Managing Public Wealth

Vienna, Austria, November 21-22, 2019

Alexander Tieman
Fiscal Affairs Department
International Monetary Fund

WORLD BANK GROUP

CFRR
Centre for Financial Reporting Reform
WORLD BANK GROUP
Governance

PULSAR
Public Sector Accounting and Reporting Program

CO-FUNDED BY

Federal Ministry
Republic of Austria
Finance

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

Managing Public Wealth
Overview

I. The Public Sector Balance Sheet

- Conceptual Framework
- Global Picture
- New Elements

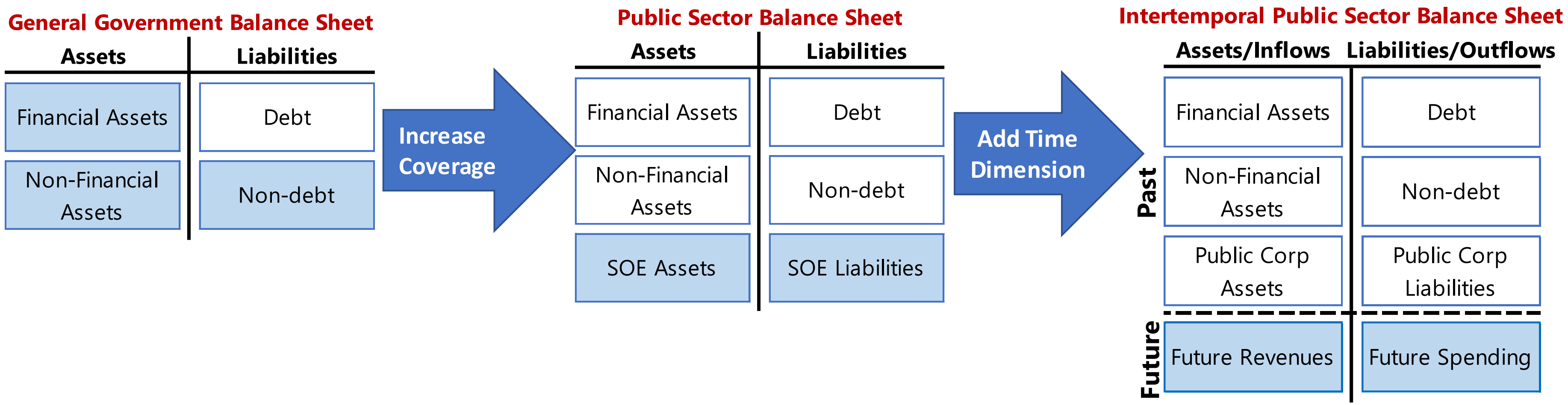
II. Why Does it Matter?

- Assets, Yields, Resilience

III. Country Examples

- Risk Identification, Policy Analysis

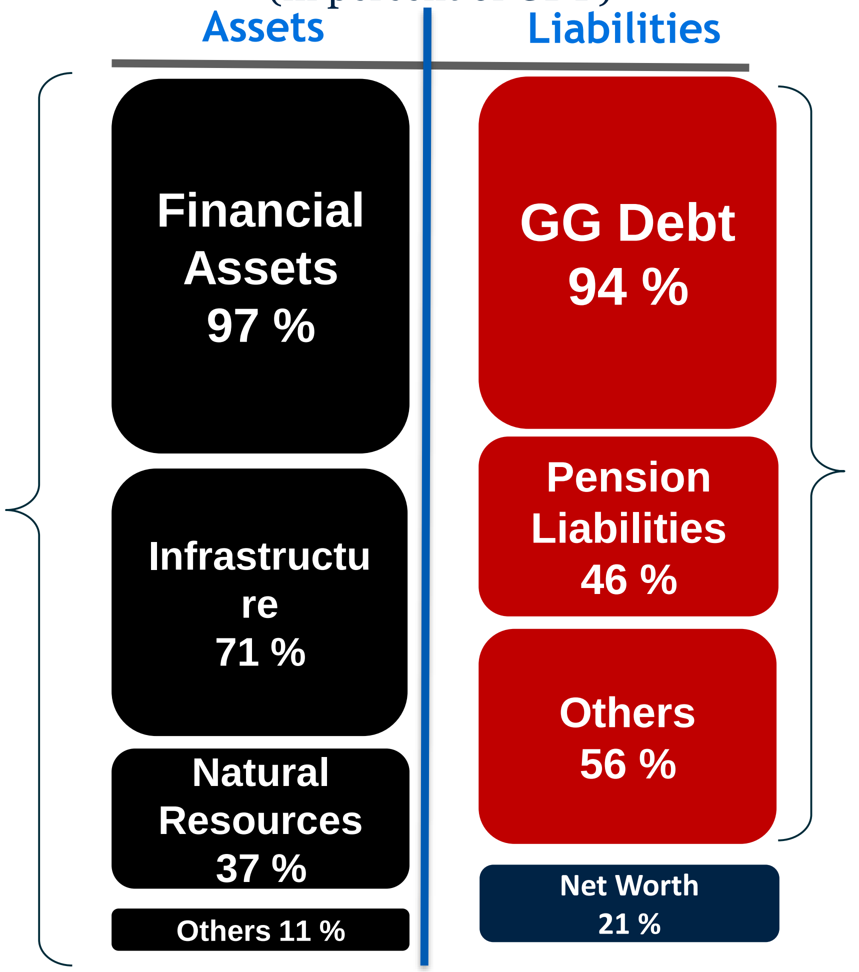
I. The Public Sector Balance Sheet
Conceptual Framework



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

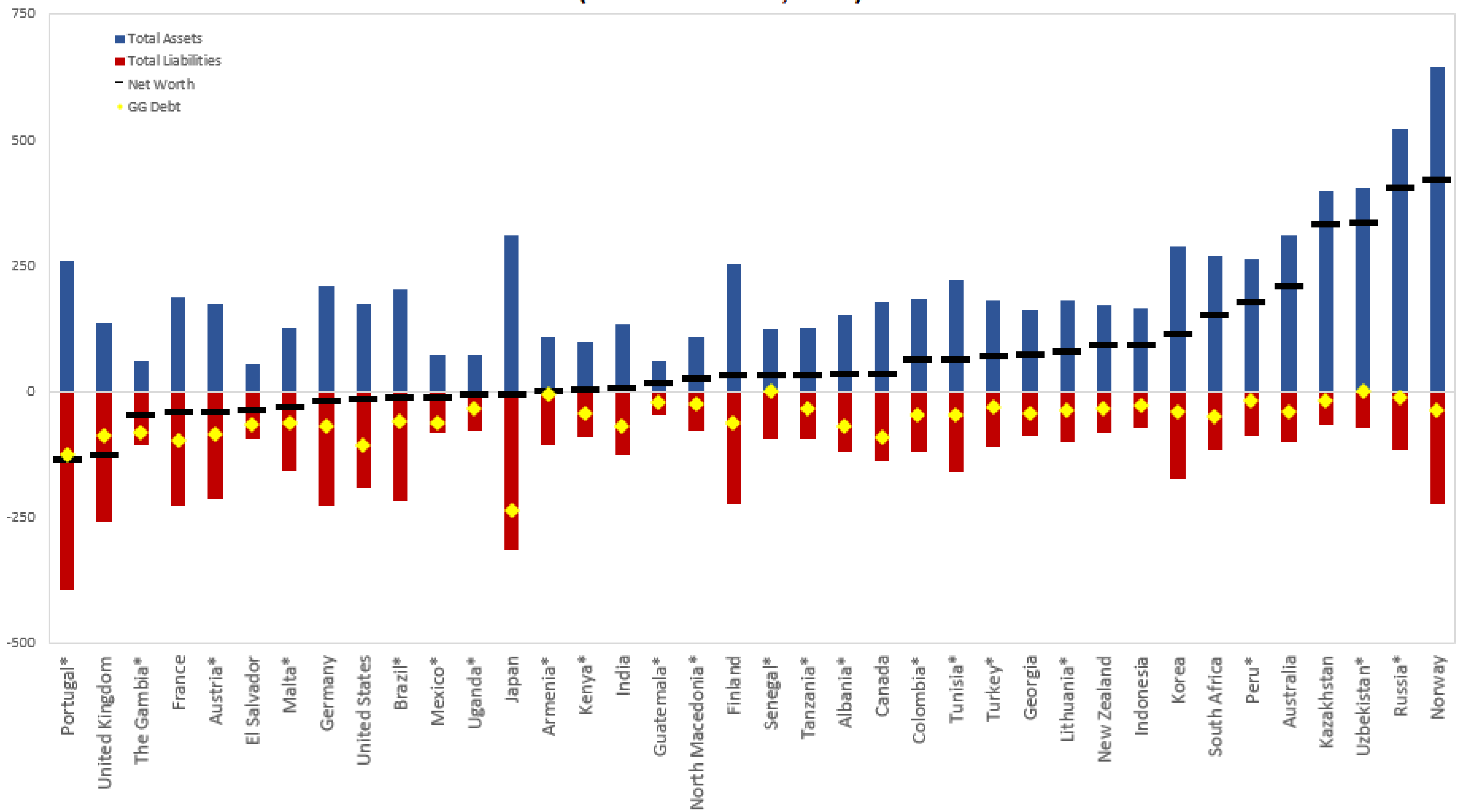


195 percent of GDP

Source: IMF Public Sector Balance Sheet Database.

