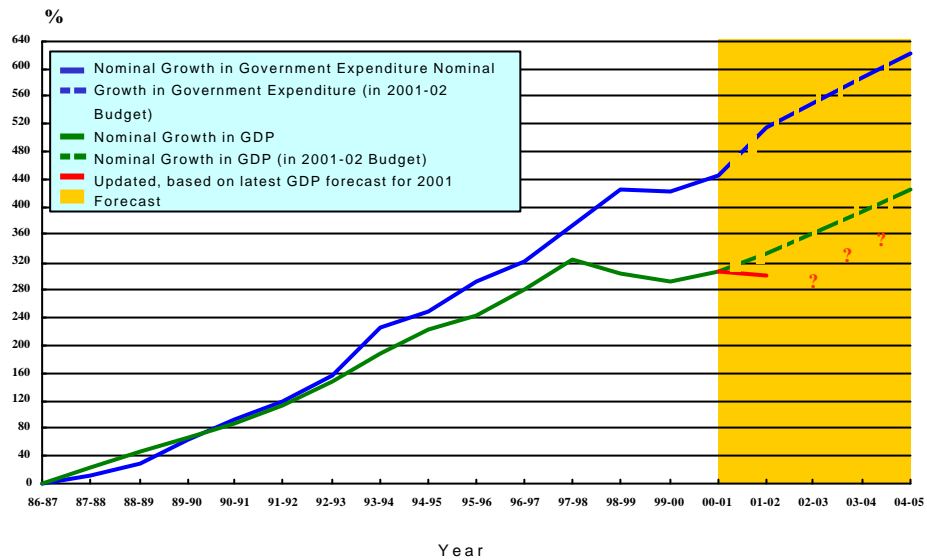
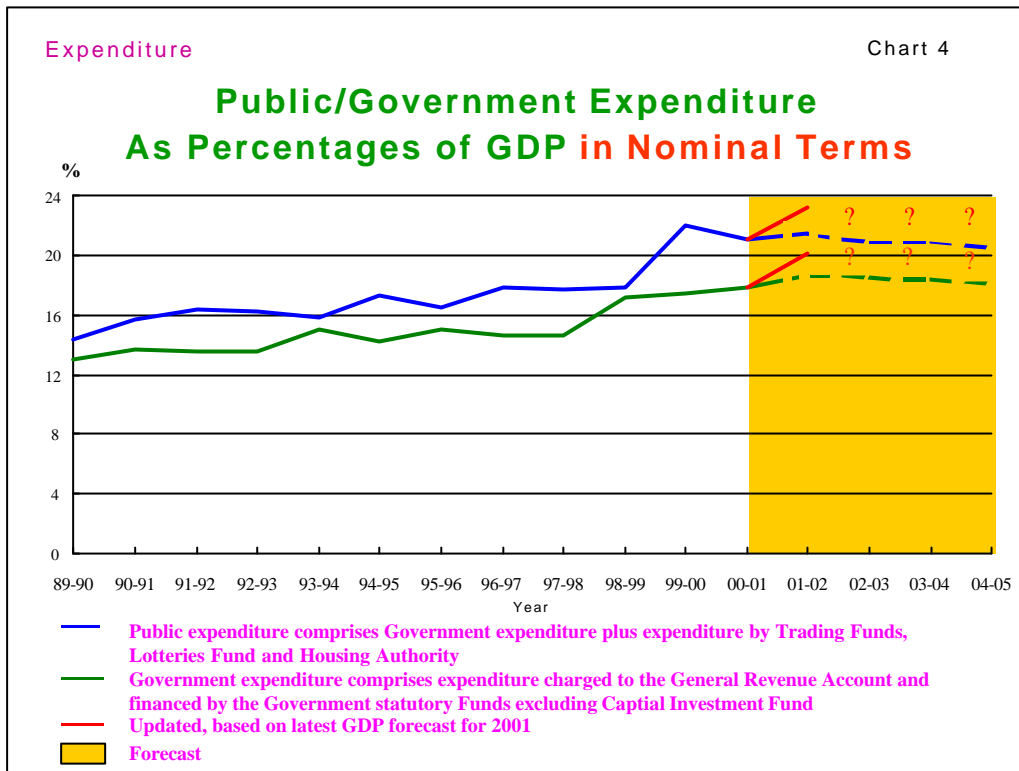


- The **real** growth in Government expenditure has been broadly in line with the growth in GDP in **real terms** since 1986-87.
- The cumulative growth in GDP exceeded the cumulative growth in Government expenditure for most of the time in the past 15 years.
- Based on the 2001-02 Updated Scenario, the gap between the cumulative growth in GDP and the cumulative growth in expenditure will close in 2001-02, earlier than expected due to economic slowdown in 2001.

Cumulative Growth in Government Expenditure Far Exceeds Cumulative Growth in GDP in Nominal Terms



- This chart shows that the gap between the cumulative growth in Government expenditure and the cumulative growth in GDP in **nominal terms** has been widening in recent years.
- Based on the 2001-02 Updated Scenario, the gap between the two would widen further in 2001-02, due to deflation in the economy.



- This chart shows that Public/Government Expenditure as percentages of GDP has risen as growth in Public/Government expenditure has continued whereas GDP has suffered a decline in **nominal terms** in recent years.

Rigidity of Government Expenditure

Major Operating Expenditure Components

	<u>2000-01</u> % of Operating Expenditure	% of Total Expenditure
Personal Emoluments	27.05	22.46
Personnel Related Expenses (e.g.pension)	7.77	6.45
Subventions (Staff related)	34.71	28.83
Social Security	10.01	8.31
Total	79.54	66.05

- This chart shows that 80% of Government's operating expenditure or 66% of total expenditure is resistant to reduction in both real and nominal terms.