.4
Spending in local currency (bn) (2016 constant)	167.0	197.6	172.0	181.4	178.1	187.3	188.3	196.4	206.5	216.7
Spending in USD (bn) (current, in-year exchange rate)	4.3	5.0	4.9	5.5	5.4	5.9	5.7	5.6	5.8	6.3
Spending in USD (bn) (2016 constant and exchange rate	4.7	5.6	4.9	5.1	5.0	5.3	5.3	5.6	5.8	6.1
Real growth rate (%)	18.7	18.3	-13.0	5.5	-1.8	5.1	0.5	4.3	5.1	5.0
Expenditure (% of real GDP)	1.5	1.8	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.5
Expenditure (% of real government spending)	8.4	8.6	7.8	8.1	6.3	6.8	7.1	7.5	6.9	6.9
Gross domestic product (GDP)										
Real GDP in local currency (bn)	11305.4	11226.8	12066.3	12167.8	13043.2	13395.1	13519.7	13919.4	14372.0	14899.1
Real GDP in USD (bn)	339.4	327.4	380.8	399.1	419.6	436.0	416.2	406.4	407.2	439.0
Real growth rate (%)	1.8	-0.7	7.5	0.8	7.2	2.7	0.9	3.0	3.3	3.7
Real GDP per capita in USD	5099.7	4895.9	5666.1	5909.3	6185.1	6397.6	6084.0	5919.7	5912.8	6358.4
Government spending (bn)	1989.7	2303.6	2194.9	2246.7	2829.1	2765.9	2646.8	2616.7	2985.8	3127.0
Population (million)	66.5	66.9	67.2	67.5	67.8	68.1	68.4	68.7	68.9	69.0
Inflation (%)	5.5	-0.8	3.3	3.8	3.0	2.2	1.9	-0.9	0.2	0.7

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Thailand
Capital city	Bangkok
Population	69 million
Active armed forces	361 000

Land size	513 120 km^2
Currency	Baht (THB)
Fiscal year	1 October – 30 September
Economy	Less-developed country with a market economy
Industries	Tourism, apparel, agriculture, cement, electronics, furniture, plastics and tin

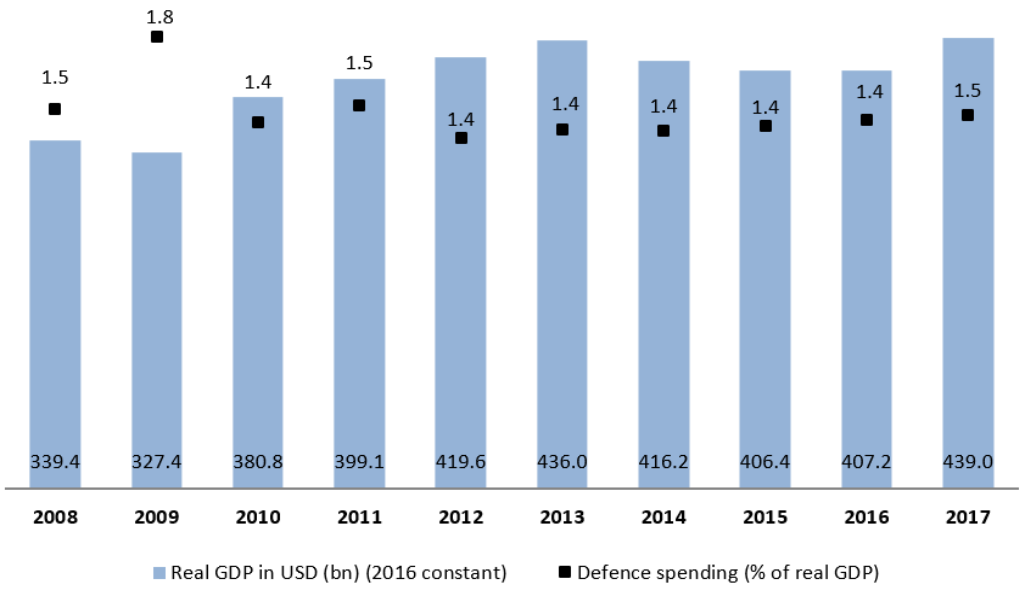
Economy

Over the past 10 years, Thailand averaged 3.0 per cent annual real economic growth. In 2017, the economy grew by 3.7 per cent, due to a steady recovery in exports, agricultural-sector growth, private consumption and tourism, as well as a significant reduction in poverty. Thailand is attempting to stimulate the economy with the development of large infrastructure projects and export-related industries through the government's THB1.5tr (USD42bn) infrastructure spending plan. Thailand's economy is forecast to average 3.3 per cent real growth to 2022, according to the EIU.

Defence Spending

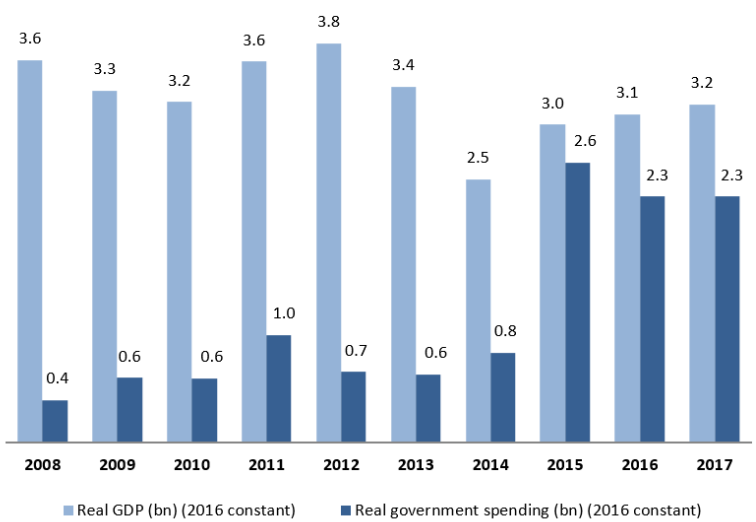
Thailand's 2017 defence budget was THB216.7bn (USD6.1bn) – a 5 per cent real increase on the 2016 defence budget. Thailand's defence budget was focused on preserving the monarchy, undertaking counterinsurgency operations in southern Thailand, and purchasing new territorial defence capabilities. In April 2017, Thailand began redevelopment of a submarine capability through its purchase of its first Chinese YUAN-class diesel-electric attack submarine, worth USD355m. In October 2017, Thailand ordered 72 armoured vehicles from China, worth USD226m.

Real GDP in USD and defence spending as a percentage of real GDP

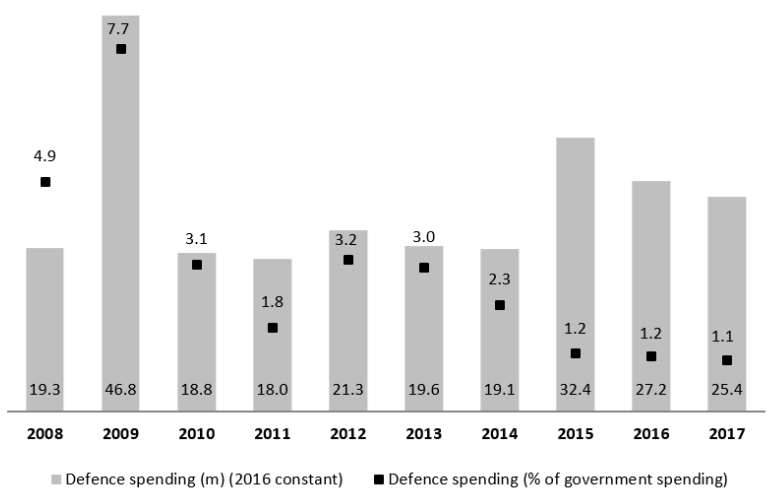


Timor-Leste	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (m) (current)	23.7	46.6	23.2	28.4	37.7	32.9	31.1	33.4	27.2	26.2
Spending in local currency (m) (2016 constant)	19.3	46.8	18.8	18.0	21.3	19.6	19.1	32.4	27.2	25.4
Spending in USD (m) (current, in-year exchange rate)	23.7	46.6	23.2	28.4	37.7	32.9	31.1	33.4	27.2	26.2
Spending in USD (m) (2016 constant and exchange rate)	19.3	46.8	18.8	18.0	21.3	19.6	19.1	32.4	27.2	25.4
Real growth rate (%)	-7.2	142.6	-59.9	-3.9	18.4	-8.3	-2.2	69.0	-16.0	-6.5
Expenditure (% of real GDP)	0.5	1.4	0.6	0.5	0.6	0.6	0.8	1.1	0.9	0.8
Expenditure (% of real government spending)	4.9	7.7	3.1	1.8	3.2	3.0	2.3	1.2	1.2	1.1
Gross domestic product (GDP)										
Real GDP in local currency (bn)	3.6	3.3	3.2	3.6	3.8	3.4	2.5	3.0	3.1	3.2
Real GDP in USD (bn)	3.6	3.3	3.2	3.6	3.8	3.4	2.5	3.0	3.1	3.2
Real growth rate (%)	10.4	-7.8	-3.3	11.9	4.8	-11.0	-26.1	20.9	3.2	3.1
Real GDP per capita in USD	3352.0	3050.0	2900.1	3182.7	3262.9	2839.2	2049.3	2421.5	2442.9	2461.0
Government spending (bn)	0.4	0.6	0.6	1.0	0.7	0.6	0.8	2.6	2.3	2.3
Population (million)	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3
Inflation (%)	9.1	0.6	6.8	13.5	11.8	11.2	0.4	0.6	-1.2	1.1

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Timor-Leste
Capital city	Dili
Population	1.3 million
Active armed forces	1000

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

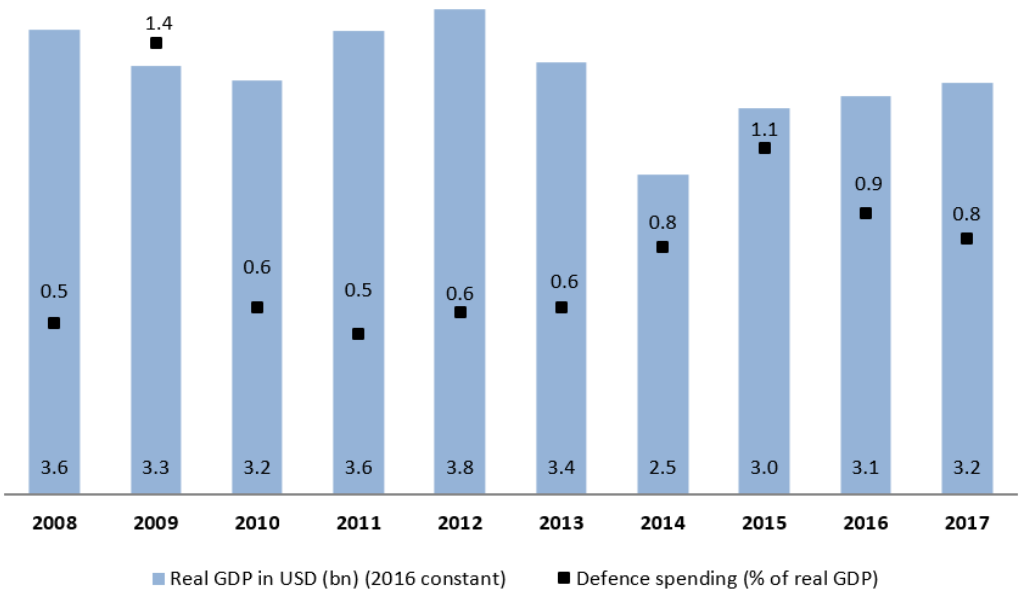
Economy

Over the past 10 years, Timor-Leste averaged -0.2 per cent annual real growth. In 2017, the economy grew by 3.1 per cent, due to an increase in public infrastructure spending and coffee exports. Timor-Leste has attempted to stimulate the non-oil economy by implementing the government's front-loading strategy, developing the private sector, improving government services to the public, and developing national infrastructure including roads, ports and bridges. The transition to a more sustainable economy with private sector-led growth remains a challenge for Timor-Leste.

Defence Spending

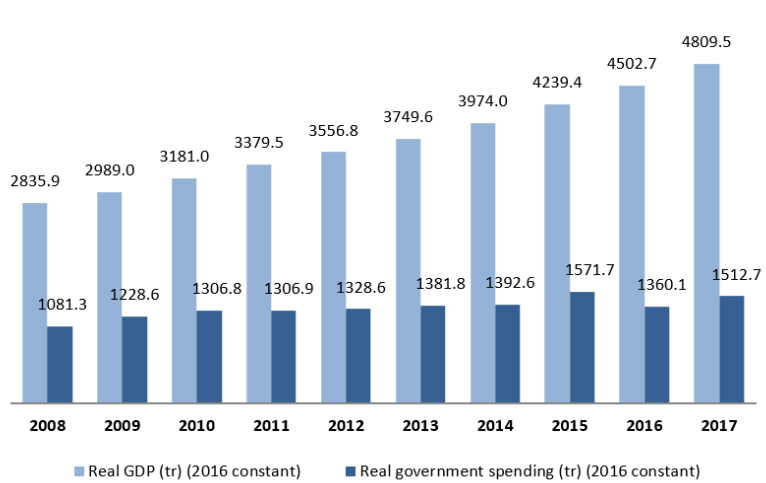
Timor-Leste's 2017 defence budget was USD25.4m – a 6.5 per cent real decrease on the 2016 defence budget. This decrease was in part due to the funding and supply of military capabilities by foreign donors, which is likely to continue in the future. In 2017, Timor-Leste joined the Pacific Maritime Security Program and agreed to purchase two GUARDIAN-class patrol boats to be built by Australian shipbuilders.

Real GDP in USD and defence spending as a percentage of real GDP

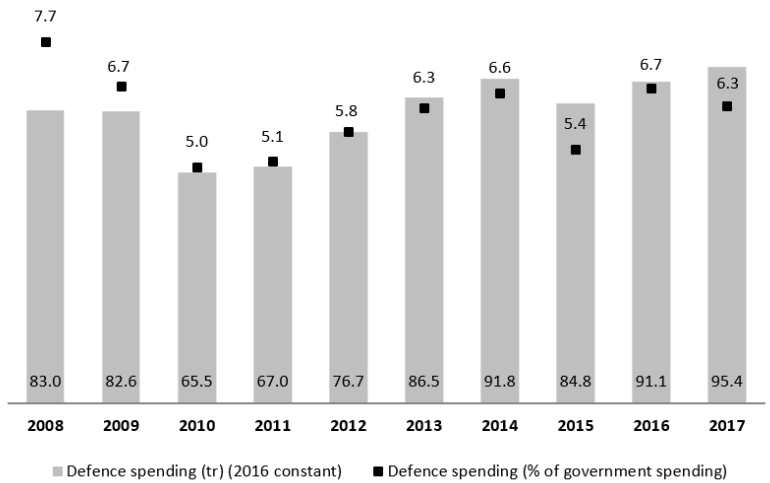


Vietnam	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (tr) (current)	47.3	50.0	44.4	55.1	70.0	82.7	91.0	83.9	91.1	99.3
Spending in local currency (tr) (2016 constant)	83.0	82.6	65.5	67.0	76.7	86.5	91.8	84.8	91.1	95.4
Spending in USD (bn) (current, in-year exchange rate)	2.9	2.8	2.3	2.7	3.4	3.9	4.3	3.8	4.1	4.4
Spending in USD (bn) (2016 constant and exchange rate	3.7	3.7	2.9	3.0	3.4	3.9	4.1	3.8	4.1	4.3
Real growth rate (%)	-35.7	-0.5	-20.8	2.3	14.5	12.8	6.1	-7.6	7.4	4.7
Expenditure (% of real GDP)	2.9	2.8	2.1	2.0	2.2	2.3	2.3	2.0	2.0	2.0
Expenditure (% of real government spending)	7.7	6.7	5.0	5.1	5.8	6.3	6.6	5.4	6.7	6.3
Gross domestic product (GDP)										
Real GDP in local currency (tr)	2835.9	2989.0	3181.0	3379.5	3556.8	3749.6	3974.0	4239.4	4502.7	4809.5
Real GDP in USD (bn)	172.5	167.9	166.3	163.7	170.5	178.4	187.5	193.5	201.4	211.8
Real growth rate (%)	5.7	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.2	6.8
Real GDP per capita in USD	1989.4	1917.7	1879.4	1829.9	1885.2	1949.9	2026.6	2068.0	2129.9	2217.1
Government spending (tr)	1081.3	1228.6	1306.8	1306.9	1328.6	1381.8	1392.6	1571.7	1360.1	1512.7
Population (million)	86.7	87.6	88.5	89.4	90.5	91.5	92.5	93.6	94.6	95.5
Inflation (%)	23.1	6.7	9.2	18.7	9.1	6.6	4.1	0.6	2.7	3.5

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Vietnam
Capital city	Hanoi
Population	95.5 million
Active armed forces	482 000

Land size	331 210 km^2
Currency	Dong (VND)
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

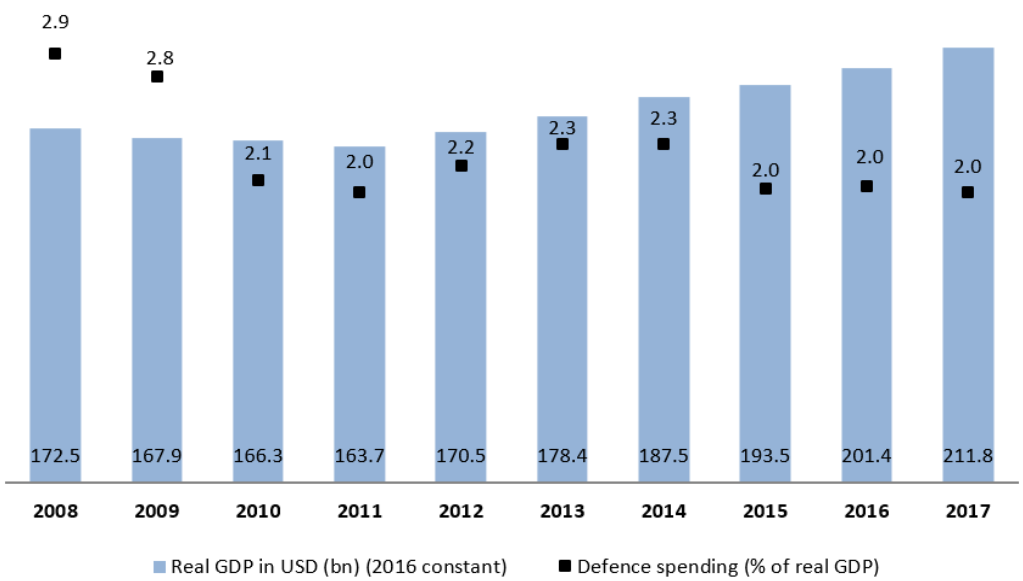
Economy

Over the past 10 years, Vietnam averaged 6 per cent annual real economic growth. In 2017, the economy grew by 6.8 per cent, driven by retail trade growth and strong domestic consumption. Vietnam's agricultural sector rebounded from 2016 levels, its industrial production remained strong despite a decline in the output of its oil sector, and the economy retained strong export-oriented manufacturing balanced against increased external demand. Vietnam's economy is forecast to average 6.2 per cent growth to 2022, according to the EIU.

Defence Spending

Vietnam's 2017 defence budget was VND95.4tr (USD4.3bn) – a 4.7 per cent increase on the 2016 budget. Throughout 2017, Vietnam focused on building naval and air capabilities. In February 2017, the Vietnamese People's Navy deployed the last of six KILO-class diesel-electric submarines ordered from Russia in 2009 for USD2bn. In January 2018, Vietnam received its fourth modified GEPARD 3.9-class guided missile frigate from Russia. In November 2017, Vietnam reportedly commenced delivery of 64 T-90 and T-90SK main battle tanks from Russia for an estimated USD250m contract.

Real GDP in USD and defence spending as a percentage of real GDP

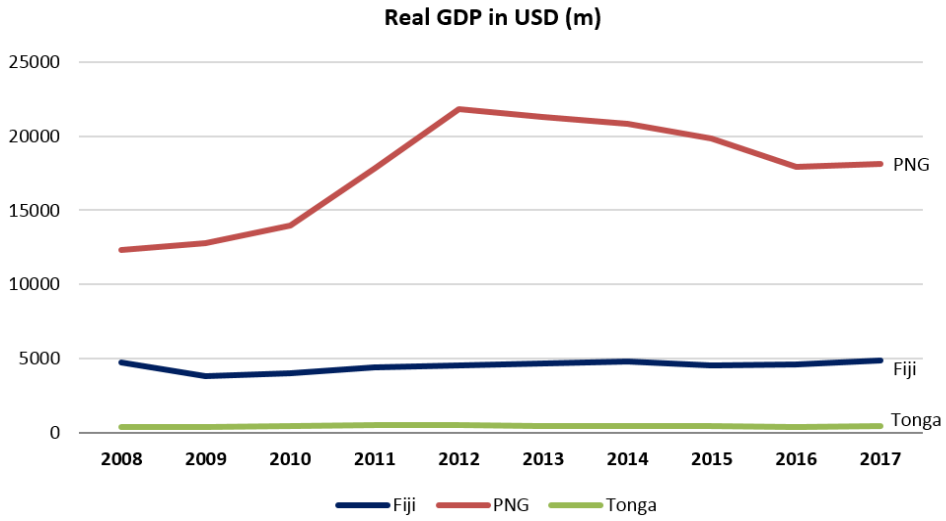


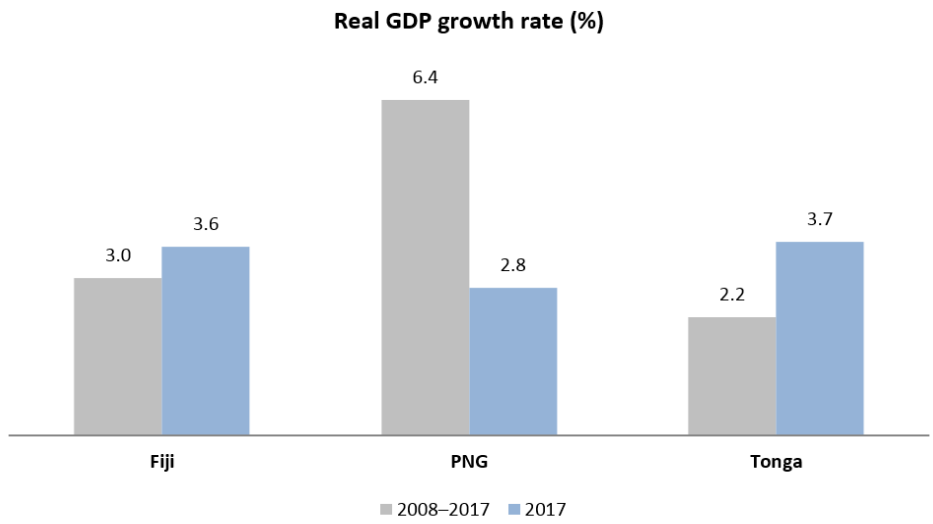
Regional Economy

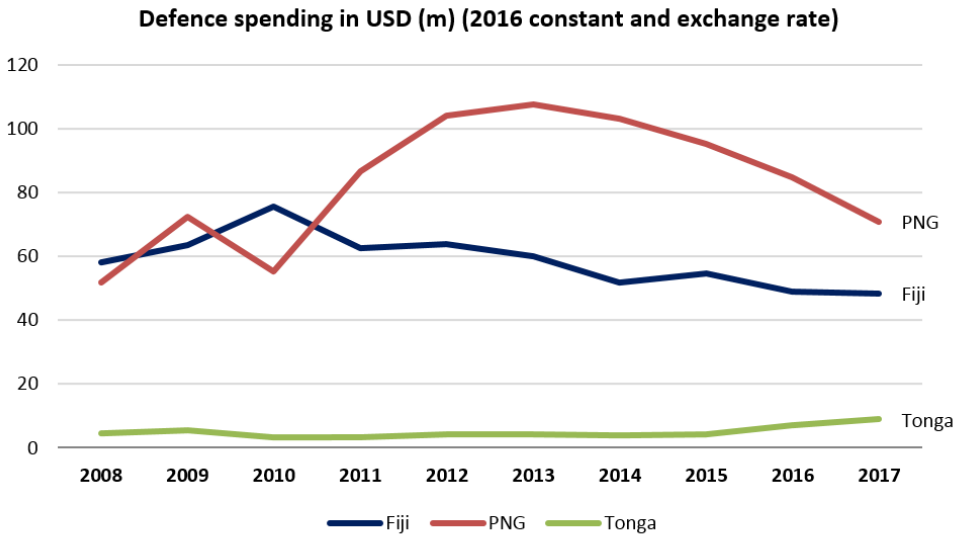
The South Pacific is characterised by small economies that mostly rely on remittances, tourism and commodity exports. Countries in the region have few prospects for diversifying their economies and therefore remain susceptible to shocks, including from natural disasters and fluctuations in commodity prices. Economic conditions were good for the region in 2017. Tonga's economy grew 3.7 per cent, due to increased tourism and agricultural production. PNG's economy grew 2.8 per cent due to increased LNG and agricultural production, and Fiji's economy grew 3.6 per cent due to a fiscal stimulus, public investment and a stronger tourism sector.

