

## Introduction to Regional Tables

The regional tables in Part III are grouped into seven areas or themes, each with short nontechnical writeups highlighting important developments since the 1990s. Each theme is further split into related subtopics. Compared to past issues of *Key Indicators*, there are now 103 regional tables beginning this edition, to reflect the important activities and indicators of development in the Asia and Pacific region. A new area, infrastructure, has been added as a new theme. Existing areas were expanded, such as government, which now covers governance. The area on money has also been broadened to encompass finance.

The seven themes and their subtopics, indicated below, are meant to ease the search for and understanding of various indicators of economic performance:

<b>People</b>	
Population	Poverty Indicators
Labor Force and Employment	Social Indicators
<b>Economy and Output</b>	
National Accounts	Production
<b>Money, Finance, and Prices</b>	
Prices	Exchange Rates
Money and Finance	
<b>International Flows</b>	
Balance of Payments	Capital Flows
External Trade	External Indebtedness
International Reserves	
<b>Infrastructure</b>	
Transport	Communications
<b>Government and Governance</b>	
Government Finance	Governance
<b>Energy and Environment</b>	
Energy	Environment

### People

**People** brings together standard demographic indicators—e.g., size and growth of the population; birth, death, and fertility rates—including information on international migration, employment and unemployment, life expectancy, and health and education resources. Poverty alleviation is embodied in the Asian Development Bank's Strategy 2020—a vision of an Asia and Pacific region free of poverty. In this regard, statistics on the extent of poverty in the region are included in this theme.

The People theme also ranks economies of the Asia and Pacific region according to the United Nations *Human Development Index* (HDI). The HDI combines a range of economic and social statistics into an index number reflecting the overall level of well-being in each economy. Among the 177 economies for which the HDI can be calculated, seven economies from the region are in the top quarter, while 25 are in the lower half of the global ranking.

### Economy and Output

**Economy and Output** focuses on the levels and growth of gross domestic product (GDP), related statistics taken from the national accounts, and related indicators on production. How have the GDP shares of agriculture, industry, and services changed since 1990? Which economies are investing more in capital for future growth?

This theme compares the relative size of economies both within the region and in the world as a whole using purchasing power parities (PPPs). ADB in collaboration with the World Bank has produced a set of 2005 PPPs for the region (see Box 1 for a description of PPPs). This is the first issue of *Key Indicators* to use the new 2005 benchmark PPPs. When countries' national accounts are converted to a common currency using PPPs, differences in purchasing power between countries are eliminated so that comparisons reflect only differences in the volumes of goods and services produced and consumed in each country. The PPP-converted GDP figures included under this theme show, for example, how the People's Republic of China (PRC) and India compare, in terms of real GDP, with an industrial giant like Japan. It also shows, on a per capita basis, which are the richest and poorest economies in the region, and how they compare with the United States.

### Box 1 Calculation of Purchasing Power Parities

Purchasing power parities (PPPs) are calculated by comparing the prices of identical goods and services in different countries. These price comparisons are made by calculating *price relatives*, which are the price of a specified good or service in one country divided by the price of the same item in another country. For example, if a 300 ml can of Pepsi costs 16.42 Rupees in country A and 3.24 Dollars in Country B, a price relative can be calculated as  $3.24/16.42$ , or about 0.20. Price relatives are calculated for several hundred items covering all the final expenditure components of gross domestic product (GDP) and PPPs are then obtained as the weighted average of these price relatives. The weights used are the shares of expenditure on each item in total GDP.

PPPs are currency converters that equalize the purchasing power of currencies in the different countries. They are used in two ways: first, to convert GDP and its expenditure components—household consumption, gross fixed capital formation, etc.—to a common currency so that GDP comparisons can be made in *real terms*, which means that differences in **price levels between countries** have been eliminated. Note that a parallel procedure is used when comparing real GDP from year to year in a single country; here differences in **price changes over time** are eliminated by using constant prices. The second use of PPPs is to measure differences in price levels between countries, which is done by calculating ratios of PPPs to exchange rates.

The Asian Development Bank coordinated the computation of PPPs for 21 regional members and two nonmember economies in the Asia and Pacific region as part of the 2005 International Comparison Program (ICP). Coordination involved a number of steps: drawing up a master list of goods and services from which each economy could select items commonly found in their markets; assisting economies to break down their GDP into the 155 “basic headings” needed to obtain the expenditure weights; verifying the price data and expenditure weights submitted by the 23 economies; and calculating PPPs for the participating economies.

The ICP Global Office at the World Bank then combined the results for the Asia and Pacific region with those for the other regions to provide a set of global comparisons for 146 economies. The ICP Global Office also made econometric estimates of PPPs for a number of missing economies, including 14 in the Asia and Pacific region. The Asian Development Bank has computed real GDP estimates for the Asia and Pacific region back to 2000 and for 2006, and will carry them forward using GDP price deflators until the next benchmark.

