Figure 1.1. Global context

A. Manufacturing Purchasing Managers Index


Note: A PMI value higher than 50 indicates that the manufacturing economy is expanding, while a PMI value of less than 50 indicates that the manufacturing economy is contracting.

Figure 1.2. Economic growth

A. Global and regional growth rates

Figure 1.3. Contribution to GDP growth of private consumption and fixed investment


Figure 1.4. How inclusive and sustainable is domestic demand?

A. Consumption by bottom 40 per cent

B. Investment in renewables

Source: ESCAP, based on Global Database of Shared Prosperity and International Renewable Energy Agency.

Note: Panel A: blue dots below the blue line (1 on the y-axis) indicate countries where consumption of the bottom 40 per cent grew at a slower pace than the average household. The x-axis shows that consumption level of the bottom 40 per cent is less than half of the average household in many countries. Panel B: the bars and left axis show that the region's investment in renewable energy (combined light green, purple and red bars) has steadily increased to reach $171 billion in 2013. The dark blue line and right axis show that the region now accounts for half of the world's investment in renewable energy, such as solar and wind.
Figure 1.5. Trade performance and final demand

A. Percentage growth in monthly export and import values

B. Exposure to United States and China final demand


Note: Panel A shows the average value for 10 major regional economies. Panel B shows that China is now on par with the United States in terms of final demand for regional exports, especially for South-East Asian economies.

Figure 1.6. Trade barriers and financial vulnerabilities

A. Restrictive trade measures

B. Private non-financial sector debt

Figure 1.7. Inadequate decent jobs in countries with a youth bulge

High employment growth in some subregions... but mostly in vulnerable employment...

with a persistently low share of high-skilled jobs...

and the risk of premature deindustrialization.

Source: ESCAP, based on ILOSTAT. Available from www.ilo.org/ilostat (accessed 19 February 2018); and the GGDC 10-Sector Database.

Note: Vulnerable employment in 2020 is a model-based projection by the International Labour Organization.
Figure 1.8. Alternative scenarios for China in 2030

A. Economic growth

B. Income distribution

C. Carbon emissions

Source: ESCAP, based on DRC-CSE model.

Note: BAU = baseline scenario; ING = innovative growth scenario; ICG = inclusive growth scenario; SSG = sustainable growth scenario; and ALL = innovative, inclusive and sustainable growth scenario. The baseline scenario (BAU) is based on the historic trend of China’s economic development to simulate economic growth without structural reforms; the innovative growth scenario (ING) assumes that China will improve economic efficiency through technological progress and efficient resource allocation; the inclusive growth scenario (ICG) projects China’s growth with assumptions of policies to focus on narrowing income inequalities and providing social protection; the sustainable growth scenario (SSG) assumes that China will increase the share of non-fossil fuel in its energy composition and introduce more market mechanisms to improve energy and carbon intensity, such as a carbon tax; the innovative, inclusive and sustainable growth scenario (ALL) combines the assumptions of ING, ICG and SSG scenarios. China’s economic growth simulation is based on a computable general equilibrium model.

Figure 1.9. Trade linkages with China

Exports to China by other Asia-Pacific economies

Source: ESCAP, based on OECD-WTO Trade in Value Added database.

Note: Calculation is based on 2011 data, the latest available year; DVA refers to Domestic Value Added.
Figure 1.10. Investment linkages with China

Source: ESCAP, based on American Enterprise Institute and Heritage Foundation.

Figure 1.11. Policy interest rates

A. Policy interest rates  
(January 2014 to March 2018)

B. United States Federal funds rate

Figure 1.12. Fiscal position

A. Fiscal balance (percentage of (potential) GDP)

B. Government debt (percentage of GDP)

Source: ESCAP, based on World Bank, Fiscal Space Database, and its own calculations.

Note: Panel A: numbers in parentheses indicate the number of countries, based on which the median is presented. Panel B: if the primary balance, borrowing cost and GDP growth remain as in 2016, countries in RED will see their debt ratio increase, while for others it will fall. Under a less favourable scenario in which a 1 standard deviation shock is applied to the differential between borrowing costs and GDP growth, only the countries in GREEN would see their debt ratio decrease, while for others (RED plus ORANGE) it would increase.

