

### General government expenditures

The government is responsible for providing goods and services to the population, some of which are its exclusive competence (e.g. administering justice), and redistributing income (e.g. via social benefits and subsidies). Government expenditures, funded primarily through taxes and social contributions are usually less flexible than revenues as they are less sensitive to the business cycle and reflect past and current policy decisions guaranteeing entitlements and rights.

In 2017, on average general government expenditures in OECD countries amounted to 40.4% of GDP, a 1.4 p.p. increase from 2007. France is the country that spent the most both in 2017 (56.5% of GDP) and in 2007 (52.6% of GDP). Between 2007 and 2018 for countries with available information the largest increase in expenditures occurred in Norway (7.3 p.p.) driven by a sustained period of expansionary countercyclical fiscal policies. However, as already witnessed by the reduction (1.3 p.p.) between 2017 and 2018 Norway is shifting towards neutrality in public accounts and placing a greater focus on spending efficiency.

Ireland and Mexico spent the least in 2017, with government expenditures representing 26.3% of GDP respectively. Between 2007 and 2017, the expenditures-to-GDP ratio decreased the most in Ireland (9.6 p.p.), driven mainly by the GDP headline figure increasing at a very fast pace. In 2015, a small number of multinational enterprises relocated their intellectual property assets to Ireland leading to a huge increase in the Irish capital stock and a subsequent increment in exports through contract manufacturing (OECD 2018b). In turn, Mexico also increased expenditure between 2007 and 2017 (4.7 p.p.), driven by increases in social spending (e.g. health, old age), but further room exists to increase the efficiency of this spending by avoiding duplications and leakages in social assistance programmes (OECD, 2019a).

Government expenditures per capita in OECD countries were USD 18 441 PPP in 2017, on average, up from USD 13 852 PPP in 2007. Luxembourg had the highest per capita expenditures in 2017 (USD 46 208 PPP) growing by USD 16 454 PPP between 2007 and 2018. While the comparatively high expenditure in Luxembourg is partly explained by a large proportion of cross-border workers that do not count as residents – hence the denominator (e.g. the population) is reported smaller than it would be if they were counted – it also reflects countercyclical measures implemented to fight the crisis. Public spending in Luxembourg is expected to keep increasing as ageing-related costs will rise substantially in the coming years (OECD, 2019b).

Between 2007 and 2017, the annual average real growth rate of government expenditures per capita was 1.0 % per year across OECD countries. Greece and Italy were the only countries where spending decreased by 2.6% and 0.4% respectively during this period. Yet, both Greece and Italy increased their spending per capita in 2017-18 (by 0.9% and 0.4% respectively). In turn, Korea (+3.5%)

increased its government expenditures per capita at the highest average rates between 2007-17. While overall public spending remains low in Korea, this rise is triggered by social spending increasing in a sustained way over the past decade, reflecting concerns to increase the well-being levels in Korea.

#### Methodology and definitions

General government expenditures data are 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. The 2008 SNA framework has been implemented by all OECD countries (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 of the country. PPP is the number of units of country B's currency needed to buy the same quantity of goods and services in country A.

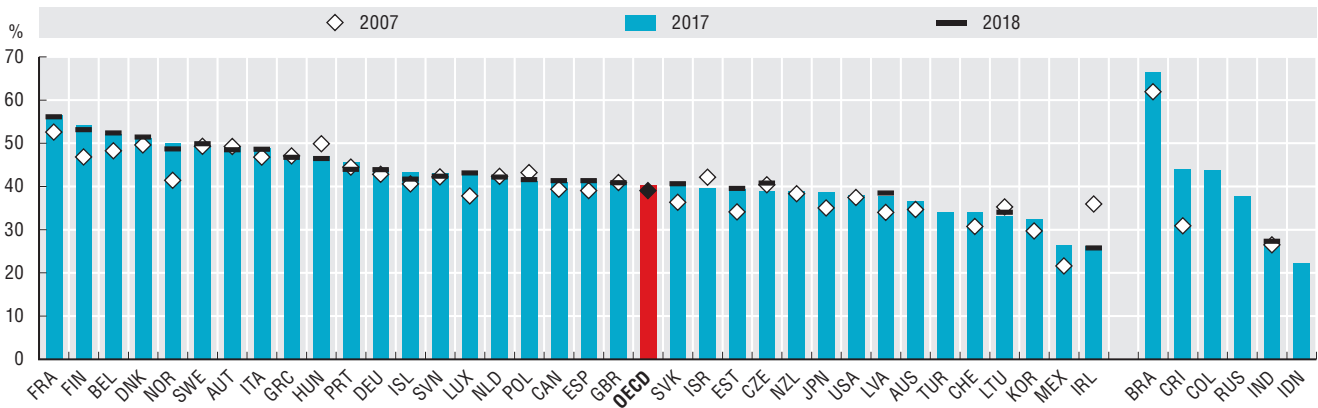
#### Further reading

- OECD (2019a), OECD Economic Surveys: Mexico 2019, OECD Publishing, Paris, <https://doi.org/10.1787/a536d00e-en>.
- OECD (2019b), OECD Economic Surveys: Luxembourg 2019, OECD Publishing, Paris, <https://doi.org/10.1787/424839c1-en>.
- OECD (2018), OECD Economic Surveys: Ireland 2018, OECD Publishing, Paris. [http://doi.org/10.1787/eco\\_surveys-irl-2018-en](http://doi.org/10.1787/eco_surveys-irl-2018-en)

#### Figure notes

- On data for Israel, see <http://doi.org/10.1787/888932315602>.
- 2.27 and 2.28. Data for Chile are not available. Data for Turkey are not included in the OECD average due to missing time series. Data for Brazil and Indonesia are for 2016 rather than 2017. Data for Russia are for 2015 rather than 2017.
- 2.29. Data for Chile and Turkey are not available. Data for Brazil are for 2007-16 rather than 2007-17.