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

Public Sector Balance Sheets
(Percent of GDP, 2016)

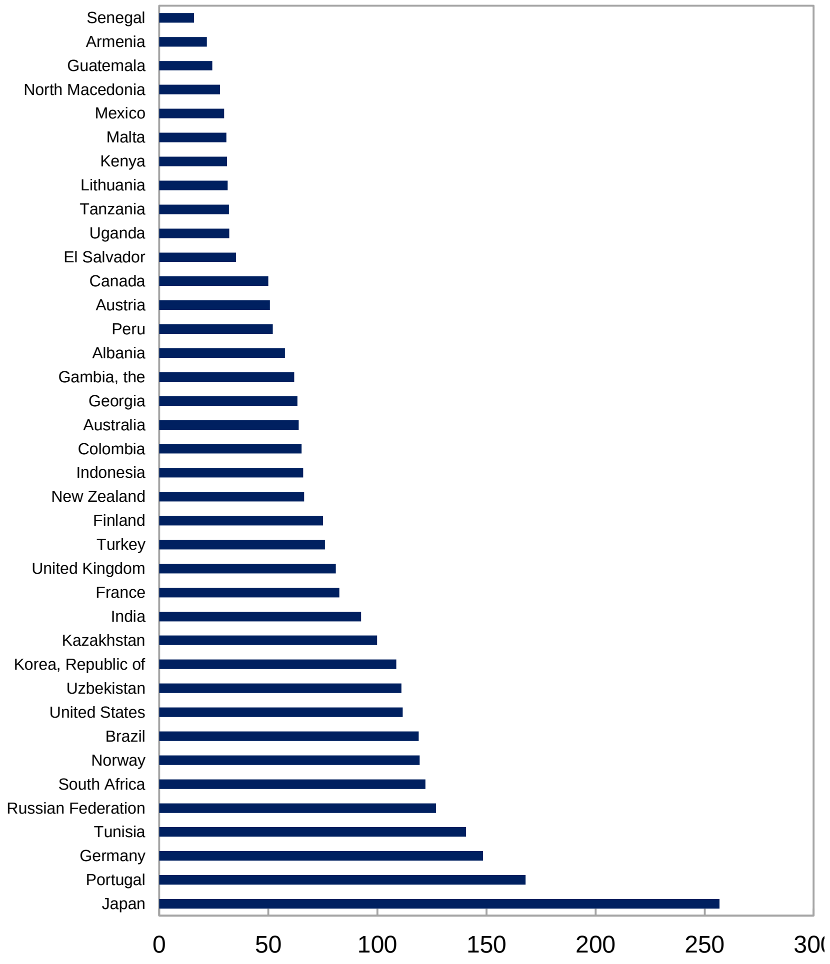


Source: IMF Public Sector Balance Sheet Database.
*Based on a single year of data, in most cases compiled as part of the Fiscal Transparency Evaluation: Albania, 2013; Armenia, 2016; Austria, 2015; Brazil, 2014; Colombia, 2016;The Gambia, 2016; Guatemala, 2014; Kenya, 2013; Lithuania, 2016; Malta, 2016; Mexico, 2016; Peru, 2013; Portugal, 2012; Russia, 2012; Senegal, 2016; Tanzania, 2014; Tunisia, 2013; Turkey, 2013; Uganda, 2015; Uzbekistan, 2016.

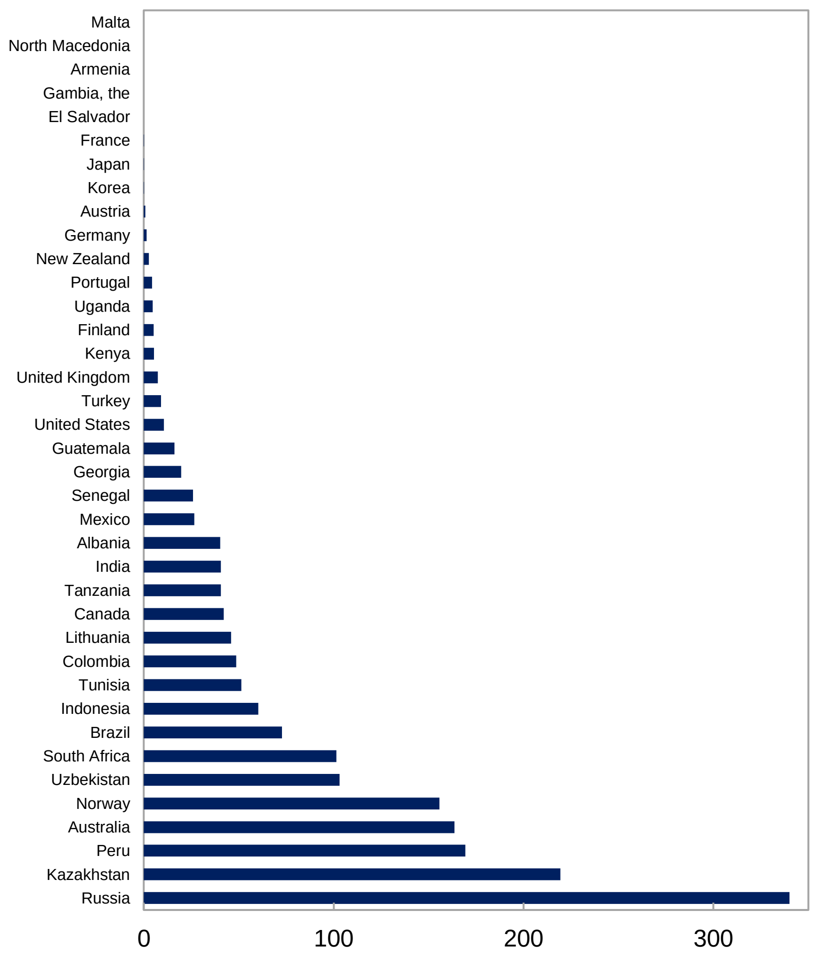
I. The Public Sector Balance Sheet

New elements

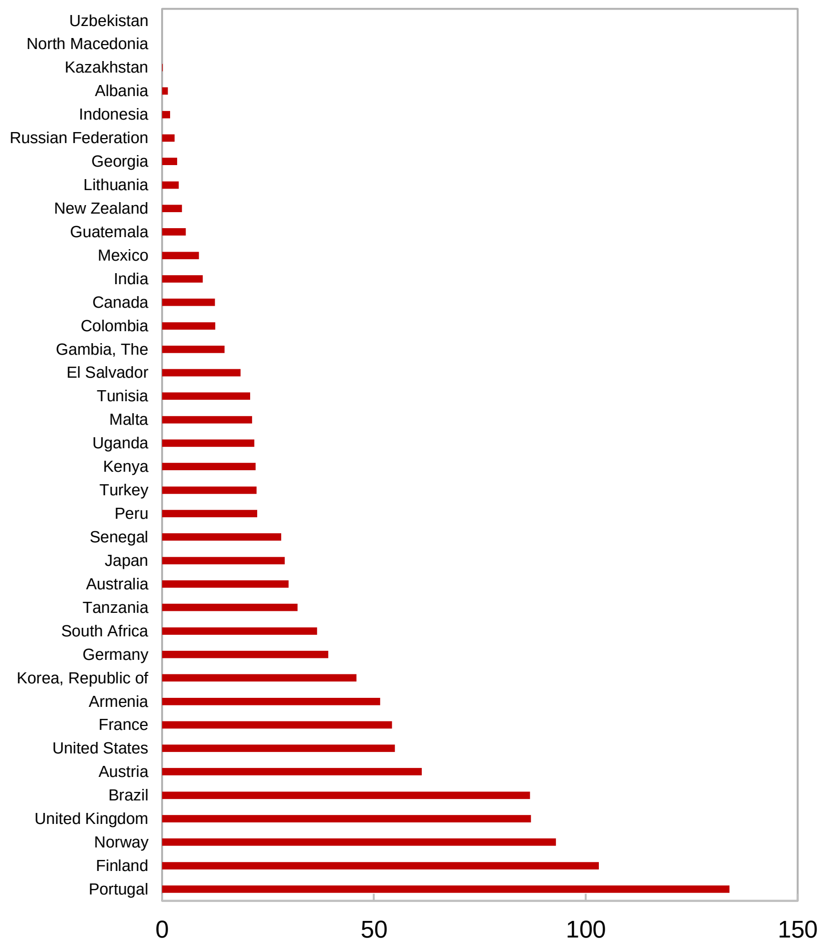
Public Corporation Assets
(Percent of GDP)



Natural Resource Assets
(Percent of GDP)



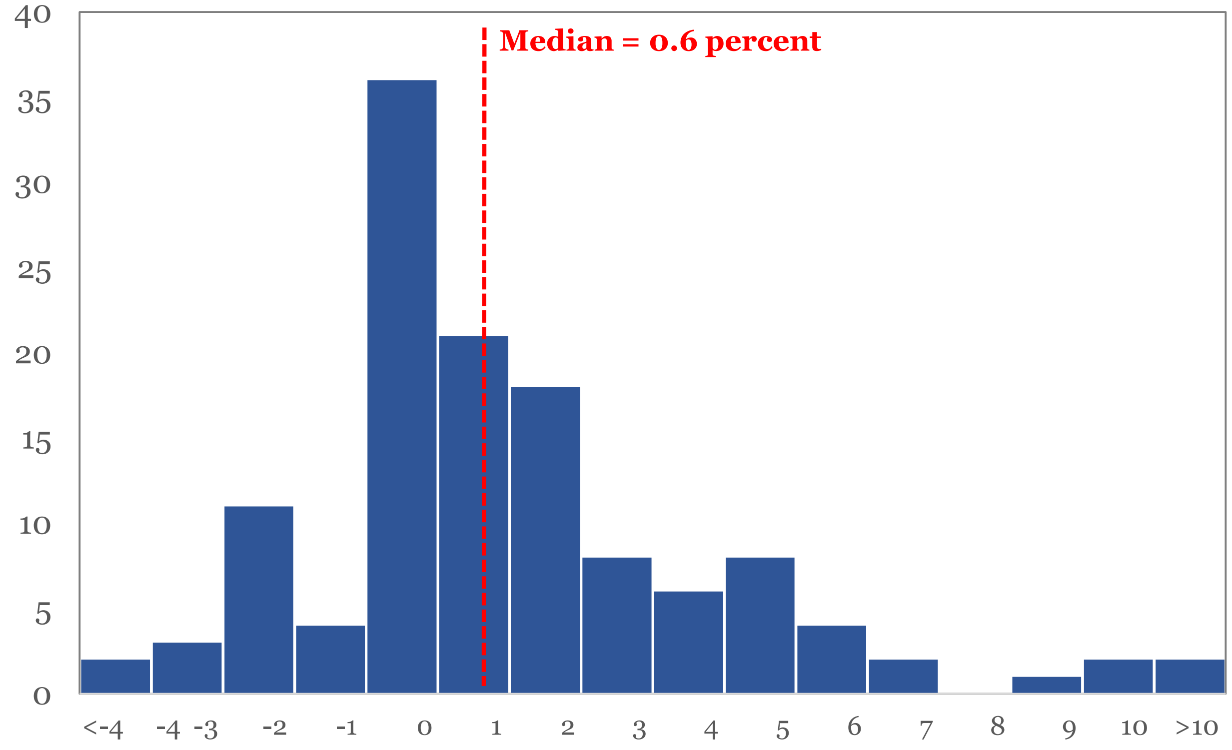
Accrued Pension Liabilities
(Percent of GDP)



