

General government expenditures

Governments spend money mainly for two purposes: to produce and/or pay for the goods and services delivered to citizens and businesses and to redistribute income. Comparing government expenditures across OECD member countries, as a share of GDP or per capita, provides a measure of the size of the government sector in the economy in terms of financial resources spent. Similarly to government revenues, government expenditures are determined by past and current political decisions that are themselves based on cultural expectations for social redistribution and levels of goods and services to be provided, fiscal constraints, and economic fluctuations and performance. Levels of government expenditures therefore strongly differ across OECD member countries. It is important to note that the size of expenditures is not an indication of government efficiency or productivity.

In 2011, general government expenditures accounted for 45.4% of GDP on average across OECD member countries. Differences across countries ranged from 57.6% in Denmark to 22.8% in Mexico. In general, government expenditures in OECD-EU member countries represent a higher share of GDP. The largest government sectors are in Denmark, France and Finland, with government expenditures equal or above 55% of GDP, whereas the smallest are in Korea and Mexico, with shares of 30% and 23% of GDP respectively.

Over the 2001-11 period, government expenditures as a share of GDP across OECD member countries underwent strong fluctuations. They increased significantly between 2001 and 2009, by 4.5 percentage points on average, and most notably in Ireland (15.4 percentage points), the United Kingdom (11.1 percentage points) and Estonia (10.7 percentage points). However, most of the increase across OECD countries during this period occurred after 2007: as overall economic activity contracted, automatic stabilisers came into force and discretionary expenditures were introduced. Only three countries reduced government expenditures as a share of GDP during the 2001-09 period: Israel (8.1 percentage points), the Slovak Republic (2.9 percentage points) and Switzerland (0.7 percentage points). Between 2009 and 2011, the overall trend reverted as the share of government expenditure in GDP decreased on average by 1.4 percentage points, mostly due to the slowdown (or reduction in some cases) of expenditures compared to the growth of GDP. The strongest reductions occurred in Estonia (7.2 percentage points), Sweden, Iceland and the Slovak Republic (all above 3 percentage points). Over the same period, the share of expenditures in GDP increased in only three countries, New Zealand (6.6 percentage points between 2009 and 2010, due to fiscal stimulus packages), Slovenia (1.4 percentage points) and Japan (0.1 percentage points).

On average across the OECD member countries, government expenditures represented USD 16 240 PPP per capita in 2011. In terms of population, the difference in magnitude between the highest and lowest levels of government expenditures across OECD member countries is over 9 fold

(USD 37 000 PPP per capita in Luxembourg compared to almost USD 4 000 PPP in Mexico), whereas it is only 2.5 fold when expressed as a share of GDP.

Between 2001 and 2011, government expenditures per capita increased on average by 2.2% on an annual basis across OECD member countries. The strongest increases occurred in Korea (6.1% average annual increase) and Estonia (5%), whereas government expenditures declined only in Israel, though moderately (0.1%).

Methodology and definitions

Government 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. In SNA terminology, general government consists of central, state and local governments and social security funds. Expenditures encompass intermediate consumption, compensation of employees, subsidies, social benefits, other current expenditures (including interest spending), capital transfers and other capital expenditures.

Gross domestic product (GDP) is the standard measure of the value of goods and services produced by a country during a period. Government expenditures per person were calculated by converting total government expenditures to USD 2011 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 (2013), *National Accounts at a Glance 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/na_glance-2013-en.

Figure notes

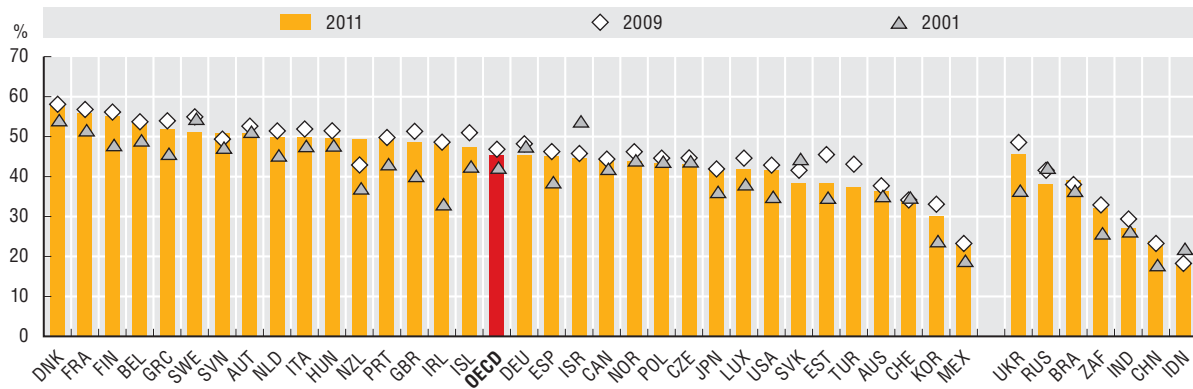
Data for Chile are not available. Data for Canada, New Zealand and the Russian Federation are for 2010 rather than 2011. Data for Japan and Mexico for 2001 are estimated. Data for the Russian Federation are for 2002 rather than 2001.

