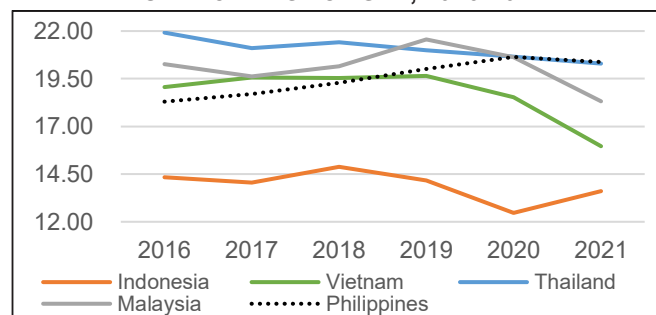


## FISCAL PERFORMANCE OF SELECTED ASEAN ECONOMIES

With the COVID-19 outbreak in 2020, almost all the ASEAN economies have provided large fiscal stimuli as a quick response to mitigate the impact of the pandemic. This has left many ASEAN economies with large negative fiscal balances, and significant expansion in government debt. The International Monetary Fund's Fiscal Monitor (2021) provides the latest country-specific database of 238 countries in terms of key fiscal variables to provide public finance developments, fiscal implications of the crisis and medium-term fiscal projections.

**Revenue.** The Philippines is the only ASEAN economy to show a positive increase in revenue-to-Gross Domestic Product (GDP), edging up slightly from 20.01% in 2019 to 20.64% in 2020, despite the impact of the pandemic on the domestic economy (Figure 1). Thailand managed to gain the highest revenue-to-GDP ratio in 2020 at 20.65%, notwithstanding a lower revenue effort than in 2019 at 21%. This slightly surpasses Malaysia's level at 20.64%.

**FIGURE 1. REVENUE, AS A PERCENTAGE OF GDP, 2016-2021**



Source: IMF Fiscal Monitor 2021.

For 2021, the Philippines obtained the highest revenue-to-GDP ratio at 20.38%. Thailand came in second at 20.29%, followed by Malaysia with 18.32% and Vietnam with 15.96% of GDP. Indonesia yielded the lowest at 13.59% of GDP in 2021.

**Expenditure.** The onset of the COVID-19 pandemic necessitated governments to increase public spending to cushion the impact of lockdowns and the overall downturn of the global economy. This is evident as seen in the trajectory of expenditure as a percentage of GDP from 2019 to 2020 (Figure 2).

For 2020, the Philippines posted the highest public expenditure as a percentage of GDP among the ASEAN economies, increasing from 21.67% in 2019 to 26.38% in 2020. Thailand incurred 25.37% of GDP in 2020, followed by Malaysia with 25.27%, Vietnam with 22.44%, and Indonesia with 18.60%.

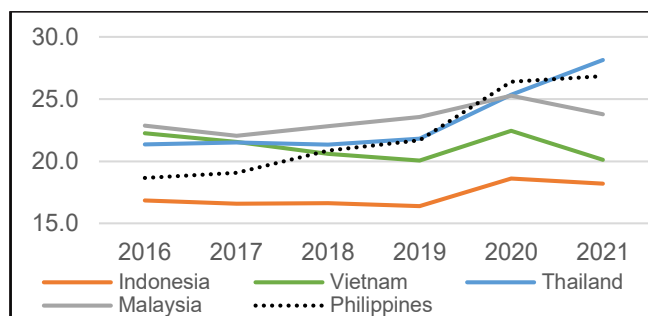
In 2021, Thailand steadily increased its spending, reaching 28.14% of GDP, surpassing the Philippines

# Facts in Figures

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with 26.84% of GDP. The rest of the ASEAN decreased their expenditures-to-GDP ratio in 2021 with Malaysia posting 23.78%, Vietnam with 20.12%, and Indonesia with 18.21%.

