9. General government investment

Government investment creates a public infrastructure that is essential for long-term economic growth and societal well-being. Governments spend money on building roads, housing, schools and hospitals, as well as communications networks. In addition, governments can provide grants (transfers) to the private sector to encourage their investment activities. In response to the economic downturn, many OECD governments introduced stimulus plans in 2008 featuring an increase in government capital expenditures through investments in soft and hard infrastructure.

General government investment as a share of total investment spending in the economy is increasing. In 2009, government investment represented on average one-fifth of total investment in the economy in OECD member countries, up 3 percentage points from 2000 and more than 4 percentage points since 2007.

The marked increase in government investment as a share of total investment from 2007 to 2009 shows the impact of the financial and economic crisis both in terms of shrinking private sector investment and increasing government investment. In Ireland, government's share of total investment spending doubled from 2007 to 2009 (from 20% to 40%) and substantial growth was also seen in the United Kingdom, the United States and Estonia during this period. In Poland, government investment as a share of total investment increased the most between 2000 and 2007. Contrary to this trend, in the Slovak Republic the share of government investment in total investment declined dramatically from 35% in 2000 to 10% in 2007 and then doubled to 20% by 2009.

There is a large variance across countries in the share of total government expenditures devoted to investment activities. Some governments are actively investing (for example, devoting over 15% of total expenditures to investment activities) to build up or update their infrastructure stock. In other countries, the infrastructure stock may be more established or the private sector may play a larger role. Between 2000 and 2009, government investment as a share of general government expenditures markedly decreased in the Slovak Republic from 24% to 11%. Investment also decreased during this time in ten countries: Japan, Korea, Switzerland, Greece, Hungary, Portugal, Iceland, Luxembourg, Austria and Germany. Conversely, government investment increased substantially in Mexico and Poland (+7 percentage points) and more than doubled in the United Kingdom (from 4.6% to 10.3%) over these 9 years. The increase in Mexico has been caused by the changes in the social security system, while in Poland the increase was part of the stimulus package, and helped to avoid a recession in the country in 2009.

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics*, which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. General government investment includes gross fixed capital formation and capital transfers. It consists mainly of road infrastructure but also includes infrastructure such as office buildings, housing, schools and hospitals. Capital transfers consist of investment grants paid by government and other capital transfers. General government refers to central, state and local government and social security funds.

Total investment refers to the investment spending of the entire economy, including expenditures by general government, non-financial corporations, financial corporations, households and non-profit institutions.

Further reading

OECD (2011), *National Accounts at a Glance 2010*, OECD Publishing, Paris.

Figure notes

Data for Australia, Japan, Korea and the Russian Federation are for 2008 rather than 2009. Data for Mexico are for 2003 rather than 2000. Data for the Russian Federation are for 2002 rather than 2000. Differences in the data availability between 9.1 and 9.2 are due to the use of different data tables within the *OECD National Accounts Statistics*.

9.1: Data for Iceland and Turkey are not available. 2009 data for Israel and New Zealand are not available and these countries are not included in the average (OECD30). Data for Luxembourg and Korea do not include capital transfers. Data for Greece and Switzerland are for 2008 rather than 2009. Data for Israel are for 2006 rather than 2007. Data for Ireland and the Russian Federation are for 2002 rather than 2000.

9.2: Data for 2000 for Turkey and for 2000 and 2007 for Chile are not available and these countries are not included in the average (OECD32). Data for New Zealand are for 2008 rather than 2009.