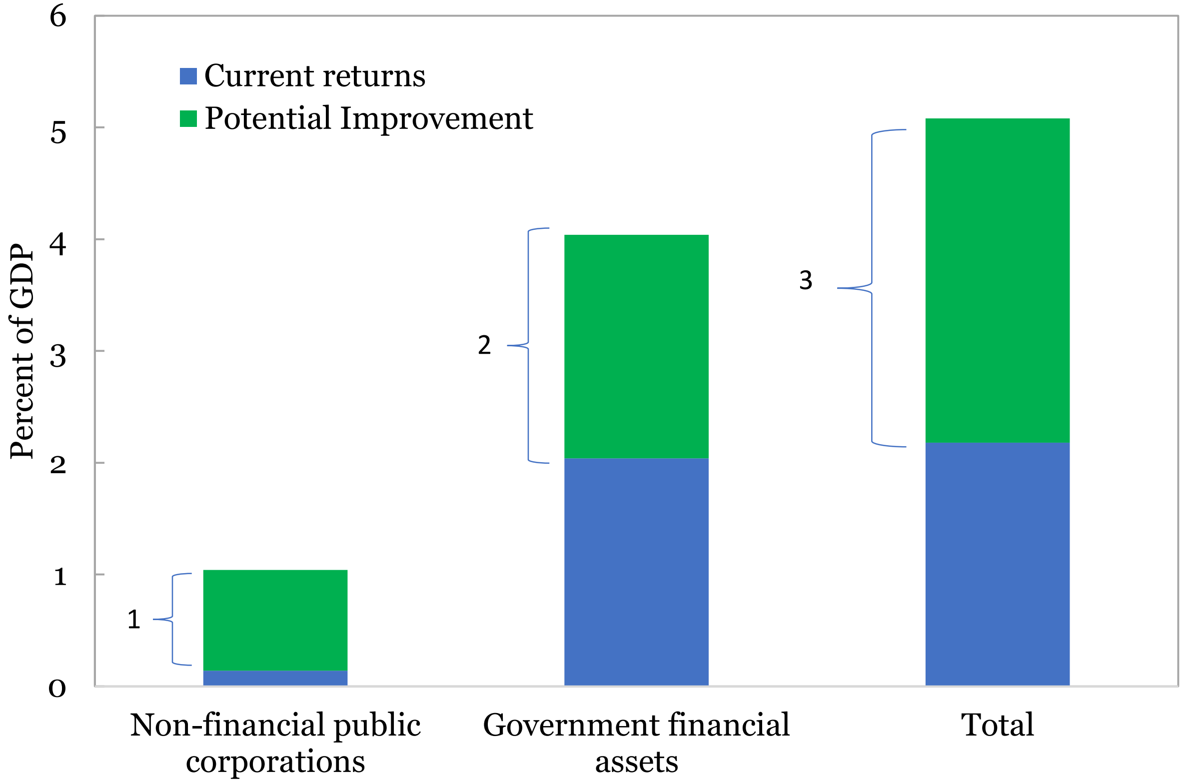
Source: IMF Public Sector Balance Sheet Database

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)

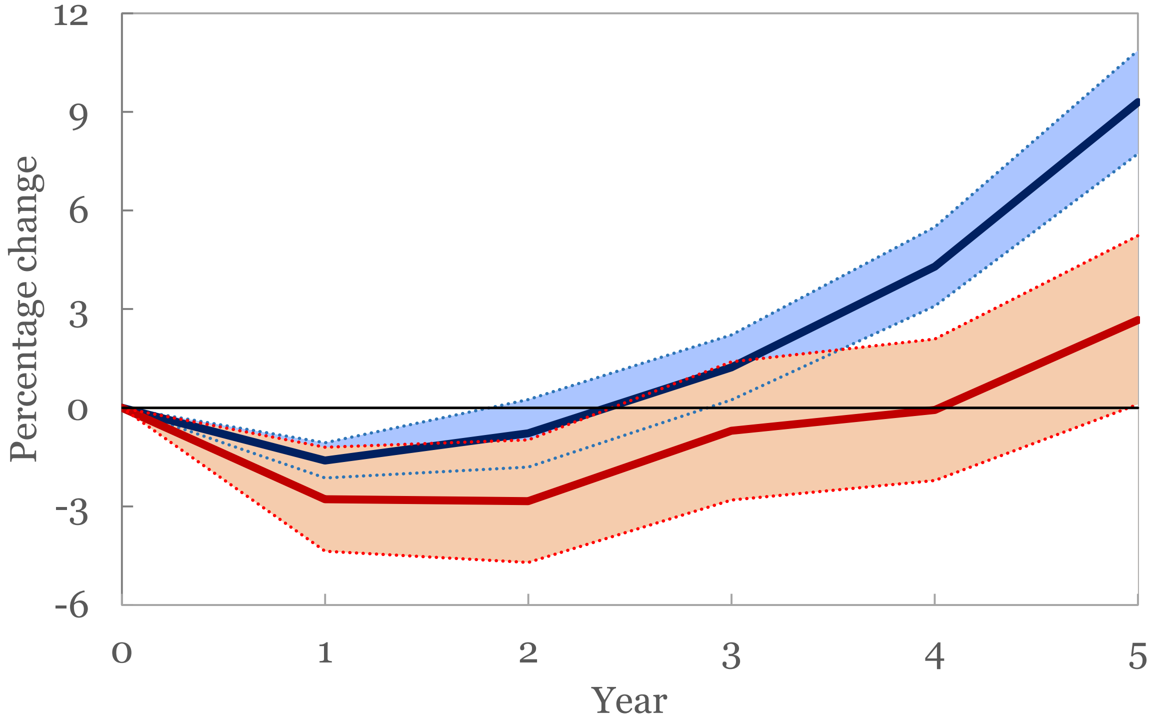


Source: IMF October 2018 Fiscal Monitor.

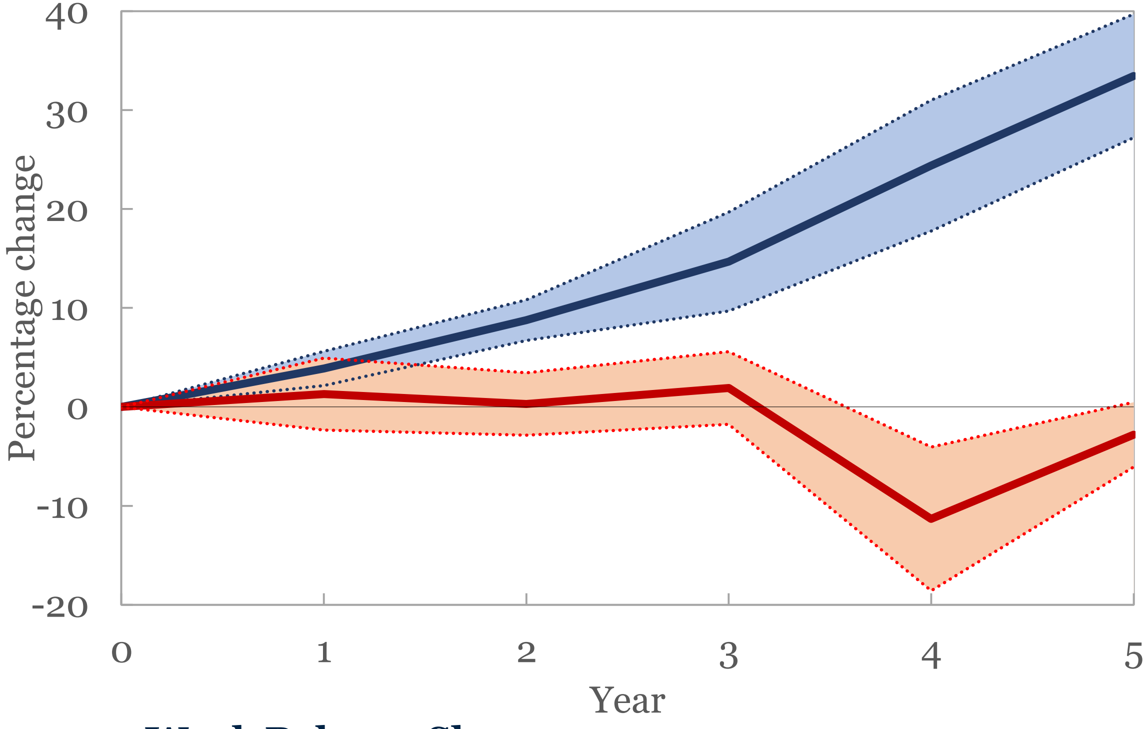
[New Zealand case study]

