

# Recent Fiscal Developments and Revenue Trends in Asia and Oceania



Presentation by Fiscal Affairs Department, IMF

## *Seminar on MTRS and Related Issues*

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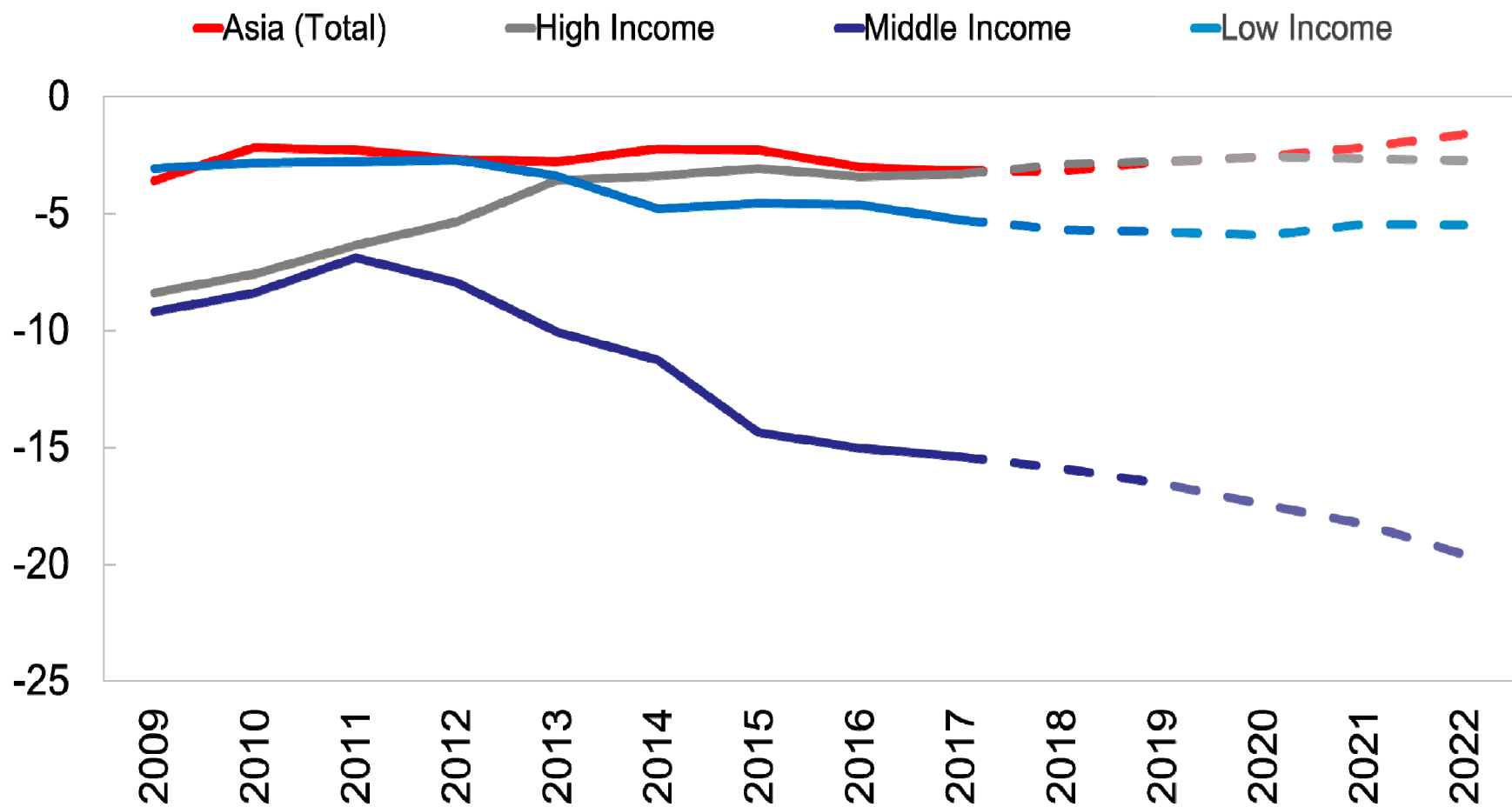
Manila

December 2017

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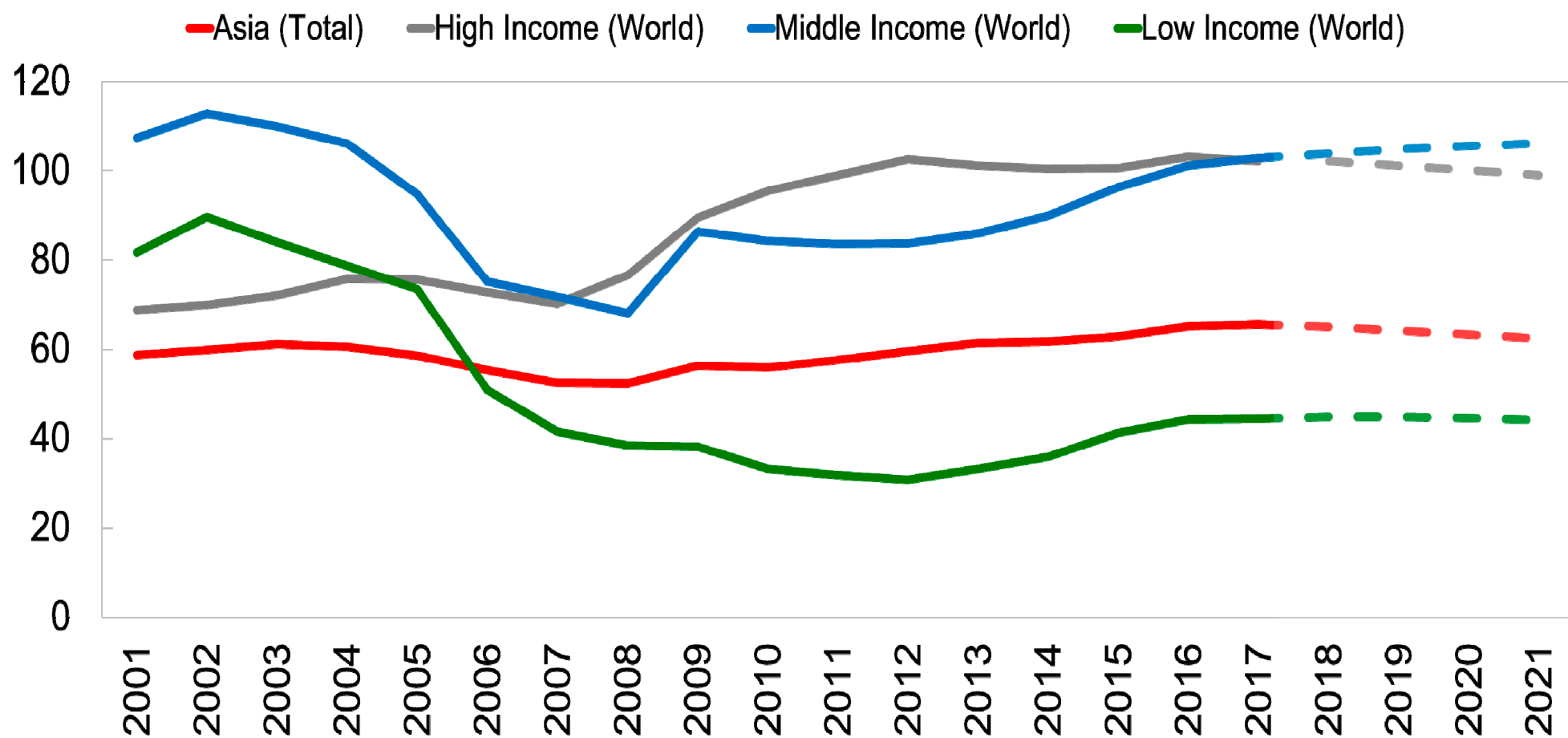
# Recent Fiscal Developments in the World

# Overall Fiscal Balance: 2010-19 (Percent of GDP)



Source: IMF staff estimates.

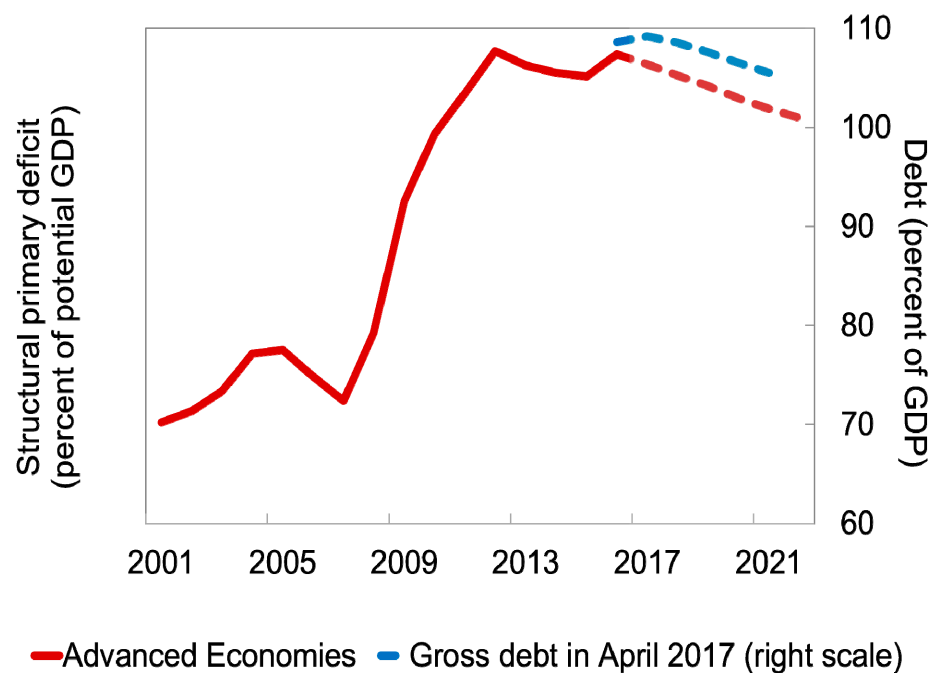
# General Government Debt: 2001-22 (Percent of GDP)



Source: IMF staff estimates.

