STATISTICS

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September 12-13, 2019

Meeting of the IMF Government Finance Statistics Advisory Committee
Washington, D.C.

Managing Public Wealth—Public Sector Balance Sheets Statistics

Prepared by Alexander Tieman

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Managing Public Wealth

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Government Finance Statistics Advisory Committee
Washington, DC, September 12, 2019

Managing Public Wealth
Overview

I. The Public Sector Balance Sheet

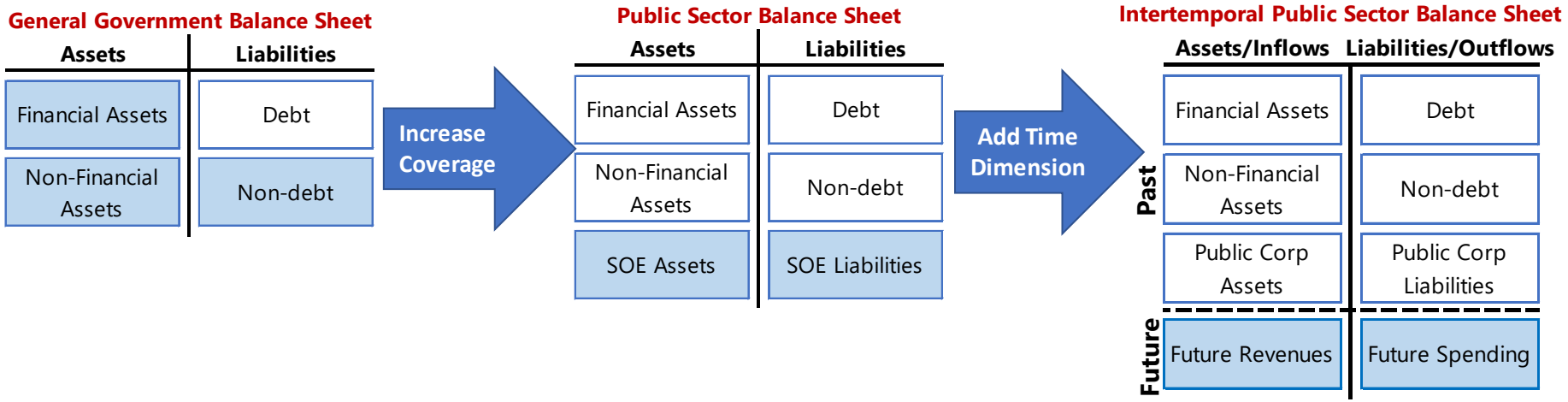
II. Why Does it Matter?

III. Examples

IV. Conclusion

V. Issues for Discussion

I. The Public Sector Balance Sheet
Conceptual Framework



I. The Public Sector Balance Sheet

- **Move beyond debt and deficits**, to provide the most comprehensive view of public finances

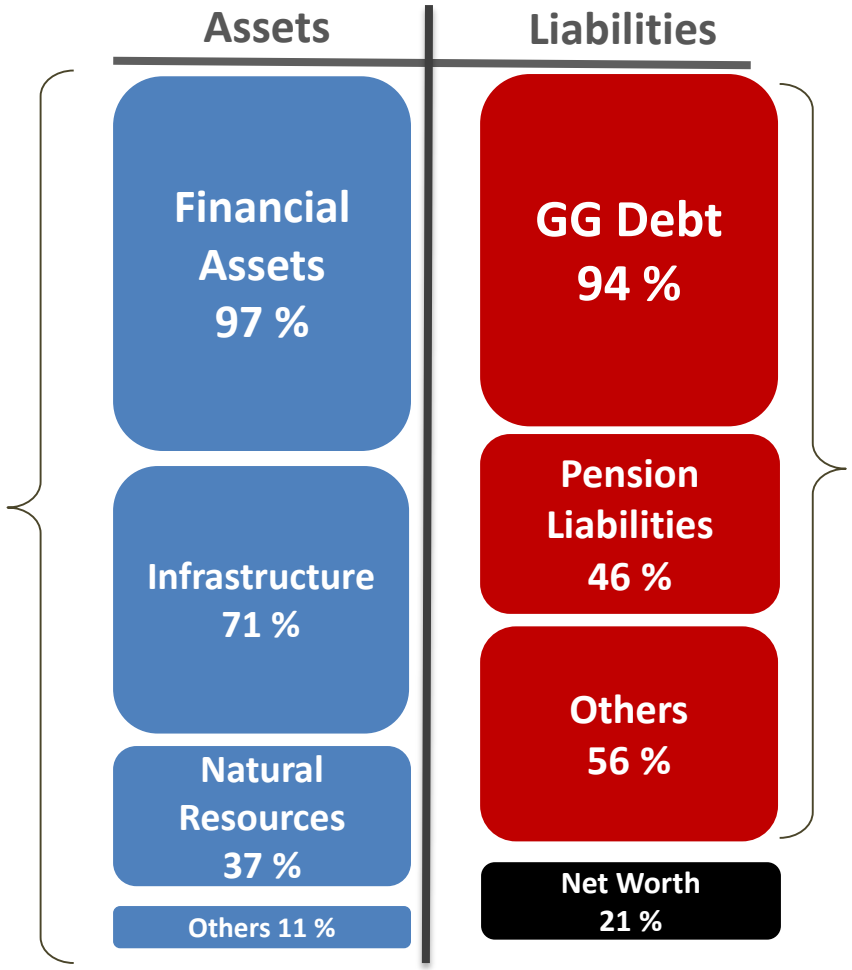
- **Shed light on public assets and liabilities** by bringing together existing and newly estimated PSBS data into a single source

- **Identify the macro-economic relevance** of balance sheets and their impact on sovereign yields, economic resilience and potential revenues

- **Develop and apply a conceptual framework** for assessing balance sheets to improve fiscal policy and better manage fiscal risks

I. The Public Sector Balance Sheet
Aggregate PSBS for 38 countries

Aggregate Public Sector Balance Sheet
(in percent of GDP)

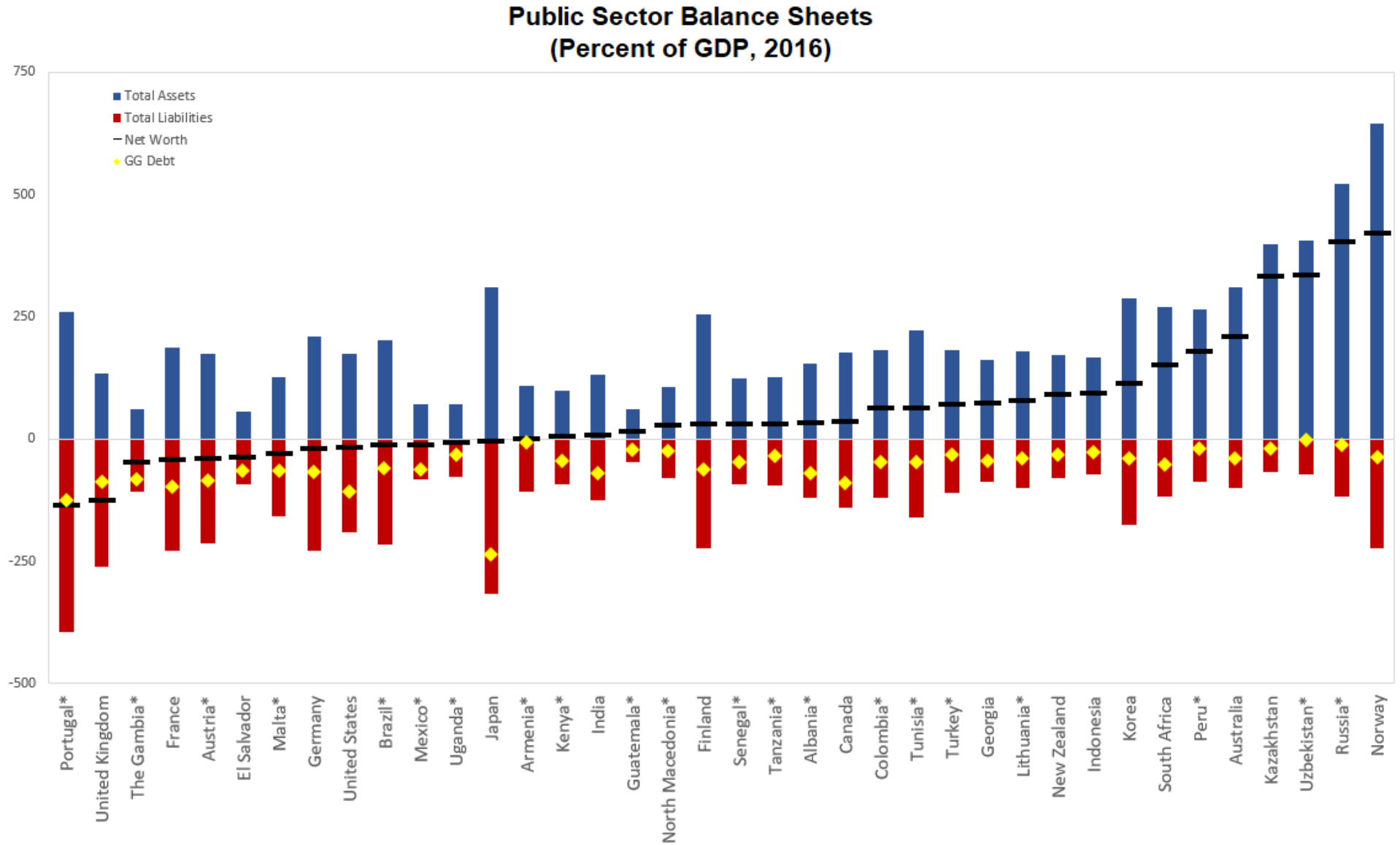


US$103 Trillion or 216 percent of GDP

195 percent of GDP

Source: IMF Public Sector Balance Sheet Database.

