



BANK FOR INTERNATIONAL SETTLEMENTS

General Government debt: a quick way to improve comparability

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Improving Government debt statistics

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The views expressed are those of the author and do not necessarily reflect those of the BIS or the IFC.



Outline:

1. Background
2. SNA framework
3. Comparison with IMF WEO and OECD-EO
4. Valuation effects
5. Way forward and BIS publication

Background:

Public finance data are very important indicators:

- to monitor the financial status of one major economic agent
- further scrutinised since the financial crisis

To meet this demand, large efforts made by:

- international organisations
- national statistical authorities

to provide a large variety of public debt indicators with various characteristics

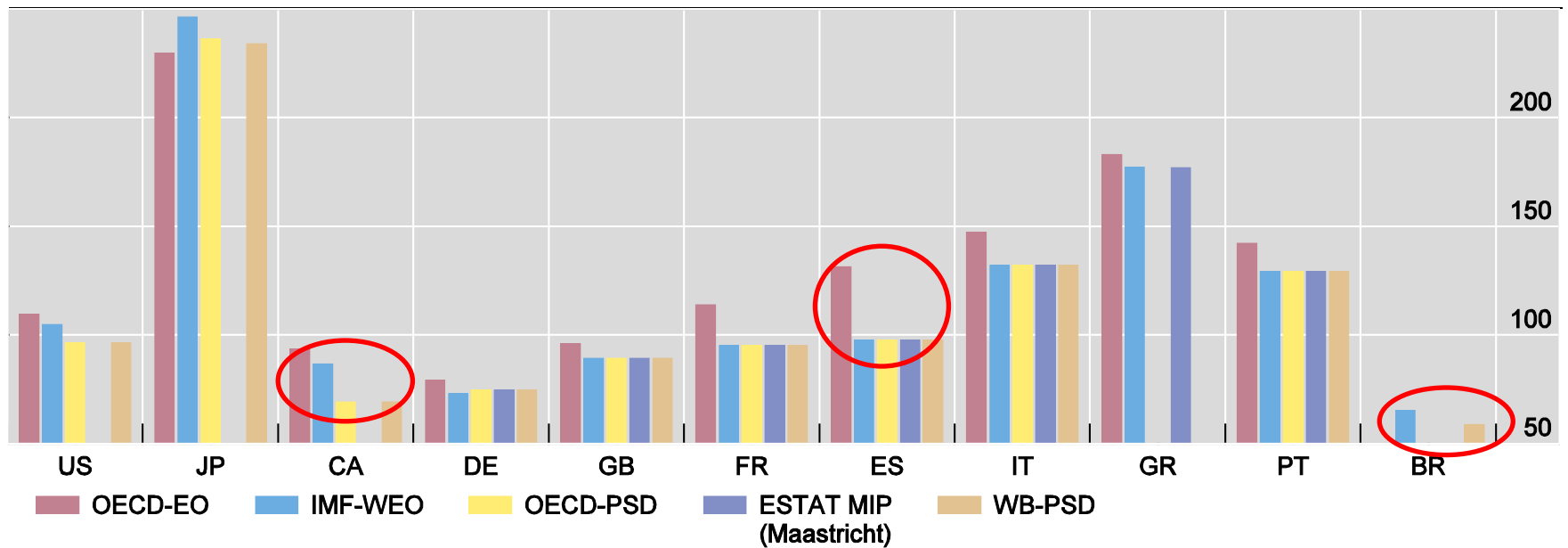
But there is a well-known issue...

Discrepancies between data sets

Discrepancies across available datasets on government debt

Percentage of GDP, end-2014

Graph 1



Revisiting the dimensions of the public debt

Public debt data can vary following six dimensions:

- instrument coverage
- sub-sector coverage
- consolidation type
- valuation type
- netting process (gross/net)
- frequency

Metadata do not always provide a full picture of these dimensions.

Still progress to be made in terms of standardised data.

BIS proposal: a consistent data set of indicators comparable across countries.

