

Managing Public Wealth

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AIReF
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Managing Public Wealth

Overview



I. The Public Sector Balance Sheet

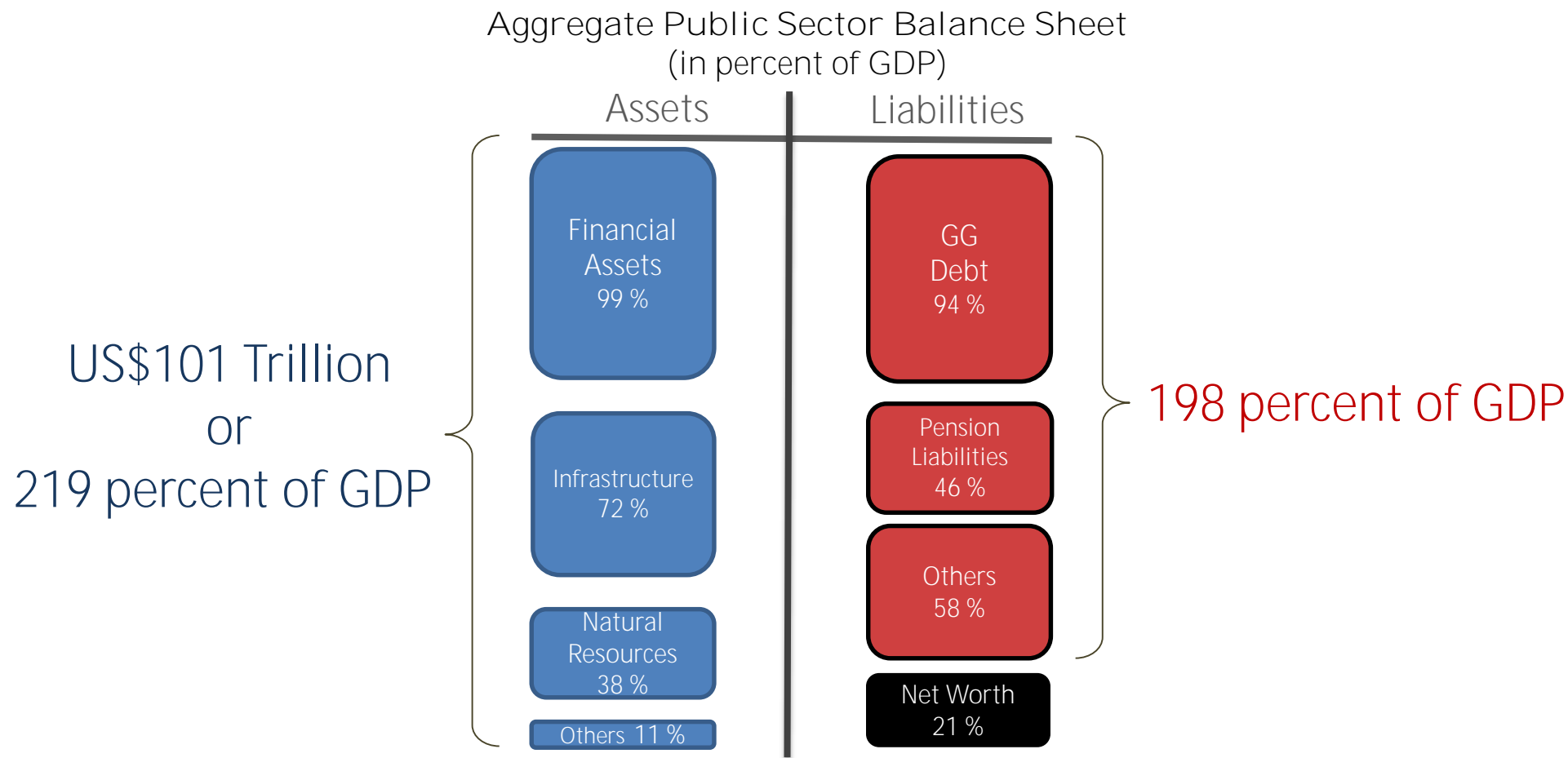
II. Why Does it Matter?

III. Examples

IV. Conclusion

I. The Public Sector Balance Sheet

Aggregate PSBS for 31 countries

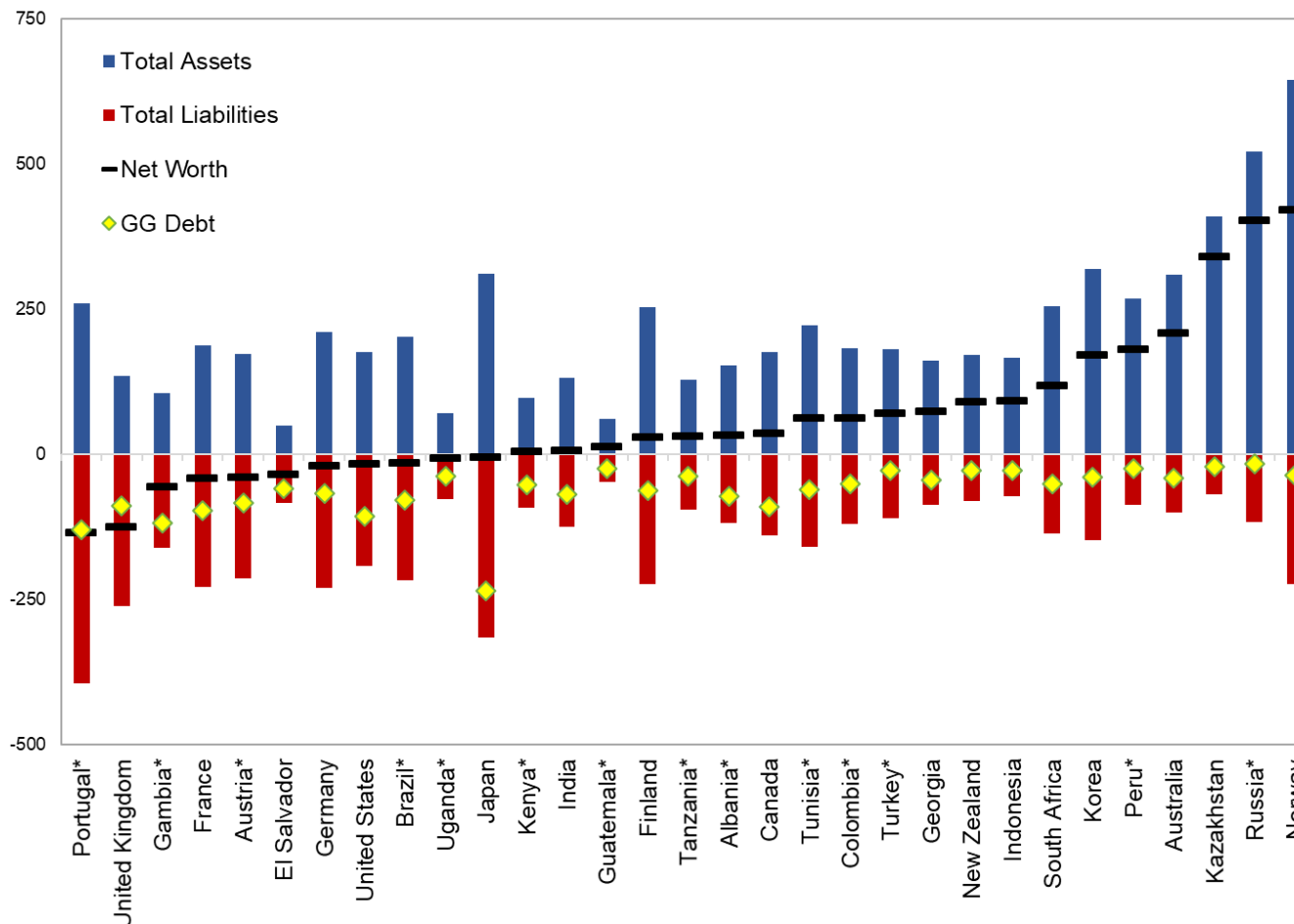


Source: IMF staff estimates, based on IMF October 2018 Fiscal Monitor.

I. The Public Sector Balance Sheet

Individual country PSBS for 31 countries

Public sector balance sheets
(Percent of GDP, 2016)



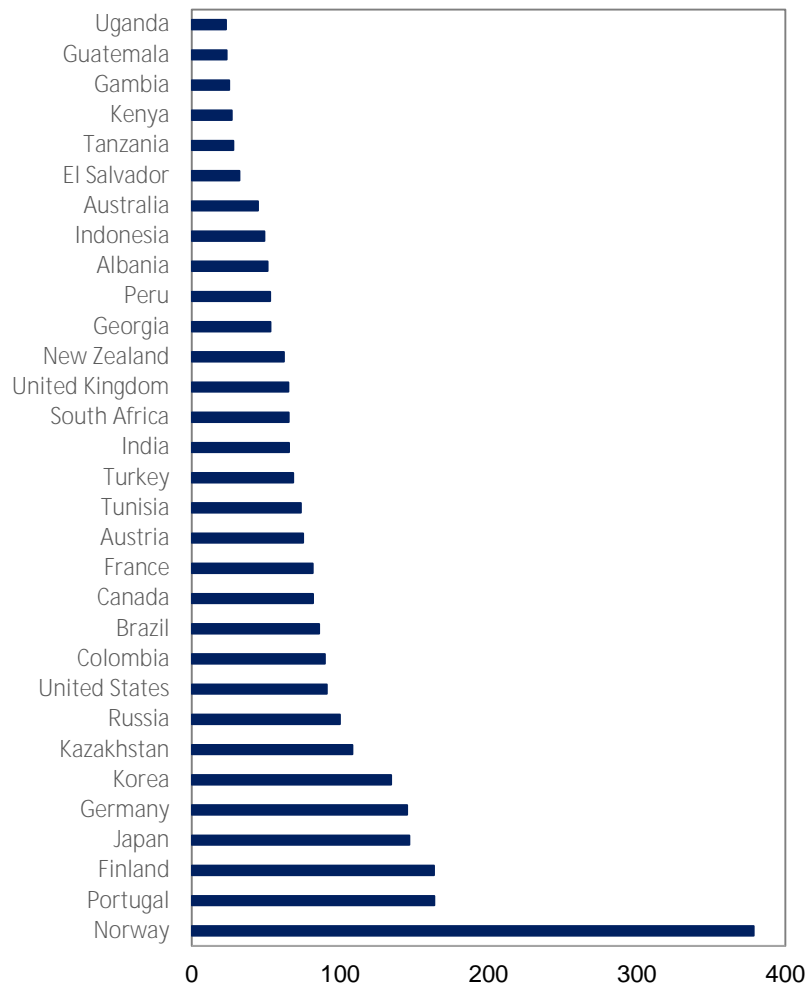
Source: IMF staff estimates.

*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.

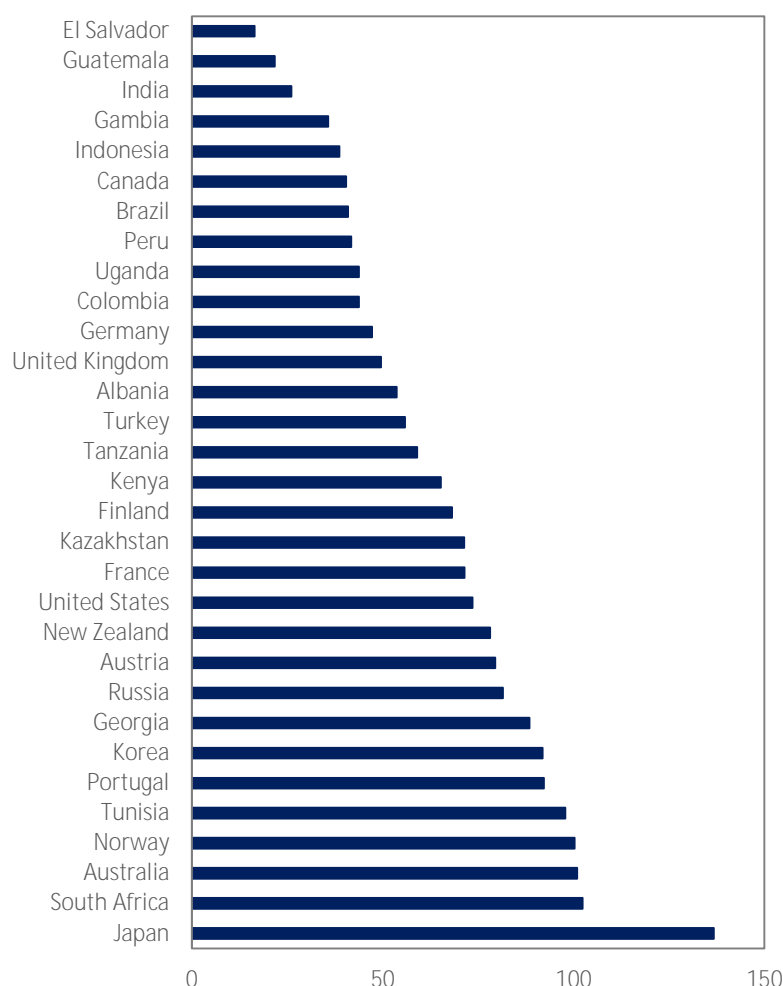
II. The Public Sector Balance Sheet

New elements

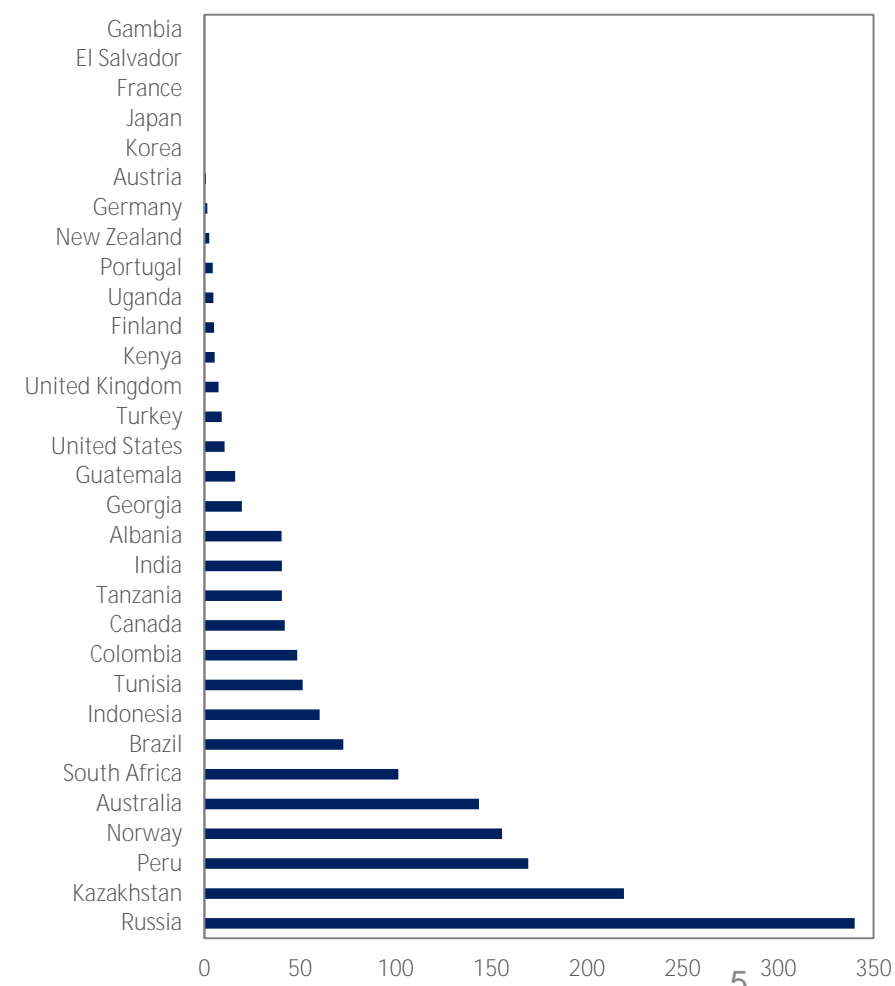
Financial Assets
(Percent of GDP)



