

Structure of general government expenditures by economic transaction

Government expenditures go beyond production related expenditures. In a government budget perspective, economic transactions such as gross capital formation, social benefit payments, interest payments generated by the public debt and subsidies are also included determining the total government expenditures. All these transactions together have the advantage of better capturing on what government spends taxpayers' money and also its ability to stimulate the demand.

Generally, the largest expenditure component of general government is social benefits followed by the compensation of employees. In 2013, on average, these two items accounted for 62.8% of the total government expenditures across OECD countries. In general, OECD countries devoted 39.8% of the total expenditures to social benefits. However, there are several differences across countries. On the one side, social benefits in countries like Iceland, Israel, Mexico, Canada and Korea were between 14 and 30 p.p. lower than the OECD average. On the other side, Germany devoted 13.7 p.p. more than the OECD average to this item. In general, OECD countries devoted 22.9% of the total expenditures to compensation of employees. Despite being on average the second largest share, several differences were found across OECD countries. The share of this item was 14.9 p.p. larger in Mexico, where it almost reached 40% of total expenditures, and 9.3 p.p. larger in Iceland (exceeding 32% of the total expenditures). Intermediate consumption was the third largest economic transaction, accounting for 14.8% of the total government expenditures. Finally, the capital expenditures accounted for 9.6% of total expenditures, 6.9% was devoted to property income (mostly interest payments) while the remaining 6% was devoted to other current expenditures and subsidies.

Between 2007 and 2013, the share of general government expenditures across OECD countries devoted to social benefits was the economic transaction with the highest increase (3.1 p.p.). This increment reflects the impact on OECD countries in supporting social phenomena related to the economic crisis such as increases in unemployment. Specifically, the highest increases took place in countries such as Ireland and Spain (7.4 p.p. and 7.1 p.p. respectively). Nevertheless, over the same period some of the OECD countries experienced a decrease: Slovenia, Greece and Hungary were the most affected (-5.8 p.p. and -1.7 p.p. and -1.5 p.p. respectively). Despite that, Greece reveals a different picture when analysing the evolution of this item over the latest period 2013-14, showing an increase of the share of social benefits by 7.8 p.p.

Over the period 2007-13, the share of compensation of employees to the total expenditures decreased significantly across OECD countries (-1.4 p.p.). Traditionally, adjustments in the wages or the number of employees in government have been the main measures taken by OECD governments to decrease the compensation of employees. Despite this general trend, seven OECD countries displayed positive figures namely, Norway (1.8 p.p.), Israel (0.8 p.p.),

Slovak Republic (0.7 p.p.), Germany and Canada (both 0.3 p.p.) and Estonia and Switzerland (below 0.3 p.p.). Similarly, the share of capital expenditures over the total expenditures decreased across OECD countries (-1.3 p.p.). Ireland and the Czech Republic experienced the largest decreases over this period (-10.6 p.p. and -4.9 p.p., respectively), a similar trend that was also observed between the years 2007 and 2014 (-9.0 p.p. and -4.2 p.p.).

Methodology and definitions

Expenditures data are derived 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. There have been revisions in the SNA framework and most of the OECD countries have partly or entirely implemented the updated 2008 SNA methodology (see Annex A for details). Expenditures encompass the following economic transactions: intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits (consisting of social benefits other than social transfers in kind and of social transfers in kind provided to households via market producers), other current expenditures (mainly current transfers but also other minor expenditures as other taxes on production, current taxes on income and wealth etc. and the adjustment for the change in pension entitlements) and capital expenditures (i.e. capital transfers and investments). All these transactions at the level of government are recorded on a consolidated basis (i.e. transactions between levels of government are netted out). Figure 2.40, Change in the structure of general government expenditures by economic transaction, 2007 to 2014 is available online at <http://dx.doi.org/10.1787/888933248447>.

Further reading

OECD (2014a), *National Accounts at a Glance 2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/na_glance-2014-en.

OECD (2014b), *OECD Factbook 2014: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/factbook-2014-en>.

Figure notes

Data for Australia, Chile and Turkey are not available. Data for Colombia and Russia refer to the year 2012 rather than 2013.


