

## Government expenditure by sub-sector of general government, 2010 data

The share of social security funds spending increased from 2008 onwards

**In 2010 in the European Union, total expenditure at general government level made up 50.6% of GDP. Central government accounted for 38.5% of general government total expenditure (TE) or 18.8% of GDP, when transfers to other subsectors of general government are consolidated (please see methodological note). State government made up 5.7% of TE or 4.0% of GDP, local government accounted for 24.3% of TE and 11.9% of GDP, with social security funds making up the remainder – 31.5% of TE or 16.0% of GDP (figure 1 and table 1).**

### General government and its sub-sectors

In the European Union (EU-27) as well as Iceland, Norway and Switzerland, the compilation of government revenue and expenditure data is well established by reference to the European System of Accounts (ESA95). This publication focuses on the relative importance of

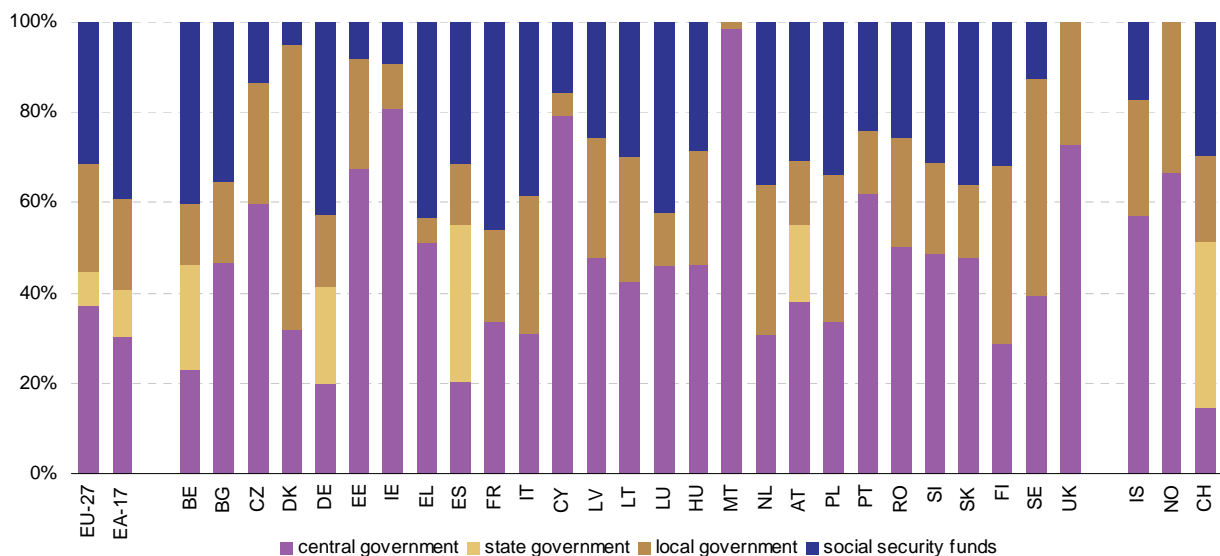
the sub-sectors of general government, i.e. central government, state government, local government and social security funds, in total expenditure of general government. Total expenditure is examined at sub-sector level both at aggregate level as well as looking at the predominant nature of transactions in each sub-sector and the development of the weight of the sub-sectors over time.

### Share of sub-sectors in total expenditure varies among countries

Figure 1 shows that the importance of sub-sectors varies across countries. In the EU-27, central government is the most important sub-sector in terms of its expenditure.

In five countries, expenditure and revenue for a state or regional level is distinguished – this concerns the three regions in Belgium, the *Bundesländer* in Germany and Austria, the *comunidades autónomas* in Spain and the *Kantone* in Switzerland.

**Figure 1: Share of sub-sectors in consolidated general government total expenditure, 2010, cumulative percentage of total**



Source: Eurostat (online data code: [gov\\_a\\_main](#), calculations available at the dedicated Statistics Explained page)

In three countries – Malta, the United Kingdom and Norway – the sub-sector social security funds is not separated from central government data.

In Ireland, Greece, Cyprus and Malta local government accounted for less than 10% of general government expenditure in 2010, with central government accounting for by far the largest part of expenditure in three of the four countries.