Nonfinancial Assets
(Percent of GDP)



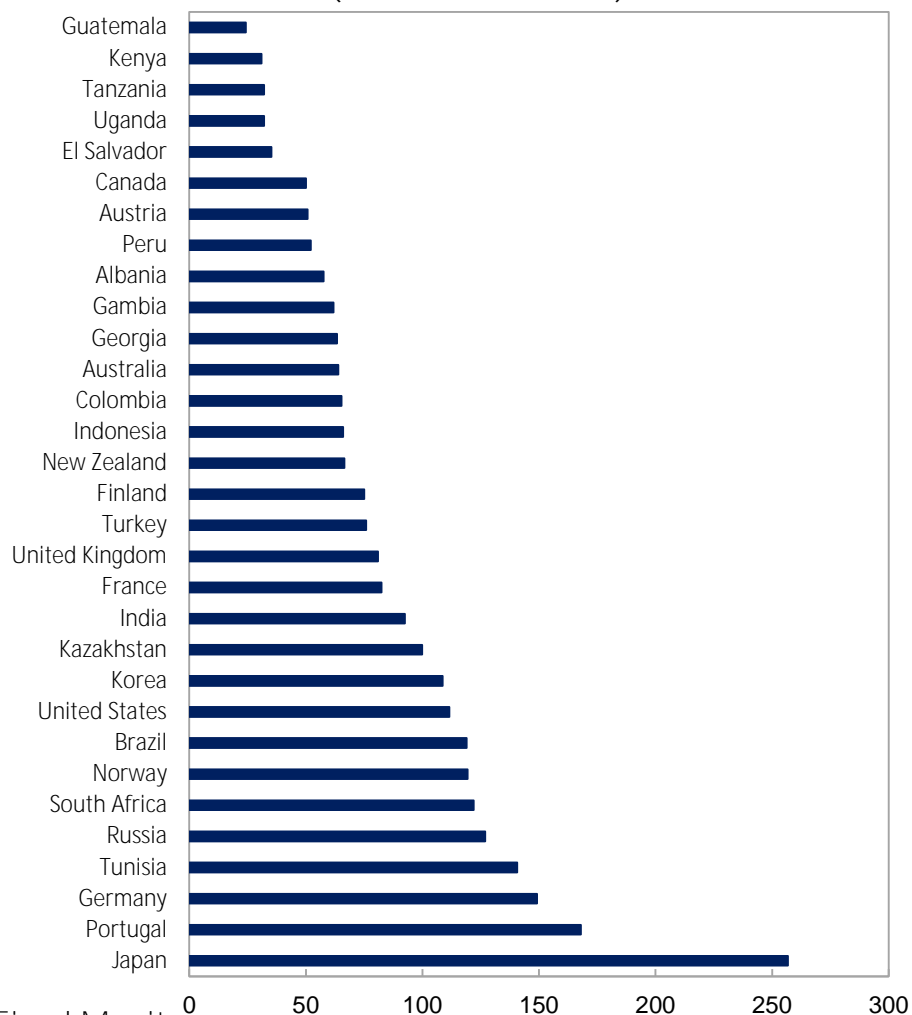
Natural Resource Assets
(Percent of GDP)



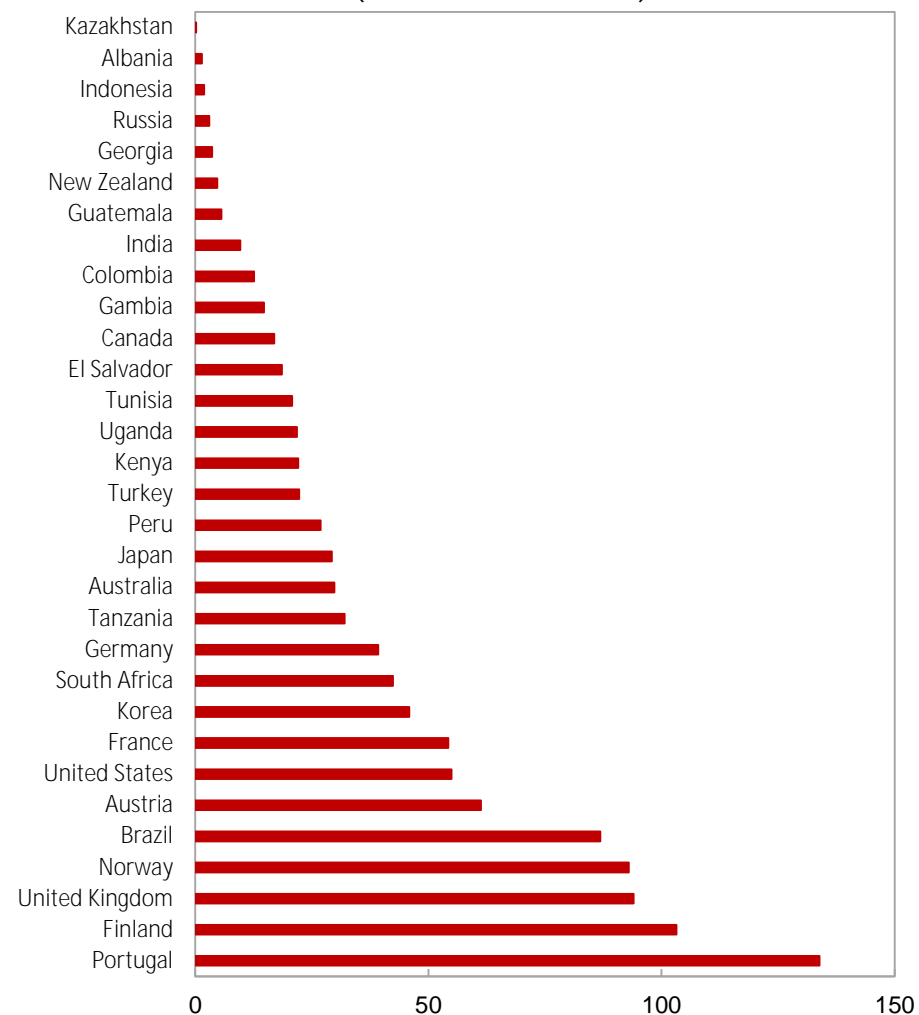
I. The Public Sector Balance Sheet

New elements

Public Corporation Assets
(Percent of GDP)



Accrued Pension Liabilities
(Percent of GDP)





I. The Public Sector Balance Sheet

Challenges and Limitations

Balance sheets aren't easy

- Measurement and data availability issues ([Spain GG BS](#))
- Many assets are illiquid or not marketable

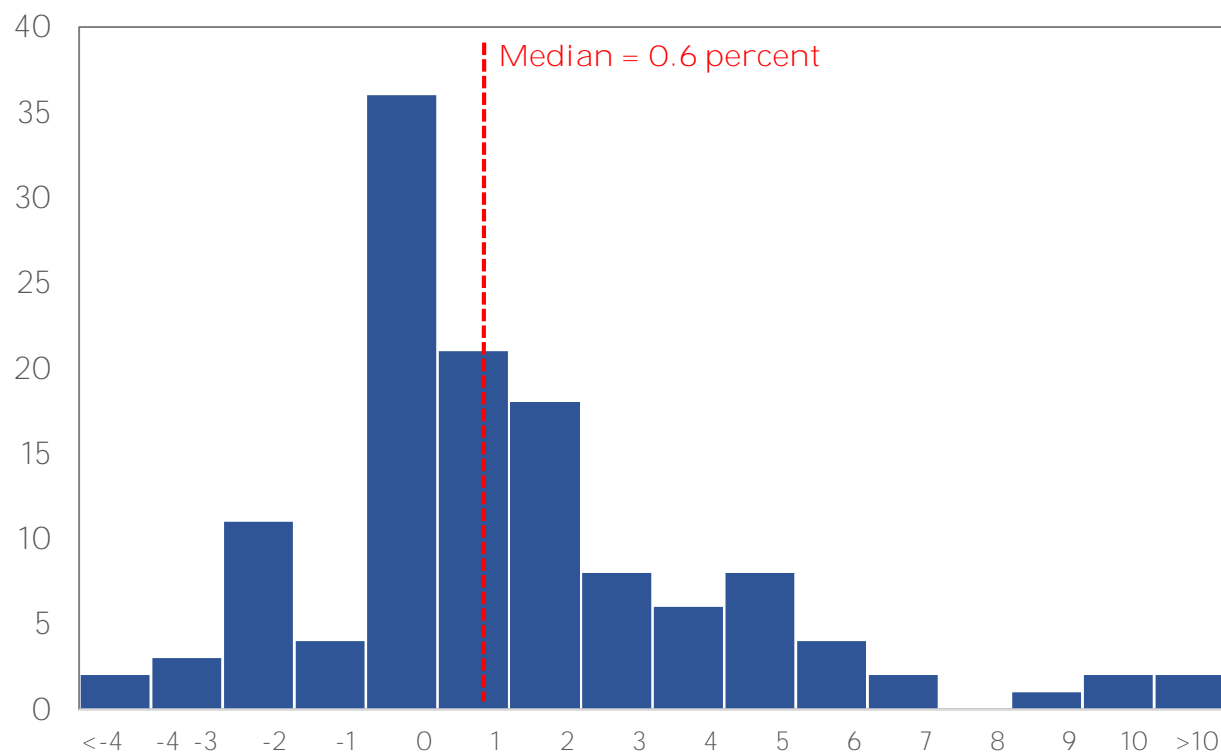
Bottom line:

- 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

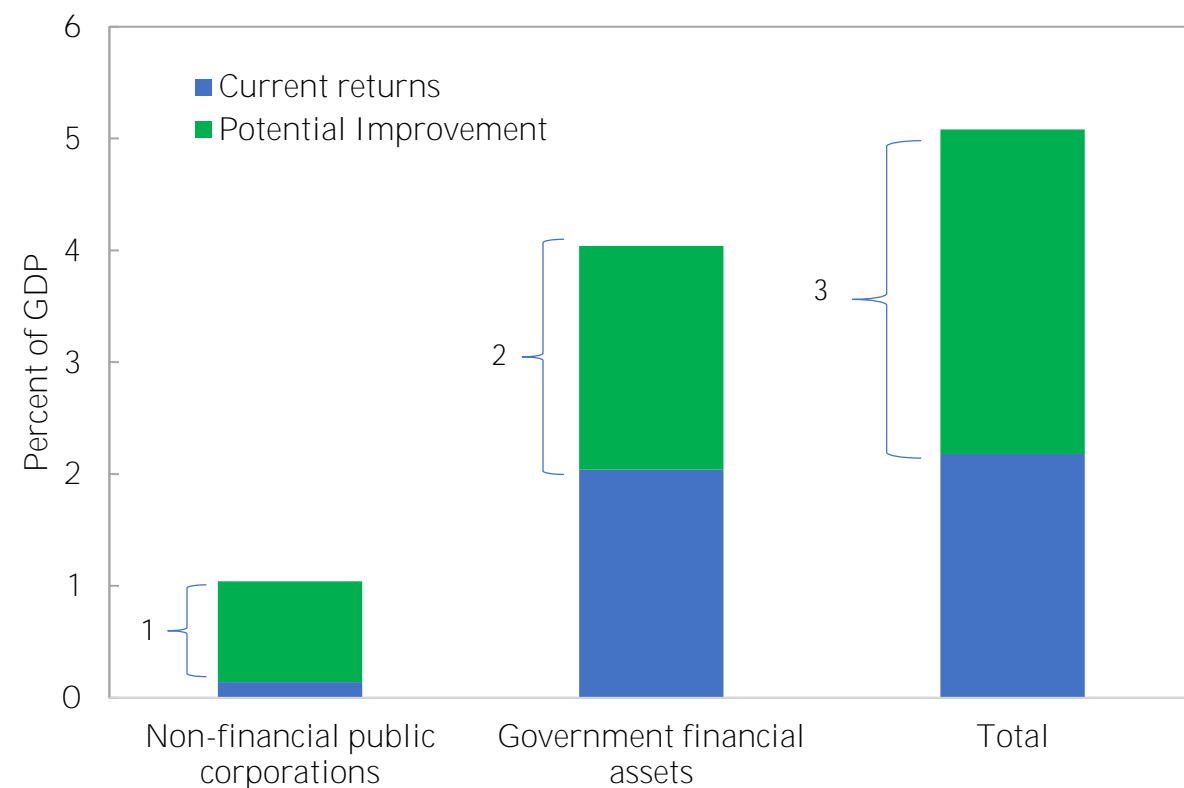
Distribution of Annual Returns from Public Corporations
(Percent Return on Assets)



Source: IMF October 2018 Fiscal Monitor.

[New Zealand case study](#)

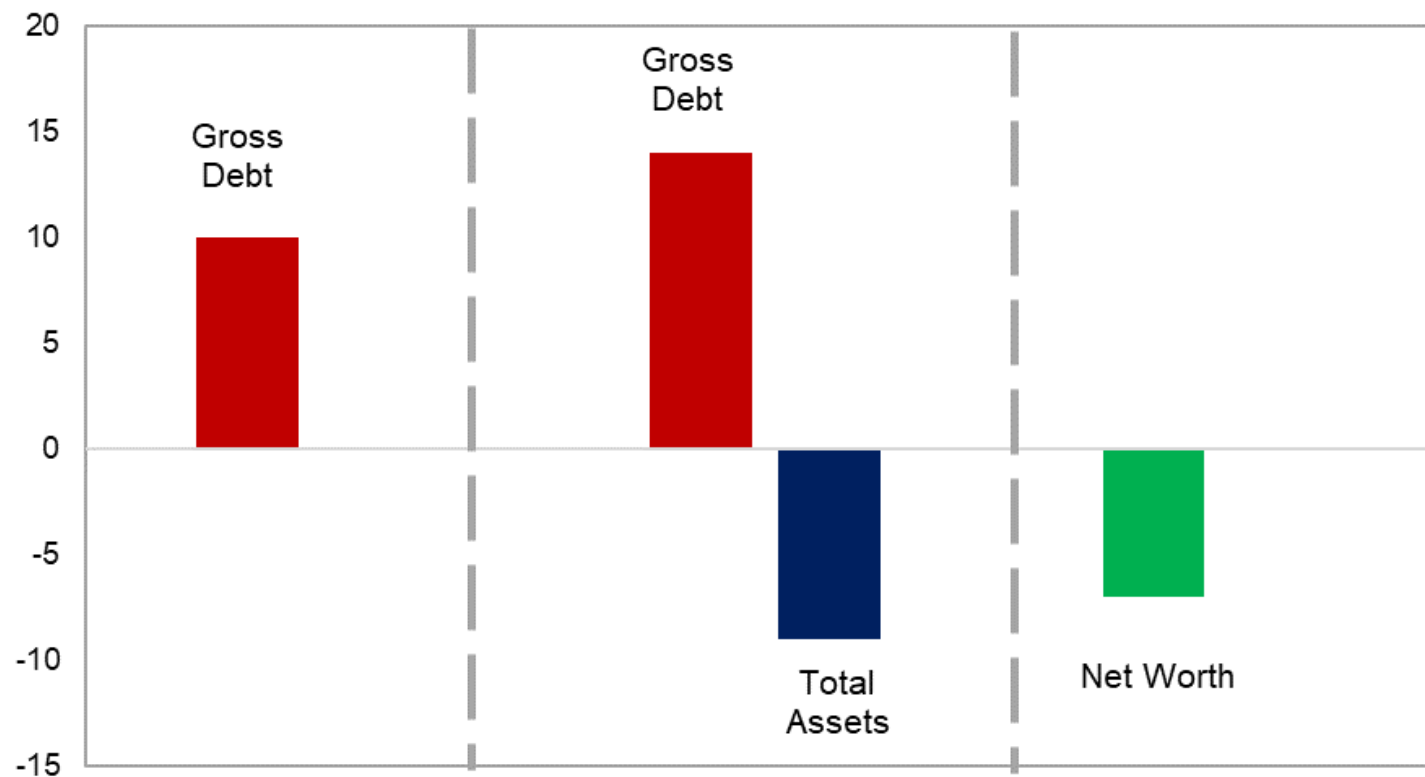
Potential Revenue Gains from Improved Asset Management
(in percent of GDP)