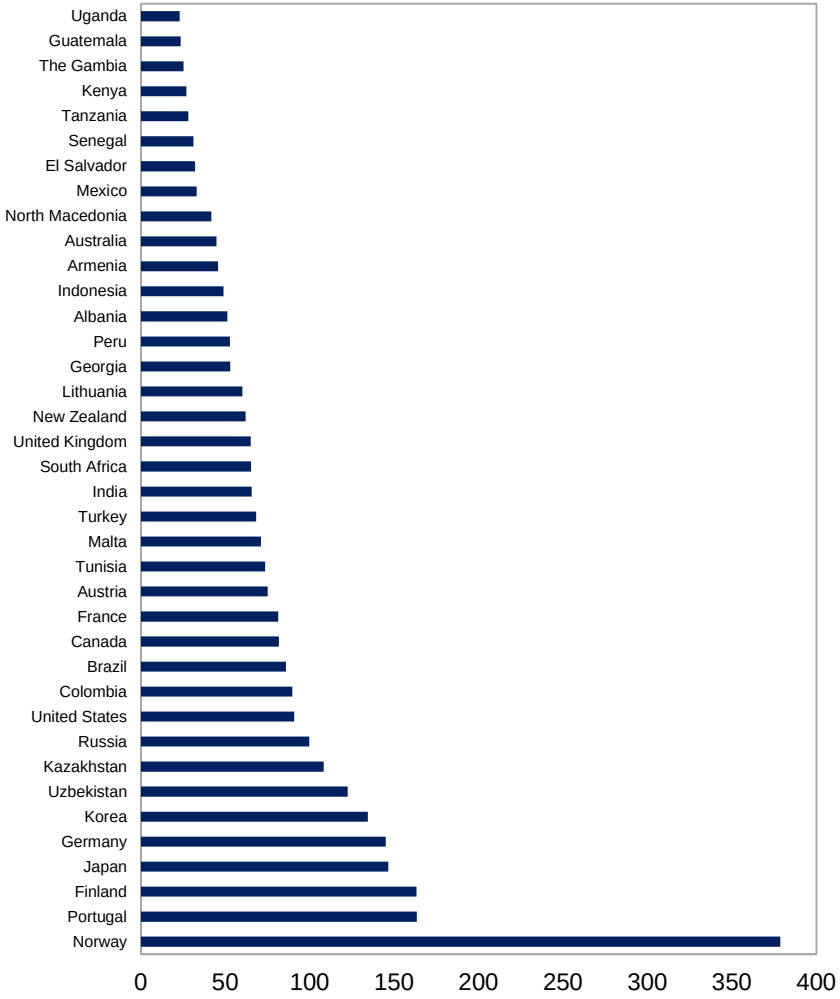
I. The Public Sector Balance Sheet
Individual country PSBS for 38 countries



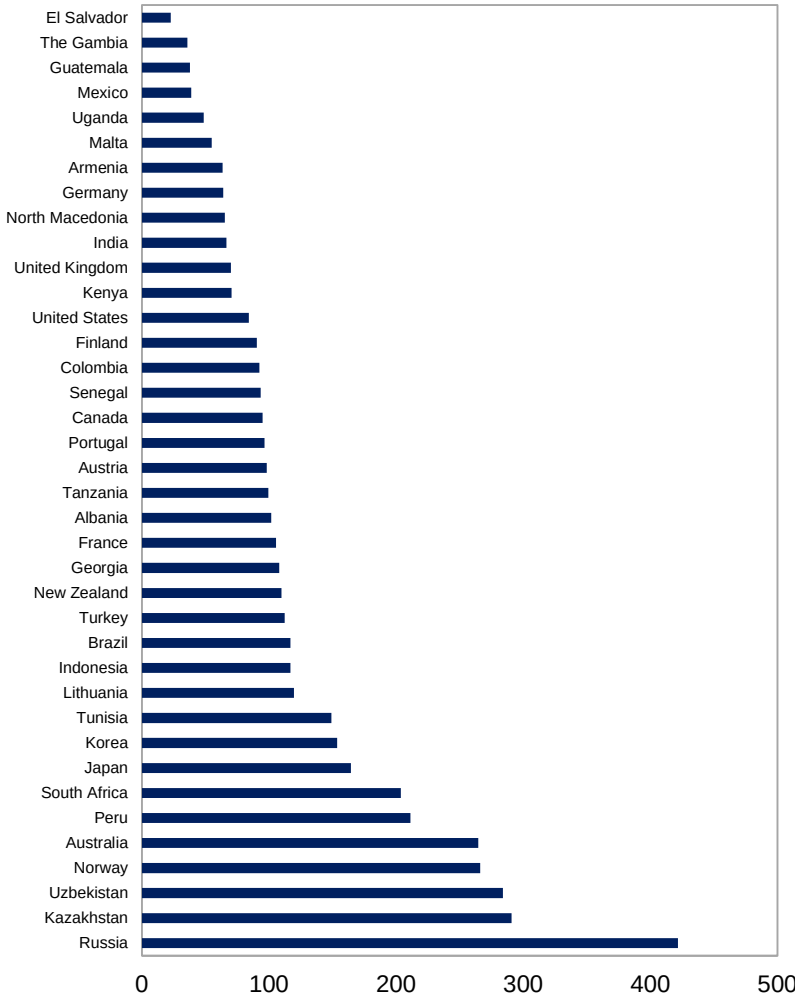
I. The Public Sector Balance Sheet

New elements

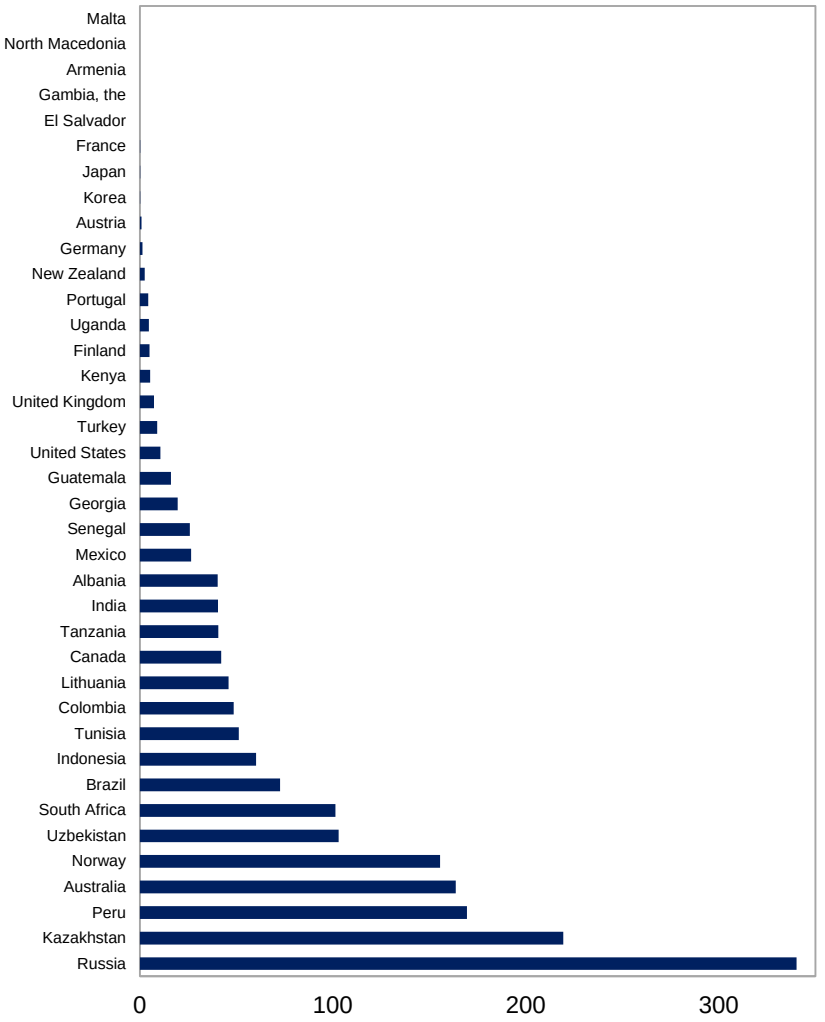
Financial Assets
(Percent of GDP)



Nonfinancial Assets
(Percent of GDP)



Natural Resource Assets
(Percent of GDP)

