

GFSAC–15/16

Meeting of the IMF Government Finance Statistics  
Advisory Committee  
Washington, D.C.

# Walking the Tightrope: Improving the Presentation of Public Debt

Prepared by Michael Davies



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March 9–10, 2015



# Walking the Tightrope: Improving the Presentation of Public Debt

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# La Canada est-il vraiment le « bon élève » de l'austérité budgétaire?

Le Monde.fr | 13.01.2014 à 15h46 |

Par Serge Roy (consultant dans le secteur de l'aluminium)

Is Canada really the “star pupil” of budgetary austerity?

financer de façon indépendante. Le résultat est que la dette publique Canadienne, toutes administrations confondues est aujourd'hui d'environ 10% plus élevée au Canada (106,3% du PIB) que celle de la France (94,9% du PIB ) (d'après l'OCDE fin 2011).

The result is that Canadian public debt of all jurisdictions is now about 10% higher in Canada (106.3% of GDP) than in France (94.9% of GDP). (according to the OECD at the end of 2011).

# The Source.

## General government debt *As a percentage of GDP*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	39.8	35.6	34.2	33.3	30.7	29.0	28.5	27.1	26.0	27.2	36.3	40.9	..
Austria	70.8	70.8	71.7	72.8	71.1	70.6	70.6	66.0	62.3	67.1	73.4	77.5	..
Belgium	119.4	113.6	111.9	108.2	103.3	98.2	95.9	91.6	87.9	92.8	99.8	100.0	102.4
Canada	116.3	105.6	105.5	103.9	98.7	92.2	91.2	89.2	83.9	89.1	102.9	104.2	106.3
Chile	..	..	..	..	..	..	17.4	14.1	12.2	12.4	13.4	15.6	18.1
Czech Republic	24.4	25.1	29.3	31.5	33.2	33.0	32.7	32.5	30.9	34.3	41.0	44.5	..
Denmark	..	..	..	..	56.6	53.6	45.4	41.0	34.3	41.4	51.2	54.8	61.8
Estonia	10.9	9.4	8.9	10.2	10.8	8.5	8.2	8.0	7.2	8.2	12.4	12.5	..
Finland	54.9	52.5	50.1	49.7	51.1	51.3	48.5	44.7	40.4	39.8	51.4	56.9	..
France	69.0	67.9	67.2	70.7	75.2	77.1	78.9	73.9	73.0	79.2	91.0	94.9	..
Germany	61.7	60.9	60.2	62.6	66.0	69.0	71.7	69.8	65.7	69.7	77.4	86.9	..

Source: OECD Factbook, 2013

# Big Difference - Pensions

## Pension systems and their impact on government debt, 2012

As a percentage of GDP

	Total Liabilities 1	Unfunded Pension Liabilities 2	Total Liabilities excluding unfunded pension liabilities 3 = 1-2	Accumulated funds related to employment related pension schemes, inside GG 4	Accumulated funds related to employment related pension schemes, outside GG 5	Total liabilities, after full adjustment for employment related funds 6 = 3-4-5	Accumulated funds related to social security pension schemes inside GG 7	Total liabilities after full adjustment for employment related and social security funds 8 = 6-7
Australia	57.9	25.8	32.1	5.4	0.0	26.7	0.0	26.7
Canada	109.7	13.6	96.1	0.0	44.4	51.7	12.8	38.9
France	109.3	0.0	109.3	0.0	0.0	109.3	1.8	107.5
Germany	88.5	0.0	88.5	0.3	0.0	88.2	0.0	88.2
Greece	167.5	0.0	167.5	0.0	0.0	167.5	0.0	167.5
Sweden	49.0	2.3	46.7	0.0	18.9	27.8	27.0	0.8
Switzerland	46.3	0.0	46.3	0.0	31.1	15.2	5.4	9.9
United Kingdom	101.6	0.0	101.6	0.0	13.7	87.9	0.0	87.9
United States	122.2	20.1	102.1	0	30	72.1	0	72.1

Source: OECD Economic Outlook, 2014. Calculations for Australia added by ABS.

