



# STATISTICS IN FOCUS

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### GOVERNMENT EXPENDITURE BY FUNCTION IN THE EU

This bulletin presents data on government expenditure in the Member States by function.<sup>(1)</sup> These functions are classified according to the UN's COFOG classification.<sup>(2)</sup>

Eight Member States, accounting together for nearly 80% of the EU's Gross Domestic Product (GDP), provided detailed and comparable data.

#### Government expenditure ratio decreasing since 1993

Figure 1 and table 1 show the average change in total expenditure over the eleven years to 1995 for the eight Member States for which data are available.

From a low of 46.3% of GDP in 1989, the percentage rose continuously to a temporary high

in 1993, reaching almost 52% of GDP. After a fall of 1.2% in 1994, the value for 1995 is also slightly lower at 50.2% of GDP, reaching the same level as 1992.

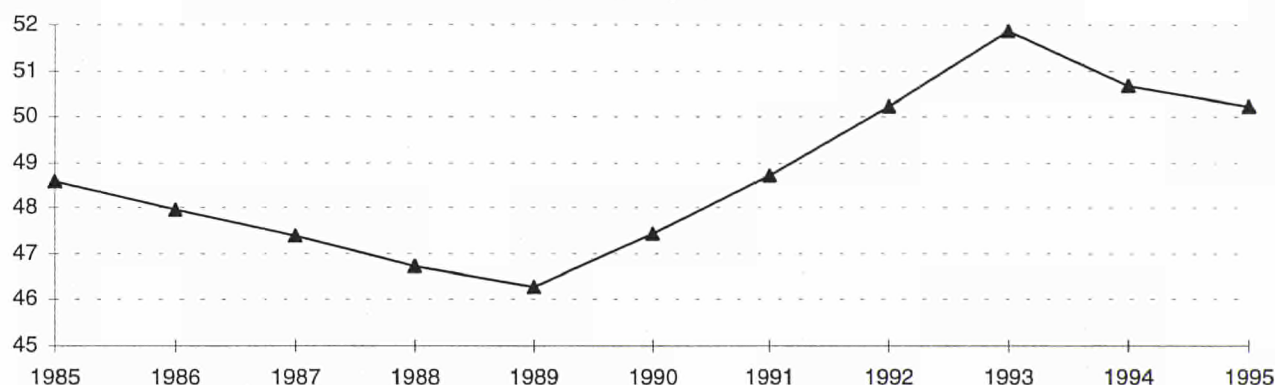
With the exception of Ireland, the pattern of change in expenditure follows the EU average over the period covered for all the countries listed, albeit at varying levels (Table 2).

#### Community and social services expenditure slightly decreasing since 1994

According to the COFOG classification, government expenditure is subdivided into four main expenditure categories: *General government services*, *Community and social services*, *Economic services* and *Other functions*.



Figure 1: Total government expenditure as a percentage of GDP  
1985-1995, EU-8



EU-8 = EU excluding B, EL, L, NL, A, S, FIN

<sup>(1)</sup> The data presented here also feature in the annual publication 'General Government Accounts and Statistics' and the regularly updated 'New Cronos' database.

<sup>(2)</sup> United Nations, Classification of the Functions of Government, Statistical Papers, Series M, New York, 1980.

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For further information please contact: C.Hublart / J.Hubertus

Eurostat, L-2920 Luxembourg, tel. 4301-34256/35141 Fax: 4301-33879

e-mail: [claudio.hublart@eurostat.cec.be](mailto:claudio.hublart@eurostat.cec.be) / [joachim.hubertus@eurostat.cec.be](mailto:joachim.hubertus@eurostat.cec.be)

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With an average share of over 30% of GDP, *Community and social services* expenditure is the largest component of government expenditure. Between 1989 and 1993, the EU average increased by more than 4% of GDP; since 1994 however, it shows a slightly downward trend (Table 1).

The category *Community and social services* can be split up into several functions. The most important are *Social security and welfare services*, with an average of 57% of total expenditure for this category in 1995, *Health affairs and services* (21%) and *Education affairs and services* (15%) (Figure 2).

An analysis of the changes in the *Community and social services* category between 1985 and 1995 shows for all the countries listed, once again with the exception of Ireland, increasing expenditure in the area of *Social security and welfare services*.

Furthermore, all the Member States, except Italy and Ireland, have recorded higher *Health* spending between 1985 and 1995. Portugal (+2.5%) and Spain (+1.1%) show figures rising faster than the average growth for *Education affairs and services*. In Ireland (-0.9%), Italy (-0.5%) and Germany (-0.2%), an opposite trend for this spending area may be observed (Figure 3).