II. Why does it Matter?

Stronger balance sheet → lower interest

Impact of 10 ppt of GDP change on yields (in bps)

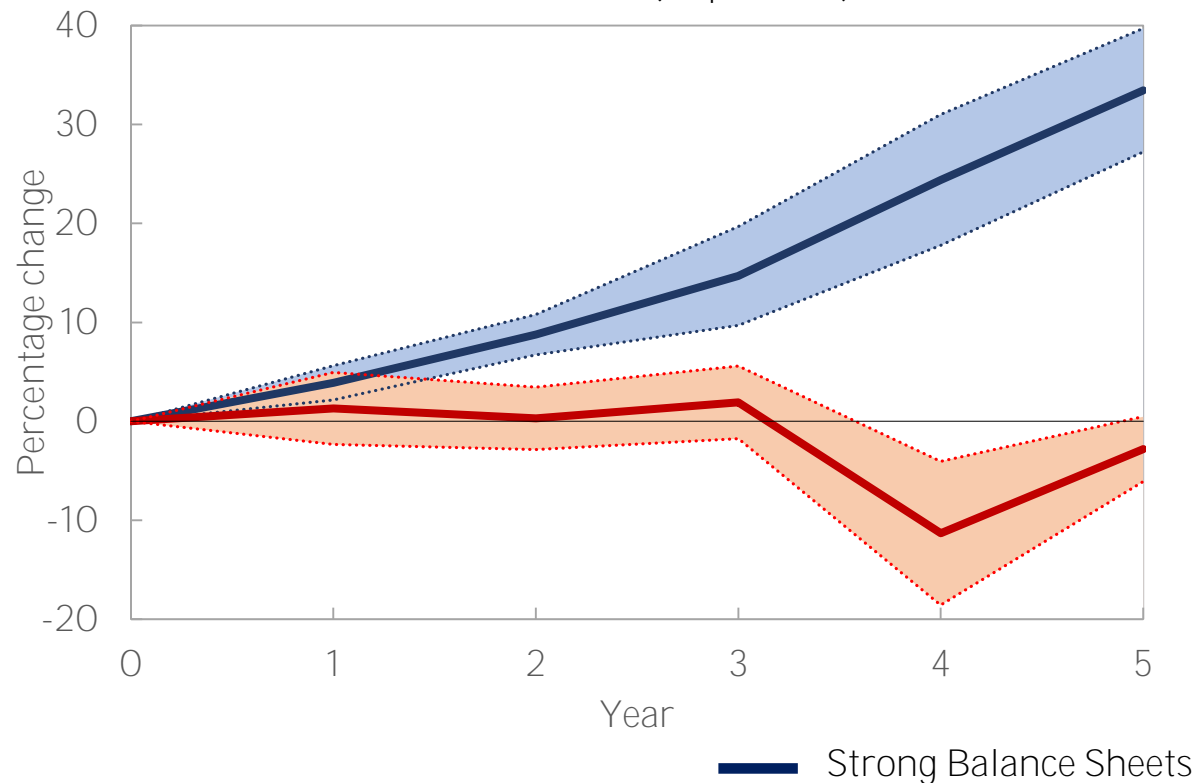


Source: IMF October 2018 Fiscal Monitor.

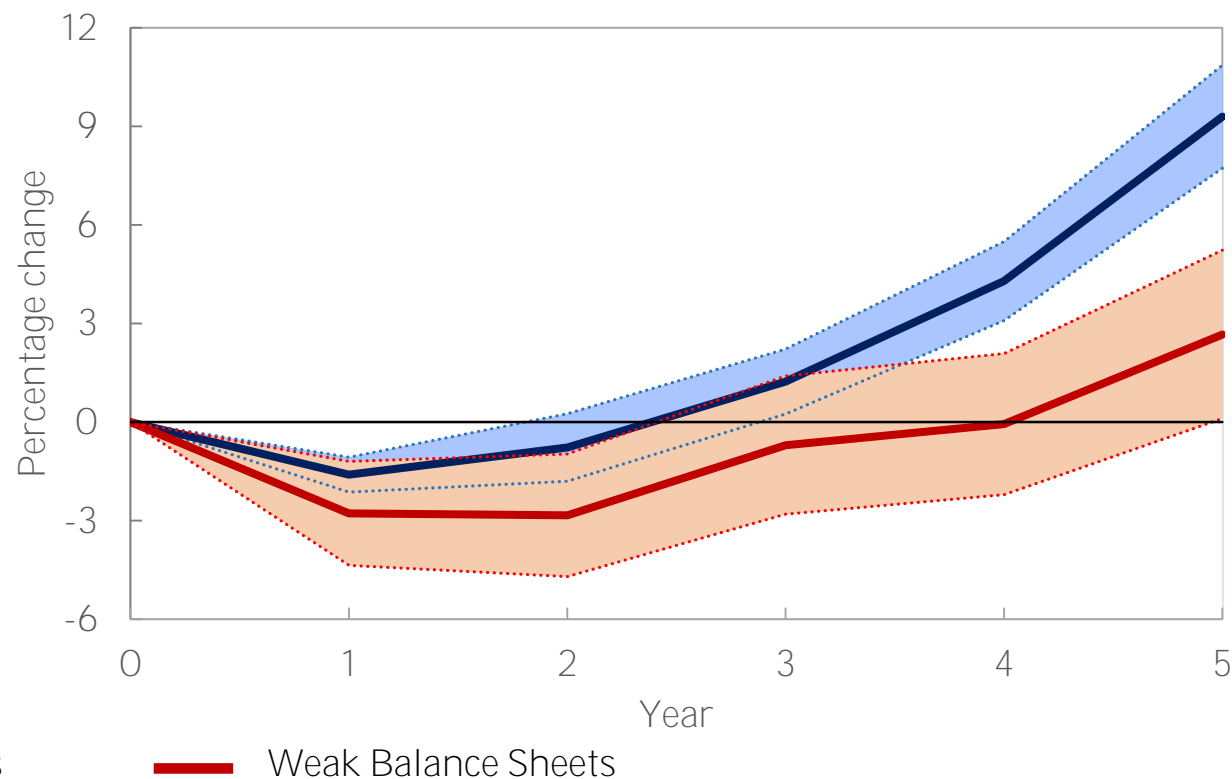
II. Why does it Matter?

Stronger balance sheet → Greater resilience

Real Government Expenditure per Capita Following Recessions (in percent)



Real GDP per Capita Following Recessions (in percent)



Source: IMF October 2018 Fiscal Monitor.

Note: Shaded area represents 90 percent confidence interval.

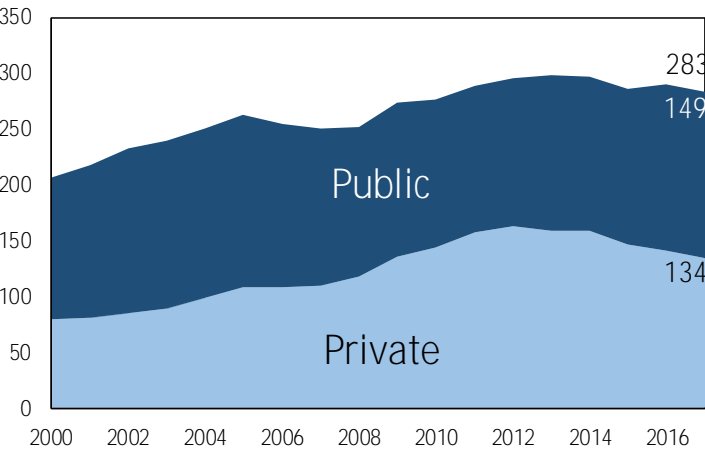
[Kazakhstan case study](#)

III. Examples

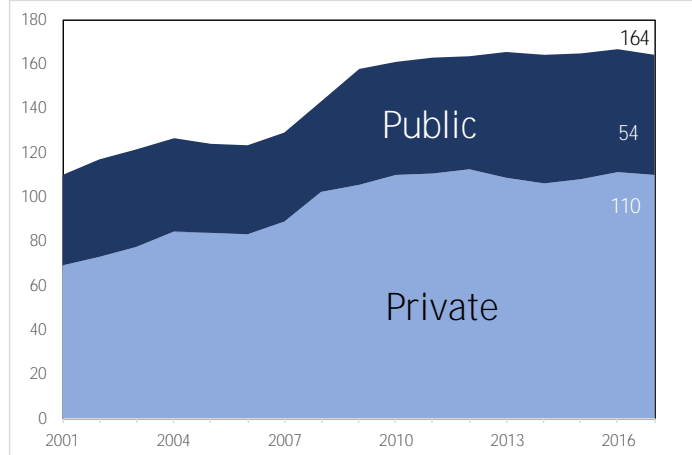
The US and Japan – Consolidation and Assets

Public Debt Holdings
(percent of GDP)

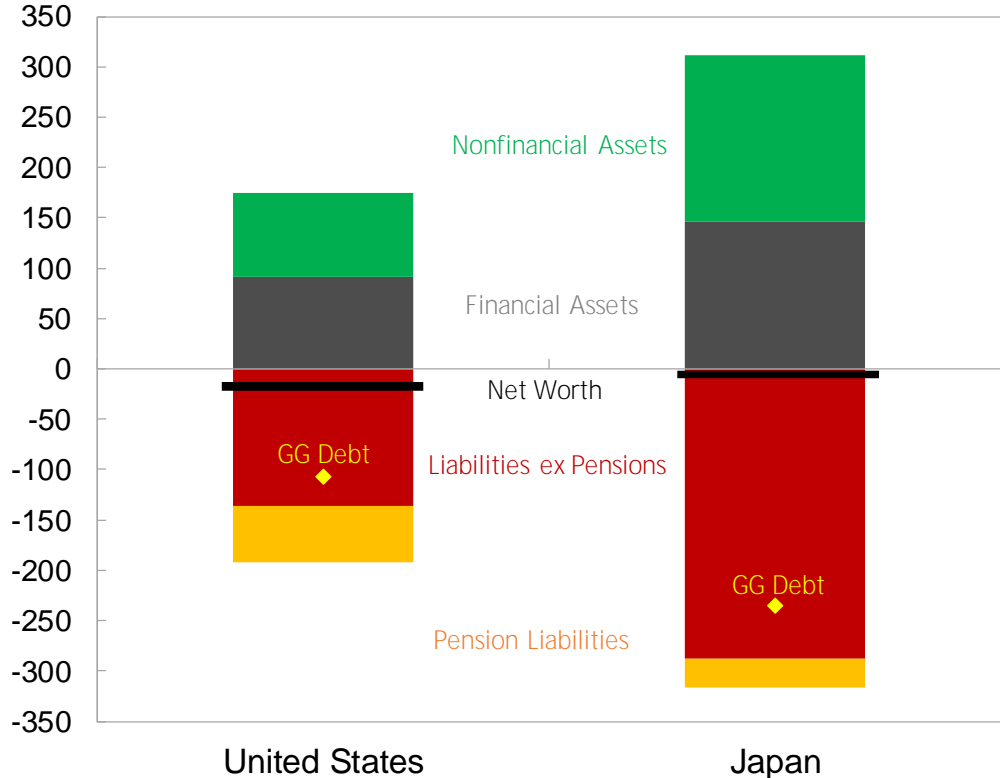
Japan



United States



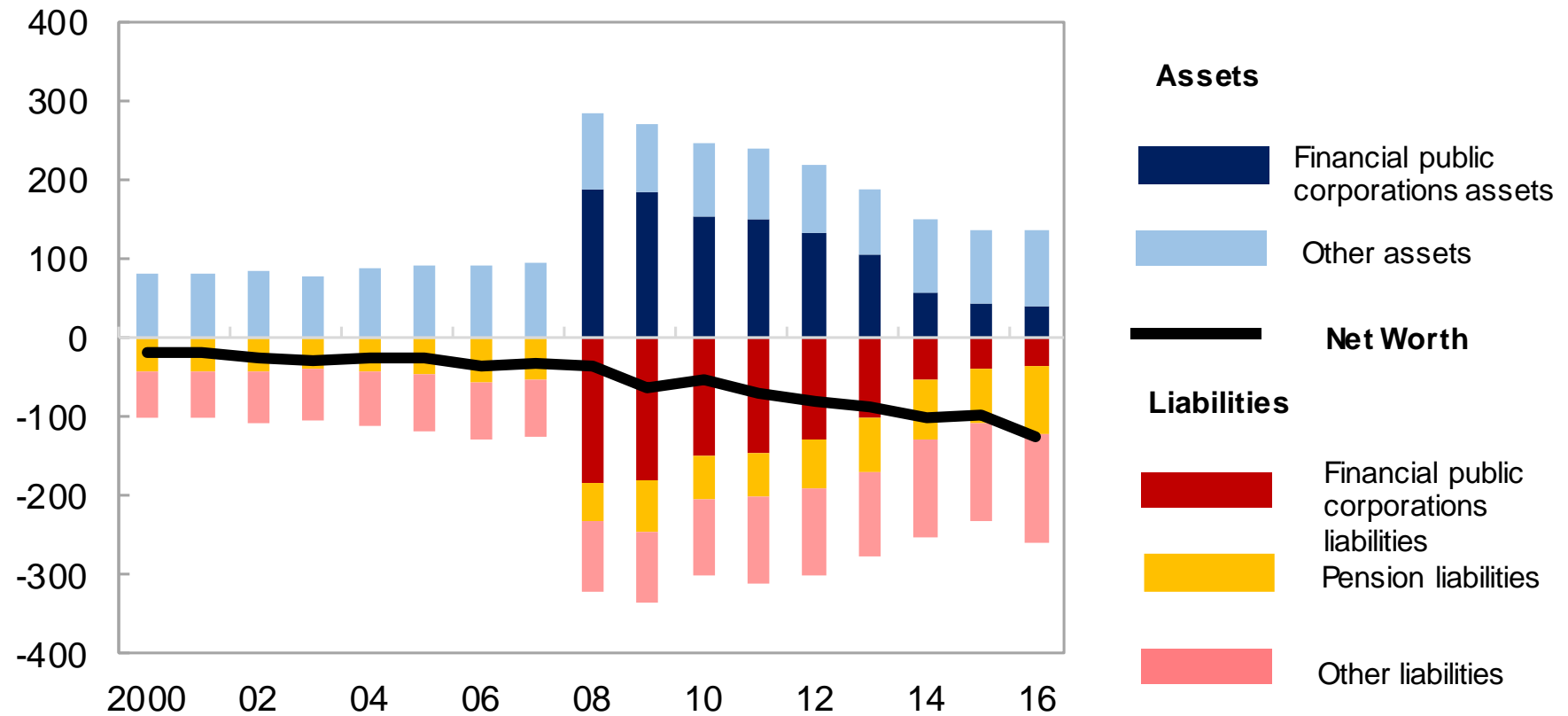
PSBS – US and Japan
(2016, percent of GDP)



III. Examples

UK – Impact of the crisis

UK – Public Sector Balance Sheet
(percent of GDP)