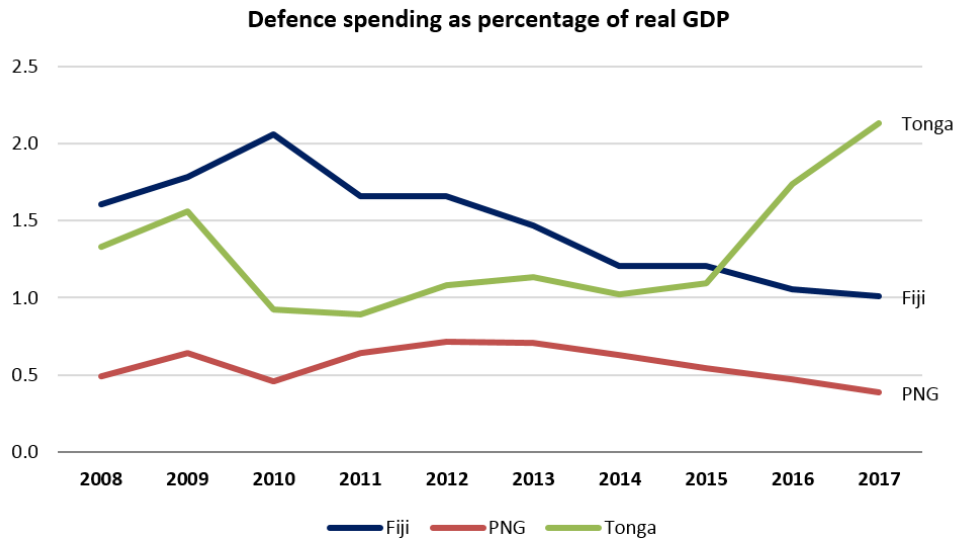
Defence Spending

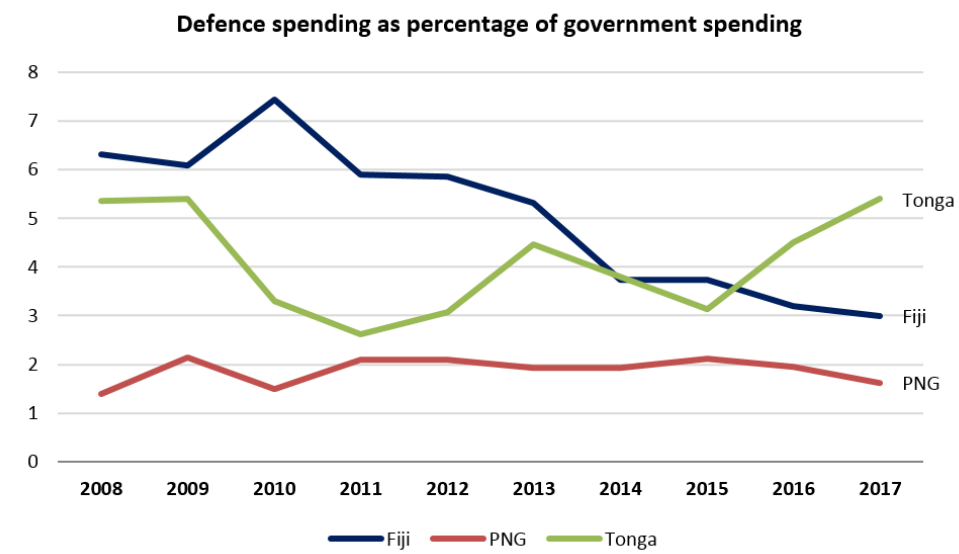
South Pacific countries have limited funds for defence spending and defence spending remains a low priority in the region. Many South Pacific countries continue to rely on foreign partners for military acquisitions or for military support. In 2017, PNG received a donation of 44 troop carriers and 10 armoured vehicles from China and received assistance from the Royal Australian Air Force to transport election material during the country's national election. South Pacific countries' armed forces typically gain experience by deploying small numbers of troops on multilateral peacekeeping and disaster relief operations.





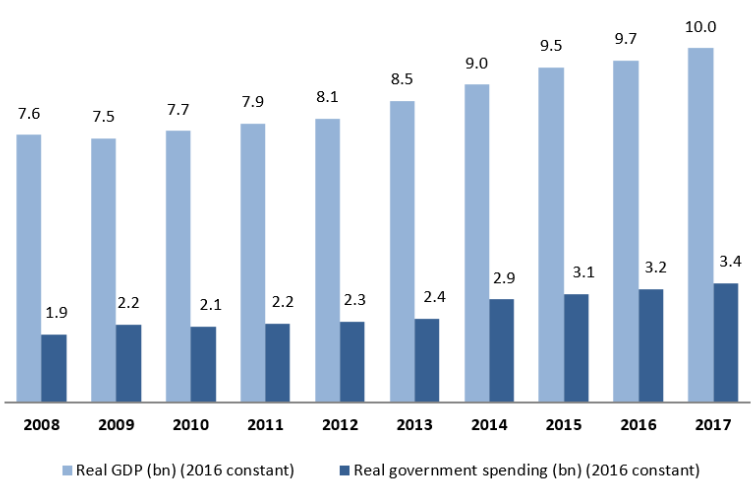

Defence spending in USD (m) (2016 constant and exchange rate)
120
100
80
60
40
20
0
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
PNG
Fiji
Tonga
Fiji
PNG
Tonga


Defence spending as percentage of real GDP
2.5
2.0
1.5
1.0
0.5
0.0
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Tonga
Fiji
PNG
Fiji
PNG
Tonga

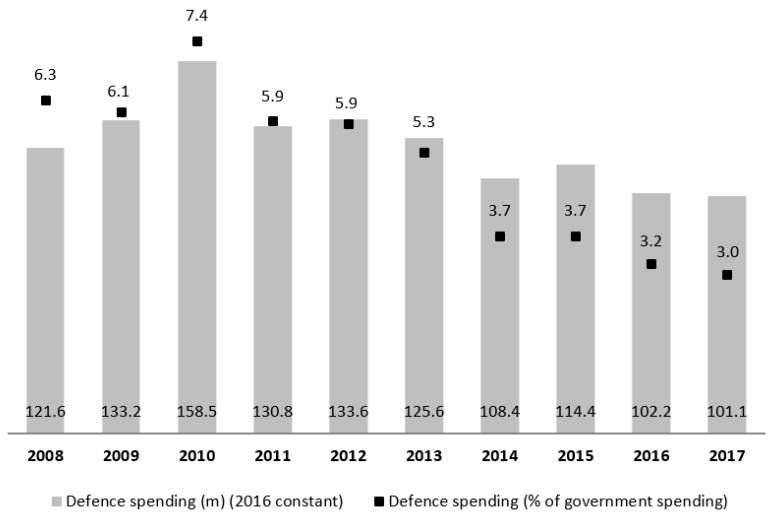

Defence spending as percentage of government spending
8
7
6
5
4
3
2
1
0
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Tonga
Fiji
PNG
Fiji
PNG
Tonga

Fiji	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (m) (current)	90.0	100.0	124.0	112.0	117.9	113.4	101.5	110.8	102.2	104.6
Spending in local currency (m) (2016 constant)	121.6	133.2	158.5	130.8	133.6	125.6	108.4	114.4	102.2	101.1
Spending in USD (m) (current, in-year exchange rate)	56.5	51.1	64.6	62.4	65.9	61.6	53.8	52.8	48.8	50.6
Spending in USD (m) (2016 constant and exchange rate)	58.0	63.6	75.7	62.5	63.8	60.0	51.8	54.6	48.8	48.3
Real growth rate (%)	11.0	9.6	19.0	-17.5	2.1	-6.0	-13.7	5.6	-10.7	-1.1
Expenditure (% of real GDP)	1.6	1.8	2.1	1.7	1.7	1.5	1.2	1.2	1.1	1.0
Expenditure (% of real government spending)	6.3	6.1	7.4	5.9	5.9	5.3	3.7	3.7	3.2	3.0
Gross domestic product (GDP)										
Real GDP in local currency (bn)	7.6	7.5	7.7	7.9	8.1	8.5	9.0	9.5	9.7	10.0
Real GDP in USD (bn)	4.8	3.8	4.0	4.4	4.5	4.6	4.8	4.5	4.6	4.9
Real growth rate (%)	1.0	-1.4	3.0	2.7	1.9	6.1	5.5	5.6	2.0	3.6
Real GDP per capita in USD	5665.7	4499.4	4667.6	5069.2	5174.6	5274.9	5366.2	5096.7	5146.4	5343.1
Government spending (bn)	1.9	2.2	2.1	2.2	2.3	2.4	2.9	3.1	3.2	3.4
Population (million)	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Inflation (%)	7.7	3.2	3.7	7.3	3.4	2.9	0.5	1.4	3.9	3.5

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Fiji
Capital city	Suva
Population	900 000
Active armed forces	4000

Land size	18 274 km^2
Currency	Fijian dollar (FJD)
Fiscal year	1 August – 31 July
Economy	Less-developed country with a market economy
Industries	Tourism, sugar, clothing, copra crushing, gold and silver mining, timber and cottage industries

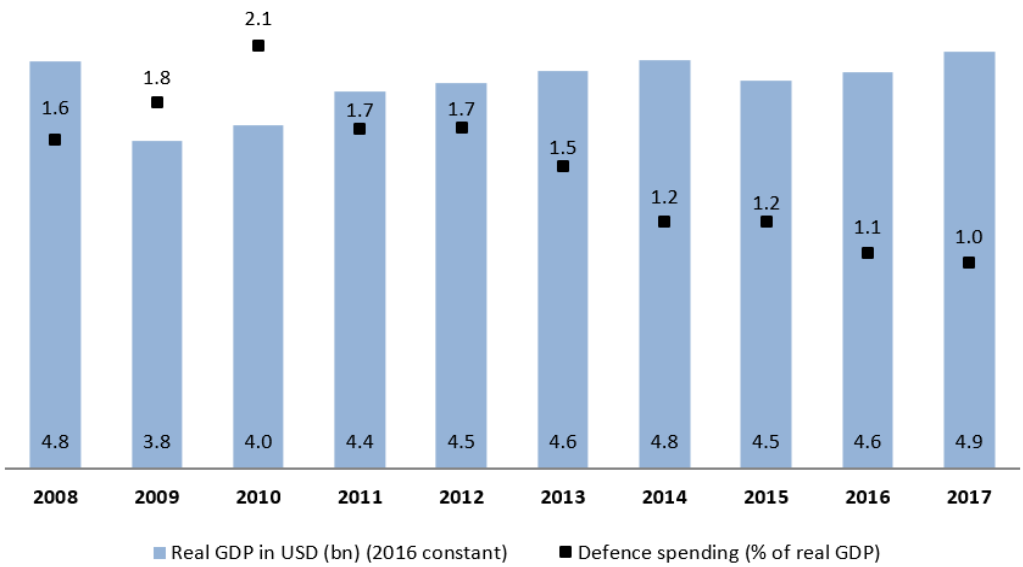
Economy

Over the past 10 years, Fiji averaged 3 per cent annual real economic growth. In 2017, the economy grew by 3.6 per cent, supported by fiscal stimulus, public investment, higher visitor arrivals, and continuing reconstruction after Cyclone Winston in 2016. Economic risk stemming from natural disasters is offset by steady growth in tourism and foreign aid, although growth is expected to slow when Cyclone Winston reconstruction is completed. Fiji's economy is forecast to continue to grow steadily in 2018 and 2019, according to the EIU.

Defence Spending

Fiji's 2017 defence budget was FJD101.1m (USD48.3m) – a 1.1 per cent real decrease on the 2016 defence budget. In February 2017, the government began work on a National Security Strategy, but it is yet to publish a white paper outlining its defence strategy. International peacekeeping continues to provide an important revenue source to Fiji's defence force, with training and capacity support largely provided by New Zealand and Australia.

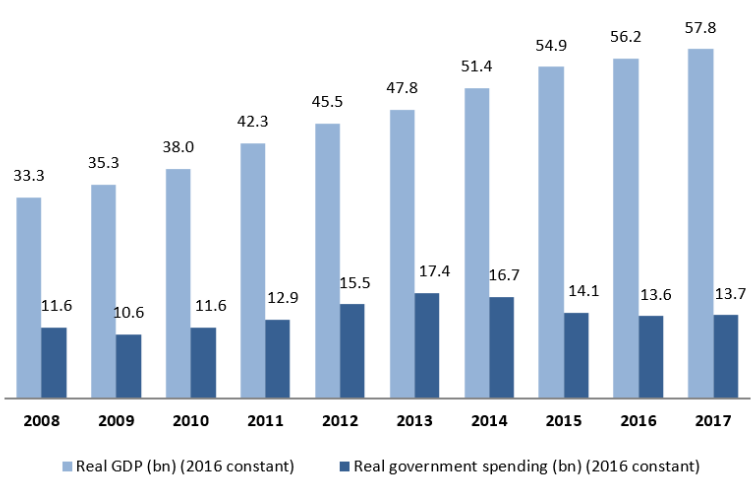
Real GDP in USD and defence spending as a percentage of real GDP



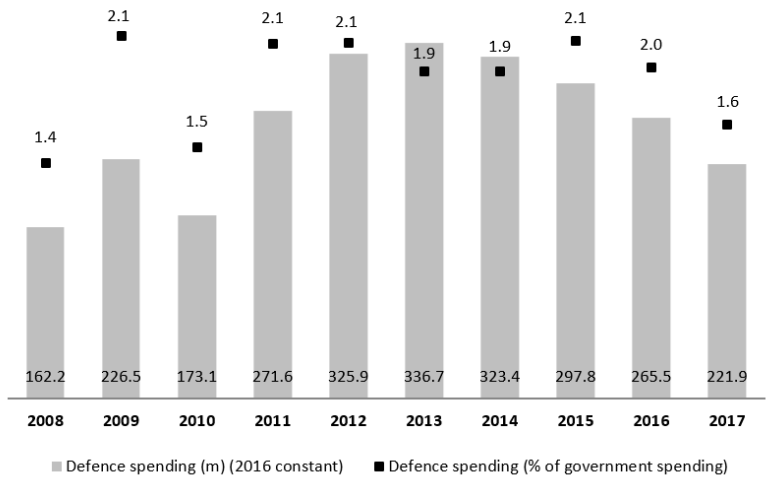
PAPUA NEW GUINEA

PNG	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (m) (current)	105.3	143.3	120.3	196.7	230.1	242.0	280.0	285.2	265.5	237.0
Spending in local currency (m) (2016 constant)	162.2	226.5	173.1	271.6	325.9	336.7	323.4	297.8	265.5	221.9
Spending in USD (m) (current, in-year exchange rate)	39.0	52.0	44.2	83.0	110.4	107.8	113.7	103.0	84.7	74.3
Spending in USD (m) (2016 constant and exchange rate)	51.8	72.3	55.2	86.7	104.0	107.5	103.2	95.0	84.7	70.8
Real growth rate (%)	-2.5	39.7	-23.6	56.9	20.0	3.3	-3.9	-7.9	-10.8	-16.4
Expenditure (% of real GDP)	0.5	0.6	0.5	0.6	0.7	0.7	0.6	0.5	0.5	0.4
Expenditure (% of real government spending)	1.4	2.1	1.5	2.1	2.1	1.9	1.9	2.1	2.0	1.6
Gross domestic product (GDP)										
Real GDP in local currency (bn)	33.3	35.3	38.0	42.3	45.5	47.8	51.4	54.9	56.2	57.8
Real GDP in USD (bn)	12.3	12.8	14.0	17.8	21.8	21.3	20.9	19.8	17.9	18.1
Real growth rate (%)	6.6	6.1	7.6	11.3	7.7	4.9	7.6	6.8	2.5	2.8
Real GDP per capita in USD	1815.6	1845.0	1965.3	2452.2	2939.2	2802.0	2691.0	2502.9	2219.6	2197.0
Government spending (bn)	11.6	10.6	11.6	12.9	15.5	17.4	16.7	14.1	13.6	13.7
Population (million)	6.8	6.9	7.1	7.3	7.4	7.6	7.8	7.9	8.1	8.3
Inflation (%)	10.7	6.9	6.0	4.5	4.5	5.0	5.2	6.0	6.7	6.0

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Papua New Guinea	**Land size**	462 840 km^2
Capital city	Port Moresby	**Currency**	Kina (PGK)
Population	8.3 million	**Fiscal year**	1 January – 31 December
Active armed forces	4000	**Economy**	Less-developed country with a market economy
		Industries	Copra crushing; palm oil; timber; LNG and crude oil production; construction; gold, silver and copper mining

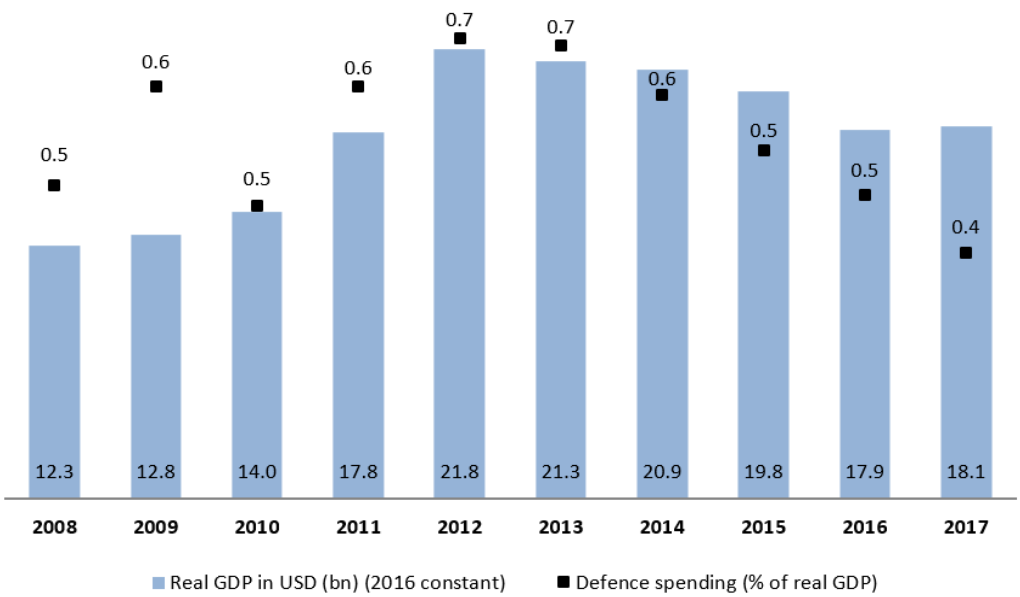
Economy

Over the past 10 years, PNG averaged 6.4 per cent annual real economic growth, although low global commodity prices from 2015 have resulted in slower GDP growth, and cuts to government and defence spending. In 2017, the economy grew by 2.8 per cent, due to PNG's rebounding agricultural sector and improving efficiency in LNG production. PNG's economy is forecast to average 3 per cent real growth to 2022, according to the EIU, based on subdued growth in the resources sector, a lack of new resource projects and moderate growth in non-resource sectors.

Defence Spending

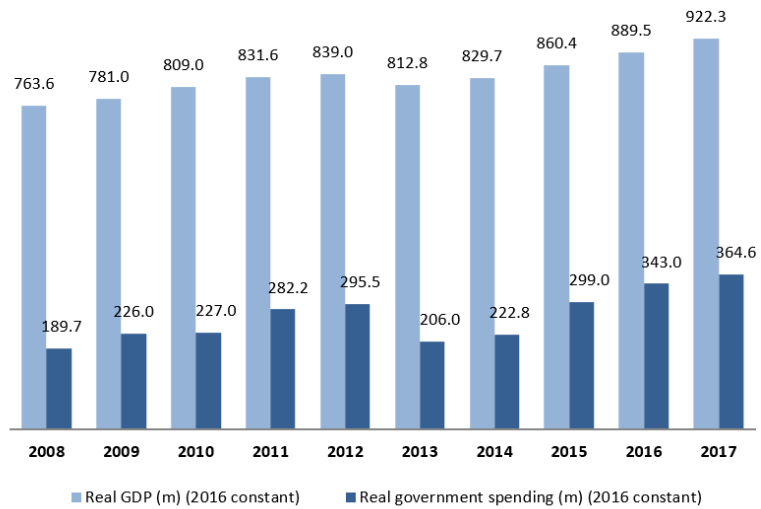
PNG's 2017 defence budget was PGK221.9m (USD70.8m) – a 16.4 per cent real decrease on the 2016 defence budget. The defence budget included PGK5m for defence infrastructure. In November 2017, China donated 44 troop carriers, 10 armoured vehicles, 4 buses, 4 mobile kitchen vans and unidentified spare parts to the PNG Defence Force.