#### Decreasing expenditure for General government services ...

The share of expenditure on *General government services*, the second largest spending area, tended to fall during the period under review (Table 1).

All countries listed showed a drop in *Defence* expenditure, the opposite being true for the *Public Order and Safety* category (Figure 4). The United Kingdom (-1.8% of GDP) and Germany (-1.4%) experienced the most significant drops in *Defence* expenditure between 1985 and 1995.

#### The COFOG classification

The COFOG classification breaks down government expenditure into functions and higher level categories (Table 1).

The category *General government services* covers the expenditure necessary for the management and organisation of a country; functions include, for example, the areas of *Defence* and *Public order and safety*.

The category *Community and social services* covers general and social expenditure which mainly benefits households; the most important functions are *Social security and welfare*, *Health* and *Education*.

The category *Economic services* covers expenditure to regulate and improve a country's economic conditions; functions include, for example, *energy* and *agriculture*.

The category *Other functions* concerns outlays that cannot be covered under any of the above categories, primarily interest payments on the public debt.

In *General Public Services*, the EU average shows a slightly downward tendency (-0.2%). Ireland (-1.0%) has the steepest fall in this expenditure area.

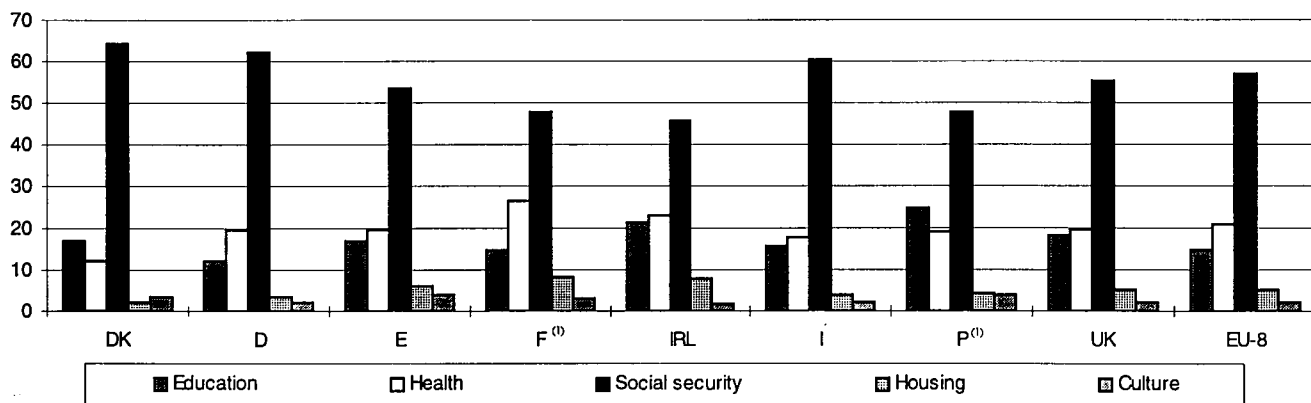
The expenditure on *Public Order and Safety* for the EU as a whole expanded slightly (+0.4% of GDP). Spain (+1.0%) and Portugal (+0.9%) have the largest growths over the period for this spending area.

#### ... as well as for the remaining categories

For all countries, expenditure on *Economic services* followed the trend for overall expenditure. Since 1993 there has been a drop of -0.5% of GDP (Table 1).

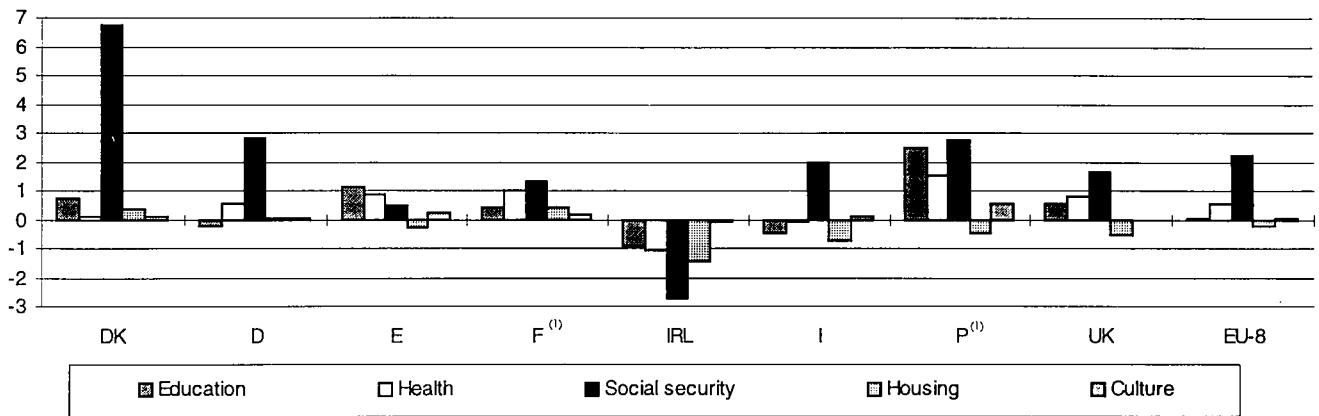


Figure 2: Expenditure on the different Community and social services functions as a percentage of total expenditure in this category, 1995



