

Managing Public Wealth

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IMF Fiscal Monitor October 2018

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Managing Public Wealth Overview



I. The Public Sector Balance Sheet

II. Why Does it Matter?

III. Policy Implications

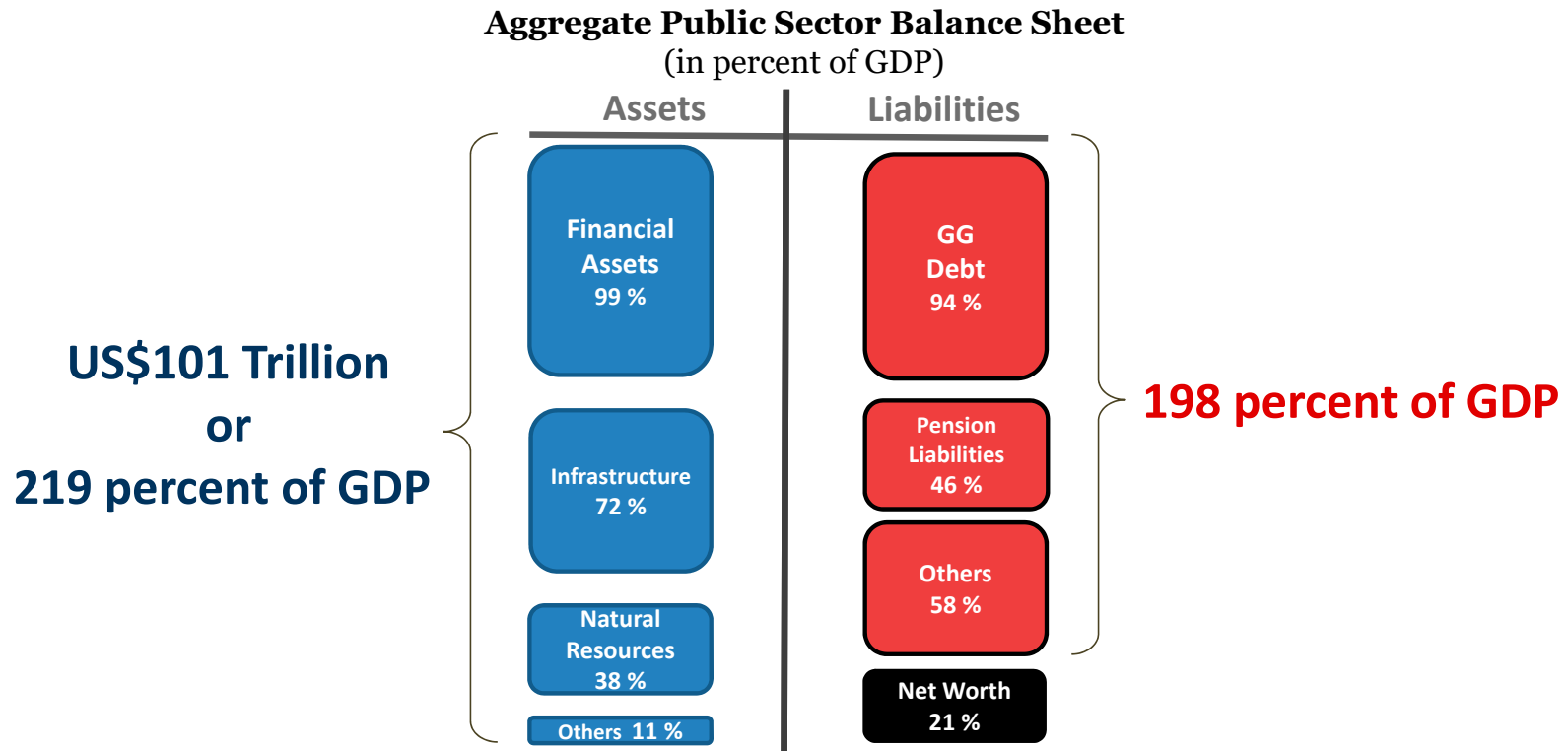
- Risk
- Public investment
- Demographics

IV. Conclusion



I. The Public Sector Balance Sheet

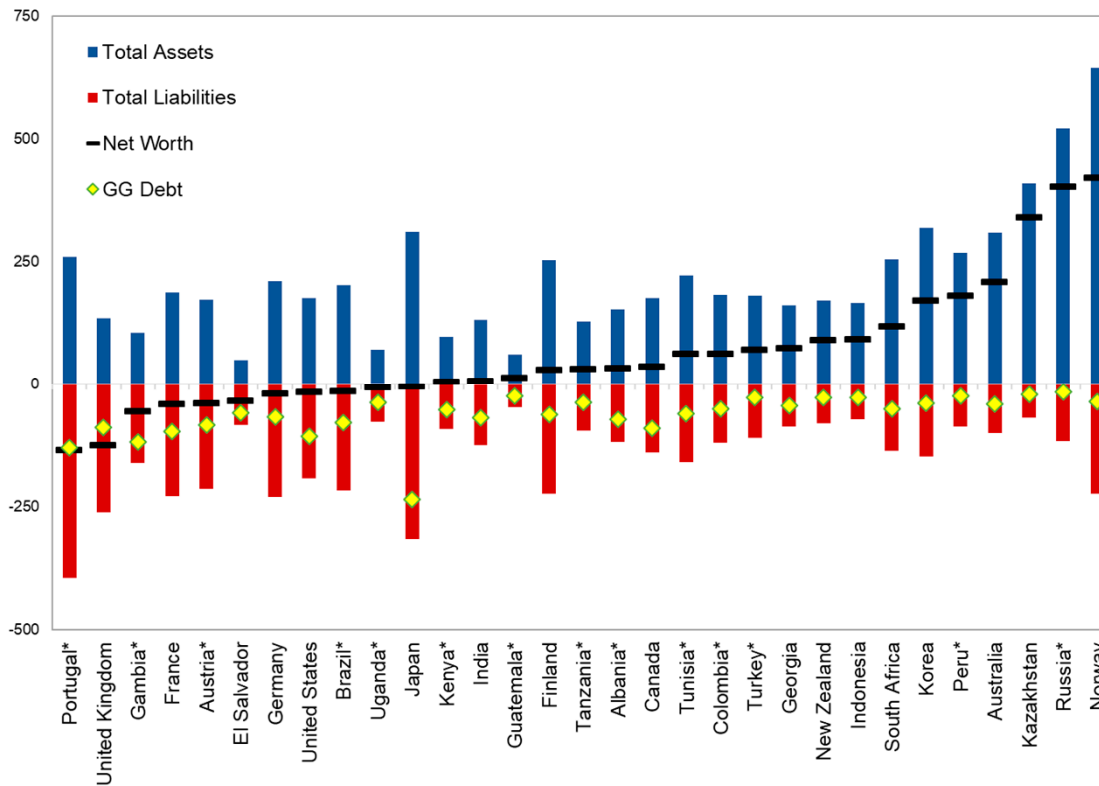
Aggregate PSBS for 31 countries



I. The Public Sector Balance Sheet

Individual country PSBS for 31 countries

Public sector balance sheets
(Percent of GDP, 2016)



