General government expenditures

Public expenditures have two main objectives: produce and/or pay for the goods and services delivered to citizens and businesses, and redistribute income. In addition, the amount of financial resources spent by governments provides an indication on the size of the public sector. Although government expenditures are usually less flexible than government revenues they are also sensitive to economic developments associated with the business cycle and reflect historical and current political decisions. For example, governments could choose to transfer resources via subsidies and grants or provide support by lowering tax rates to a given economic sector or a group within the society.

Government expenditures represented on average 41.9% of GDP across OECD countries in 2013. Greece (60.1%), Slovenia (59.7%), and Finland (57.8%) spent the most, whereas Korea (31.8%) and Mexico (24.4%) spent the least. Between 2007 and 2009 expenditures increased on average by 5.4 p.p. due mainly to measures adopted to counteract the global financial and economic crisis. The largest increases took place in Estonia (11.7 p.p.) and Ireland (11.6 p.p.), while a slight decrease occurred in Israel (0.6 p.p.).

The overall trend changed for the period between 2009 and 2013, when government expenditures as a share of GDP decreased on average by 2.5 p.p., mostly due to the slowdown (or reduction in some cases) of expenditures compared to the growth of GDP. As a response to the financial and economic crisis, countries implemented stimulus packages mainly in 2008; however since 2009 most countries have rather sought to cut back on expenditures. The strongest reductions occurred in Estonia (7.3 p.p.) and Ireland (6.9 p.p.). In ten OECD countries expenditures indeed grew during this period. The highest increase occurred in Slovenia (11.2 p.p.), Greece (6.0 p.p.) and Finland (3 p.p.). In the case of Slovenia the raise combines social preferences for a well-developed welfare state and poor expenditure controls. For Greece the change does not correspond to mounting expenditures; on the contrary it is triggered by the decrease of GDP at a higher pace than expenditures since 2009. Finally for Finland competitiveness has deteriorated and output has fallen, as electronics and forestry collapsed, while expenditures have continued to growth.

In addition, according to the 2014 data, available for a subset of OECD countries, government expenditures from 2013 to 2014 decreased substantially in Greece (10.7 p.p.) and Slovenia (9.9 p.p.) as one off expenditures to capitalize the banking system were registered in 2013. In 2014 Finland (58.7%), France (57.3%) and Denmark (57.2%) reported the highest spending as a share of GDP in 2014.

On average, across OECD countries government expenditures per capita represented USD 16 491 PPP per capita in 2013. However, OECD countries display large differences, ranging from USD 39 518 PPP in Luxembourg to USD 4 128 PPP in Mexico, a difference over nine fold. Notwithstanding, Mexico experienced a stable positive annual growth rate of 3.4% for both periods 2007-13 and 2009-13. On average, across OECD countries, expenditures per capita have increased at an annual rate of 1.2% between 2007 and 2013, while an annual decrease of 0.2% occurred between 2009 and 2013. Countries experienced similar trends when considering the 2009-14 period, where data are available, apart from being reverted to slight increases for Austria (0.1%) and Norway (0.01%). For Italy and Greece, the annual growth rates were negative for the three periods analysed.

Methodology and definitions

Expenditures data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. There have been revisions in the SNA framework and most of the OECD countries have partly or entirely implemented the updated 2008 SNA methodology (see Annex A for details). In SNA terminology, general government consists of central, state and local governments and social security funds. Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits, other current expenditures (mainly current transfers) and capital expenditures (i.e. capital transfers and investments).

Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period. Government expenditures per capita were calculated by converting total government expenditures to USD using the OECD/ Eurostat purchasing power parities (PPP) for GDP and dividing by population (for the countries whose data source is the IMF Economic Outlook an implied PPP conversion rate was used). PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A.

Further reading

OECD (2014), *National Accounts at a Glance 2014*, OECD, Paris, *http://dx.doi.org/10.1787/na_glance-2014-en*.

Figure notes

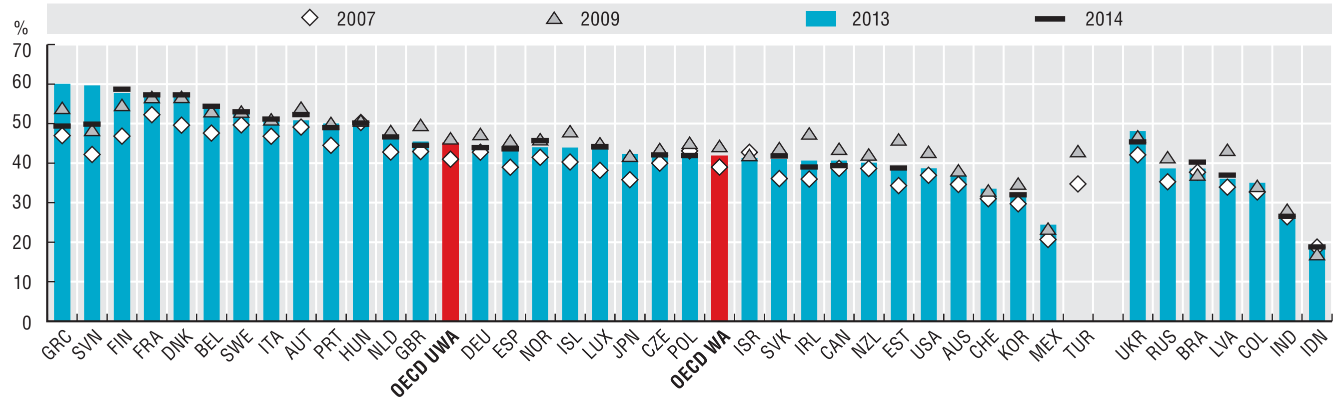
Data for Chile are not available. Data for Russia and Colombia are 2012 rather than 2013.