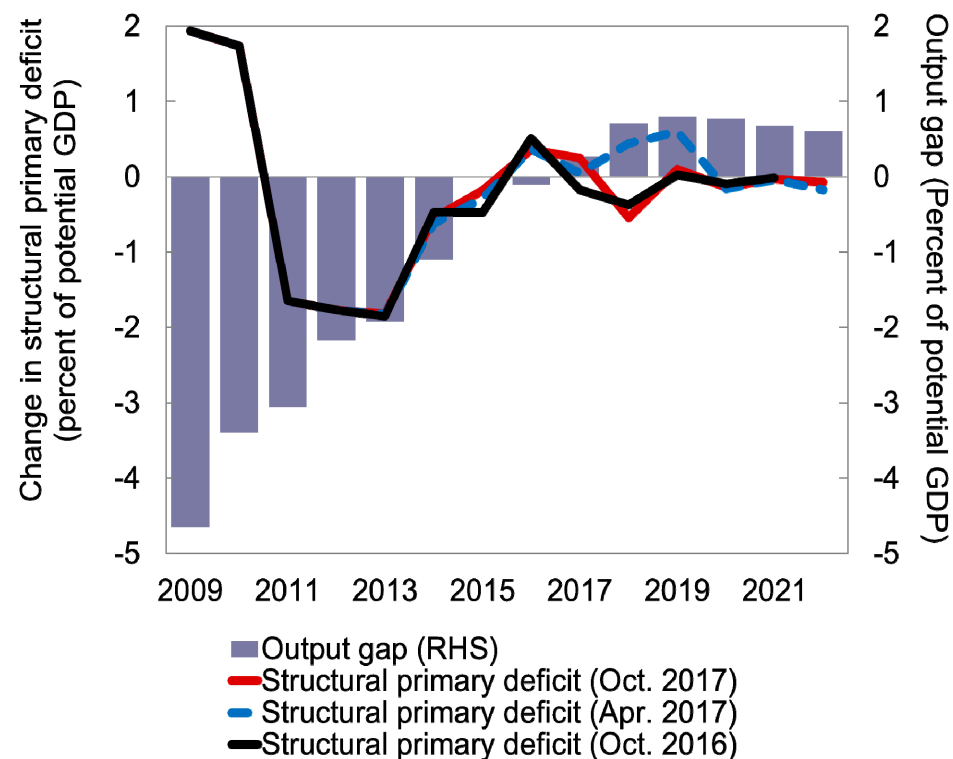
# Advanced Economies: Improved debt dynamics...

## General Government Debt and Deficit, 2001-22



## US: Fiscal Impulse and Output Gap, 2009–22

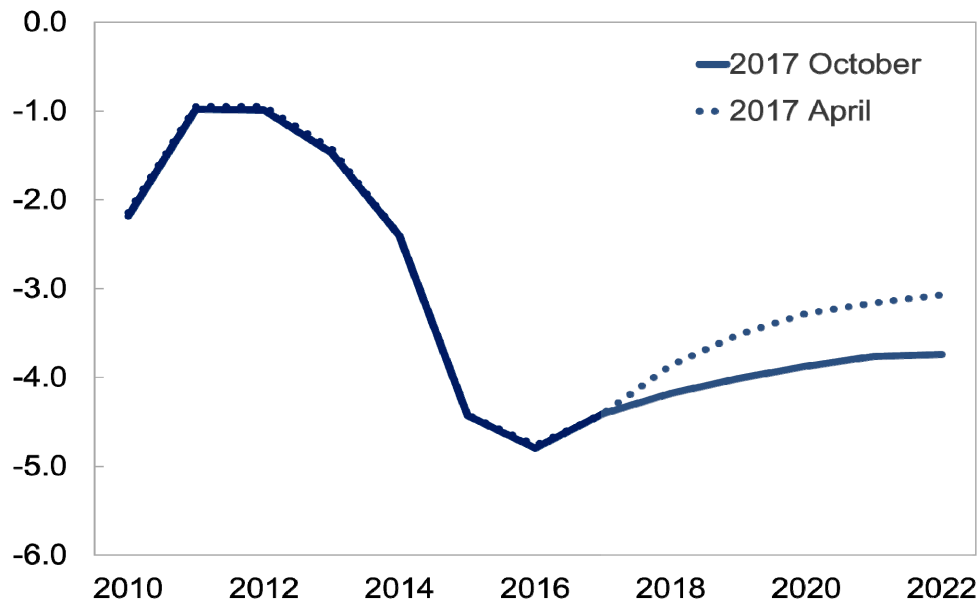
(Percent of potential GDP)



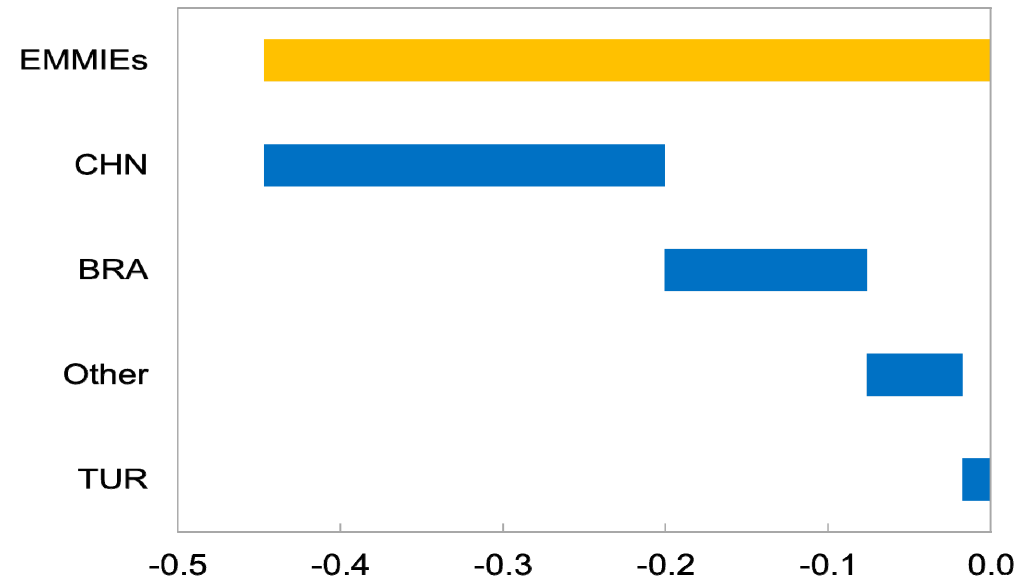
Source: IMF staff estimates.

# Emerging Markets: Deficits revised up

**EMs: General Government Overall Balance, 2010–22**  
(Percent of GDP)



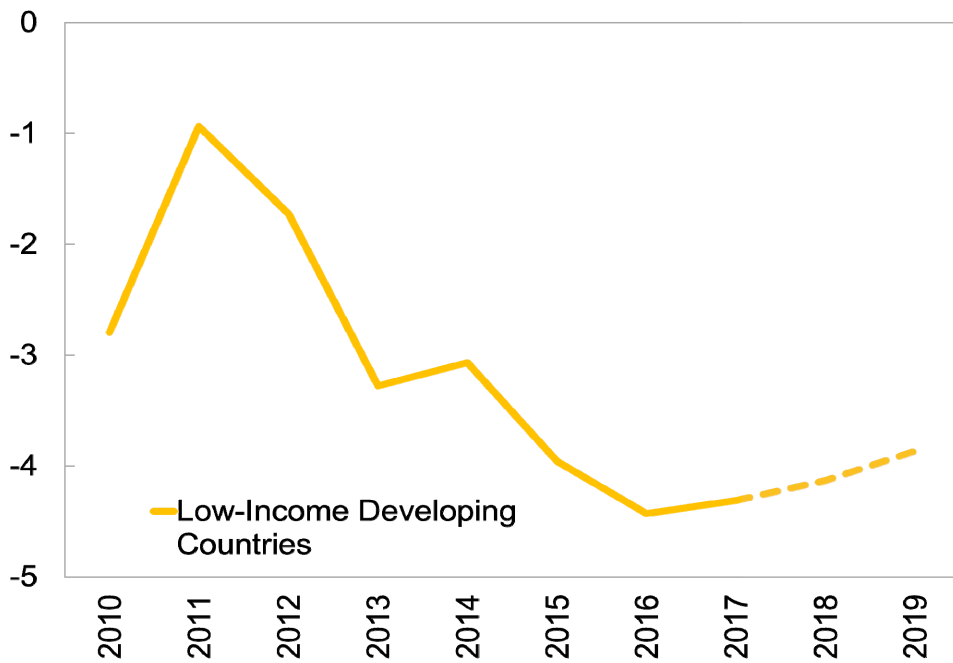
**EMs: Contributions to Overall Balance Revisions over 2017-22**  
(Relative to April 2017 FM; in percent of GDP)



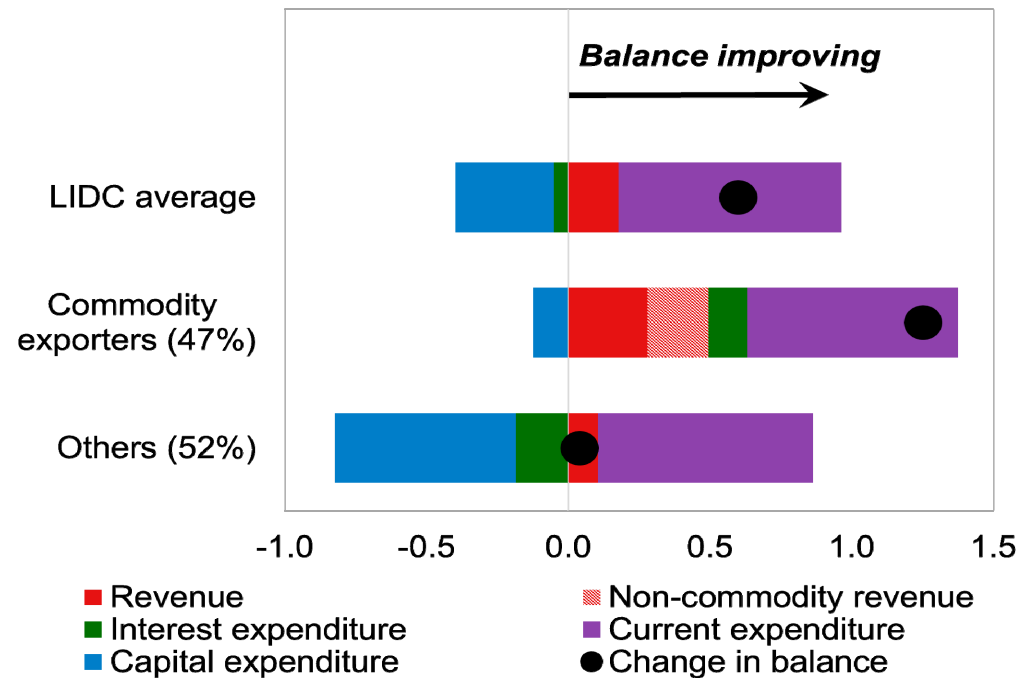
Source: IMF staff estimates.

