

## 9. Net lending/net borrowing

Net lending/borrowing is one of only two balancing items in the SNA where the reference to “net” is not in juxtaposition to “gross”: in other words it is not in reference to lending net of depreciation. If it is positive it is described as net lending and if negative, as net borrowing. It reflects the amount of financial assets that are available for lending or needed for borrowing to finance all expenditures – current, gross capital formation, non-produced non-financial assets, and capital transfers – in excess of disposable income. Its importance as an economic concept is best illustrated by the fact that it forms one of the two Maastricht excessive deficit criteria used by the European Commission to assess the soundness and sustainability of public finances.

### Definition

Net lending or borrowing can be measured identically as the balancing item in either the capital or financial accounts.

It can therefore be derived as saving less acquisitions plus disposals of non-produced non-financial assets plus capital transfers receivable minus gross capital formation minus capital transfers payable.

Or it can be derived as the difference between net acquisition of financial assets and net incurrence of liabilities. Financial assets (and liabilities) include: Monetary gold, Special Drawing Rights, Currency and Deposits, Securities, Shares and other equity, Insurance Technical Reserves (including net equity of households in pension funds, see Sections 5, 7 and 8) and Other accounts receivable and payable (such as trade credits and advances for work in progress or to be undertaken).

Although it can be derived via either approach it is important to note that, in practice, achieving this equivalence is one of the most difficult tasks in compiling national accounts.

Another important point worth making in this context concerns contingencies. Many types of contractual financial arrangements do not give rise to unconditional requirements either to make payments or to provide other objects of value. These “contingencies” are not recorded as financial assets in the SNA. If

an event occurs (and a feature of contingencies is that they may not), for example, transactions in financial assets related to the realisation of the contingency, the transactions are recorded in the accounts in the usual way. A simple example of a contingency is an overdraft facility on a bank account. The existence of the facility does not of itself create a financial asset (of the bank) and liability (of the account holder). But any borrowing that subsequently occurs in relation to the facility will.

### Comparability

Generally the comparability of statistics on net lending and net borrowing is good, especially for EU countries. That said, the difficulty that many countries face in reconciling the two approaches to measurement gives some indication of the care needed. Comparability, or rather the care needed when interpreting cross-country data, is perhaps a bigger issue at the sectoral level. Again, this is not fundamentally a question of conceptual differences but real differences in the types of institutions included within institutional sectors: for example in some countries hospitals are outside of the general government sector – see also Section 16.

### Source

- OECD (2010), *National Accounts of OECD Countries 2010, Volume II, Detailed Tables*, OECD Publishing, [http://dx.doi.org/10.1787/na\\_vol\\_2-2010-en-fr](http://dx.doi.org/10.1787/na_vol_2-2010-en-fr).

### Online database

- OECD (2010), “Detailed National Accounts: Simplified non-financial accounts”, *OECD National Accounts Statistics* (database), <http://dx.doi.org/10.1787/data-00010-en>.

### Further reading

- Eurostat (2002), *ESA95 Manual on Government Deficit and Debt*, European Communities, Luxembourg.
- Lequiller, F. and D. Blades (2007), *Understanding National Accounts*, OECD Publishing, <http://dx.doi.org/10.1787/9789264027657-en>.
- OECD (2000), *System of National Accounts, 1993 – Glossary*, OECD Publishing, <http://dx.doi.org/10.1787/9789264180871-en>.
- UN, OECD, IMF and Eurostat (eds.) (1993), *System of National Accounts 1993*, United Nations, Geneva, <http://unstats.un.org/unsd/sna1993>.