Real GDP in USD and defence spending as a percentage of real GDP

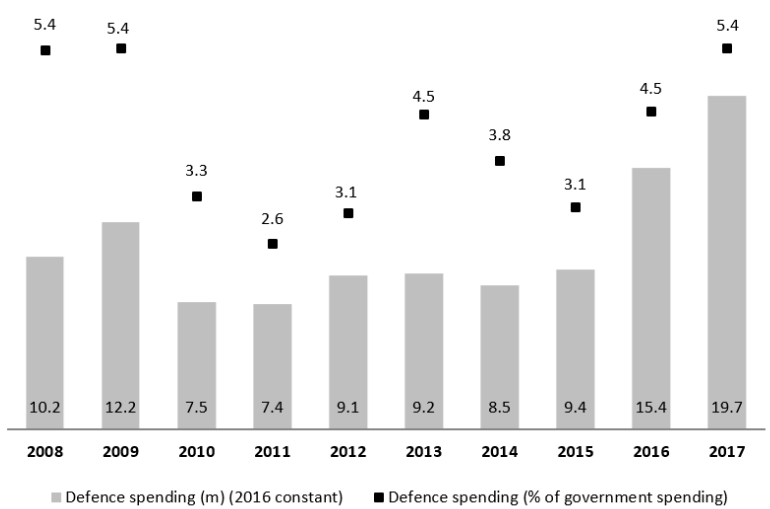


Tonga	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (m) (current)	8.9	10.4	6.6	6.9	8.6	8.8	8.2	9.2	15.4	21.6
Spending in local currency (m) (2016 constant)	10.2	12.2	7.5	7.4	9.1	9.2	8.5	9.4	15.4	19.7
Spending in USD (m) (current, in-year exchange rate)	4.6	5.1	3.5	4.0	5.0	5.0	4.4	4.4	7.0	9.8
Spending in USD (m) (2016 constant and exchange rate)	4.6	5.5	3.4	3.3	4.1	4.1	3.8	4.2	7.0	8.9
Real growth rate (%)	7.5	19.7	-38.6	-1.2	22.5	1.6	-7.9	10.9	64.3	27.5
Expenditure (% of real GDP)	1.3	1.6	0.9	0.9	1.1	1.1	1.0	1.1	1.7	2.1
Expenditure (% of real government spending)	5.4	5.4	3.3	2.6	3.1	4.5	3.8	3.1	4.5	5.4
Gross domestic product (GDP)										
Real GDP in local currency (m)	763.6	781.0	809.0	831.6	839.0	812.8	829.7	860.4	889.5	922.3
Real GDP in USD (m)	393.1	383.9	424.5	481.0	487.9	458.2	449.2	408.6	401.5	418.8
Real growth rate (%)	3.1	2.3	3.6	2.8	0.9	-3.1	2.1	3.7	3.4	3.7
Real GDP per capita in USD	3930.9	3839.0	4244.8	4809.7	4879.2	4165.9	4084.0	3714.7	3649.7	3804.0
Government spending (m)	189.7	226.0	227.0	282.2	295.5	206.0	222.8	299.0	343.0	364.6
Population (million)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Inflation (%)	10.4	1.4	3.5	6.3	1.1	0.8	2.5	-1.1	2.6	7.5

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Tonga
Capital city	Nuku'alofa
Population	110 000
Active armed forces	600

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, fishing, squash and vanilla

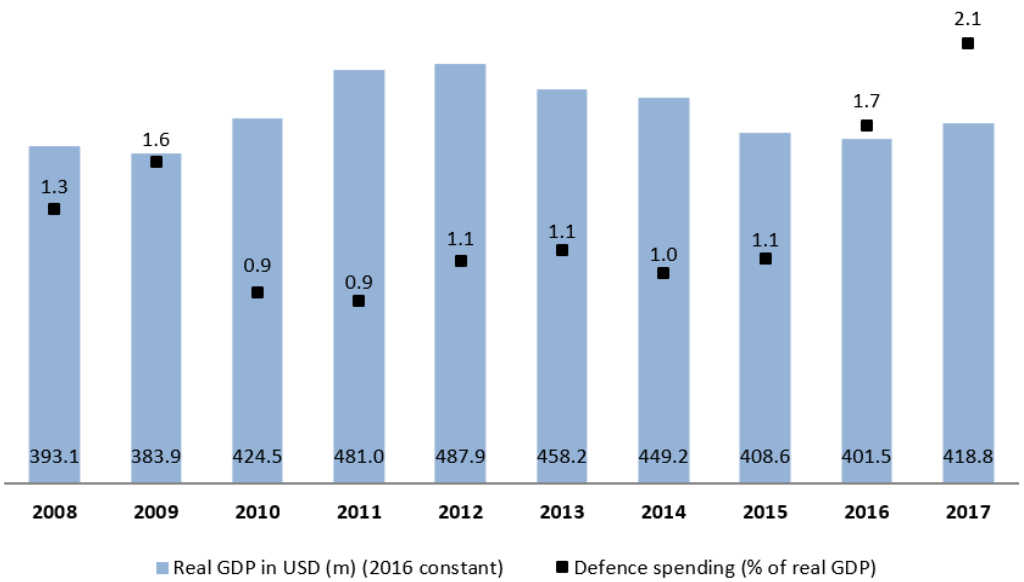
Economy

Over the past 10 years, Tonga averaged 2.2 per cent annual real economic growth. In 2017, the economy grew by 3.7 per cent, due to increases in the tourism industry and agricultural production. Reconstruction continues following Cyclone Winston in 2016, further boosting economic growth. Natural disasters and other weather-related events will continue to pose a potential future risk to stable growth, with Tonga's government allocating TOP5m per annum for emergency response. Tonga's economy is forecast to continue steady growth for the next three years, according to the EIU.

Defence Spending

Tonga's 2017 defence budget was TOP19.7m (USD8.9m) – a 27.5 per cent real increase on the 2016 defence budget. Tonga's armed forces continued to rely on foreign assistance for new acquisitions and for operations. Tonga continues to engage in defence cooperation exercises with Australia, New Zealand and the US to enhance its armed forces' ability to operate effectively in a range of strategic environments.

Real GDP in USD and defence spending as a percentage of real GDP

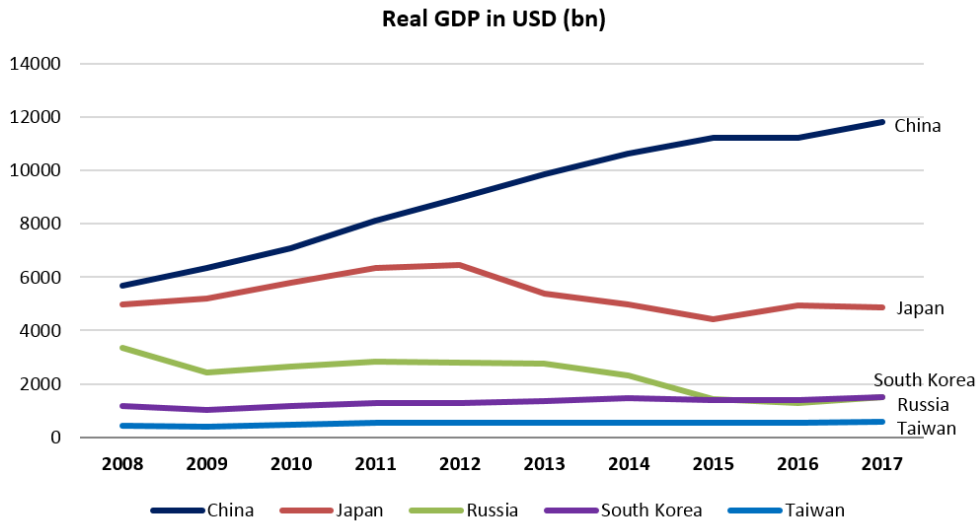


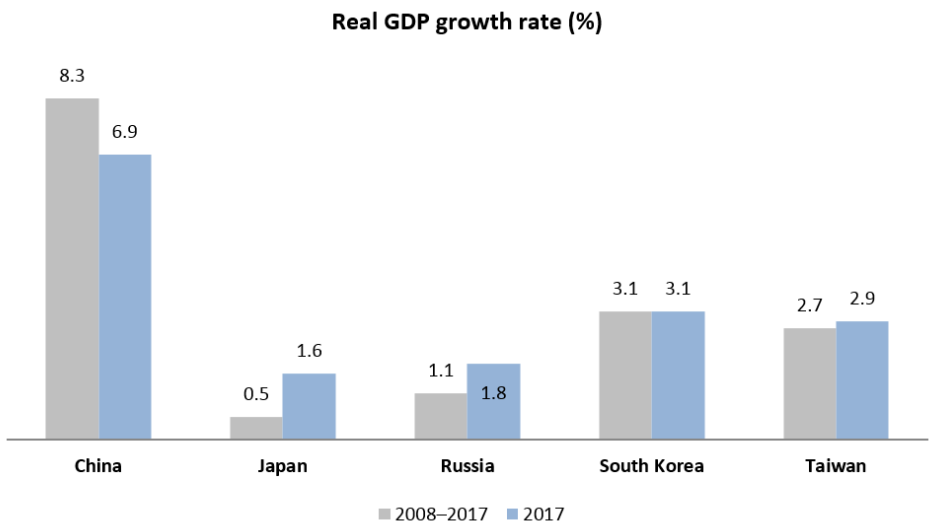
Regional Economy

North Asian economies grew in 2017, due to improved global economic conditions driving trade. Russia also experienced growth due to increasing commodity prices and a resurgent agricultural sector. China managed to expand its manufacturing by introducing new sectors while cutting overcapacity in existing sectors. Preparations for the 2020 Olympic Games are helping drive public investment growth in Japan despite weak consumer spending. Increased demand for tech goods is driving growth in Taiwan and South Korea.

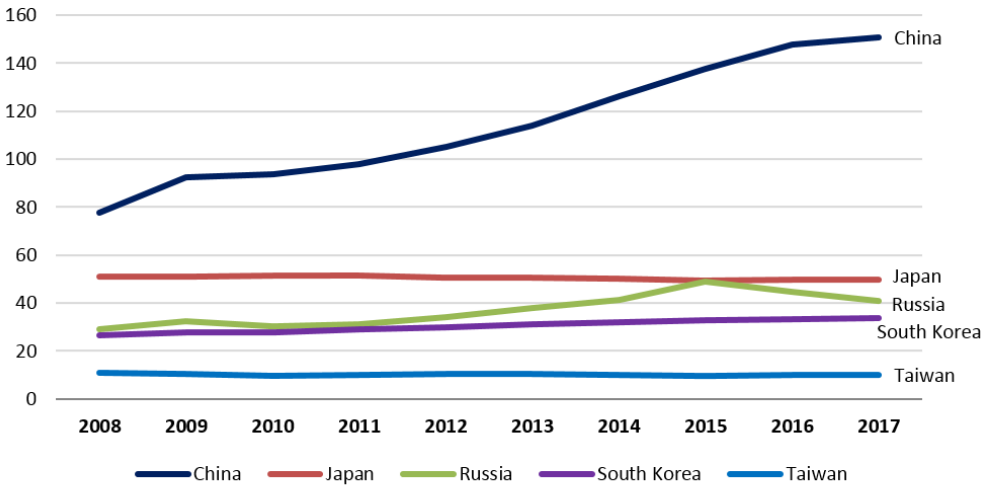
Defence Spending

Russia was the only North Asian state to reduce military spending in 2017, as the region continued military modernisation efforts and the procurement of air and maritime platforms. Although China represents over half the region's spending, Russia remains the highest defence spender as a percentage of GDP and government spending. Japan is now the third-largest defence spender in North Asia, after China and Russia. North Korea has been excluded from the regional comparison charts due to a lack of reliable economic data.

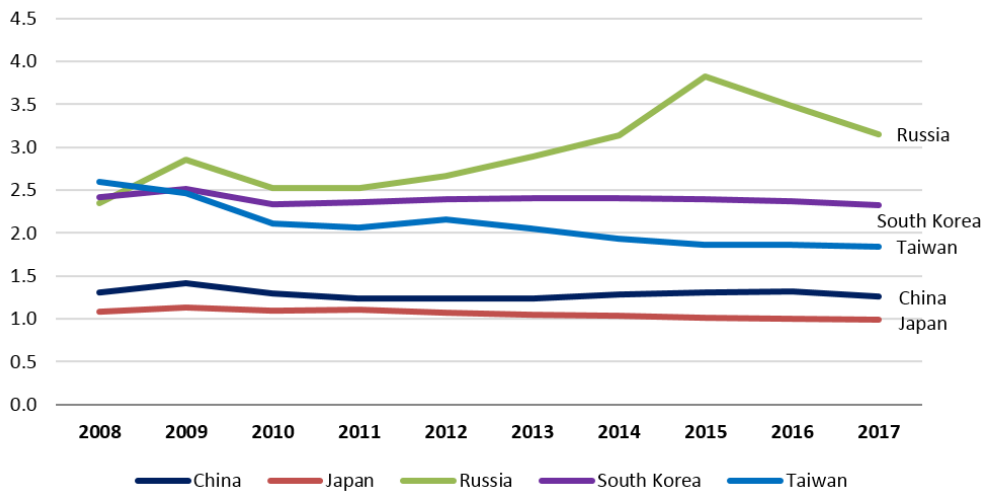




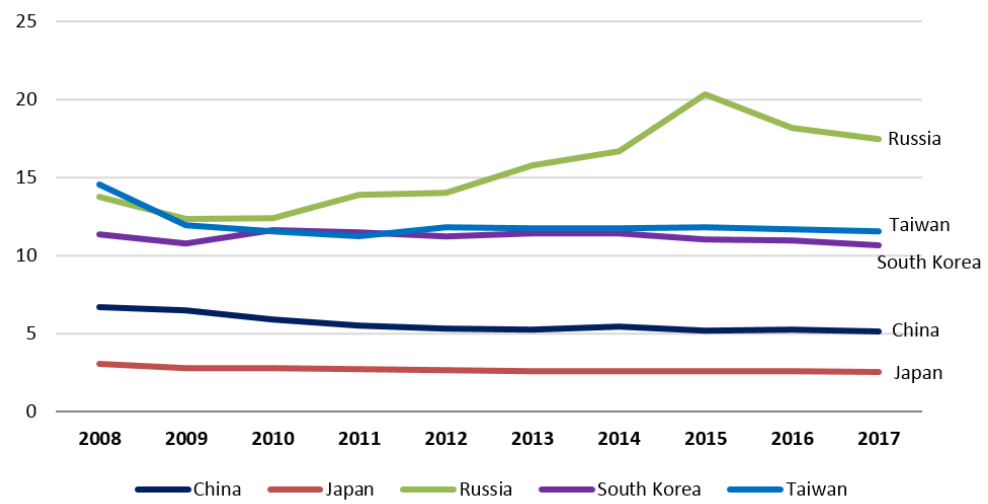
Defence spending in USD (bn) (2016 constant and exchange rate)



Defence spending as percentage of real GDP

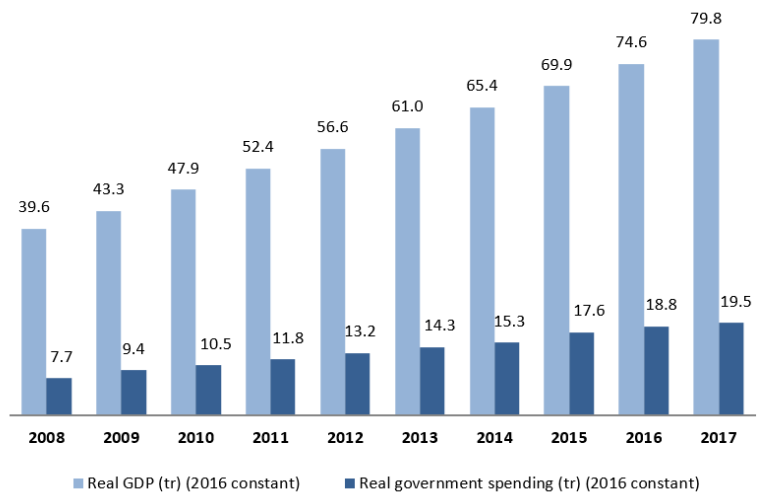


Defence spending as percentage of government spending

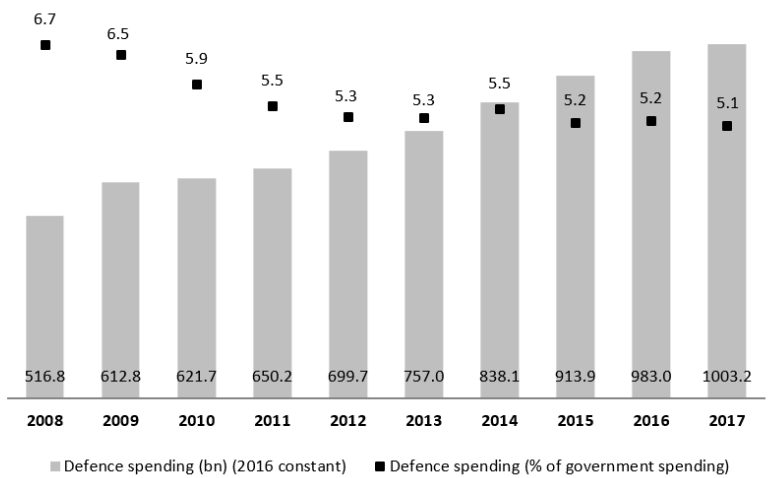


China	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	417.9	495.3	533.3	602.8	669.2	741.1	829.0	913.5	983.0	1044.0
Spending in local currency (bn) (2016 constant)	516.8	612.8	621.7	650.2	699.7	757.0	838.1	913.9	983.0	1003.2
Spending in USD (bn) (current, in-year exchange rate)	60.1	72.5	78.8	93.3	106.0	119.6	134.9	146.7	147.9	154.5
Spending in USD (bn) (2016 constant and exchange rate	77.8	92.2	93.6	97.9	105.3	113.9	126.1	137.5	147.9	151.0
Real growth rate (%)	9.5	18.6	1.5	4.6	7.6	8.2	10.7	9.0	7.6	2.1
Expenditure (% of real GDP)	1.3	1.4	1.3	1.2	1.2	1.2	1.3	1.3	1.3	1.3
Expenditure (% of real government spending)	6.7	6.5	5.9	5.5	5.3	5.3	5.5	5.2	5.2	5.1
Gross domestic product (GDP)										
Real GDP in local currency (tr)	39.6	43.3	47.9	52.4	56.6	61.0	65.4	69.9	74.6	79.8
Real GDP in USD (tr)	5.7	6.3	7.1	8.1	9.0	9.8	10.7	11.2	11.2	11.8
Real growth rate (%)	9.7	9.4	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.9
Real GDP per capita in USD	4320.4	4786.0	5301.1	6059.4	6667.7	7290.3	7860.1	8252.5	8222.5	8603.6
Government spending (tr)	7.7	9.4	10.5	11.8	13.2	14.3	15.3	17.6	18.8	19.5
Population (million)	1318.0	1324.0	1334.0	1339.0	1344.0	1350.0	1355.0	1361.0	1366.0	1372.0
Inflation (%)	5.9	-0.7	3.2	5.5	2.6	2.6	2.1	1.5	2.1	1.5

Real GDP and government spending in local currency



Defence spending in local currency



Country name	China
Capital city	Beijing
Population	1.37 billion
Active armed forces	2.04 million

Land size	9 596 960 km^2
Currency	Yuan Renminbi (CNY)
Fiscal year	1 January – 31 December
Economy	Socialist market economy
Industries	Wide ranging, including iron, steel, petroleum, cement, chemical fertilisers, automobiles, electronics and telecommunications

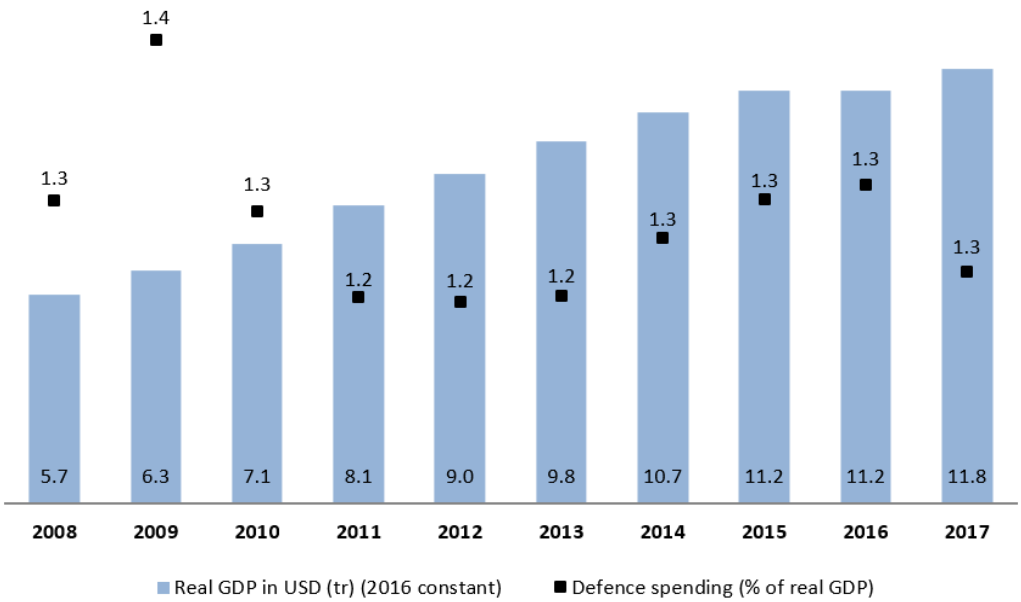
Economy

Over the past 10 years, China averaged 8.3 per cent annual real economic growth. In 2017, the economy grew by 6.9 per cent, with reduction of overcapacity in some sectors being offset by new sectors and manufacturing sector expansion. The economy is forecast to average 5.9 per cent real growth to 2022, according to the EIU, based on a deceleration in exports. Risk within China's economy is rising as total non-financial sector debt is increasing and projected to hit almost 300 per cent of GDP by 2022, along with uncertainty arising from the trade dispute with the US.