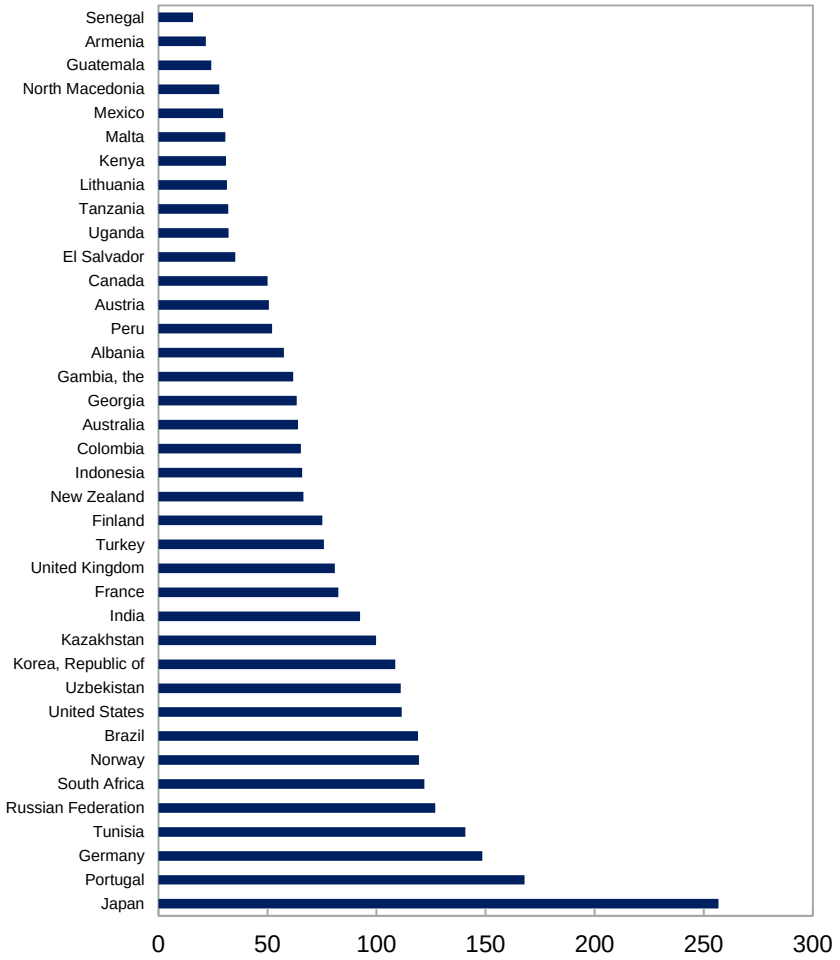


Source: IMF Public Sector Balance Sheet Database

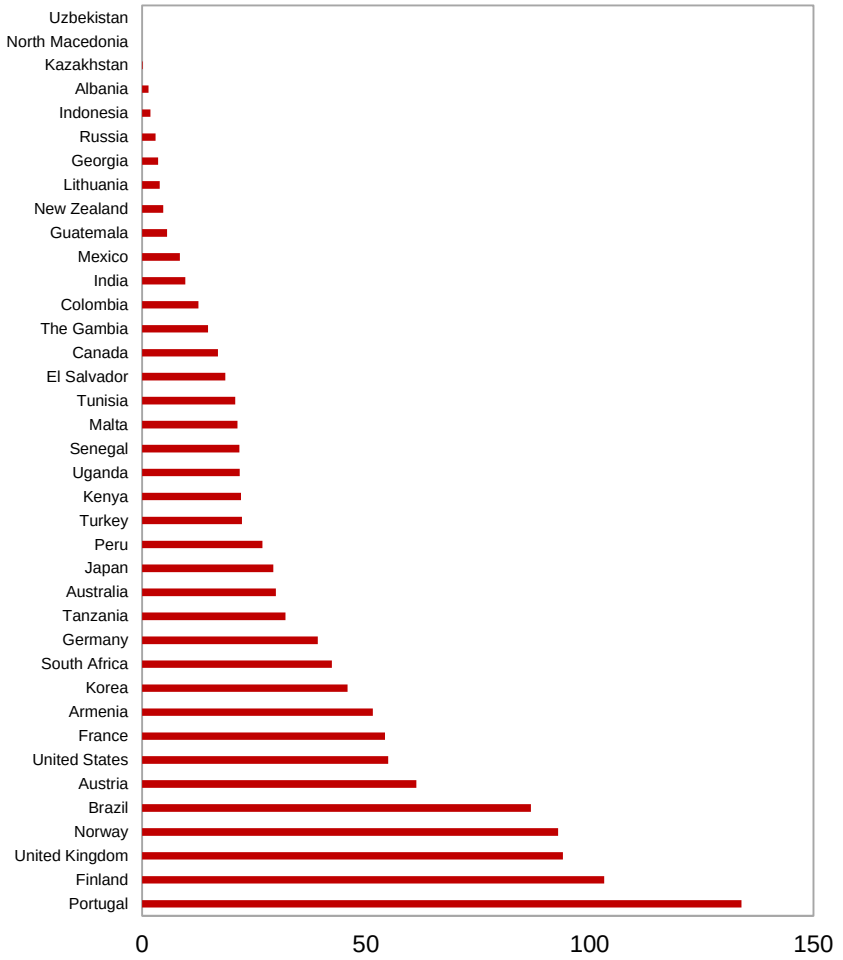
I. The Public Sector Balance Sheet

New elements

Public Corporation Assets
(Percent of GDP)



Accrued Pension Liabilities
(Percent of GDP)



Source: IMF Public Sector Balance Sheet Database

I. The Public Sector Balance Sheet
Challenges and Limitations

Balance sheets aren't easy

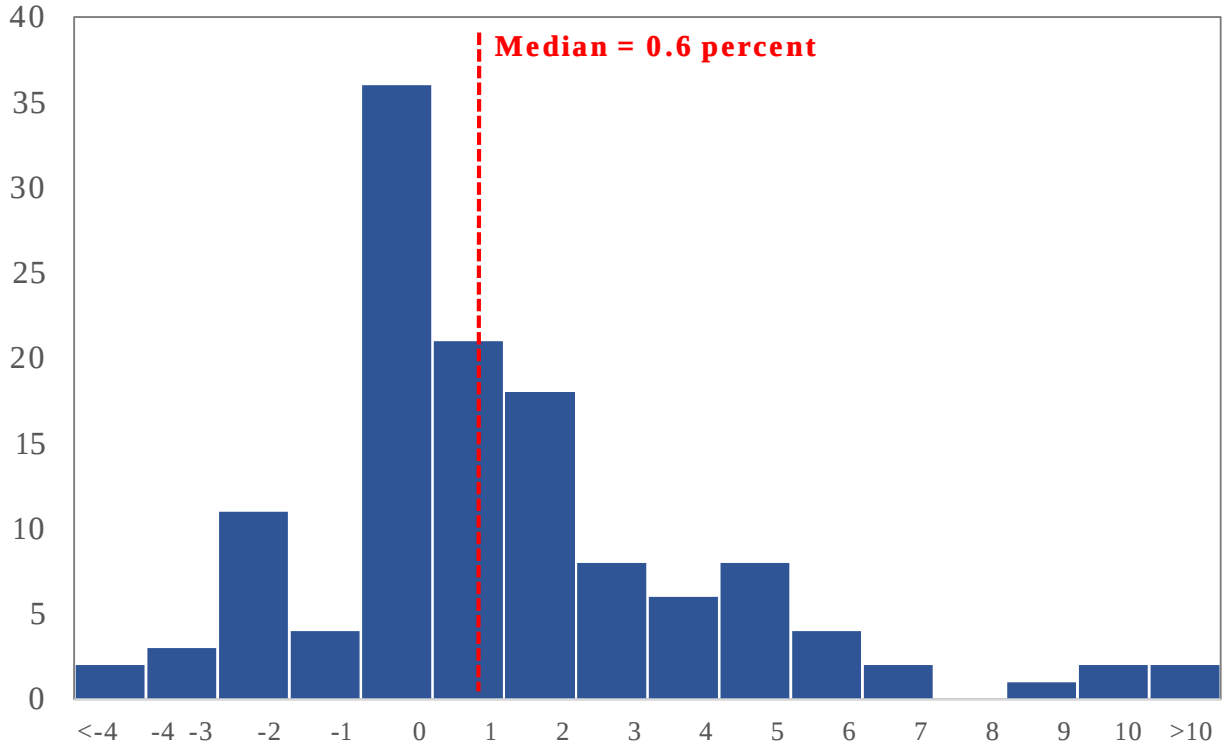
- Measurement and data availability issues
- Many assets are illiquid or not marketable

Bottom line:

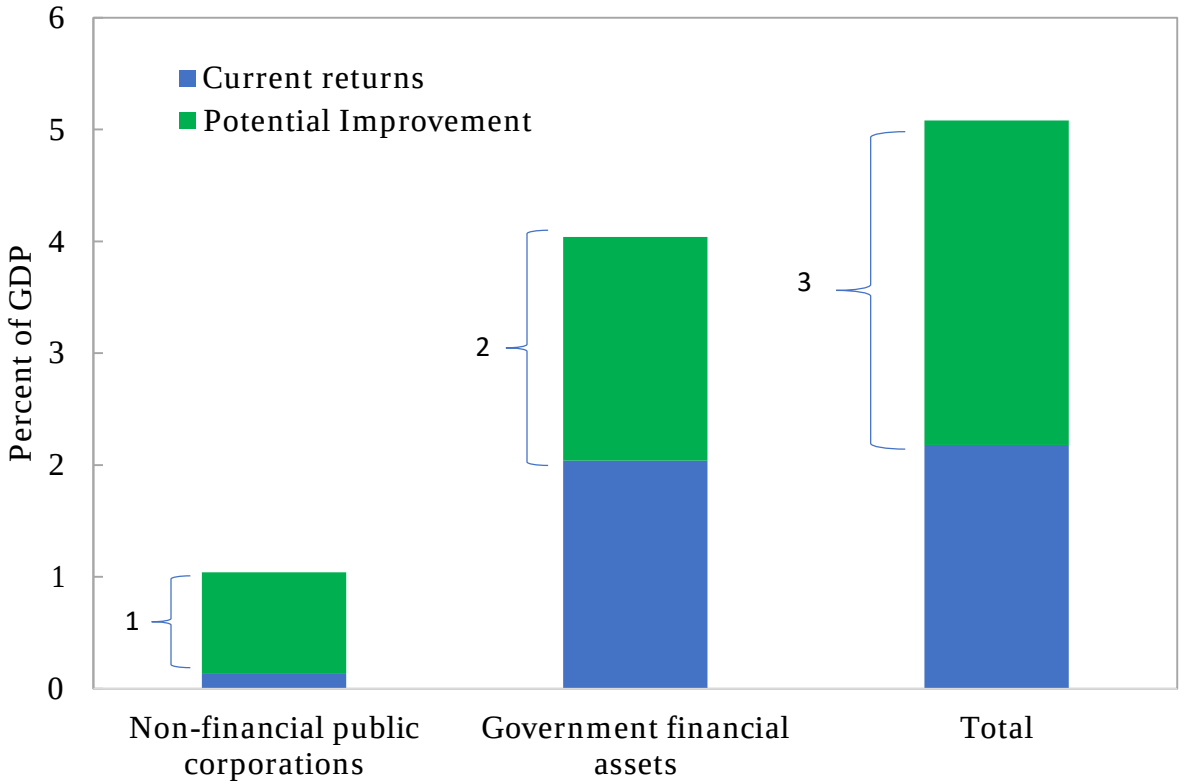
- Balance sheet approach complements existing debt approach
- Consider alternative indicators: net financial worth & liquid assets
- Strengthen statistical and accounting systems
- Doable even in data-constrained environment (e.g., The Gambia)

II. Why does it Matter?
Large Assets → Large Revenue Potential

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



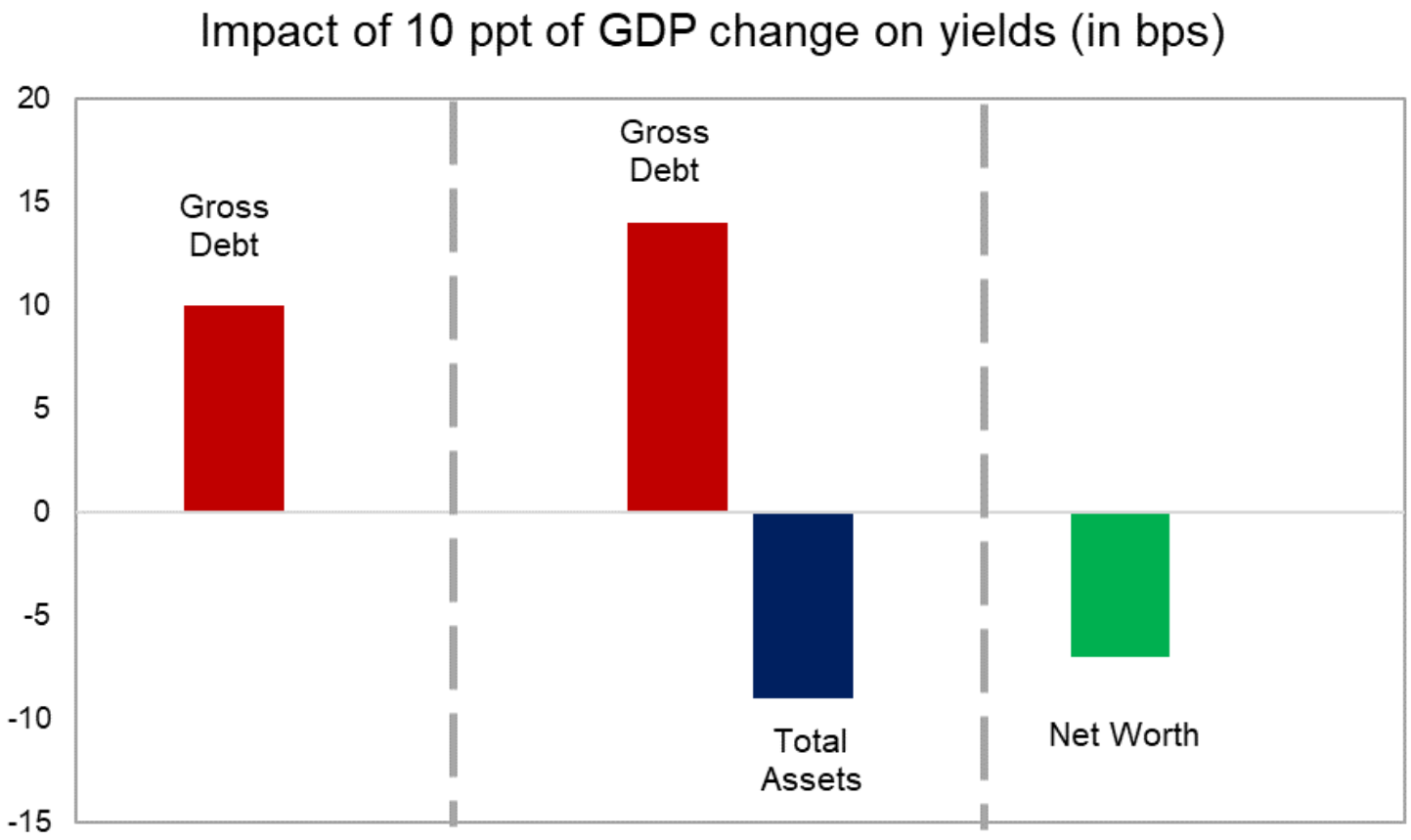
Potential Revenue Gains from Improved Asset Management
(in percent of GDP)



Source: IMF October 2018 Fiscal Monitor.

New Zealand case study

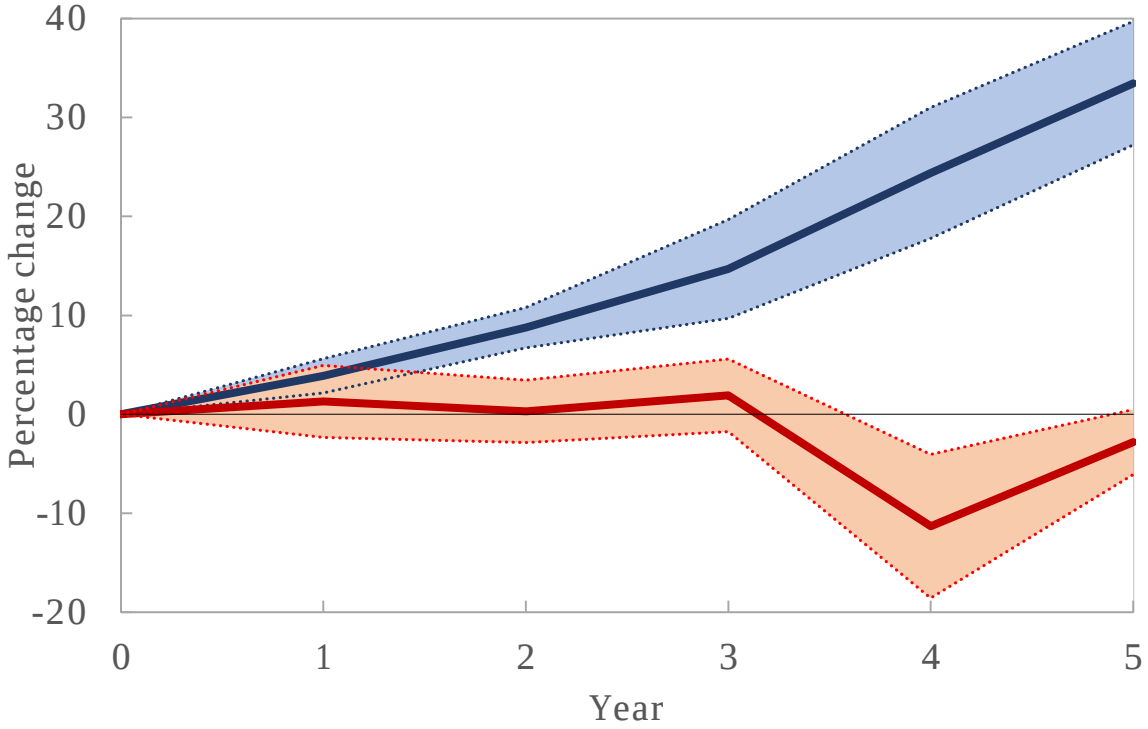
II. Why does it Matter?
Stronger balance sheet → lower interest