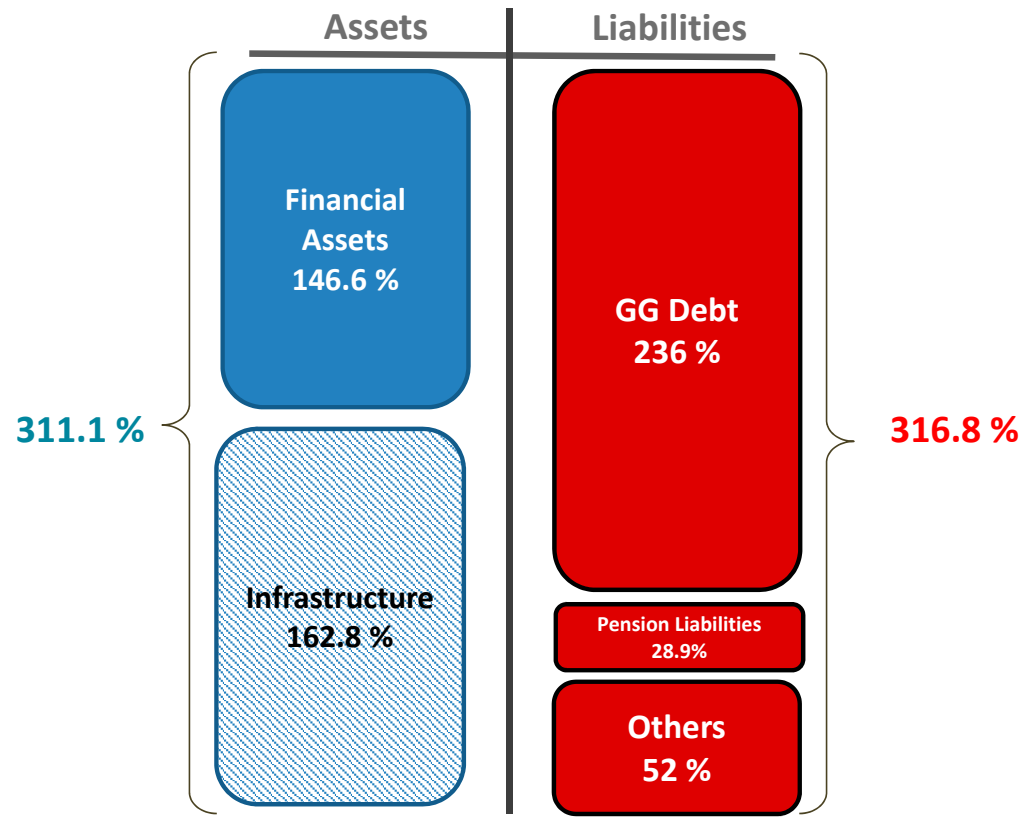
Source: IMF staff estimates.

*Based on a single year of data, in most cases compiled as part of the Fiscal Transparency Evaluation. Albania 2013, Austria 2015, Brazil 2014, Colombia 2016, Gambia 2016, Guatemala 2014, Peru 2013, Portugal 2012, Russia 2012, Tanzania 2014, Tunisia 2013, Turkey 2013, Uganda 2015.

I. The Public Sector Balance Sheet

Japan

Aggregate Public Sector Balance Sheet (in percent of GDP)

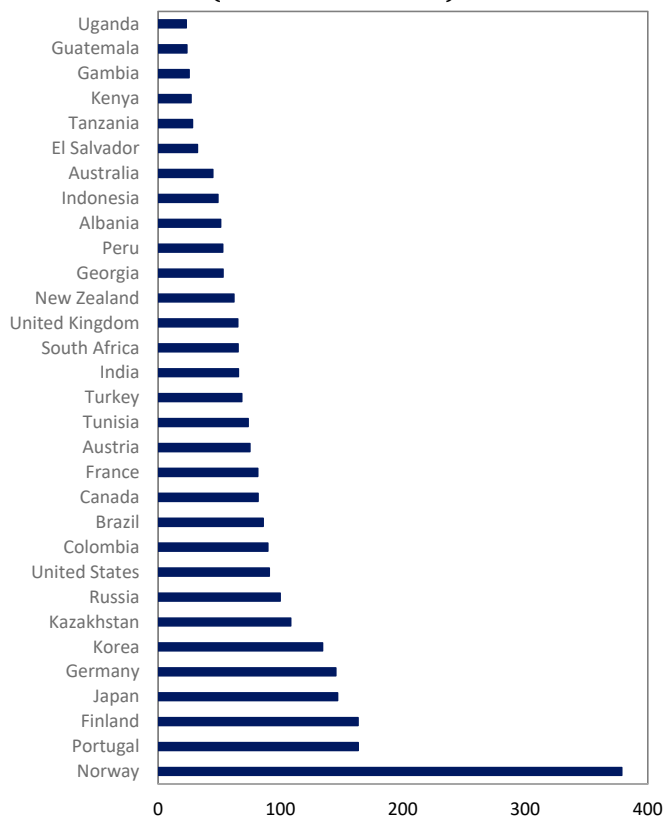




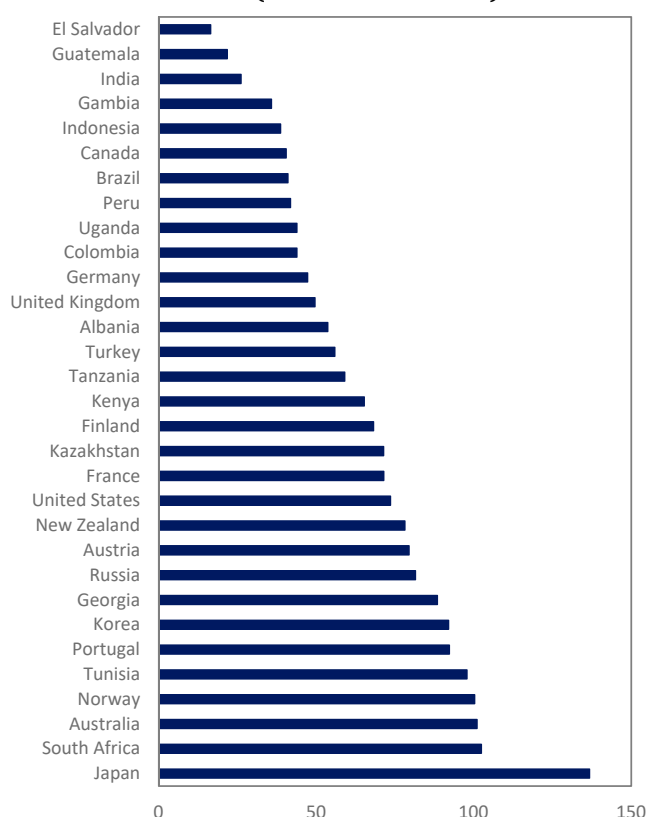
I. The Public Sector Balance Sheet

New elements

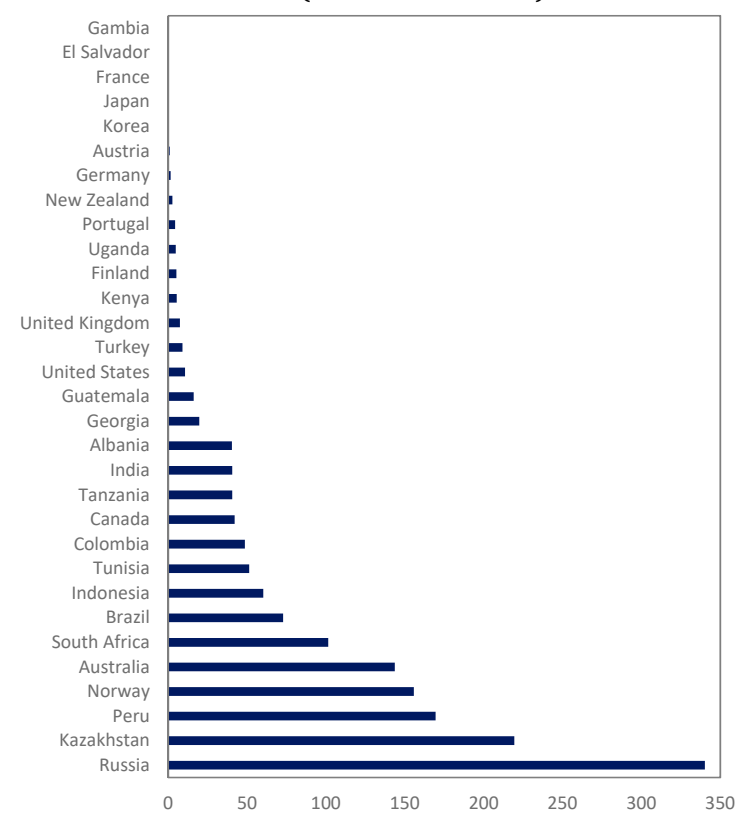
Financial Assets
(Percent of GDP)