# LIDCs: Decline in fiscal deficit

**Overall Fiscal Balance: 2010–19**  
(Percent of GDP)



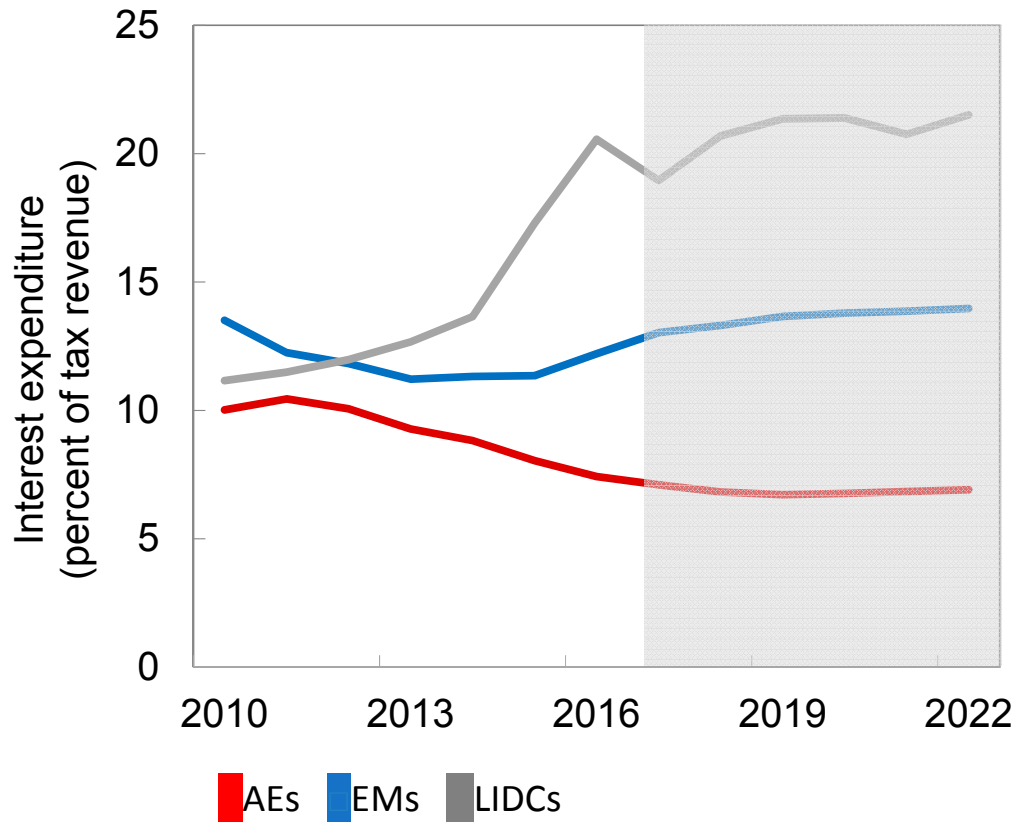
**Change in Fiscal Balance Ratio, 2016-19**  
(Percent of GDP)



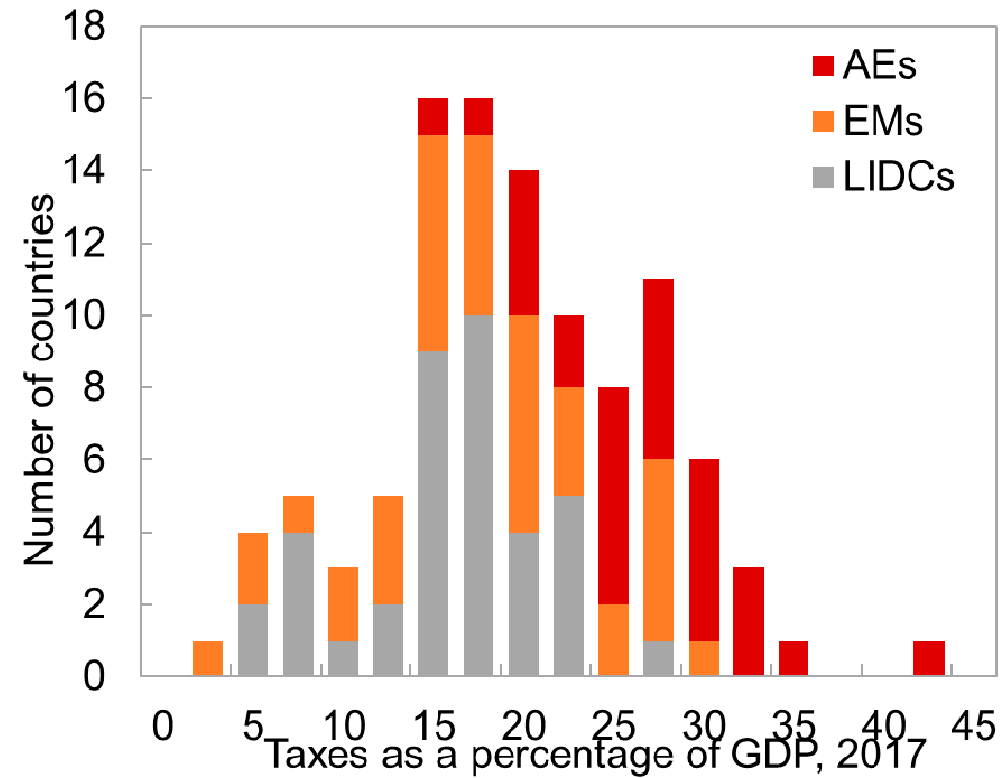
Source: IMF staff estimates.

# LIDCs: Revenue mobilization is a priority

**Interest Expenditure, 2010-2022**  
(Percent of Tax Revenue)



**World Distribution of Tax-to-GDP Ratio, 2017**

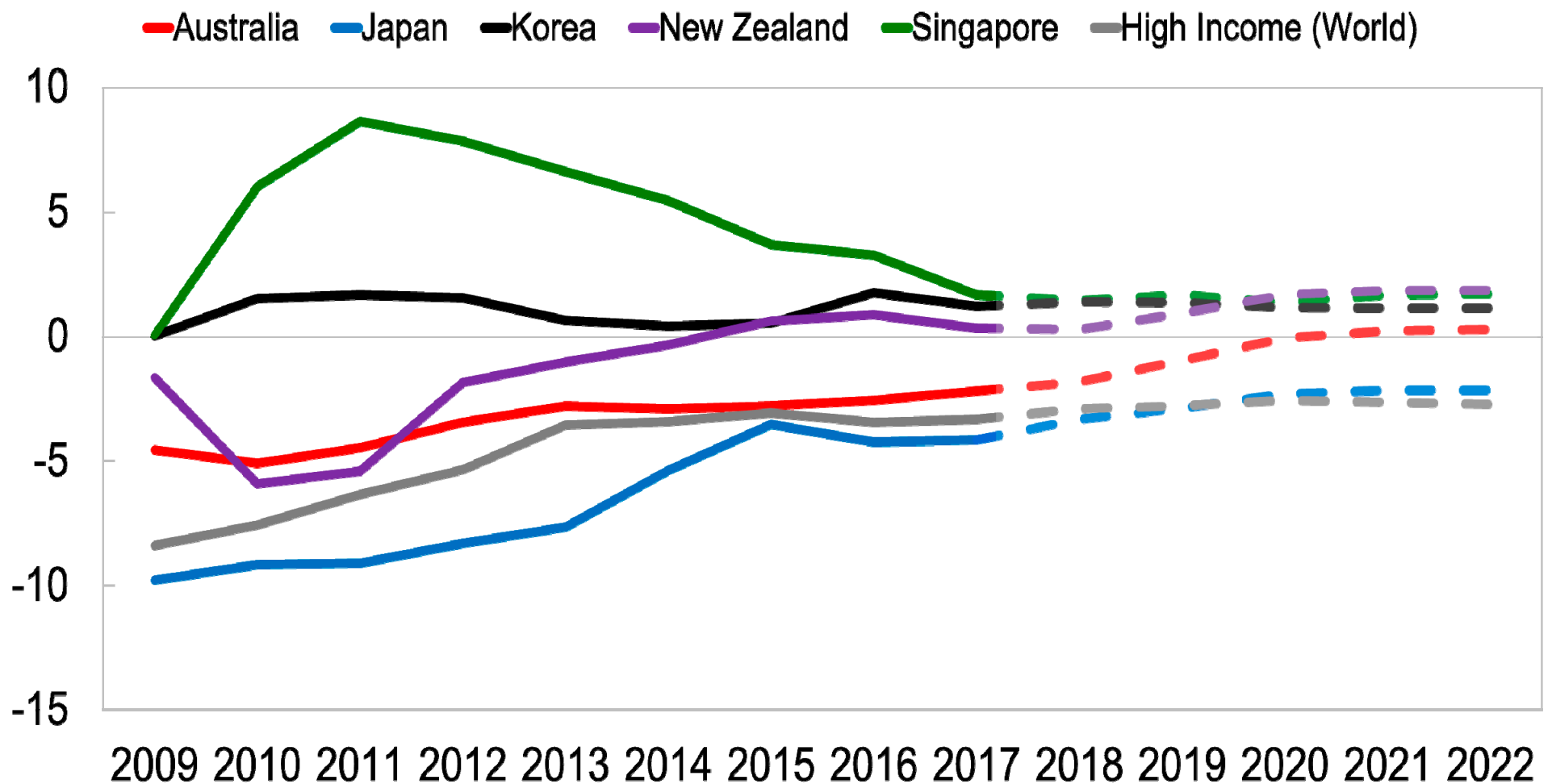


Source: IMF staff estimates.



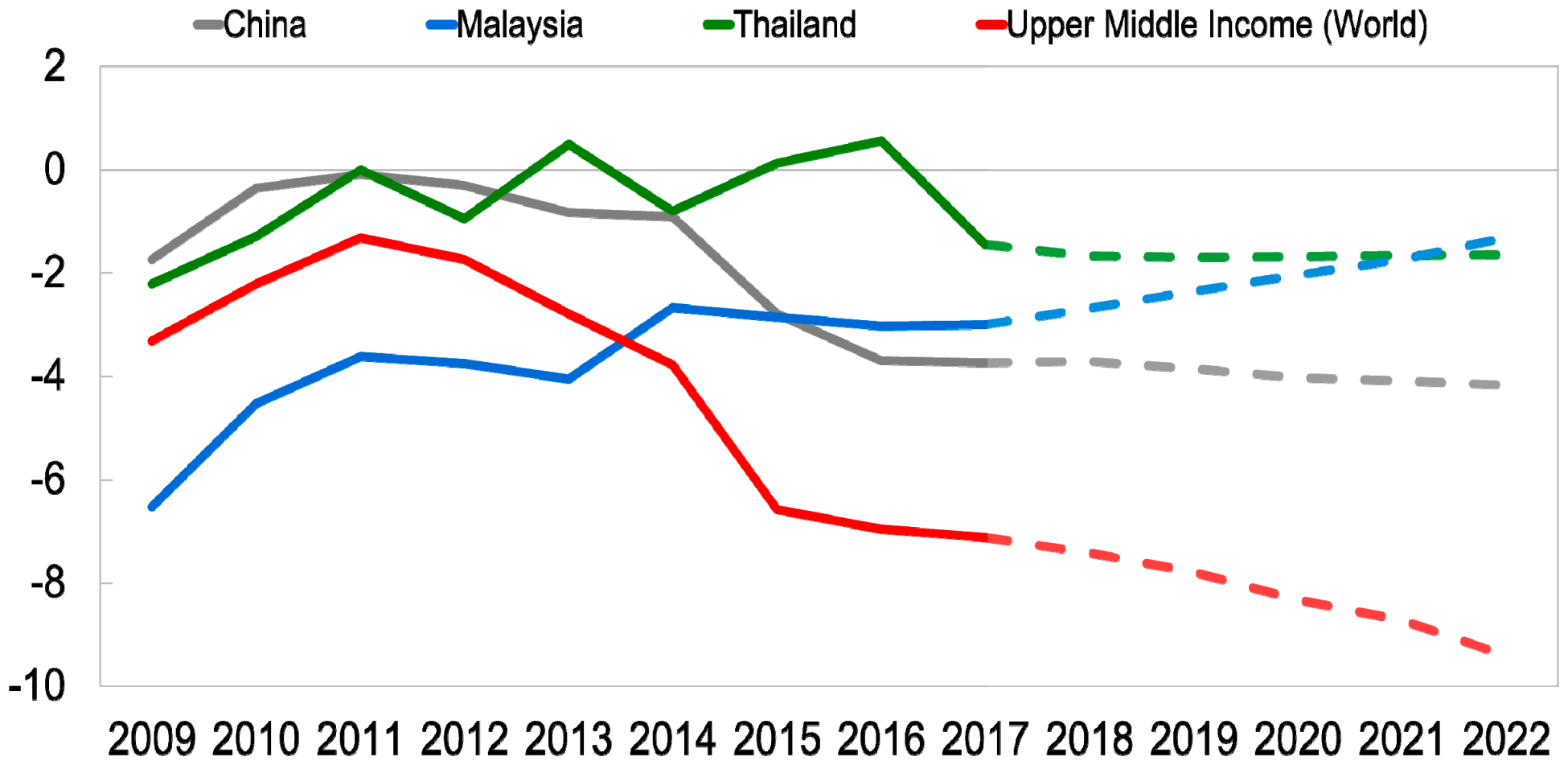
# Recent Fiscal Developments in Asia and Oceania