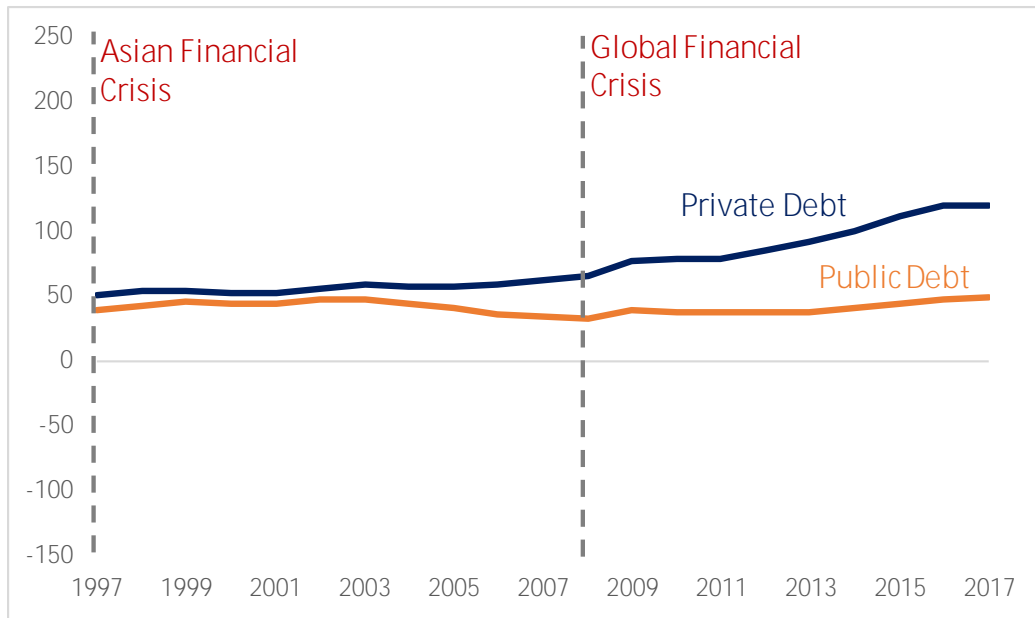
[Evolution since the crisis](#)

Source: October 2018 Fiscal Monitor

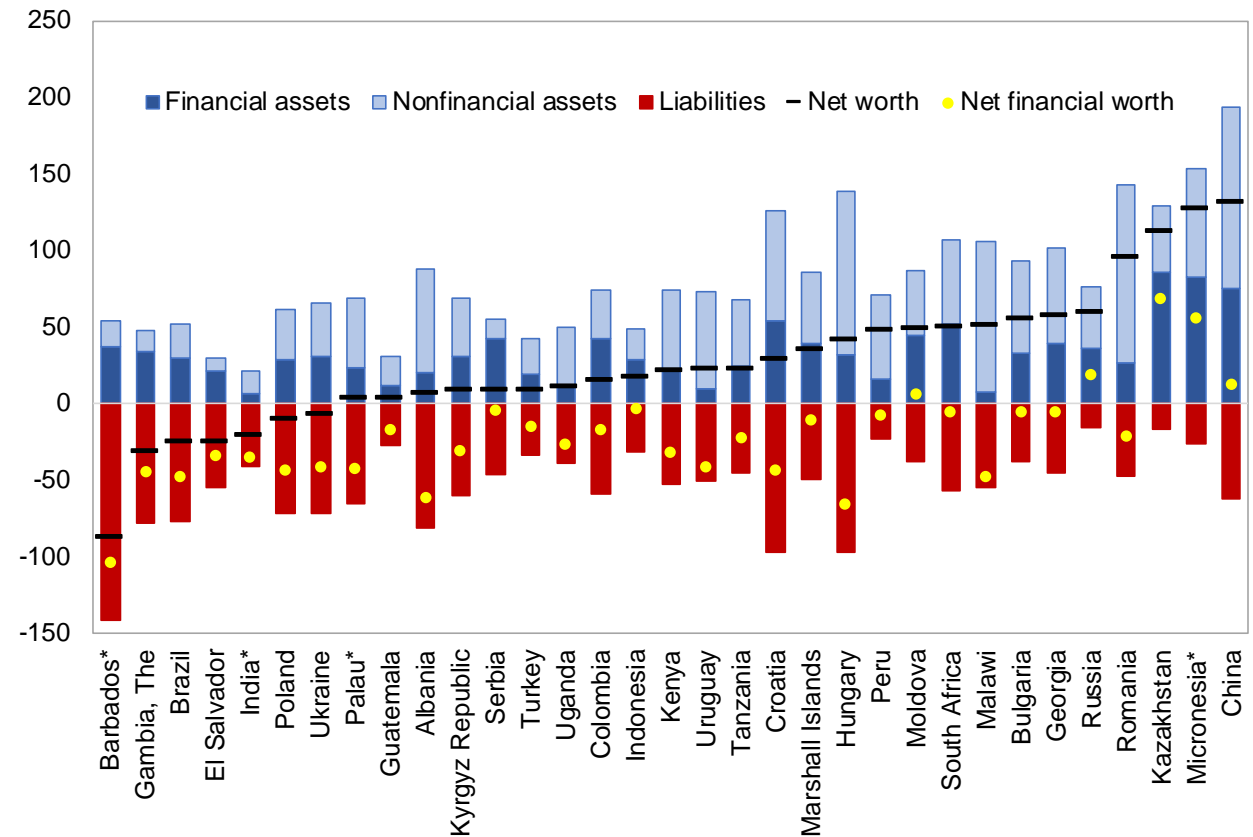
III. Examples

China – Transparency and Buffers

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



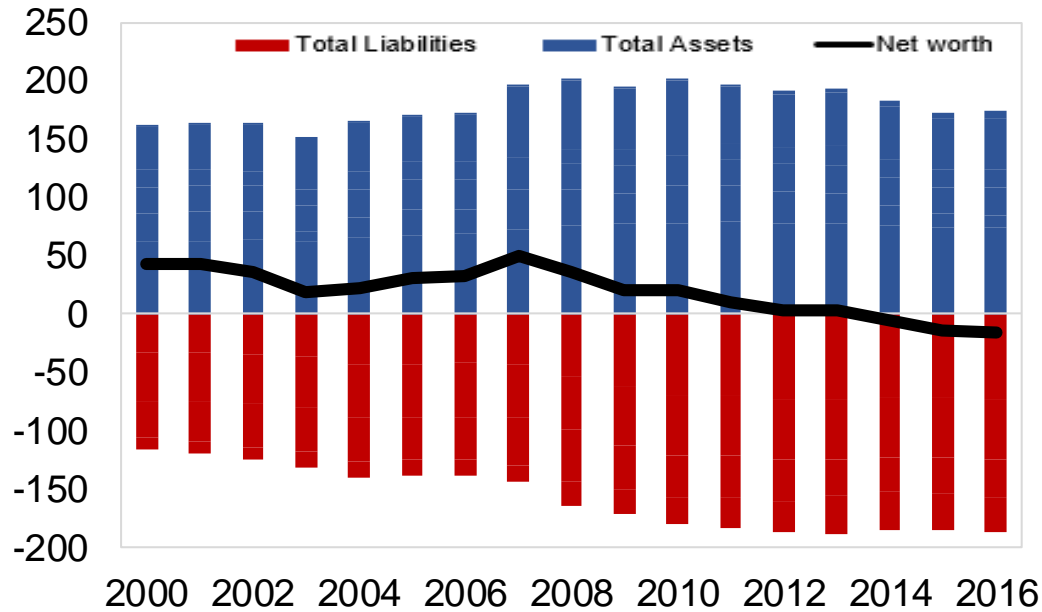
EM: General Government Balance Sheets (percent of GDP)



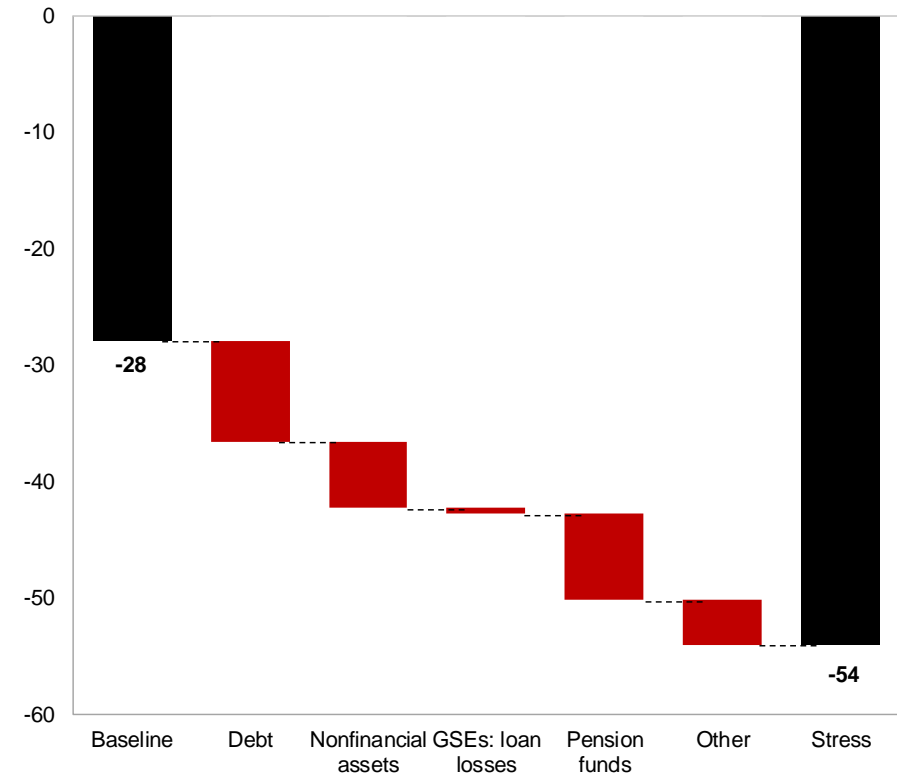
III. Examples – Risk Identification

US – Fiscal Stress Test

US public sector balance sheet
(percent of GDP)



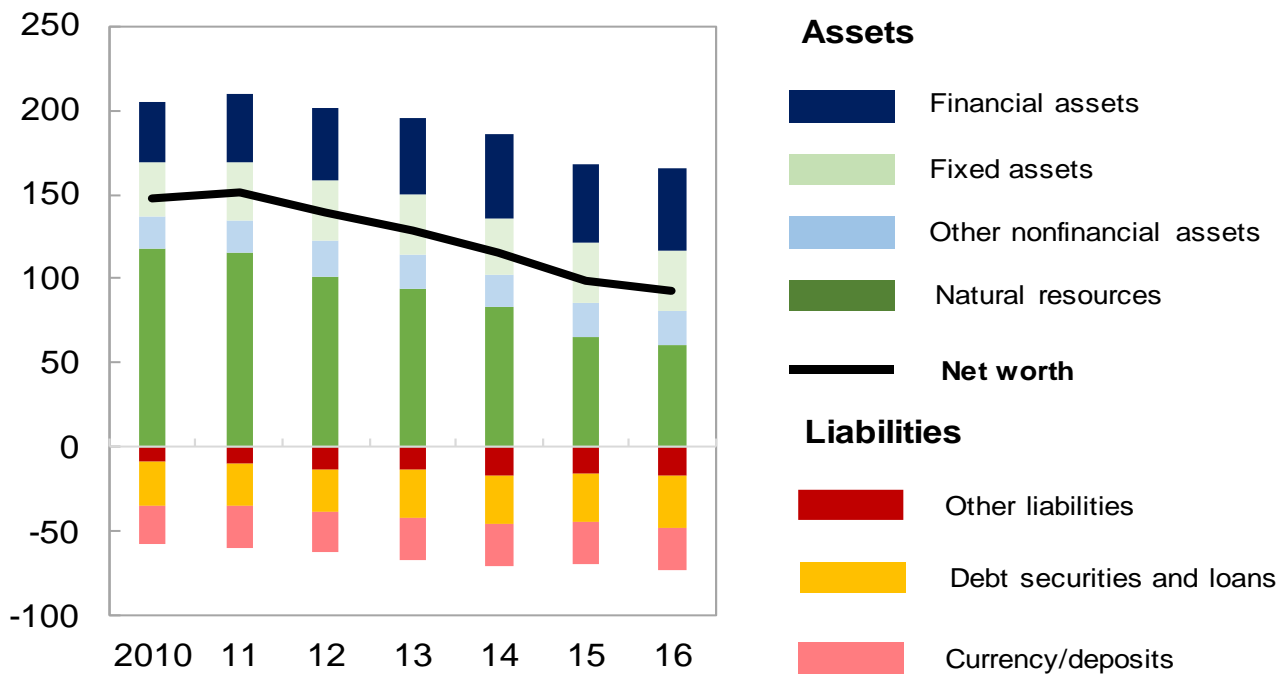
Fiscal stress scenario - 2020
(percent of baseline GDP)



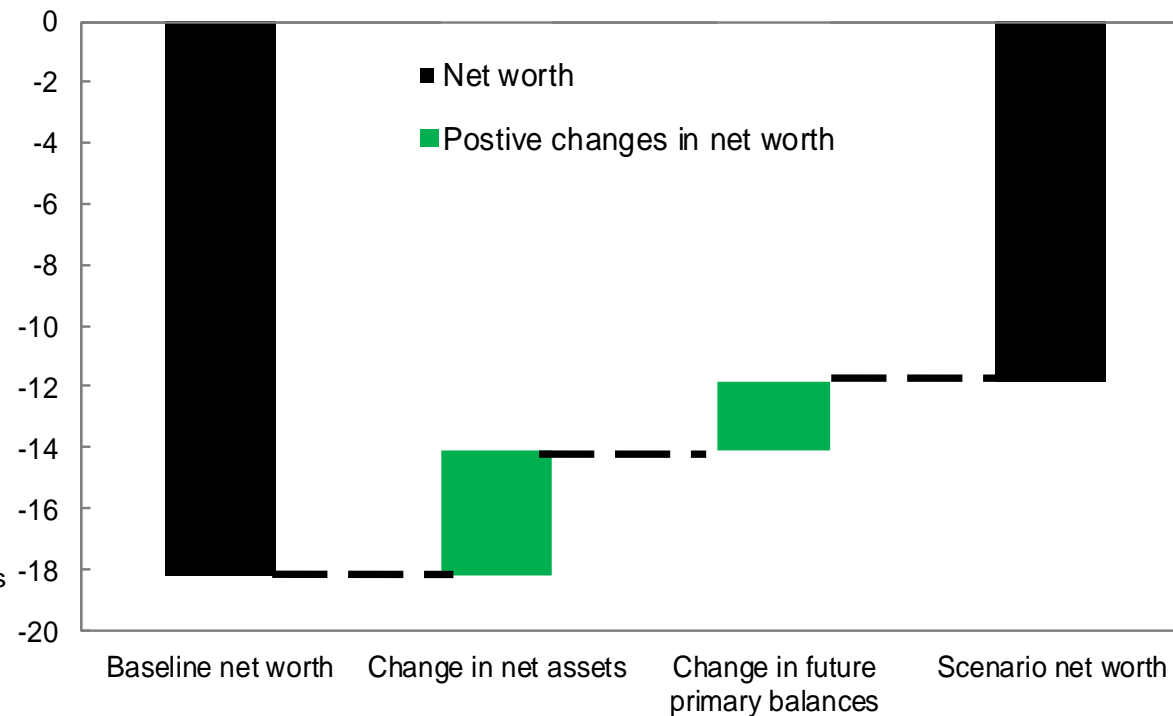
III. Examples - Policy Evaluation

Indonesia – Public Investment boosts Public Wealth

Public Sector Balance Sheet
(percent of GDP)

