

Government investment spending

Public investment can enhance productivity and promote economic growth as well as foster societal well-being. Investments are generally made in transport infrastructure, military defence systems, buildings (such as schools and hospitals) and other tangible or intangible assets.

In 2017, on average, OECD governments invested 3.1% of their GDP, a 0.5 p.p. decrease from 2007. Estonia and Norway (both 5.3%) invested the largest share of GDP. In Estonia, strategic public investment is a national priority as evidenced by the central identification of key public assets to be developed, a focus on raising the quality of public infrastructure and the achievement of green objectives in investment decisions, among others. On the other end, Israel invested the least (1.4%). In order to close the infrastructure gap (a comparatively low stock of public infrastructure), in relation to other developed economies, Israel has released a long-term national infrastructure strategy to 2030 including projects mainly in the transportation sector, but also in energy, water desalination and waste treatments. Consequently and despite different modalities foreseen to carry out this programme, public investment is expected to increase.

Between 2007 and 2017, Norway was the country that increased its investments the most (+1.6 p.p.) driven by substantial public investment in transport which has intensified in recent years, if transport projects are properly chosen and delivered they can help Norway transition away from oil-related activities (OECD, 2018). Ireland (2.9 p.p.) Spain (2.7 p.p.) and Greece (2.3 p.p.), on the contrary, reduced their investments the most; all these countries were severely hit by the 2007-08 crisis and conducted considerable consolidation efforts including investment reductions.

Across OECD countries, investments amounted to 7.7% of government expenditures in 2017-down from 9.3% in 2007. In 2017, Korea (15.6%), Estonia (13.5%) and Latvia (11.7%) spent the largest share on investments. On the other hand, Israel, Portugal and Belgium allocated the smallest proportion of spending on investments in 2017 (3.6%, 4.1% and 4.4% respectively). While in Portugal and Belgium, this is the result of consolidation efforts, in Israel, as discussed above, it is linked to structural low levels of investment. Investment by functions varies widely; on average over one-third (34.4%) of investment spending corresponds to economic affairs which includes transportation, followed by defence (15.4%) and education (14.1%). Investment in environmental protection represents a mere 4% of total investment and is highest in the Netherlands (12.2%) and Japan (11.3%), both countries with high exposure to environmental and natural risks.

Investment by levels of government varies widely and is different for federal and non-federal countries. While in Belgium (89.8%) and Canada (87.8%), in 2018, sub-central levels were responsible for most of the investment; in Greece

and Hungary, the central level carried out over three-quarters of investment, while the local level just under one-quarter.

Methodology and definitions

Data are from the OECD National Accounts Statistics (database) 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). General government investment includes gross capital formation and acquisitions, less disposals of non-produced nonfinancial assets. Gross fixed capital formation (also named as fixed investment) is the main component of investment consisting for government, mainly of transport infrastructure but also including infrastructure such as office buildings, housing, schools, hospitals, etc. In the SNA 2008 framework, expenditures in research and development have also been included in fixed investment. Government investments together with capital transfers constitute the category of government capital expenditures. Government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States.

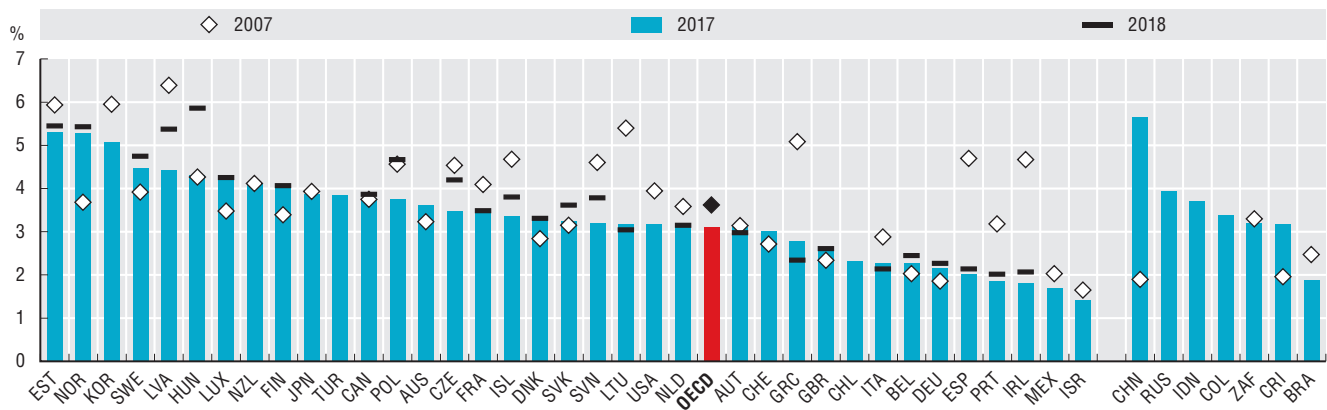
Further reading

OECD (2018), OECD Economic Surveys: Norway 2018, OECD Publishing, Paris, http://doi.org/10.1787/eco_surveys-nor-2018-en