**FIGURE 2. EXPENDITURE, AS A PERCENTAGE OF GDP, 2016-2021**

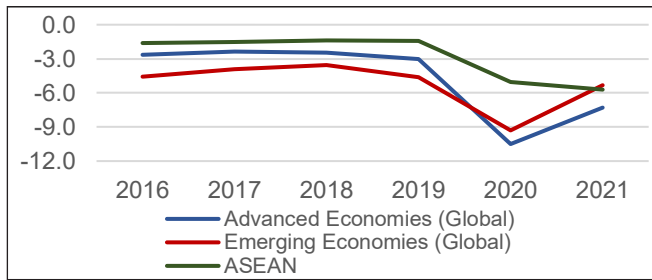


Source: IMF Fiscal Monitor 2021

**Net Lending/Borrowing.** Conceptually, net lending/borrowing is the net operating balance (equivalent to revenues less expenditure) minus the net acquisition of non-financial assets (Government Finance Statistics Manual, 2001). Net lending means that government is providing financial resources to other sectors, and net borrowing means that government requires financial resources from other sectors. A positive value (+) means that government is a net lender while a negative value (-) means that government is a net borrower.

Figure 3 shows that governments across the world have been net borrowers even before the pandemic. Governments of advanced economies have drastically increased their borrowings from -3.00% of GDP in 2019 to -10.50% of GDP in 2020 but reduced their borrowings to -7.3% of GDP in 2021. Relatedly, emerging economies also increased borrowings from -4.60% in 2019 to -9.30% in 2020 and reduced borrowings to -5.30% of GDP in 2021. Meanwhile, ASEAN economies increased their borrowings to -5.02% in 2020 and further to -5.71% in 2021 from -1.42% of GDP during the pre-pandemic level in 2019.

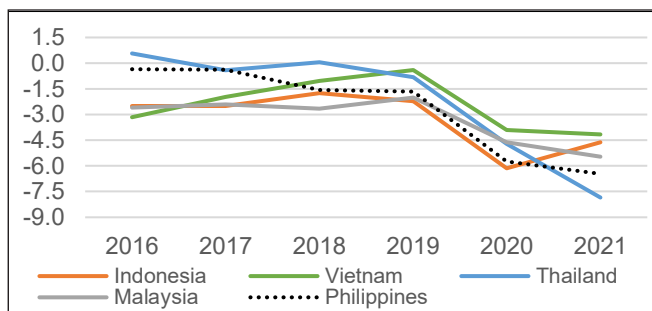
**FIGURE 3. GLOBAL NET LENDING/BORROWING, AS PERCENTAGE OF GDP, 2016-2021**



Source: IMF Fiscal Monitor 2021

**ASEAN Net Lending/Borrowing.** As presented in Figure 4, select ASEAN economies showed consistent increasing trend in borrowings from 2019 to 2021 except for Indonesia which reduced its borrowing from -6.14% of GDP in 2020 to -4.62% in 2021. Meanwhile, Thailand recorded the highest borrowing, moving up from -4.71% in 2020 to -7.85% in 2021. In comparison, the borrowing of the Philippines also increased from -5.73% to -6.46% for the same period.

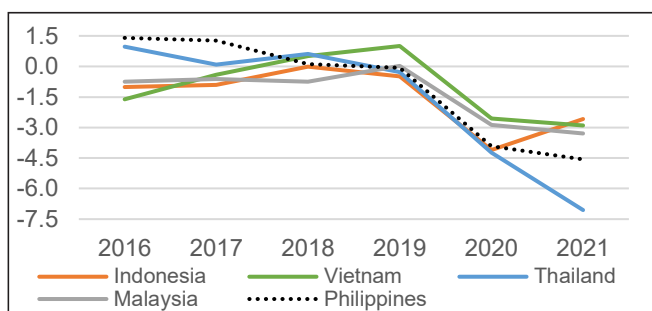
**FIGURE 4. ASEAN NET LENDING/BORROWING, AS PERCENTAGE OF GDP, 2016-2021**



Source: IMF Fiscal Monitor 2021

**Primary Net Lending/Borrowing.** The World Bank (2021) defines primary net lending/borrowing as the net lending/borrowing plus net interest paid. This is also referred to as the primary balance of a country. A positive value (+) means the government is a net lender while a negative value (-) means it is a net borrower after factoring in interest payments from debt. If the government is a net lender, there is a fiscal surplus. Conversely, if the government is a net borrower, it is running a fiscal deficit.