Nonfinancial Assets
(Percent of GDP)



Natural Resource Assets
(Percent of GDP)

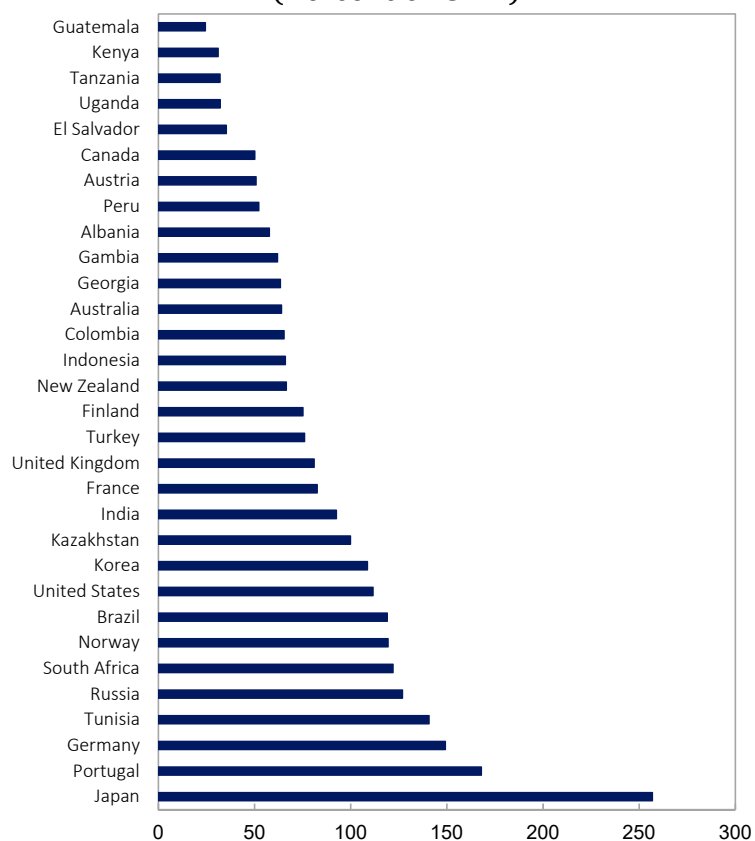




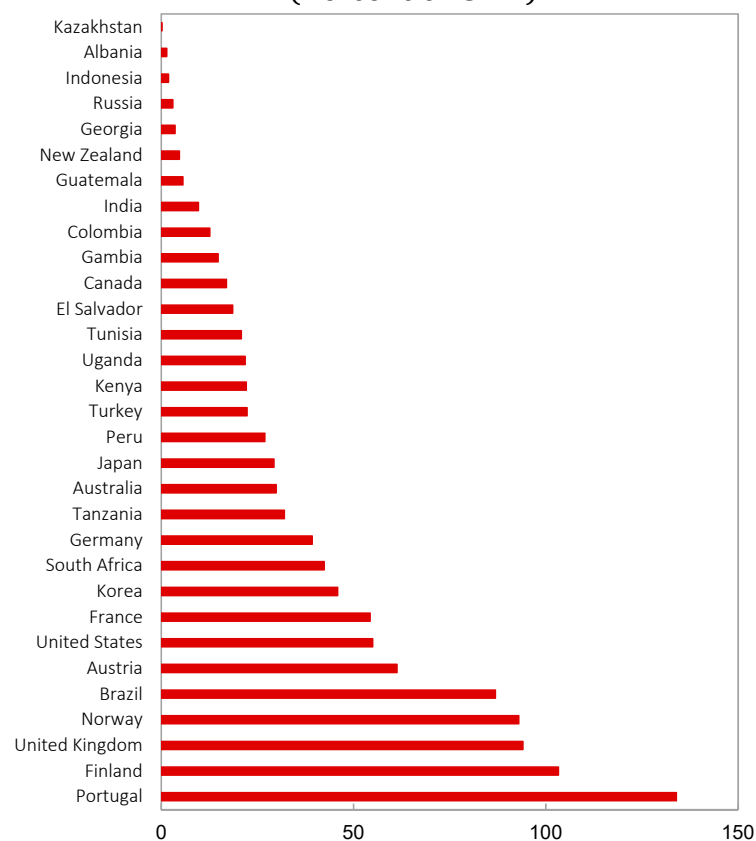
I. The Public Sector Balance Sheet

New elements

Public Corporation Assets and Liabilities
(Percent of GDP)



Accrued Pension Liabilities
(Percent of GDP)





I. The Public Sector Balance Sheet

Challenges and Limitations

Balance sheets aren't easy

- Measurement Problems
- Data availability issues
- Many assets are illiquid or not marketable
- Assets are more volatile than debt

For these reasons:

- Balance sheet approach complements existing debt approach
- Consider alternative indicators: net financial worth & liquid assets
- Strengthen statistical and accounting systems

But

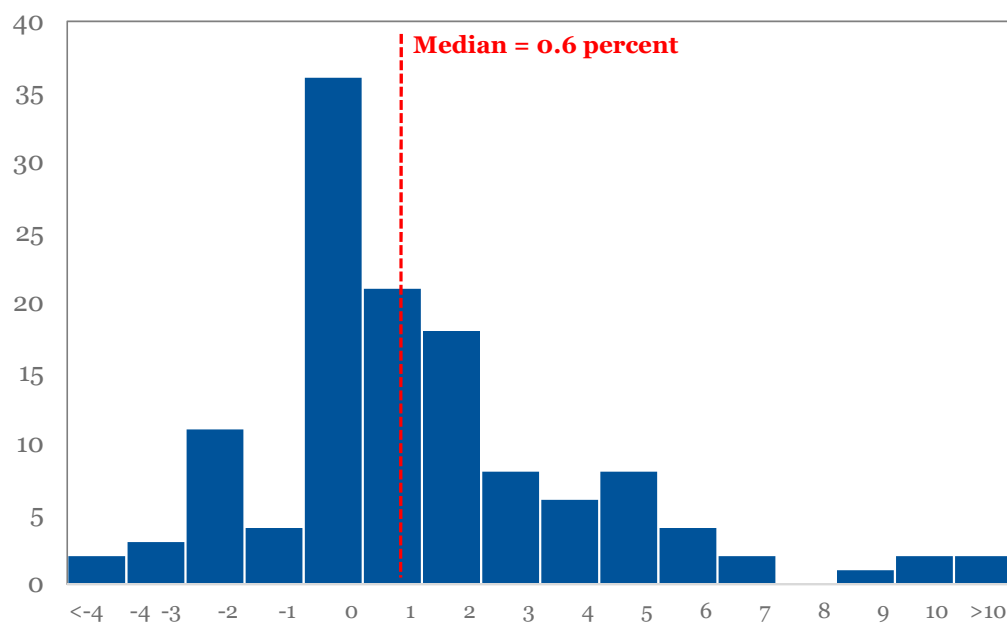
- Fiscal Monitor shows it is feasible to compile and analyze estimates across all income levels



