

Box 1.2

Reconciliation between government operating expenditure in the fiscal accounts and government consumption expenditure in the national accounts

In the context of fiscal accounts, government expenditure records the cash outlays of the government through a number of accounts and funds for financial control and funding purposes. Total government expenditure covers operating expenditure (including recurrent expenditure and subventions) under the General Revenue Account, and capital expenditure and equity investments.

In the context of national accounts, government consumption expenditure (GCE) is the value at cost for goods and services provided by the government. It comprises recurrent expenditure by way of compensation of employees and purchases of government departments which are not engaged in market activities as well as quasi-government non-profit institutions (e.g. Consumer Council, Hospital Authority). GCE does not cover the expenditure of government units which are engaged in market activities to produce goods and services principally for sale to the public (e.g. Post Office, Water Supplies Department). Government subventions to the various organisations providing community and welfare services are also excluded, because such expenditure is in the nature of transfer payments. In compiling GCE, sales receipts for goods and services provided by the government (e.g. medical charges for out-patients of public clinics, ticket receipts from recreational and cultural programmes organised by government units) are deducted because such expenditures incurred by households are covered in private consumption expenditure.

While both GCE and government expenditure are based on the same data source of government accounts, the two sets of figures are not directly comparable because they are different in coverage and are also compiled for different purposes. While GCE is geared to individual (e.g. education, medical services) and collective (e.g. security) consumption of goods and services provided by the government, government expenditure pertains to cash outlays of the government.

As an illustration, the following table broadly reconciles government operating expenditure (in the fiscal accounts) and government consumption expenditure (in the national accounts) for the financial year 2002-03 :

	<u>\$Bn</u>
Operating expenditure (under the General Revenue Account)	200.3
<i>Less</i> Expenditure of government units engaged in market activities, subventions and capital purchases	(115.7)
<i>Plus</i> Recurrent purchases in the Capital Works Reserve Fund (e.g. minor maintenance expenditure)	3.4
<hr/> <i>Equal</i> Consumption expenditure of government units	88.0
<i>Plus</i> Recurrent expenditure of quasi-government non-profit institutions	40.5
<i>Plus</i> Imputed expenditure*	11.2
<i>Less</i> Sales	(8.9)
<hr/> <i>Equal</i> Government consumption expenditure	130.8

Note : (*) Refers to the imputed value of rental services for the quarters and offices owned and occupied by the Government.