(<sup>1</sup>) France 1993; Portugal 1994.

Figure 3: Changes in the expenditure on the different functions of the Community and social services category as a percentage of GDP, 1985-1995



(<sup>1</sup>) France 1993; Portugal 1994.

Particularly high falls between 1985 and 1995 are evident for Portugal (-5.2% of GDP to 1994) and Italy (-2.2%). France (to 1993) showed the highest growth in this category with 0.9% of GDP.

The *Other functions* category, which contains first and foremost interest charges on the public debt, shows a slight reduction of 0.2% of GDP since 1993 for the EU total.

### Conclusion

The eight Member States here examined show a downward tendency (-1.7% of GDP) in government expenditure since 1993, after having increased steadily since the end of the 1980s.

In general, all Member States, with the exception of Ireland, have expenditure figures for 1995 which are higher to varying degrees than those for 1990.

In terms of functional expenditure, all countries listed show a uniform fall in *Defence spending*, with the United Kingdom (-1.8%) and Germany (-1.4%) showing the highest drops since 1985.

An increase occurred in the *Social security and welfare services* for all Member States considered,

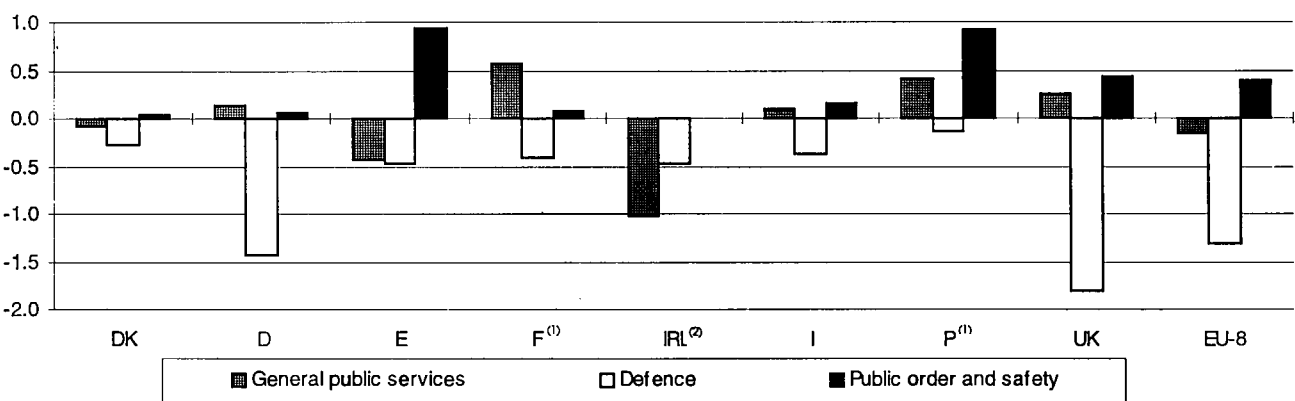
with the exception of Ireland, since 1985. Denmark (+6.7%), Germany (+2.8%) and Portugal (+2.7%) show the strongest growths.

In addition, nearly all Member States display higher expenditure in the area of *Education* and *Health* (Figure 3).

Table 1: Expenditure by category in the EU as a % of GDP

eurostat	Community and social services	General government services	Economic services	Other functions	Total
1985	31.3	7.8	4.9	4.6	48.6
1986	31.1	7.4	4.7	4.7	48.0
1987	30.9	7.4	4.6	4.5	47.4
1988	30.4	7.4	4.5	4.4	46.7
1989	30.2	7.3	4.3	4.6	46.3
1990	30.4	7.8	4.6	4.7	47.4
1991	32.0	7.4	4.6	4.8	48.7
1992	33.3	7.3	4.5	5.1	50.2
1993	34.5	7.6	4.9	5.0	51.9
1994	34.3	7.3	4.5	4.7	50.7
1995	34.0	7.0	4.4	4.8	50.2

Figure 4: Changes in the expenditure on the different functions of the General government category as a percentage of GDP, 1985-1995



(<sup>1</sup>) France 1993; Portugal 1994.