BIS proposal: a fully consistent data set

BIS options for the six dimensions:

- instrument coverage: **core debt**
- sub-sector coverage: **general government (S13)**
- consolidation type: **consolidation between subsectors**
- valuation type: **market value / nominal value**
- netting process (gross/net) **gross**
- frequency **quarterly**

Metadata do not always provide a full picture of these dimensions.

The SNA framework and the Credit to government dimensions

SNA2008 financial instruments

	All liabilities	Broad debt	Credit to
	(OECD-EO)	(1) (IMF-WEO)	government (BIS)
Monetary gold (F11)	X		
SDRs (F12)	X	X	
Currency and deposits (F2)	X	X	X
Debt securities (F3)	X	X	X
Loans (F4)	X	X	X
Equity and investment fund shares (F5)	X		
Insurance, pension and standardized guarantee schemes (F6)	X	X	
Financial derivatives and employee stock options (F7)	X		
Other accounts receivable/payable (F8)	X	X	

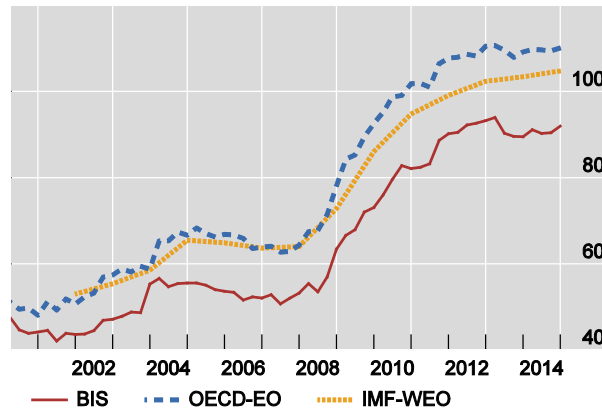
(1) Except for EU countries, where Maastricht debt is shown

Cross-country comparison of the Credit to general government

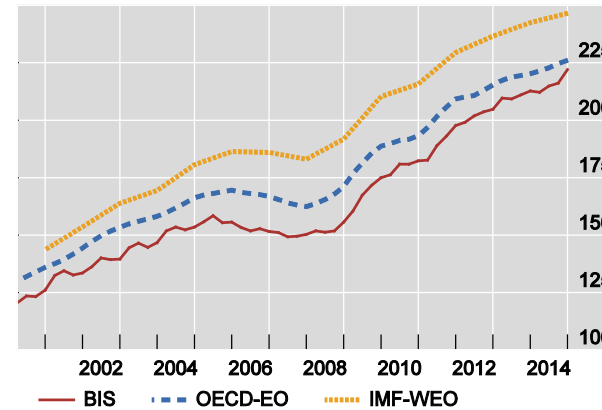
Comparisons of credit to the general government from different sources

As a percentage of GDP

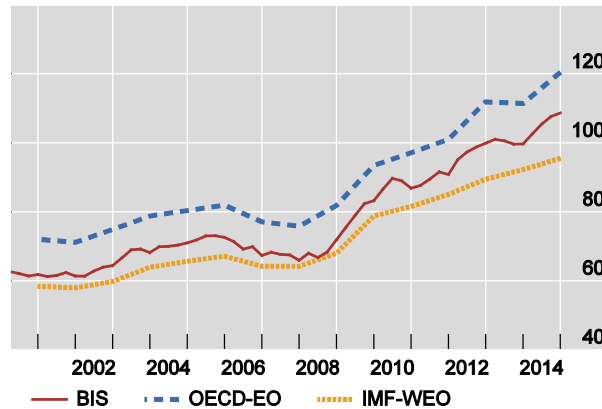
United States



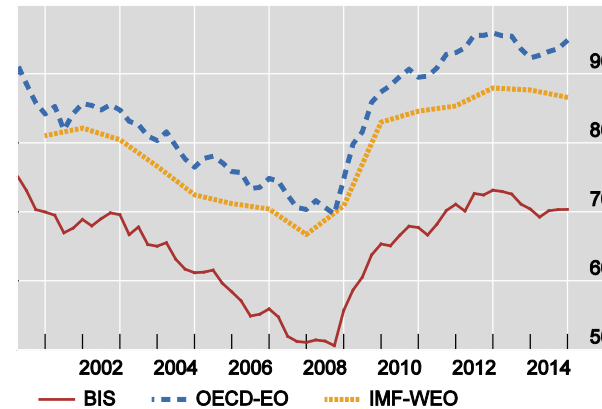
Japan



France



Canada



Sources: IMF, *World Economic Outlook*, April 2015; OECD, *Economic Outlook*, June 2015; BIS calculations.