**Table 1: Consolidated total expenditure by sub-sector, EU-27 and EA-17, % of GDP, 2010**

% of GDP	EU-27	EA-17
central government	18.8	15.3
state government	4.0	5.3
local government	11.9	10.3
social security funds	16.0	19.9

Source: Eurostat (online data code: [gov\\_a\\_main](#))

In Greece – as in Germany and France – the social security funds sub-sector has a share of more than 40% of total general government expenditure in 2010. For all three countries, the share of the social security funds shows no particular increase due to the economic crisis. A high share of local government is observed in Denmark (63% of TE in 2010), Sweden (48%), Finland (40%), Norway and Poland (both 33%), and Italy (31%).

For the countries that do report state government data, the importance of this sub-sector tends to be relatively high. In 2010 the share in total expenditure ranged between 17% in Austria and 37% in Switzerland. Conversely the smallest shares of central government can also be found among these federally structured countries. Central government accounted for 14% of general government expenditure in Switzerland, 20% in Germany and Spain and 23% in Belgium.

### Social transfers make up the largest transaction in government expenditure

Figure 2 immediately makes visible the importance of social transfers (social benefits and social transfers in kind, D.6COPAY) in general government expenditure and the predominant role of social security funds in ensuring this distributive role of government. Indeed, the majority of social security funds expenditure is classified into this transaction, with the only other notable expenditure in this sub-sector being 'intermediate consumption' (P.2) and compensation of employees (D.1PAY) – both could be characterised as 'operating costs'. Nevertheless, another large share of social transfers is distributed by central government.

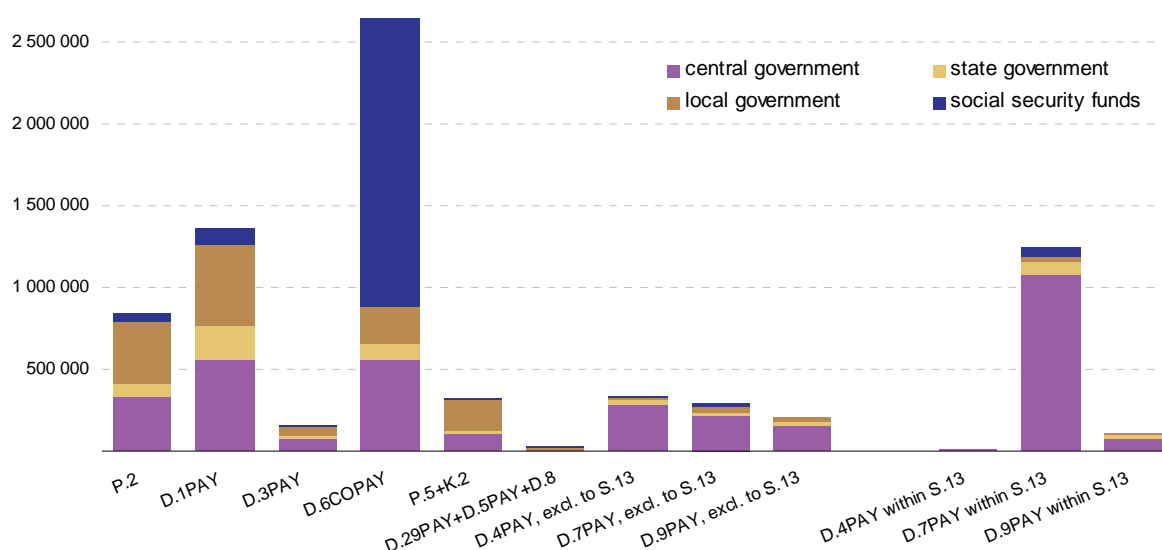
The largest share of 'operating costs' – 'intermediate consumption' and 'compensation of employees' is incurred by central and local government – these are also the two most important transactions for state government. A large part of 'compensation of employees' when classified by function (COFOG) is

attributed to the divisions 'education' and 'health' – together accounting for around half of this transaction's expenditure. For state government, the division 'education' on its own makes up around half of the total cost of employees, reflecting the state or regional responsibility for education in all of the concerned countries.

'Gross capital formation and acquisitions less disposals of non-financial non-produced assets' (P.5\_K.2), which essentially covers physical investments, are mainly undertaken at the level of local government (57%), with central government also being important (32%).

From figure 2 it can also be seen that transfers within general government mainly come from central government and add a sizable amount to central governments' total expenditure, not taken into account in this publication.