II. Why Does It Matter?
Stronger balance sheet → Greater resilience

Real GDP per Capita
Following Recessions



Real Government Expenditure per Capita
Following Recessions



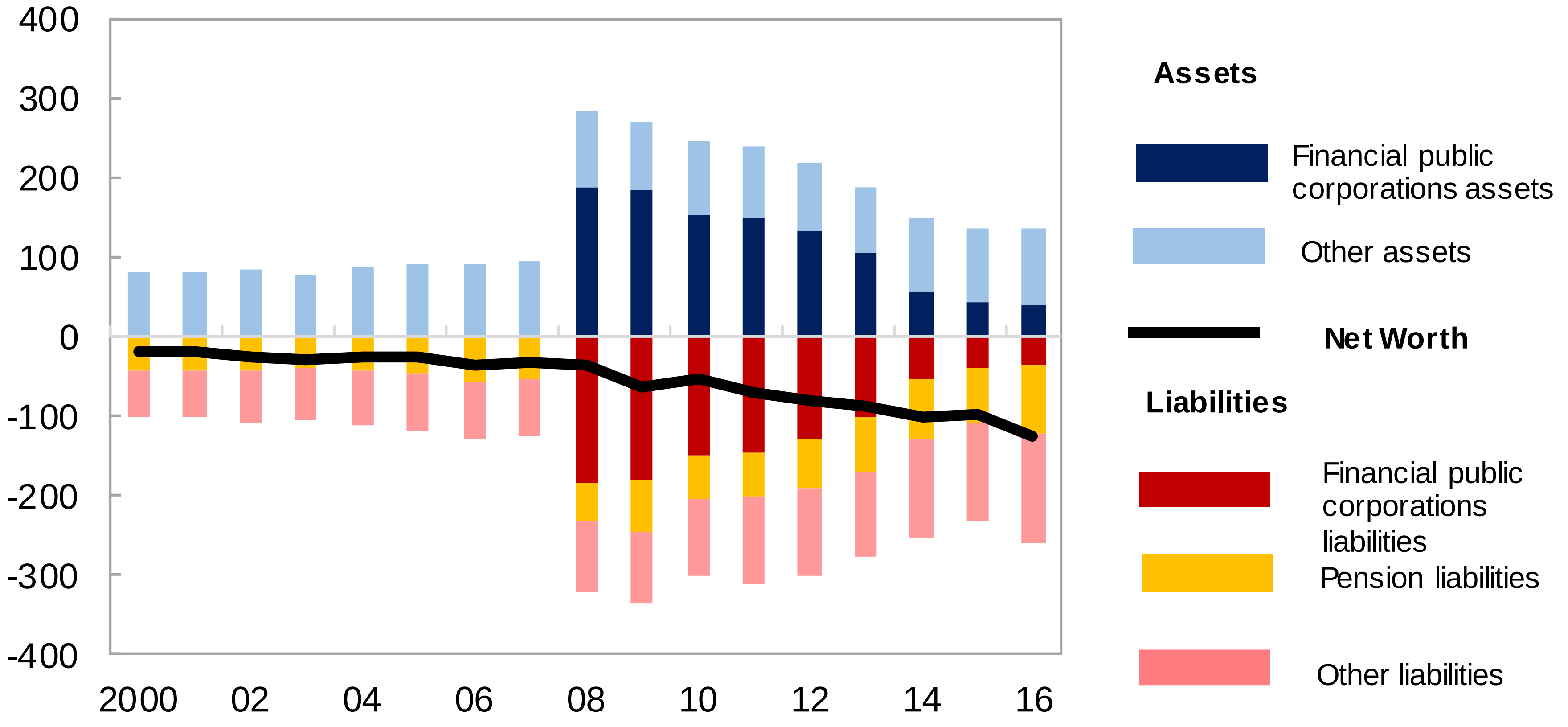
Strong Balance Sheets **Weak Balance Sheets**

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

Kazakhstan case study

III. Country Examples: United Kingdom
Impact of the Crisis

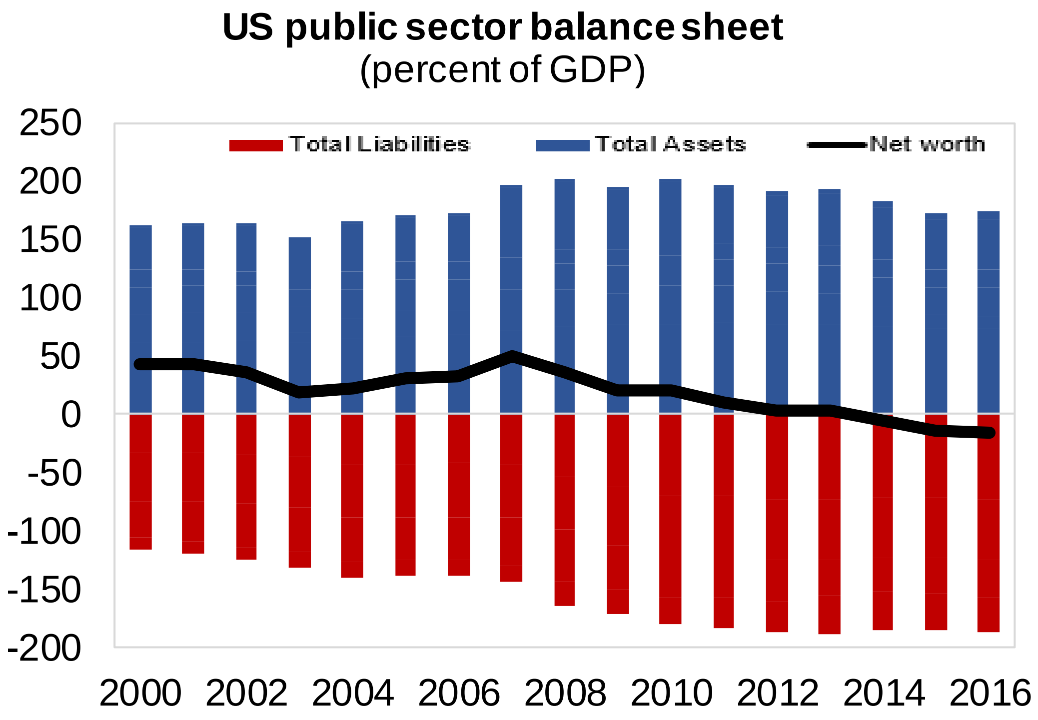
UK – Public Sector Balance Sheet
(percent of GDP)