Figure 1.13. Social protection coverage and fossil fuel subsidies – examples of budget reallocation

A. Social protection coverage

B. Fossil fuel subsidies

Figure 1.14. Government expenditure efficiency

A. Expenditure efficiency in education and health

B. E-government and corruption perception


Figure 1.15. Poverty and inequality

A. Incidence of poverty (Percentage of population living below $1.90 purchasing power parity threshold)

B. Gini index


Note: Gini index is shown by five year averages, using country classification of the five UN regional economic commissions. ECLAC covers Latin America and the Caribbean; ECA covers Africa; ECE covers Europe; ESCAP covers Asia and the Pacific; ESCWA covers Western Asia.
Figure 2.1. Estimated infrastructure investment gaps in selected Asia-Pacific economies

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of GDP</th>
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<tbody>
<tr>
<td>Myanmar</td>
<td>8.8</td>
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<tr>
<td>Cambodia</td>
<td>5.1</td>
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<td>Pakistan</td>
<td>3.7</td>
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<td>Bangladesh</td>
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<td>India</td>
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<td>Viet Nam</td>
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<tr>
<td>China</td>
<td>0.4</td>
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</tbody>
</table>


Figure 2.2. Illustrative flow of funds for development finance in a given country

Figure 2.3. Selected indicators on size of available financing in selected economies

A. Variables presented on a stock basis
- Assets of commercial banks (45)
- Market capitalization of listed firms (15)
- International reserves (including gold) (165)
- Assets of mutual and pension funds (11)
- Assets of sovereign wealth funds (14)
- Assets of insurance companies (17)
- Assets of non-bank financial institutions (14)

B. Variables presented on a flow basis
- General government spending (27)
- General government revenue (2)
- Domestic savings minus investment (10)
- Corporate profits of foreign firms (15)
- Government net investment in non-financial assets (13)
- Net official development assistance (10)
- Foundation funding (10)

Billions of United States dollars

Source: ESCAP, based on World Development Indicators Database, Global Financial Development Database, Orbis database, SDGfunders.org and Sovereign Wealth Fund Institute.

Notes: Figures in parentheses indicate the number of developing Asia-Pacific economies on which calculations are based. The data period for most indicators is either 2015 or 2016.

Figure 2.4. Estimated tax gaps in selected Asia-Pacific economies

- Bangladesh: 7.5%
- Bhutan: 6.7%
- Afghanistan: 6.2%
- Maldives: 6.8%
- Indonesia: 4.7%
- Cambodia: 4.0%
- Azerbaijan: 2.1%
- Pakistan: 1.8%
- China: 1.8%
- Philippines: 1.5%
- Malaysia: 1.3%

Percentage of GDP


Figure 2.5. Components of the Tax Administration Index

- **Autonomy of tax authorities**
  - Autonomy to design internal structure
  - Autonomy to exercise discretion over operating budget
  - Autonomy to place staff within a salaried range

- **Managing tax compliance**
  - Existence of a "large taxpayer unit"
  - Existence of a formal strategy or plan to use pre-filled tax returns

- **Legal & regulatory framework**
  - Business-friendly regulatory framework
  - Existence of laws that allow tax authorities to obtain relevant information directly
  - Existence of laws that permit tax authorities to request information from third parties

Source: ESCAP analysis.
Figure 2.6. The Tax Administration Index in developing Asia-Pacific economies and beyond


Note: The figures in parentheses indicate the number of countries with available data. Other developing countries are Argentina, Brazil, Bulgaria, Colombia, Costa Rica, Croatia, Cyprus, Lithuania, Malta, Morocco, Peru, Romania and South Africa.

Figure 2.7. Scatter plot between Tax Administration Index and tax revenue-to-GDP ratio

Source: ESCAP analysis.

Note: The dots highlighted in green represent 14 developing Asia-Pacific economies.
**Figure 2.8. Potential revenue impact of better tax administration**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of GDP</th>
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<tr>
<td>Myanmar</td>
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Source: ESCAP analysis.

**Figure 2.9. Use of foreign direct investment tax incentives in selected regions of the world in 2014**


Note: Figures in parentheses indicate the number of countries covered in each group of countries.
Figure 2.10. Potential tax expenditure on foreign direct investment incentives


Figure 2.11. Potential tax revenue from introducing a carbon tax in selected economies

Source: ESCAP analysis.
Figure 2.12. Public debt levels in 2017 and 2022

Source: ESCAP, based on IMF Fiscal Monitor database (October 2017 edition).
Figure 2.13. Fiscal risks due to selected contingent liabilities in selected economies

<table>
<thead>
<tr>
<th>Subregion</th>
<th>Country/area</th>
<th>Fiscal decentralization</th>
<th>Natural disaster</th>
<th>Banking sector</th>
<th>State-owned enterprises</th>
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Note: Cells highlighted in green indicate a low risk; those in yellow, a medium risk; and red, a high risk. Cells highlighted in white indicate that no information is available.