Valuation effect: major contributing factors

Valuation of government debt:

- historically market and nominal values were very close
- sharp fall of interest rates since 2012

The market value of the debt increases when interest rate decreases but the size of the movements is determined by:

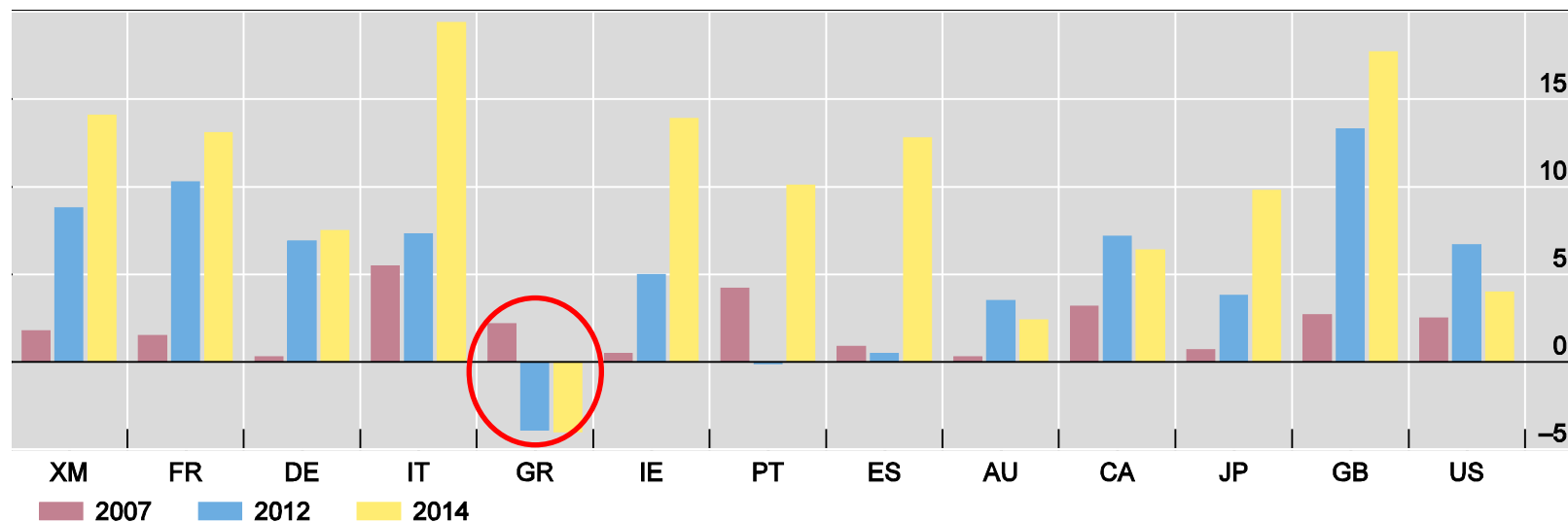
- the debt level
- the debt structure
 - share of debt securities
 - remaining maturity

Valuation effects: market value minus nominal value

Credit to the general government: valuation effects¹

As a percentage of GDP

Graph 2



AU = Australia; CA = Canada; DE = Germany; ES = Spain; FR = France; GB = United Kingdom; GR = Greece; IE = Ireland; IT = Italy; JP = Japan; PT = Portugal; US = United States; XM = Euro area.

¹ Data refer to consolidated core debt which covers debt securities, loans and currency & deposits. Valuation effects are the difference between debt securities valuations at market prices and nominal prices. Latest data for Australia refers to Q2-2014.

