General government net saving

General government net saving is the difference between current revenues and current expenditures. In other words, it corresponds to the fiscal balance excluding capital expenditures; therefore it does not take into account investment expenditures or capital transfers (e.g. transfers to rescue financial institutions). More generally, government net saving is typically associated with the "Golden Rule" concept, namely that government current revenues should, on average, cover current expenditures in the course of an economic cycle. Having consistent negative savings may thus indicate a situation of unsustainable government finances.

In 2013, across OECD countries net saving on average reached -3.3% of GDP, but varied widely from -7.2% in Japan to 12.6% in Norway. While net saving has recovered from an average of -6.3% of GDP in 2009 when the global economic and financial crisis reached its peak, it is still far from the average value in 2007 of -0.2%. Between 2009 and 2014 for the OECD countries with available information the net saving deteriorated in Norway (1.4 p.p.), Korea (0.9 p.p.), Sweden (0.8 p.p.) and Finland (0.7 p.p.). However, in the cases of Korea and Norway it reports positive balances of 4.0% and 10.6% respectively as a share of GDP.

The difference between net lending/borrowing and net saving is equal to the size of capital expenditures. Large differences could either indicate substantial investment programmes such as in Mexico or an outflow of capital transfers as was the case in Slovenia and Greece. Six OECD countries, namely Korea, Luxembourg, Germany, Mexico, Norway and Switzerland experienced a surplus in the fiscal balance after capital expenditures in 2013. A similar pattern is observed in 2014 for these countries with available information and additionally for Denmark and Estonia.

On average across OECD countries the deficit (net lending/borrowing) was 0.9 p.p. higher than the net saving in 2013. The highest negative differences between net lending/borrowing and net saving occurred in Slovenia (11.5 p.p.) and Greece (8.5 p.p.). In the case of Slovenia, the bulk of the difference is due to the net capital transfers (10% of GDP) mainly explained by the plan launched in late 2013 by the Slovenian government to restructure the banking sector, including important injections of cash and government securities. In the case of Greece, where a similar pattern is observed, it partially corresponded to the capitalisation of the Hellenic Financial Stability Fund, established in 2010 to contribute to the maintenance of the Greek banking system. In 2014 the situation of both of these countries drastically changed as most of the adjustment was accounted in 2013; therefore the differences between net lending/borrowing and net saving amounted to -2.4 p.p. in the case of Slovenia and to +0.9 p.p. in the case of Greece, for the latter the improved fiscal balance was the result of positive net capital transfers amounting to 1.2 as a share of GDP in 2014.

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics* (database), based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. The SNA framework was revised and most of the OECD countries have partly or entirely implemented the updated 2008 SNA methodology (see Annex A for details). Government net saving represents current revenues minus current expenditures including depreciation. In the case of gross saving, the costs of depreciation have not been deducted from current expenditures. Gross saving plus net capital transfers (i.e. capital transfers received minus paid) minus government investments (i.e. gross capital formation and acquisitions less disposals of non-produced non-financial assets) equals the fiscal balance of net lending/borrowing. (For additional information on government fiscal balance, see the "methodology and definitions" section of this indicator). In this respect, net lending/borrowing reflects the fiscal position after accounting for capital expenditures: net lending, or government surplus, means that government is providing financial resources to other sectors, whereas net borrowing, or government deficit, signifies that government on balance requires financial resources from other sectors to finance part of its expenditures. As compared to net lending/borrowing, net saving has the advantage of avoiding possible one-off distortions coming from extra-ordinary and possibly very large capital transfers. It also avoids putting too much pressure on government investments in times of austerity programmes and increasing deficits. Figure 2.5, Net capital transfers as percentage of GDP is available online at: *http://dx.doi.org/10.1787/888933248090*.

Further reading

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

Figure notes

2.3 and 2.4: Data for Chile are not available. Data for Colombia and Russia are 2012 rather than 2013.

2.3: Data for Turkey and are not included in the OECD average because of missing time series.

2.4: Data for Turkey are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

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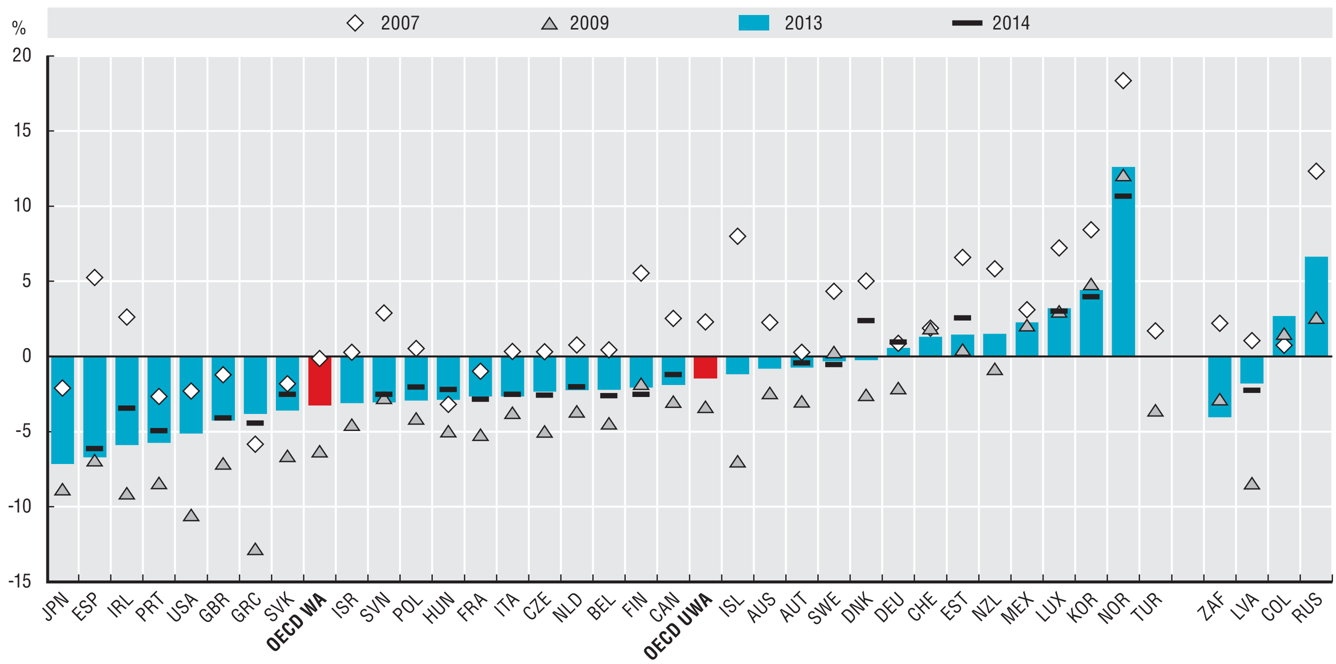
2.3. General government net saving as a percentage of GDP, 2007, 2009, 2013 and 2014



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888933248077

2.4. General government net saving versus net lending/borrowing as a percentage of GDP, 2013 and 2014

Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888933248082

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