## Money, Finance, and Prices

**Money, Finance, and Prices** shows the development of inflation and financial markets since 1990. In several economies, average annual inflation for the 2003–2007 period was lower compared to the second half of the 1990s. In 2007, however, there was a resurgence of inflation in the region, and this is continuing in 2008. In most economies in the region, the food component of the consumer price index is rising faster than the all-items index. The 1997 financial crisis caused exchange rates to depreciate in several economies in the Asia and Pacific region. Most of these currencies have recovered and have been strengthening against the dollar from around 2005.

Money supply (M2 as a percentage of GDP) has been growing in most economies. In the last two decades, new stock exchanges have been established in several Asian countries and existing stock exchanges have seen substantial growth. Share prices rose in various economies around the region during the 1995–2007 period, but have retreated during the first part of 2008 from the levels recorded in 2007.

As explained in Box 1 above, PPPs are currency converters that have been calculated in such a way as to eliminate differences between economies in their price levels. Exchange rates are also currency converters but they have not been corrected for price level differences. Ratios of PPPs to exchange rates (or price level indexes) therefore measure the differences in price levels between economies. Indexes of price levels, which are included in this theme, identify economies in the Asia and Pacific region where prices are higher or lower than that of the United States.

## International Flows

**International Flows** gives statistics on key aspects of globalization in the Asia and Pacific region. Chief among these is the expansion of trade with countries in other regions and, especially, within the region itself. Globalization, however, is not confined to trade in goods and services. It also involves international movements of labor and capital.

Remittances by migrant workers and compensation of employees temporarily working abroad are an important source of income for many Asian economies and amount to more than 10% of GDP in a number of economies.

Capital moves between countries in several ways: as official development aid from richer countries, as foreign direct investment (FDI), and as short-term capital movements. Official development aid to the region is important for the Pacific economies and some of the poorer economies in other parts of Asia. Elsewhere, however, FDI is a major source of investment funds. In addition to generating employment, FDI is particularly important because it is often accompanied by transfers of technology and managerial know-how. Total net FDI (as a percentage of GDP) has risen in a number of economies in the region.

This theme also includes tables on the size of external debt and its importance relative to GNI and to exports of goods and services.

## Infrastructure

**Infrastructure** covers both road and rail transportation, and communications. The PRC and India dominate both the rail and road networks in the region. Ownership of personal computers has increased sharply since 1990, but a clear divide still exists between some economies and the rest of the region. A similar “digital divide” can be observed in the case of broadband internet access, with very low numbers of broadband subscribers (per 100 population) in most economies of the region. There is some overlap between this theme and Millennium Development Goal 8: Develop a global partnership for development, as one of the targets under Goal 8 is to make available to people the benefits of new technologies, especially communications and information.

## Government and Governance

**Government and Governance** has several indicators. The government indicators cover the traditional role of government as tax collector and provider of defense, law and order, and social services. “Tax burdens” (taxes as a percentage of GDP) are low in several relatively fast-growing economies, and there are striking differences among economies in government expenditure on health, education, and housing and community amenities (as a percentage of GDP).

Governments also play an important role in determining the “business environment.” Does government encourage new entrepreneurs, or does it make it difficult to start new business ventures? How many days does it take to register a new enterprise and what are the costs involved? Some countries make it quick and inexpensive to establish a new business, while others have time-consuming and expensive procedures. The latter are generally countries with lower per capita GDP. Governments can also encourage private business by ensuring that their officials do not abuse their position by

demanding “special favors” before they issue licenses or process applications in a timely fashion. “Corruption” is difficult to measure objectively but through surveys, panels of knowledgeable business people can provide broad indications of which countries are more or less corrupt. Again, there are wide differences in perception of corruption between the economies of the Asia and Pacific region. Some are considered to be among the least corrupt, while others are among the worst when ranked against the 180 economies covered by the 2007 survey by Transparency International.

## Energy and Environment

**Energy and Environment** brings together indicators on the production of energy as well as indicators related to the environment such as land use, air and water pollution, and forest resources.

The PRC is the largest energy producer in the region followed by India, Australia, and Indonesia. The different forms of energy can be converted to standard units, which can then be divided into GDP (PPP) to compare “energy productivity” in each economy. Energy productivity differs widely across the region but there is some evidence that the less productive economies have improved in recent years.

Nitrous oxide emissions are rising in the major country emitters of this greenhouse gas. In many economies, deforestation is proceeding at a rate of between 1% and 3% per year, although the PRC and Viet Nam are reporting important gains in the regeneration of forests.

The Asia and Pacific region plays a key role in environmental issues because of its large population. Climate change would sharply accelerate if the region’s per capita output of greenhouse gases were to approach that of Europe and North America. Another reason for Asia’s importance in environmental issues is that the countries of South and South East Asia contain many of the world’s remaining rain forests. These are threatened by both commercial logging and land clearance. There is some overlap between this theme and Millennium Development Goal 7: Ensure environmental stability, which seeks to integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.

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