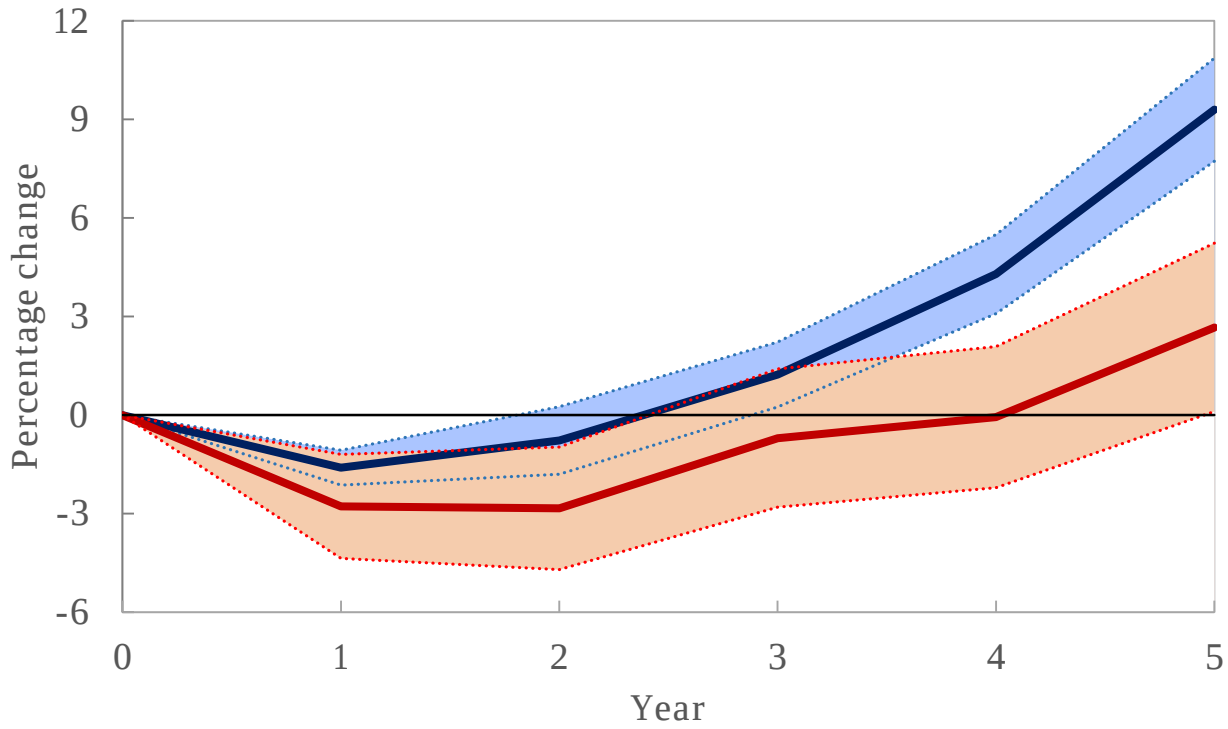
Source: IMF October 2018 Fiscal Monitor.

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

Real Government Expenditure per Capita Following Recessions (in percent)



Real GDP per Capita Following Recessions
(in percent)



Strong Balance Sheets Weak Balance Sheets

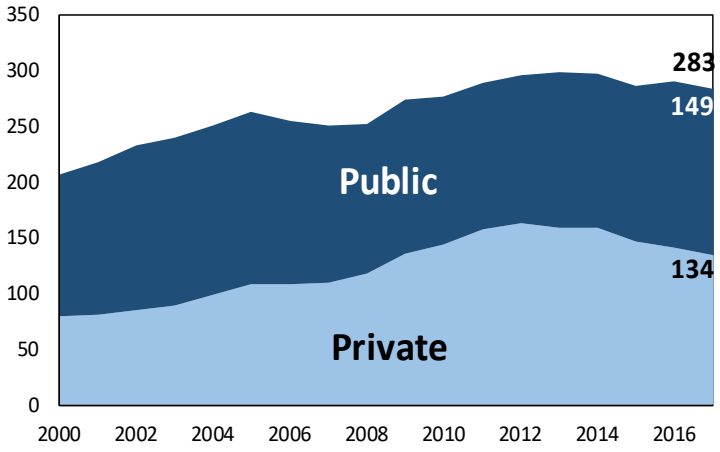
Source: IMF October 2018 Fiscal Monitor.
Note: Shaded area represents 90 percent confidence interval.

Kazakhstan case study

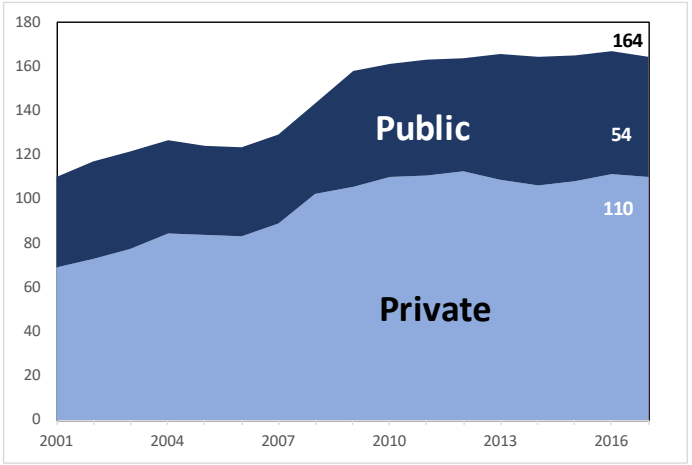
III. Examples
The US and Japan – Consolidation and Assets

Public Debt Holdings
(percent of GDP)