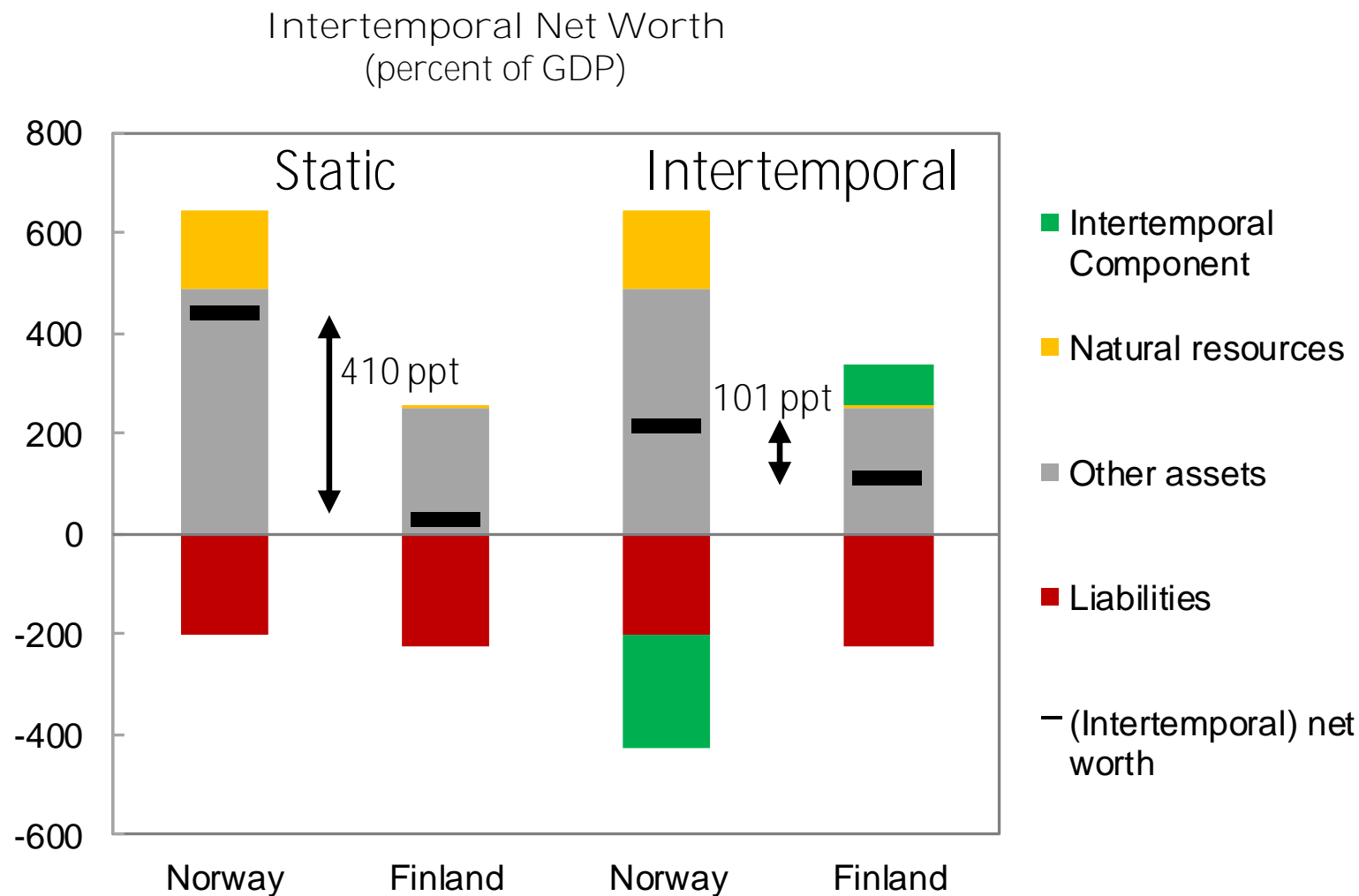


Change in Intertemporal Net Worth from Higher Investment
(percent of 2023 baseline GDP)



III. Examples – Demographics

Finland and Norway – Intertemporal Balance Sheet



V. 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
 - Perform basic balance sheet analysis
 - Over time, improve statistical and accounting practices

Thank You

Managing Public Wealth

IMF October 2018 Fiscal Monitor

www.imf.org/fiscalmonitor



Blog: [The Wealth of Nations: Governments Can Better Manage What They Own and Owe](#)

Full Report: [Managing Public Wealth](#)



Backpocket



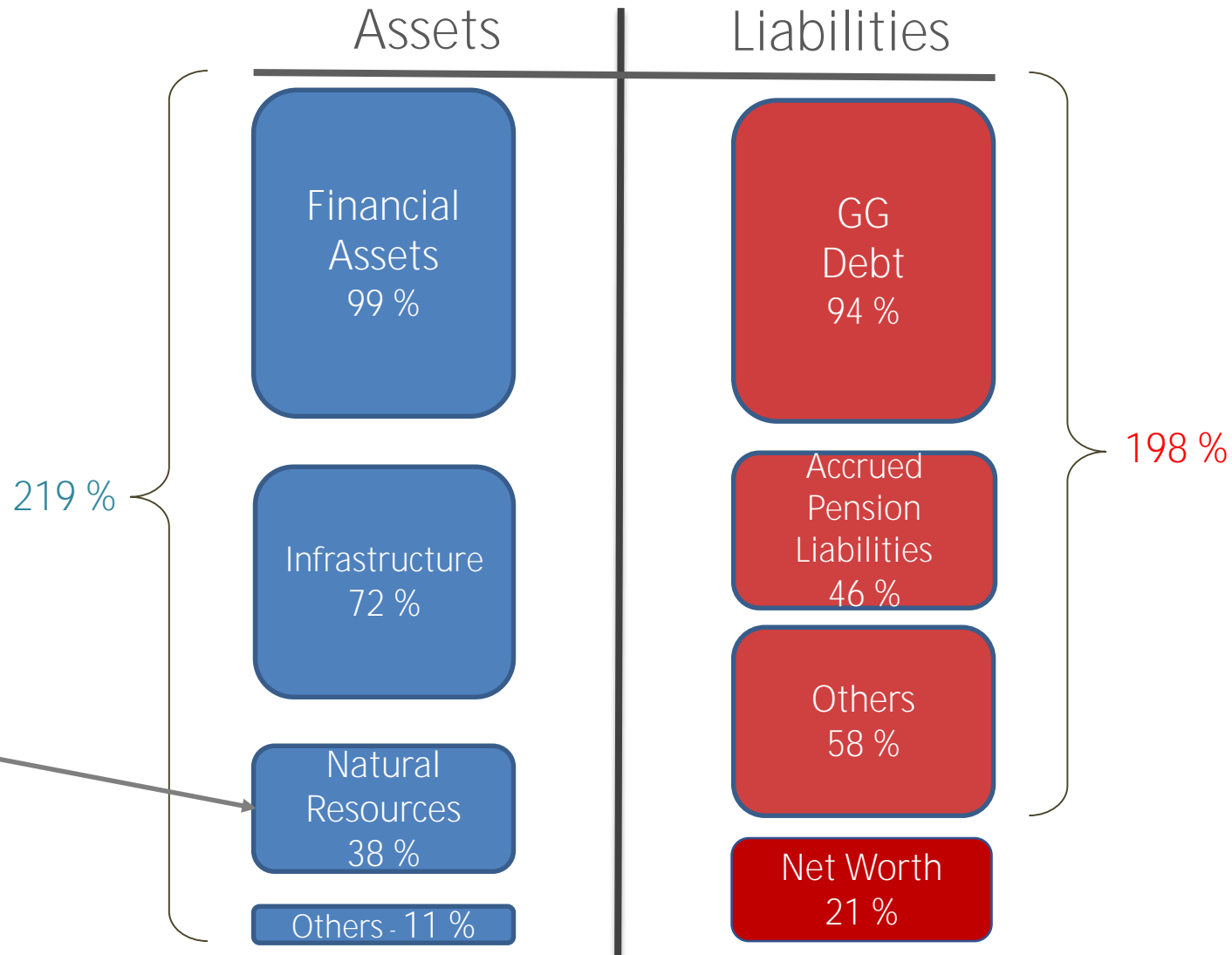
Additional Detail on Natural Resources Wealth

Aggregate Public Sector Balance Sheet (in percent of GDP)



Natural resources
(in percent of GDP)

Russian Federation	340.2
Kazakhstan	219.4
Peru	169.4
Australia	163.6
Norway	155.6
South Africa	101.4
Brazil	72.7
Indonesia	60.2
Tunisia	51.3
Colombia	48.6
Canada	42.1
Tanzania	40.6
India	40.5
Albania	40.3
Georgia	19.6
Guatemala	16
United States	10.6
Turkey	9
United Kingdom	7.4
Kenya	5.4
Finland	5.1
Uganda	4.7
Portugal	4.3
New Zealand	2.6
Germany	1.4
Austria	0.8
Korea, Republic of	0.2
Japan	0.1

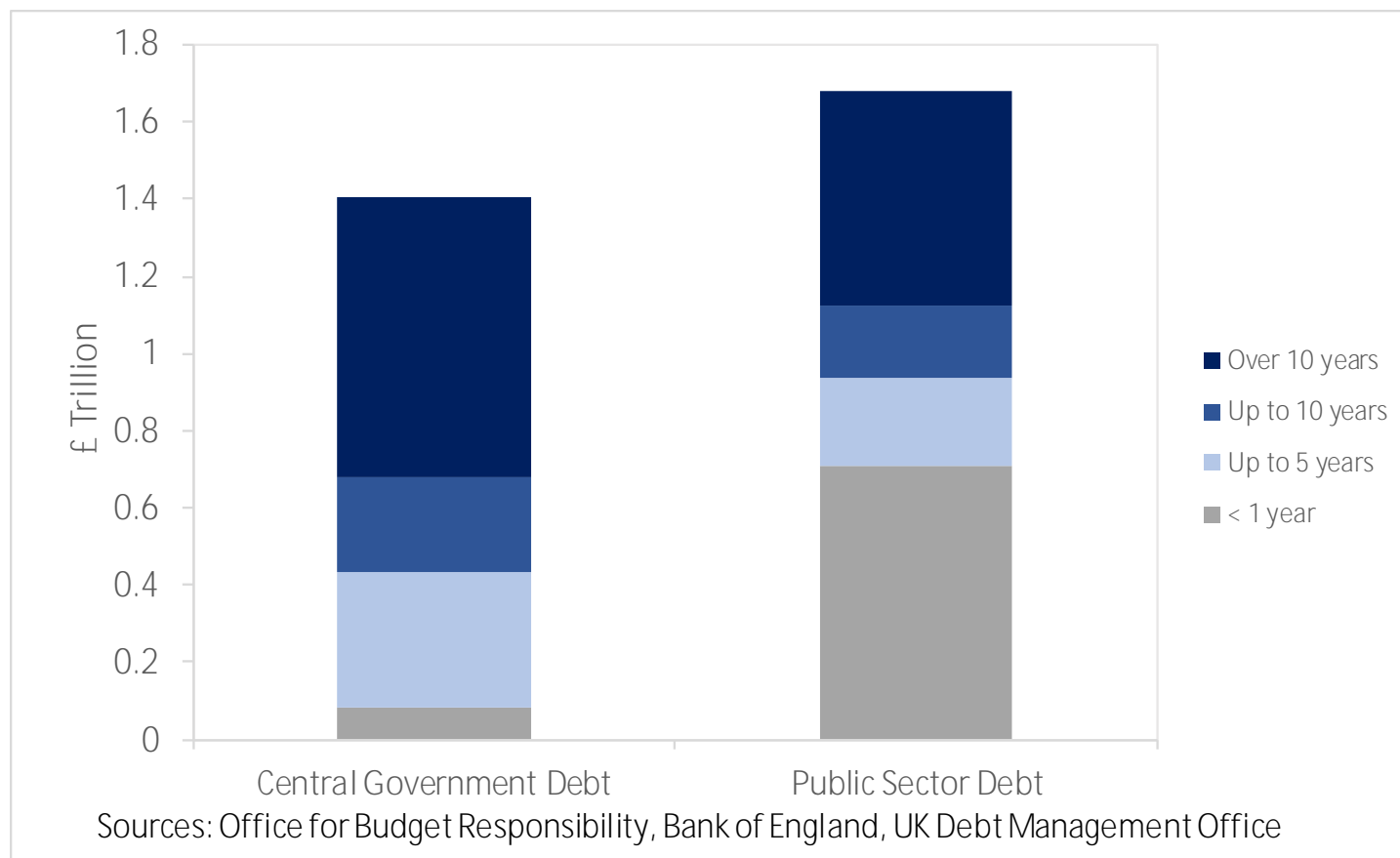


Source: IMF Fiscal Monitor, Fall 2018.

III. Examples

Quantitative Easing

United Kingdom: Maturity Structure of Outstanding Debt, 2016



III. Examples – Risk

The Gambia – Fiscal Stress Test

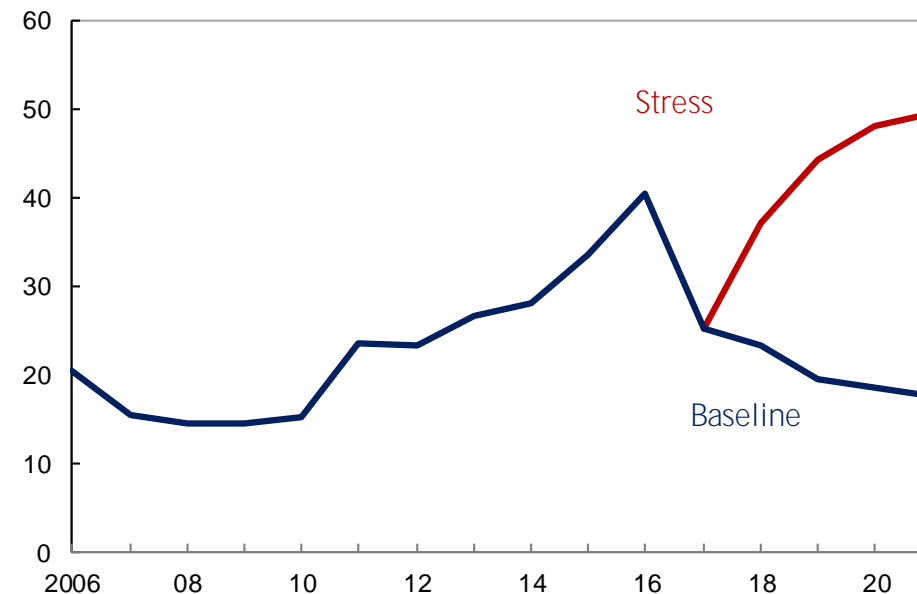
The Gambia: Public Sector Balance Sheet
(percent of GDP)

2016	Central Government	Public Corporations	Public Sector
Total assets	47.3	61.9	61.0
<i>of which:</i> Nonfinancial assets	13.4	22.4	35.8
Financial assets	33.9	39.4	25.2
Total liabilities	93.5	61.9	107.2
<i>of which:</i> Debt securities	78.4	2.0	61.4
Net financial worth	-59.5	-22.4	-82.0
Net worth	-46.2	0.0	-46.2

Source: IMF staff estimates

[Back](#)

Gross Financing Needs under Stress
(percent of GDP)



Source: IMF staff estimates.