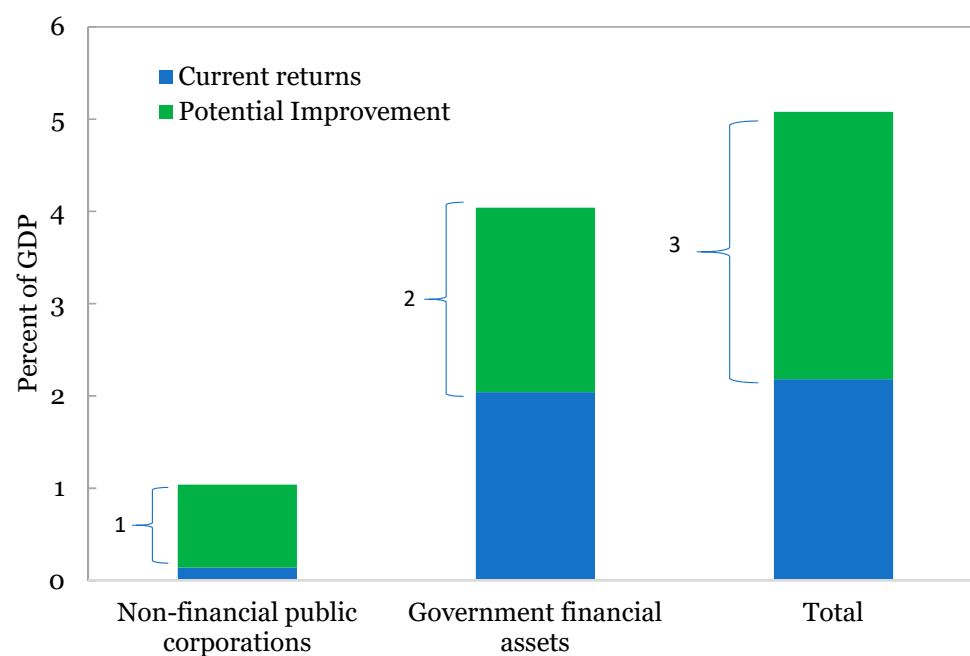
II. Why does this Matter?

Large Assets → Large Revenue Potential

Distribution of Annual Returns from Public Corporations
(Percent Return on Assets)



Potential Revenue Gains from Improved Asset Management
(in percent of GDP)



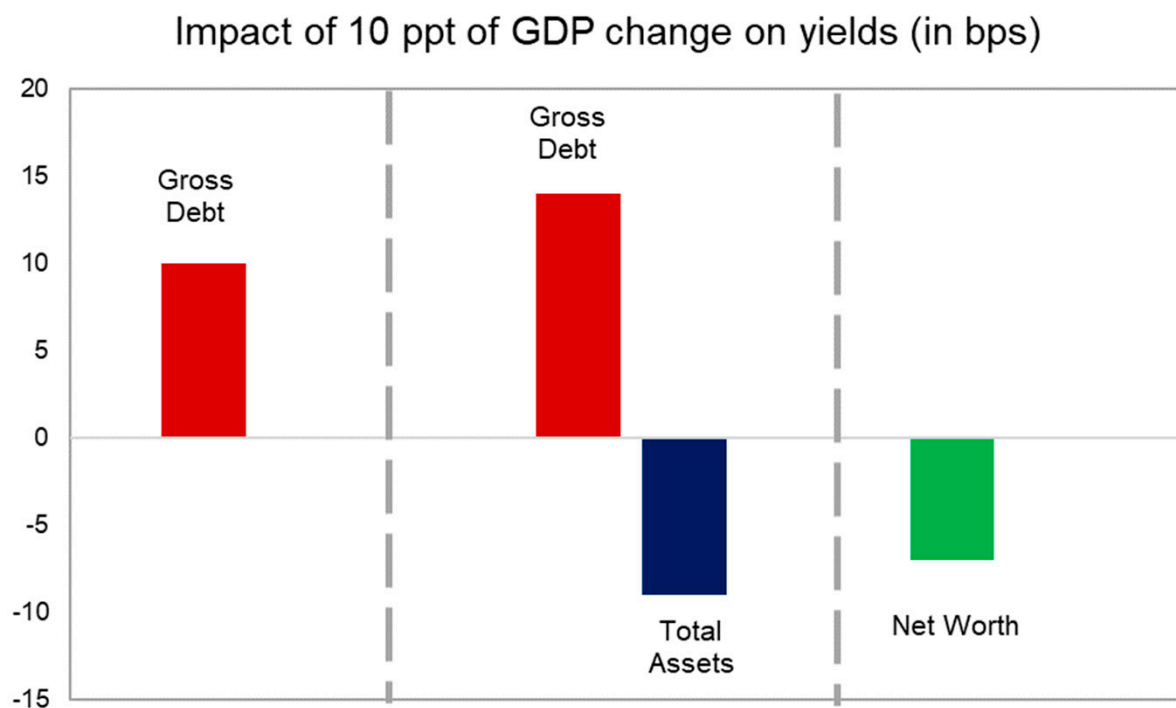
[Insert Link to NZ case study](#)

Source: IMF Fiscal Monitor, Fall 2018.



