Government investment creates public infrastructure essential for long-term economic growth and societal well-being. For instance, public investment supports the provision of public services (e.g. schools). Further, governments invest in transport infrastructure, and other large-scale projects to improve productivity and competitiveness. Finally, governments can also invest in research and development to promote new technologies or products, such as artificial intelligence, machine learning and 3D printing.

In 2016, government investment represented, on average, 16.7% of total government expenditures in SEA countries. This figure is significantly higher than the OECD average of 7.6% in the same year. Government investment in the SEA region is extremely heterogeneous, however. On the high end, investment as a percentage of government spending is 35.8% in Cambodia, 34.1% in Lao PDR and 30.5% in Myanmar. A large part of investment spending in the region is on infrastructure, as countries boost spending on everything from airports to high-speed rails and ports, in order to improve connectivity and increase economic growth. On the low end, government investment spending is 8.4% in Singapore and 14.7% in Thailand, closer to the OECD average and more in line with the four OECD countries in the region. This possibly reflects the fact that some more advanced markets already have a great deal of the type of infrastructure in which other SEA countries are currently investing.

Considering government investment as a percentage of total government expenditure over time, the trend in Southeast Asia has moved in the opposite direction to the OECD. In SEA it increased on average by 1.5 p.p. between 2008 and 2016, whereas in the OECD it declined by 1.8 p.p. in the same period. In Southeast Asia, this growing public investment may reflect the fact that growth in the region has been increasing steadily over the same period. In OECD countries, government investment has been in steady decline since the financial crisis in 2008-09.

Investment spending as a proportion of GDP in SEA countries was the same, on average, as OECD countries in 2016 (3%). Once again, there is a wide disparity between SEA countries. Investment levels as a percentage of GDP are highest in Lao PDR and Cambodia (both 7.2%) and Myanmar (6.4%) – three countries in the region which are not as far ahead in their overall economic development. It is lowest in Singapore (1.2%) and Indonesia (3%) – two of the most advanced SEA economies.

Investment needs vary in the region, as SEA countries have varied levels of economic development. Countries with low levels of development can obtain comparatively high economic returns from public investment. Furthermore, investment in poorer regions can play a crucial role in reducing inequalities.

Methodology and definitions

Data and drawn from the IMF Government Finance Statistics database, which applies the concepts set out in the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFS and the SNA frameworks in several occurrences which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFS and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

General government investment includes gross capital formation and acquisitions, less disposals of non-produced, non-financial assets. Gross fixed capital formation (also named fixed investment) is the main component of government investment, consisting mainly of transport infrastructure but also including infrastructure such as office buildings, housing, schools and hospitals. Government investment is recorded on a gross basis (i.e. measured gross of consumption of fixed capital, unless otherwise stated). For the OECD countries and average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

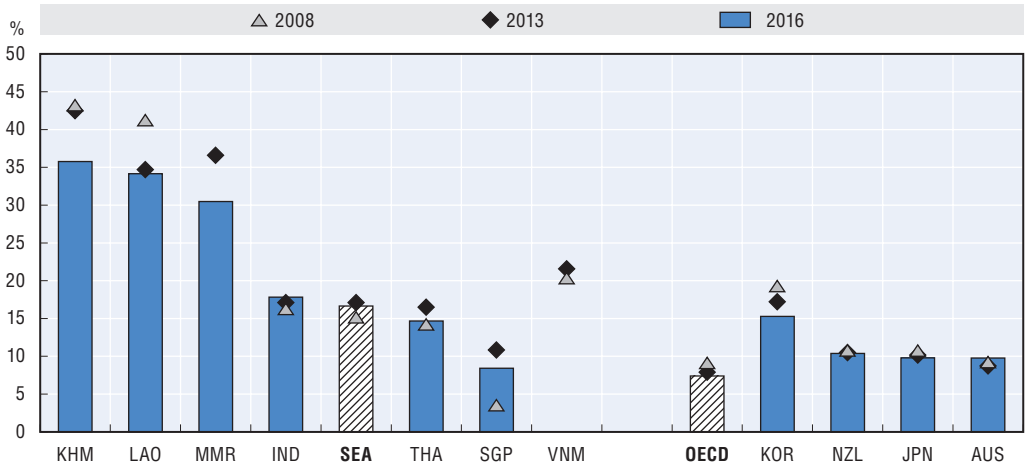
OECD (2018), *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264286184-en*.

OECD (2018), The Principles on Effective Public Investment across Levels of Government, *https://www.oecd.org/effective-public-investment-toolkit/theprinciples.htm*.

Figure notes

2.17 and 2.18: Data for Lao PDR, Myanmar, Singapore and Viet Nam are recorded on a cash basis. Data for Cambodia, Lao PDR and Viet Nam refer to the government sector of budgetary central government. Data for Cambodia for investment do not include consumption of fixed capital. Data for Singapore for investment refer to fixed investment. Data for Myanmar and Viet Nam are not included in the SEA average.

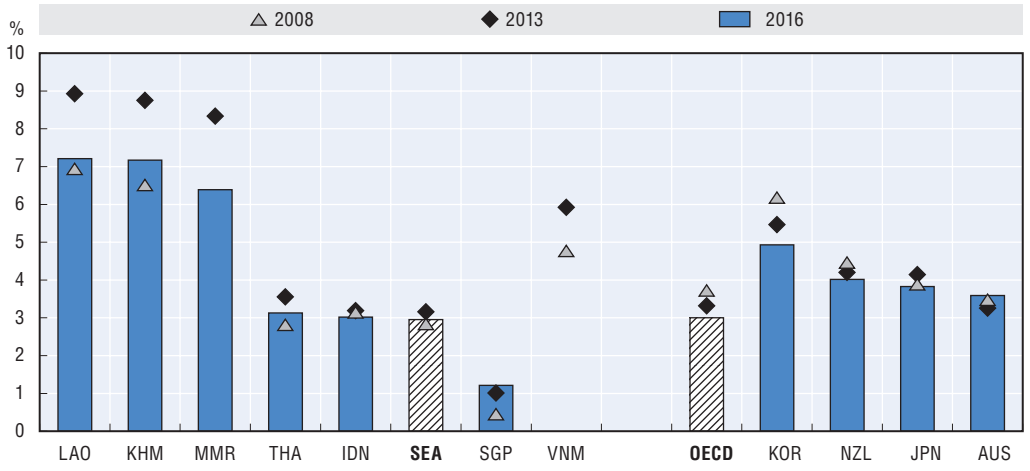
2.17. Government investment as a percentage of total government expenditures, 2008, 2013 and 2016



Sources: For SEA countries, IMF Government Finance Statistics (GFS IMF) database. For OECD countries, OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888933840741

2.18. Government investment as a percentage of GDP, 2008, 2013 and 2016



Sources: For SEA countries, IMF Government Finance Statistics (IMF GFS) database. For OECD countries, OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888933840760