**FIGURE 5. ASEAN PRIMARY LENDING/BORROWING, AS PERCENTAGE OF GDP, 2016-2021**

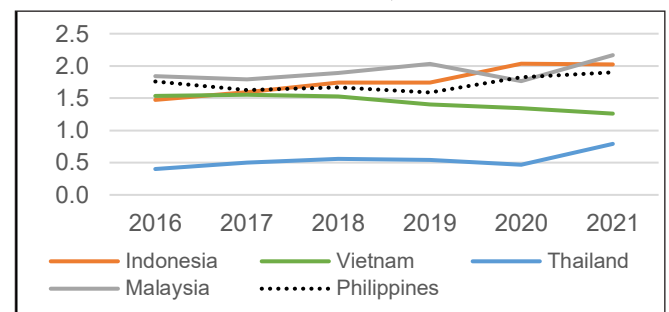


Source: IMF Fiscal Monitor 2021

Of the ASEAN economies, only Indonesia significantly reduced its borrowings from -4.10% of GDP in 2020 to -2.59% in 2021 (Figure 5). The rest of the ASEAN posted an increase in borrowings from 2020 to 2021, with Thailand recording the largest borrowing at -4.24% of GDP in 2020 and -7.06% in 2021. This is followed by the Philippines, increasing further borrowings from -3.91% in 2020 to -4.56% in 2021.

**Interest Payments.** The interest payments of ASEAN economies can be computed by subtracting the overall balance from the primary balance (Organization for Economic Co-operation and Development, 2021).

**FIGURE 6. INTEREST PAYMENT, IN PERCENT TO GDP, 2016-2021**



Source: Computed from IMF Fiscal Monitor 2021

In Figure 6, interest payments as a percentage of GDP paid by Malaysia significantly increased from 1.76% in 2020 to 2.17% in 2021, the highest among the ASEAN economies. This was followed by Indonesia where interest payments dropped from 2.03% in 2020 to 2.02% in 2021. The Philippines ranked third with 1.90% in 2021. Meanwhile, Thailand had the lowest interest payments as percentage of GDP in 2021 at 0.79%.

**Gross Debt.** In order to have additional funding for pandemic response programs and mitigate the effect of rising expenditures and a general slowdown in revenue generation, ASEAN economies availed loans leading to an increase in their respective debt-to-GDP ratio.

**TABLE 1. DEBT-TO-GDP RATIO, IN PERCENT, 2016-Q1 2022**

	2016	2017	2018	2019	2020	2021	Q1 2022
ASEAN	42.1	42.0	41.8	41.4	50.1	53.5	55.2
Indonesia	28.0	29.4	30.4	30.6	39.8	42.8	42.7
Malaysia	55.8	54.4	55.6	57.1	67.8	69.0	69.2
Philippines	37.3	38.1	37.1	37.0	51.7	57.5	60.0
Thailand	41.7	41.8	41.9	41.1	49.8	58.0	62.7
Vietnam	47.5	46.3	43.7	41.3	41.7	40.2	41.3

Source of basic data: IMF Fiscal Monitor 2021

As presented in Table 1, Malaysia consistently incurred the highest debt-to-GDP ratio from 2016 to Q1 2022, breaching the internationally-accepted 60% threshold starting 2020. This is followed by Thailand with 62.7% and the Philippines with 60.0% in Q1 2022.