II. Why does this Matter?

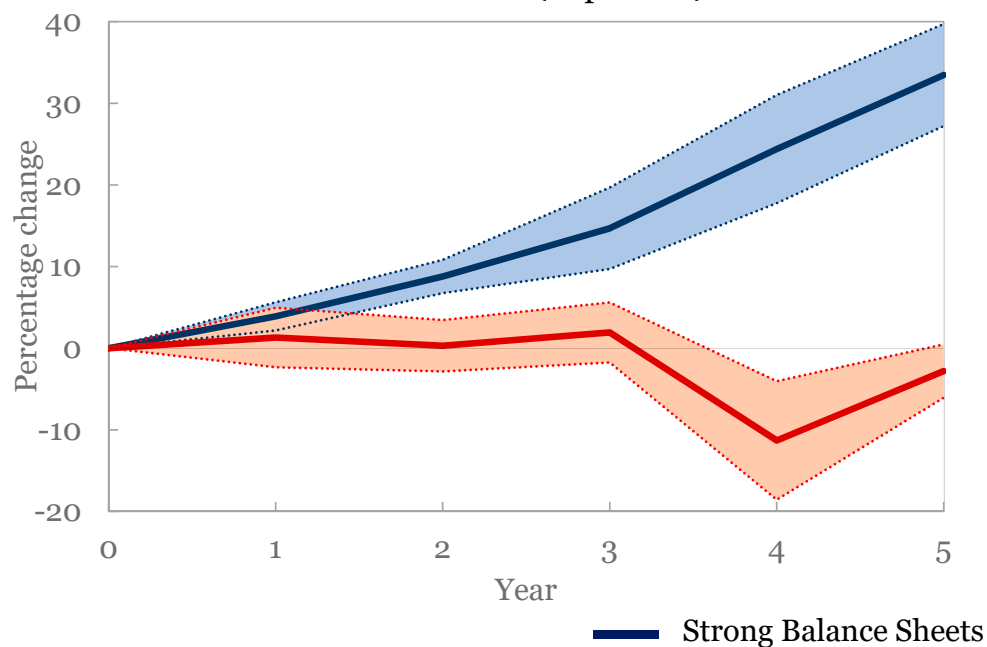
Stronger balance sheet → lower interest



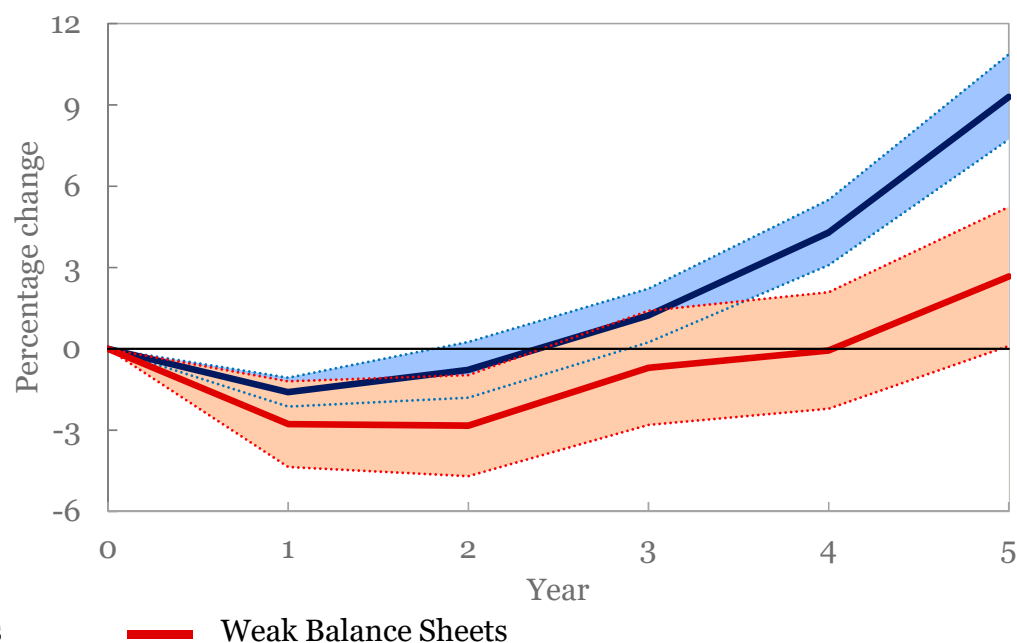


II. Why does this Matter? Stronger balance sheet → Greater resilience

Real Government Expenditure per Capita Following Recessions (in percent)



Real GDP per Capita Following Recessions (in percent)



[Insert Link to Kazakhstan case study](#)

Source: IMF Fiscal Monitor, Fall 2018.

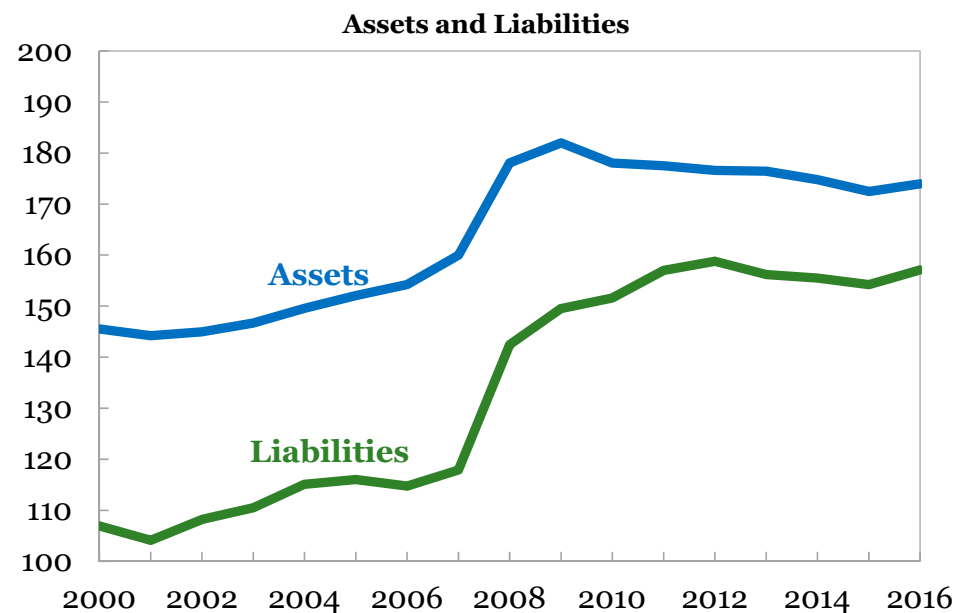
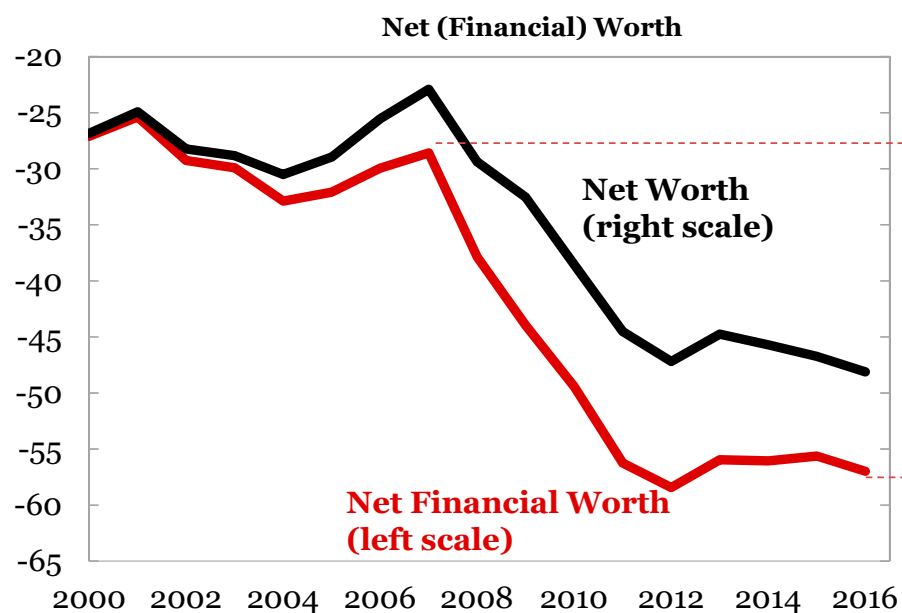
Note: Shaded area represents 90 percent confidence interval.



IV. Policy Implications

Evolution since the crisis

Public Sector Balance Sheet
(Weighted average of 17 countries, percent of GDP)



Source: IMF Fiscal Monitor, Fall 2018.

