

FactCheck: is Australian government spending as a share of the economy falling?

Written by The Conversation

We want to go in the other path, which is where we're heading – expenditure as a share of the economy under this government is falling, not increasing. – **Federal treasurer Scott Morrison, [speaking with journalists](#) on January 29, 2016.**

As commodity prices drop and the pace of growth in China slows, the Australian government has dialled down its forecast for economic growth and warned voters the deficit will increase to A\$37.4 billion in 2015-16.

In the lead-up to the federal election, the government has been reassuring voters that [the economy is on the right track](#), and that reining in spending will help repair the budget.

So, is Morrison right to say that expenditure as a share of the economy under this government is falling, not increasing?

Checking government payments data

When asked for data to support his statement, a spokesman for the treasurer replied:

the treasurer was clearly referring to the decrease in government spending to GDP outlined in the MYEFO appendix D, the relevant excerpt of which appears below.

As you will see the ratio goes from 25.9% in 15/16 to 25.8%, 25.3% and again, 25.3%.

MYEFO refers to the [Mid-Year Economic and Fiscal Outlook](#) released in December last year.

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The relevant excerpt the spokesman sent to The Conversation was [Table D1](#) , which reports general government *cash payments* in percent of GDP.

As shown in the chart below, the cash payments to GDP ratio goes from 25.9% in 2015-16 to 25.8% in 2016-17, 25.3% in 2017-18 and again 25.3% in 2018-19.

Take note here that the data for 2015-16 and 2016-17 are *estimates* while the data for 2017-18 and 2018-19 are *projections*.

This means that the decline in payments is purely hypothetical because it is based on estimates and projections that reflect the intentions of the government, not actual outcomes.

So, the decline is not currently happening under this government, but it might (or might not) happen in the future. And it might (or might not) even happen under a different government.

It depends a bit on what the treasurer meant by “is falling”. If we assume that he meant, in context, that this is the path the government is aiming for, then what he is saying here is a promise about the future, not a fact about the present. And, of course, he’s entitled to make such a promise.

But many people may have heard or read that quote and walked away with the impression that expenditure as a share of the economy is *currently* falling under this government. It is not. In fact, payments have stayed around the same, or marginally increased under the Coalition government.

Checking government expenses data

In statistical terms, many economists would say that expenditure should be measured when the expense occurs rather than when the cash payment is made.

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Therefore an alternative, possibly better, way to test the claim of the treasurer is to look at expenses rather than cash payments data.

Expenses data are available from [Table D6](#) , Appendix D, of the MYFEO (see chart below):

Government expense has been around 26% of GDP since 2013-14, and it is expected to remain at that level until 2016-17.

So, no evident decline seems to be occurring at the moment. Similarly, no decline has happened since the Coalition took office.

In fact, if anything, expenses have increased by roughly one point of GDP between the fiscal years 2012-13 and 2013-14.

Verdict

There is no evidence that government expense as a percentage of GDP is currently declining or has been declining since the Coalition took office in 2013. This seems, at first blush, to contradict the statement of the treasurer.

However, it is also true that estimates and projections reported in the MYFEO do indicate a possible future decline of cash payments and expenditure.

At best, the treasurer's statement about decline in expenditure as a share of the economy should be regarded as a promise about the future, not a fact about the present. – **Fabrizio Carmignani**

Review

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This FactCheck is accurate: neither payments (a “cash” measure) nor expenditure (an “accrual” measure) by the Australian federal government have declined as a share of GDP since 2012-13.

The government MYEFO tables cited in the FactCheck are authoritative for historical data on Commonwealth spending, and they in turn correctly draw GDP numbers from the Australian Bureau of Statistics national accounts.

As the FactCheck notes, both measures of spending are projected by the government to fall in 2016-17, with a bigger fall in the “payments” measure; and as the text notes, such forecasts may or may not be realised.

Australian nominal GDP in particular is difficult to forecast as it depends on factors like resource prices that can be volatile and have fallen faster in the last two years than the government has anticipated. – **Jim Minifie**

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