Figure 2.14. Top issuers of government bonds in terms of number and amount, 1995-2016

A. By total number of bonds issued

B. By average amount of bond issuance (percentage of GDP)

Source: ESCAP, based on Bloomberg database.
Figure 2.15. Sovereign credit risk ratings across developing Asia-Pacific economies

Source: ESCAP, based on https://tradingeconomics.com/country-list/rating.
Note: The ratings are based on Moody’s indicators: (1) is prime; (2) is high grade; (3) is upper-medium grade; (4) is lower-medium grade; (5) is non-investment grade; (6) is speculative; (7) is highly speculative; (8) is substantial risks; (9) is extremely speculative; and (10) is in default, with little prospect for recovery.

Figure 2.16. Possible determinants of a public bond issuance

**Macroeconomic variables**
- GDP growth rate
- Inflation
- Total debt/GDP
- Broad money supply/GDP
- Money supply growth

**Fiscal variables**
- Tax revenue/GDP
- Government consumption/GDP
- Fiscal balance/GDP
- Public external debt/GDP
- Government interest payment/government revenue
- Government financial assets

**External account variables**
- Current account balance/GDP
- International reserves (months of imports)
- External debt stock/gross national income (GNI)
- Short-term external debt/total external debt
- Trade openness

**Institutional variables**
- Government effectiveness
- Regulatory quality
- Rule of law

Source: ESCAP analysis.
Figure 2.17. Total infrastructure investment under public-private partnership projects in the Asia-Pacific region

Source: ESCAP, based on World Development Indicators database.

Figure 2.18. Five components of the PPP Enabling Environment Index

- **Institutional framework for public-private partnerships**
  - Project preparation
  - Procurement
  - Contract management
  - Existence of a PPP agency
  - Existence of a PPP law or guideline

- **Past experience with public-private partnerships**
  - Having delivered a PPP project
  - Share of distressed or cancelled PPP projects

- **Macroeconomic stability**
  - Output growth volatility
  - Inflation volatility
  - Foreign exchange reserve
  - Short-term debt-to-foreign exchange reserve ratio

- **Financial market development**
  - Commercial bank branches
  - Domestic credit provided by banks to private sector
  - Outstanding international private debt securities
  - Non-resident holdings of long-term debt securities
  - Volume of syndicated loan issuance
  - Value of stocks traded

- **Regulatory and institutional quality**
  - Regulatory quality
  - Rule of law
  - Government effectiveness

Source: ESCAP analysis.
Figure 2.19. The PPP Enabling Environment Index across Asia-Pacific economies

Source: ESCAP analysis.
Note: A higher score value means more enabling environment.

Figure 2.20. Scatter plot: PPP Enabling Environment Index and public-private partnership infrastructure investment

Source: ESCAP analysis and World Development Indicators database.
Figure 2.21. Total worth of Islamic financial service industry in 2016


a The equivalent of an Islamic bond.
b The Islamic alternative to conventional insurance.
Figure 3.1. Percentage share of the alternative finance market in East and North-East Asia, 2015


Figure 3.2. Local currency bond market size, 2008 and 2017


Note: Data for 2008 are as of December 2008, 2017 data are as of December 2017. The total local currency bond market comprises both government and corporate bond markets.
Figure 3.3. Local currency government and corporate bond markets in 2017

Note: Data for 2017 as of December 2017.

Figure 3.4. Percentage growth of local currency bond market, 2008-2017, by segment

Note: Data for 2017 as of January 2018.
Figure 3.5. Bond turnover ratio, 2017


Note: Bond turnover ratio is defined as the ratio of total turnover to the average outstanding amount of debt securities. Data are not available for the corporate bond turnover ratio of Singapore. Data for 2017 are as of December 2017.

Figure 3.6. Fiscal balance in Pacific economies, 2014-2016

Figure 3.7. Fiscal balance and volatility of Pacific island economies, 2014-2016


Figure 3.8. Grants as percentage of total revenue in Pacific economies

Figure 3.9. Ease of doing business ranks in North and Central Asia

Note: The lower the number is, the more business-friendly is the country.

Figure 3.10. Components in the ease of doing business rankings for North and Central Asia

Note: The lower the number is, the more business-friendly is the country.
Figure 3.11. Basic indicators of financial inclusion by micro-, small and medium-sized enterprises in selected North and Central Asian countries

[Bar chart with data for countries such as Uzbekistan, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, and Tajikistan.


Figure 3.12. Proportion of investments financed by banks, by size of the small and medium-sized enterprise

[Bar chart with data for countries such as Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, and Tajikistan, showing the percentage of investments financed by banks.