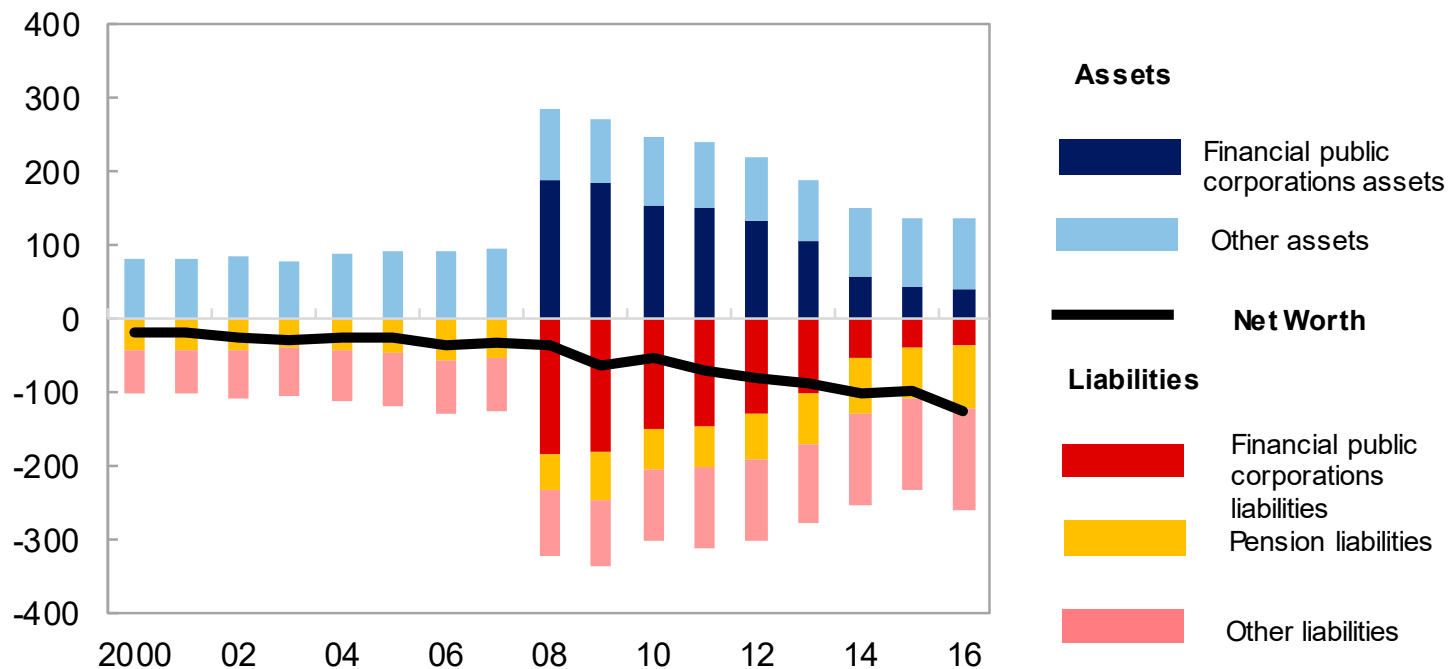
Note: The data excludes natural resource assets and pension liabilities.



IV. Policy Implications - Risk

UK – Impact of the crisis

UK – Public Sector Balance Sheet
(percent of GDP)

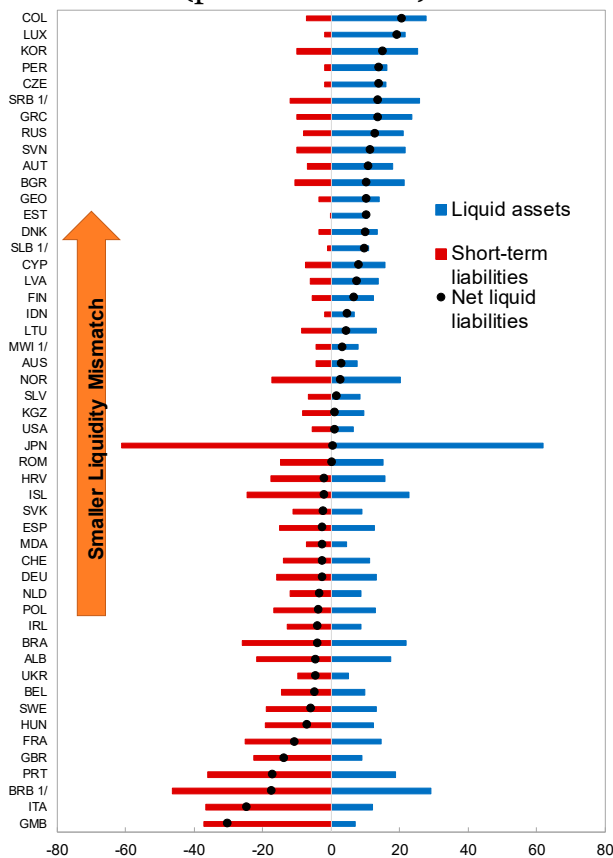




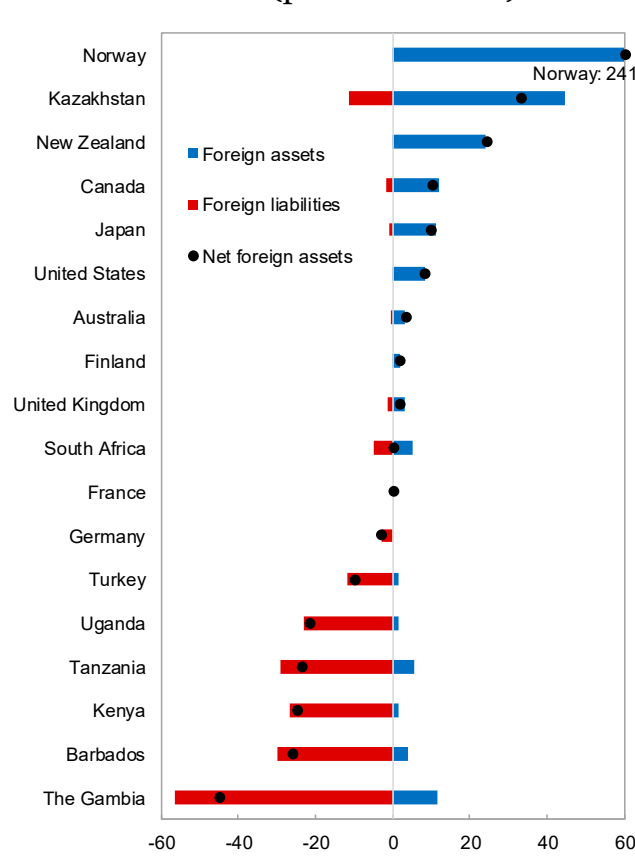
IV. Policy Implications - Risk

Better Assessment of Exposures to Risk

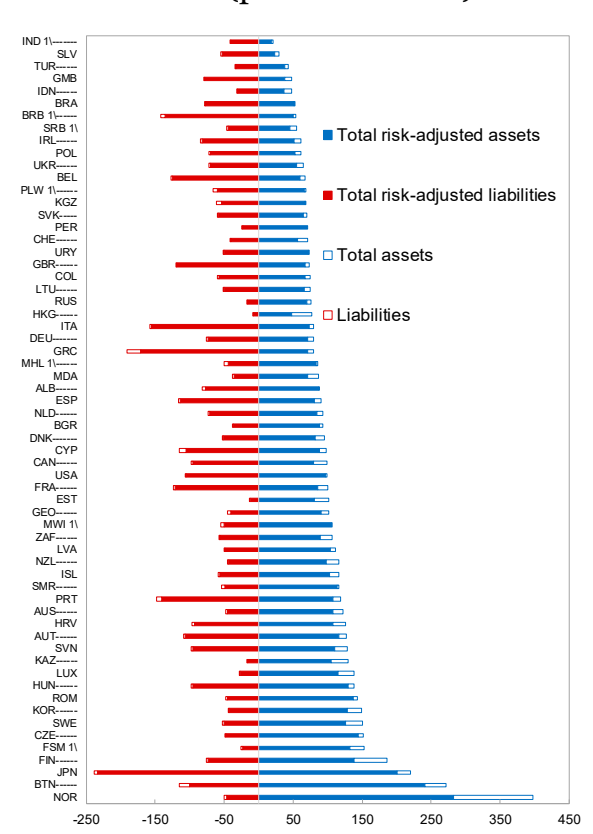
Liquid Assets and Liabilities
(percent of GDP)



Forex Assets and Liabilities
(percent of GDP)



Risk Adjusted Assets and Liabilities
(percent of GDP)