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

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2.39. Structure of general government expenditures by economic transaction, 2013 and 2014 and change 2007 to 2013

	Intermediate consumption			Compensation of employees			Subsidies			Property income (incl. interest)			Social benefits			Other current expenditures			Capital expenditures		
	2013	2014	Change 2007-13	2013	2014	Change 2007-13	2013	2014	Change 2007-13	2013	2014	Change 2007-13	2013	2014	Change 2007-13	2013	2014	Change 2007-13	2013	2014	Change 2007-13
Austria	12.8	12.4	0.7	20.9	20.2	-0.3	2.8	2.8	-0.3	4.9	4.5	-1.5	45.2	44.6	2.5	6.5	6.2	0.7	7.0	9.3	-1.9
Belgium	7.3	7.3	-0.3	22.9	23.0	-1.0	5.4	5.3	0.7	5.7	5.7	-2.3	46.2	46.5	1.4	5.0	4.8	0.5	7.6	7.4	0.9
Canada	23.3	23.6	1.2	29.8	30.1	0.3	2.9	2.8	0.1	8.0	7.9	-2.5	22.9	23.2	0.8	2.9	2.9	0.1	10.2	9.5	0.1
Czech Republic	12.1	11.7	-1.8	17.2	17.0	-0.4	6.4	6.5	2.3	3.2	3.2	0.5	45.5	44.8	3.4	5.2	5.0	0.8	10.5	11.8	-4.9
Denmark	16.5	16.5	0.4	29.4	29.5	-1.5	3.8	3.9	0.0	3.0	2.7	-0.2	33.9	33.8	0.9	6.3	6.2	-0.3	6.9	7.4	0.8
Estonia	17.0	17.3	0.2	27.6	28.5	0.2	1.9	1.1	-0.6	0.4	0.3	-0.1	32.2	32.6	3.8	5.2	4.7	0.5	15.7	15.4	-3.8
Finland	20.1	20.1	1.1	25.0	24.4	-1.9	2.3	2.3	-0.3	2.2	2.2	-0.8	37.6	38.4	2.2	5.2	5.1	0.1	7.6	7.6	-0.3
France	9.1	8.9	0.2	22.6	22.7	-1.1	3.0	3.9	0.4	4.0	3.8	-1.0	45.1	45.5	1.5	7.0	6.8	0.5	9.1	8.5	-0.4
Germany	10.6	10.6	1.6	17.5	17.6	0.3	2.0	2.1	-0.3	4.5	4.0	-1.7	53.5	54.3	-0.7	5.0	4.9	1.0	6.9	6.6	-0.2
Greece	7.6	9.0	-6.5	20.0	24.3	-3.2	2.0	2.1	1.8	6.6	7.9	-3.1	35.0	42.8	-1.7	2.9	3.9	-0.8	25.9	10.1	13.5
Hungary	15.0	15.7	2.4	20.4	21.1	-2.5	2.7	2.6	-0.1	9.2	8.2	1.1	34.5	32.0	-1.5	6.7	7.1	1.2	11.6	13.3	-0.7
Iceland	25.5	..	0.0	32.3	..	-2.7	3.9	..	-0.3	11.4	..	5.3	16.0	..	2.4	4.3	..	0.1	6.5	..	-4.8
Ireland	11.5	12.0	-2.2	26.2	25.7	-1.9	2.3	2.4	-0.2	10.8	10.4	8.0	40.2	39.4	7.4	4.0	3.5	-0.4	4.9	6.5	-10.6
Israel	24.9	..	-0.4	25.3	..	0.8	2.0	..	0.2	9.7	..	-3.0	17.3	..	0.8	12.1	..	0.4	8.6	..	1.2
Italy	11.0	10.9	0.6	20.1	19.8	-1.7	3.3	3.5	0.9	9.5	9.1	-0.7	44.3	45.0	3.5	4.7	4.5	0.0	7.1	7.1	-2.6
Japan	10.1	..	-0.3	14.1	..	-3.1	1.5	..	0.0	5.1	..	-0.4	53.9	..	3.4	3.5	..	0.2	11.8	..	0.2