# Overall Fiscal Balance: High Income Countries 2010-19 (Percent of GDP)



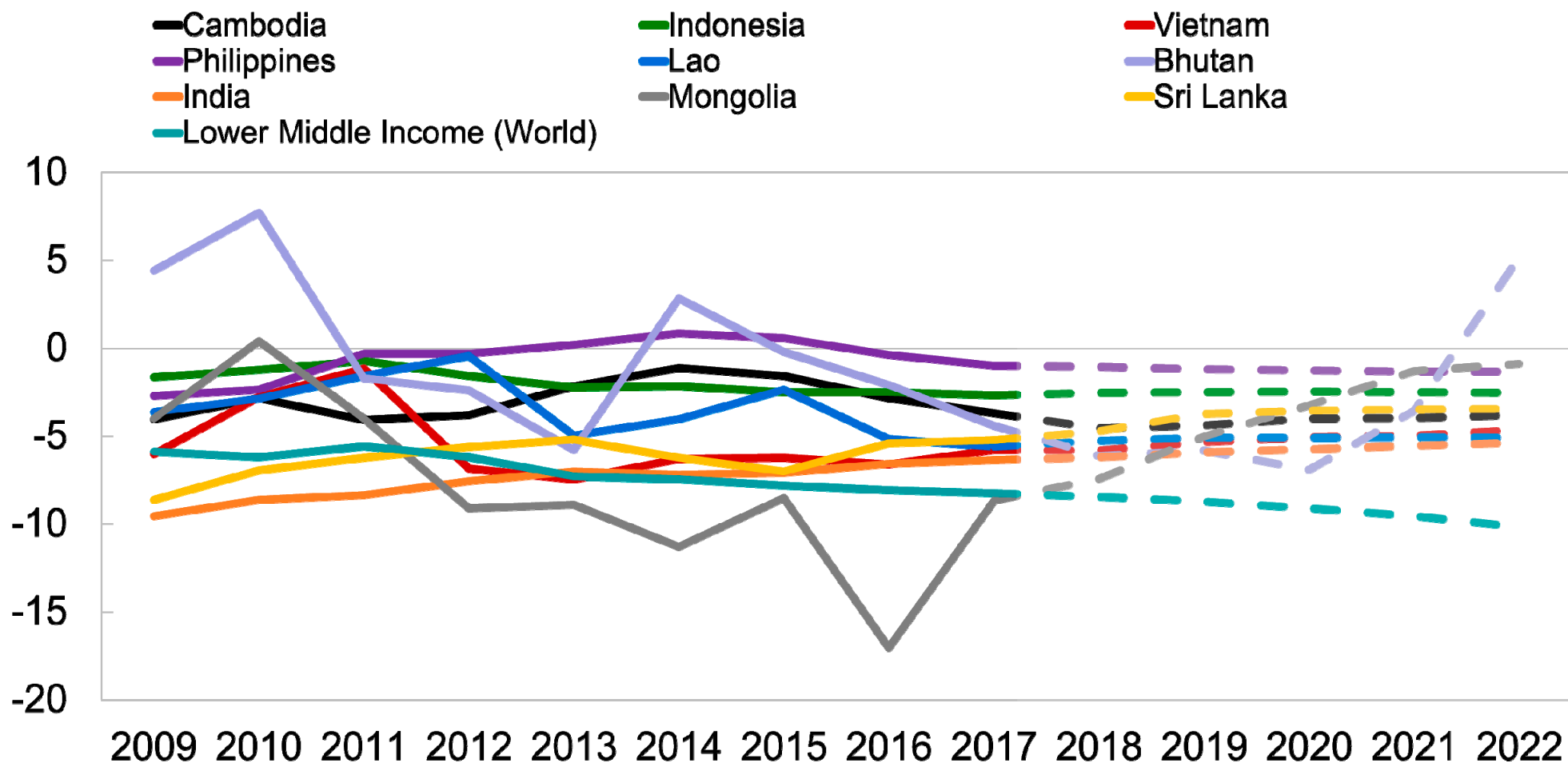
Source: IMF staff estimates.

# Overall Fiscal Balance: Middle Income Countries 2010-19(Percent of GDP)



Source: IMF staff estimates

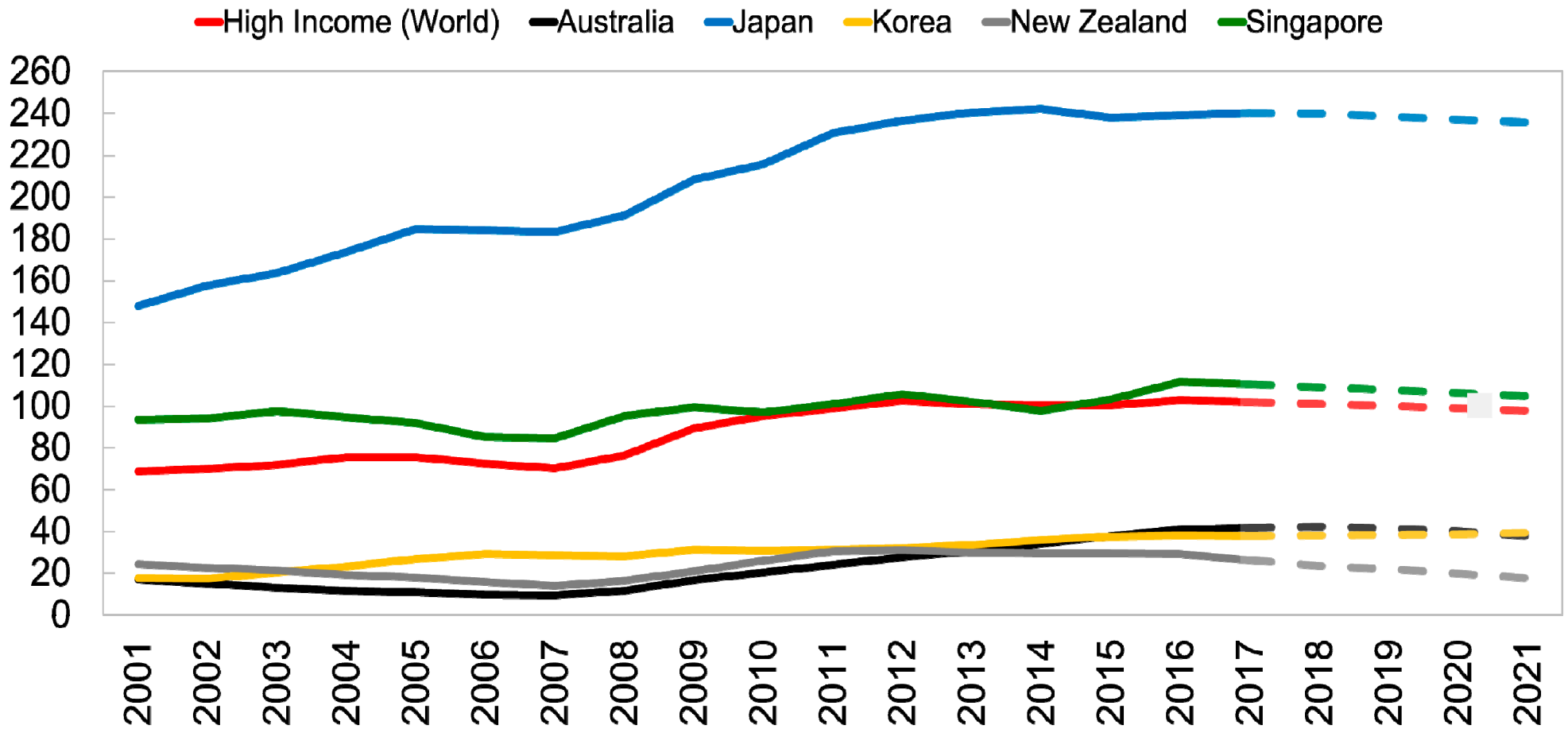
# Overall Fiscal Balance: Low Income Countries 2010-19 (Percent of GDP)



Source: IMF staff estimates.

