

Financial net worth of general government

Financial net worth, or the difference between governments' financial assets and liabilities, shows the government's ability to meet its financial obligations and can provide a more accurate picture of a country's fiscal position. The assets reflect a source of additional funding and income available to governments; liabilities reflect debts accumulated over time. A consistent increase in the government's financial net worth over time indicates good financial health. Conversely, net worth may be depleted by public debt indicating a worsening of the fiscal position that could affect confidence and increase risk.

In 2017, general government financial net worth of OECD countries amounted to -70% of GDP, meaning that governments on average were holding significantly more liabilities than assets. In four OECD countries – Greece (-149%), Italy (-125%), Japan (-124%) and Portugal (-108%) –, the negative financial net worth was larger than the size of the country's GDP in 2017. These countries accumulated substantial debt over the past years, particularly in the years following the 2007-08 economic crisis. For the same year, 8 out of 35 countries reported having positive financial net worth with Norway reporting the highest level at +308% of GDP, followed by Finland (+59%). In the case of Norway, it reflects the USD 1 trillion of the Norwegian Wealth Fund, managed by the Central Bank on behalf of the Ministry of Finance and composed of equity, bonds and real estate investments. This fund was set in 1990 to manage the petroleum resources in the interest of present and future generations. In Finland, this value reflects the positive performance of employment pension schemes' net financial assets.

After a decade since the international financial crisis and with few exceptions, general government financial net worth in OECD economies is far from rebounding to pre-crisis levels. However, between 2017 and 2018, for most countries with available information, an average improvement of 0.4 p.p. was experienced. The exceptions are the United States (1.3 p.p.), Chile (1.0 p.p.) and France (0.2 p.p.). In these three countries, the recent deterioration of their net worth is primarily driven by additional public debt issuance.

On average, the financial net worth in OECD countries represented USD -34 591 PPP per capita in 2017, which more than doubled since the OECD average level in 2007 (USD -15 523 PPP). In 2017, the highest positive per capita financial net worth was recorded in Norway (USD 191 667 PPP) and the lowest in Japan (USD -51 921 PPP).

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics* (database) and the *Eurostat Government Finance Statistics* (database), which are based on the *System of National Accounts (SNA)*, a set of internationally agreed

concepts, definitions, classifications and rules for national accounting. The 2008 SNA framework has been implemented by all OECD countries (see Annex A for details on reporting systems and sources).

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, Mexico, New Zealand, Brazil and Russia.

This indicator can be used as a 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 the 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 see General government revenues (page 64).