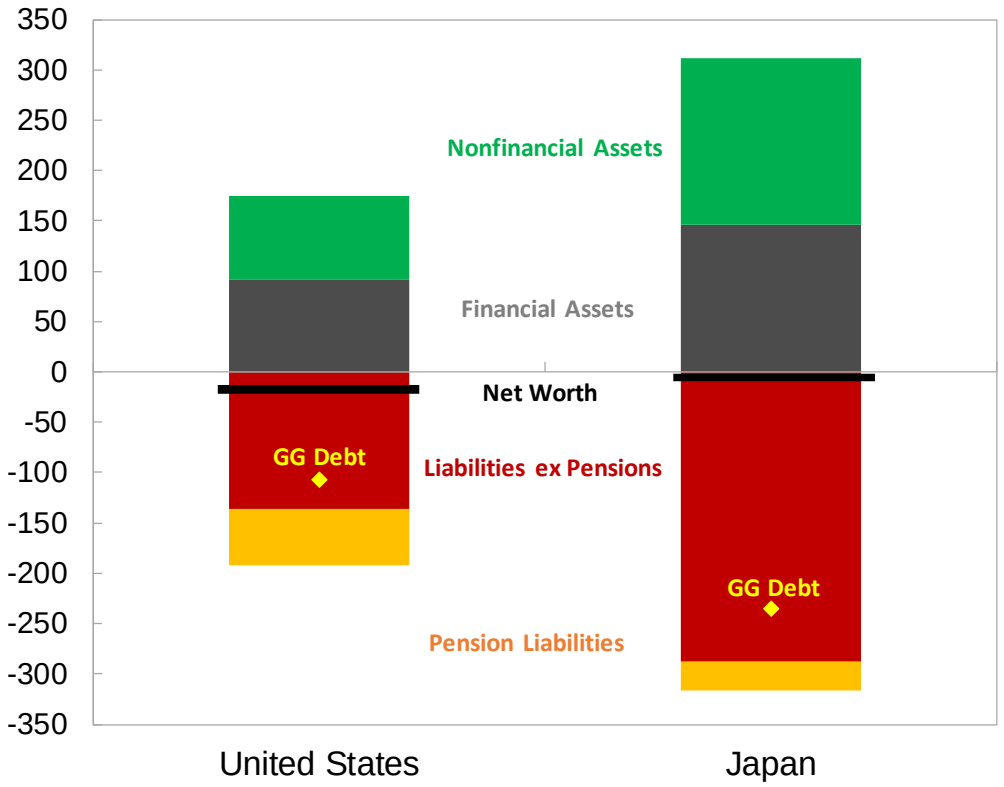
Japan



United States

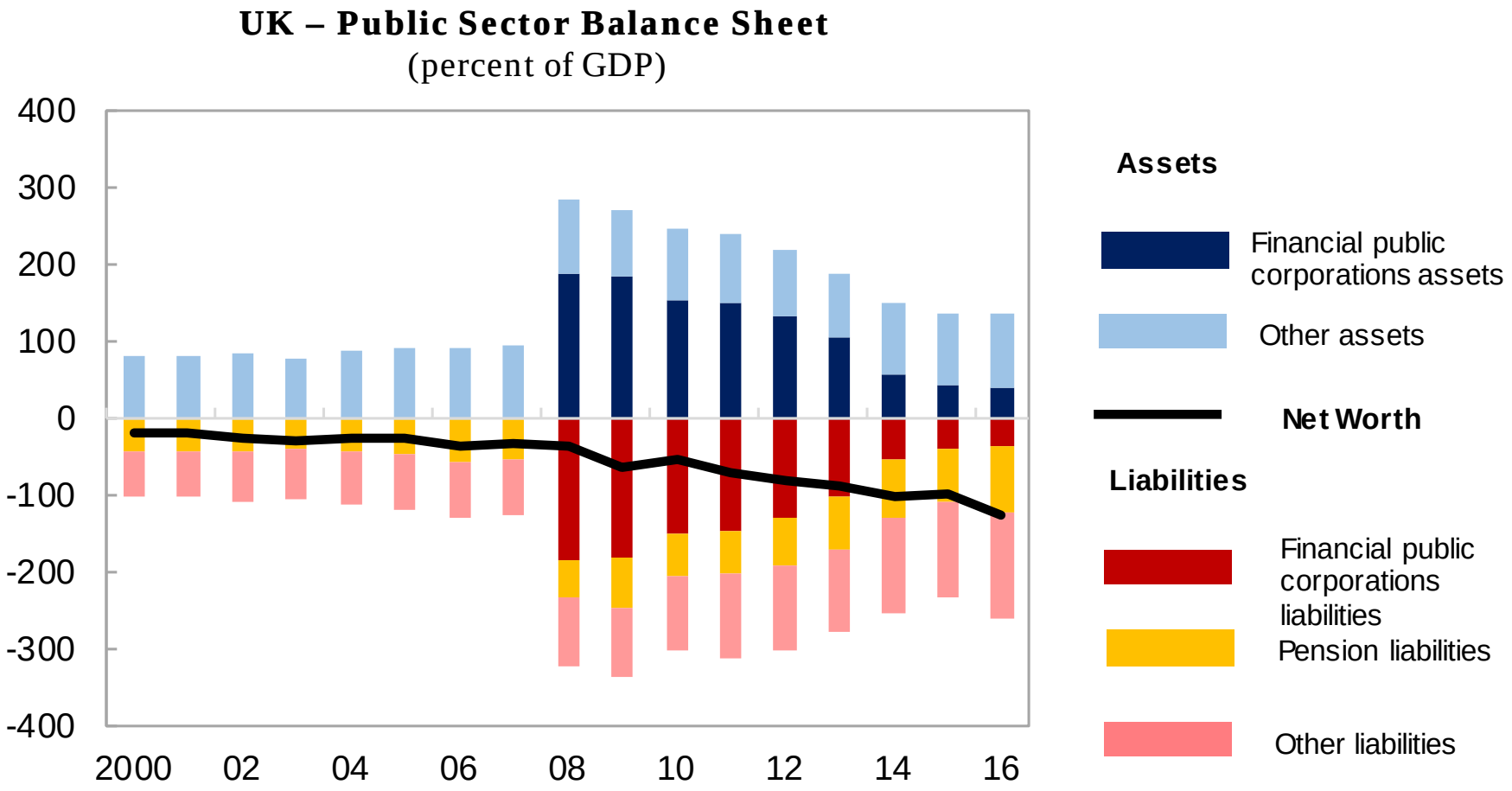


PSBS – US and Japan
(2016, percent of GDP)



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

III. Examples
UK – Impact of the crisis

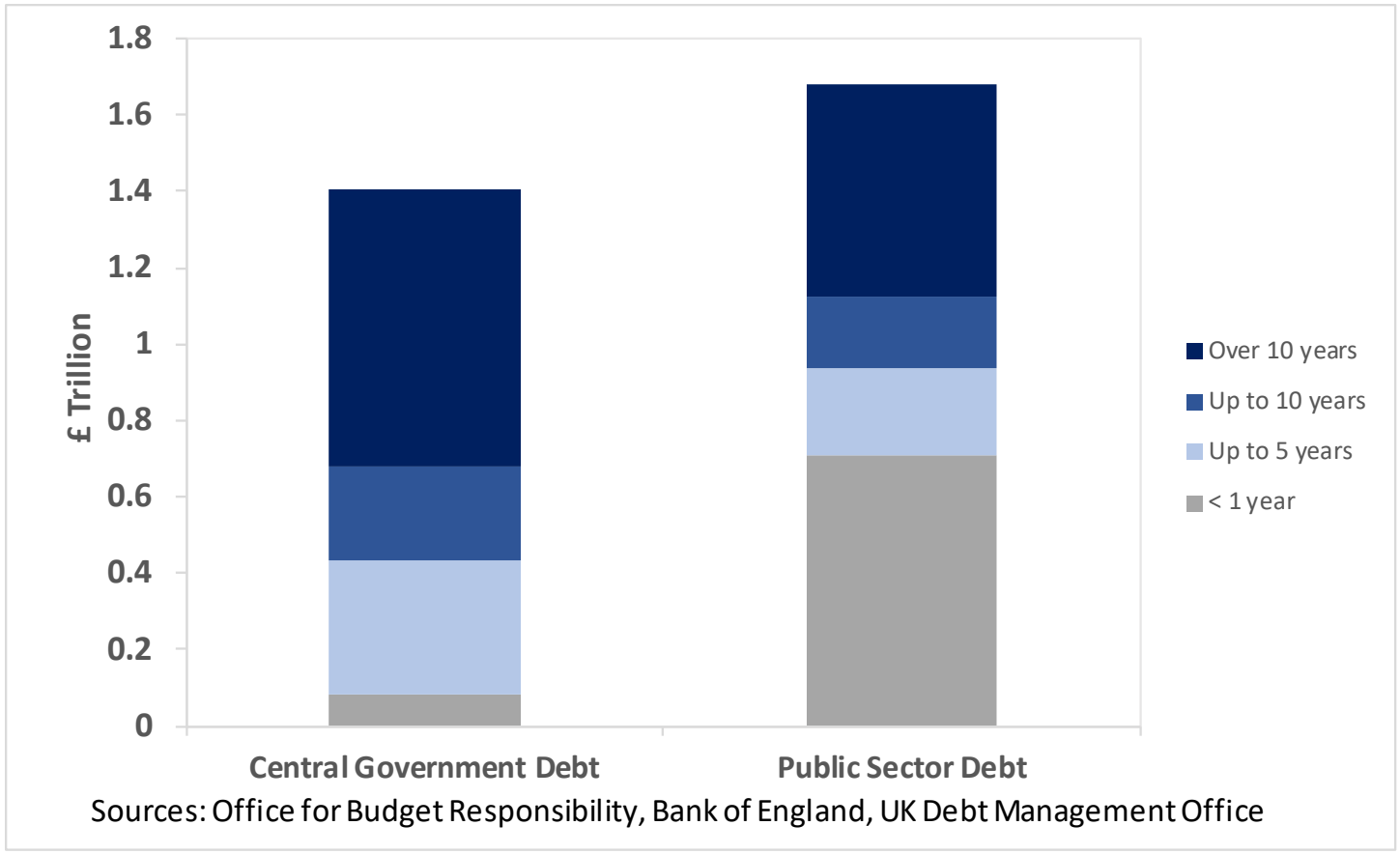


Source: October 2018 Fiscal Monitor

Evolution since the crisis

III. Examples
Quantitative Easing

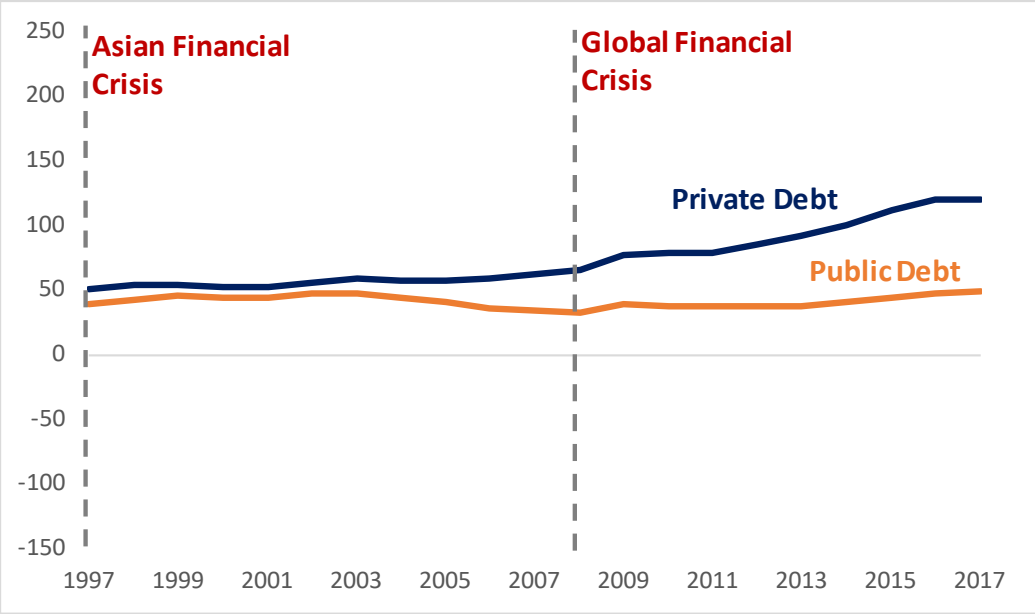
United Kingdom: Maturity Structure of Outstanding Debt, 2016