Defence Spending

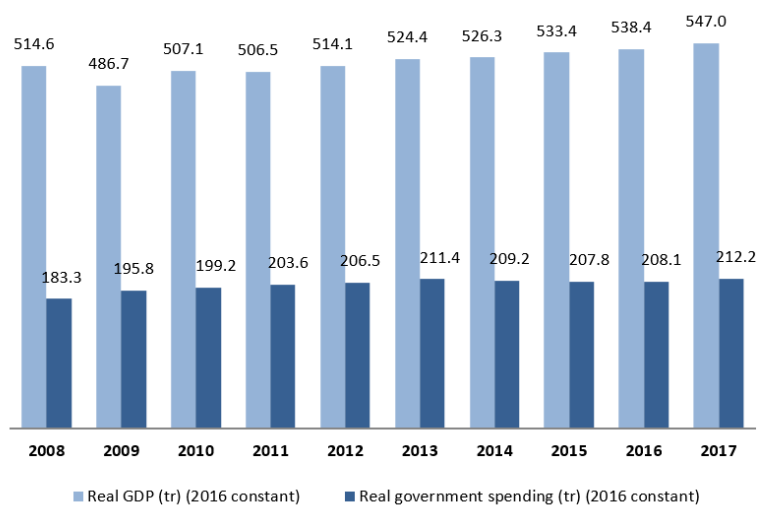
China's 2017 declared defence budget was CNY1tr (USD151bn) – a 2.1 per cent real increase on the 2016 defence budget. In April 2017, China launched its first indigenously built aircraft carrier, with reports another two are planned for construction. China launched its first of four Type-055 cruisers and the seventh Type-815A DONGDIAO-class auxiliary general intelligence ship, which was an improvement on the earlier Type 815. In July 2017, Russia announced it would deliver China an additional four Mi-171E helicopters in 2018.

Real GDP in USD and defence spending as a percentage of real GDP

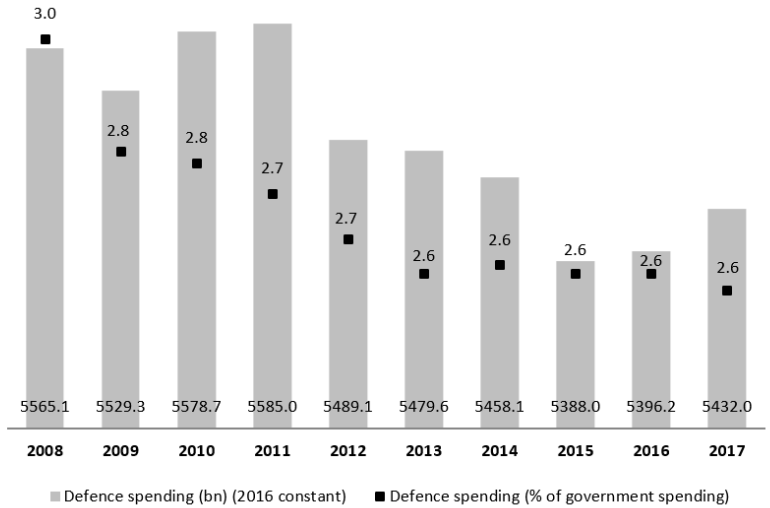


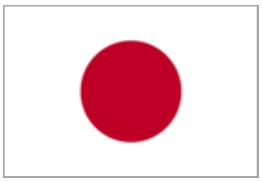
Japan	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	5631.8	5561.3	5504.7	5418.6	5285.0	5258.3	5329.1	5373.3	5396.2	5419.8
Spending in local currency (bn) (2016 constant)	5565.1	5529.3	5578.7	5585.0	5489.1	5479.6	5458.1	5388.0	5396.2	5432.0
Spending in USD (bn) (current, in-year exchange rate)	54.5	59.4	62.7	68.0	66.2	53.9	50.3	44.4	49.6	48.3
Spending in USD (bn) (2016 constant and exchange rate	51.2	50.8	51.3	51.4	50.5	50.4	50.2	49.5	49.6	49.9
Real growth rate (%)	-0.7	-0.6	0.9	0.1	-1.7	-0.2	-0.4	-1.3	0.2	0.7
Expenditure (% of real GDP)	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Expenditure (% of real government spending)	3.0	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.6	2.6
Gross domestic product (GDP)										
Real GDP in local currency (tr)	514.6	486.7	507.1	506.5	514.1	524.4	526.3	533.4	538.4	547.0
Real GDP in USD (tr)	5.0	5.2	5.8	6.4	6.4	5.4	5.0	4.4	5.0	4.9
Real growth rate (%)	-1.1	-5.4	4.2	-0.1	1.5	2.0	0.4	1.4	0.9	1.6
Real GDP per capita in USD	38718.3	40442.6	44951.8	49444.8	50153.6	41886.4	38794.1	34443.7	38755.1	38259.9
Government spending (tr)	183.3	195.8	199.2	203.6	206.5	211.4	209.2	207.8	208.1	212.2
Population (million)	128.6	128.6	128.6	128.5	128.4	128.3	128.2	128.0	127.7	127.5
Inflation (%)	1.4	-1.4	-0.7	-0.3	-0.1	0.3	2.8	0.8	-0.1	0.5

Real GDP and government spending in local currency



Defence spending in local currency





Country name	Japan
Capital city	Tokyo
Population	127.5 million
Active armed forces	247 000

Land size	377 915 km^2
Currency	Yen (JPY)
Fiscal year	1 April – 31 March
Economy	Advanced country with market economy
Industries	Automobiles, electronics, machine tools, steel and non-ferrous metals, ships, chemicals and textiles

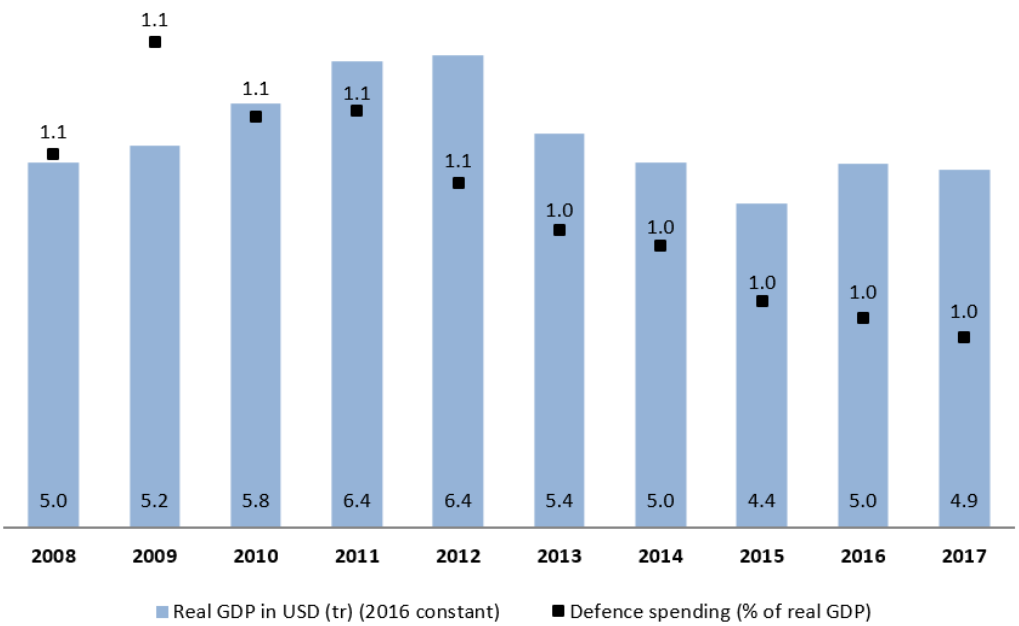
Economy

Over the past 10 years, Japan averaged 0.5 per cent annual real economic growth. In 2017, the economy grew by 1.6 per cent, due to a strong recovery in Japanese exports. Japan's economy is experiencing the longest stretch of continuous growth since the mid-1990s. However, a rise in global oil prices, coupled with slow wage growth, has reduced household purchasing power, suggesting consumer spending was not strong in 2017. Japan's economy is forecast to average 1.2 per cent real growth to 2022, according to the EIU.

Defence Spending

Japan's 2017 defence budget was JPY5.4tr (USD49.9bn) – a 0.7 per cent real increase on the 2016 defence budget. In December 2017, Japan's government approved the purchase of two Aegis Ashore interceptor batteries equipped with the Standard Missile-3 Block IIA to improve Japan's missile defence, and the purchase of the Joint Strike Missile, which will be carried by Japan's F-35A Lightning II Joint Strike Fighters. In November 2017, Japan's Northrop Grumman E-2AD Advanced Hawkeye airborne early warning and control aircraft conducted its first flight.

Real GDP in USD and defence spending as a percentage of real GDP



INSUFFICIENT RELIABLE DATA AVAILABLE

Country name	North Korea
Capital city	Pyongyang
Population	25 million
Active armed forces	1.28 million

Land size	120 538 km^2
Currency	North Korean Won
Fiscal year	1 January – 31 December
Economy	Less-developed country with a centrally planned economy
Industries	Military products, machine building, chemicals, mining, metallurgy and apparel

Economy

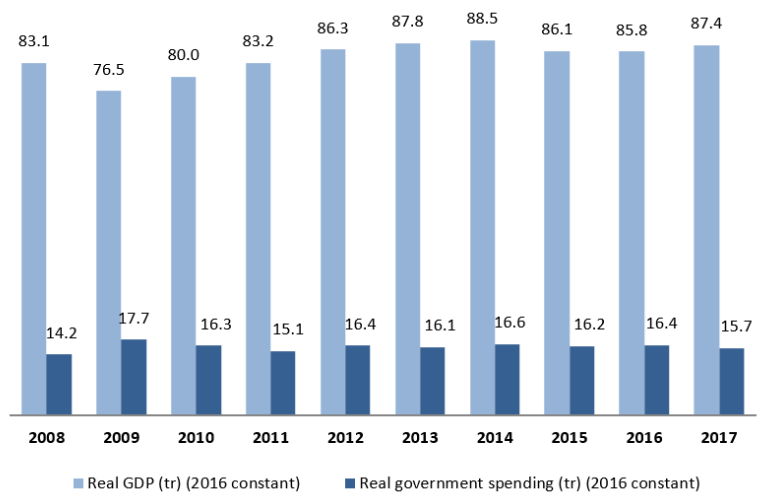
No official data has been released for North Korea since 1965. Media reports indicate private retail and construction are booming industries in the capital Pyongyang, which has led to a small but significant growth in North Korea's economy, with estimates of annual growth under Kim Jong-Un's rule ranging from 1–5 per cent. However, economic growth in North Korea is challenged by UN Security Council resolutions, which place heavy sanctions on North Korea's ability to export goods and raw materials, especially coal.

Defence Spending

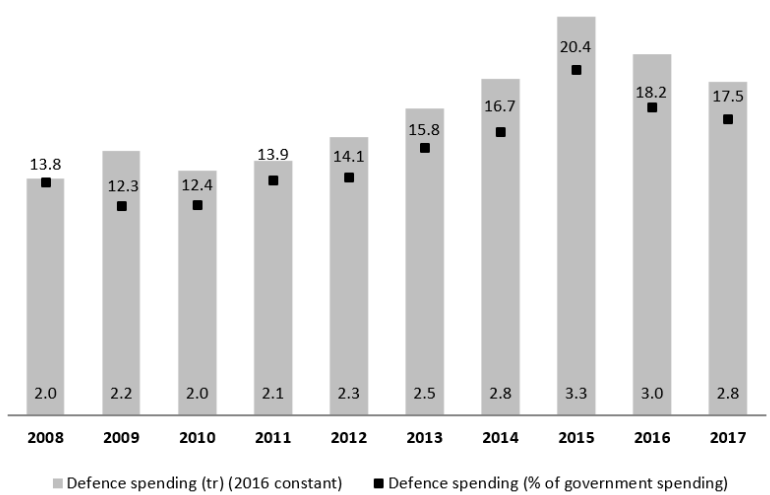
Reliable data on North Korea's defence spending is not available. From 2013, North Korea's *byongjin* policy emphasised the parallel development of the economy and the country's nuclear program. Since 2018, Kim Jong Un has prioritised economic development, declaring North Korea should 'focus all efforts on economic construction'. In July 2017, North Korea claimed to have successfully tested the country's first intercontinental ballistic missile. In November 2017, North Korea test fired the Hwasong-15 missile, which reportedly reached the highest altitude recorded by the country to date.

Russia	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (tr) (current)	1.0	1.2	1.3	1.5	1.8	2.1	2.5	3.2	3.0	2.9
Spending in local currency (tr) (2016 constant)	2.0	2.2	2.0	2.1	2.3	2.5	2.8	3.3	3.0	2.8
Spending in USD (bn) (current, in-year exchange rate)	41.9	37.4	41.3	51.6	58.8	66.1	64.6	52.2	44.5	49.2
Spending in USD (bn) (2016 constant and exchange rate	29.1	32.6	30.1	31.3	34.3	37.8	41.4	49.1	44.5	41.1
Real growth rate (%)	6.0	11.9	-7.6	3.9	9.5	10.3	9.6	18.7	-9.5	-7.7
Expenditure (% of real GDP)	2.4	2.9	2.5	2.5	2.7	2.9	3.1	3.8	3.5	3.1
Expenditure (% of real government spending)	13.8	12.3	12.4	13.9	14.1	15.8	16.7	20.4	18.2	17.5
Gross domestic product (GDP)										
Real GDP in local currency (tr)	83.1	76.5	80.0	83.2	86.3	87.8	88.5	86.1	85.8	87.4
Real GDP in USD (tr)	3.3	2.4	2.6	2.8	2.8	2.8	2.3	1.4	1.3	1.5
Real growth rate (%)	5.5	-7.9	4.5	4.0	3.7	1.8	0.8	-2.8	-0.2	1.8
Real GDP per capita in USD	23375.8	16850.8	18399.9	19770.5	19514.8	19211.7	15726.3	9610.8	8707.9	10193.9
Government spending (tr)	14.2	17.7	16.3	15.1	16.4	16.1	16.6	16.2	16.4	15.7
Population (million)	143.1	143.1	143.2	143.3	143.4	143.6	146.6	146.9	147.0	147.0
Inflation (%)	14.1	11.6	6.8	8.4	5.1	6.8	7.8	15.5	7.0	3.7

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Russia
Capital city	Moscow
Population	147 million
Active armed forces	798 000

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

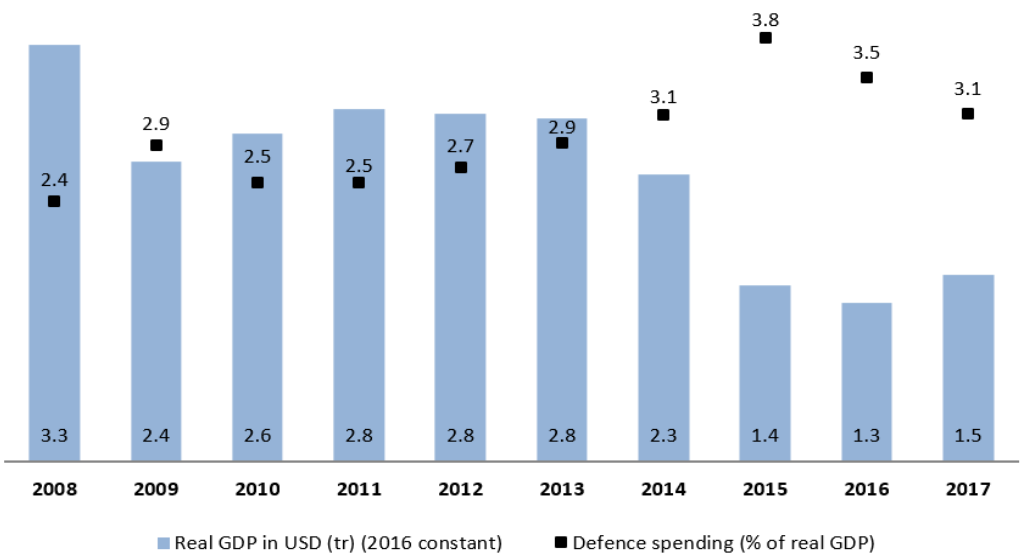
Economy

Over the past 10 years, Russia averaged 1 per cent annual real economic growth. In 2017, the economy grew by 1.8 per cent, due to positive global growth, a recovery in trade, rising oil prices, and growing macroeconomic stability. Russia's agricultural and mining industries grew, in part, due to food sanctions imposed by Moscow on imports from the EU. Russia's economy is forecast to average 1.7 per cent real growth to 2022, according to the EIU, based on higher global crude oil prices and rising oil production.

Defence Spending

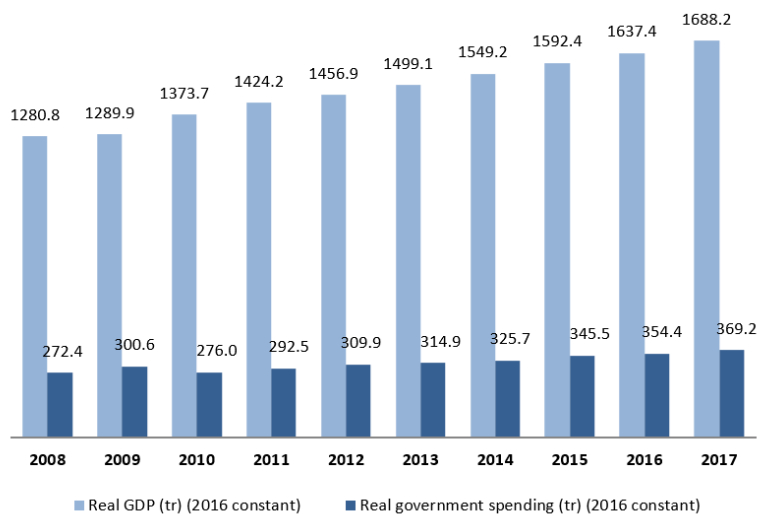
Russia's 2017 defence budget was RUB2.8tr (USD41.1bn) – a 7.7 per cent real decrease on the 2016 defence budget. Russia's Defence Ministry announced that it would spend RUB1.4tr (USD24bn) in 2017 on military arms and equipment procurement, as part of a large-scale rearmament program. The Russian Navy received 10 new combat vessels, 13 support ships, and 4 land-based missile systems. In 2017, Russian Ground Forces received 2055 new or modernised weapon systems and the Russian Aerospace Forces received 191 aircraft and 143 missile defence systems.

Real GDP in USD and defence spending as a percentage of real GDP

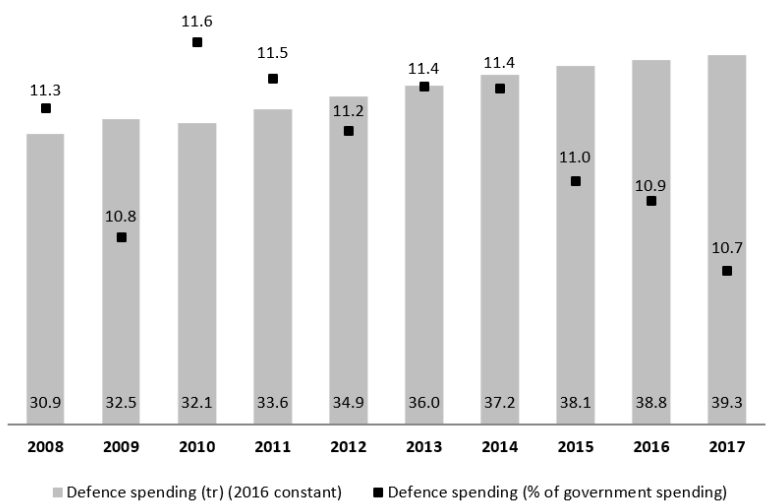


South Korea	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (tr) (current)	26.6	29.0	29.6	31.4	33.0	34.3	35.7	37.5	38.8	40.3
Spending in local currency (tr) (2016 constant)	30.9	32.5	32.1	33.6	34.9	36.0	37.2	38.1	38.8	39.3
Spending in USD (bn) (current, in-year exchange rate)	24.2	22.7	25.6	28.3	29.2	31.4	33.9	33.1	33.4	35.7
Spending in USD (bn) (2016 constant and exchange rate)	26.6	28.0	27.6	28.9	30.0	31.0	32.1	32.9	33.4	33.9
Real growth rate (%)	5.7	5.0	-1.1	4.6	3.9	3.3	3.3	2.4	1.7	1.4
Expenditure (% of real GDP)	2.4	2.5	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.3
Expenditure (% of real government spending)	11.3	10.8	11.6	11.5	11.2	11.4	11.4	11.0	10.9	10.7
Gross domestic product (GDP)										
Real GDP in local currency (tr)	1280.8	1289.9	1373.7	1424.2	1456.9	1499.1	1549.2	1592.4	1637.4	1688.2
Real GDP in USD (tr)	1.2	1.0	1.2	1.3	1.3	1.4	1.5	1.4	1.4	1.5
Real growth rate (%)	2.8	0.7	6.5	3.7	2.3	2.9	3.3	2.8	2.8	3.1
Real GDP per capita in US$	23654.0	20451.5	23970.6	25834.5	25883.4	27288.6	29202.9	27829.6	27773.9	29278.7
Government spending (tr)	272.4	300.6	276.0	292.5	309.9	314.9	325.7	345.5	354.4	369.2
Population (m)	49.2	49.4	49.6	49.7	50.0	50.2	50.4	50.6	50.8	51.0
Inflation (%)	4.7	2.8	2.9	4.0	2.2	1.3	1.3	0.7	1.0	1.9

Real GDP and government spending in local currency



Defence spending in local currency



Country name	South Korea
Capital city	Seoul
Population	51 million
Active armed forces	625 000

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

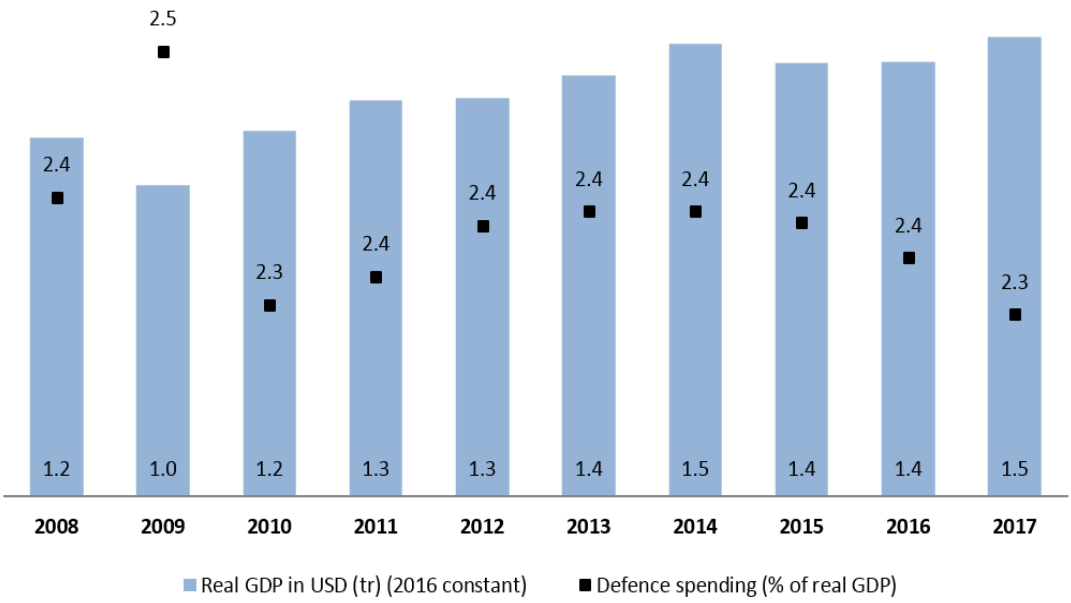
Economy

Over the past 10 years, South Korea averaged 3.1 per cent annual real economic growth. In 2017, the economy grew by 3.1 per cent, due to high global demand for electronic goods, particularly semiconductors. South Korea achieved economic growth despite a significant contraction in its services and tourism sectors. South Korea's economy is forecast to average 2.8 per cent real growth to 2022, according to the EIU, based on healthy global trade, particularly in the high-tech goods sector, and rising government spending.