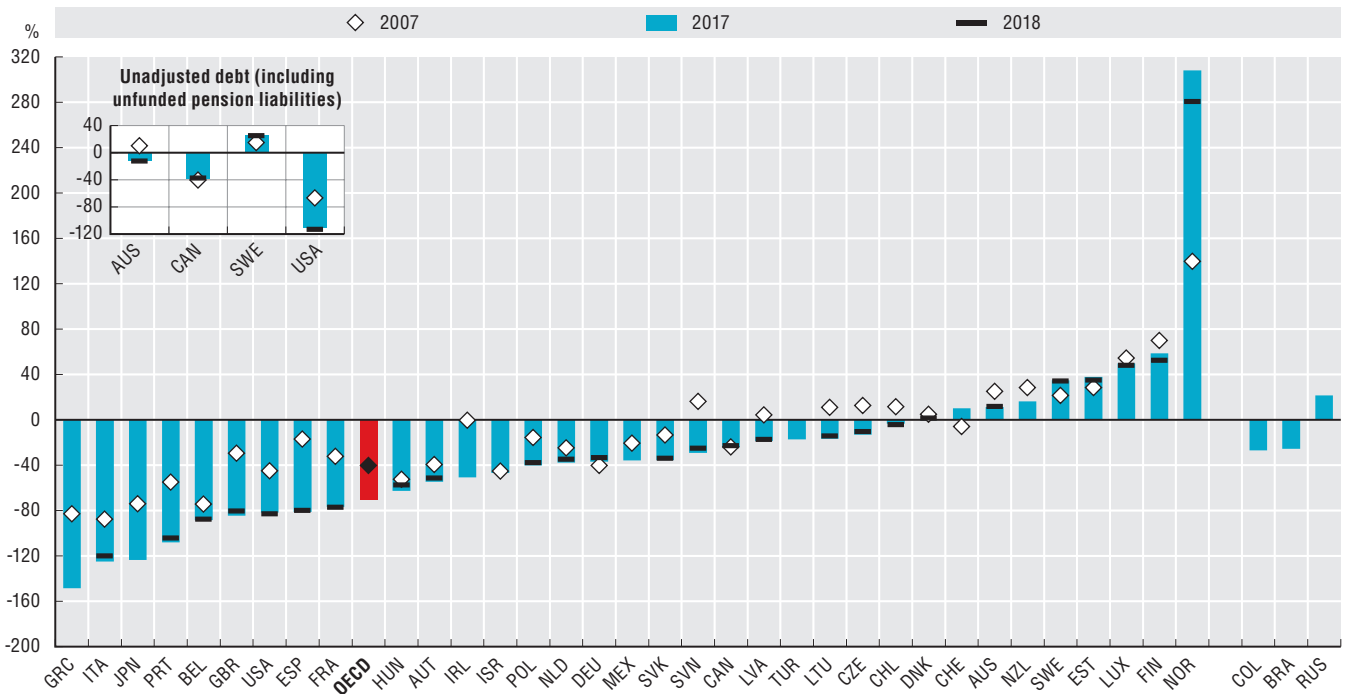
Further reading

OECD (2019), "National Accounts at a Glance", *OECD National Accounts Statistics* (database), <https://doi.org/10.1787/data-00369-en>

Figure notes

Data for Australia, Canada, Sweden and the United States are reported on an adjusted basis (i.e. excluding unfunded pension liabilities). Data for Iceland and Korea are not available. On data for Israel, see <http://doi.org/10.1787/888932315602>. Data for Chile, Turkey and Mexico are not included in the OECD average. Data for Colombia and Russia are for 2016 rather than 2017; data for Brazil are for 2015 rather than 2017.

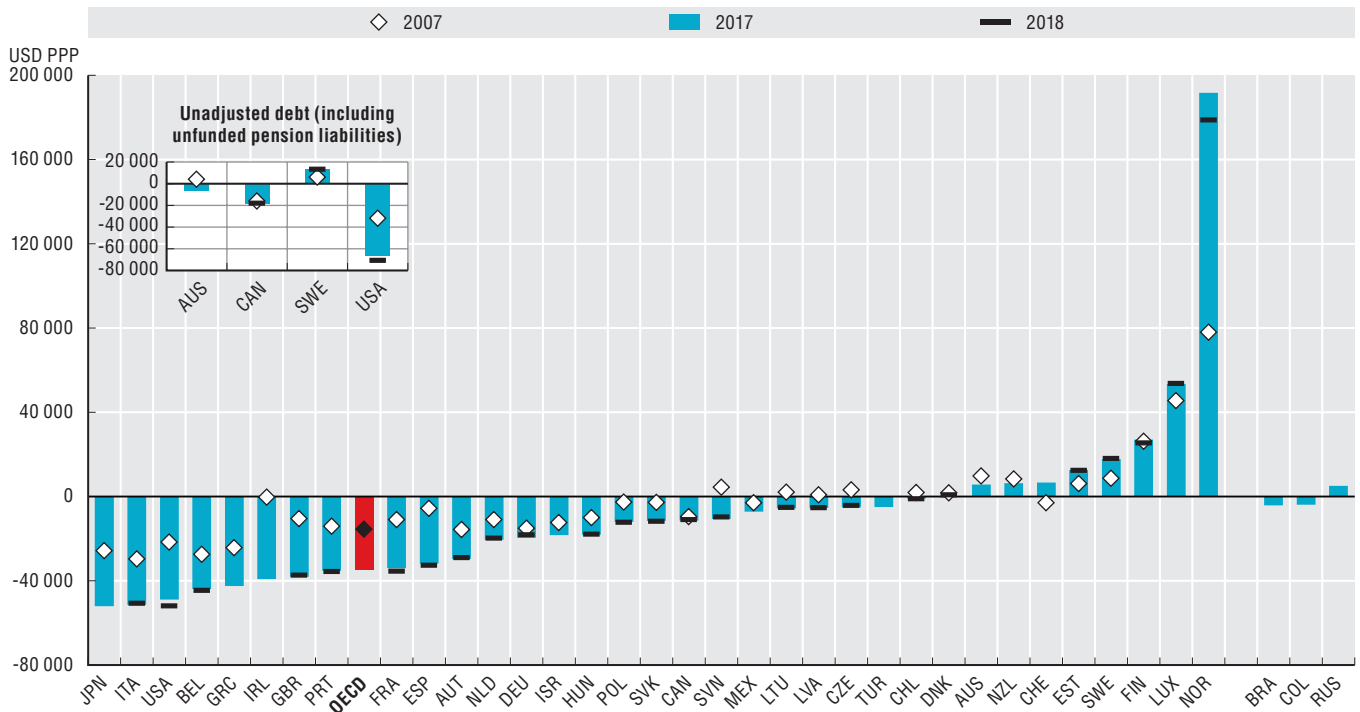
2.13. General government financial net worth as a percentage of GDP, 2007, 2017 and 2018



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

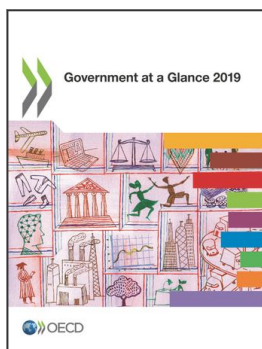
StatLink <https://doi.org/10.1787/888934031484>

2.14. General government financial net worth per capita, 2007, 2017 and 2018



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

StatLink <https://doi.org/10.1787/888934031503>



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