# General Government Debt: High Income Countries 2001-22

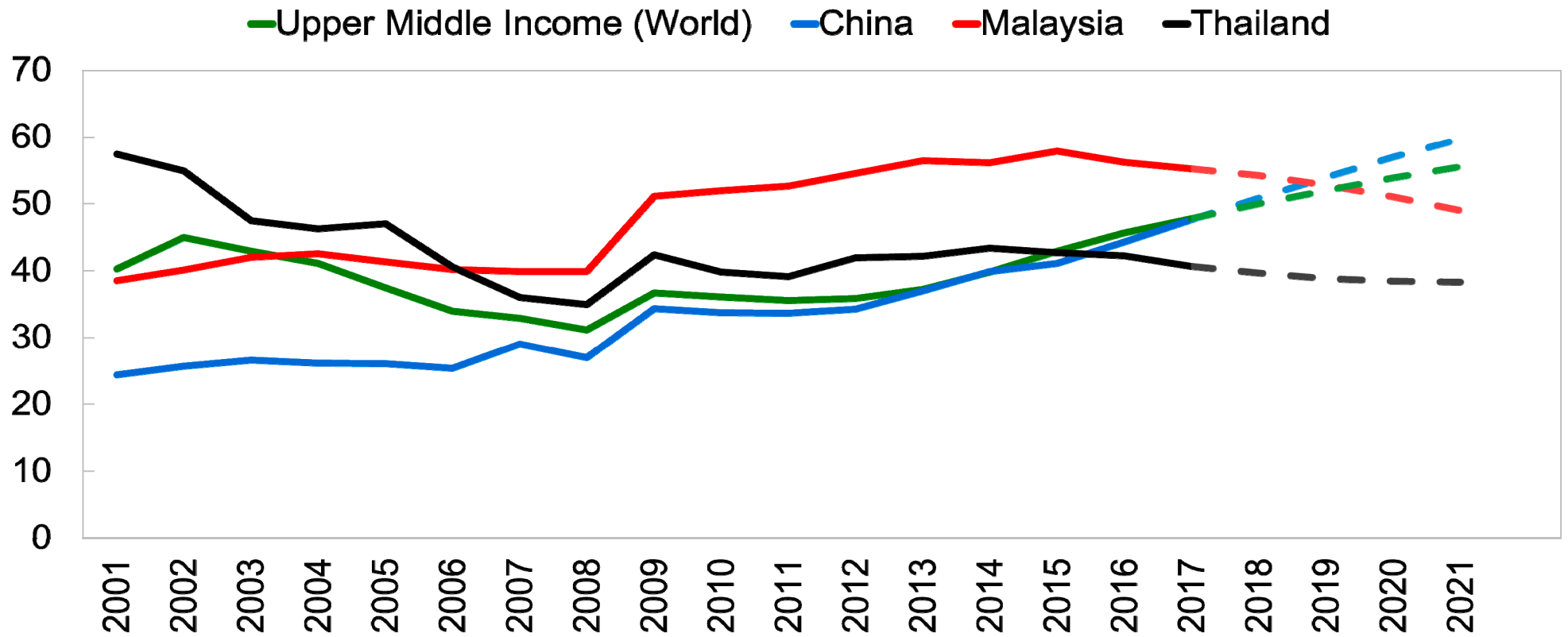
(Percent of GDP)



Source: IMF staff estimates.

# General Government Debt: Middle Income Countries 2001-22

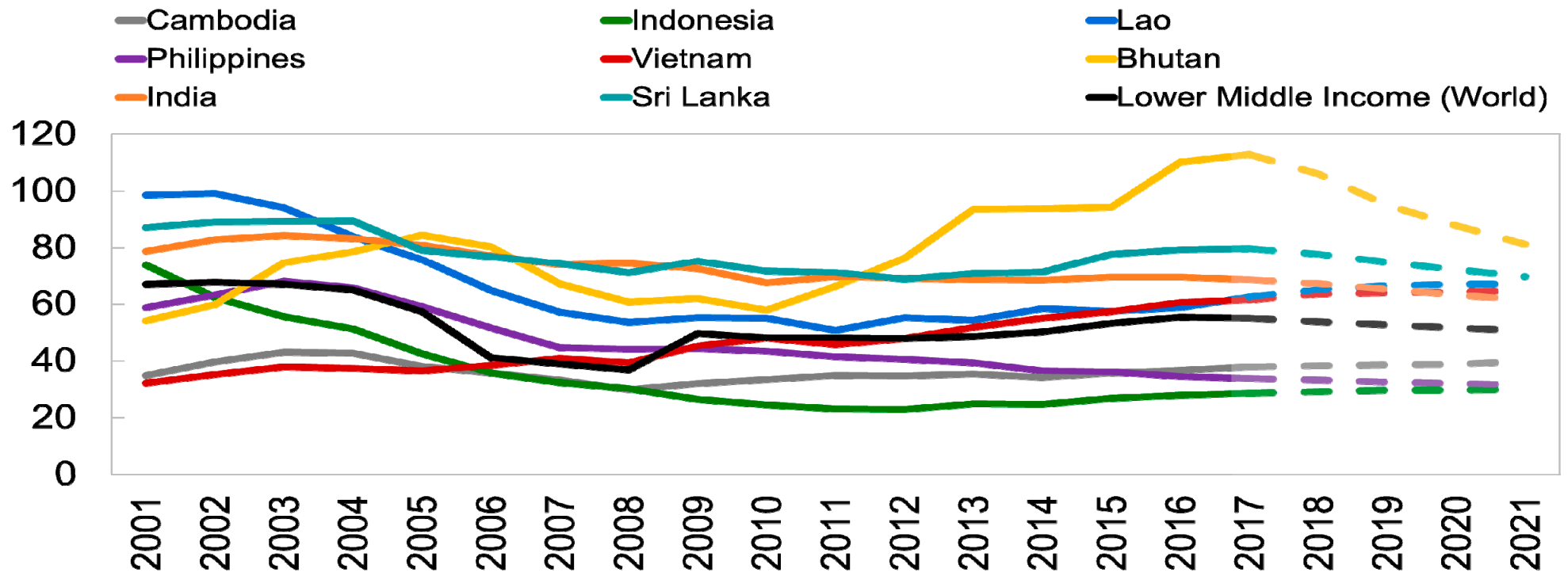
(Percent of GDP)



Source: IMF staff estimates.

# General Government Debt: Low Income Countries 2001-22

## (Percent of GDP)

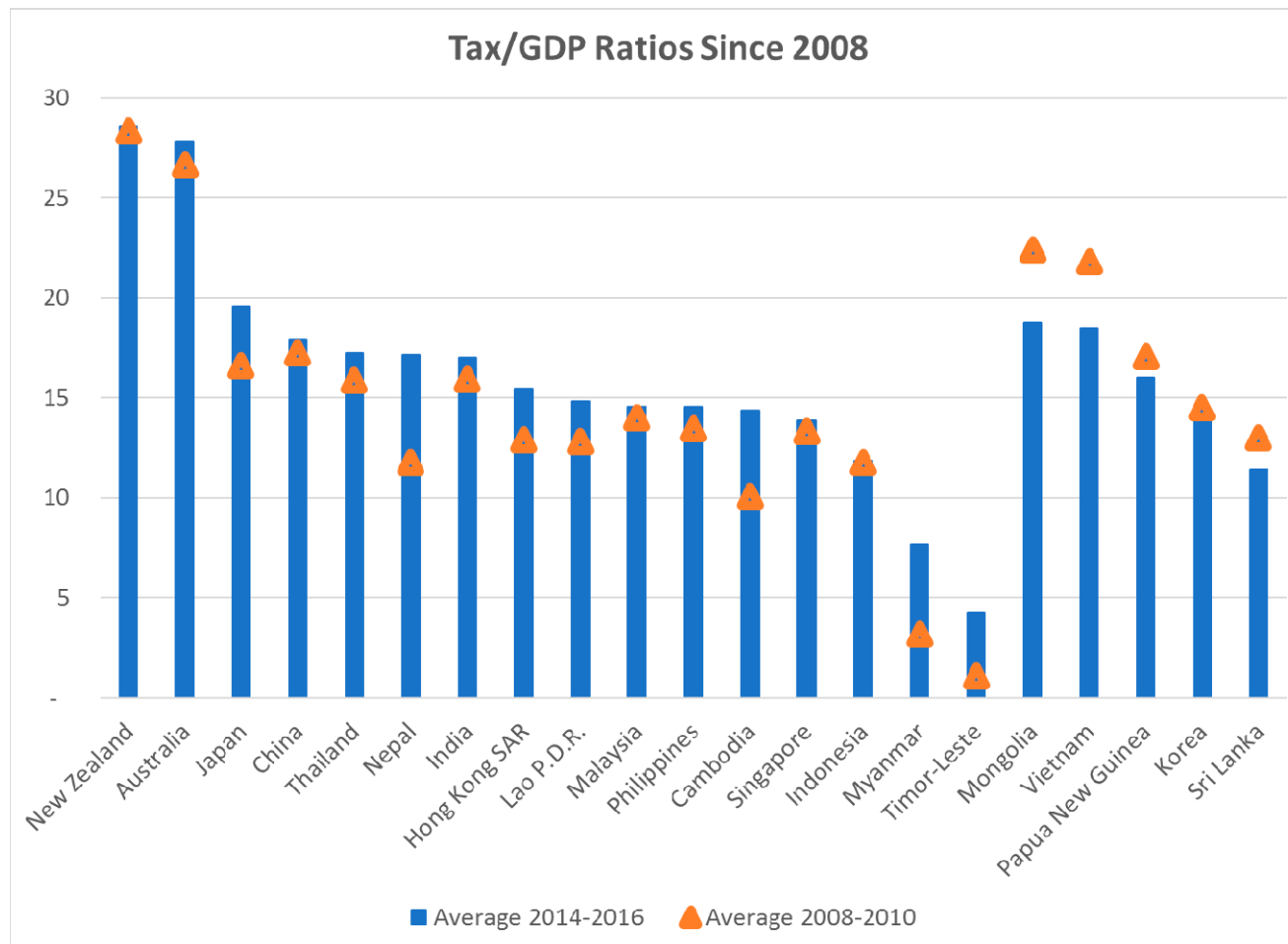


Source: IMF staff estimates.

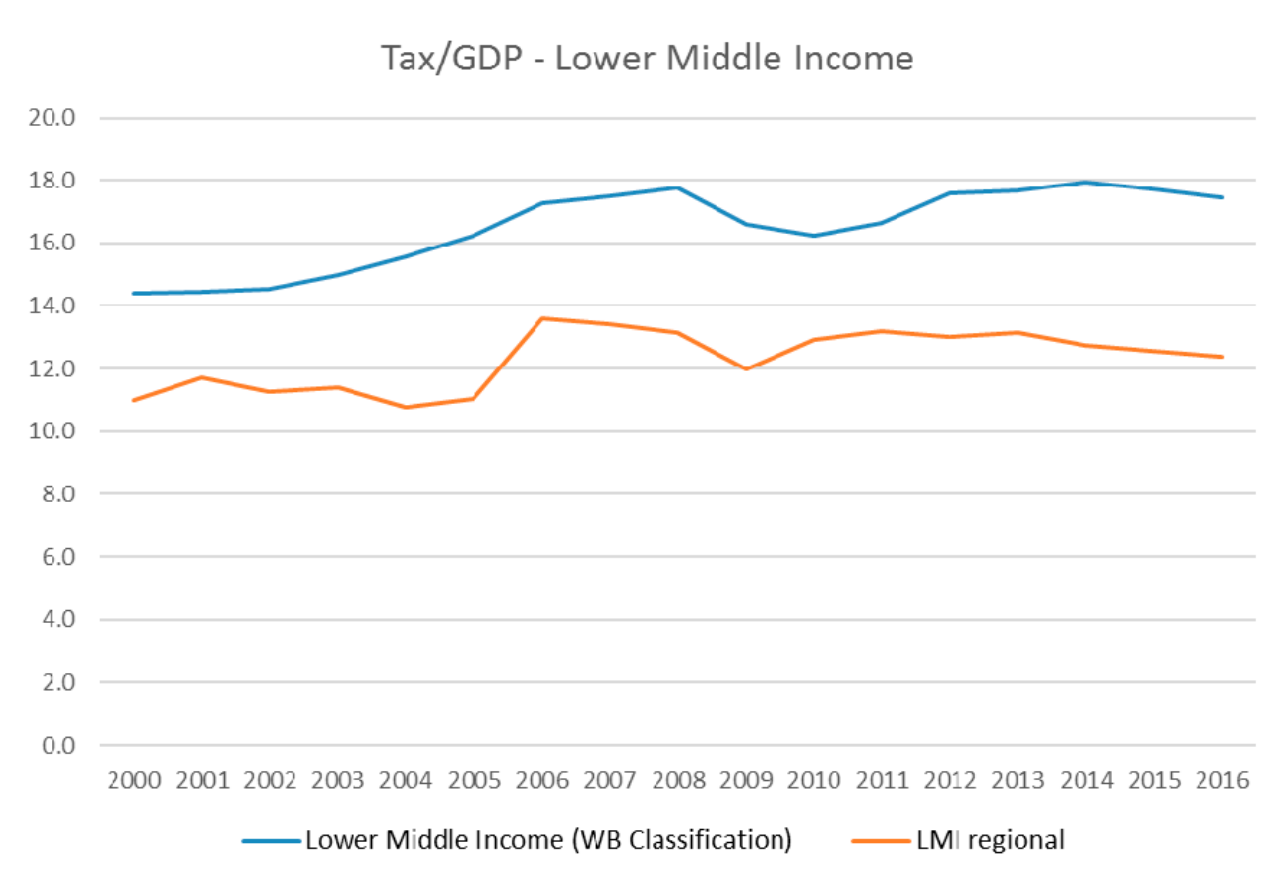
# Recent Revenue Trends in Asia and Oceania