Defence Spending

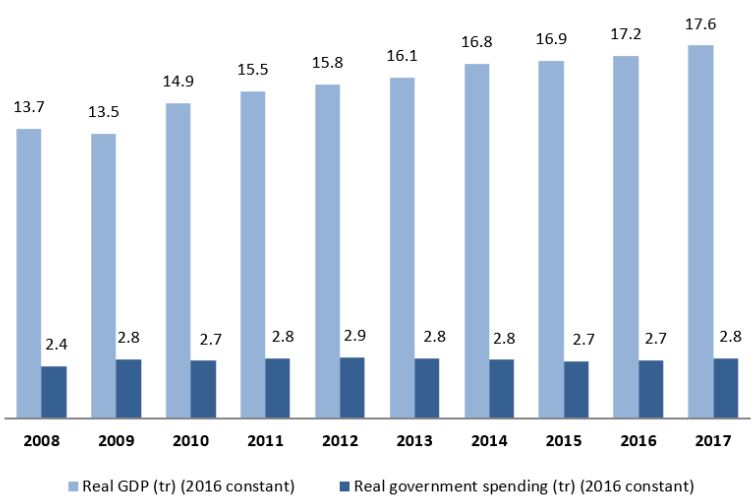
South Korea's 2017 defence budget was KRW39.3tr (USD33.9bn) – a 1.4 per cent real increase on the 2016 defence budget. South Korea's 2017 defence budget included funding to purchase 40 F-35 Joint Strike Fighters and the Patriot Advanced Capability-3 surface-to-air missile (SAM) system. President Moon Jae-in announced in July 2017 that he planned to raise South Korea's defence budget to 2.9 per cent of GDP within his term of office.

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

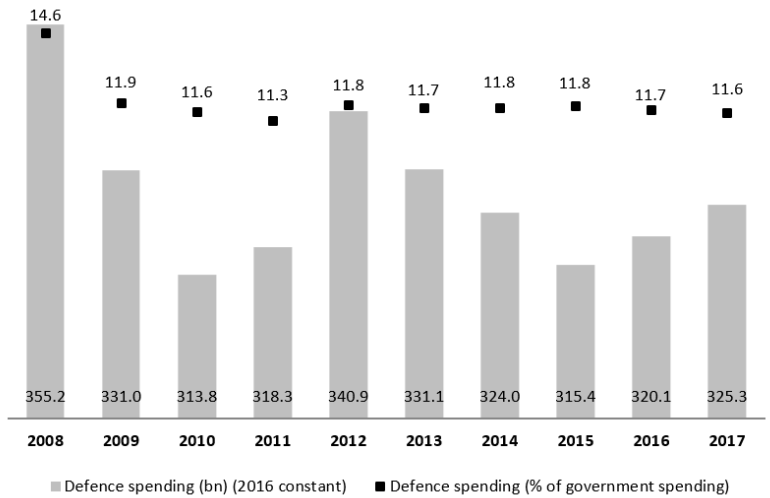


Taiwan	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	341.5	318.7	297.4	294.6	317.3	312.7	311.1	312.8	320.1	321.7
Spending in local currency (bn) (2016 constant)	355.2	331.0	313.8	318.3	340.9	331.1	324.0	315.4	320.1	325.3
Spending in USD (bn) (current, in-year exchange rate)	10.8	9.6	9.4	10.0	10.7	10.5	10.2	9.8	9.9	10.6
Spending in USD (bn) (2016 constant and exchange rate	11.0	10.2	9.7	9.8	10.5	10.2	10.0	9.8	9.9	10.1
Real growth rate (%)	15.0	-6.8	-5.2	1.4	7.1	-2.9	-2.2	-2.6	1.5	1.6
Expenditure (% of real GDP)	2.6	2.5	2.1	2.1	2.2	2.1	1.9	1.9	1.9	1.8
Expenditure (% of real government spending)	14.6	11.9	11.6	11.3	11.8	11.7	11.8	11.8	11.7	11.6
Gross domestic product (GDP)										
Real GDP in local currency (tr)	13.7	13.5	14.9	15.5	15.8	16.1	16.8	16.9	17.2	17.6
Real GDP in USD (bn)	433.8	407.3	470.7	524.7	532.9	541.8	552.6	530.0	530.6	579.5
Real growth rate (%)	0.7	-1.6	10.6	3.8	2.1	2.2	4.0	0.8	1.4	2.9
Real GDP per capita in USD	18829.5	17615.7	20321.6	22592.4	22855.3	23179.6	23580.9	22561.8	22540.8	24585.6
Government spending (tr)	2.4	2.8	2.7	2.8	2.9	2.8	2.8	2.7	2.7	2.8
Population (million)	23.0	23.1	23.2	23.2	23.3	23.4	23.4	23.5	23.5	23.6
Inflation (%)	3.5	-0.9	1.0	1.4	1.9	0.8	1.2	-0.3	1.4	0.6

Real GDP and government spending in local currency



Defence spending in local currency



		Land size	35 980 km^2
		Currency	New Taiwan dollar (TWD)
		Fiscal year	1 January – 31 December
		Economy	Newly industrialised market economy
Name	Taiwan	**Industries**	Electronics, petroleum refining, chemicals, textiles, iron and steel, machinery, cement, and food processing
Capital city	Taipei		
Population	23.6 million		
Active armed forces	215 000		

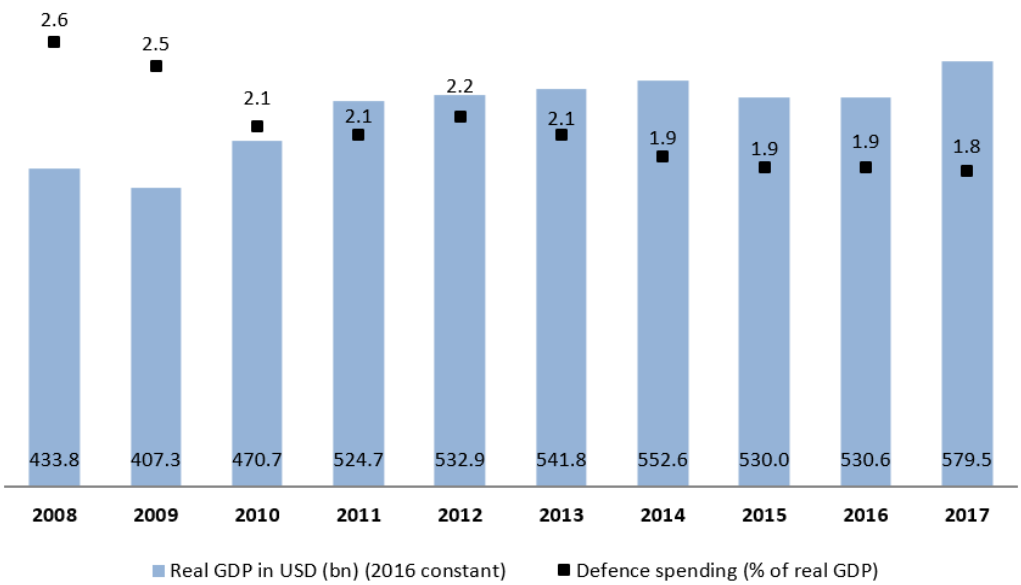
Economy

Over the past 10 years, Taiwan averaged 2.6 per cent annual real economic growth. In 2017, the economy grew by 2.9 per cent, partly due to increased exports of technology goods and machinery. Taiwan's government also attempted to remove barriers to investment and implemented a 3 per cent increase in salaries for officials, teachers and military personnel as part of its economic stimulus policy. Taiwan's economy is forecast to average 2 per cent real growth to 2022, according to the EIU, due to the strong performance of its electronics sector.

Defence Spending

Taiwan's 2017 defence budget was TWD325.3 (USD10.1bn) – a 1.6 per cent real increase on the 2016 defence budget. In March 2017, the Taiwanese Navy revealed plans to design and build eight diesel-electric submarines and construct a landing helicopter dock. Taiwan also took ownership of two refurbished US Navy OLIVER HAZARD PERRY-class frigates. Taiwan is also seeking approval from the US to purchase F-35 Lightning II Joint Strike Fighters (JSF).

Real GDP in USD and defence spending as a percentage of real GDP

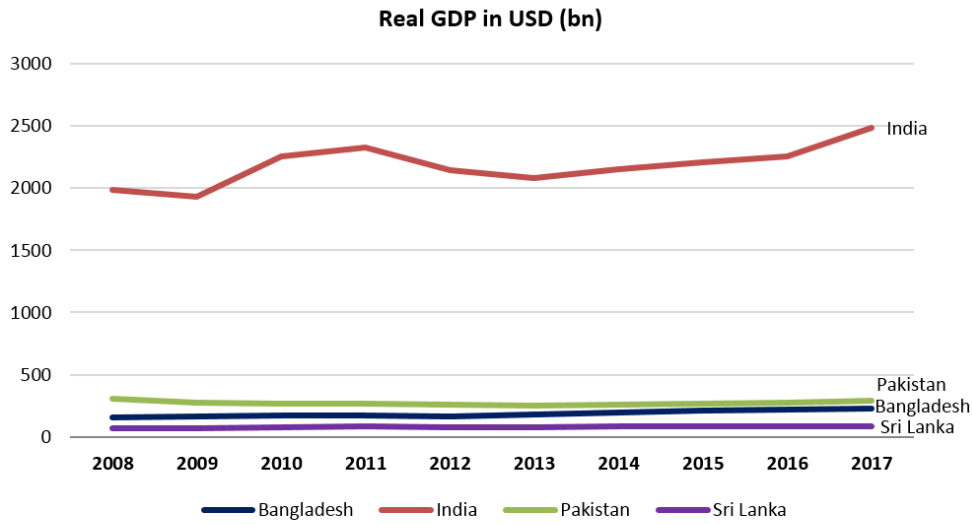


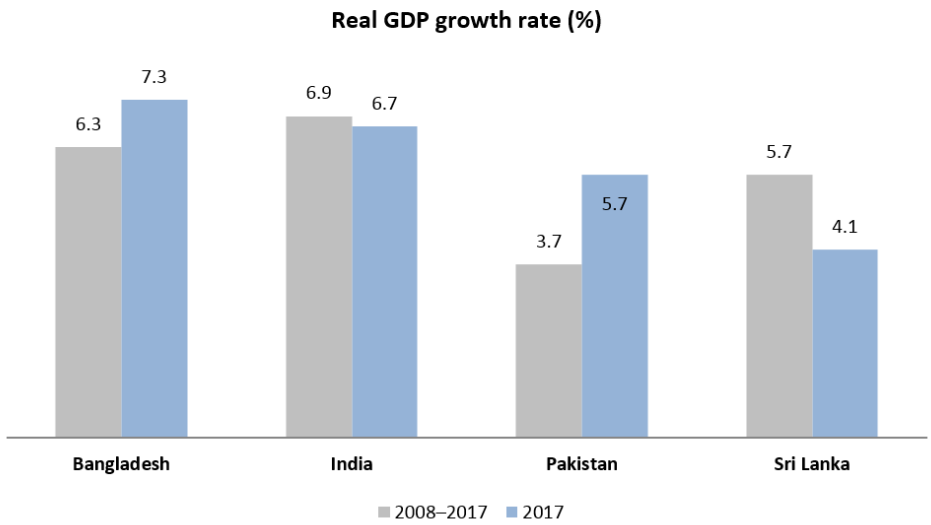
Regional Economy

Economic growth was strong in most South Asian countries in 2017. Sri Lanka experienced continued droughts and floods, which constrained growth in agricultural production. However, private consumption and investment helped Sri Lanka as it continues to transition from rural- to urban-based production in manufacturing and services. India's economy experienced a surge in public expenditure. Pakistan saw increased consumption and a recovery in the agricultural sector. Meanwhile, Bangladesh's wholesale and retail trades performed strongly.

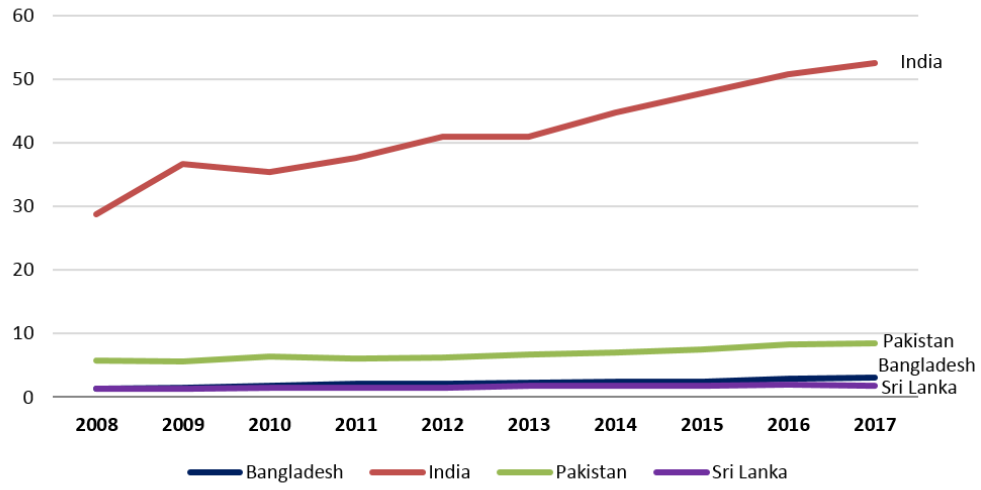
Defence Spending

With the exception of Sri Lanka, South Asian defence spending grew in 2017. India remains the region's largest defence spender by a large margin, but Pakistan remains the highest defence spender as a percentage of GDP. South Asian countries maintained their bilateral defence cooperative relationships, particularly with the US, Russia and China. South Asian defence modernisation and procurement continue to be driven by inter-state rivalries and internal security challenges. Afghanistan has been excluded from the regional comparison charts due to a lack of reliable economic data.

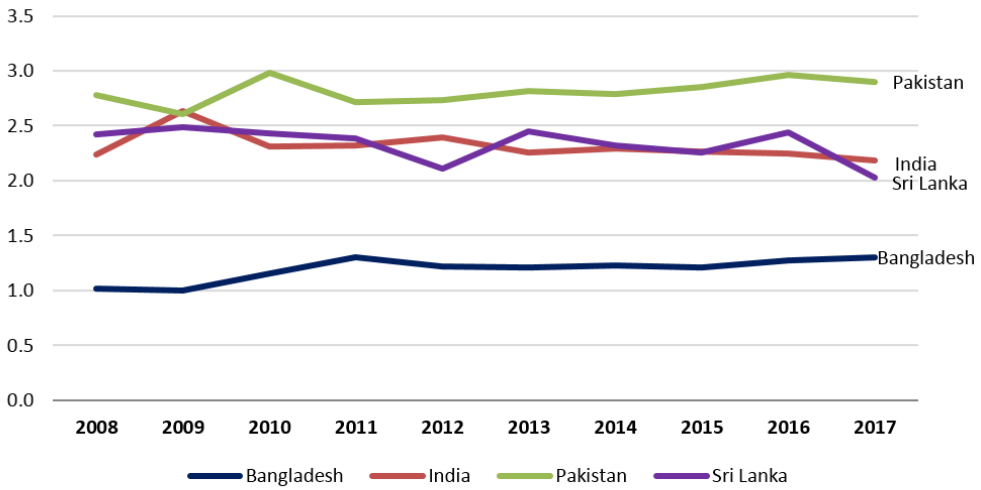




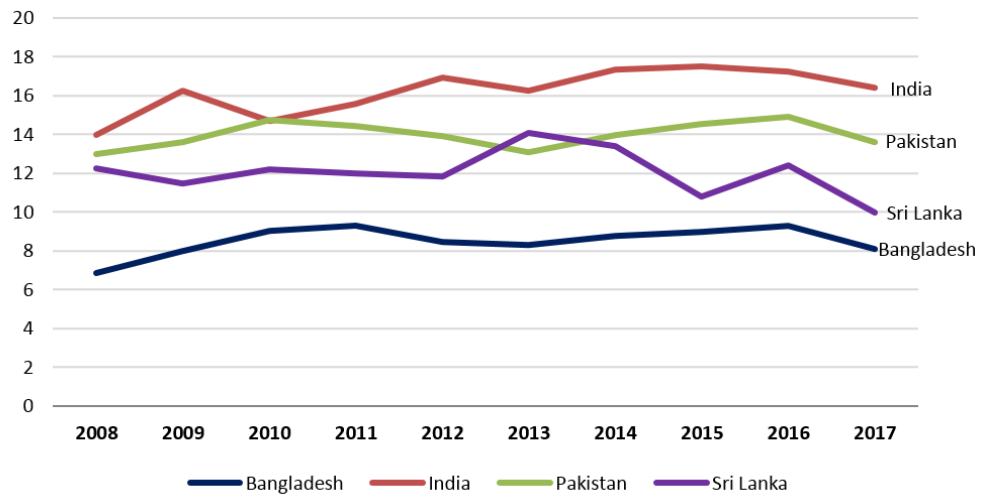
Defence spending in USD (bn) (2016 constant and exchange rate)



Defence spending as percentage of real GDP



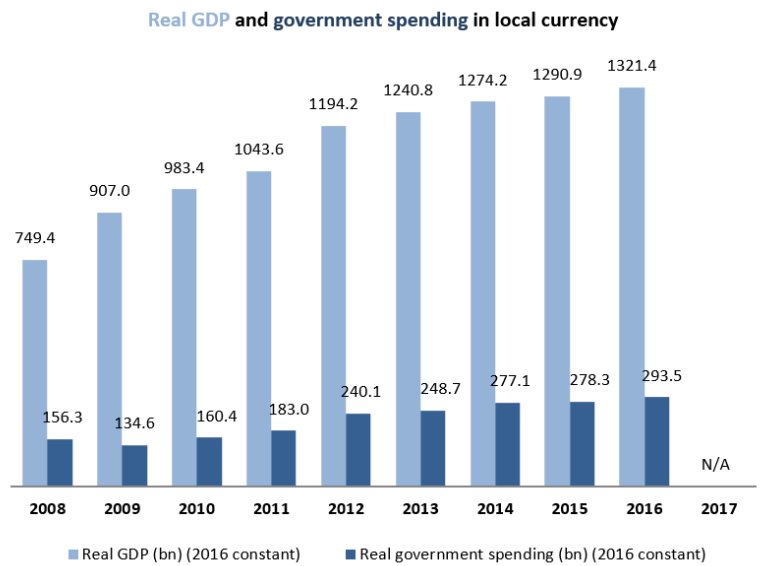
Defence spending as percentage of government spending

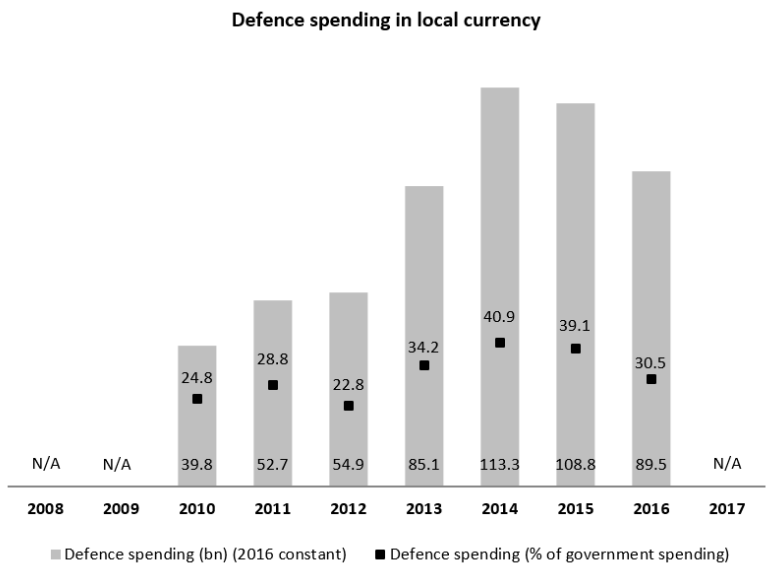


AFGHANISTAN

Afghanistan	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	N/A	N/A	29.6	43.3	48.8	78.6	105.2	103.5	89.5	67.7
Spending in local currency (bn) (2016 constant)	N/A	N/A	39.8	52.7	54.9	85.1	113.3	108.8	89.5	N/A
Spending in USD (bn) (current, in-year exchange rate)	N/A	N/A	0.6	0.9	1.0	1.4	1.8	1.7	1.3	1.0
Spending in USD (bn) (2016 constant and exchange rate	N/A	N/A	0.6	0.8	0.8	1.3	1.7	1.6	1.3	N/A
Real growth rate (%)	N/A	N/A	N/A	32.4	4.0	55.2	33.0	-3.9	-17.8	N/A
Expenditure (% of real GDP)	N/A	N/A	4.1	5.1	4.6	6.9	8.9	8.4	6.8	N/A
Expenditure (% of real government spending)	N/A	N/A	24.8	28.8	22.8	34.2	40.9	39.1	30.5	N/A
Gross domestic product (GDP)										
Real GDP in local currency (bn)	749.4	907.0	983.4	1043.6	1194.2	1240.8	1274.2	1290.9	1321.4	N/A
Real GDP in USD (bn)	14.9	18.0	21.2	22.3	23.5	22.4	22.3	21.1	19.5	N/A
Real growth rate (%)	3.6	21.0	8.4	6.1	14.4	3.9	2.7	1.3	2.4	N/A
Real GDP per capita in USD	546.4	643.6	735.0	751.4	764.0	706.1	679.4	625.8	561.8	N/A
Government spending (bn)	156.3	134.6	160.4	183.0	240.1	248.7	277.1	278.3	293.5	N/A
Population (million)	27.3	28.0	28.8	29.7	30.7	31.7	32.8	33.7	34.7	35.5
Inflation (%)	30.6	-8.3	0.9	10.2	7.2	7.7	4.6	-2.9	3.6	N/A

*GDP and government spending data was unavailable for 2017. Figures in table and graphs are represented in 2016 constant dollars. Defence spending before 2010 has not been included in the table or graphs due to unavailable donor funding information.