**Figure 2: Consolidated total expenditure by sub-sector of general government and by transaction, EU-27 in millions of euro, 2010**



Source: Eurostat (online data code: [gov\\_a\\_main](#), calculations available at the dedicated Statistics Explained page)

## Increased relative importance of social security funds' expenditure due to the crisis

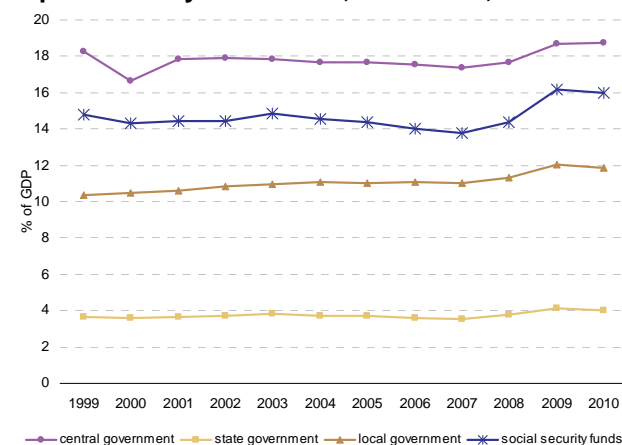
When looking at the recent evolution of the relative importance of the sub-sectors of general government, it becomes apparent that while expenditure in terms of GDP has moderately increased in all sub-sectors, the increase from 2008 to 2009 is most striking in social security funds and slightly less visible in central government. In contrast to this, state and local governments show a relatively modest increase of expenditure in terms of GDP. From 2009 to 2010 total expenditure remained fairly stable in terms of GDP for all sub-sectors. At state government level, even absolute expenditure remained almost stable – a slight increase of 0.3% is recorded. The overall increase of total expenditure in terms of GDP from 2008 to 2010 is mainly due to the large falls in nominal GDP, rather than a larger than usual absolute increase in expenditure.

However, the increase in social security funds expenditure is largely due to an absolute increase in social transfers in the crisis – these are known to act as automatic stabilisers in a recession.

The visible dip in central government expenditure in percentage of GDP from 1999 to 2000 is accompanied by

a decrease in absolute expenditure, reflecting efforts to consolidate budgets during the start of the third stage of the EMU. The only other absolute decrease in expenditure is observed for central government from 2008 to 2009.

**Figure 3: Evolution of general government total expenditure by sub-sector, 1999-2010, % of GDP**



Source: Eurostat (online data code: [gov\\_a\\_main](#))

## METHODOLOGICAL NOTES

This box gives some background information on the data sources used in the preparation of this publication as well as on the methodological concepts and technical terms and codes used. More exhaustive information and additional data can be found on [Eurostat's website](#) in the section dedicated to [government finance statistics](#) as well as on the Statistics Explained page dedicated to [government finance statistics](#).

### Reporting of data to Eurostat

Annual government finance statistics (GFS) data are collected by Eurostat on the basis of the European System of Accounts (ESA95) transmission programme, in table 0200 'Main aggregates of general government', table 0900 'Detailed tax receipts by sector' and table 1100 'General government expenditure by function'. As all GFS data are compiled within the ESA95 framework, they follow all methodological guidelines set out in ESA95 and the common rules adopted for national accounts. The legal requirement for transmission of table 0200 data is at t+3 and at t+9 months after the end of the reference period. In this publication data mainly corresponds to the end-September 2011 transmission of table 0200, with some countries having updated their data since 21<sup>st</sup> of October (DK, EE, IE, LV, MT, FI, SE, UK, NO).

### Definition of general government and its subsectors

The data relate to the general government sector of the economy, as defined in ESA95, paragraph 2.68: 'All institutional units which are other non-market producers [institutional units whose sales do not cover more than the 50% of the production costs, see ESA95 paragraph 3.26] whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. General government comprises the sub-sectors central government (S.1311), state government (S.1312 - where applicable), local government (S.1313), and social security funds (S.1314). State government data is reported for BE, DE, ES, AT and CH. Data for social security funds is not reported for MT, UK and NO, for the latter two S.1314 data is included in S.1311.

### Definition of general government expenditure

Government expenditure is defined in Commission Regulation 1500/2000 and use as reference a list of ESA95 categories.