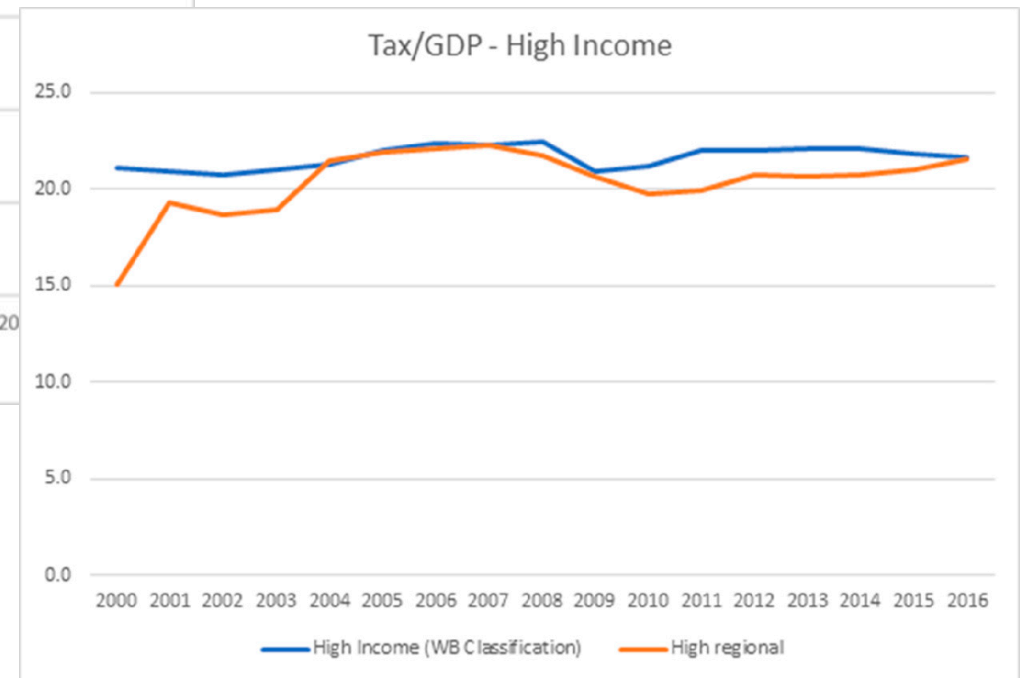
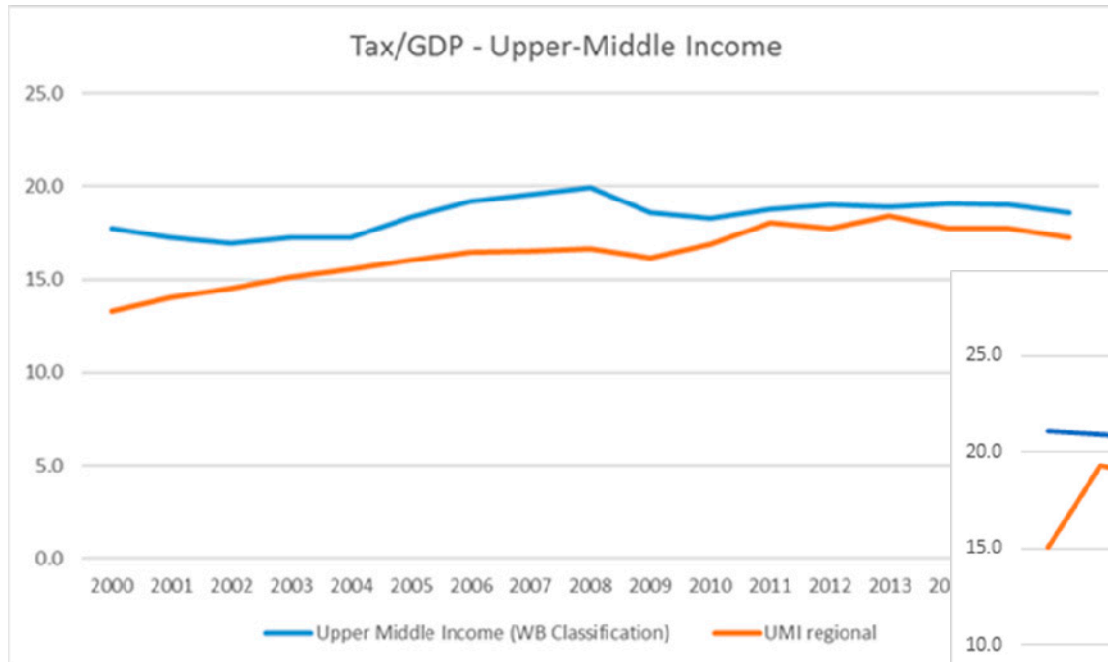
# The majority of Asia/Pacific countries have increased tax revenue since the 2008 crisis, except for some resource-rich countries



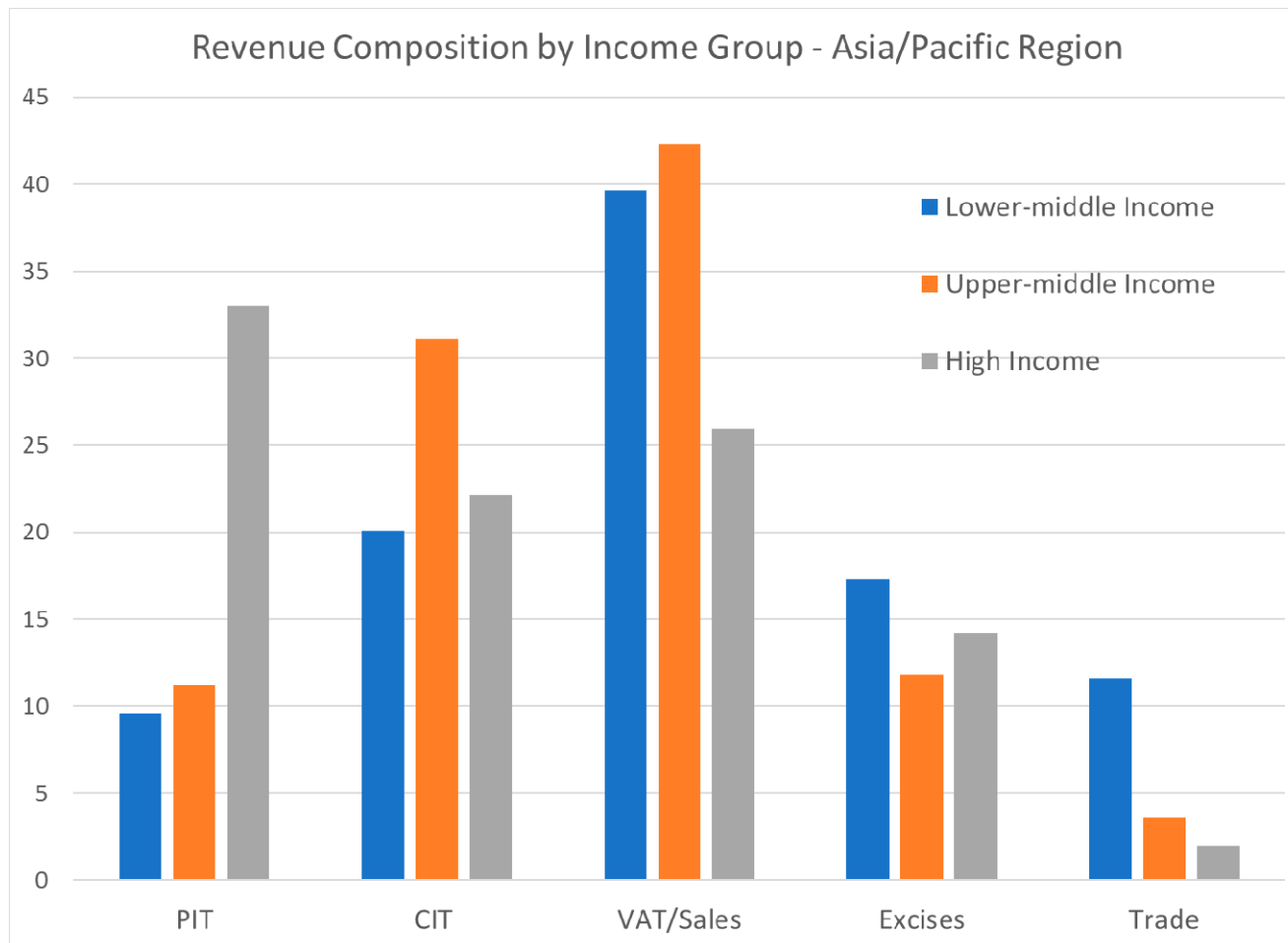
# Lower income countries in Asia/Pacific region raise less tax revenue on average than other LMI countries