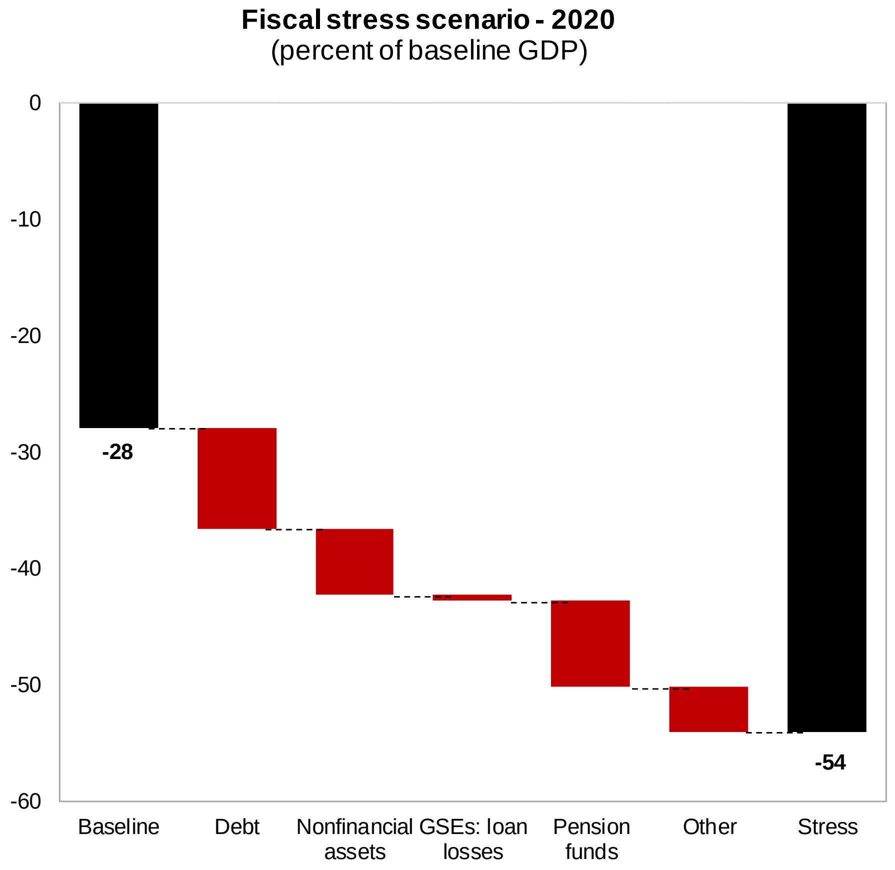


Evolution since the crisis

Source: October 2018 Fiscal Monitor

III. Country Examples: United States
Risk Identification - Fiscal Stress Test

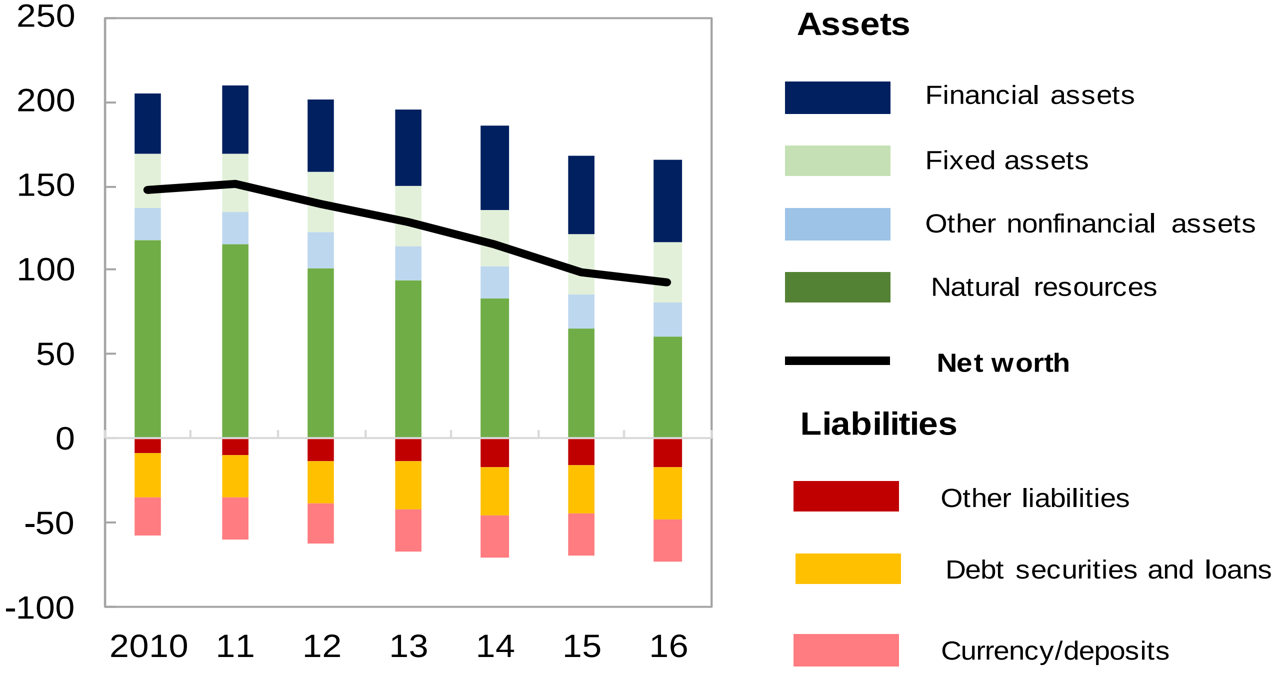




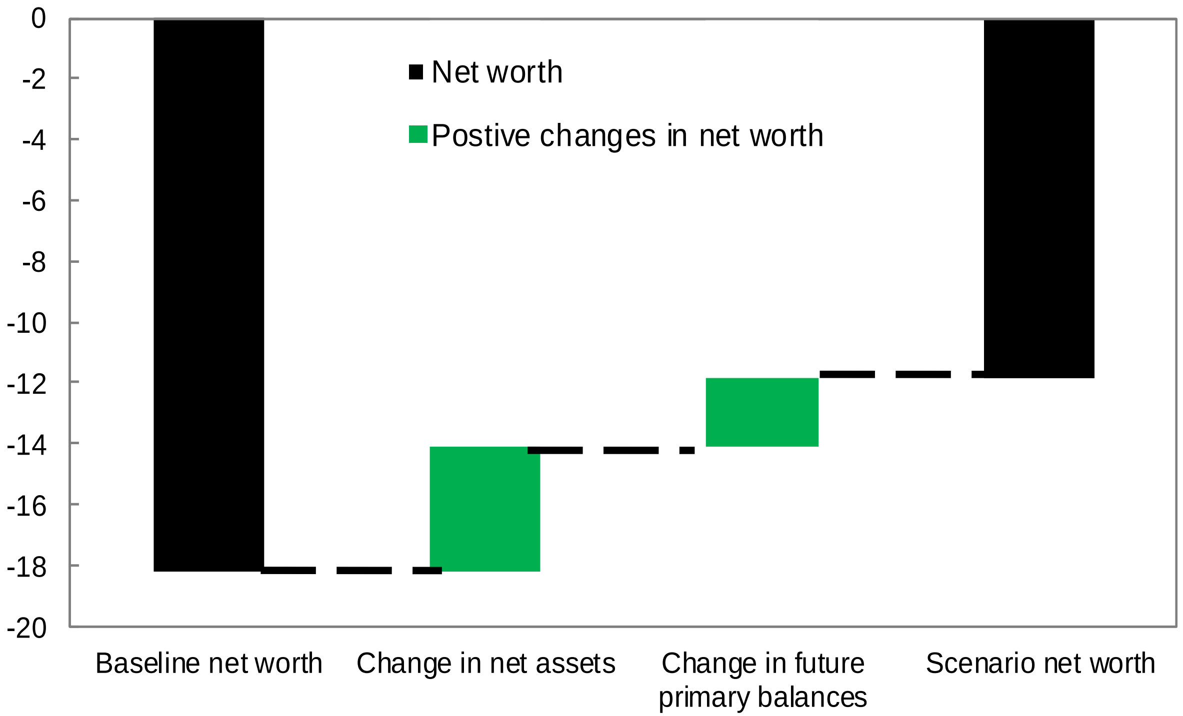
Source: October 2018 Fiscal Monitor

III. Country Examples: Indonesia
Policy Evaluation – Public Investment

Public Sector Balance Sheet
(percent of GDP)



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

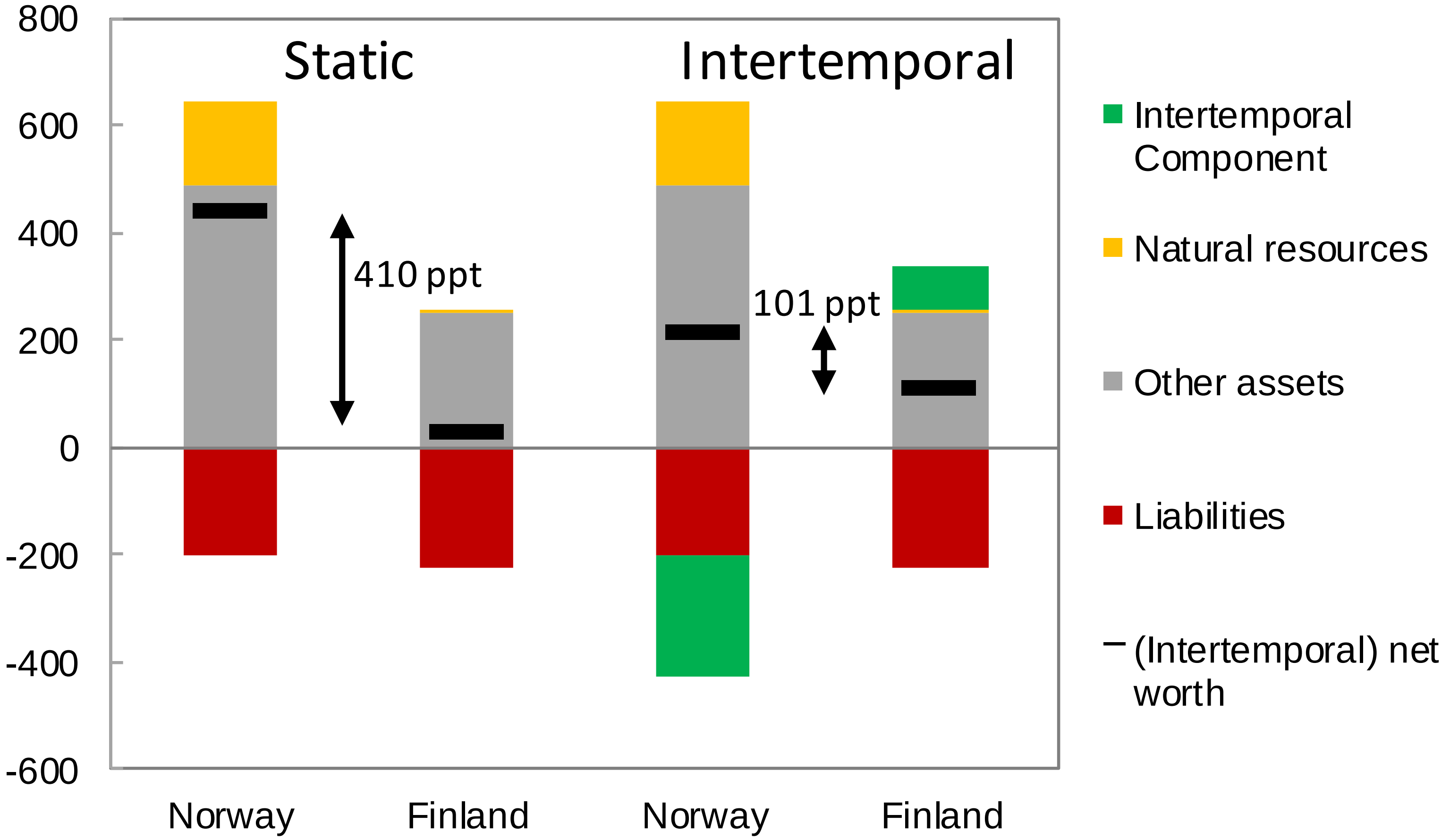


Source: October 2018 Fiscal Monitor

III. Country Examples: Two Nordics

Long-term Demographics – Intertemporal Balance Sheet

Static and Intertemporal Net Worth
(percent of GDP)