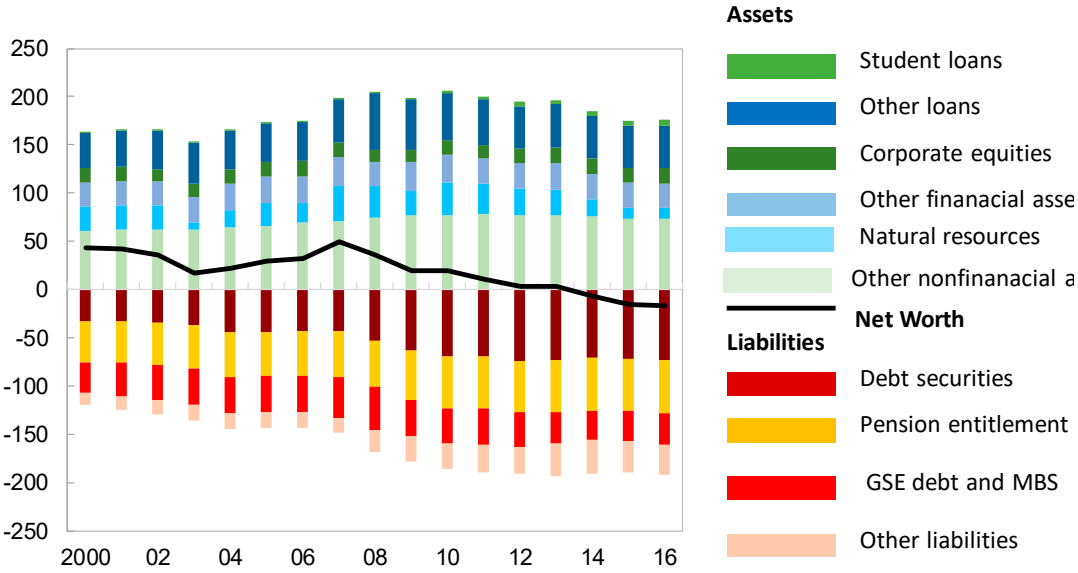




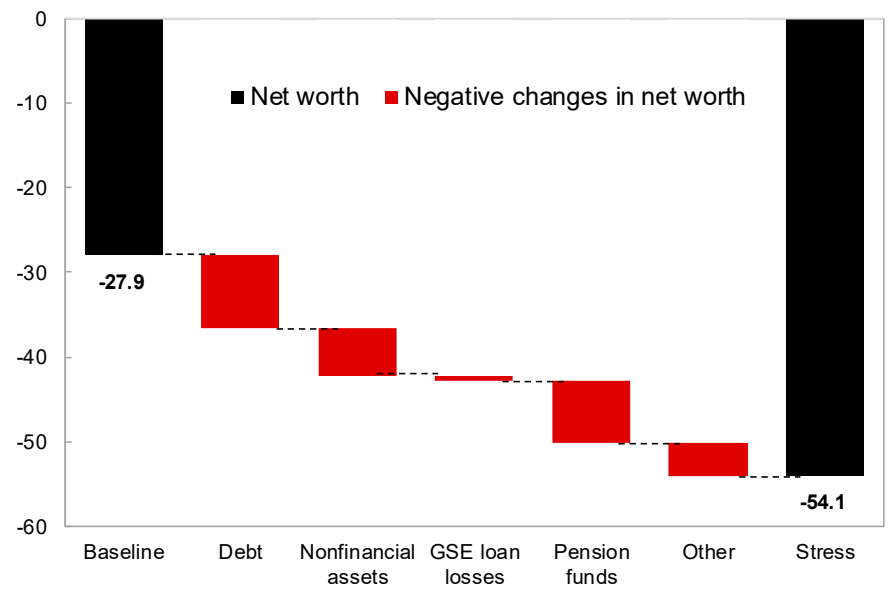
III. Policy Implications - Risk

US – Fiscal Stress Test

Public Sector Balance Sheet
(percent of GDP)



Fiscal Stress Scenario - 2020
(percent of baseline GDP)



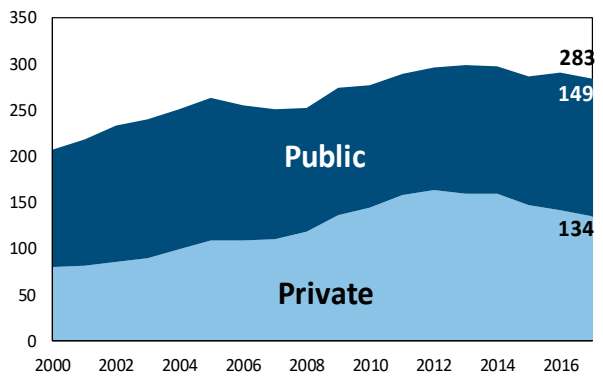


III. Examples

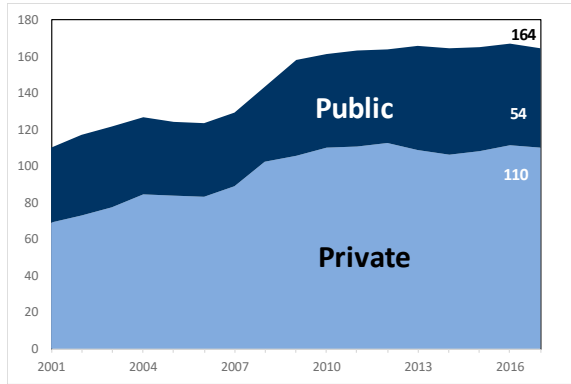
The US and Japan – Consolidation and Assets

Public Debt Holdings
(percent of GDP)

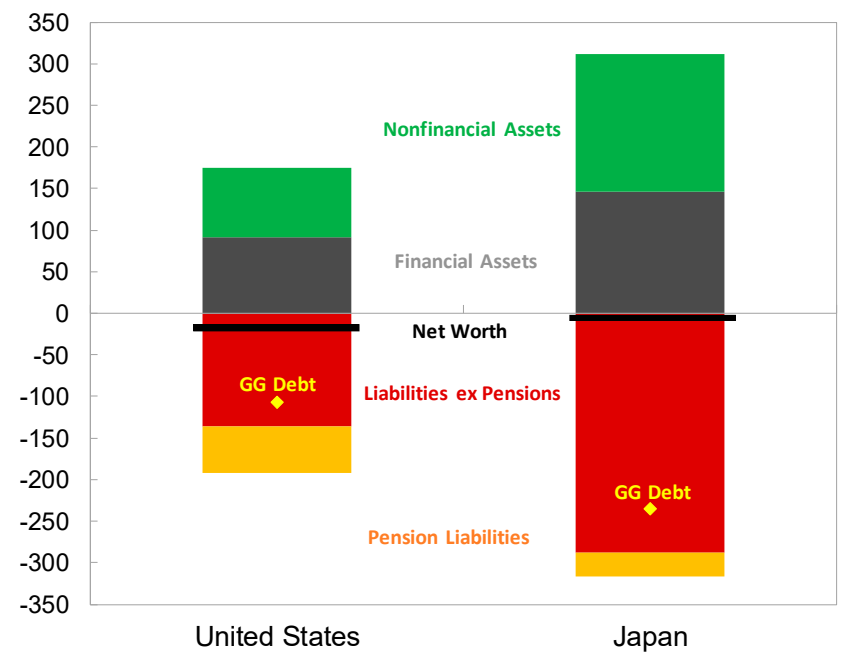
Japan



United States



PSBS – US and Japan
(2016, percent of GDP)