# However, this gap disappears as income levels rise

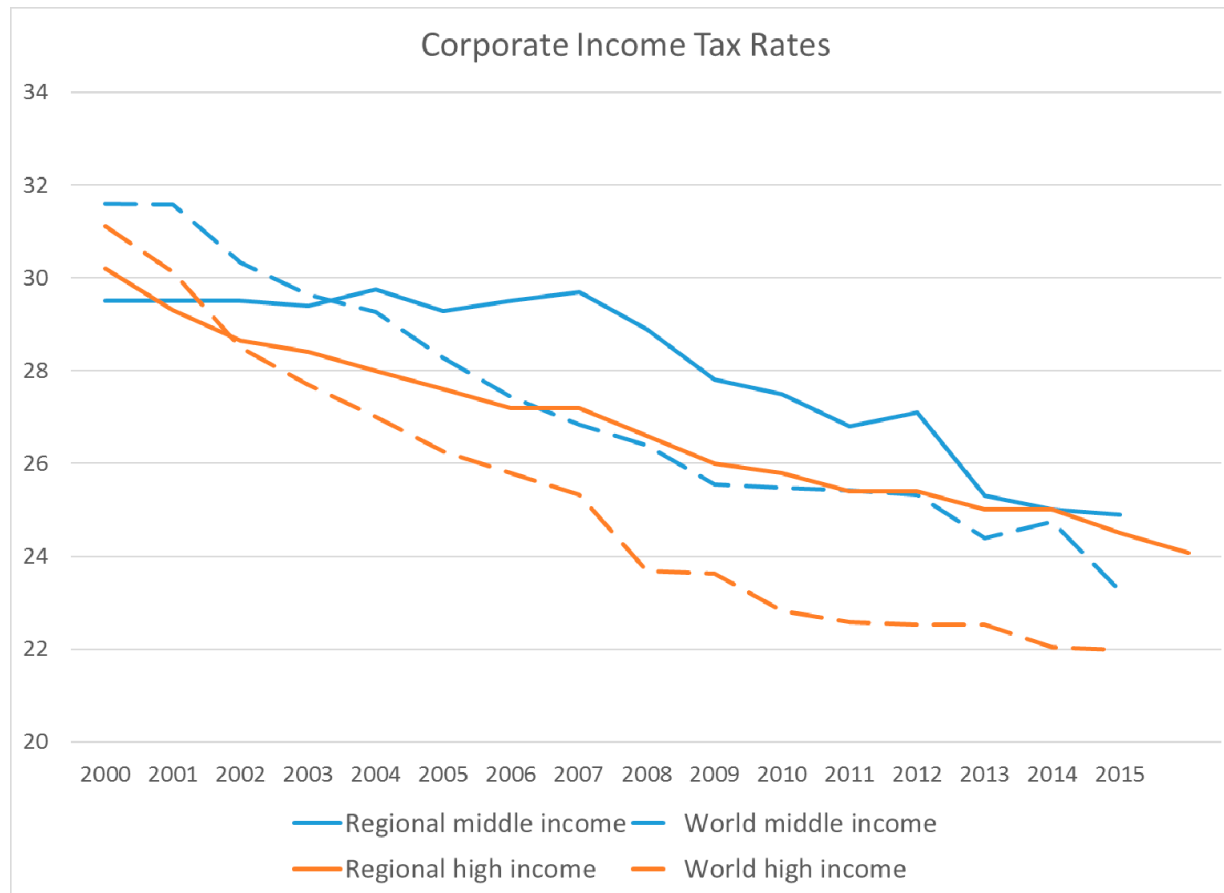


# Tax structure also varies with income level

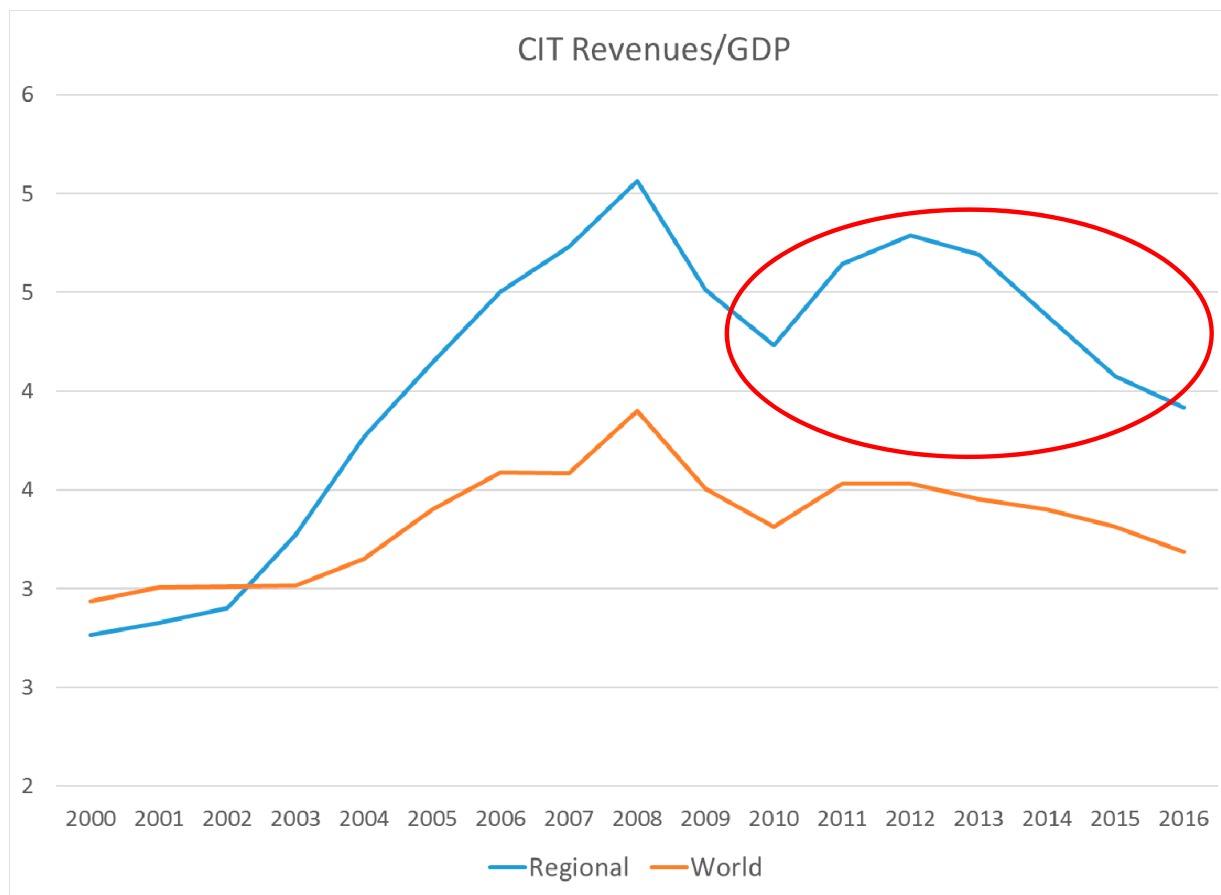


- Lower-income countries rely more heavily on indirect taxes--VAT, excises, and especially trade
- Upper-middle income countries rely most heavily on corporate income tax (CIT) and VAT
- High-income countries rely much more heavily on personal income tax (PIT)

# Tax competition has been pushing down CIT rates in Asia, but not as rapidly as elsewhere...



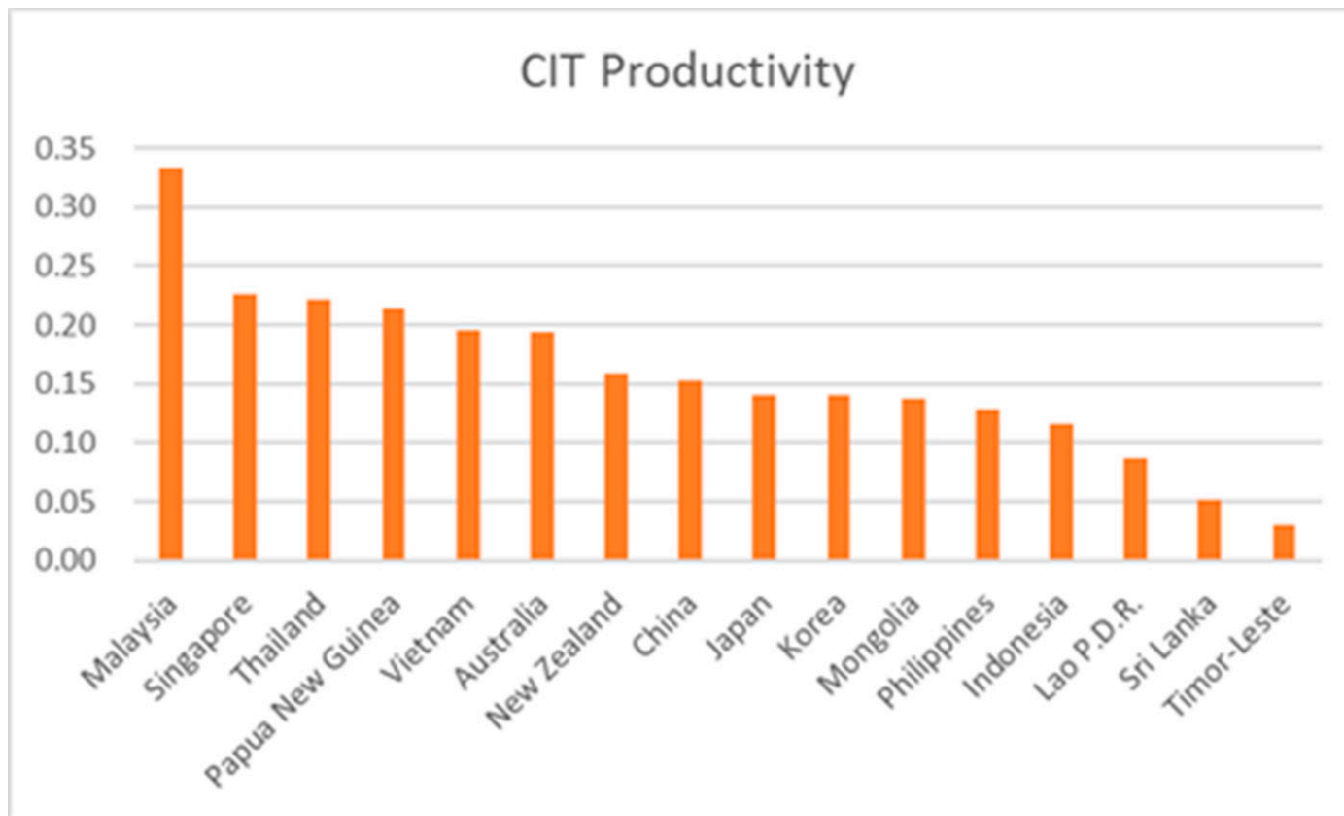
# ...and CIT revenue levels have accordingly been higher