Construction of intertemporal balance sheet

Source: October 2018 Fiscal Monitor

Thank You

Public Sector Balance Sheet Database

data.imf.org/psbs

Managing Public Wealth

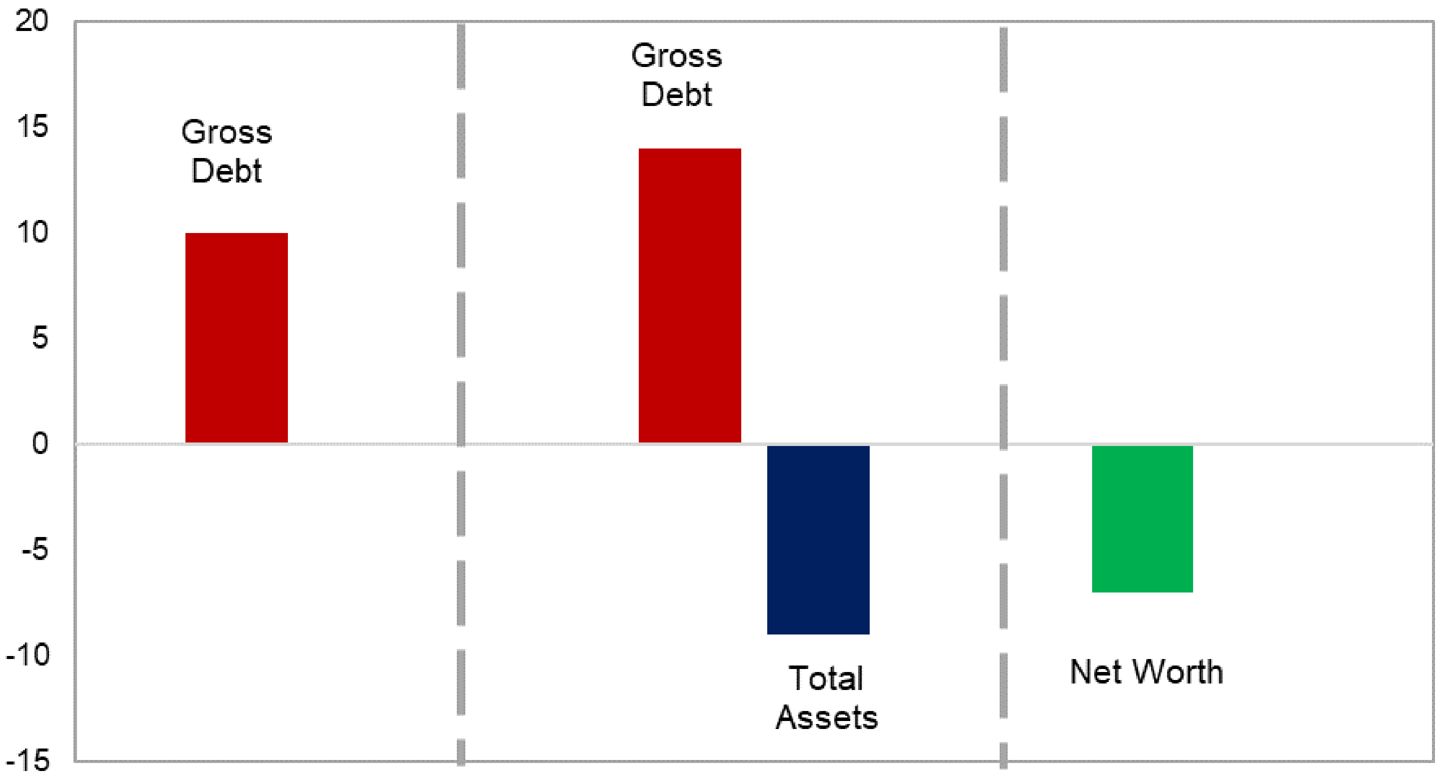
IMF October 2018 Fiscal Monitor

www.imf.org/en/publications/fm

Background Slides

Why Does It Matter?
Stronger balance sheet → lower interest

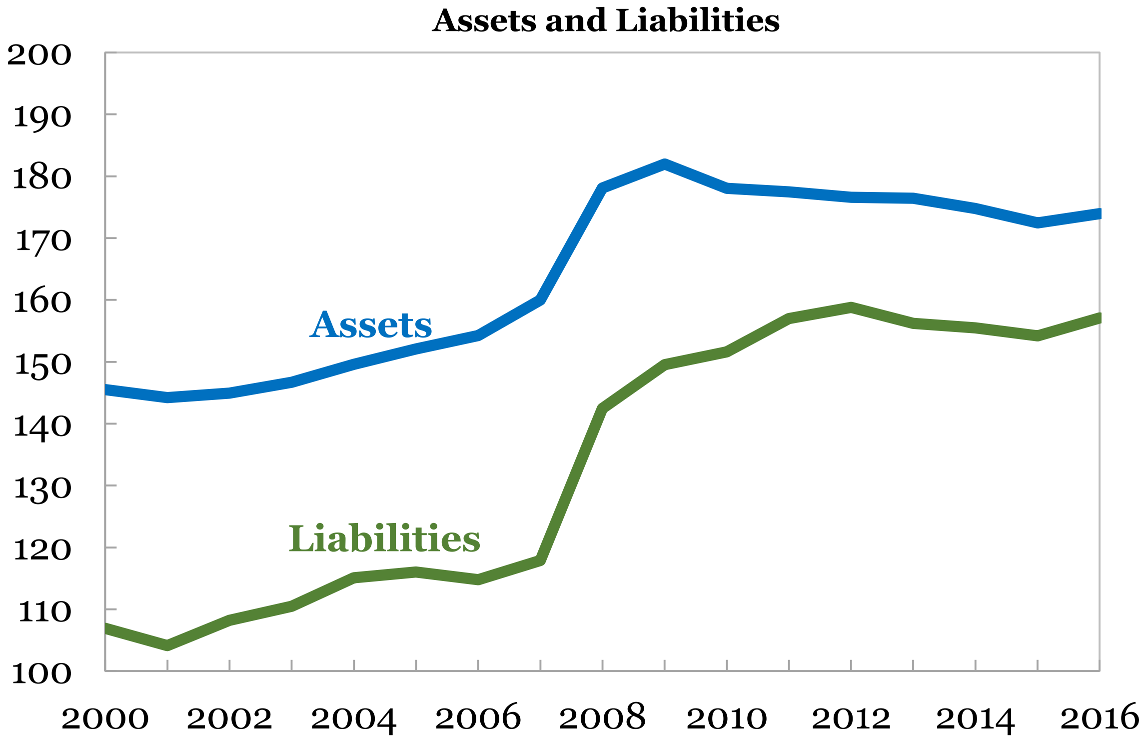
Impact of 10 ppt of GDP change on yields (in bps)

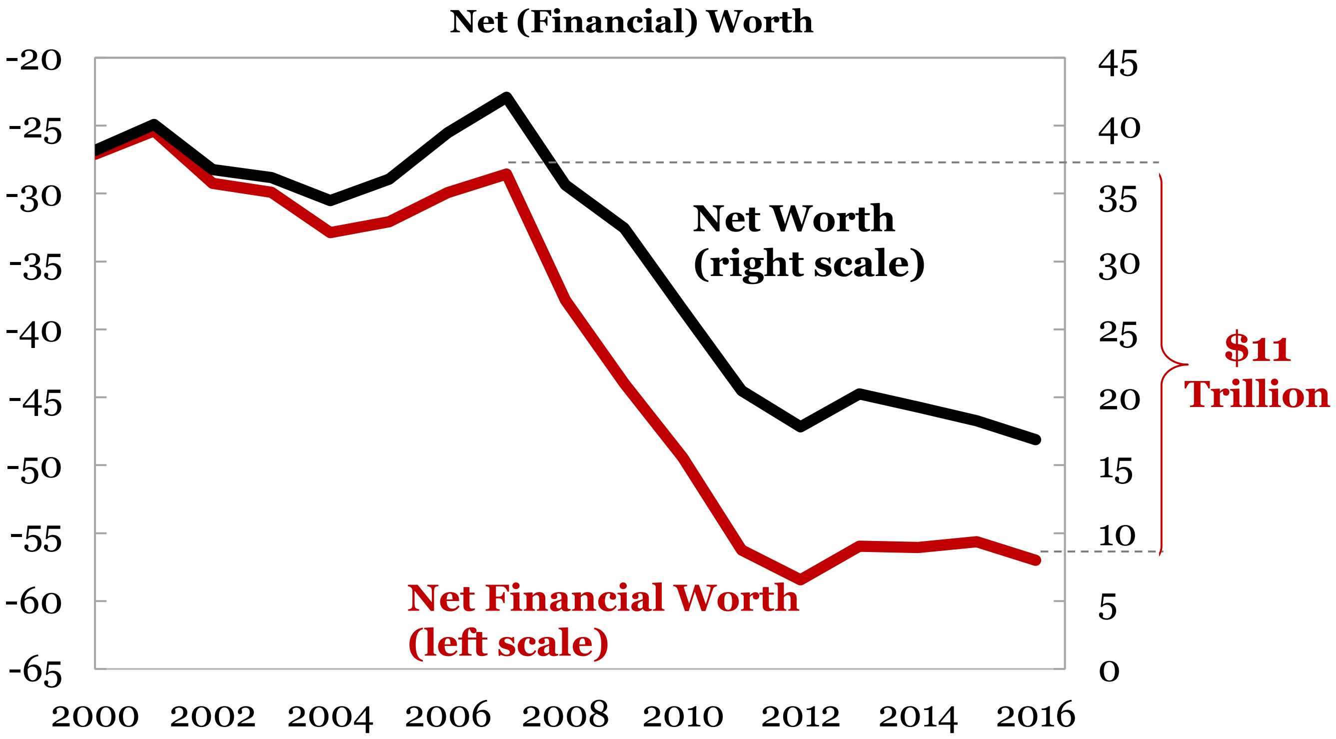


Source: IMF October 2018 Fiscal Monitor.

The Public Sector Balance Sheet
Evolution since the crisis

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



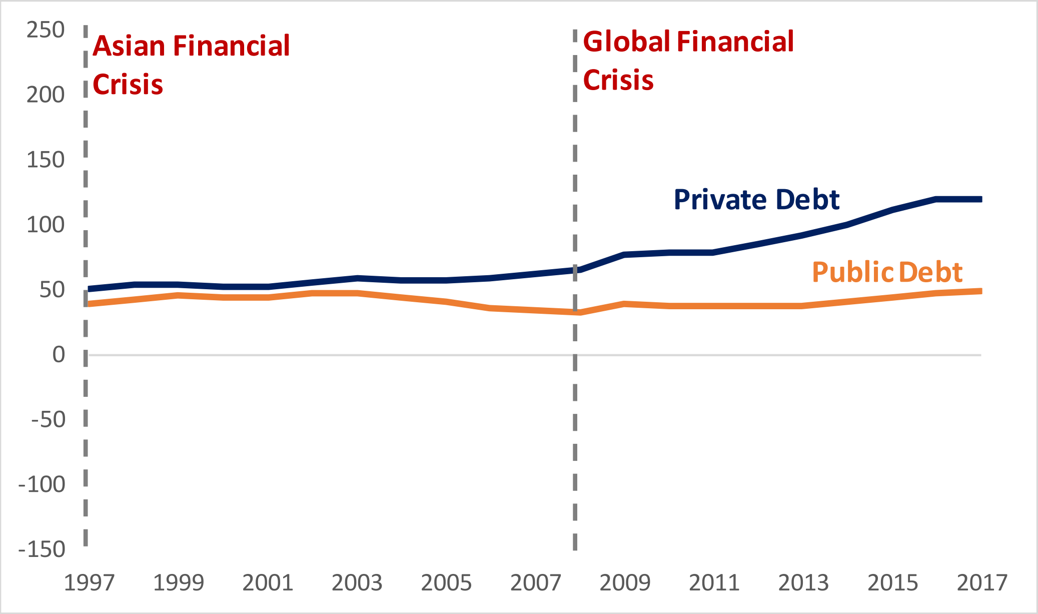


Source: IMF Fiscal Monitor, October 2018.
Note: The data excludes natural resource assets and pension liabilities.