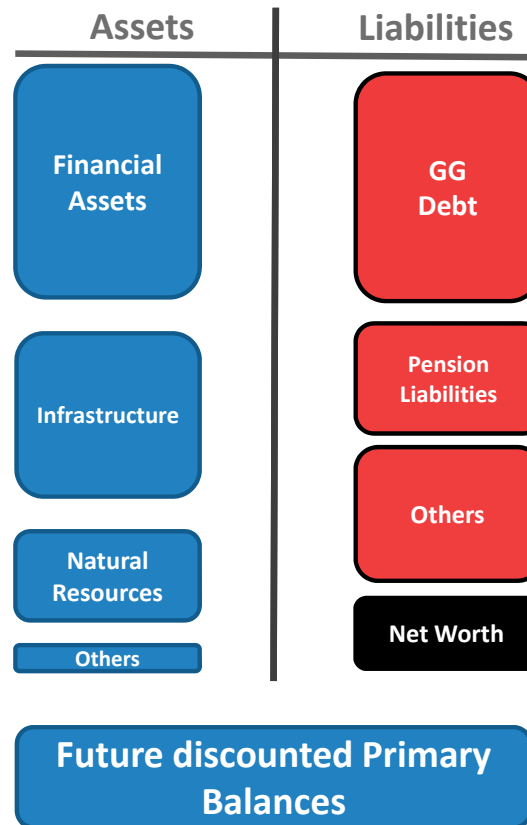
Sources: IMF October 2018 Fiscal Monitor, US Federal Reserve, and Bank of Japan



III. Policy Implications – Demographics

Intertemporal Balance Sheet

Aggregate Public Sector Balance Sheet (in percent of GDP)

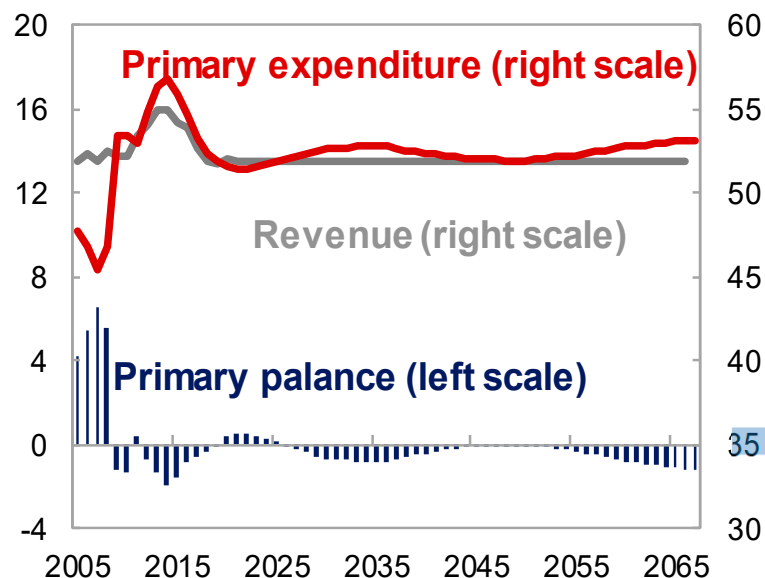




III. Policy Implications – Demographics

Finland – Current Policies Add to Future Public Wealth

Finland Long-term Fiscal Projections
(percent of GDP)



Finland Intertemporal Balance Sheet, 2016
(percent of GDP)

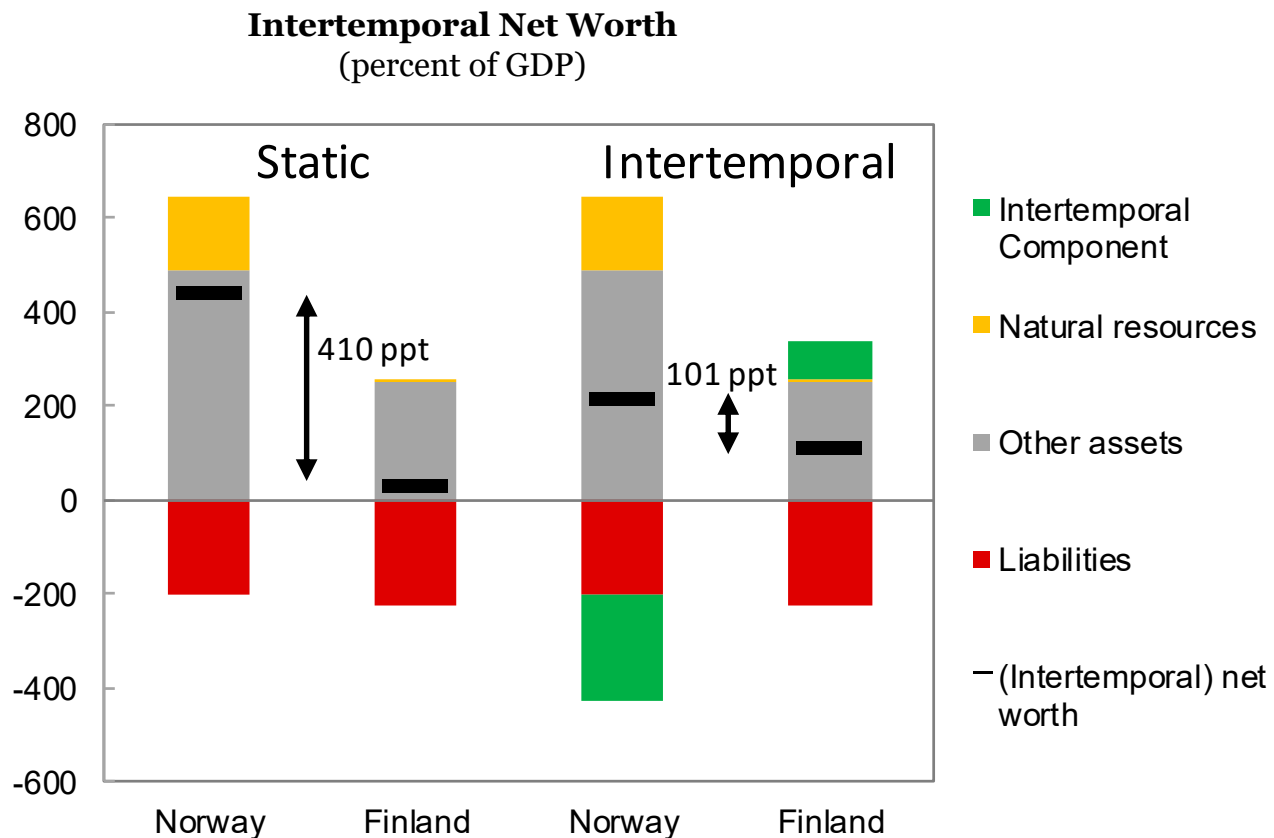
	General Government	Public Corporations	Public Sector
Total assets	208.9	75.2	254.1
<i>of which:</i> Nonfinancial assets	80.2	10.4	90.6
Financial assets	128.7	64.8	163.5
Total liabilities	178.6	75.2	223.8
<i>of which:</i> Debt securities	54.1	13.7	57.2
Net Financial Worth	-49.9	-10.4	-60.3
Net Worth	30.3	0.0	30.3
Net present value of primary balances			83.3
Intertemporal net worth			113.6

Source: IMF staff estimates.

[Link to Intertemporal Balance Sheet](#)

III. Examples – Demographics

Finland and Norway – Intertemporal Balance Sheet



Source: October 2018 Fiscal Monitor



V. Conclusion

- **FM shows the benefits of PSBS analysis**
 - Comprehensive view of public finances
 - Identify & manage risks
 - Evaluate policies
- **Balance Sheets are macro-relevant**
 - Revenues from better management
 - Lower interest cost
 - Shorter and shallower recessions
- **Promotes transparency and accountability**
 - Public assets at the service of economic and social goals
 - Accountability to citizens and creditors

Thank You

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