

General government expenditure by function

2018

Share of public expenditure of gross domestic product decreased slightly in 2018

The share of public expenditure of gross domestic product still decreased slowly in 2018. According to Statistics Finland's data, consolidated general government expenditure in 2018 totalled EUR 124.4 billion, or 53 per cent of gross domestic product, when the highest figure in recent years was 57.3 per cent in 2014. In recent years, general government expenditure has grown more slowly than the annual change of gross domestic product at current prices.

Function distribution of general government expenditure in 2018

	Total expenditure %	Net expenditure % ¹⁾	Final consumption expenditure %
G01 General public services	15,0	11,4	13,0
G02 Defence	2,2	2,3	4,5
G03 Public order and safety	2,1	2,1	4,1
G04 Economic affairs	8,0	7,6	8,8
G05 Environmental protection	0,4	0,3	0,5
G06 Housing and community amenities	0,6	0,2	0,4
G07 Health	13,2	12,9	25,0
G08 Recreation, culture and religion	2,8	2,8	4,0
G09 Education	10,4	10,8	18,0
G10 Social protection	45,5	49,7	21,6
G0 Functions total	100,0	100,0	100,0

1) Net expenditure = Total expenditure less received sales proceeds and premium income, and output for own final use.

Consolidated general government expenditure increased by EUR 3.1 billion in 2018, i.e. 2.5 per cent from the previous year. However, the share of expenditure of gross domestic product fell, because the annual change in gross domestic product at current prices was higher than this: 3.8 per cent according to the revised national accounts data. Consolidated expenditure excludes current transfers between sub-sectors, e.g. between central government and local government.

In 2018, of consolidated general government expenditure, general public service and social protection expenditure increased most in euros, both by slightly over EUR one billion from the previous year. General public service expenditure grew most in relative terms, by 6.3 per cent.

Social protection expenditure increased slightly more slowly than total expenditure and the share of social protection of consolidated general government expenditure has settled at close on 46 per cent in 2016 to 2018. This has disrupted the development that started after the financial crisis in 2009, where the share of social protection of total expenditure grew strongly. As before, expenditure related to old age grew most of social protection expenditure, by EUR one billion, or 3.3 per cent in 2018 from the previous year. This is largely explained by the growth in the sum of employment pensions paid. The rise of social protection expenditure was, in turn, curbed by lower unemployment benefit expenditure. In 2018, social security funds paid EUR 596 million less in social security benefits relating to unemployment than in the previous year, which corresponds to a fall of 13 per cent.

Examined by transaction, the growth in general government expenditure was mainly directed at intermediate consumption, compensation of employees and investments. Intermediate consumption, i.e. goods and services used in production, grew by EUR 894 million, or 3.7 per cent from the previous year. Compensation of employees paid grew by EUR 707 million, or 2.5 per cent, and investment expenditure by EUR 601 million, or 6.5 per cent.

Among total consolidated general government expenditure, central government accounted for 25.8 per cent of the expenditure, local government for 40.0 per cent, and social security funds for 34.2 per cent. In 2018, total unconsolidated central government expenditure grew by EUR 958 million, i.e. 1.6 per cent from the previous year. Local government expenditure grew by EUR 1.7 billion, or 3.5 per cent, and the expenditure of employment pension schemes by EUR 943 million, or 3.6 per cent. The expenditure of other social security funds, in turn, decreased by EUR 547 million, or 2.9 per cent from the previous year.

Expenditure related to general public service was the single biggest factor behind the growth in both central government and local government expenditure. Furthermore, in local government there was significant growth in expenditure related to health care and social protection. The increase in the expenditure of employment pension schemes was mainly due to employment pensions paid, while in other social security funds expenditure decreased especially due to lower unemployment benefit expenditure.

General government's total expenditure is by nature gross expenditure. It includes a considerable amount of purchase expenses between general government, which also constitute income for general government.