III. Policy Implications – Risk

Kazakhstan

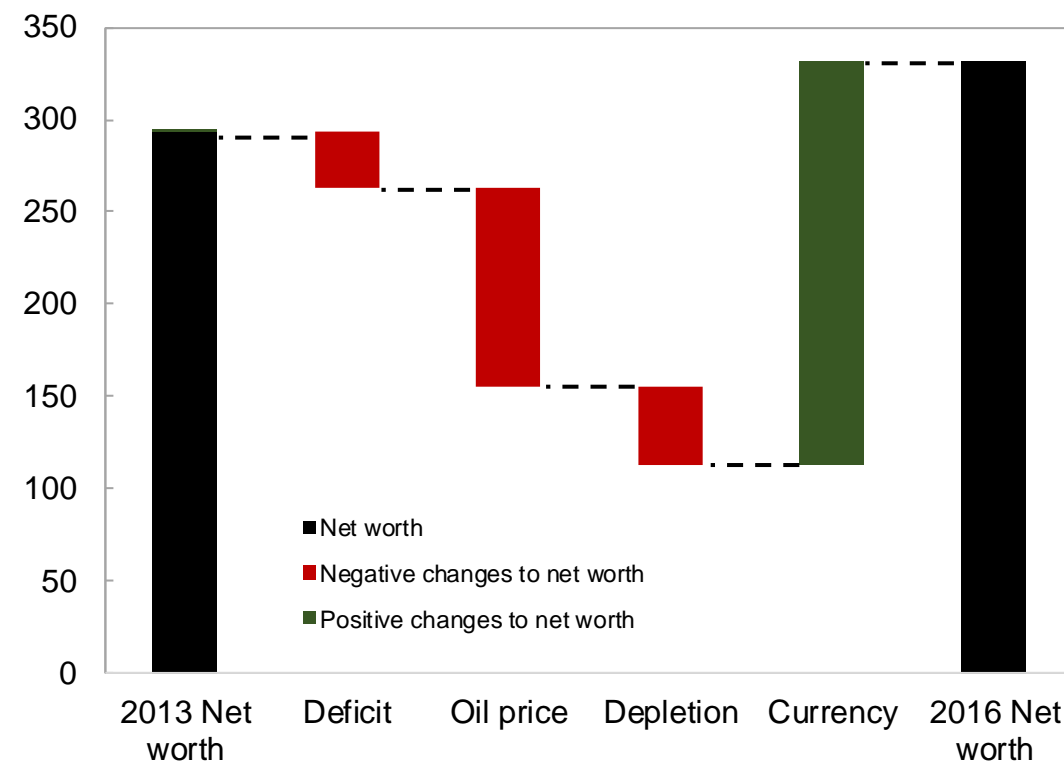
Kazakhstan: Public Sector Balance Sheet
(percent of GDP)

	General Government	Public Corporations	Public Sector
Total assets	348.6	99.9	399.0
<i>of which:</i> Nonfinancial assets	263.4	27.3	290.7
Financial assets	85.2	72.6	108.3
Total liabilities	16.9	99.9	67.2
<i>of which:</i> Debt securities	11.5	8.9	10.5
Net financial worth	68.3	-27.3	41.0
Net worth	331.7	0.0	331.7

Source: IMF staff estimates

[Back](#)

Kazakhstan: Evolution of Net Worth
(percent of 2016 GDP)



Examples – Asset Management

New Zealand

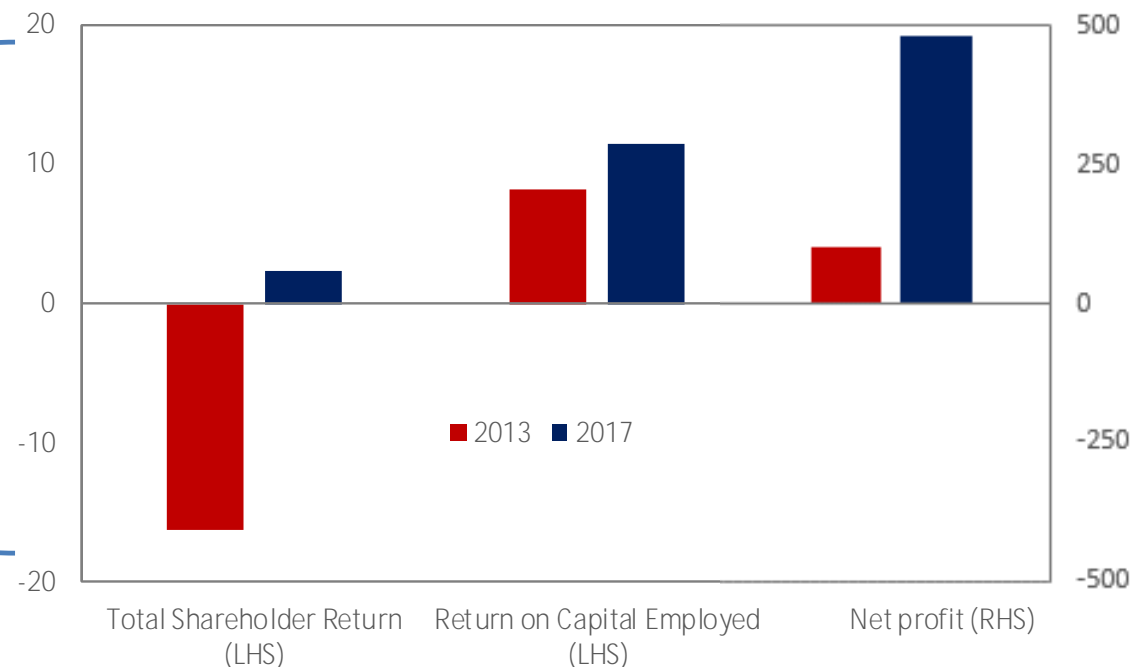
New Zealand: Public Sector Balance Sheet
(percent of GDP)

	Assets	Liabilities	Net Worth
Social	57.5	7.1	50.5
Financial	33.2	50.5	-17.3
Commercial	20.1	12.0	8.1
Static balance sheet	110.8	69.5	41.3
Fiscal	1,381.9	1,480.0	-98.1
Intertemporal balance sheet	1,492.7	1,549.5	-56.8

Source: New Zealand 2017 Investment Statement.

[Back](#)

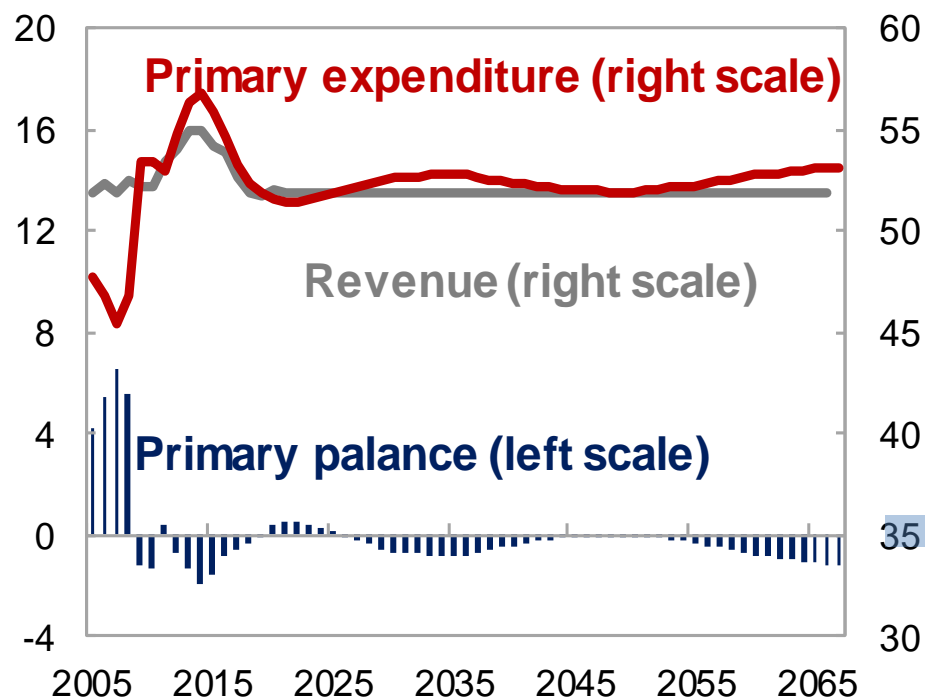
New Zealand: Financial Highlights –
Commercial Priority Companies



Examples – 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.

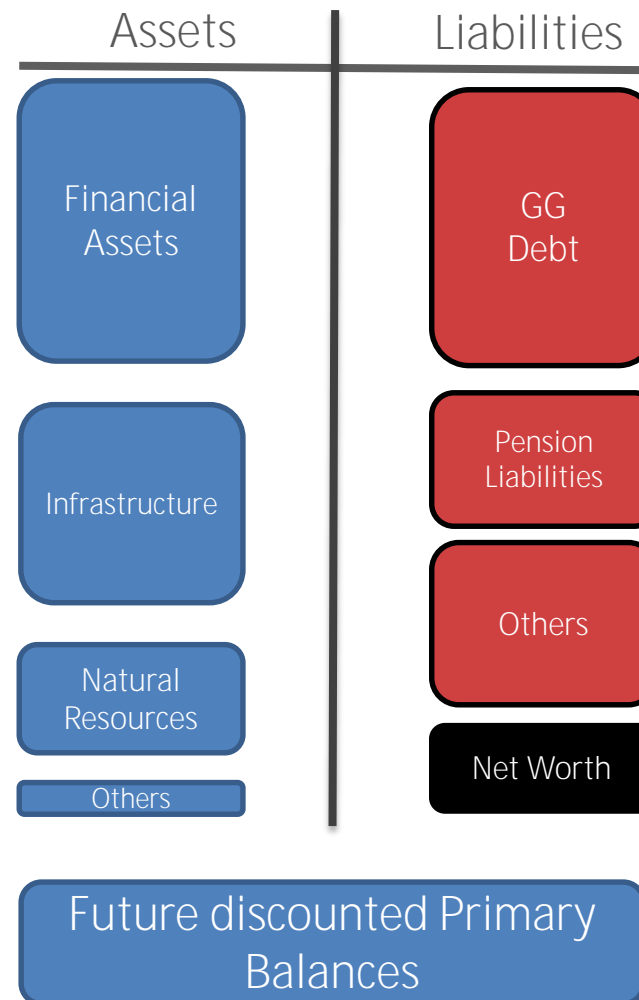


[Back to Norway – Finland example](#)

Intertemporal Balance Sheet

Accounts for future cost of current policies

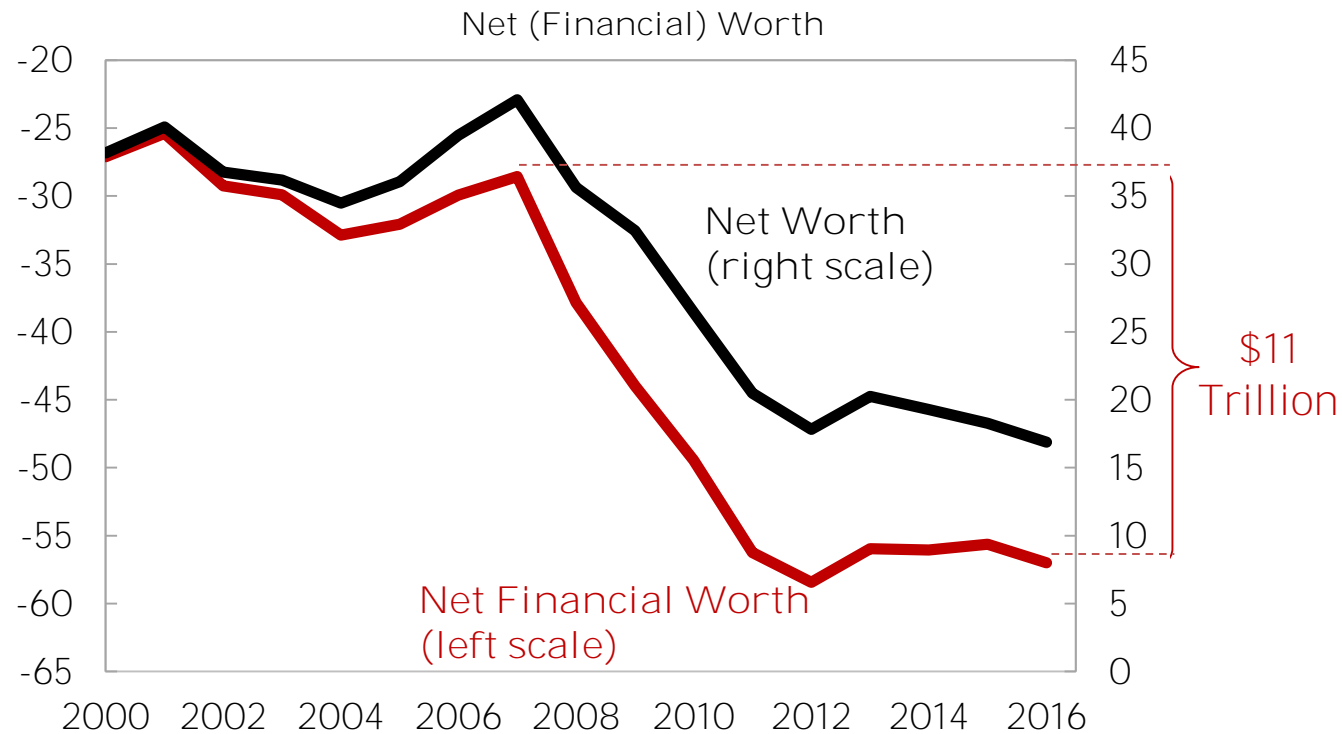
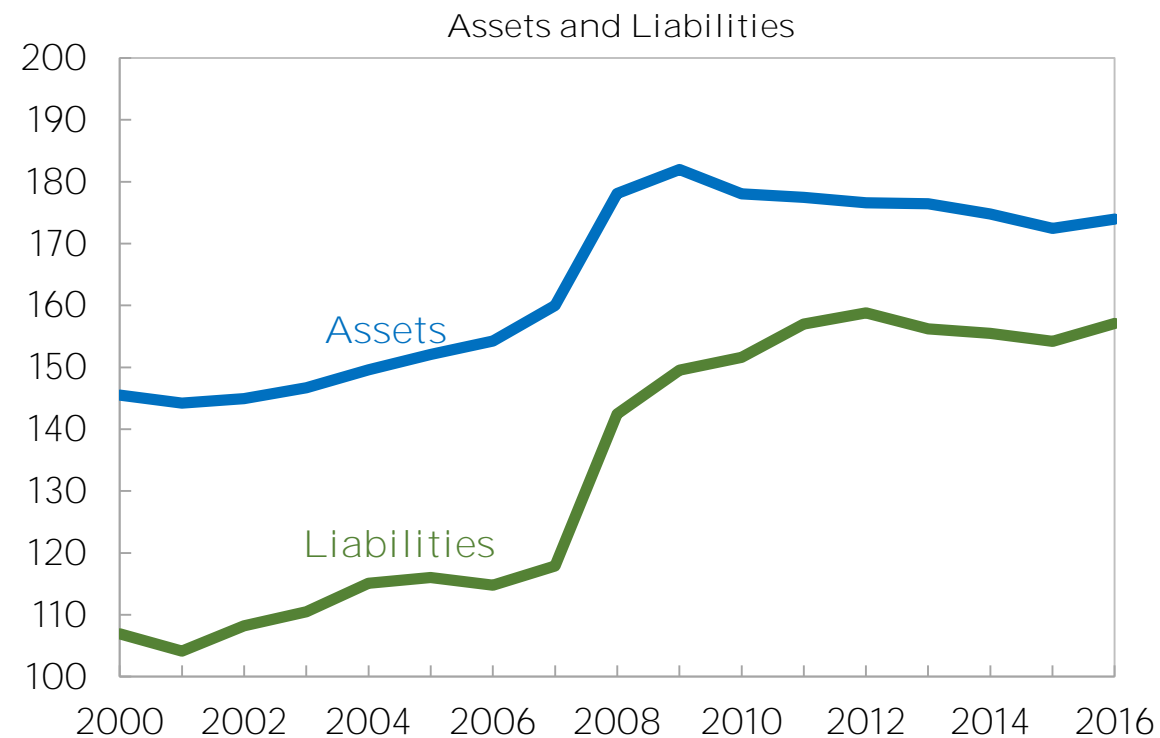
Aggregate Public Sector Balance Sheet (in percent of GDP)



The Public Sector Balance Sheet

Evolution since the crisis

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

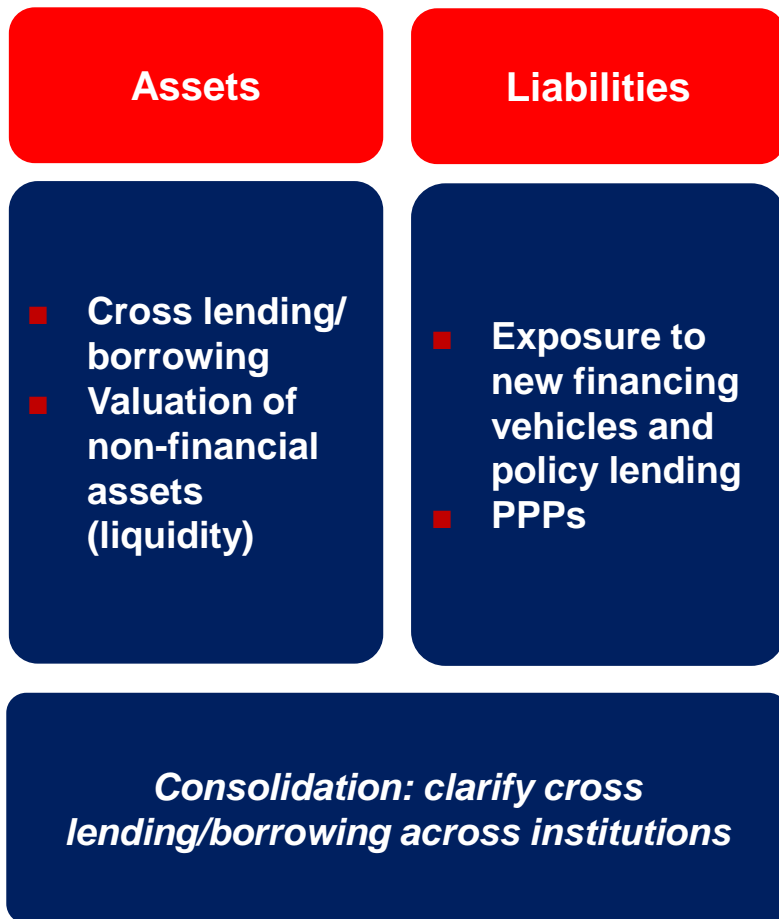


Source: IMF Fiscal Monitor, October 2018.

