

Financial net worth of general government

The analysis of the difference between the financial assets and liabilities held by governments (also known as financial net worth or as a broad description of net government debt), gives an extensive measure of the government's capacity to meet its financial obligations. While the assets reflect a source of additional funding and income available to government, liabilities reflect the debts accumulated by government. Thus, a consistent increase in the government's financial net worth over time indicates good financial health. Conversely, net worth may be depleted by debts accumulated by government, indicating a worsening of fiscal position and ultimately forcing governments to either cut spending or raise taxes.

In 2013, OECD countries recorded on average a negative financial net worth of 65.3% of the GDP. This figure almost doubles the pre-crisis negative level (38.1% in 2007) reflecting the effects of the global financial crisis on government deficit and debt. Japan, Italy and Greece were the countries with the largest negative financial net worth (showing values above their GDP), while only eight OECD countries showed a positive financial net worth. Among the latter, Norway was the country with the largest positive financial net worth (above two times their GDP). In 2014, countries like Portugal and Belgium also showed negative financial net worth above their GDP.

Between 2007 and 2013, the largest declines in financial net worth occurred in Ireland (84.4 p.p.), Spain (51.5 p.p.) and Iceland (47.8 p.p.), showing the financial impact of government interventions into the banking sector over this period. To a lesser extent, other OECD countries such as Portugal and the United States showed their financial net worth drop during this period due to sharp decreases in the value of assets and increased liabilities from fiscal stimulus packages. Only four OECD countries saw their net worth increase between the years 2007 and 2013, namely, Estonia (3.8 p.p.), Norway (66.9 p.p.), Sweden (8.7 p.p.) and Switzerland (1.4 p.p.). Trend that was also maintained between the year 2007 and 2014.

On average, the financial net worth represented USD -25 504 PPP per capita in 2013 (around USD 7 000 lower than in 2009). The levels observed across countries vary significantly, from USD -44 610 in Japan and USD -41 734 in the United States to USD 134 075 in Norway. Additionally, among all OECD countries, less than a quarter of them (Estonia, Greece, Korea, Sweden, Turkey and Norway) displayed an improvement of the government financial net worth per capita between the years 2009 and 2013.

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics* (database) and *Eurostat Government finance statistics* (database), which are on the System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for

national accounting. The SNA framework has been revised and most of the OECD countries have partly or entirely implemented the updated 2008 SNA methodology (see Annex A for details). The financial net worth of the general government sector is the total value of its financial assets minus the total value of its outstanding liabilities. The SNA defines the financial assets and the corresponding liabilities where applicable/available in the financial balance sheet of the institutional sector: monetary gold and SDRs; currency and deposits; debt securities; loans; equity and investment fund shares; insurance, pension and standardised guarantee schemes; financial derivatives and employee stock options; and other accounts receivable/payable. According to the SNA, stocks of financial assets and liabilities are valued at market prices, when appropriate (although some countries might not apply this valuation, in particular for debt securities). Data are based on consolidated financial assets and liabilities except for Chile, Japan and Korea.

This indicator can be used as proxy measure for net government debt as, similarly to the definition of gross debt, the net debt can be restricted to gross debt minus financial assets corresponding to debt instruments (concept as defined in the *Public Sector Debt Statistics: Guide for Compilers and Users*).

The institutional set-up of recording unfunded liabilities of government employees can have an impact on financial net worth of general government in diverse countries, making international comparability difficult. This is the case for some OECD countries such as Australia, Canada, Iceland, Sweden and the United States. For that reason, in analogy to the government gross debt an adjusted financial net worth is calculated for these countries.

For information on the calculation of financial net worth per capita please see "methodology and definitions" section of government revenues indicator.

Further reading

OECD (2014), *National Accounts at a Glance 2014*, OECD, Paris, http://dx.doi.org/10.1787/na_glance-2014-en.

