General Government debt: a quick way to improve comparability

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*ISI 2015 Invited Paper Session (IPS090)*
*Improving Government debt statistics*
*Rio de Janeiro, 27 July 2015*

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

<table>
<thead>
<tr>
<th>SNA2008 financial instruments</th>
<th>All liabilities</th>
<th>Broad debt (1)</th>
<th>Credit to government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary gold (F11)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SDRs (F12)</td>
<td></td>
<td>X X</td>
<td></td>
</tr>
<tr>
<td>Currency and deposits (F2)</td>
<td>X X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Debt securities (F3)</td>
<td>X X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans (F4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity and investment fund shares (F5)</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Insurance, pension and standardized guarantee schemes (F6)</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Financial derivatives and employee stock options (F7)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other accounts receivable/payable (F8)</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

(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 effects\(^1\)

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.
Credit to the general government: valuation effects\(^1\)

As a percentage of GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>Debt Levels</th>
<th>Valuation Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>150-160</td>
<td>0-5</td>
</tr>
<tr>
<td>Greece</td>
<td>160-170</td>
<td>-20-0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>100-115</td>
<td>0-10</td>
</tr>
<tr>
<td>Japan</td>
<td>150-165</td>
<td>5-15</td>
</tr>
</tbody>
</table>

\(^1\) 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