

Financial net worth of general government

Financial net worth, or the difference between governments' financial assets and liabilities, shows a government's ability to meet its financial obligations. 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 government's fiscal position that could affect confidence and increase risk.

In 2019, general government financial net worth across OECD countries averaged -65.8% of GDP, meaning that governments were holding significantly more liabilities than assets. Between 2007 and 2019 the average financial net worth of OECD countries deteriorated by 27.2 p.p., largely reflecting a substantial accumulation of debt, particularly in the years following the 2007-08 economic crisis. The negative financial net worth of three countries: Greece (-146.8%), Italy (-126.7%) and Japan (-125.8%) was larger than their GDP in 2019 (Figure 2.11).

Between 2019 and 2020, the financial net worth of the 22 countries which are EU and OECD members (OECD-EU) worsened by 11.6 p.p. on average as a result of the exceptional need for financial resources to mitigate the effects of the COVID-19 pandemic and the resulting accumulation of liabilities. Norway (369.4% of GDP), Finland (64.2%), Luxembourg (49%), Sweden, (37.4%) and Estonia (17.3%) are the only countries with data available which had a positive financial net worth in 2020.

An alternative way of understanding financial net worth is in per capita terms. On average, the financial net worth in OECD countries amounted to USD -34 297 PPP per capita in 2019, which is more than double the OECD average in 2007 (USD -14 475 PPP). In 2019, Norway had the highest positive per capita financial net worth (USD 226 240 PPP) and Italy the lowest (USD -56 247 PPP). Between 2019 and 2020 the average financial net worth in OECD-EU countries deteriorated by USD -3 761 PPP per capita (Figure 2.12).

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 special drawing rights (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, Colombia, Sweden and the United States. For that reason, as with 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.

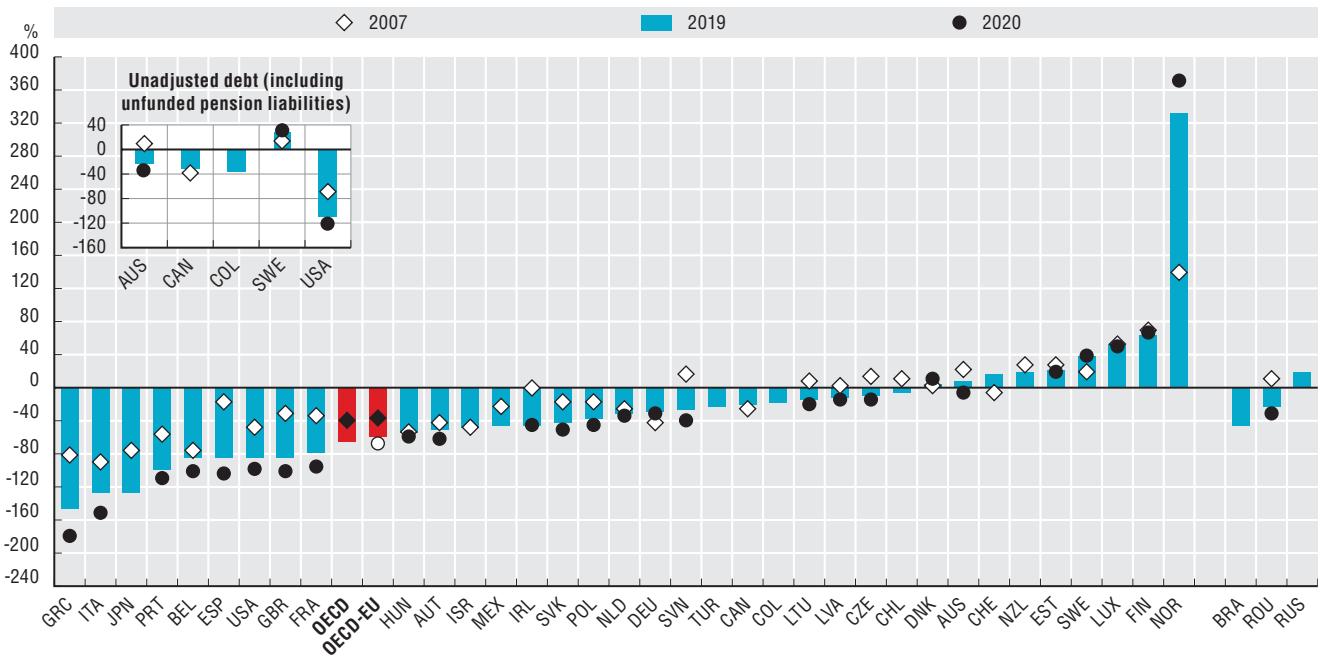
Further reading

OECD (2021), *OECD Economic Outlook, Interim Report March 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/34bfd999-en>.