Korea	14.2	13.7	-0.4	21.0	21.1	-2.1	0.9	0.9	-0.3	5.6	5.5	-1.0	25.6	26.8	4.6	12.3	12.7	2.3	20.5	19.3	-3.1
Luxembourg	8.6	8.4	0.6	18.9	19.1	-0.4	3.9	4.3	-0.5	1.0	0.8	0.3	48.4	48.3	1.1	8.2	8.3	0.9	11.0	10.8	-2.1
Mexico	12.2	..	0.0	37.6	..	-1.4	4.5	..	0.7	7.3	..	-0.4	9.3	..	1.7	11.1	..	2.6	18.1	..	-3.3
Netherlands	13.9	13.5	-0.7	19.8	19.7	-0.4	2.6	2.5	-0.4	3.3	3.1	-1.4	48.2	47.9	4.6	4.3	4.9	-0.5	8.0	8.4	-1.2
New Zealand	16.0	..	-0.2	23.5	..	-0.2	0.9	..	0.1	4.4	..	0.2	36.9	..	0.7	6.8	..	0.3	11.4	..	-0.9
Norway	13.6	13.5	0.2	30.9	30.5	1.8	4.3	4.2	0.1	1.5	1.4	-4.7	34.6	34.5	1.4	5.3	5.7	0.4	9.9	10.3	0.7
Poland	13.9	14.4	0.0	24.4	24.4	0.2	1.6	1.4	-0.6	5.9	4.7	0.8	38.5	38.9	1.5	5.5	5.2	-0.1	10.1	11.0	-1.9
Portugal	11.5	12.0	-0.7	24.8	24.2	-4.6	1.2	1.4	-0.5	9.8	10.1	3.2	40.7	40.2	4.4	5.9	5.5	0.4	6.1	6.6	-2.1
Slovak Republic	12.7	13.0	-0.8	20.6	20.9	0.7	2.6	2.3	-0.6	4.6	4.6	0.8	46.1	45.7	1.4	4.5	4.0	-0.1	8.8	9.4	-1.5
Slovenia	11.4	13.4	-1.8	21.0	23.2	-3.6	1.8	1.7	-1.9	4.2	6.5	1.3	32.2	37.0	-5.8	4.7	4.3	-0.2	24.7	13.8	11.9
Spain	12.0	12.0	-0.9	24.6	24.8	-0.9	2.2	2.4	-0.6	7.4	7.5	3.3	42.7	43.1	7.1	4.0	3.8	-0.1	7.0	6.5	-8.1
Sweden	15.9	16.0	0.3	23.7	23.9	-1.1	3.1	3.3	0.3	1.8	1.7	-1.7	33.4	33.0	0.7	13.1	13.1	1.1	8.9	9.0	0.4
Switzerland	12.9	..	0.3	22.3	..	0.0	10.3	..	-0.6	1.9	..	-1.7	33.5	..	-0.4	6.6	..	1.7	12.5	..	0.6
United Kingdom	25.3	25.5	0.1	21.4	21.4	-3.4	1.2	1.3	-0.3	6.3	6.2	1.2	32.2	32.3	3.3	6.2	5.7	-0.3	7.4	7.7	-0.6
United States	17.5	..	-0.8	25.8	..	-1.4	0.9	..	-0.1	9.3	..	-0.4	36.8	..	4.9	0.7	..	-0.1	8.9	..	-2.1
OECD WA	14.8	..	-0.3	22.9	..	-1.4	2.0	..	0.0	6.9	..	-0.5	39.8	..	3.1	4.0	..	0.3	9.6	..	-1.3
OECD UWA	14.4	..	-0.2	23.6	..	-1.2	2.9	..	0.0	5.6	..	-0.1	36.9	..	2.0	6.0	..	0.4	10.7	..	-0.9
Colombia	15.0	..	-0.9	22.3	..	-0.4	0.4	..	0.1	7.3	..	-3.5	33.2	..	2.0	10.9	..	1.0	10.9	..	1.7
Latvia	17.0	16.8	1.0	25.5	25.4	-3.9	1.6	1.8	-0.6	4.0	3.7	3.0	31.2	30.0	8.3	7.5	9.4	-1.9	13.2	12.8	-5.9
Russia	20.6	..	-0.7	28.1	..	3.4	1.5	..	-0.5	1.6	..	0.3	29.6	..	5.5	5.9	..	-0.5	12.7	..	-7.4

Source: OECD National Accounts Statistics (database).

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