3.22: Data for Turkey for 2001 are not available and this country is not included in the OECD average.

3.24: Data for Turkey are not available.

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

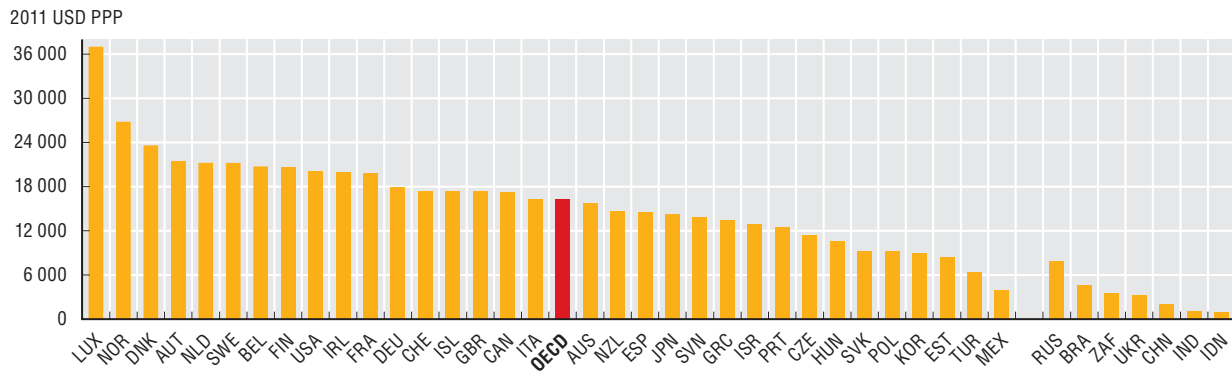
3.22. General government expenditures as a percentage of GDP (2001, 2009 and 2011)



Source: Data for OECD member countries: OECD National Accounts Statistics (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink <http://dx.doi.org/10.1787/888932941709>

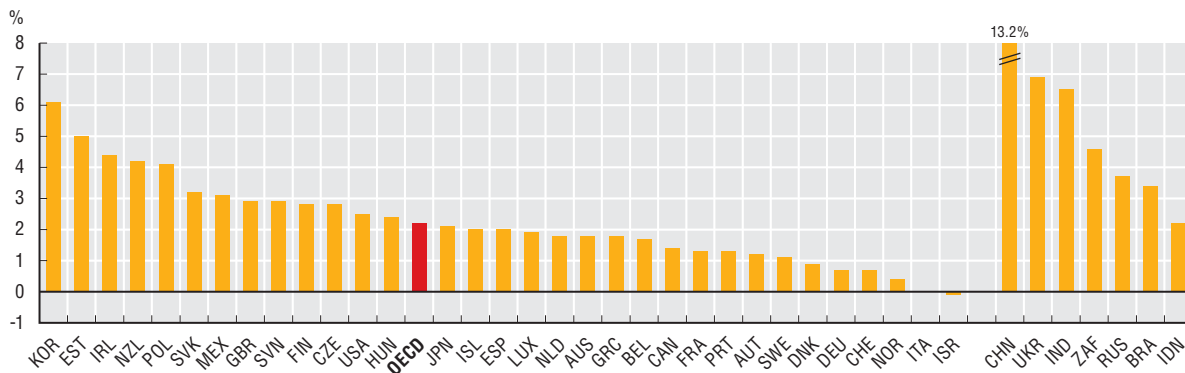
3.23. Government expenditures per capita (2011)



Source: Data for OECD member countries: OECD National Accounts Statistics (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

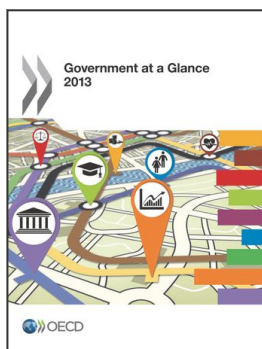
StatLink <http://dx.doi.org/10.1787/888932941728>

3.24. Annual average growth rate of real government expenditures per capita (from 2001 to 2011)



Source: Data for OECD member countries: OECD National Accounts Statistics (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink <http://dx.doi.org/10.1787/888932941747>



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