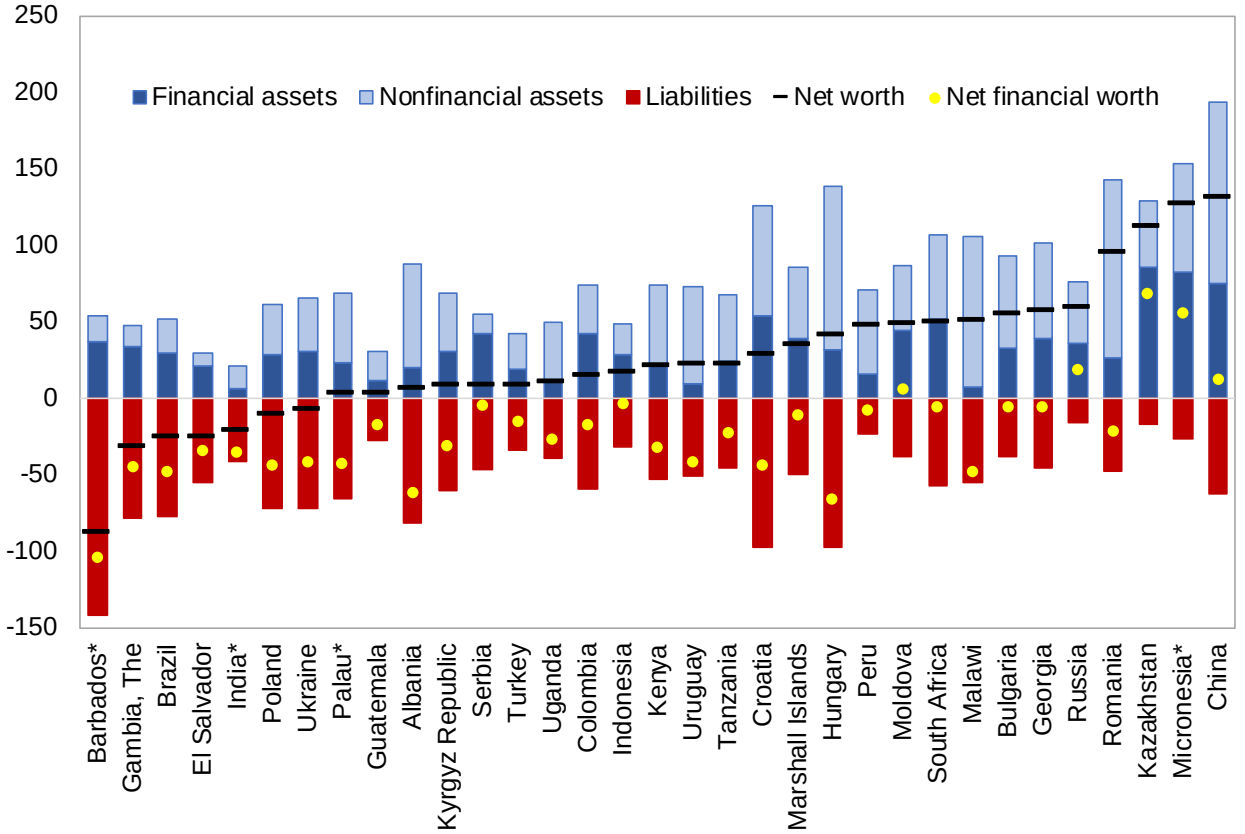
Sources: Office for Budget Responsibility, Bank of England, UK Debt Management Office

III. Examples
China – Transparency and Buffers

EM: Levels of Public and Private Debt
(percent of GDP)



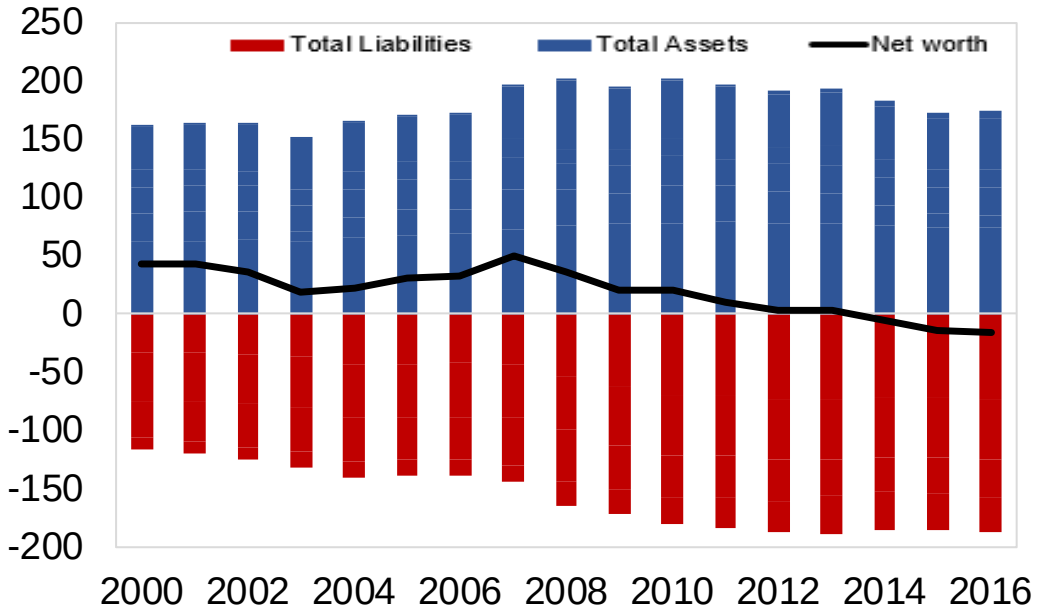
EM: General Government Balance Sheets
(percent of GDP)



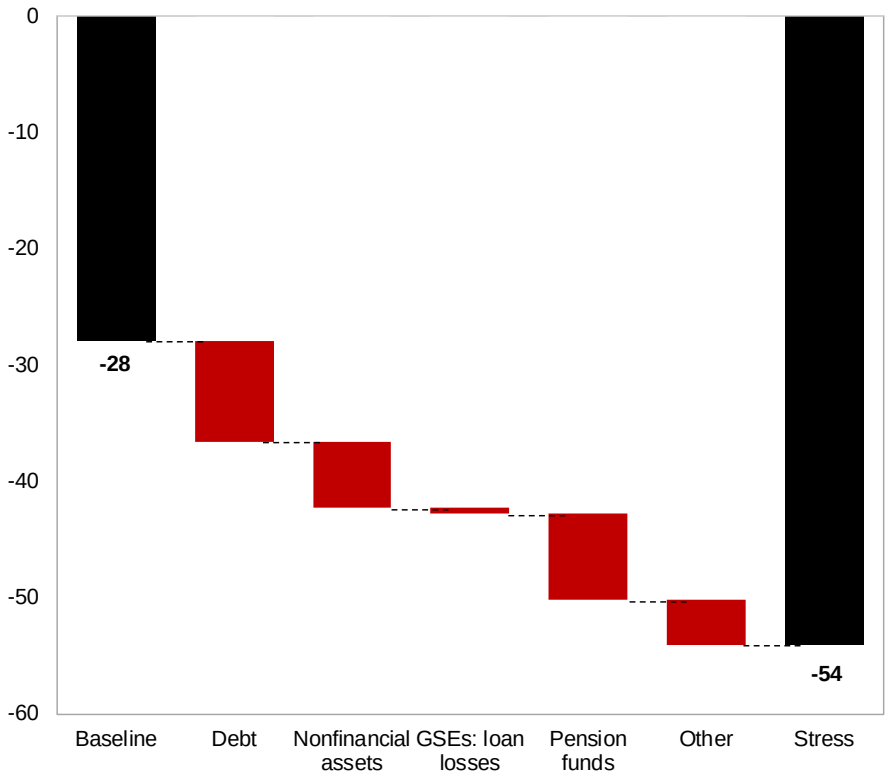
Sources: Global Debt Database and October 2018 Fiscal Monitor

III. Examples – Risk Identification
US – Fiscal Stress Test

US public sector balance sheet
(percent of GDP)



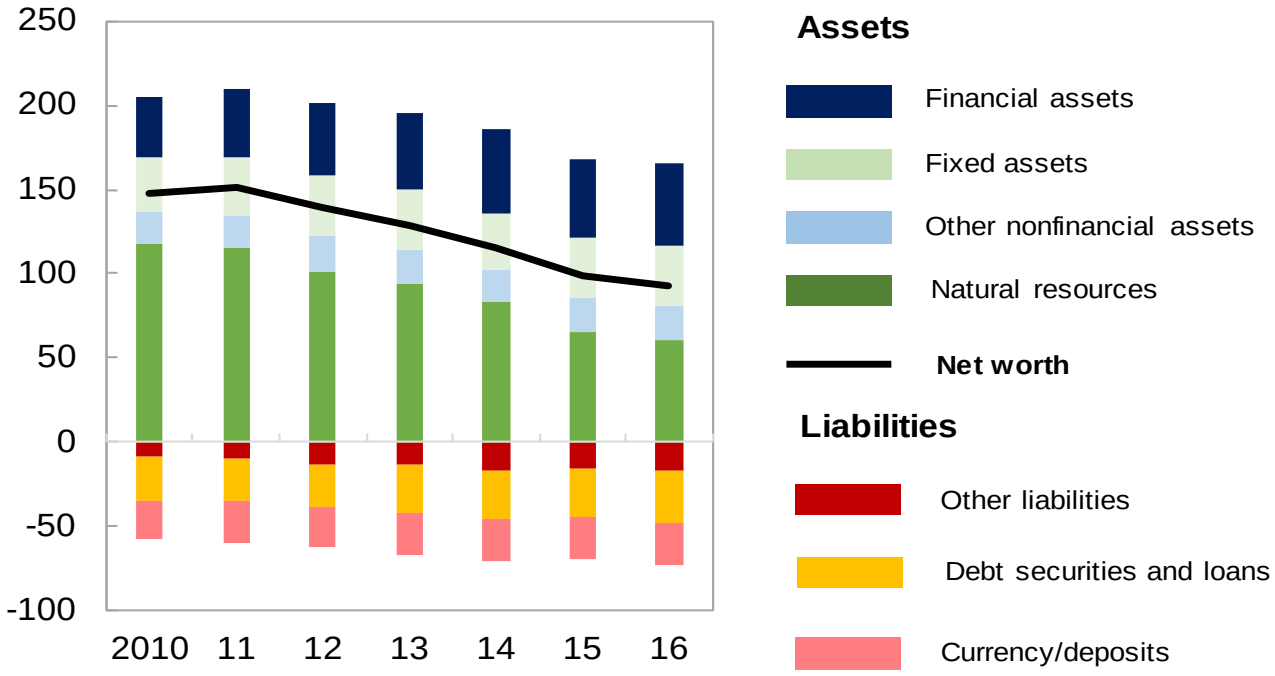
Fiscal stress scenario - 2020
(percent of baseline GDP)



