

Governments spend money to provide goods and services, redistribute income and pursue economic development objectives. The amount of financial resources spent by governments provides an indication of the size of the public sector. Nevertheless, the size of government does not necessarily reflect its performance. Although government expenditures are usually less elastic than government revenues, they are also sensitive to economic developments associated with macroeconomic conditions and the business cycle. They also reflect past and current political decisions.

General government expenditures in LAC countries represented on average 33.1% of GDP in 2014. However, there is variation in government expenditures across LAC countries: Barbados and Ecuador reported levels above 40% of GDP, while in countries such as Costa Rica and Dominican Republic, government expenditure levels were below 20%. LAC governments spend markedly less in relation to their GDP than OECD countries. In 2014, for example, government expenditures in OECD countries accounted for 41.5% of GDP. However, as the region experienced an expansionary phase over recent years, government expenditures in LAC increased on average by 4.7 percentage points between 2007 and 2014, compared to an average increase of 2.5 p.p. in OECD countries. Ecuador (19.9 p.p.) and Argentina (13.2 p.p.) experienced the largest increases while government expenditures actually diminished in Jamaica (4.5 p.p.) during the eight-year period.

On average, across LAC countries government expenditures per capita represented USD 5 384.3 PPP per capita in 2014. This is around one third of the expenditure for OECD countries, where government expenditures per capita accounted for USD 16 876.0 PPP in the same year. Argentina (USD 8405.5 PPP), with the highest level of per capita expenditures, spent five times more per person than El Salvador (USD 1802.1 PPP), the lowest in 2014. In the case of Argentina, government expenditures per capita increased by 65.2% between 2009 and 2014; however, the largest share of this increase is associated with increasing current expenditures while investment increased at a slower pace.

Government expenditures per capita increased by an annual average rate of 3.9% in LAC countries between 2007 and 2014, much higher compared to the increase of 1.0% in OECD countries during the same period of time. Jamaica is the only country in the LAC region that experienced a contraction in the government spending (-3.5 p.p.), which could be explained by cuts in government spending required for lowering the pervasive fiscal deficit.

### Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2016), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFS and SNA frameworks have been recently revised and several statistical standards were implemented by the countries. General government consists of central government, state government, local government and social security funds.

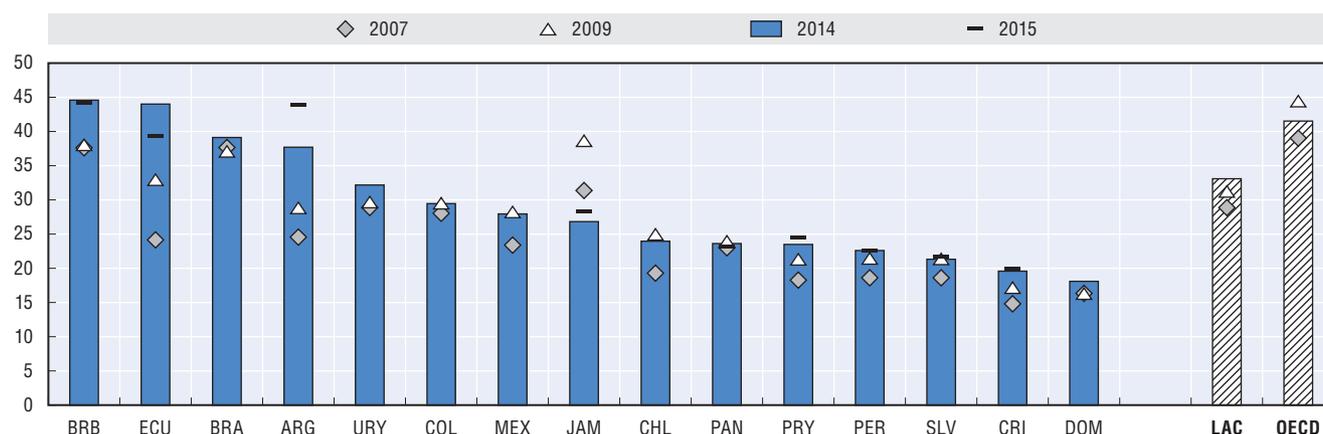
Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits, grants and other expenses, and investments. Therefore, total expenditures consist of total expenses and the net acquisition of non-financial assets. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

Purchasing power parity (PPP) is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. For information on the calculation of government expenditures per capita see the "Methodology and definitions" section of "General government revenues". For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

### Further reading

- ECLAC (2015), *Preliminary Overview of the Economies of Latin America and the Caribbean 2015*, Eclac Publishing, Santiago, Chile.
- IDB (2015), *The Labyrinth: How Can Latin America and the Caribbean Navigate the Global Economy*, 2015 Latin American and the Caribbean Macroeconomic Report, Inter-American Development Bank, Washington, DC.