Table 9.1. Net lending/net borrowing by institutional sector

Percentage of GDP

|                 | Total |       |       | Corporations |      |       | General government |      |      | Households |       |       |
|-----------------|-------|-------|-------|--------------|------|-------|--------------------|------|------|------------|-------|-------|
|                 | 1998  | 2003  | 2008  | 1998         | 2003 | 2008  | 1998               | 2003 | 2008 | 1998       | 2003  | 2008  |
| Australia       | -5.3  | -5.4  | -3.0  | -3.7         | -0.3 | -0.9  | 0.7                | 0.9  | -2.3 | -2.4       | -6.0  | -1.5  |
| Austria         | -1.7  | 1.7   | 3.7   | -2.4         | -1.2 | -1.2  | -2.5               | -1.6 | -0.5 | 3.2        | 4.5   | 5.3   |
| Belgium         | 4.4   | 5.5   | 0.6   | 0.4          | 0.8  | -1.5  | -1.0               | -0.2 | -1.4 | 4.9        | 4.9   | 3.5   |
| Canada          | -0.7  | 1.7   | 0.6   | -1.1         | 4.5  | 3.5   | 0.1                | -0.1 | -0.0 | 0.2        | -2.7  | -2.9  |
| Chile           | -4.5  | -1.1  | -1.9  | -7.3         | -3.8 | -7.4  | 0.4                | -0.2 | 3.3  | 1.5        | 3.0   | 2.2   |
| Czech Republic  | -2.1  | -6.3  | 0.3   | 1.7          | -0.0 | 2.0   | -5.0               | -6.6 | -2.7 | 1.2        | 0.3   | 0.9   |
| Denmark         | -0.9  | 3.4   | 2.0   | 0.9          | 3.5  | 1.6   | -0.1               | -0.1 | 3.4  | -1.7       | -0.0  | -3.0  |
| Finland         | 5.1   | 5.2   | 3.6   | 5.0          | 4.5  | 2.1   | 1.5                | 2.3  | 4.2  | -1.4       | -1.6  | -2.8  |
| France          | 2.4   | -0.2  | -2.7  | 0.6          | -0.5 | -2.5  | -2.6               | -4.1 | -3.3 | 4.4        | 4.4   | 3.1   |
| Germany         | -0.7  | 2.1   | 6.7   | -2.0         | 0.3  | 1.0   | -2.2               | -4.0 | 0.1  | 3.5        | 5.8   | 5.6   |
| Greece          | ..    | -10.8 | -12.6 | ..           | 5.1  | 3.9   | ..                 | -5.9 | -5.2 | ..         | -10.0 | -11.3 |
| Hungary         | -6.2  | -8.3  | -5.8  | -2.3         | 0.2  | -0.8  | -7.4               | -7.2 | -3.7 | 6.8        | 0.1   | 0.2   |
| Iceland         | ..    | ..    | ..    | ..           | ..   | ..    | ..                 | ..   | ..   | ..         | ..    | ..    |
| Ireland         | ..    | 0.9   | -5.2  | ..           | 3.6  | 5.9   | ..                 | 0.5  | -7.7 | ..         | -5.4  | -3.0  |
| Israel*         | ..    | 1.6   | ..    | ..           | ..   | ..    | ..                 | -6.6 | ..   | ..         | ..    | ..    |
| Italy           | 2.1   | -0.7  | -3.1  | -0.4         | -1.4 | -4.0  | -3.1               | -3.5 | -2.7 | 5.6        | 4.3   | 3.6   |
| Japan           | 2.1   | 2.5   | 1.2   | 6.3          | 7.3  | 1.0   | -11.2              | -7.9 | -2.1 | 7.0        | 3.1   | 2.4   |
| Korea           | 11.4  | 1.7   | -0.5  | -6.4         | -1.2 | -8.8  | 1.3                | 0.5  | 3.0  | 16.4       | 2.4   | 5.4   |
| Luxembourg      | ..    | ..    | ..    | ..           | ..   | ..    | 3.4                | 0.5  | 3.0  | ..         | ..    | ..    |
| Mexico          | ..    | -1.0  | -1.4  | ..           | -5.1 | -1.3  | ..                 | 0.1  | -1.1 | ..         | 4.0   | 0.9   |
| Netherlands     | 2.3   | 5.9   | 4.4   | 0.4          | 8.4  | 5.2   | -0.9               | -3.2 | 0.5  | 2.7        | 0.6   | -1.3  |
| New Zealand     | -7.1  | -7.1  | ..    | ..           | ..   | ..    | -0.0               | 4.1  | ..   | -5.4       | ..    | ..    |
| Norway          | -0.4  | 12.6  | ..    | -4.8         | 2.6  | ..    | 3.3                | 7.3  | ..   | 1.1        | 2.6   | ..    |
| Poland          | -3.8  | -1.7  | -4.3  | -5.6         | 1.7  | 2.2   | -4.3               | -6.2 | -3.7 | 6.1        | 2.7   | -2.9  |
| Portugal        | -5.3  | -4.4  | -11.0 | -2.7         | -4.0 | -10.5 | -3.5               | -3.1 | -3.0 | 0.8        | 2.6   | 2.5   |
| Slovak Republic | -9.6  | -6.7  | -6.0  | -7.7         | -2.7 | -2.7  | -5.3               | -2.8 | -2.1 | 3.4        | -1.2  | -1.2  |
| Slovenia        | -1.1  | -1.5  | -6.1  | -1.8         | -3.0 | -9.1  | -2.4               | -2.7 | -1.8 | 3.0        | 4.2   | 4.9   |
| Spain           | ..    | -2.9  | -9.2  | ..           | -2.7 | -6.0  | ..                 | -0.2 | -4.2 | ..         | -0.0  | 1.0   |
| Sweden          | 4.4   | 6.9   | 8.7   | 2.6          | 5.3  | 2.4   | 0.9                | -1.3 | 2.2  | 0.8        | 2.5   | 4.0   |
| Switzerland     | 8.6   | 12.2  | 2.2   | 5.3          | 8.8  | -7.0  | -1.9               | -1.7 | 2.3  | 6.1        | 5.4   | 7.3   |
| Turkey          | ..    | ..    | ..    | ..           | ..   | ..    | ..                 | ..   | ..   | ..         | ..    | ..    |
| United Kingdom  | -0.3  | -1.5  | -1.5  | -1.6         | 3.2  | 6.7   | -0.1               | -3.6 | -5.2 | 1.4        | -1.1  | -3.0  |
| United States   | -1.4  | -4.8  | -5.6  | -1.6         | 1.4  | -0.4  | 0.4                | -4.9 | -6.2 | -0.1       | -1.3  | 1.0   |
| Euro area       | ..    | ..    | ..    | ..           | ..   | ..    | -2.3               | -3.1 | -2.0 | ..         | 3.3   | 2.5   |
| OECD-Total      | ..    | ..    | ..    | ..           | ..   | ..    | ..                 | ..   | ..   | ..         | ..    | ..    |