Country name	Afghanistan
Capital city	Kabul
Population	35.5 million
Active armed forces	174 000

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 and handcrafts

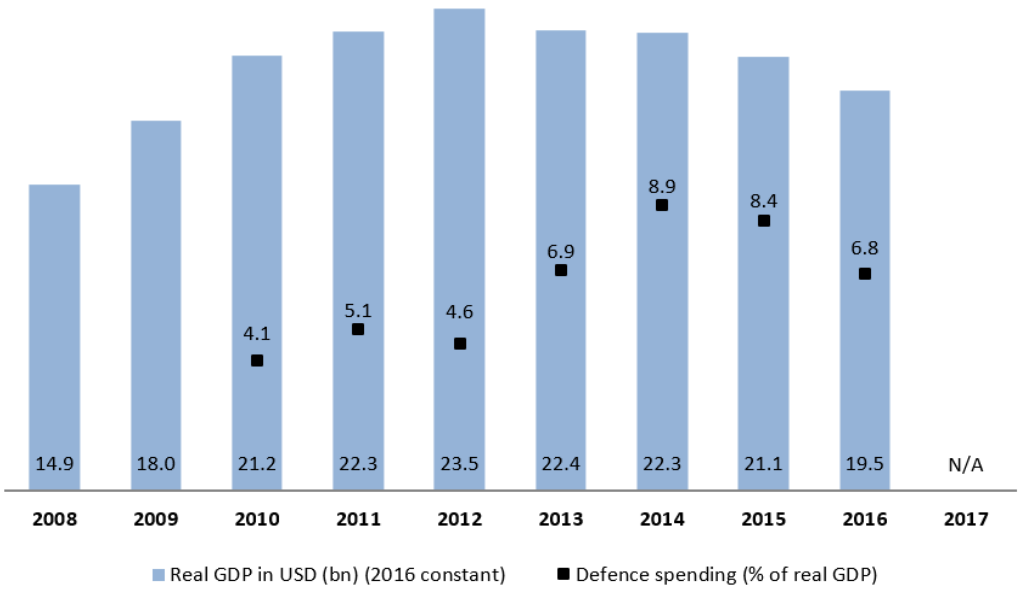
Economy

Over the past 10 years, Afghanistan averaged 7.4 per cent annual real economic growth. Afghanistan's security situation constrained investment and consumer demand. Primary economic risks include rising poverty, high levels of unemployment and security challenges posed by the insurgency. Afghanistan's economy is forecast to grow by 3.4 per cent and 3.1 per cent in 2018 and 2019, respectively, according to the World Bank.

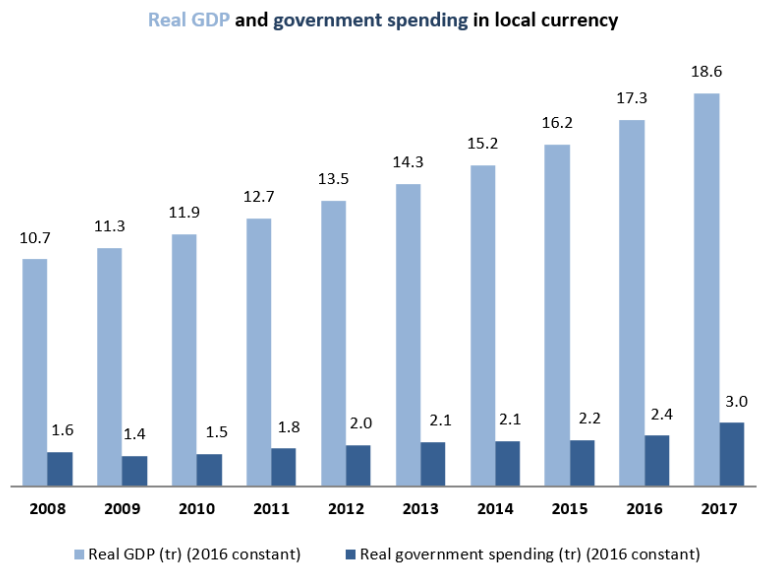
Defence Spending

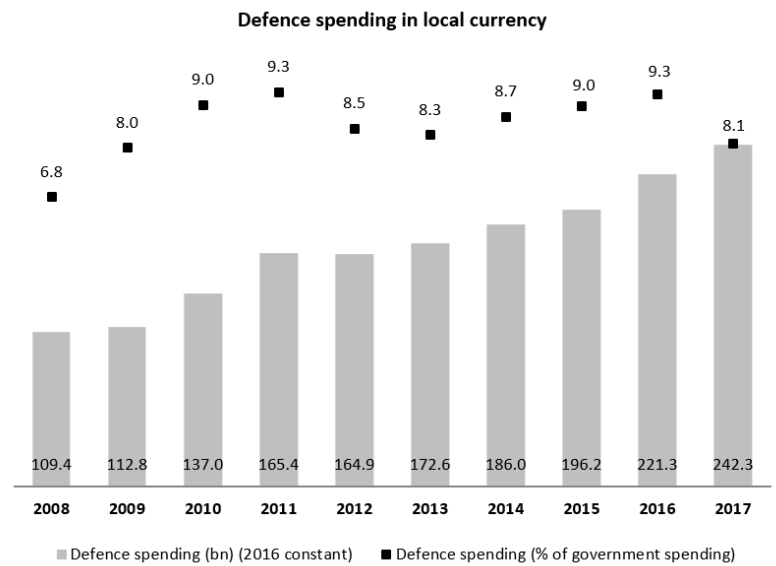
Afghanistan's 2017 defence budget was AFN67.7bn (USD1bn) – a 25.4 per cent nominal decrease on the 2016 defence budget. In 2017, the Afghan National Defence and Security Forces (ANDSF) focused on building counterinsurgency capabilities. Success was constrained by the loss of government control of rural territory, and the loss of troops due to casualties and desertions. In 2017, the ANDSF worked closely with NATO's Resolute Support mission forces to improve training and intelligence-led strike operation capabilities.

Real GDP in USD and defence spending as a percentage of real GDP



Bangladesh	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	64.1	70.5	91.8	119.5	128.9	144.6	164.6	183.8	221.3	257.6
Spending in local currency (bn) (2016 constant)	109.4	112.8	137.0	165.4	164.9	172.6	186.0	196.2	221.3	242.3
Spending in USD (bn) (current, in-year exchange rate)	0.9	1.0	1.3	1.6	1.6	1.9	2.1	2.4	2.8	3.2
Spending in USD (bn) (2016 constant and exchange rate	1.4	1.4	1.7	2.1	2.1	2.2	2.4	2.5	2.8	3.1
Real growth rate (%)	8.6	3.1	21.4	20.8	-0.3	4.7	7.8	5.5	12.8	9.5
Expenditure (% of real GDP)	1.0	1.0	1.2	1.3	1.2	1.2	1.2	1.2	1.3	1.3
Expenditure (% of real government spending)	6.8	8.0	9.0	9.3	8.5	8.3	8.7	9.0	9.3	8.1
Gross domestic product (GDP)										
Real GDP in local currency (tr)	10.7	11.3	11.9	12.7	13.5	14.3	15.2	16.2	17.3	18.6
Real GDP in USD (bn)	156.5	163.4	171.0	171.0	164.9	183.3	195.6	207.5	220.3	231.1
Real growth rate (%)	6.0	5.0	5.6	6.5	6.5	6.0	6.1	6.6	7.1	7.3
Real GDP per capita in USD	1051.8	1085.8	1123.6	1110.7	1059.2	1163.2	1226.8	1287.5	1352.0	1403.3
Government spending (tr)	1.6	1.4	1.5	1.8	2.0	2.1	2.1	2.2	2.4	3.0
Population (million)	148.8	150.5	152.1	153.9	155.7	157.6	159.4	161.2	163.0	164.7
Inflation (%)	4.3	5.4	8.1	10.3	6.6	7.5	7.0	6.2	5.5	5.7





Country name	Bangladesh
Capital city	Dhaka
Population	164.7 million
Active armed forces	157 000

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, garments, pharmaceuticals, petroleum products and natural gas

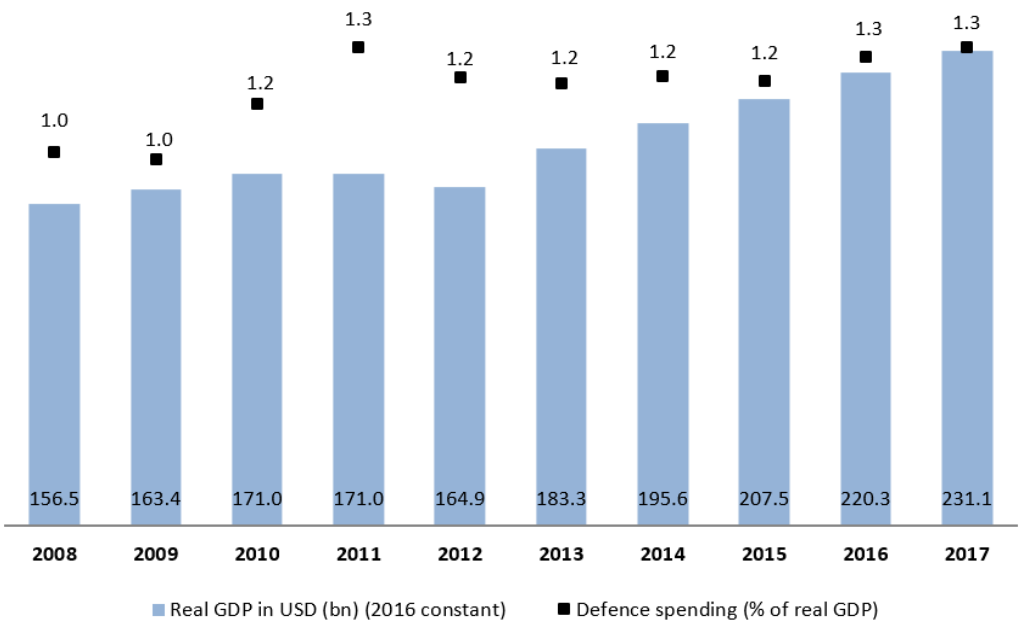
Economy

Over the past 10 years, Bangladesh averaged 6.3 per cent annual real economic growth. In 2017, the economy grew by 7.3 per cent, due to increased contributions from the services sector, particularly from wholesale and retail trades. Financial intermediations improved substantially despite the deteriorating performance of the banking sector. Meanwhile, private consumption and public investment also contributed to economic growth. Bangladesh's economy is forecast to average 6.8 per cent real growth to 2022, according to the EIU.

Defence Spending

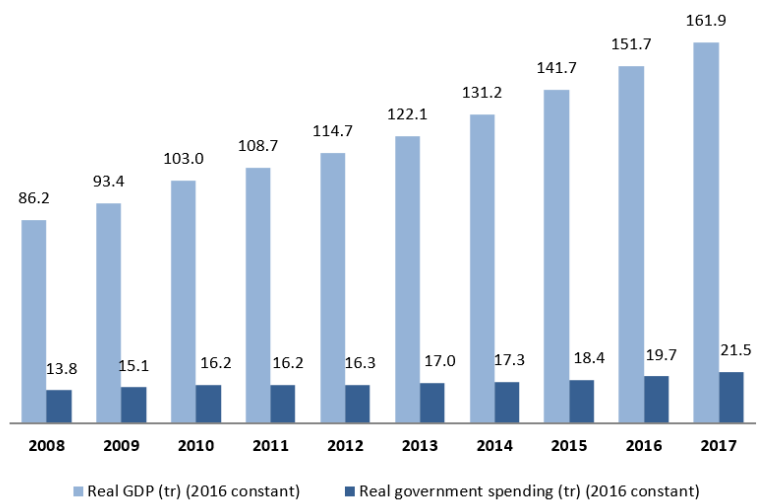
Bangladesh's 2017 defence budget was BDT242.3bn (USD3.1bn) – a 9.5 per cent real increase on the 2016 defence budget. In 2017, Bangladesh ordered five Russian Mi-171Sh helicopters and two German Dornier 228 twin-turboprop aircraft. Bangladesh also released a tender for eight new multi-role combat aircraft and an unspecified number of 155 mm lightweight towed howitzers. In April 2017, Bangladesh and India signed MoUs on defence cooperation, which included a USD500m defence line of credit to Bangladesh.

Real GDP in USD and defence spending as a percentage of real GDP

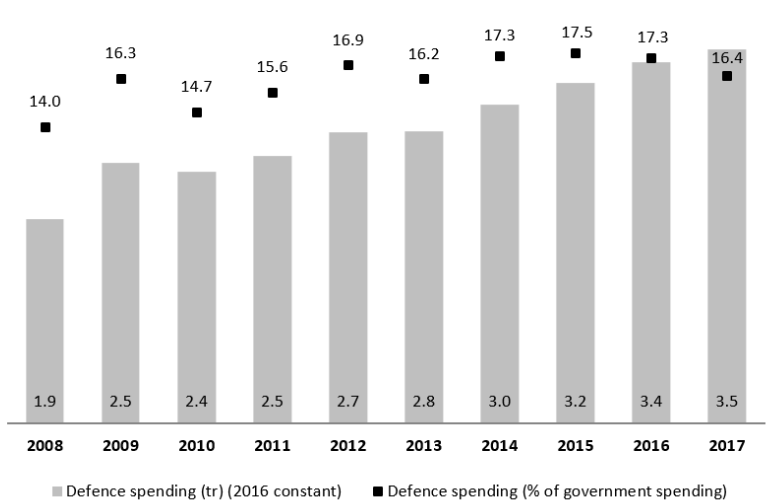


India	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (tr) (current)	1.2	1.7	1.8	2.0	2.4	2.5	2.9	3.1	3.4	3.6
Spending in local currency (tr) (2016 constant)	1.9	2.5	2.4	2.5	2.7	2.8	3.0	3.2	3.4	3.5
Spending in USD (bn) (current, in-year exchange rate)	28.4	34.4	38.4	43.4	44.6	43.2	46.7	48.3	50.7	55.3
Spending in USD (bn) (2016 constant and exchange rate	28.7	36.6	35.4	37.6	40.9	41.0	44.7	47.8	50.7	52.6
Real growth rate (%)	0.9	27.4	-3.2	6.1	8.9	0.2	9.2	6.8	6.2	3.6
Expenditure (% of real GDP)	2.2	2.6	2.3	2.3	2.4	2.3	2.3	2.3	2.2	2.2
Expenditure (% of real government spending)	14.0	16.3	14.7	15.6	16.9	16.2	17.3	17.5	17.3	16.4
Gross domestic product (GDP)										
Real GDP in local currency (tr)	86.2	93.4	103.0	108.7	114.7	122.1	131.2	141.7	151.7	161.9
Real GDP in USD (tr)	2.0	1.9	2.3	2.3	2.1	2.1	2.2	2.2	2.3	2.5
Real growth rate (%)	4.0	8.3	10.2	5.6	5.5	6.4	7.5	7.9	7.1	6.7
Real GDP per capita in USD	1655.7	1589.1	1829.4	1867.3	1699.8	1629.5	1661.9	1686.8	1705.0	1856.6
Government spending (tr)	13.8	15.1	16.2	16.2	16.3	17.0	17.3	18.4	19.7	21.5
Population (million)	1197.1	1214.3	1231.0	1247.2	1263.1	1278.6	1293.9	1309.1	1324.2	1339.0
Inflation (%)	8.6	9.7	10.4	8.3	9.4	10.1	6.4	4.9	4.9	3.3

Real GDP and government spending in local currency



Defence spending in local currency



Country name	India
Capital city	New Delhi
Population	1.339 billion
Active armed forces	1.4 million

Land size	3 287 263 km^2
Currency	Indian rupee (INR)
Fiscal year	1 April – 31 March
Economy	Developing country with a market economy
Industries	IT services, textiles, chemicals, steel, transportation equipment, cement, mining, petroleum and machinery

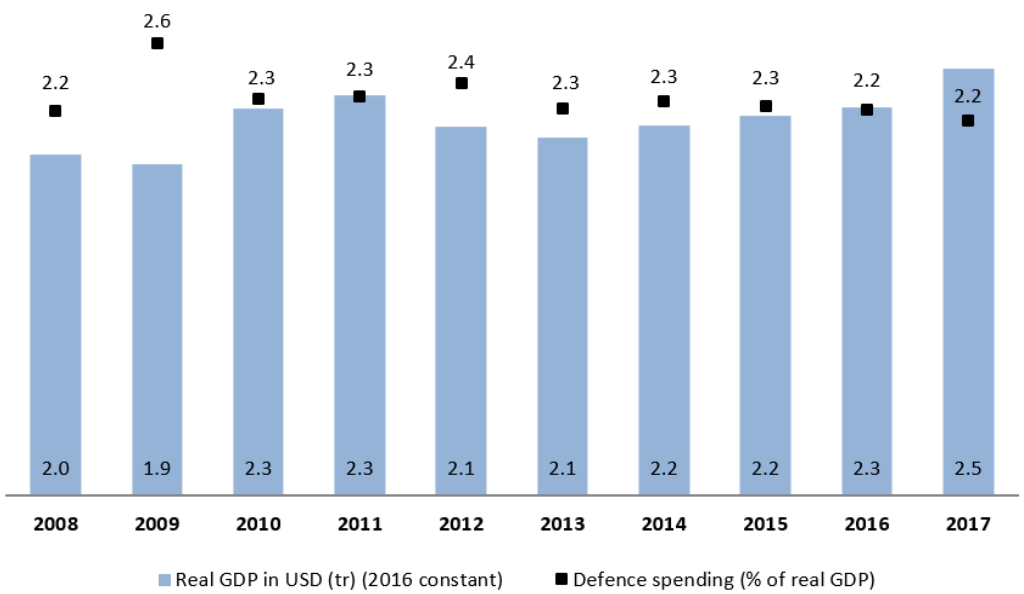
Economy

Over the past 10 years, India averaged 6.9 per cent annual real economic growth. In 2017, the economy grew by 6.7 per cent, due to a surge in government consumption and increased public expenditure. Adverse effects of demonetisation and the introduction of the goods and services tax have begun to abate. India's economy is forecast to average 7.9 per cent real growth to 2022, according to the EIU, due to recovering private investments spurred by a recent increase in public capital expenditure, and the improving investment climate.

Defence Spending

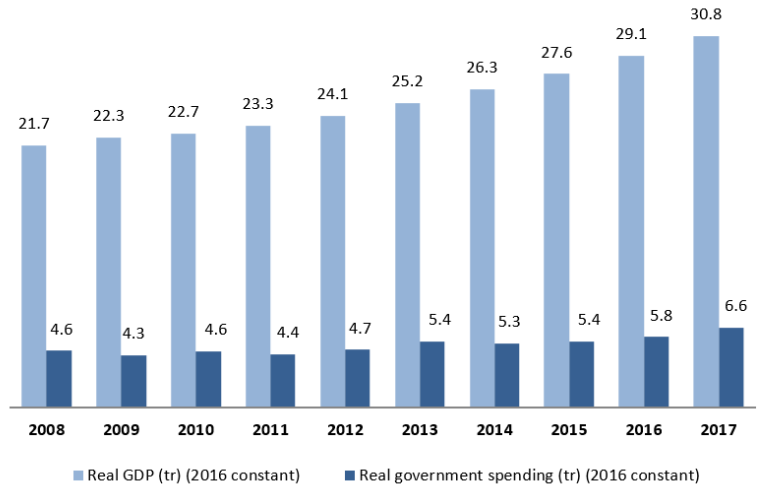
India's 2017 defence budget was INR3.5tr (USD52.6bn) – a 3.6 per cent real increase on the 2016 defence budget. In July 2017, India distributed a request for information to six foreign shipyards to build six advanced submarines. In November 2017, India cancelled a USD500m deal with Israeli arms firm Rafael for Spike anti-tank guided missiles. Further cancellations occurred in December 2017, as India terminated a deal with South Korean firm, Kangnam Corporation, for 12 mine countermeasure vessels.

