

2.6. GENERAL GOVERNMENT EXPENDITURES

Governments spend money to provide goods and services, redistribute income and pursue economic development objectives. The amount of financial resources that governments spend provides an indication of the public sector's size, although this does not necessarily reflect its performance. Though 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 expenditures in SEA countries represented on average 20% of GDP in 2016. However, there is significant variation in expenditure across SEA countries: Brunei Darussalam and Viet Nam reported levels of 39% and 30% of GDP respectively, in line with expenditure levels of the four OECD countries in the region. In countries such as Indonesia, Singapore and the Philippines, however, levels were below 20%. Overall, SEA countries spend on average significantly less in relation to their GDP than OECD countries, where the 2016 average of government expenditure was 40.6% of GDP. The OECD's 2018 Economic Survey in the region also highlights that infrastructure and communications technology, particularly in rural areas, is an area which would benefit from further investment, as well as public spending on education and research and development.

Government expenditures related to GDP have stayed remarkably stable in SEA countries over time. There have been notable fluctuations in certain countries, however. Between 2007 and 2016, government expenditure in Brunei Darussalam increased by 9.8 p.p. reaching 39.1% of GDP. Myanmar and Cambodia also experienced significant increases in government spending in relation to GDP during this period, by 7.6 p.p. and 7.1 p.p. respectively. Malaysia and Indonesia are the only two SEA countries in which government expenditures decreased between 2007 and 2016 relative to GDP, by 2.9 and 1.9 p.p. respectively.

On average, expenditure per capita across SEA countries represents USD 2 330 PPP in 2016. This is just over 13% of the expenditure for OECD countries, where government expenditures per capita account for USD 17 680 PPP in the same year. Brunei Darussalam (USD 30 251 PPP) had the highest level of government expenditures per capita, spending 1.7 times the OECD average and 13 times the SEA average. However, Brunei Darussalam is a rather exceptional country, given its natural resource wealth and small population. Singapore's government spending per person, at USD 16 003 PPP, is in line with the OECD average.

Between 2007 and 2016, the annual average growth rate of real government expenditures per capita was 3.7% on average in SEA countries, much higher than the 1% rate in OECD countries during the same period. All SEA countries have experienced growth in expenditures, though

to varying degrees. In Cambodia, Lao PDR and Myanmar, government spending per person went up by an annual rate of more than 9%. In Brunei Darussalam and Malaysia, it grew by less than 2%. While overall government expenditure levels in SEA are much lower than in OECD countries, real government spending per capita in SEA has been growing.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (June 2018), 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.

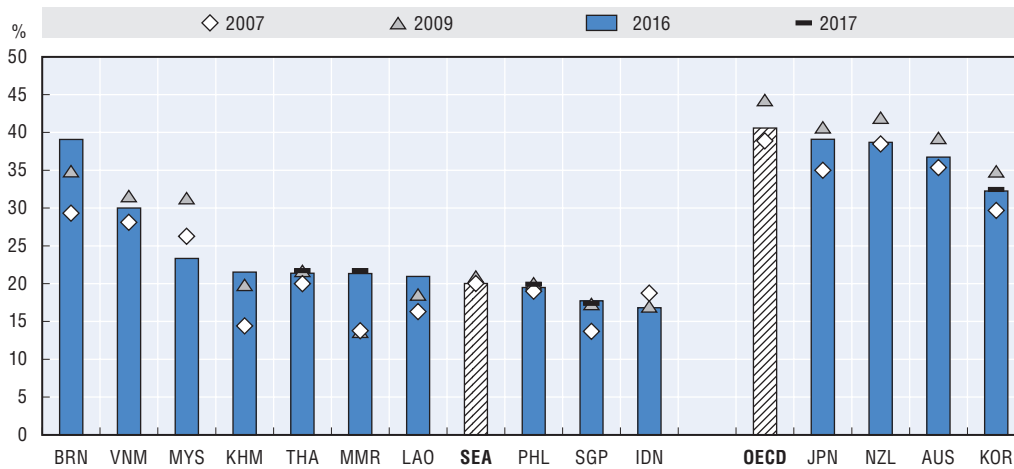
Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits, grants and other expenses, and investments. Therefore, total expenditures consist of total expenses and the net acquisition of non-financial assets. Gross 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 calculating government expenditures per capita, see section 2.4 on general government revenues (methodology and definitions). For the OECD countries and average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