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

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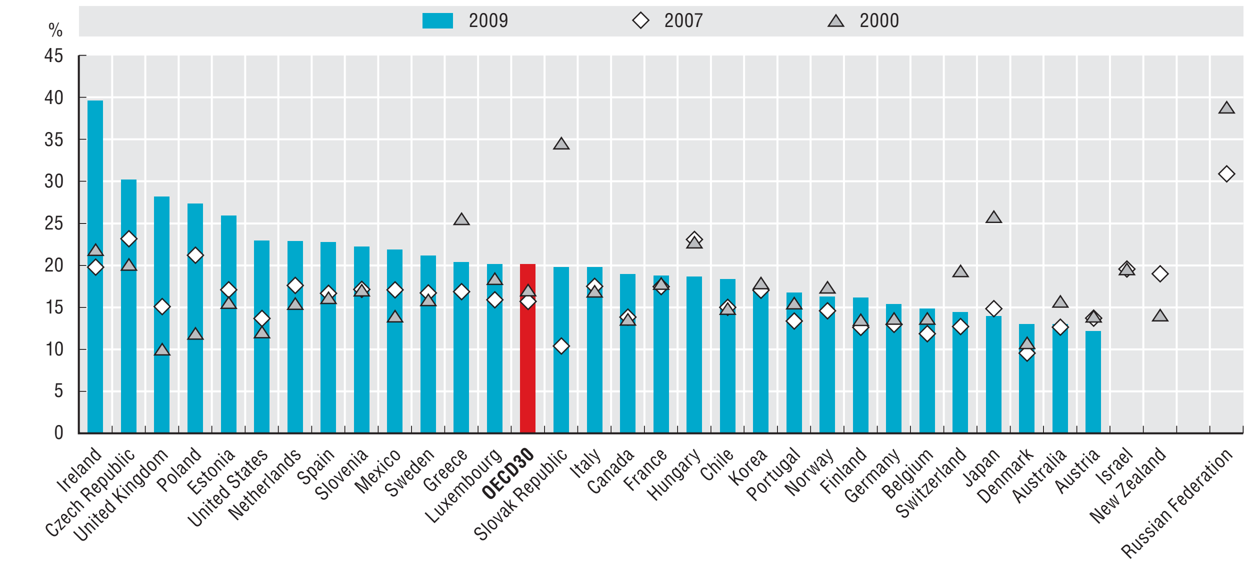
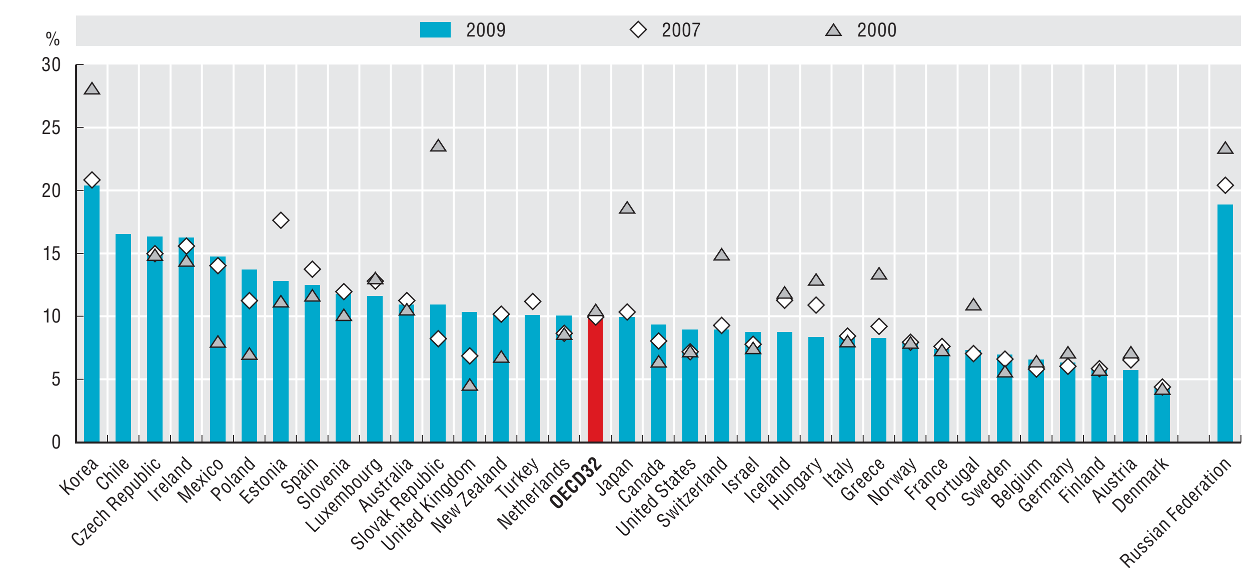
9.1 Government investment as a share of total investment (2000, 2007 and 2009)



Source: *OECD National Accounts Statistics.*

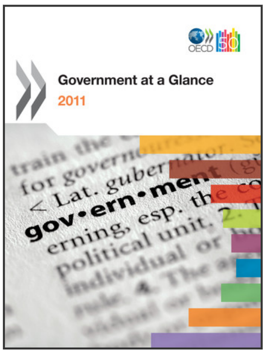
StatLink http://dx.doi.org/10.1787/888932390044

9.2 Government investment as a share of total government expenditures (2000, 2007 and 2009)



Source: *OECD National Accounts Statistics.*

StatLink http://dx.doi.org/10.1787/888932390063



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