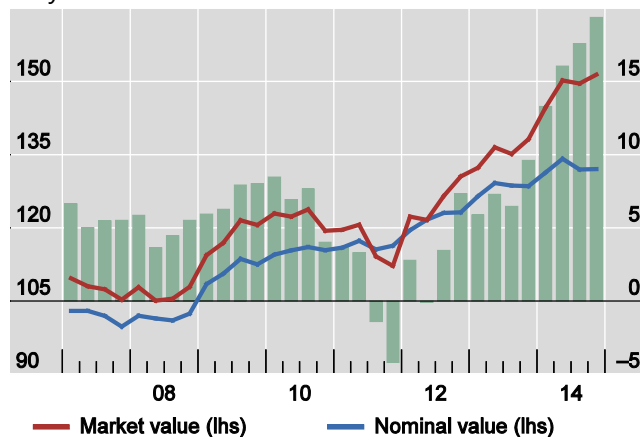
Sources: Eurostat; ECB; national data; BIS estimates.

General government gross debt: valuation effects

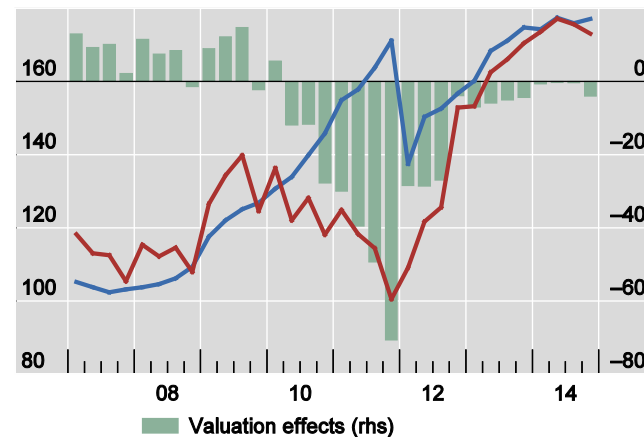
Credit to the general government: valuation effects¹

As a percentage of GDP

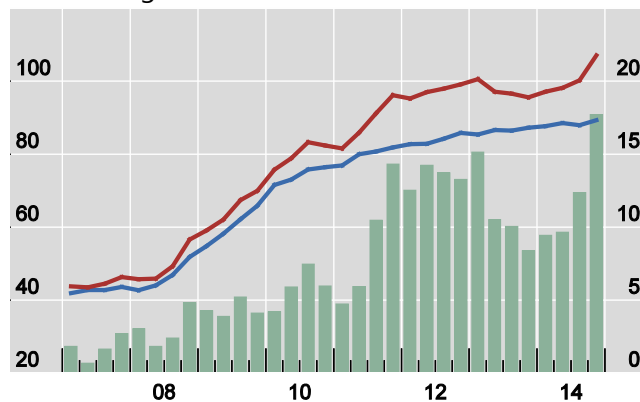
Italy



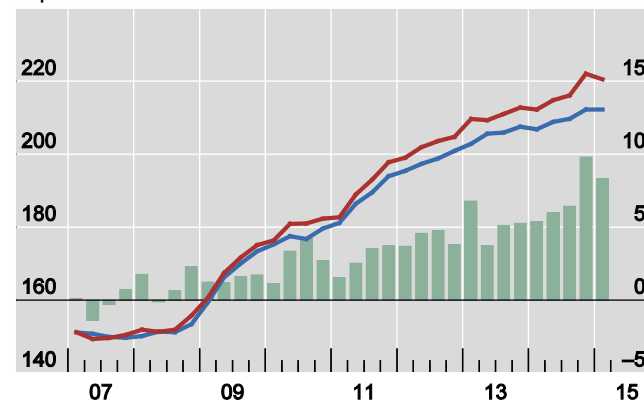
Greece



United Kingdom



Japan



¹ Debt levels are based on BIS measure of core debt which includes debt securities, loans and currency & deposits. Valuation effects are the difference between debt securities valuations at market prices and nominal prices.

Sources: Eurostat; ECB; national data; BIS estimates.

BIS publication of new data sets

Two datasets on credit to general government

- at market value
- at nominal value

Will be posted on the BIS website

New series on credit to the non-financial sector

(private non-financial sector + general government)

Objective/enhancements:

- Long series on credit to the general government