Figure notes

Data for Australia, Canada, Colombia, 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. Data for Colombia, Mexico and Turkey are not included in the OECD average. Data for Israel are for 2018 rather than 2019. Data for Brazil are for 2017 rather than 2019.

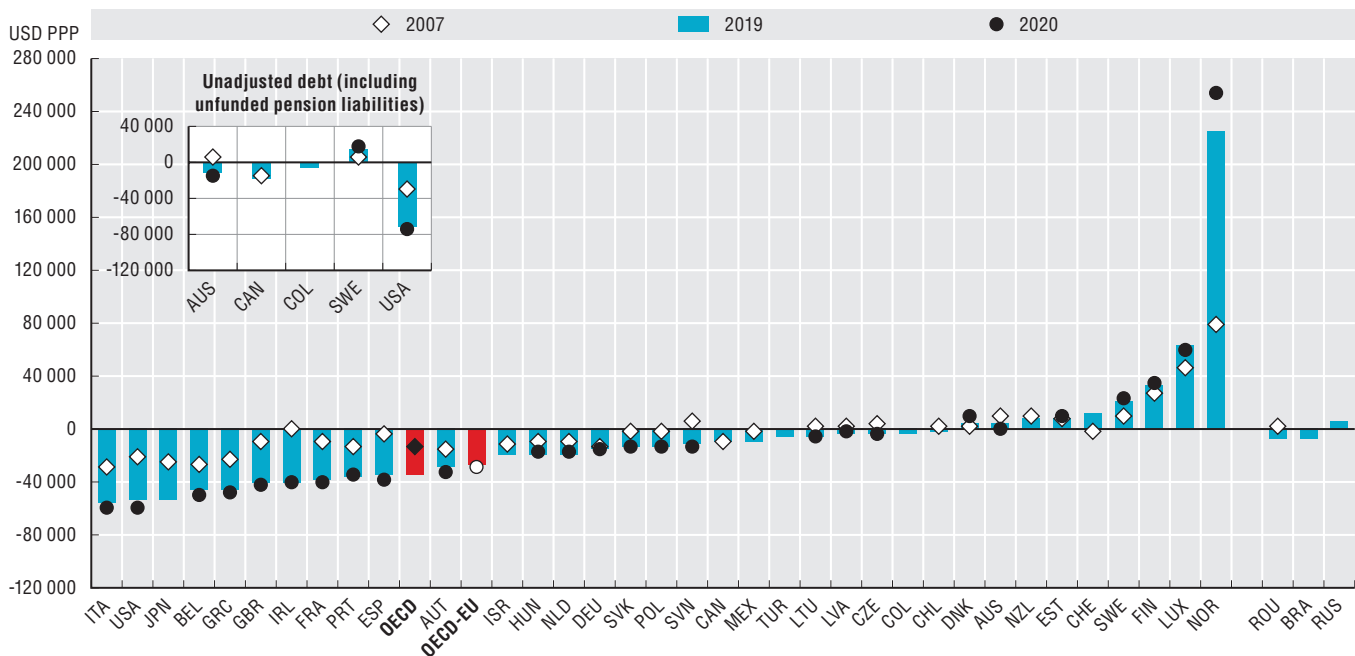
2.11. General government financial net worth as a percentage of GDP, 2007, 2019 and 2020



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

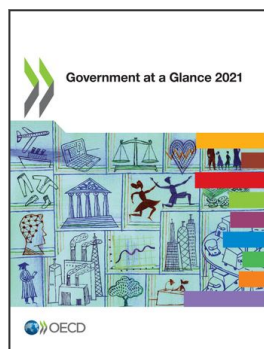
StatLink <https://doi.org/10.1787/888934256824>

2.12. General government financial net worth per capita, 2007, 2019 and 2020



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

StatLink <https://doi.org/10.1787/888934256843>



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