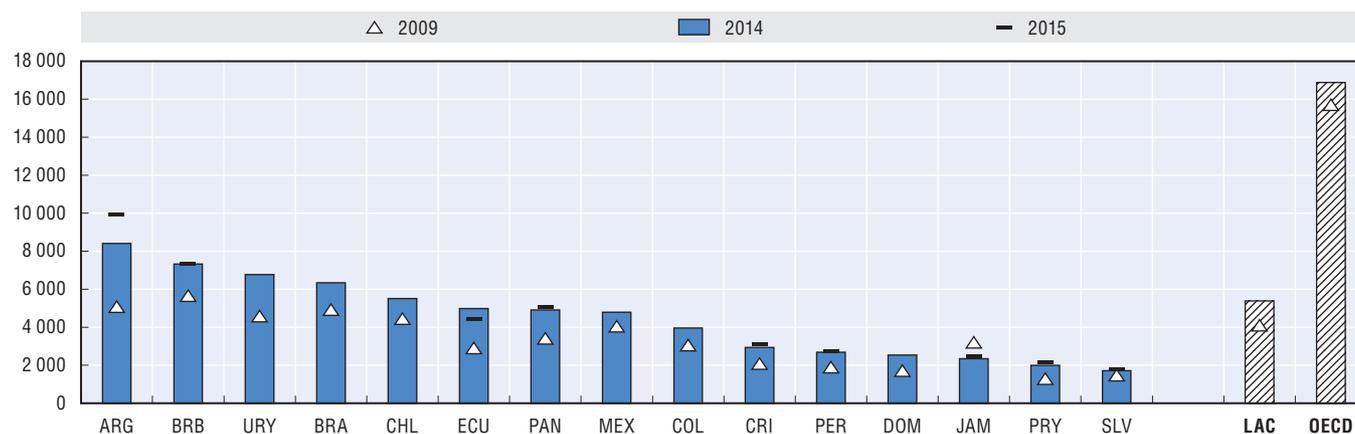
## 2.14. General government expenditures as a percentage of GDP, 2007, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933430996>

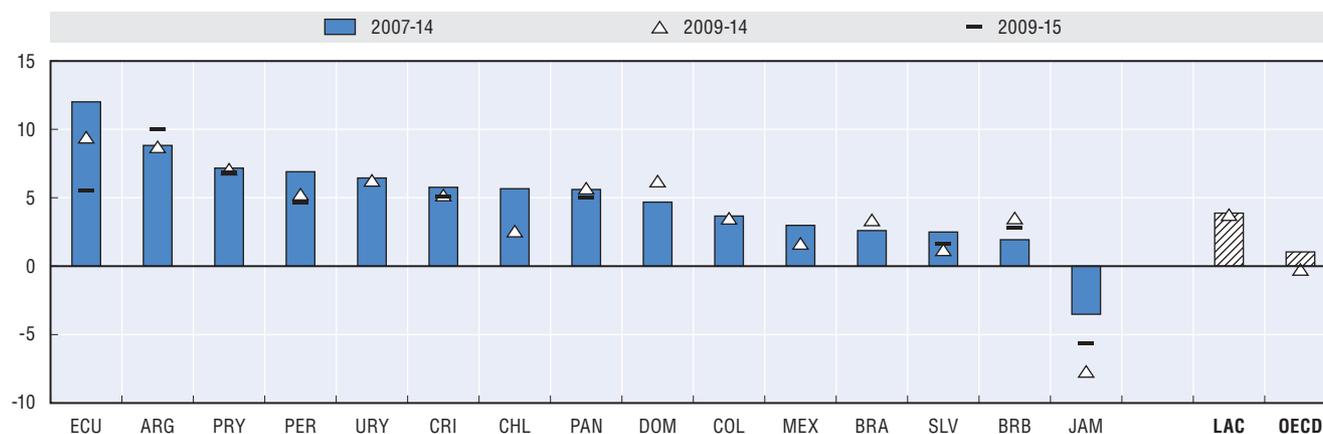
## 2.15. General government expenditures per capita, 2009, 2014 and 2015



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

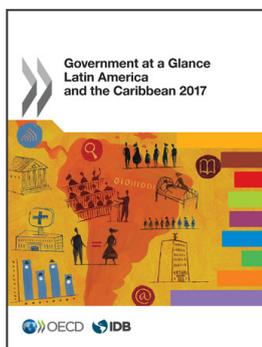
StatLink <http://dx.doi.org/10.1787/888933431002>

## 2.16. Annual average growth rate of real government expenditures per capita, 2007-14, 2009-14 and 2009-15



Sources: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (April 2016). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933431012>



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