Real GDP in USD and defence spending as a percentage of real GDP

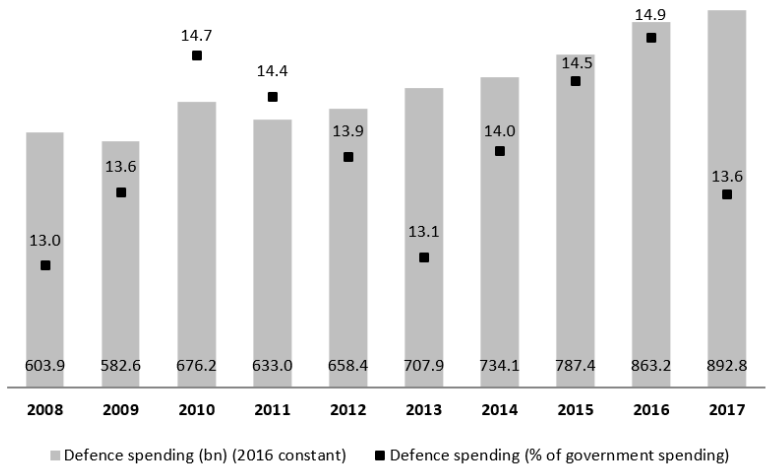


Pakistan	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	296.1	344.7	443.5	496.7	547.4	629.6	701.3	783.1	863.2	924.9
Spending in local currency (bn) (2016 constant)	603.9	582.6	676.2	633.0	658.4	707.9	734.1	787.4	863.2	892.8
Spending in USD (bn) (current, in-year exchange rate)	4.2	4.2	5.2	5.8	5.9	6.2	6.9	7.6	8.2	8.8
Spending in USD (bn) (2016 constant and exchange rate	5.8	5.6	6.5	6.0	6.3	6.8	7.0	7.5	8.2	8.5
Real growth rate (%)	-4.9	-3.5	16.1	-6.4	4.0	7.5	3.7	7.3	9.6	3.4
Expenditure (% of real GDP)	2.8	2.6	3.0	2.7	2.7	2.8	2.8	2.9	3.0	2.9
Expenditure (% of real government spending)	13.0	13.6	14.7	14.4	13.9	13.1	14.0	14.5	14.9	13.6
Gross domestic product (GDP)										
Real GDP in local currency (tr)	21.7	22.3	22.7	23.3	24.1	25.2	26.3	27.6	29.1	30.8
Real GDP in USD (bn)	308.2	273.0	266.1	269.8	258.1	247.7	260.6	268.5	277.8	291.6
Real growth rate (%)	1.7	2.8	1.6	2.7	3.5	4.4	4.7	4.7	5.5	5.7
Real GDP per capita in USD	1883.1	1634.5	1560.1	1548.8	1451.0	1362.9	1404.5	1417.7	1437.8	1480.4
Government spending (tr)	4.6	4.3	4.6	4.4	4.7	5.4	5.3	5.4	5.8	6.6
Population (million)	163.6	167.1	170.6	174.2	177.9	181.7	185.5	189.4	193.2	197.0
Inflation (%)	19.8	12.1	12.9	11.9	9.7	7.7	7.2	2.5	3.8	4.1

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Pakistan
Capital city	Islamabad
Population	197 million
Active armed forces	654 000

Land size	796 095 km^2
Currency	Pakistan rupee (PKR)
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 fishing

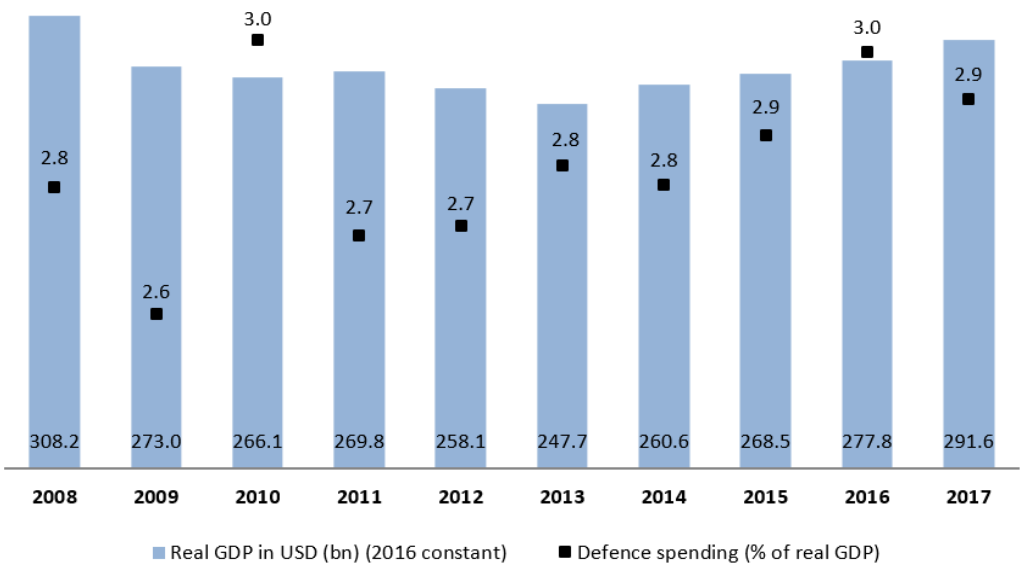
Economy

Over the past 10 years, Pakistan averaged 3.7 per cent annual real economic growth. In 2017, the economy grew by 5.7 per cent due to consumption growth, recovery in the agricultural sector and improved power supply. Infrastructure projects related to the China–Pakistan Economic Corridor, and sustained private investment supported Pakistan's economic growth. Pakistan's economy is forecast to average 5.5 per cent real growth to 2022 according to the EIU, based on continued improvements to the country's development requirements, particularly improved energy supply.

Defence Spending

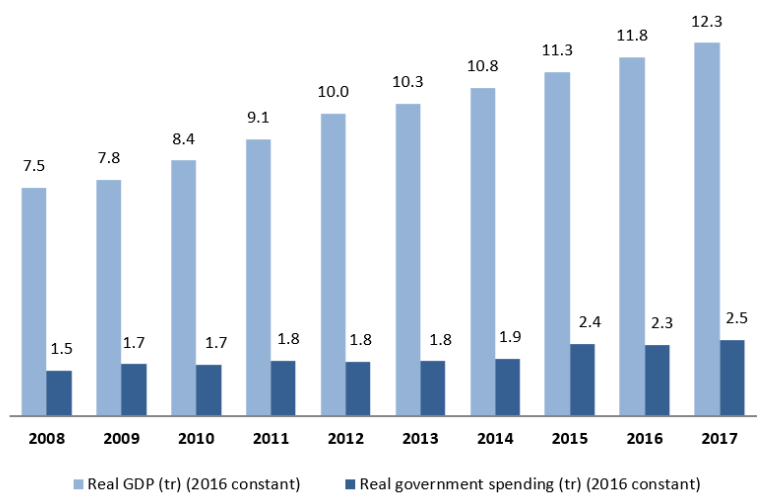
Pakistan's 2017 defence budget was PKR892.8bn (USD8.5bn) – a 3.4 per cent real increase on the 2016 defence budget. The Pakistan Army reportedly received the greatest share of the country's defence spending. Pakistan procured two Type 054A JIANGKAI-2-class frigates from China as part of a modernisation program to replace its Type 21 frigates. In March 2017, Pakistan introduced into service the Chinese LY-80 (HQ-16) low-to-medium altitude Air Defence System that was part of a USD599m deal. In May 2017, Pakistan ordered four Turkish ADA-class corvettes.

Real GDP in USD and defence spending as a percentage of real GDP

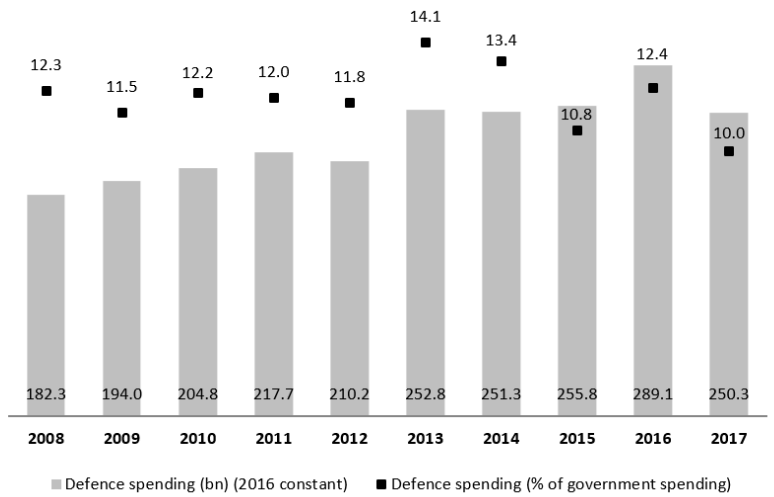


Sri Lanka	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	122.2	137.6	155.9	172.0	184.1	235.2	240.6	246.9	289.1	266.8
Spending in local currency (bn) (2016 constant)	182.3	194.0	204.8	217.7	210.2	252.8	251.3	255.8	289.1	250.3
Spending in USD (bn) (current, in-year exchange rate)	1.1	1.2	1.4	1.6	1.4	1.8	1.8	1.8	2.0	1.7
Spending in USD (bn) (2016 constant and exchange rate	1.3	1.3	1.4	1.5	1.4	1.7	1.7	1.8	2.0	1.7
Real growth rate (%)	-2.0	6.4	5.6	6.3	-3.4	20.2	-0.6	1.8	13.0	-13.4
Expenditure (% of real GDP)	2.4	2.5	2.4	2.4	2.1	2.5	2.3	2.3	2.4	2.0
Expenditure (% of real government spending)	12.3	11.5	12.2	12.0	11.8	14.1	13.4	10.8	12.4	10.0
Gross domestic product (GDP)										
Real GDP in local currency (tr)	7.5	7.8	8.4	9.1	10.0	10.3	10.8	11.3	11.8	12.3
Real GDP in USD (bn)	69.5	67.9	74.5	82.6	78.1	79.9	82.9	83.5	81.3	80.8
Real growth rate (%)	6.0	3.5	8.0	8.4	9.1	3.4	5.0	4.8	4.4	4.1
Real GDP per capita in USD	3485.8	3379.5	3689.1	4065.4	3825.9	3889.9	4018.5	4027.3	3902.8	3859.0
Government spending (tr)	1.5	1.7	1.7	1.8	1.8	1.8	1.9	2.4	2.3	2.5
Population (million)	20.0	20.1	20.2	20.3	20.4	20.5	20.6	20.7	20.8	20.9
Inflation (%)	22.4	3.5	6.2	6.7	7.6	6.9	2.8	2.2	4.0	6.6

Real GDP and government spending in local currency



Defence spending in local currency



Country name	Sri Lanka
Capital city	Colombo
Population	20.9 million
Active armed forces	243 000

Land size	65 610 km^2
Currency	Sri Lankan rupee (LKR)
Fiscal year	1 January – 31 December
Economy	Less-developed country with a market economy
Industries	Textiles, tourism, tea, coconuts, tobacco, IT services, insurance and banking, cement and construction

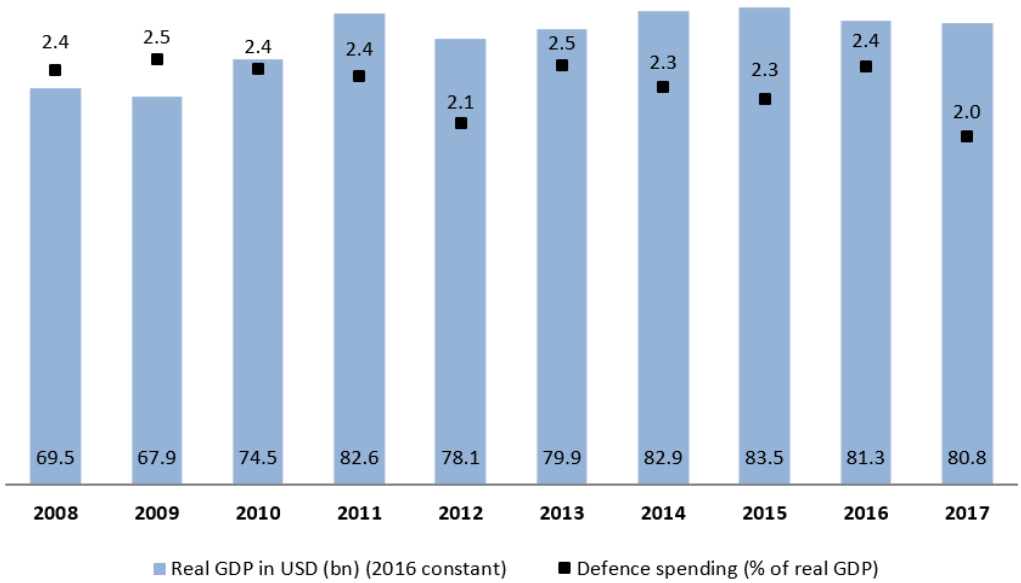
Economy

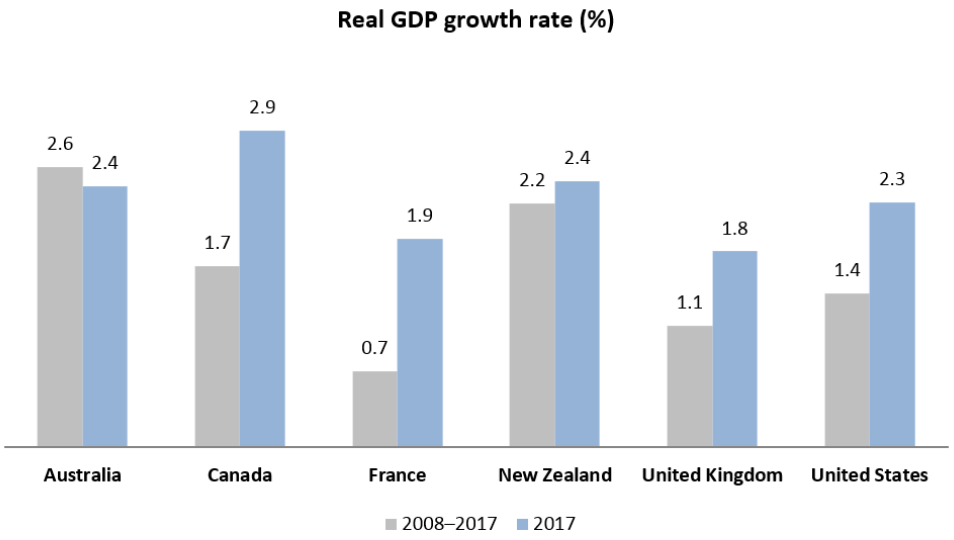
Over the past 10 years, Sri Lanka averaged 5.6 per cent annual real economic growth. In 2017, the economy grew by 4.1 per cent, driven by private consumption and, investment as Sri Lanka's economy transitions from rural- to urban-based production in manufacturing and services. Key economic risks arise from the threat of natural disasters, delay in implementing reforms, low growth in core trading partners, and rising commodity prices. Sri Lanka's economy is forecast to average 5.1 per cent real growth to 2022, according to the EIU.

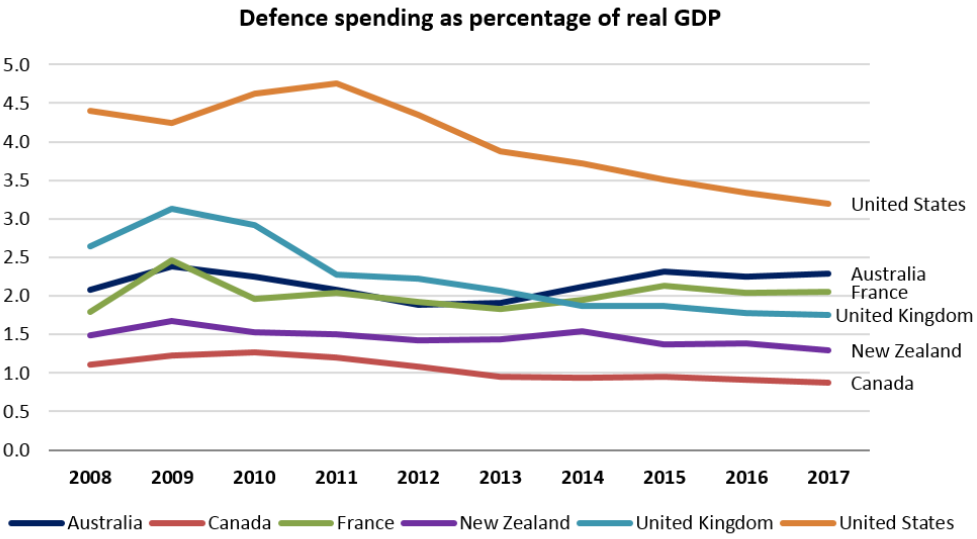
Defence Spending

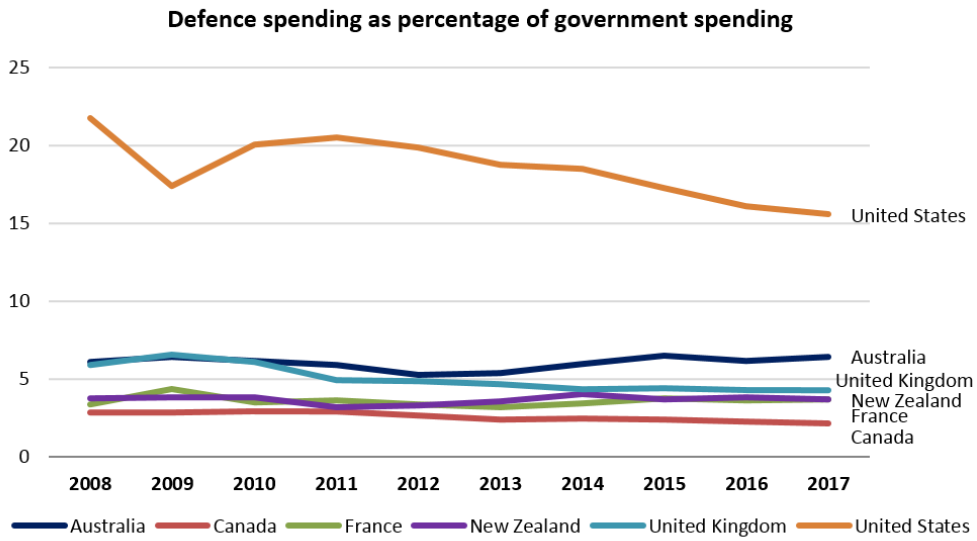
Sri Lanka's 2017 defence budget was LKR250.3bn (USD1.7bn) – a 13.4 per cent decrease on its 2016 defence budget. Sri Lanka continued to strengthen defence ties with China throughout 2017, with both sides agreeing to deepen strategic cooperation during a bilateral meeting in March 2017. In March 2017, the Sri Lankan coastguard confirmed a USD180m deal to build three offshore patrol vessels, with funding for the project to be provided by Japan.

Real GDP in USD and defence spending as a percentage of real GDP



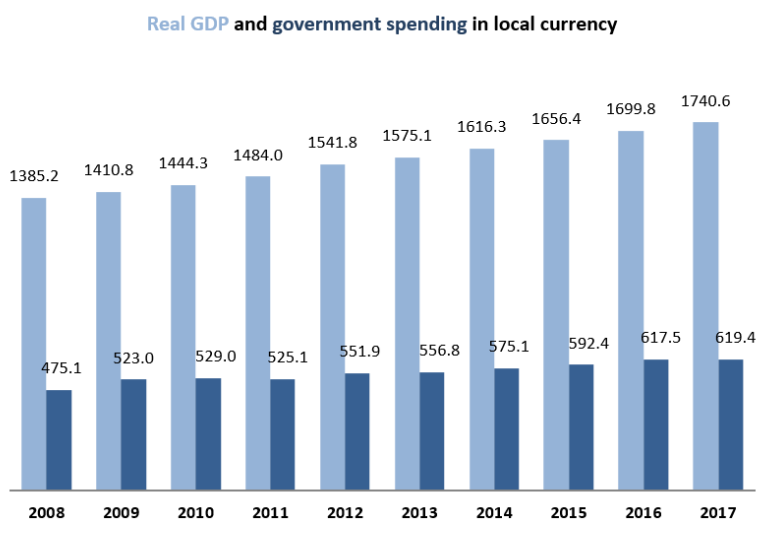

Real GDP growth rate (%)
2.6
2.4
1.7
2.9
0.7
1.9
2.2
2.4
1.1
1.8
1.4
2.3
Australia
Canada
France
New Zealand
United Kingdom
United States
2008–2017
2017

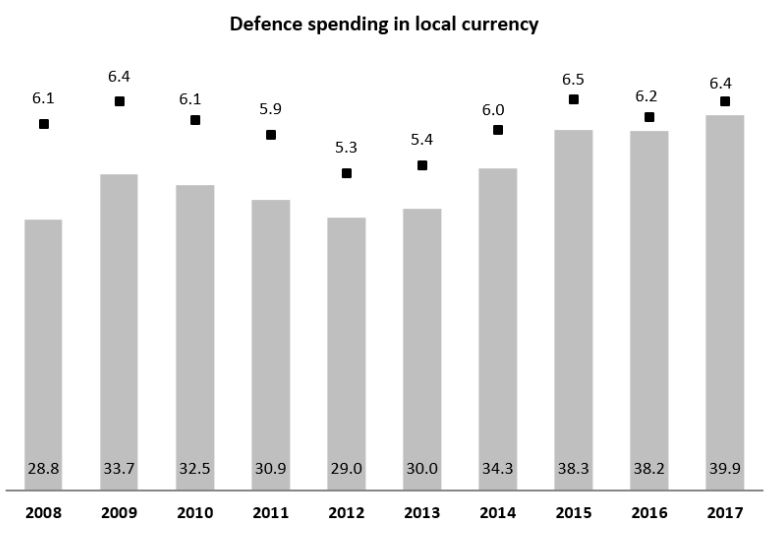

Defence spending as percentage of real GDP
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
United States
Australia
France
United Kingdom
New Zealand
Canada
Australia
Canada
France
New Zealand
United Kingdom
United States


Defence spending as percentage of government spending
25
20
15
10
5
0
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
United States
Australia
United Kingdom
New Zealand
France
Canada
Australia
Canada
France
New Zealand
United Kingdom
United States

AUSTRALIA

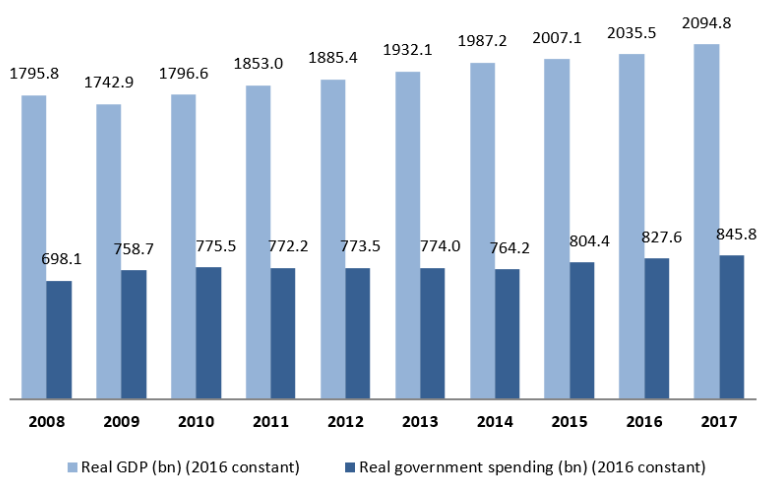
Australia	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	25.7	30.1	30.5	30.5	28.4	29.8	34.2	37.9	38.2	40.7
Spending in local currency (bn) (2016 constant)	28.8	33.7	32.5	30.9	29.0	30.0	34.3	38.3	38.2	39.9
Spending in USD (bn) (current, in-year exchange rate)	21.9	23.8	28.1	31.5	29.5	28.9	30.9	28.5	28.4	31.2
Spending in USD (bn) (2016 constant and exchange rate)	21.4	25.0	24.1	23.0	21.6	22.3	25.5	28.5	28.4	29.7
Real growth rate (%)	-2.7	16.8	-3.6	-4.8	-6.2	3.5	14.3	11.7	-0.3	4.4
Expenditure (% of real GDP)	2.1	2.4	2.2	2.1	1.9	1.9	2.1	2.3	2.2	2.3
Expenditure (% of real government spending)	6.1	6.4	6.1	5.9	5.3	5.4	6.0	6.5	6.2	6.4
Gross domestic product (GDP)										
Real GDP in local currency (bn)	1385.2	1410.8	1444.3	1484.0	1541.8	1575.1	1616.3	1656.4	1699.8	1740.6
Real GDP in USD (bn)	1180.6	1117.6	1329.3	1532.8	1597.5	1525.4	1459.1	1246.2	1264.6	1335.0
Real growth rate (%)	2.7	1.8	2.4	2.7	3.9	2.2	2.6	2.5	2.6	2.4
Real GDP per capita in USD	55317.7	51412.0	60096.2	68185.0	70000.0	65888.4	62155.0	52361.3	52416.5	54599.3
Government spending (bn)	475.1	523.0	529.0	525.1	551.9	556.8	575.1	592.4	617.5	619.4
Population (million)	21.3	21.7	22.1	22.5	22.8	23.2	23.5	23.8	24.1	24.5
Inflation (%)	4.4	1.8	2.9	3.3	1.8	2.5	2.5	1.5	1.3	1.9