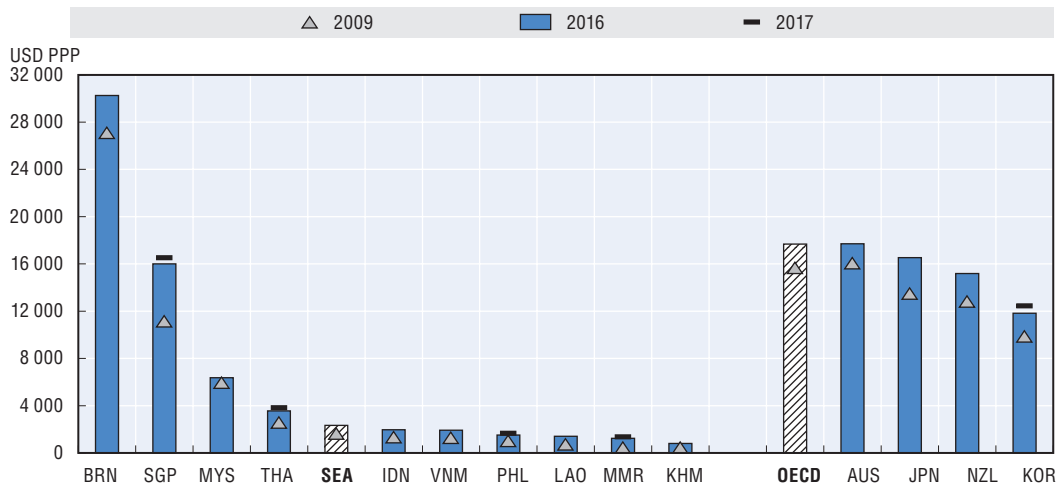
OECD (2018), *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth through Digitalisation*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264286184-en>.

2.12. General government expenditures as a percentage of GDP 2007, 2009, 2016 and 2017



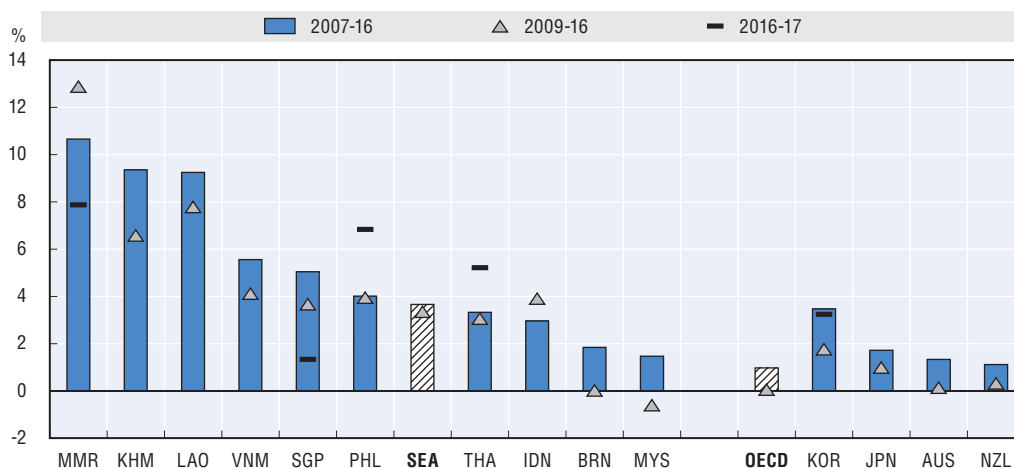
Sources: For SEA countries, IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).
StatLink <https://doi.org/10.1787/888933840646>

2.13. General government expenditures per capita, 2009, 2016, and 2017



Sources: For SEA countries, IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).
StatLink <https://doi.org/10.1787/888933840665>

2.14. Annual average growth rate of real government expenditures per capita, 2007-16, 2009-16 and 2016-17



Sources: For SEA countries, IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).
StatLink <https://doi.org/10.1787/888933840684>



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