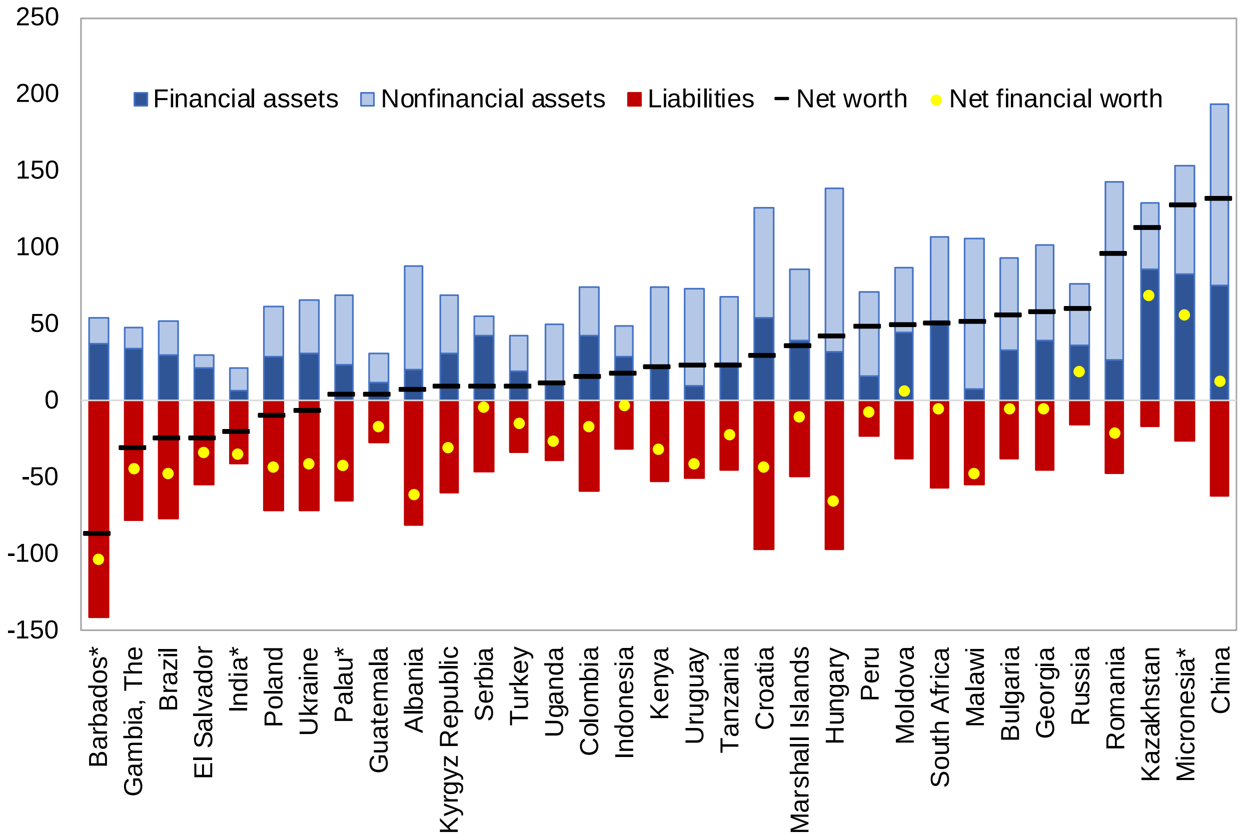
Back to UK slide

Country Examples: China
Transparency and Buffers

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



EM: General Government Balance Sheets
(percent of GDP)

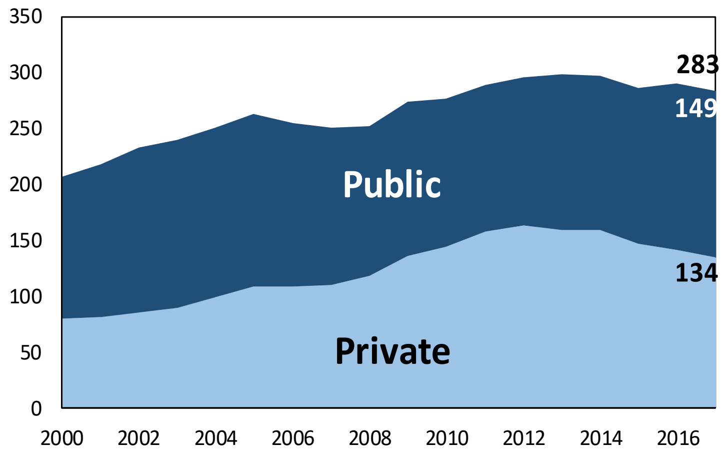


Sources: IMF Global Debt Database and October 2018 Fiscal Monitor

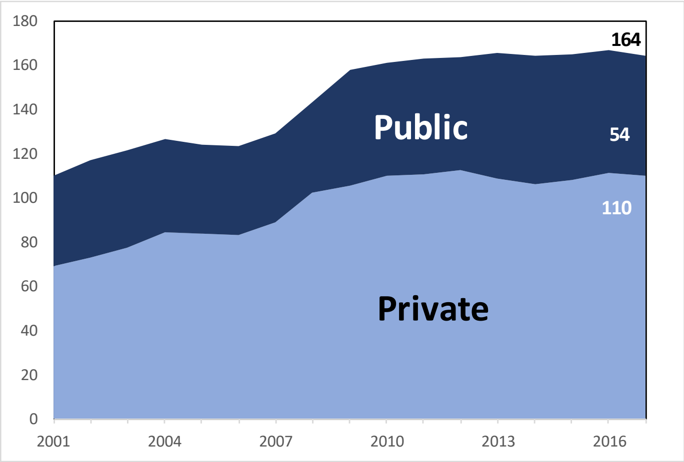
Country Examples: Japan and the US
Consolidation and Assets

Public Debt Holdings
(percent of GDP)

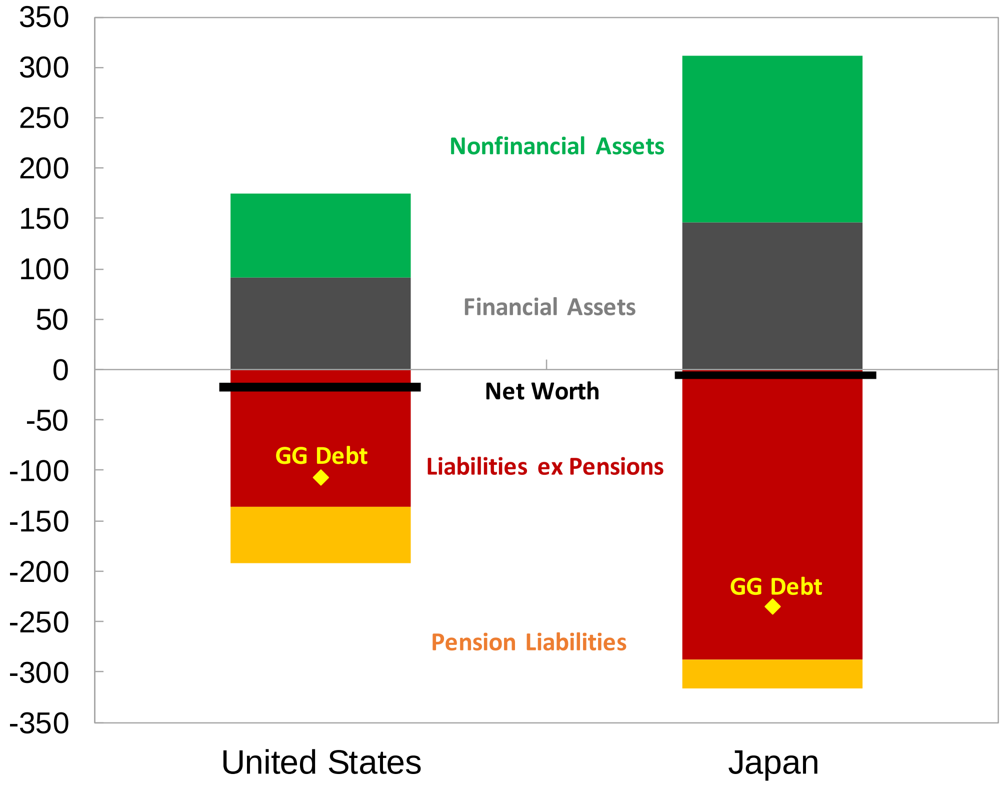
Japan



United States



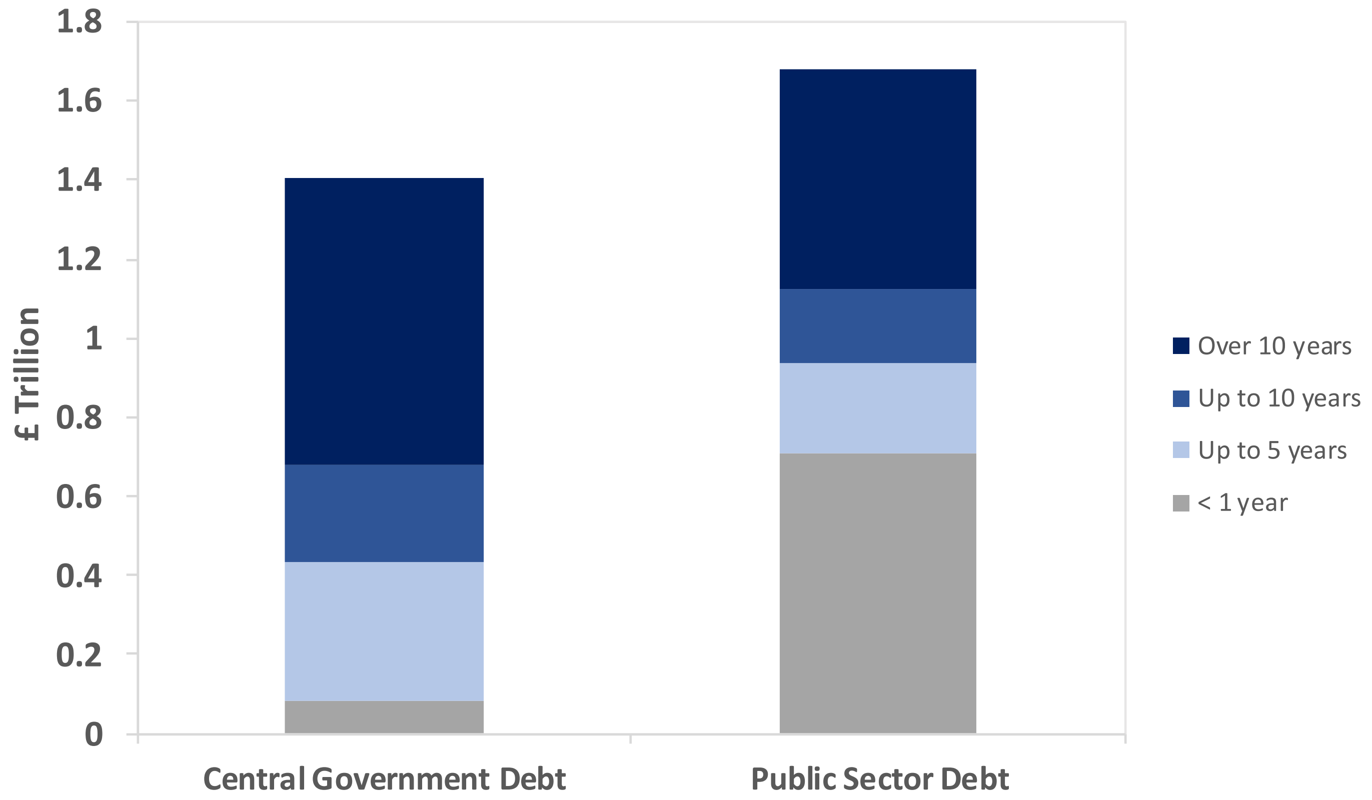
PSBS – US and Japan
(2016, percent of GDP)



