

AT o/r

MR STIBBARD

- cc Miss O'Mara)
- Mr Folger)
- Mr Hart) HMT
- Mr Duff)
- Mrs Todd)
- Mr Morrison)
- Mr Tansley)
- Mr Turnbull) No 10 ✓

RATIOS OF EXPENDITURE TO GDP

In pt 25.

The reconciliation which Howard Morrison provided to Andrew Turnbull in November was based on last year's return to OECD. We decided that it would be most helpful if the new reconciliation you requested could be based on this year's return, just completed, updated to be consistent with January Financial Statistics.

This new reconciliation between the Public Expenditure and OECD total outlays as percentages of GDP is attached. We have reconciled the whole period 1973 - 1982 so that we can be confident that the divergent movements over the whole period can be explained.

The most noticeable difference, as you pointed out, is that the 1975 peak for public expenditure is higher than the 1981 peak but for OECD total outlays the reverse is true. This, as you can see, is mainly due to the exclusion of net lending from the OECD figures and the inclusion of debt write-offs.

The use of a slightly different definition of GDP by OECD is not a significant factor in the comparisons: it increases the OECD percentage by roughly 0.1% in each year. Much more important is the treatment of sick pay and unfunded pension schemes. These are effectively double counted in OECD statistics: OECD include sick pay and unfunded pensions in wages and salaries; they then impute a payment from employees to a notional fund and finally score the sick pay and pensions again as payments from this "fund".

The next OECD publication will contain estimates consistent with Blue Book rather than January Financial Statistics: we cannot avoid this if the UK contribution is to be internally consistent. This means that the total outlays will be a marginally greater percentage of GDP for the period 1980 - 1982 than shown on the attached sheet.

Howard Morrison

PR R G WARD

2 February 1984

RECONCILIATION: PUBLIC EXPENDITURE v OECD TOTAL OUTLAY AS % GDP

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Public expenditure as % of GDP (Fin year) (November 1983 Economic Trends)	40.9	45.8	45.8	43.9	39.8	40.7	40.3	42.6	44.2	43.4
Revisions to GDP								- 0.1	- 0.1	- 0.2
Adjustment to gross debt interest	+ 3.3	+ 3.5	+ 3.2	+ 3.3	+ 3.1	+ 3.1	+ 3.0	+ 3.1	+ 3.2	+ 3.0
Change from Fin Year to Cal Year	- 1.5	- 1.3	+ 0.6	+ 0.6	+ 0.4	- 0.3	- 0.1	- 0.4	- 0.4	- 0.3
Other adjustments and revisions	- 1.1	- 1.1	- 1.0	- 1.3	- 0.6	- 0.3	+ 0.6	+ 0.5	- 0.6	+ 0.7
General Government current, capital expenditure and net lending as % of GDP (Cal Year) (January 1984 Financial Stats)	41.6	46.9	48.6	46.5	42.7	43.2	43.8	45.7	46.3	46.6
- net lending	- 2.1	- 2.7	- 3.6	- 1.9	- 0.2	- 1.0	- 1.7	- 1.5	- 1.0	- 1.0
+ OECD pensions/sick pay adjustments	+ 1.1	+ 1.1	+ 1.3	+ 1.3	+ 1.3	+ 1.2	+ 1.2	+ 1.2	+ 1.4	+ 1.4
+ debt write off	+ 0.9	-	+ 0.2	-	+ 0.2	-	-	-	+ 1.4	+ 0.4
+ other	- 0.5	- 0.3	+ 0.1	- 0.1	- 0.2	- 0.1	- 0.1	-	- 0.2	- 0.1
OECD total outlays of general government as % of GDP (consistent with January 1984 Fin Statistics)	41.0	45.0	46.6	45.8	43.8	43.3	43.2	45.4	47.9	47.3

Econ Pol: Public Expend. pt. 26

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