A more comparable key indicator, net expenditure, is derived by deducting from total expenditure the received sales proceeds and premium income, as well as output for own final use, which means that income from services, such as service purchases within general government and the production costs of investments produced for own use do not affect the key indicator. Taxes paid by general government to one another or itself, such as value added tax and social security contributions, are not subtracted from the net expenditure, however.

Another comparable indicator is general government's consumption expenditure that describes current expenses caused for general government from service production less the service charges received from services and other sales proceeds from services.

Total consolidated general government net expenditure was EUR 108.8 billion in 2018, i.e. 46.4 per cent of gross domestic product, falling by 0.6 percentage points from the previous year. Consumption expenditure amounted to EUR 53.2 billion, or 22.7 per cent of gross domestic product, which is 0.1 percentage points lower than in the previous year.

A level revision of the time series was made in national accounts in autumn 2019, in which data on general government revenue and expenditure were also revised from 1975 onwards. Figures in the statistics on general government expenditure by function have been revised in this publication to correspond to the

level revised data of national accounts regarding general government expenditure for the whole time series. The single biggest change concerning general government expenditure is connected to the elimination of internal items in local government in the years 2004 to 2014, which lowered the level of total local government expenditure by hundreds of millions of euros annually. This change did not affect net expenditure, because the eliminated items had already, as a rule, been subtracted from net expenditure. The share of general government expenditure of gross domestic product also declined due to the level revision especially in the 2010s because the value of gross domestic product increased in the level revision.

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Appendix tables

Appendix table 1. Total expenditure of general government by function and sector 2018, million euro¹⁾

	S13 General government	S1311 Central government	S1313 Local government	S1314 Social security funds
G0 All functions	124 400	60 448	50 752	45 374
G01 General public services	18 647	13 705	9 425	93
G02 Defence	2 782	2 782
G03 Public order and safety	2 590	2 124	499	..
G04 Economic affairs	9 929	6 944	3 343	..
G05 Environmental protection	462	329	146	..
G06 Housing and community amenities	687	324	379	..
G07 Health	16 410	6 321	13 585	2 507
G08 Recreation, culture and religion	3 435	1 554	2 134	..
G09 Education	12 878	7 033	8 464	708
G10 Social protection	56 580	19 332	12 777	42 066

1) General government total expenditure are consolidated, sub-sectors are unconsolidated.

Appendix table 2. Consumption expenditure of general government by function and sector 2018, million euro

	S13 General government	S1311 Central government	S1313 Local government	S1314 Social security funds
G0 All functions	53 274	14 037	35 589	3 648
G01 General public services	6 942	2 997	3 910	35
G02 Defence	2 398	2 398
G03 Public order and safety	2 197	1 749	448	..
G04 Economic affairs	4 703	3 182	1 521	..
G05 Environmental protection	287	223	64	..
G06 Housing and community amenities	222	72	150	..
G07 Health	13 339	184	10 919	2 236
G08 Recreation, culture and religion	2 116	621	1 495	..
G09 Education	9 573	2 081	7 443	49
G10 Social protection	11 497	530	9 639	1 328

Appendix table 3. Total expenditure of general government by transaction and sector 2018, million euro¹⁾

	S13 General government	S1311 Central government	S1313 Local government	S1314 Social security funds
Intermediate consumption	25 226	6 719	17 364	1 143
Compensation of employees	28 776	6 804	21 306	666
Subsidies	2 744	2 272	472	..
Property expenditure	2 072	1 917	124	58
Social benefits	42 988	4 379	701	37 908
Other current transfers, payable	5 616	33 168	1 319	3 183
Gross capital formation and net acquisitions of non-financial non-produced assets	9 705	4 195	5 466	44

	S13 General government	S1311 Central government	S1313 Local government	S1314 Social security funds
Capital transfers, payable	407	497	3	..
Other expenditure	235	189	15	31
Total expenditure	124 400	60 448	50 752	45 374

1) General government (S13) level property expenditure, current transfers, capital transfers and total expenditure are consolidated, sub-sectors are unconsolidated.

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