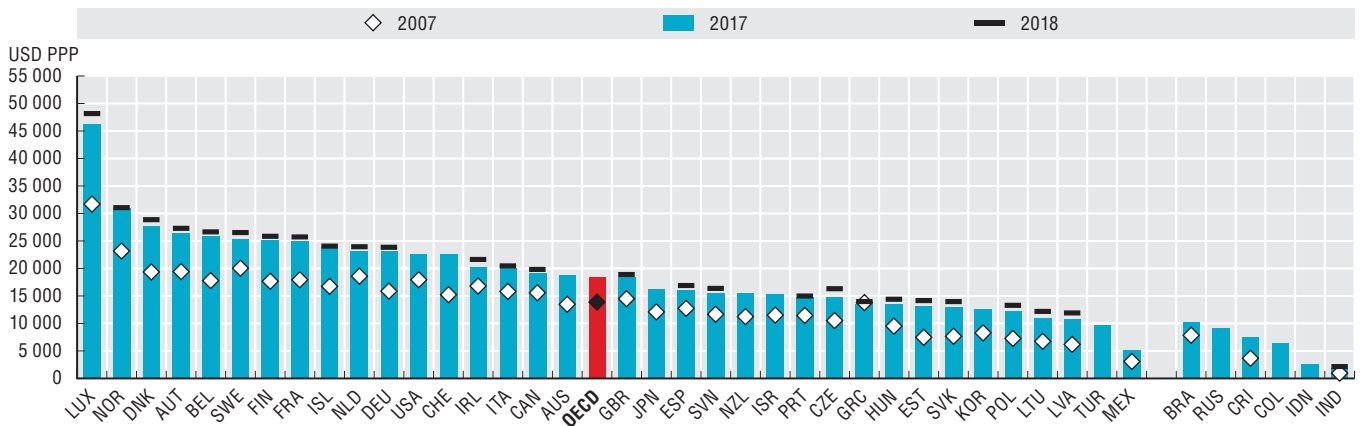
## 2.27. General government expenditures as a percentage of GDP, 2007, 2017 and 2018



Source: OECD National Accounts Statistics (database). Data for India are from the IMF Economic Outlook (April 2019).

StatLink <https://doi.org/10.1787/888934031693>

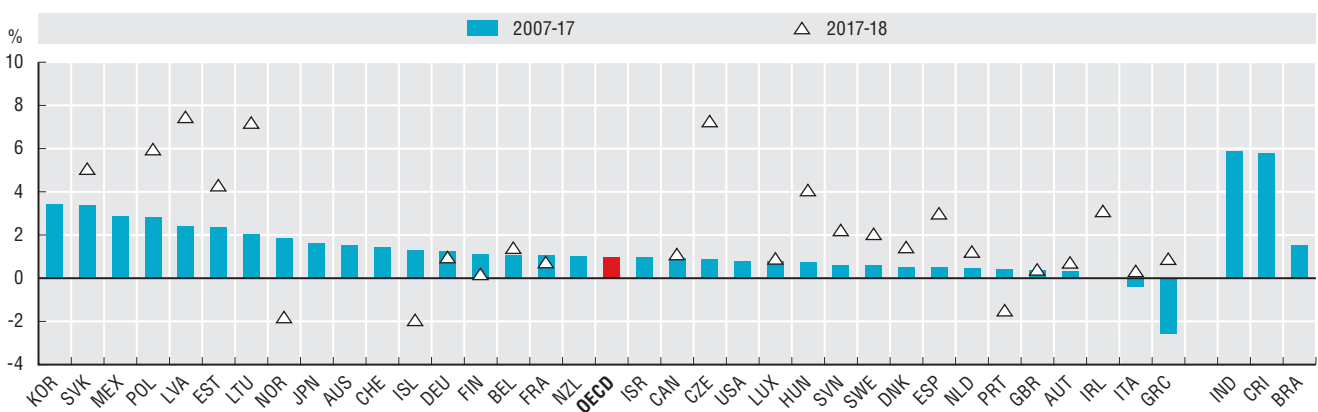
## 2.28. General government expenditures per capita, 2007, 2017 and 2018



Source: OECD National Accounts Statistics (database). Data for India are from the IMF Economic Outlook (April 2019).

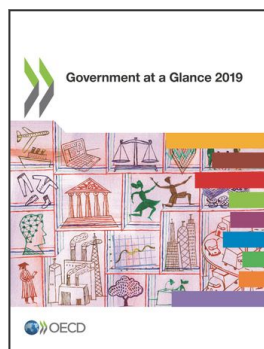
StatLink <https://doi.org/10.1787/888934031712>

## 2.29. Annual average growth rate of real government expenditures per capita, 2007-17 and 2017-18



Source: OECD National Accounts Statistics (database). Data for India are from the IMF Economic Outlook (April 2019).

StatLink <https://doi.org/10.1787/888934031731>



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