Revenues recovered from crisis, but have since eroded

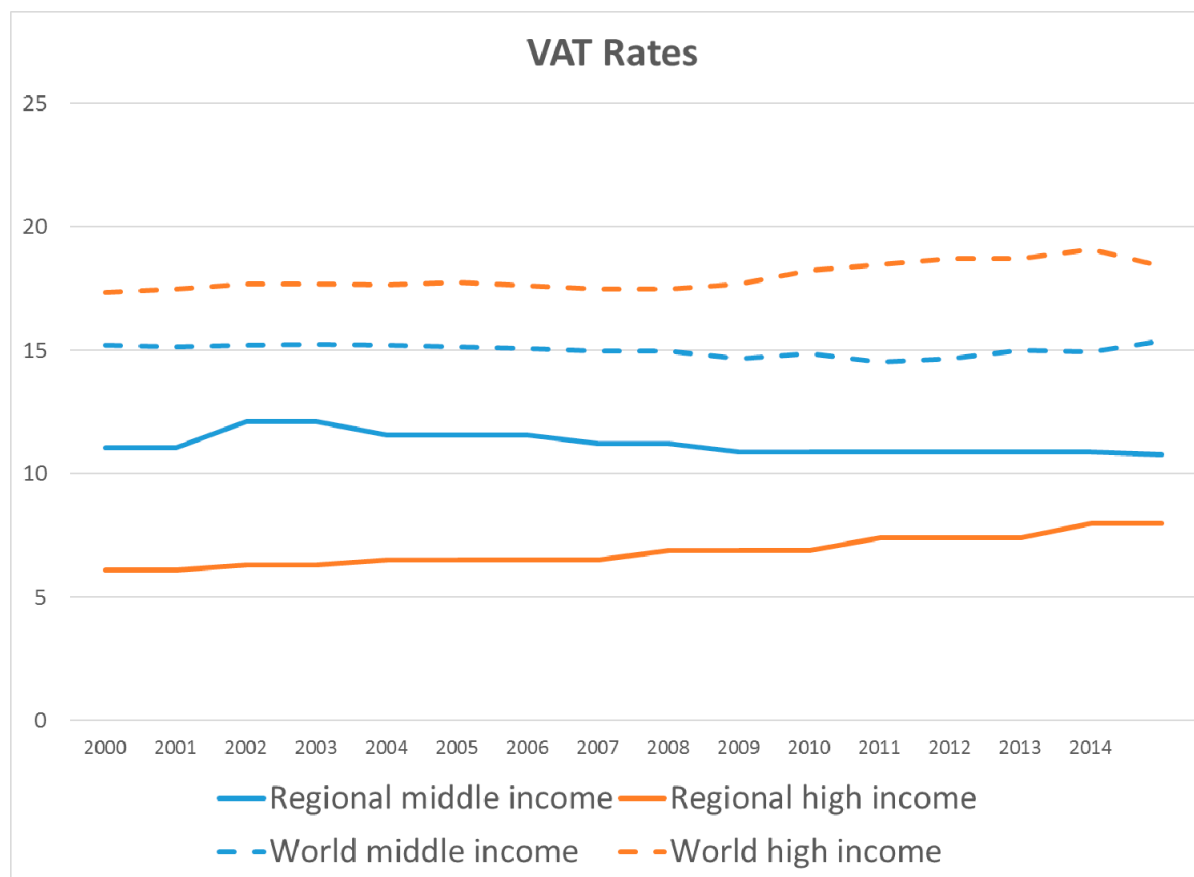
## However, CIT productivity varies widely across the region

$$\text{CIT productivity} = \frac{\text{CIT Revenues}}{\text{CIT rate} * \text{GDP}}$$



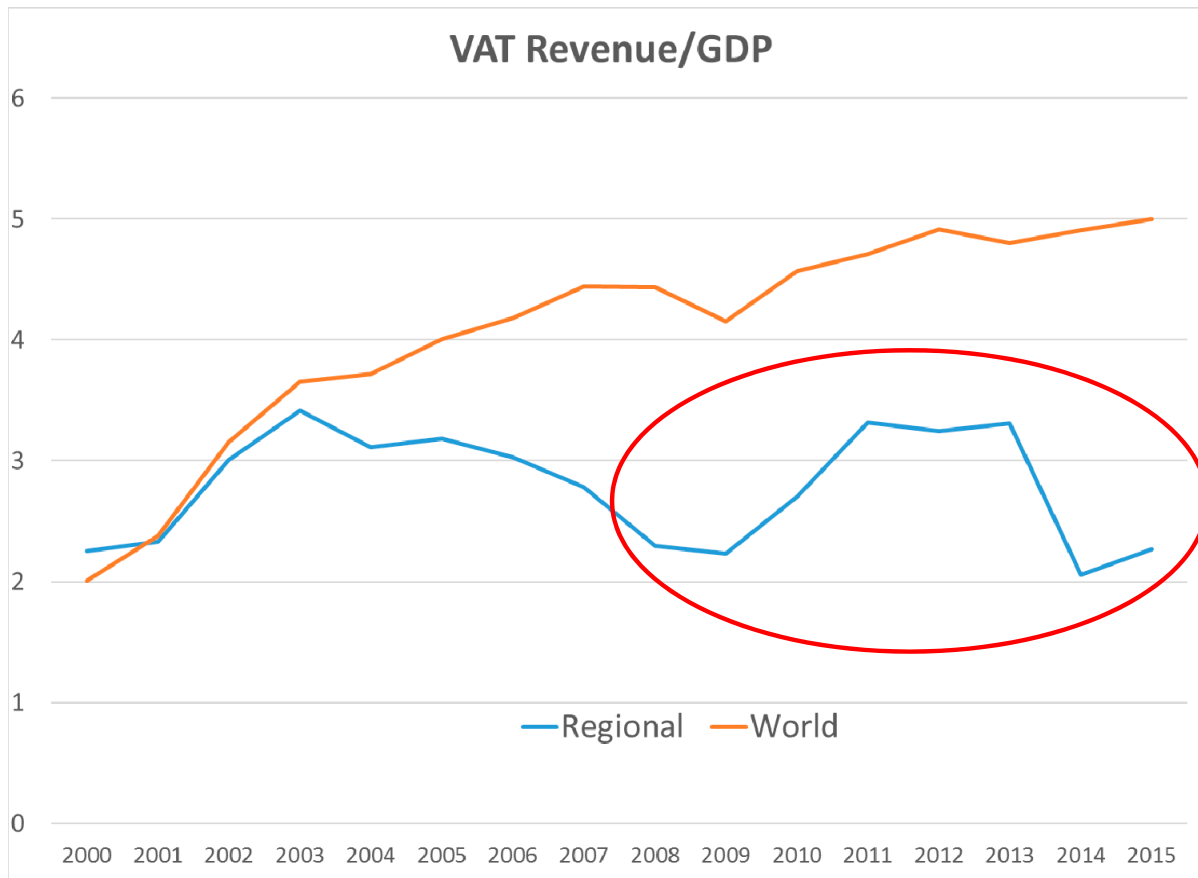
Some countries keep high statutory rate, but offer tax incentives for more mobile types of investment

# VAT rates are lower in Asia than elsewhere, especially among high-income countries





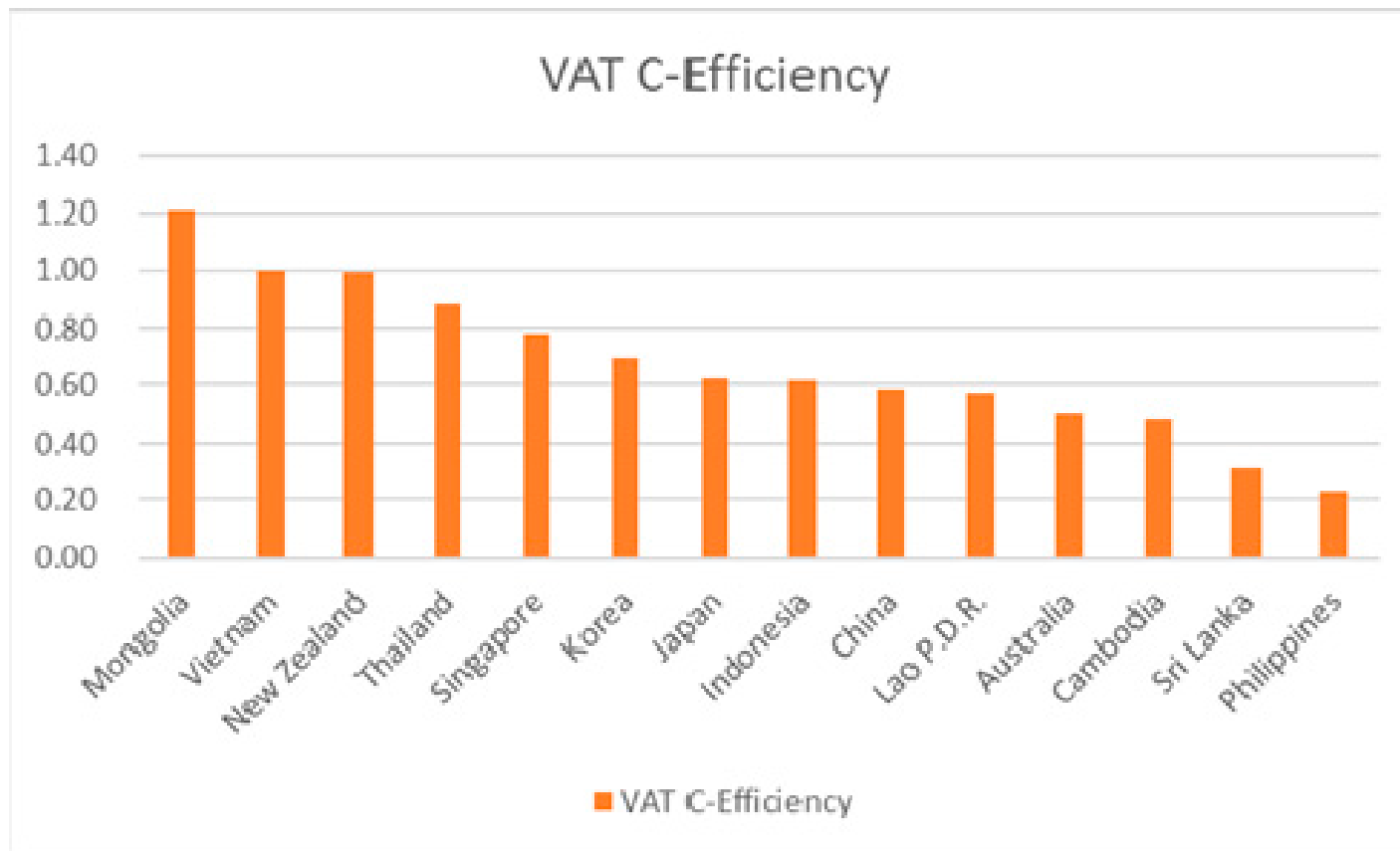
## ...and VAT revenue is accordingly lower



Volatility suggests at least some regional VATs are falling on business income

# VAT efficiency rates also vary widely

$$\text{VAT "C-efficiency"} = \frac{\text{VAT Revenues}}{\text{VAT rate} * \text{Consumption}}$$



Excessive exemptions may narrow VAT base, reducing C-efficiency, or cause “cascading”, which increases C-efficiency

THANK YOU