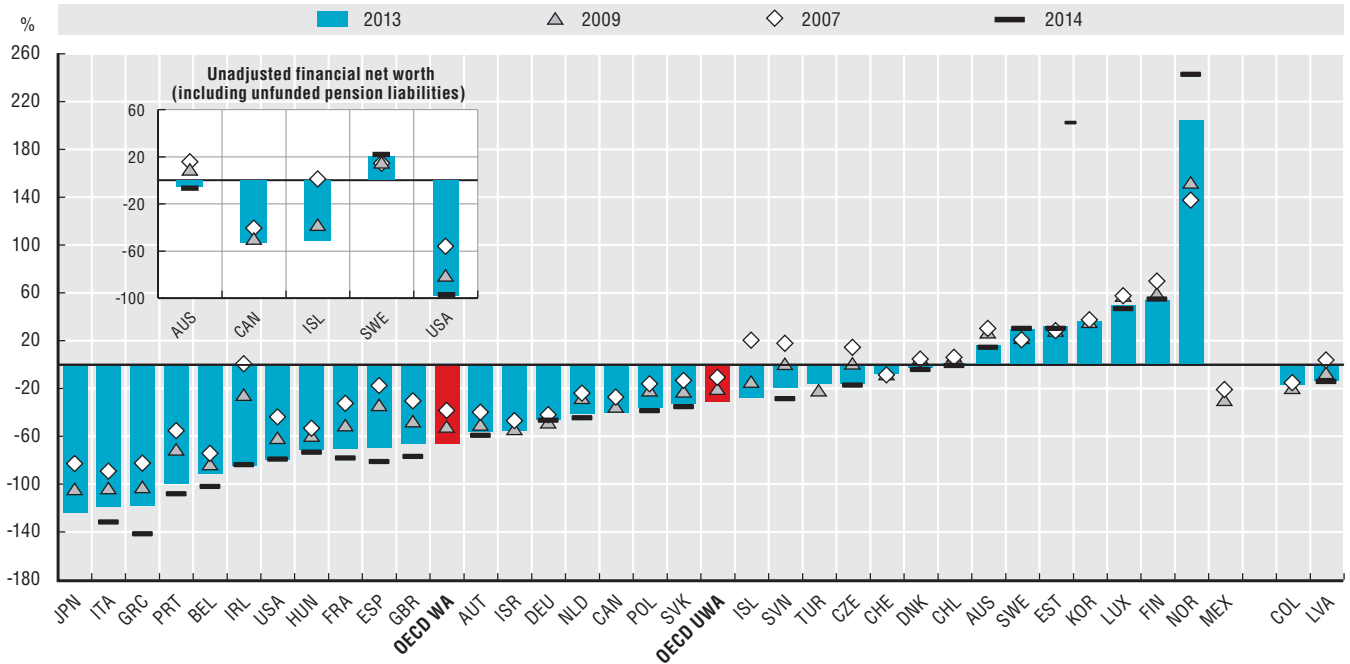
Figure notes

Data for New Zealand are not available. Data for Mexico are not included in the OECD average due to missing time-series. Data for Korea and Switzerland are for 2012 rather than 2013. Data for Chile, Japan and Korea are reported on a non-consolidated basis.

2.12: Data for Turkey are not included in the OECD average due to missing time-series.

Information on data for Israel: <http://dx.doi.org/10.1787/88932315602>.

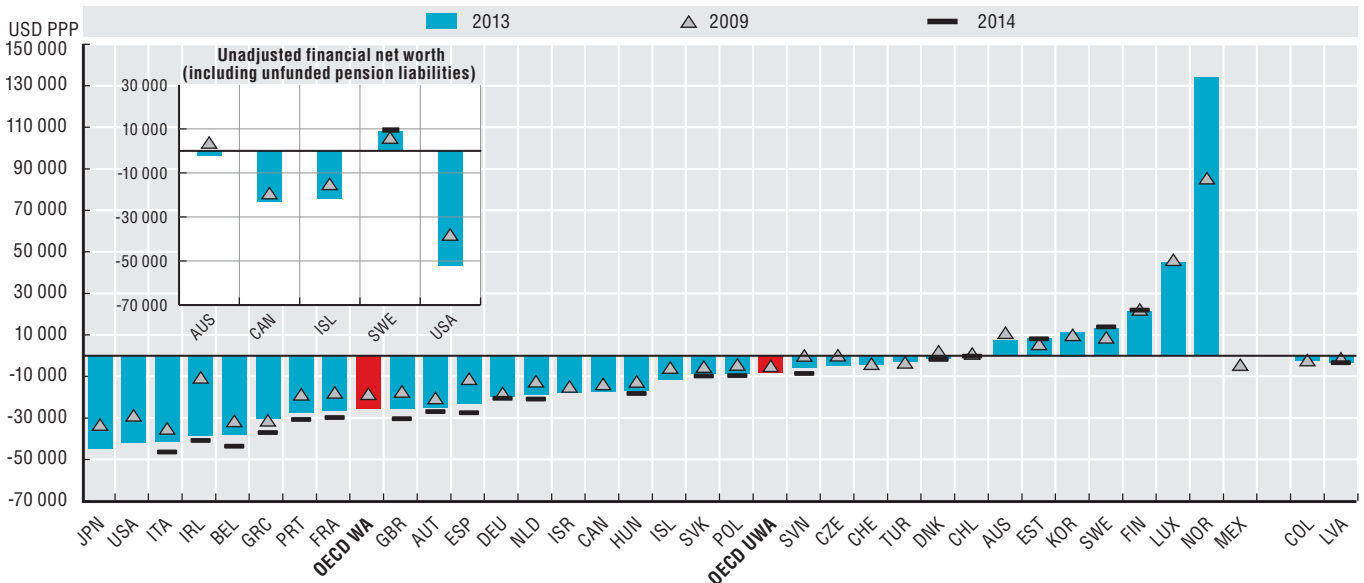
2.12. General government financial net worth as a percentage of GDP, 2007, 2009, 2013 and 2014



Sources: OECD National Accounts Statistics (database); Eurostat Government Finance Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248163>

2.13. General government financial net worth per capita, 2009, 2013 and 2014



Sources: OECD National Accounts Statistics (database); Eurostat Government Finance Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248172>



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