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

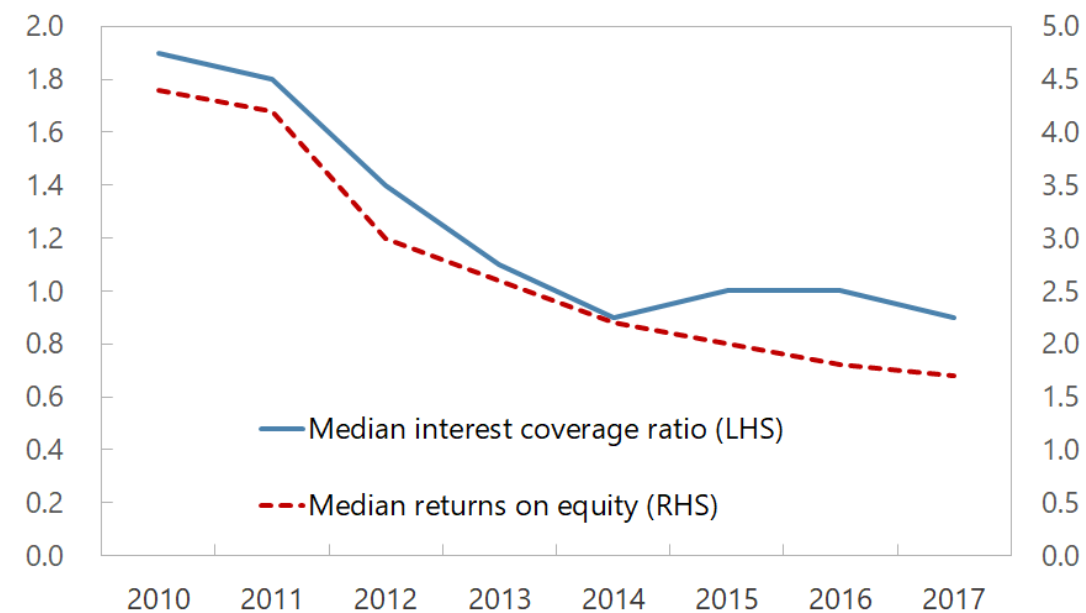
China

What are we missing?



Financial Ratios in Local Government Financing Vehicles

(in percent)



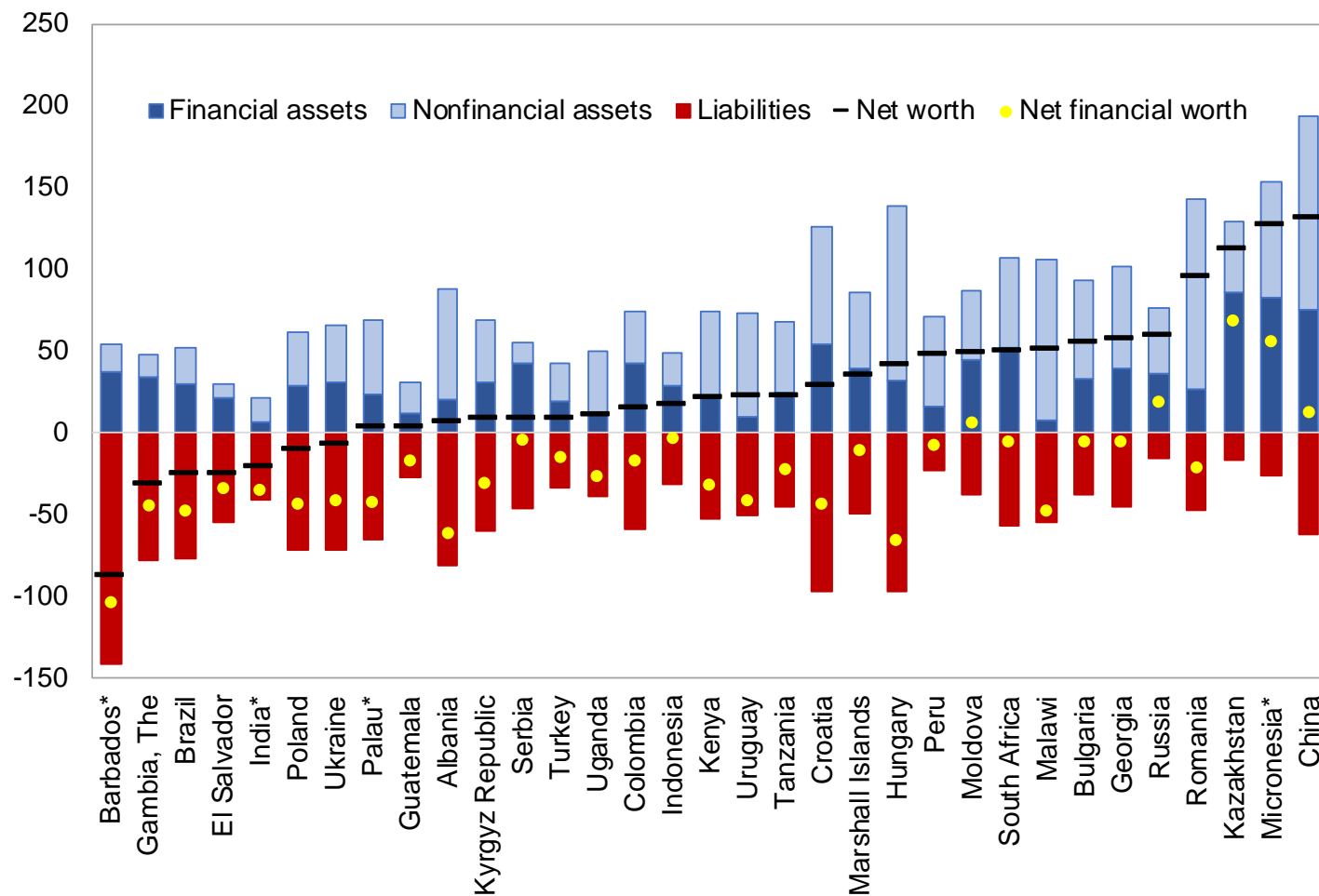
Sources: WIND and IMF staff estimates.

Median ratios estimated based on individual LGFV financial data.

I. The Public Sector Balance Sheet

Emerging Markets Balance Sheets

EM: General Government Balance Sheets
(percent of GDP)



Source: October 2018 Fiscal Monitor. * = central government data

General Government Balance Sheet

Italy

Italy: General Government Balance Sheet, 2016
(percent of GDP)

Total assets	79.2
<i>of which:</i> Nonfinancial assets	51.6
Financial assets	27.6
Total liabilities	157.6
<i>of which: Debt</i>	132.0
Net Financial Worth	-130.0
Net Worth	-78.4

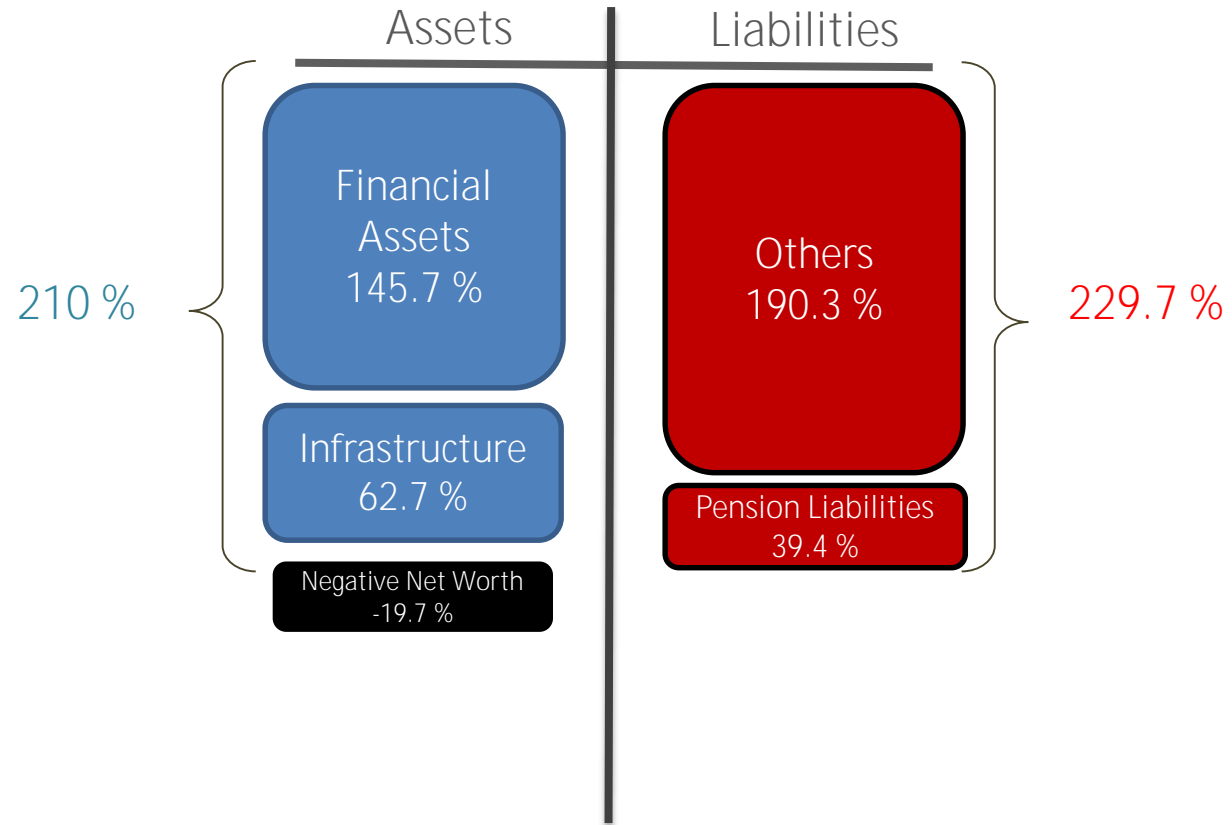
Source: IMF staff estimates

*Excludes land and natural resource assets and pension liabilities.

Germany



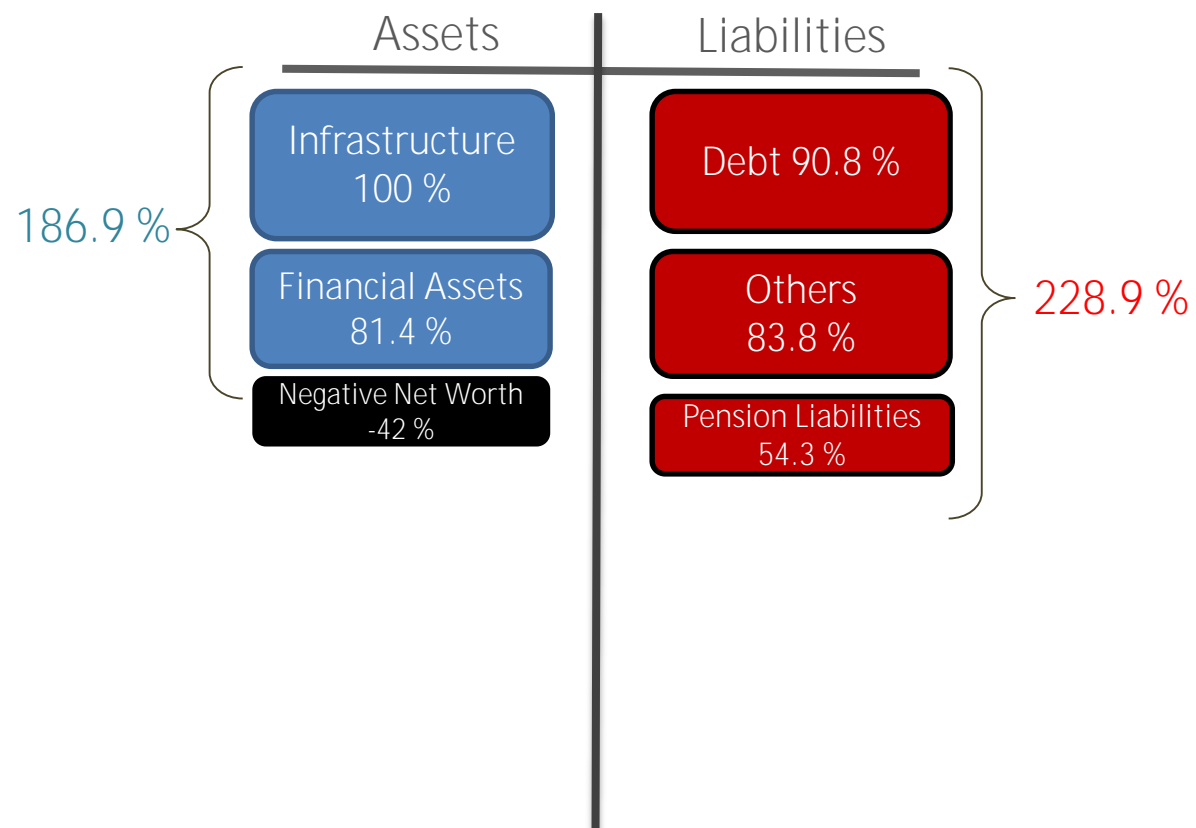
Aggregate Public Sector Balance Sheet (in percent of GDP)