**Government expenditure** comprises the following categories:

**P.2, 'intermediate consumption'**: the purchase of goods and services by government;

**P.5, 'gross capital formation'** consists of: (a) gross fixed capital formation (P.51); (b) changes in inventories (P.52); (c) acquisitions less disposals of valuables (P.53); where

P.51, 'gross fixed capital formation': consists of acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year;

**D.1, 'compensation of employees'**: the wages of government employees plus non-wage costs such as social contributions;

**D.29, 'other taxes on production, payable'**,

**D.3, 'subsidies, payable'**,

**D.4, 'property income, payable'**, consists of: (a) 'interest, payable (D.41) and (b) 'other property income, payable (D.42+D.43+D.44+D.45), where

D.41, 'interest': excludes settlements under swaps and forward rate arrangements, as these are treated as financial transactions in the ESA 95;

**D.5, 'current taxes on income, wealth, etc, payable'**;

**D.62, social payments**: cover social benefits and pensions paid in cash;

**D.6311, D.63121, D.63131, 'Social transfers in kind'** related to expenditure on products supplied to households via market producers';

**D.7, 'other current transfers, payable'**;

**D.8, 'adjustment for the change in net equity of households in pension fund reserves'**

**D.9, 'capital transfers payable'**

**K.2, 'acquisitions less disposals of non-financial non-produced assets'**: public investment spending. Non-financial non-produced assets consist of land and other tangible non-produced assets that may be used in the production of goods and services, and intangible non-produced assets.

### Consolidation

General government data reported in ESA tables 0200 and 1100 must be consolidated, meaning that specific transactions between institutional units within the general government sector – D.4 (property income), D.7 (other current transfers) and D.9 (capital transfers) – are eliminated. Sub-sector data should be consolidated within each sub-sector but not between sub-sectors. Thus data at sector level should equal the sum of sub-sector data, except for items D.4, D.7, and D.9, which are consolidated. For these latter items and consequently total revenue and total expenditure, the sum of sub-sectors should be equal or exceed the value of the sector. For the purpose of calculating the share of each sub-sector in general government total expenditure **in this publication but not for data published on Eurobase**, flows in transactions D.4, D.7 and D.9 to other sub-sectors of general government (flows within the sector S.13) are not considered in the expenditure of each sub-sector. Thus any expenditure shown in these transactions refer to transfers not within the general government sector of the economy. The advantage of this approach is that total expenditure of general government is equal to total expenditure of the sum of sub-sectors of general government. Any other intra-government flows are not consolidated in accordance with ESA95, but these are negligible amounts. They refer to the transactions D.29PAY, D.5PAY, and D.39REC.

### Time of recording

In the ESA95 system, recording is on an **accrual basis**, that is, when 'economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.'

### Gross Domestic Product

Throughout this publication, nominal GDP, i.e. GDP at current prices is used.

### Abbreviations

EA-17 (Euro area 17): BE (Belgium), DE (Germany), EE (Estonia), IE (Ireland), EL (Greece), ES (Spain), FR (France), IT (Italy), Cyprus (CY), LU (Luxembourg), MT (Malta), NL (the Netherlands), AT (Austria), PT (Portugal), SI (Slovenia), (SK) Slovakia and FI (Finland). In this publication, the euro area is defined as including Estonia, even though Estonia only joined the euro area on 1 January 2011.

EU or EU-27 (European Union of 27 Member States): Euro area countries plus BG (Bulgaria), CZ (the Czech Republic), DK (Denmark), LV (Latvia), LT (Lithuania), HU (Hungary), PL (Poland), RO (Romania), SE (Sweden) and UK (the United Kingdom).

In addition data for three EFTA countries – Iceland (IS), Norway (NO) and Switzerland (CH) - reported in the framework of the ESA95 transmission programme is presented.

pp: percentage points

### More data and information

More data can be found in Eurostat's online database under the theme [economy and finance](#). Users might also like to refer to the [integrated GFS data publications](#), which present GFS data in a user-friendly fashion are published shortly after transmissions of annual and quarterly data. For country-specific notes, including on missing data, please refer to the [metadata published on Eurobase](#). In case of questions the authors can be contacted at [ESTAT-ESA95-GOV@ec.europa.eu](mailto:ESTAT-ESA95-GOV@ec.europa.eu).

## Further information

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Eurostat Website: <http://ec.europa.eu/eurostat>

Data on 'Government finance statistics'

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database)

Further information about 'Government finance statistics'

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/introduction)

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