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

Country Examples: United Kingdom
Interest Rate Risk and Quantitative Easing

United Kingdom: Maturity Structure of Outstanding Debt, 2016



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

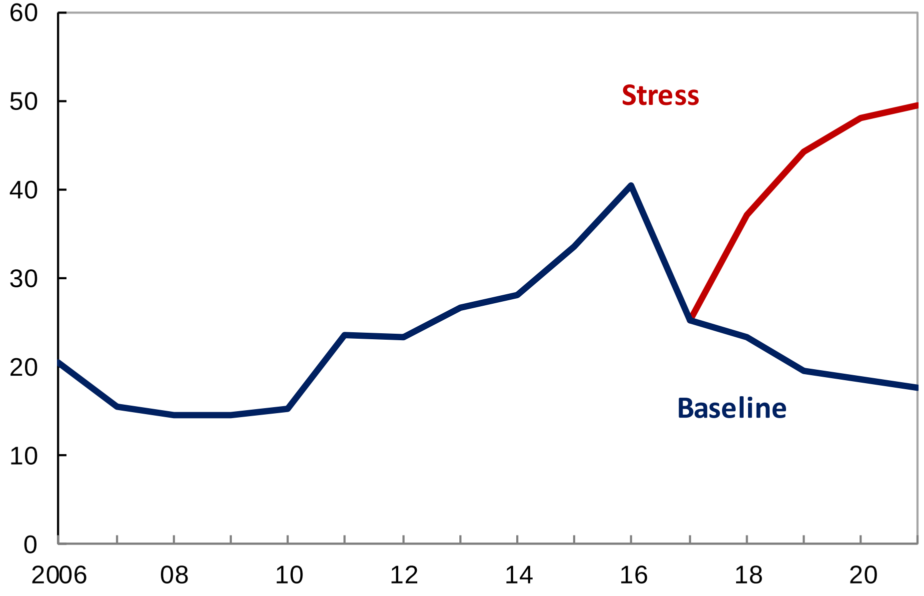
Country Examples: The Gambia
Fiscal Stress Test

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

2016	Central Government	Public Corporations	Public Sector
Total assets	47.3	61.9	61.0
of which: Nonfinancial assets	13.4	22.4	35.8
Financial assets	33.9	39.4	25.2
Total liabilities	93.5	61.9	107.2
of which: 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

Gross Financing Needs under Stress
(percent of GDP)



Source: IMF staff estimates.

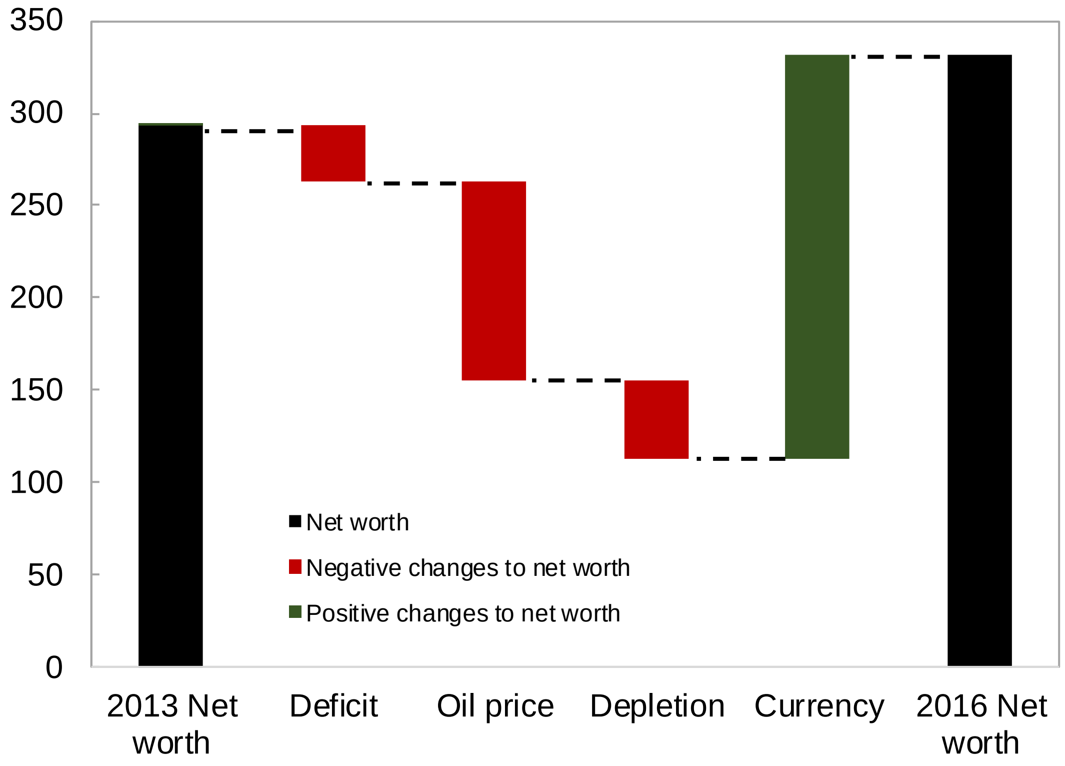
Country Examples: Kazakhstan
Fiscal Risks

Kazakhstan: Public Sector Balance Sheet (percent of GDP)

	General Government	Public Corporations	Public Sector
Total assets	348.6	99.9	399.0
of which: Nonfinancial assets	263.4	27.3	290.7
Financial assets	85.2	72.6	108.3
Total liabilities	16.9	99.9	67.2
of which: 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

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



Back to Recession Slide

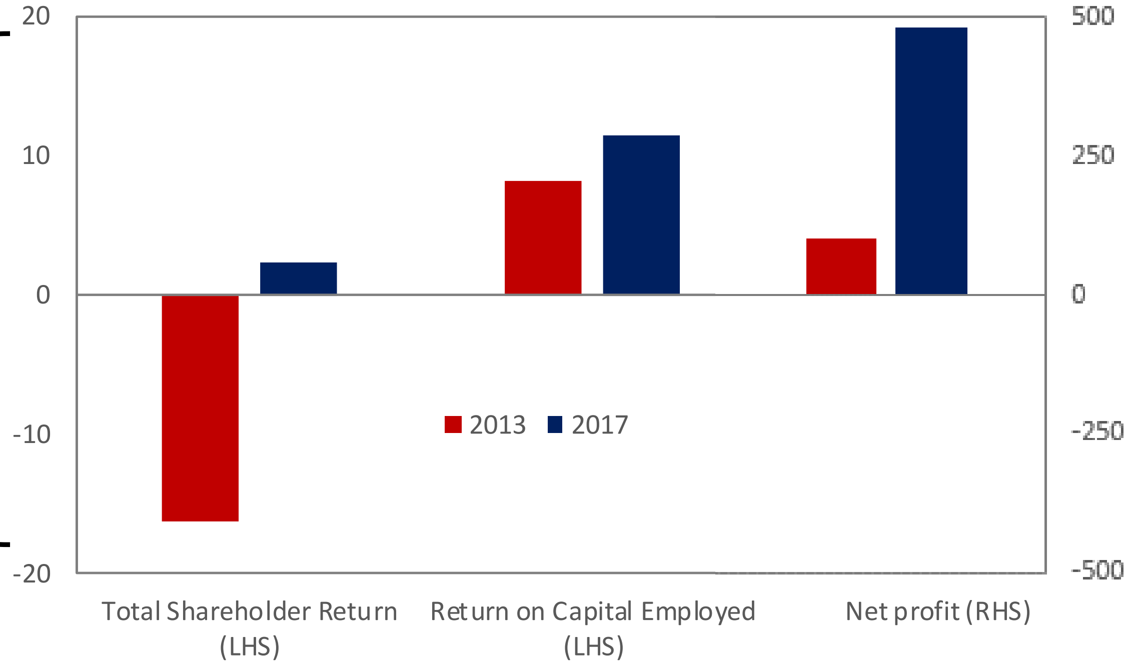
Country Examples: New Zealand
Asset Management

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.

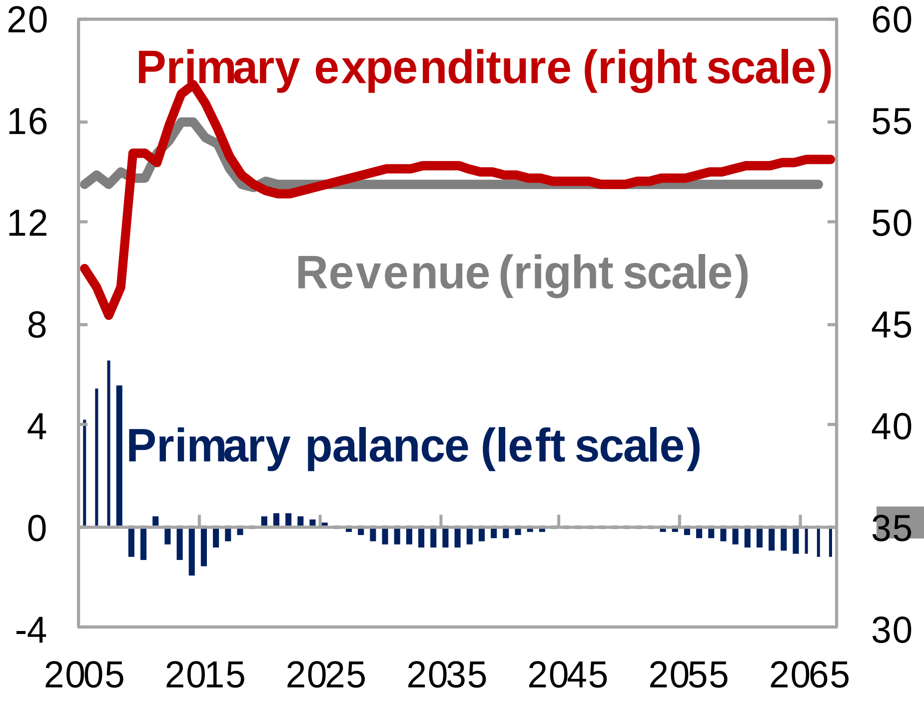
New Zealand: Financial Highlights – Commercial Priority Companies



Back to Assets Slide

Country 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
of which: Nonfinancial assets	80.2	10.4	90.6
Financial assets	128.7	64.8	163.5
Total liabilities	178.6	75.2	223.8
of which: 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