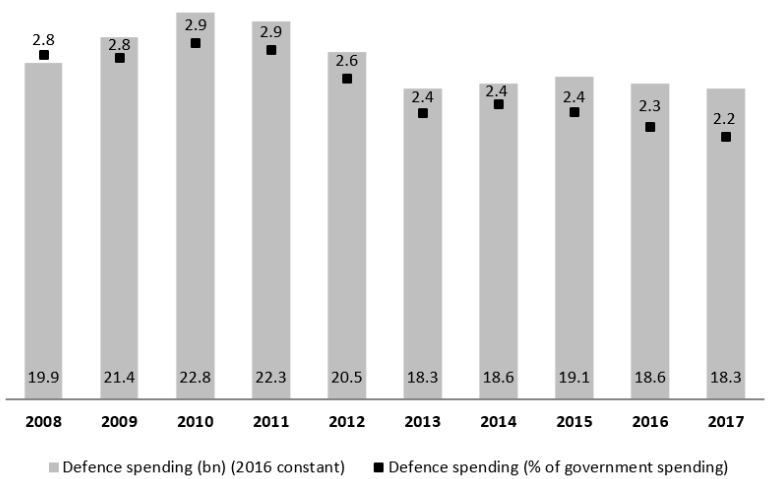


Canada	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	18.3	19.2	21.1	21.3	19.8	18.0	18.7	18.9	18.6	18.7
Spending in local currency (bn) (2016 constant)	19.9	21.4	22.8	22.3	20.5	18.3	18.6	19.1	18.6	18.3
Spending in USD (bn) (current, in-year exchange rate)	17.1	16.9	20.5	21.5	19.8	17.5	16.9	14.8	14.1	14.4
Spending in USD (bn) (2016 constant and exchange rate	15.0	16.1	17.2	16.8	15.4	13.8	14.1	14.4	14.1	13.8
Real growth rate (%)	4.2	7.6	6.6	-2.3	-8.1	-10.6	1.8	2.3	-2.2	-1.6
Expenditure (% of real GDP)	1.1	1.2	1.3	1.2	1.1	0.9	0.9	0.9	0.9	0.9
Expenditure (% of real government spending)	2.8	2.8	2.9	2.9	2.6	2.4	2.4	2.4	2.3	2.2
Gross domestic product (GDP)										
Real GDP in local currency (bn)	1795.8	1742.9	1796.6	1853.0	1885.4	1932.1	1987.2	2007.1	2035.5	2094.8
Real GDP in USD (bn)	1683.4	1526.9	1744.1	1873.6	1886.5	1875.8	1798.9	1569.5	1535.6	1614.0
Real growth rate (%)	1.0	-2.9	3.1	3.1	1.7	2.5	2.9	1.0	1.4	2.9
Real GDP per capita in USD	50395.0	45188.1	51042.6	54246.3	54053.2	53206.6	50524.3	43658.6	42313.5	44074.5
Government spending (bn)	698.1	758.7	775.5	772.2	773.5	774.0	764.2	804.4	827.6	845.8
Population (million)	33.4	33.8	34.2	34.5	34.9	35.3	35.6	36.0	36.3	36.6
Inflation (%)	2.4	0.3	1.8	2.9	1.5	0.9	1.9	1.1	1.4	1.6

Real GDP and government spending in local currency

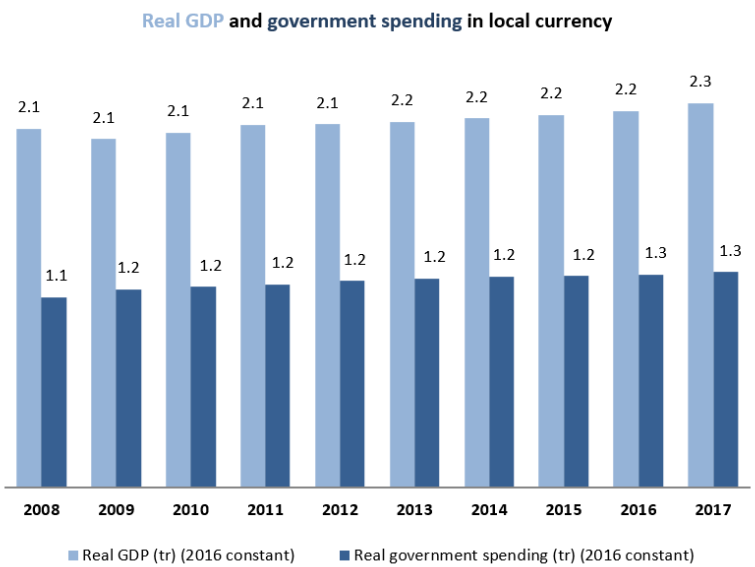


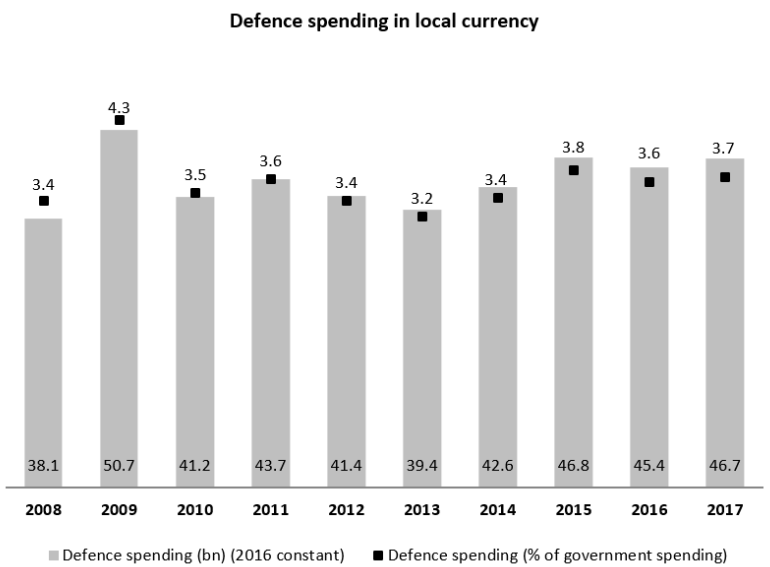
Defence spending in local currency



FRANCE

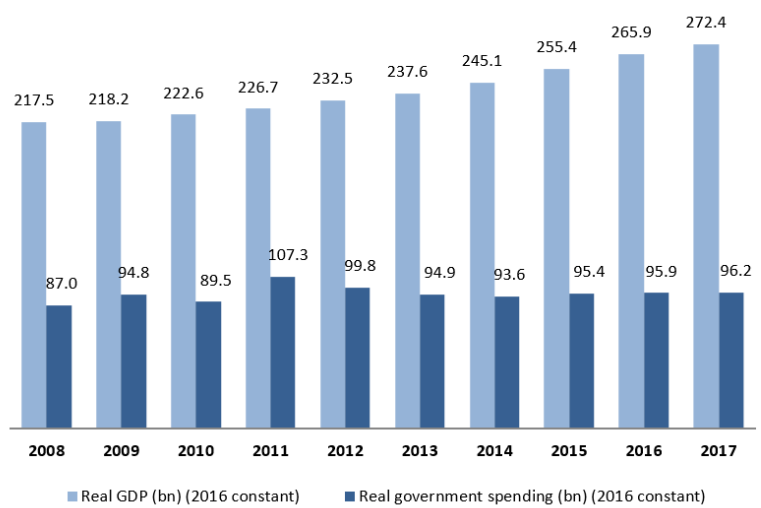
France	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	35.9	47.8	39.3	42.0	40.2	38.6	42.0	46.6	45.4	47.1
Spending in local currency (bn) (2016 constant)	38.1	50.7	41.2	43.7	41.4	39.4	42.6	46.8	45.4	46.7
Spending in USD (bn) (current, in-year exchange rate)	52.7	66.6	52.1	58.4	51.7	51.3	55.8	51.8	50.2	53.2
Spending in USD (bn) (2016 constant and exchange rate)	42.2	56.1	45.6	48.3	45.8	43.6	47.1	51.8	50.2	51.7
Real growth rate (%)		33.1	-18.7	5.9	-5.3	-4.7	8.0	9.9	-3.1	2.9
Expenditure (% of real GDP)	1.8	2.5	2.0	2.0	1.9	1.8	2.0	2.1	2.0	2.1
Expenditure (% of real government spending)	3.4	4.3	3.5	3.6	3.4	3.2	3.4	3.8	3.6	3.7
Gross domestic product (GDP)										
Real GDP in local currency (tr)	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.3
Real GDP in USD (tr)	3.1	2.9	2.8	3.0	2.8	2.9	2.9	2.4	2.5	2.6
Real growth rate (%)	0.1	-2.9	1.9	2.1	0.2	0.6	1.0	1.0	1.1	1.9
Real GDP per capita in USD	50009.6	45752.6	44155.9	47057.5	43363.4	44873.1	45151.3	37914.2	38079.7	39448.3
Government spending (tr)	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3
Population (million)	62.3	62.7	63.0	63.3	63.6	63.9	64.2	64.5	64.7	65.0
Inflation (%)	3.2	0.1	1.7	2.3	2.2	1.0	0.6	0.1	0.3	1.2



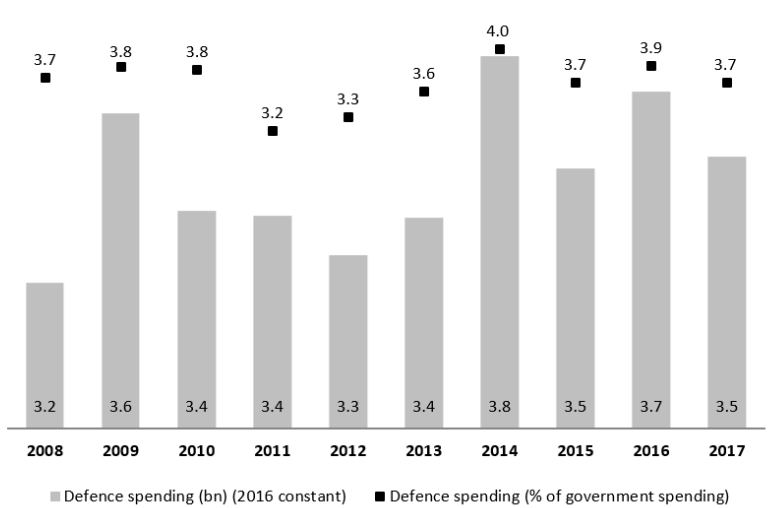


New Zealand	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	2.8	3.2	3.1	3.2	3.1	3.3	3.7	3.5	3.7	3.7
Spending in local currency (bn) (2016 constant)	3.2	3.6	3.4	3.4	3.3	3.4	3.8	3.5	3.7	3.5
Spending in USD (bn) (current, in-year exchange rate)	2.0	2.0	2.2	2.5	2.5	2.7	3.1	2.4	2.6	2.6
Spending in USD (bn) (2016 constant and exchange rate	2.3	2.5	2.4	2.4	2.3	2.4	2.6	2.5	2.6	2.5
Real growth rate (%)	25.4	12.4	-6.3	-0.4	-2.8	2.7	11.2	-7.1	5.2	-4.2
Expenditure (% of real GDP)	1.5	1.7	1.5	1.5	1.4	1.4	1.5	1.4	1.4	1.3
Expenditure (% of real government spending)	3.7	3.8	3.8	3.2	3.3	3.6	4.0	3.7	3.9	3.7
Gross domestic product (GDP)										
Real GDP in local currency (bn)	217.5	218.2	222.6	226.7	232.5	237.6	245.1	255.4	265.9	272.4
Real GDP in USD (bn)	155.4	138.6	160.7	179.5	188.5	195.0	203.6	178.8	185.4	193.7
Real growth rate (%)	-0.4	0.3	2.0	1.9	2.5	2.2	3.2	4.2	4.1	2.4
Real GDP per capita in USD	36451.1	32205.4	36916.4	40926.7	42739.2	43842.3	45114.0	38883.2	39530.0	40515.9
Government spending (bn)	87.0	94.8	89.5	107.3	99.8	94.9	93.6	95.4	95.9	96.2
Population (million)	4.3	4.3	4.4	4.4	4.4	4.4	4.5	4.6	4.7	4.8
Inflation (%)	3.9	2.2	2.3	4.1	1.0	1.1	1.2	0.3	0.6	1.9

Real GDP and government spending in local currency



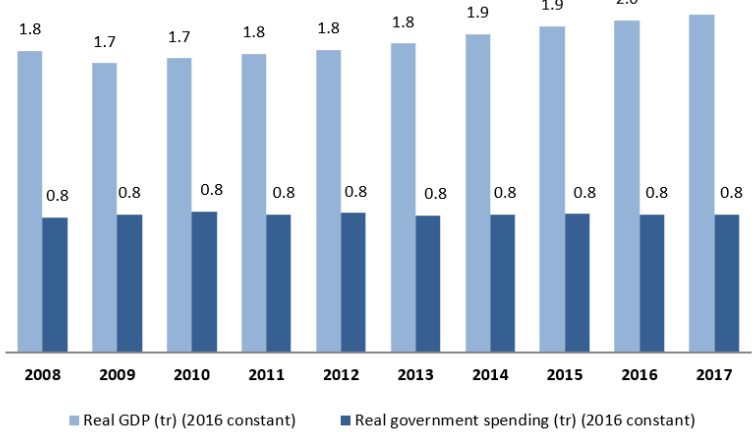
Defence spending in local currency



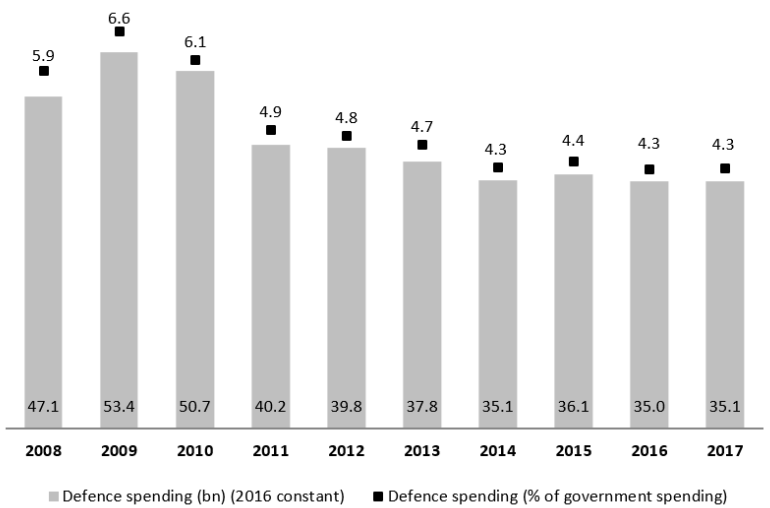
UNITED KINGDOM

United Kingdom	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	41.5	47.8	46.1	37.3	37.5	36.3	34.3	35.4	35.0	36.0
Spending in local currency (bn) (2016 constant)	47.1	53.4	50.7	40.2	39.8	37.8	35.1	36.1	35.0	35.1
Spending in USD (bn) (current, in-year exchange rate)	76.9	74.8	71.3	59.8	59.5	56.8	56.5	54.1	47.4	46.4
Spending in USD (bn) (2016 constant and exchange rate	63.8	72.4	68.7	54.5	54.0	51.2	47.6	48.9	47.4	47.5
Real growth rate (%)	-0.1	13.5	-5.0	-20.7	-1.0	-5.0	-7.1	2.7	-3.0	0.2
Expenditure (% of real GDP)	2.6	3.1	2.9	2.3	2.2	2.1	1.9	1.9	1.8	1.8
Expenditure (% of real government spending)	5.9	6.6	6.1	4.9	4.8	4.7	4.3	4.4	4.3	4.3
Gross domestic product (GDP)										
Real GDP in local currency (tr)	1.8	1.7	1.7	1.8	1.8	1.8	1.9	1.9	2.0	2.0
Real GDP in USD (tr)	3.3	2.7	2.7	2.8	2.8	2.9	3.1	2.9	2.7	2.6
Real growth rate (%)	-0.5	-4.2	1.7	1.5	1.5	2.1	3.1	2.3	1.9	1.8
Real GDP per capita in USD	53556.3	42992.5	42858.5	44768.2	44629.0	44677.6	48193.9	45491.5	40854.2	39331.9
Government spending (tr)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Population (million)	61.7	62.2	62.7	63.2	63.6	64.0	64.3	64.7	65.1	65.5
Inflation (%)	3.5	2.0	2.5	3.8	2.6	2.3	1.5	0.4	1.0	2.6

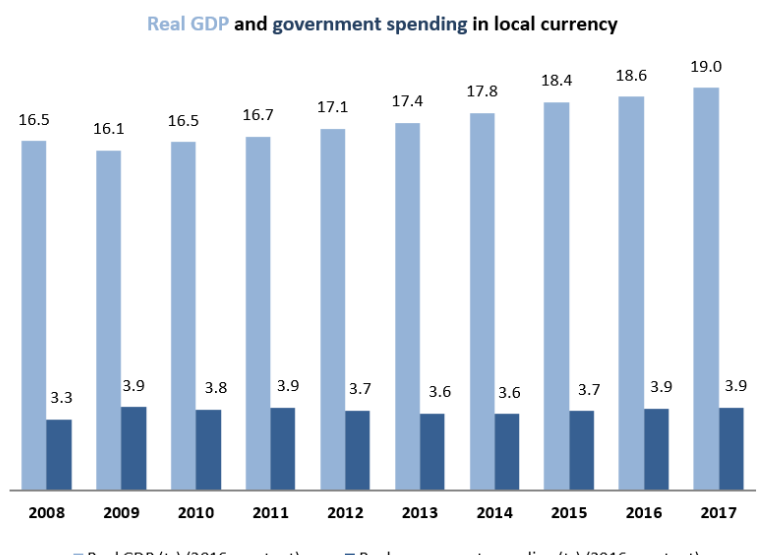
Real GDP and government spending in local currency

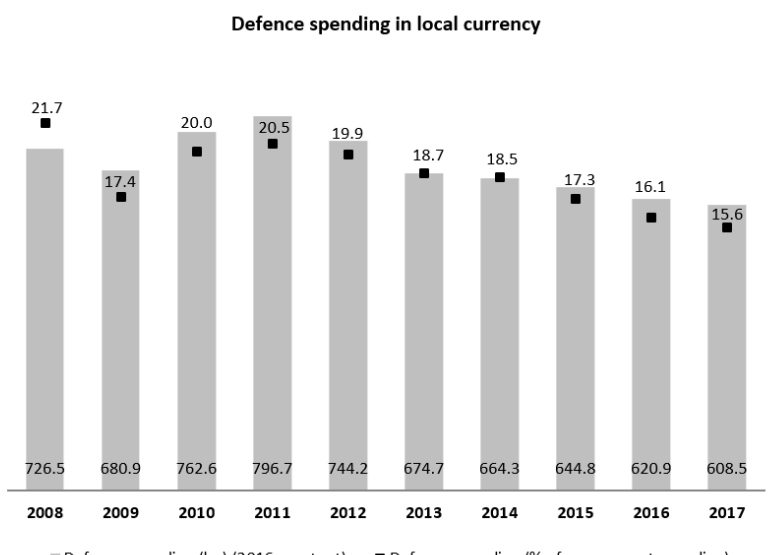


Defence spending in local currency



United States of America	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Official defence budget										
Spending in local currency (bn) (current)	647.2	611.1	692.8	738.7	702.8	647.4	648.9	636.6	620.9	619.5
Spending in local currency (bn) (2016 constant)	726.5	680.9	762.6	796.7	744.2	674.7	664.3	644.8	620.9	608.5
Spending in USD (bn) (current, in-year exchange rate)	647.2	611.1	692.8	738.7	702.8	647.4	648.9	636.6	620.9	619.5
Spending in USD (bn) (2016 constant and exchange rate	726.5	680.9	762.6	796.7	744.2	674.7	664.3	644.8	620.9	608.5
Real growth rate (%)	23.7	-6.3	12.0	4.5	-6.6	-9.3	-1.5	-2.9	-3.7	-2.0
Expenditure (% of real GDP)	4.4	4.2	4.6	4.8	4.4	3.9	3.7	3.5	3.3	3.2
Expenditure (% of real government spending)	21.7	17.4	20.0	20.5	19.9	18.7	18.5	17.3	16.1	15.6
Gross domestic product (GDP)										
Real GDP in local currency (tr)	16.5	16.1	16.5	16.7	17.1	17.4	17.8	18.4	18.6	19.0
Real GDP in USD (tr)	16.5	16.1	16.5	16.7	17.1	17.4	17.8	18.4	18.6	19.0
Real growth rate (%)	-0.3	-2.8	2.5	1.6	2.2	1.7	2.6	2.9	1.5	2.3
Real GDP per capita in USD	54286.3	52327.1	53249.0	53709.0	54491.1	54984.1	55958.8	57110.4	57502.9	58327.6
Government spending (tr)	3.3	3.9	3.8	3.9	3.7	3.6	3.6	3.7	3.9	3.9
Population (million)	304.4	307.0	309.3	311.6	314.0	316.4	318.8	321.3	323.9	326.5
Inflation (%)	3.8	-0.3	1.6	3.1	2.1	1.5	1.6	0.1	1.3	2.1





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.

For *Defence Economic Trends 2018*, the information is sourced from Economist Intelligence Unit (EIU) data released in May 2018. 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 2018* employs a GDP price deflator to deflate historic defence budgets. The defence budgets are expressed in local currency in 2016 constant terms.

The defence spending paragraphs do not represent an exhaustive list of all procurement activities in 2017. These paragraphs are intended to provide a snapshot of major acquisitions and spending decisions prominent in open-source reporting throughout 2017.

Historical methodology

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

Data Sources

The table below shows data sources used for this publication.

Data	Source
Official defence budget (local currency)	Official budget sources from national governments Other open sources, including reputable media and official newspapers
Economic, government spending and population data	EIU
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 2018 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:

- International Monetary Fund (IMF)
- International Institute of Strategic Studies (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. Where separate budgets exist, the IISS generally indicates this in footnotes. IISS figures may vary from previous years, often because of updates made by the governments themselves.

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

SIPRI

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

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

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