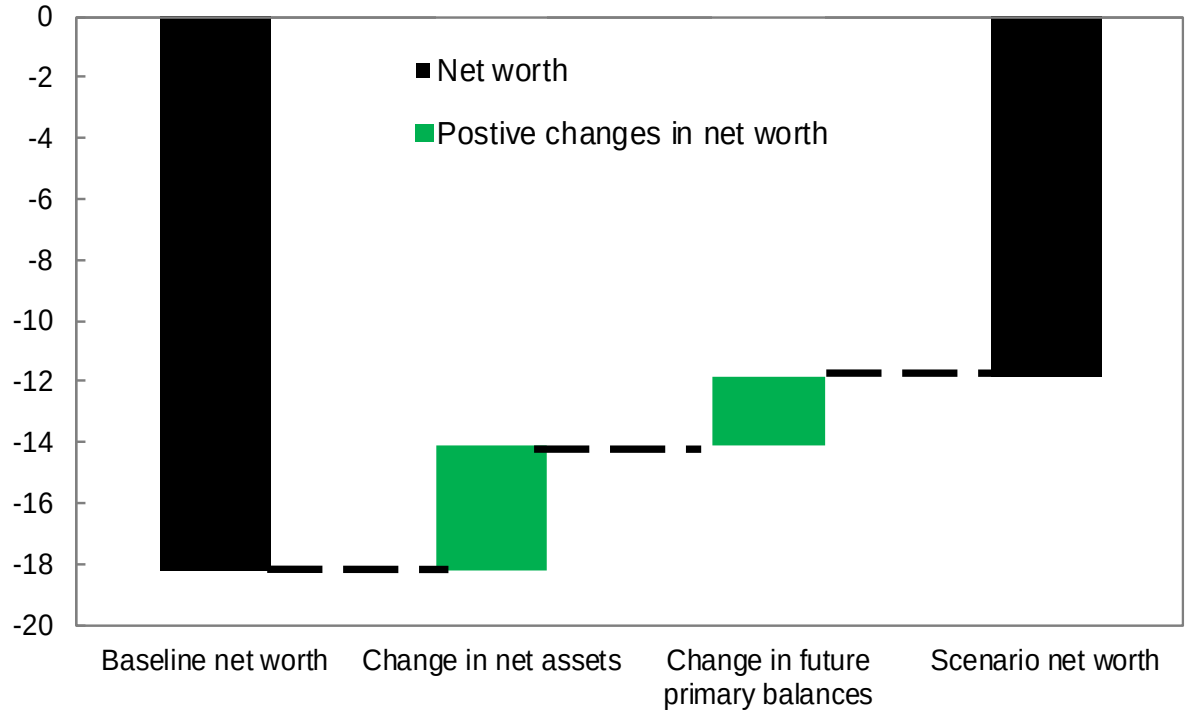
III. Examples - Policy Evaluation

Indonesia – Public Investment boosts Public Wealth

Public Sector Balance Sheet
(percent of GDP)

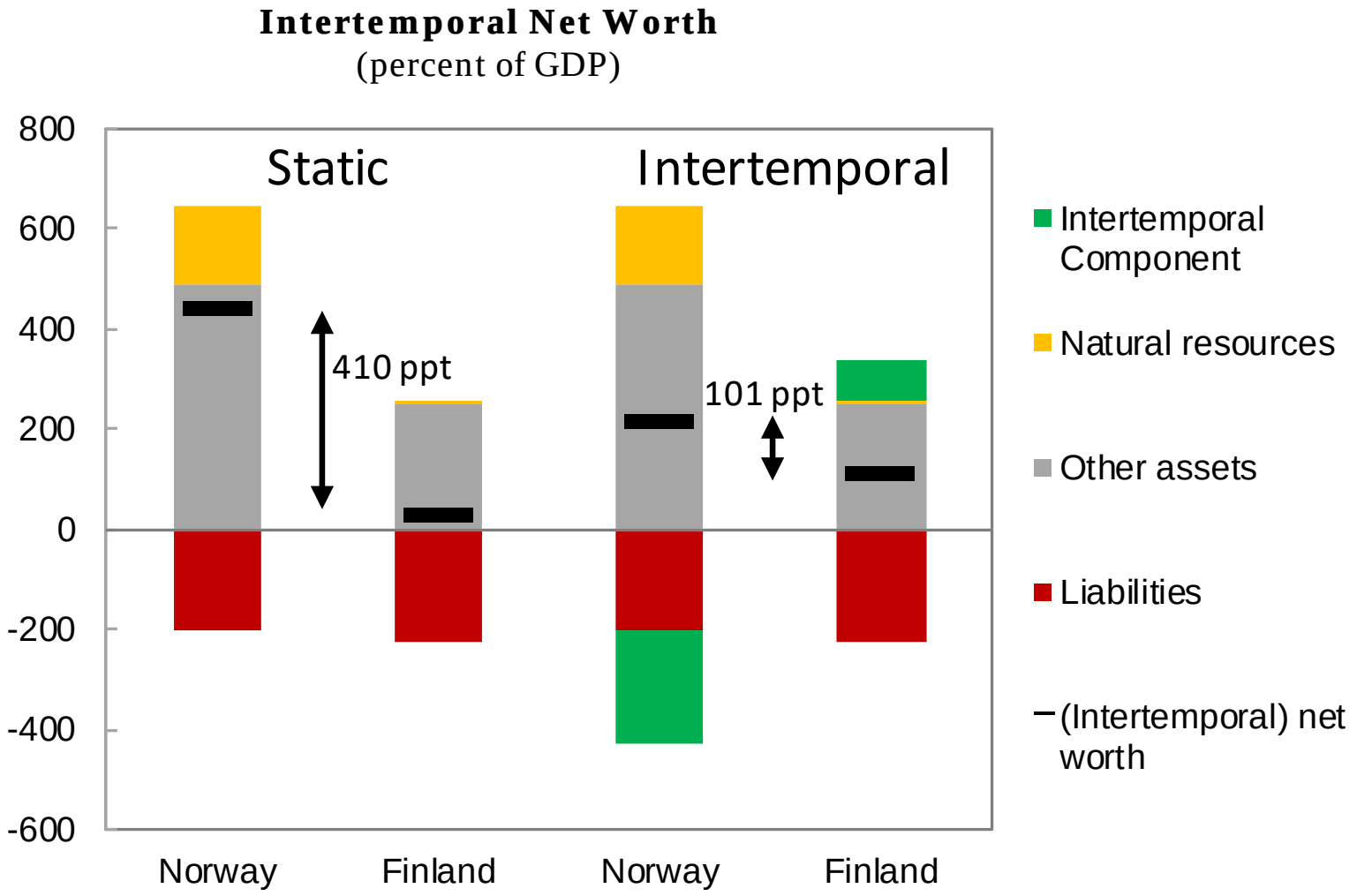


Change in Intertemporal Net Worth from Higher Investment
(percent of 2023 baseline GDP)



Source: October 2018 Fiscal Monitor

III. Examples – Demographics
Finland and Norway – Intertemporal Balance Sheet



Source: October 2018 Fiscal Monitor

Construction of intertemporal balance sheet

IV. Conclusion

- **Our report shows the benefits of PSBS analysis**
  - Comprehensive view of public finances
  - Identify & manage risks
  - Evaluate policies
  - Macroeconomic relevance

- **Promotes transparency and accountability**
  - Public assets at the service of economic and social goals
  - Accountability to citizens and creditors

- **Next steps**
  - Start compiling balance sheets – the database is public at **data.imf.org/psbs**
  - Perform basic balance sheet analysis
  - Over time, improve statistical and accounting practices

V. Issues for Discussion

- How can we expand the country coverage of the database?
- Can the GFS reporting mechanism be expanded to cover the public sector to allow regular updating?
- How should we improve cooperation with the authorities and integrate PSBS into our surveillance and CD agenda?

Thank You

Public Sector Balance sheet Database

data.imf.org/psbs

Managing Public Wealth

IMF October 2018 Fiscal Monitor

www.imf.org/fiscalmonitor