France



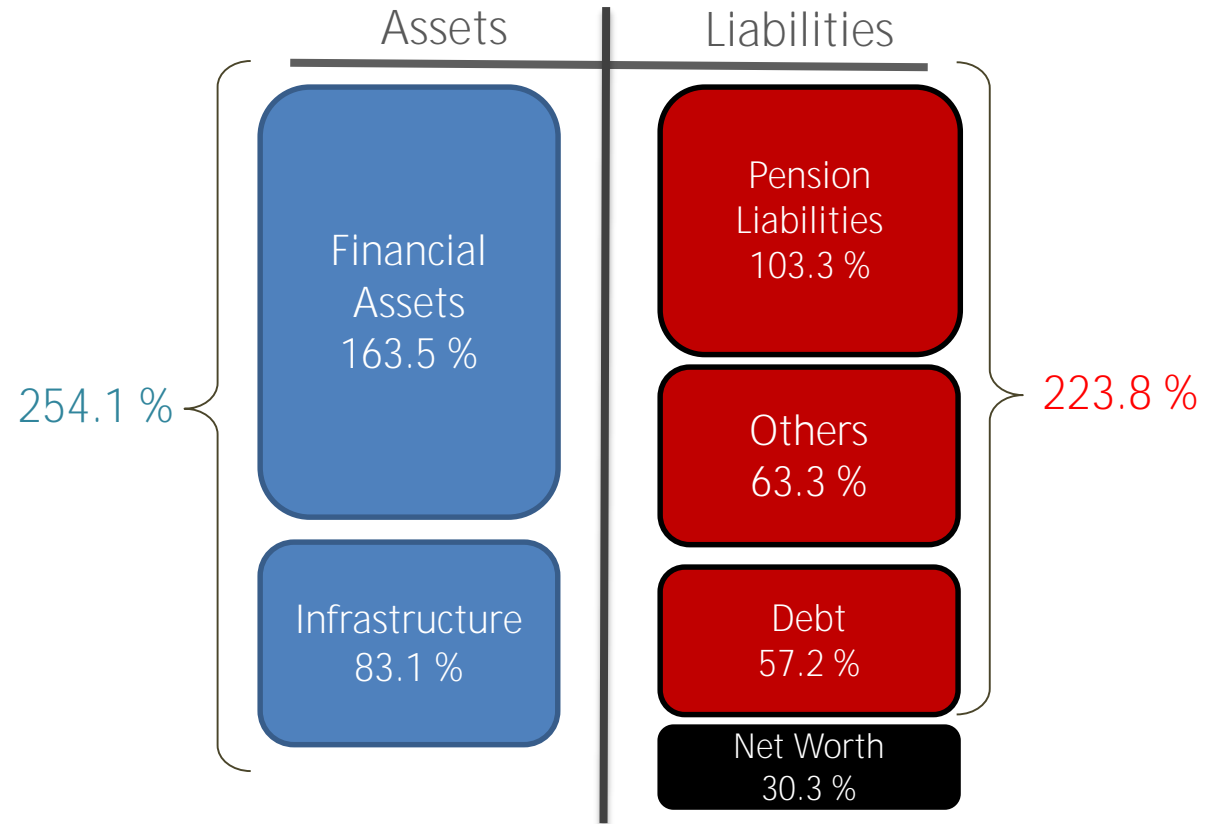
Aggregate Public Sector Balance Sheet (in percent of GDP)



Finland



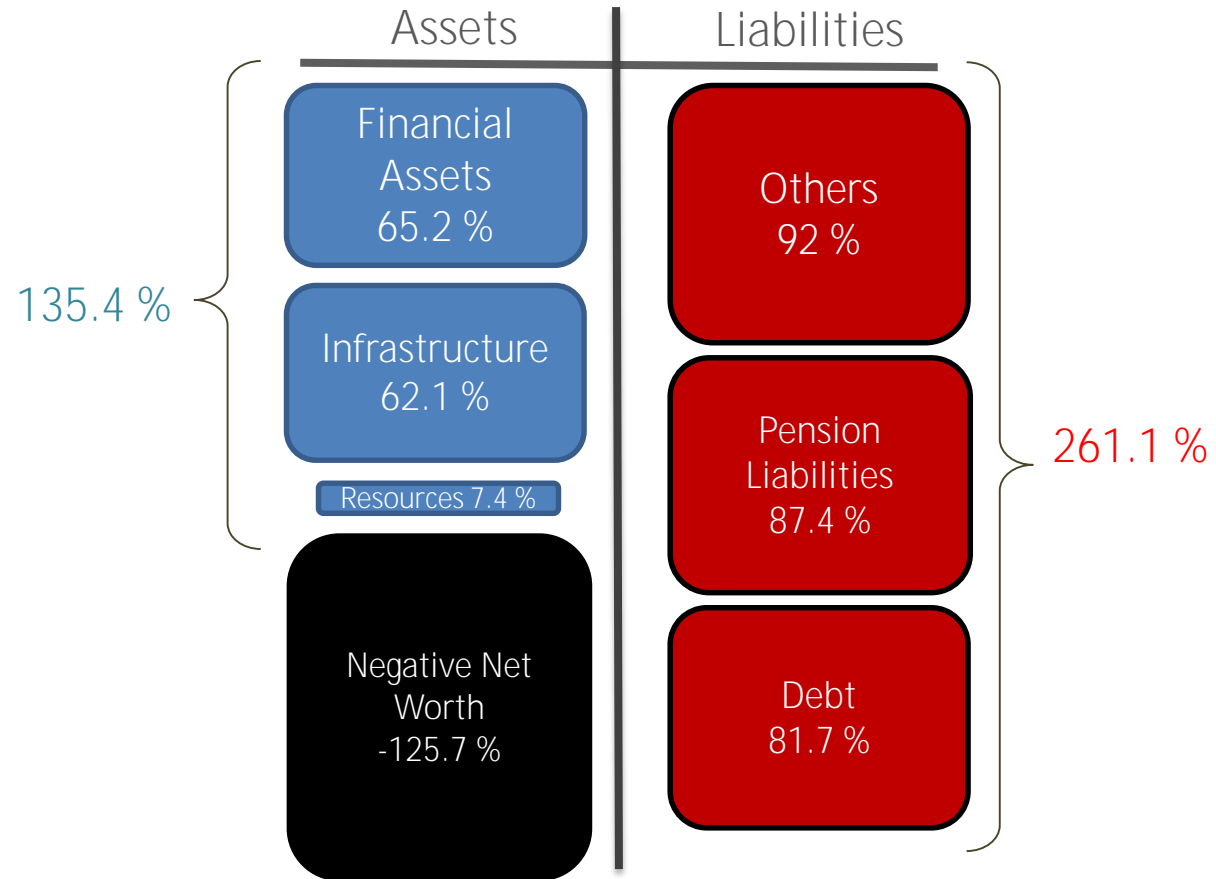
Aggregate Public Sector Balance Sheet (in percent of GDP)



United Kingdom



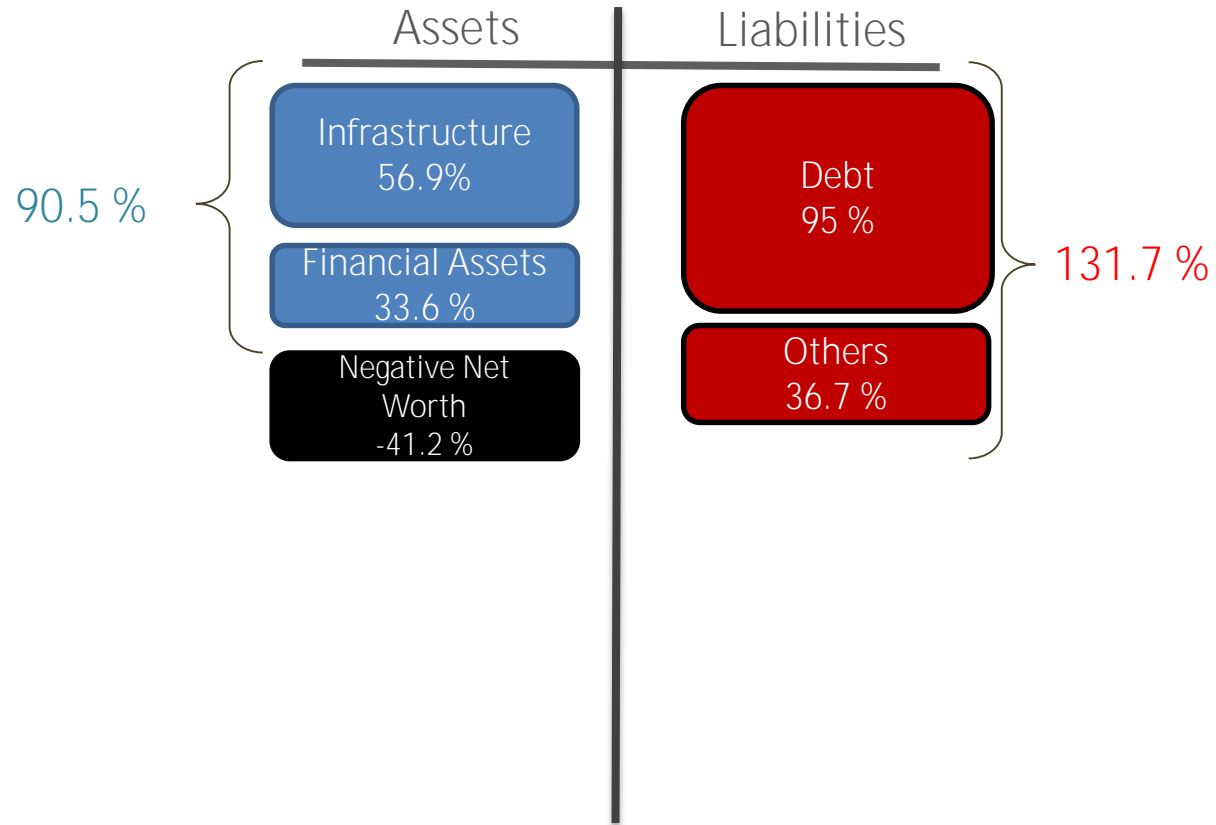
Aggregate Public Sector Balance Sheet (in percent of GDP)



Spain



General Government Sector Balance Sheet (in percent of GDP)

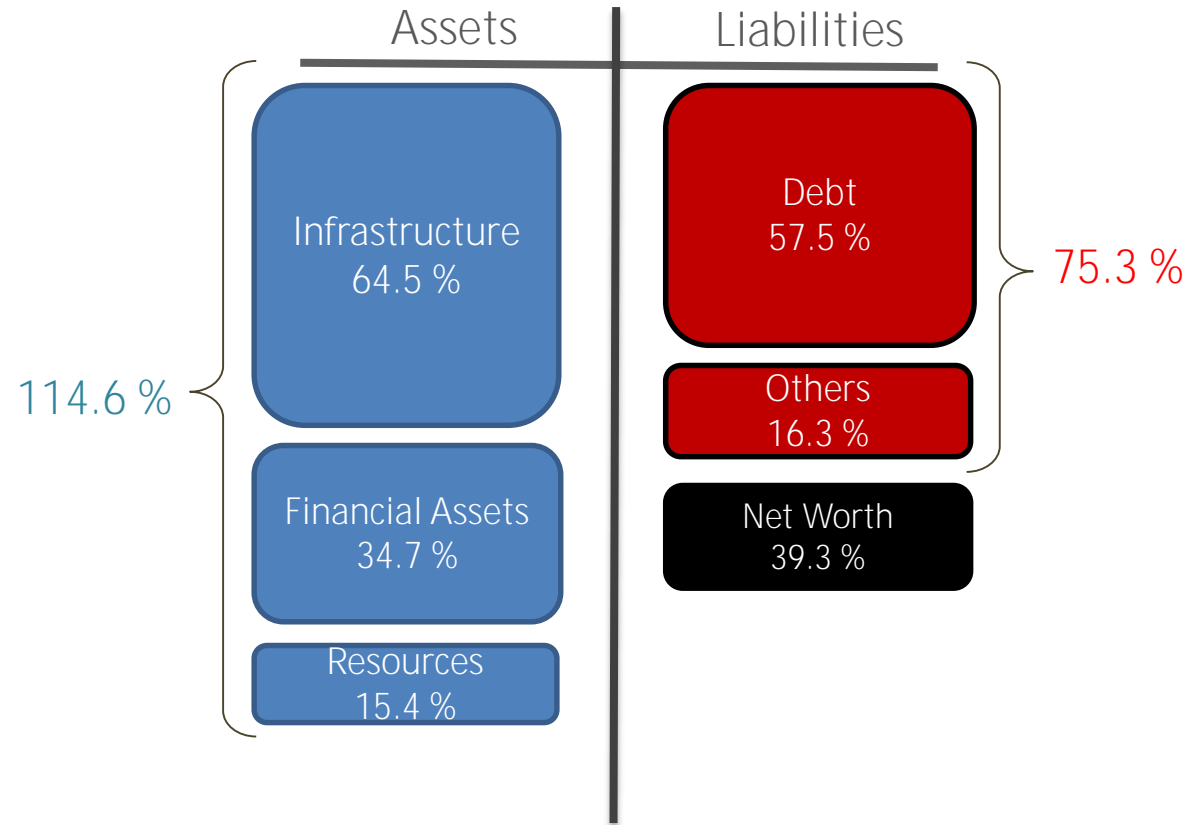


[Back](#)

Netherlands



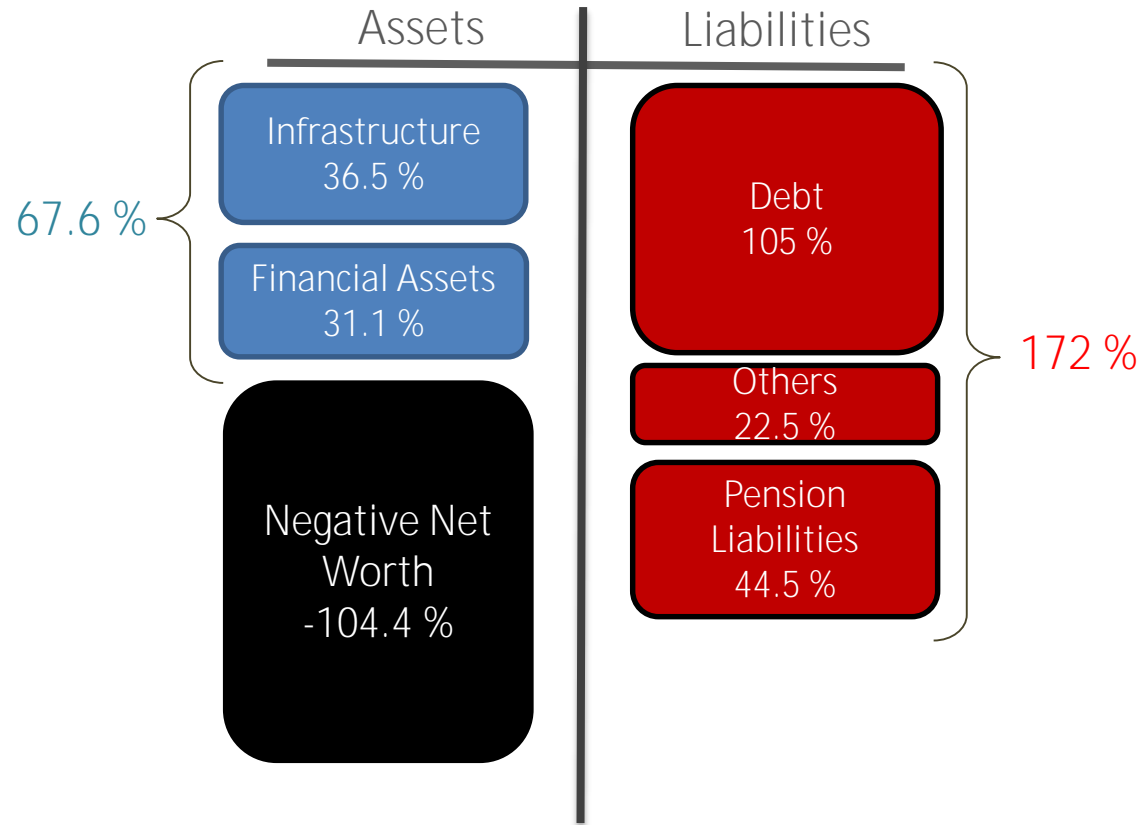
General Government Sector Balance Sheet (in percent of GDP)



Belgium



General Government Sector Balance Sheet (in percent of GDP)



EU Aggregate

Austria, Finland, France, Germany, Portugal, UK



Aggregate Public Sector Balance Sheet (in percent of GDP)