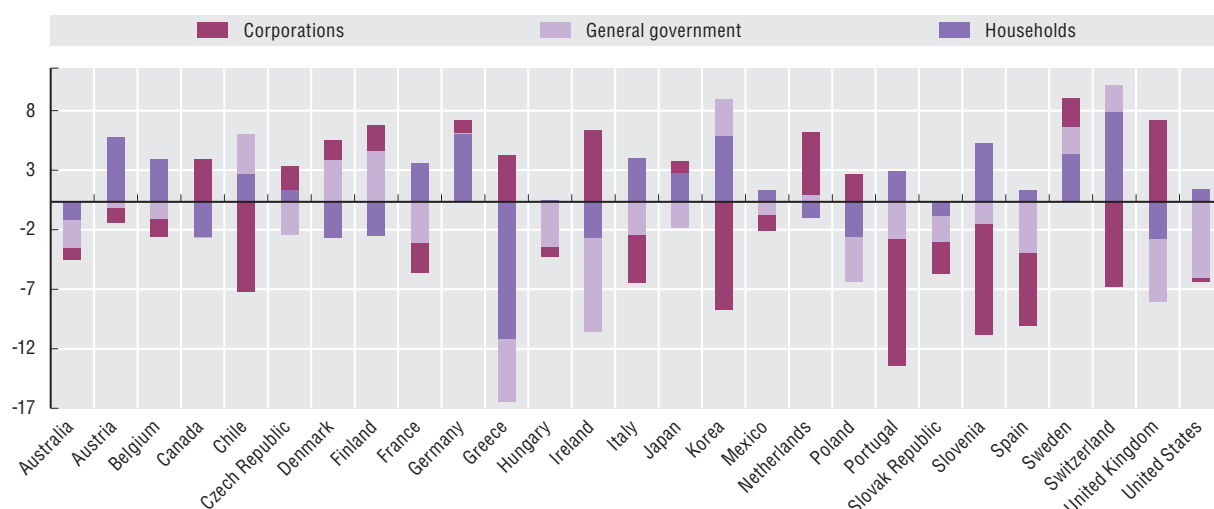

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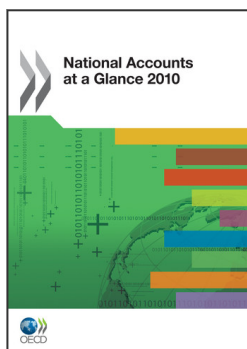
Figure 9.1. Net lending/net borrowing by institutional sector

Percentage of GDP, 2008



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\* The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.



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