(<sup>2</sup>) Ireland: General public services include the values for public order and safety.

**Table 2: Government expenditure by function as a percentage of GDP**

	General government services			Community and social services					Economic services					Other functions	Total
	General public services	Defence affairs and services	Public order and safety affairs	Education affairs and services	Health affairs and services	Social security and welfare affairs and services	Housing and community amenity affairs and services	Recreational cultural and religious affairs and services	Fuel and energy affairs and services	Agriculture, forestry, fishing and hunting affairs and services	Mining, manufacturing and construction affairs and services	Transport and communication affairs and services	Other economic affairs and services		
<b>1985</b>															
DK	3.89	2.13	1.06	6.69	5.28	21.28	0.67	1.52	0.22	0.51	0.26	2.37	1.68	10.65	58.21
D	2.98	2.84	1.66	4.56	6.39	19.13	1.11	0.76	0.24	0.41	0.10	2.05	1.33	2.97	46.53
E	2.26	1.97	1.28	3.72	4.63	14.65	1.99	0.91	0.36	1.04	1.08	2.67	0.80	4.86	42.22
F	3.95	3.43	0.96	5.57	9.82	18.30	2.97	1.06	:	1.09	:	1.64	1.07	2.68	52.54
IRL	6.35	1.53	:	5.98	6.49	13.57	3.27	0.52	:	2.04	1.78	2.52	1.95	10.26	56.26
I	4.18	2.09	1.64	5.14	5.46	16.00	1.89	0.54	0.47	0.89	1.15	4.04	0.50	7.15	51.14
P	1.99	2.22	1.42	3.91	3.40	9.61	1.56	0.44	0.17	0.73	2.44	1.64	6.44	8.46	44.43
UK	1.67	5.11	1.75	4.85	5.02	14.72	2.08	0.63	0.63	0.41	0.47	1.54	1.13	5.52	45.53
<b>1990</b>															
DK	4.05	2.10	1.13	7.32	5.42	24.14	0.85	1.55	0.15	0.37	0.30	1.89	2.23	7.50	59.00
D	4.75	2.24	1.58	4.06	5.94	17.82	1.14	0.76	0.42	0.33	0.08	1.67	1.31	2.57	44.67
E	1.82	1.54	1.34	4.14	5.08	14.76	2.28	1.21	0.14	0.90	0.33	2.85	1.46	5.53	43.38
F	3.91	3.19	0.94	5.36	7.32	19.66	2.73	1.08	:	1.07	:	1.45	0.92	2.79	50.42
IRL	5.37	1.27	:	4.80	5.05	10.63	1.65	0.41	:	1.43	1.00	1.95	1.26	7.72	42.54
I	3.82	1.94	1.78	5.40	6.35	16.64	1.44	0.58	0.31	0.82	0.94	4.26	0.47	9.05	53.80
P	2.66	2.27	1.94	5.68	4.18	9.84	0.88	0.72	0.26	1.40	0.34	1.89	1.77	11.17	45.00
UK	1.93	4.17	1.99	4.86	5.05	13.00	2.05	0.67	1.04	0.21	0.21	1.45	1.24	3.90	41.77
<b>1995</b>															
DK	3.81	1.85	1.09	7.44	5.38	28.05	1.04	1.60	0.36	0.32	0.20	1.94	2.06	6.78	61.92
D	3.11	1.41	1.72	4.36	6.92	21.95	1.17	0.82	0.30	0.31	0.07	1.98	1.66	3.76	49.54
E	1.83	1.50	2.23	4.83	5.47	15.11	1.69	1.15	0.12	1.02	0.34	2.80	1.86	6.97	46.92
F <sup>(1)</sup>	4.51	3.01	1.03	6.02	10.80	19.61	3.38	1.19	:	0.62	:	1.13	2.99	1.58	55.87
IRL	3.66	1.05	1.67	5.04	5.44	10.83	1.85	0.45	0.30	1.45	1.26	1.68	0.91	5.01	40.60
I	4.28	1.71	1.79	4.64	5.38	17.98	1.15	0.66	0.22	0.64	1.03	2.53	0.40	10.48	52.89
P <sup>(1)</sup>	2.40	2.08	2.35	6.39	4.91	12.32	1.07	0.99	0.23	1.07	0.63	2.73	1.57	10.74	49.48
UK	1.92	3.30	2.18	5.37	5.82	16.36	1.52	0.61	0.46	0.15	0.21	1.58	0.89	3.90	44.27

(<sup>1</sup>) France 1993; Portugal 1994.

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