2.28 and 2.29: Data for Turkey are not including in the OECD average due to missing time-series.

2.30: Data for Turkey are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

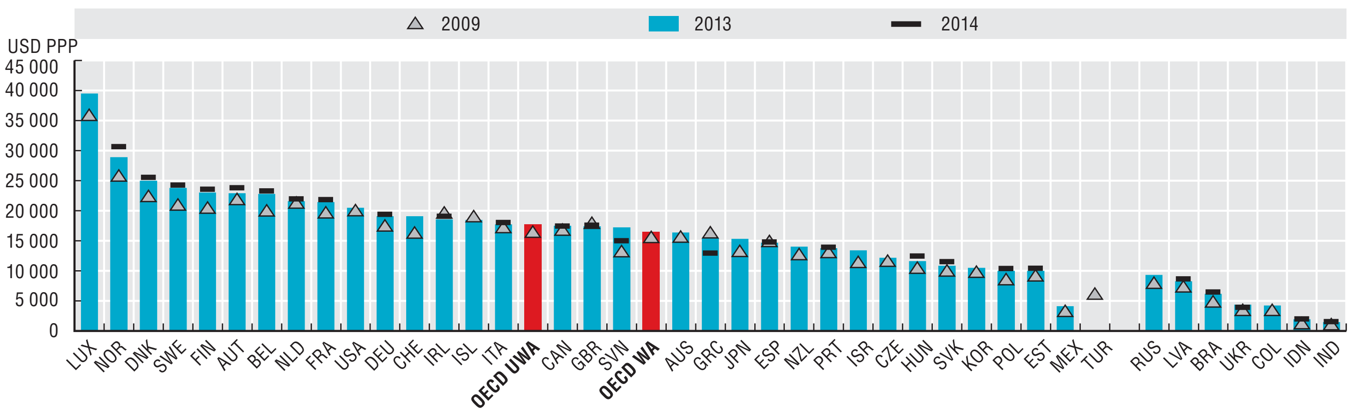
2.28. General government expenditures as a percentage of GDP, 2007, 2009, 2013 and 2014



Source: OECD National Accounts Statistics (database). Data for the other major economies of Brazil, India, Indonesia and Ukraine are from the *IMF Economic Outlook* (April 2015).

StatLink http://dx.doi.org/10.1787/888933248323

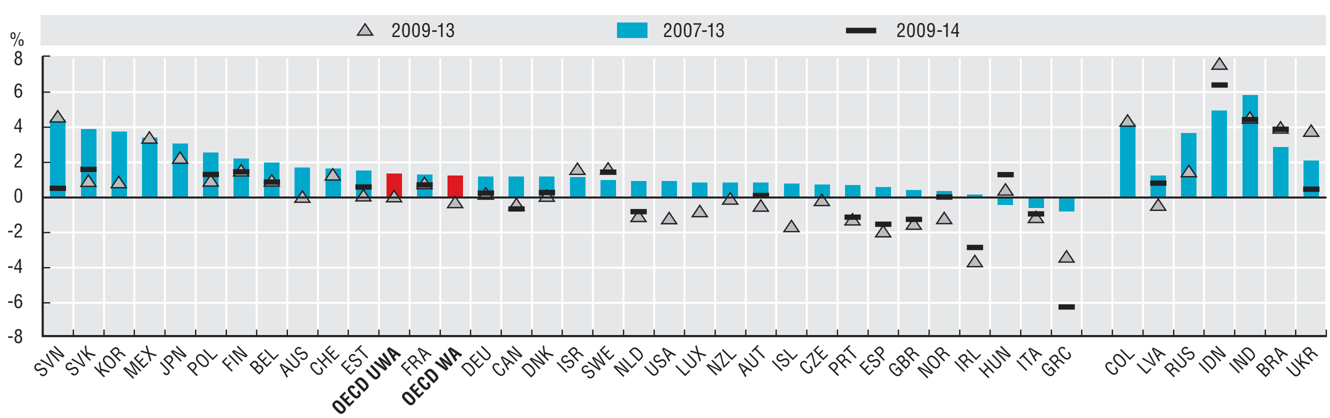
2.29. General government expenditures per capita, 2009, 2013 and 2014



Source: OECD National Accounts Statistics (database). Data for the other major economies of Brazil, India, Indonesia and Ukraine are from the *IMF Economic Outlook* (April 2015).

StatLink http://dx.doi.org/10.1787/888933248335

2.30. Annual average growth rate of real government expenditures per capita, 2007-13, 2009-13 and 2009-14



Sources: OECD National Accounts Statistics (database). Data for the other major economies of Brazil, India, Indonesia and Ukraine are from the *IMF Economic Outlook* (April 2015).

StatLink http://dx.doi.org/10.1787/888933248341

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