Figure notes

- 2.47 and 2.48. Data for Chile and Turkey are not in the OECD average because of missing time series. On data for Israel, see <http://doi.org/10.1787/888932315602>. Data for Brazil, China and Indonesia are for 2016 rather than 2017. Data for Russia are for 2015 rather than 2017.
- 2.49. Data for Chile are not available. Data for Indonesia are for 2016 rather than 2017. Data for Turkey are not included in the OECD average because of missing time series. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in Ireland, New Zealand, Norway, the United Kingdom and the United States.
- 2.50. (Government investment as a share of total investment) and 2.51. (Structure of general government investment by function) are available online in Annex F.

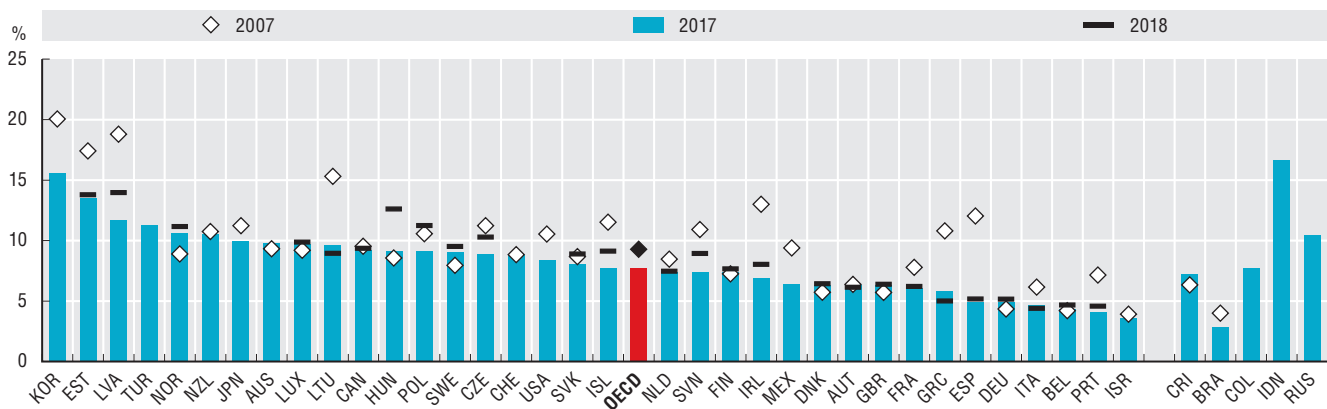
2.47. Government investment as percentage of GDP, 2007, 2017 and 2018



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934031845>

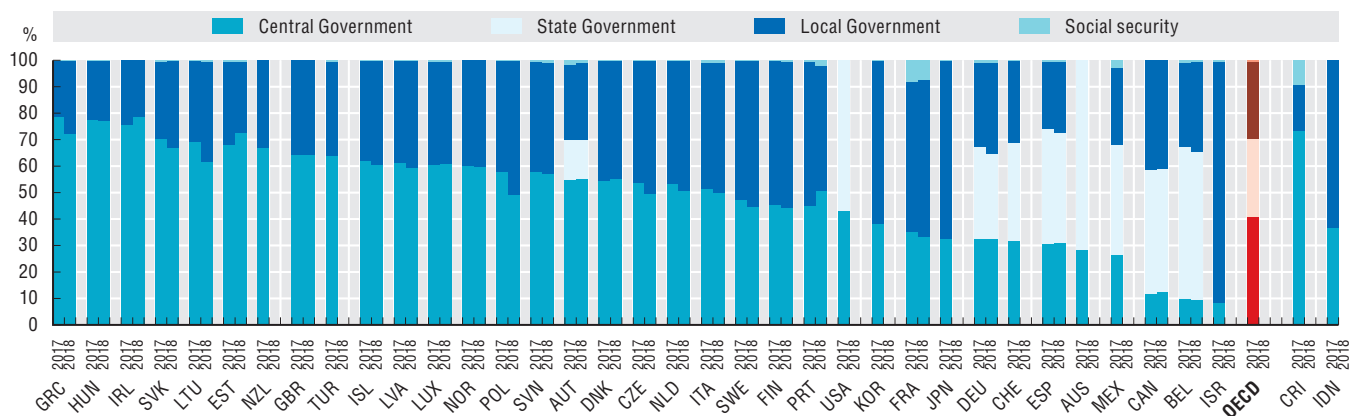
2.48. Government investment as a share of total government expenditures, 2007, 2017 and 2018



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934031864>

2.49. Distribution of investment spending across levels of government, 2017 and 2018



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934031883>



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