# OECD Response

## 2014 OECD Factbook

### General government debt As a percentage of GDP

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	36.2	34.7	33.6	30.9	29.0	27.7	26.9	25.8	27.8	25.5	29.5	43.9	56.5
Austria	70.8	71.7	72.8	71.1	70.6	70.6	66.0	62.4	67.2	72.1	78.0	79.8	85.3
Belgium	113.6	111.9	108.2	103.3	98.2	95.9	91.6	87.9	92.7	99.8	99.6	102.1	104.2
Canada	104.7	105.1	103.7	98.7	94.2	93.0	91.4	85.3	90.8	104.6	106.2	109.9	112.3
Chile	--	--	--	--	--	17.4	14.1	12.2	12.4	13.4	15.6	18.3	18.6
Czech Republic	25.1	29.3	31.5	32.2	33.0	32.7	32.5	30.9	34.3	40.3	44.7	47.8	55.7
Denmark	--	--	--	56.6	52.6	45.4	41.0	34.3	41.4	49.3	53.1	59.9	59.3
Estonia	6.8	6.7	7.6	8.4	8.6	8.2	8.0	7.3	8.5	12.6	12.4	9.6	13.3
Finland	52.5	50.1	49.7	51.1	51.3	48.5	44.7	40.4	39.7	51.5	57.0	58.6	64.4
France	67.9	67.2	70.7	75.2	77.1	78.9	73.9	73.0	79.2	91.4	95.5	99.2	109.3
Germany	60.9	60.2	62.0	60.0	68.1	71.7	69.9	65.7	68.8	77.4	86.0	85.6	88.5
Greece	116.3	118.4	118.9	110.7	113.1	114.9	120.4	117.8	121.3	137.9	130.2	108.8	164.2
Hungary	62.0	59.9	60.9	61.9	65.2	68.5	72.1	73.0	76.5	86.0	87.4	86.5	89.7
Iceland	--	--	--	--	--	--	--	--	--	--	--	--	--
Ireland	40.2	37.1	35.4	34.1	32.7	32.7	28.7	28.4	40.2	70.1	87.3	102.3	125.8
Israel	--	97.4	101.6	107.0	104.9	102.3	90.4	88.1	87.6	89.9	86.7	84.2	--
Italy	123.9	123.1	121.8	119.3	119.7	122.5	121.3	116.4	118.8	132.1	130.8	123.8	141.7
Japan	141.5	151.4	161.8	172.3	178.8	180.2	180.0	180.0	184.2	207.3	210.6	228.0	--
Korea	--	--	19.2	19.7	23.3	25.5	28.6	28.7	29.9	33.3	34.2	35.8	37.6
Luxembourg	--	--	--	--	--	--	11.5	11.3	19.3	19.2	26.1	26.3	30.2
Mexico	31.1	31.2	33.2	32.7	31.0	31.2	28.9	28.2	30.1	37.7	--	--	--
Netherlands	63.9	59.4	60.3	61.4	61.9	60.7	54.5	51.5	64.8	67.6	71.9	76.2	82.7
New Zealand	--	--	--	--	--	--	--	--	--	--	--	--	--
Norway	32.6	31.9	29.4	48.8	50.7	47.6	58.7	56.6	55.2	49.0	49.3	33.9	34.4
Poland	45.4	43.8	55.0	55.6	53.3	54.1	54.2	59.4	55.5	57.6	61.4	61.6	63.0
Portugal	62.4	64.2	68.0	70.2	73.5	77.7	77.5	75.5	80.8	94.0	90.1	97.2	127.9
Slovak Republic	58.6	57.2	49.9	49.3	45.9	37.4	35.0	33.5	32.2	46.4	45.9	48.3	56.9
Slovenia	--	33.6	34.7	34.1	34.9	34.0	33.8	29.5	28.8	43.3	47.5	51.0	61.1
Spain	66.6	62.0	60.4	55.4	53.5	50.8	46.3	42.4	47.8	62.8	67.8	78.2	92.4
Sweden	64.0	62.0	61.8	60.4	59.9	60.6	54.0	49.2	47.8	51.5	48.8	49.2	48.7
Switzerland	56.0	55.3	61.5	60.5	61.0	59.1	52.8	52.8	48.3	47.4	46.1	46.2	--
Turkey	--	--	--	--	--	--	--	--	--	--	--	--	--
United Kingdom	45.8	41.0	41.7	42.0	44.2	46.4	46.0	48.9	57.3	72.1	81.6	97.0	101.6
United States	61.5	63.9	70.5	71.4	79.1	78.1	75.0	75.8	91.9	105.0	115.3	120.6	122.5
EU 28	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD	--	--	--	--	--	--	--	--	--	--	--	--	--
Brazil	--	--	--	--	--	--	--	--	--	--	--	--	--
China	--	--	--	--	--	--	--	--	--	--	--	--	--
India	--	--	--	--	--	--	--	--	--	--	--	--	--
Indonesia	--	--	--	--	--	--	--	--	--	--	--	--	--
Russian Federation	--	--	--	--	--	--	--	--	--	--	--	--	--
South Africa	--	--	--	--	--	--	--	--	--	--	--	--	--

StatLink  <http://dx.doi.org/10.1787/888933028729>

Source: OECD Factbook, 2014

## 2014 OECD Factbook additional table

### Adjusted general government debt-to-GDP (excluding unfunded pension liabilities) As a percentage of GDP

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	19.7	18.1	16.8	13.9	13.2	11.9	11.1	11.1	12.8	17.7	21.6	25.4	33.7
Canada	65.9	67.7	66.8	62.4	78.5	77.8	76.8	72.0	76.7	88.6	91.6	95.8	98.4
Sweden	63.7	61.7	61.5	60.1	58.7	59.4	52.7	47.7	46.1	49.6	46.9	47.0	46.3
United States	53.0	53.0	55.4	58.5	65.5	64.9	63.6	64.0	72.8	86.0	94.8	99.0	102.4

StatLink  <http://dx.doi.org/10.1787/888933028748>



# The Sector Dimension.

- Variations in sectoral presentation make international comparisons difficult.
- This seems to be widely recognised and there is a will to address this.





# Does it Matter?

## Greek Debt Crisis: How Goldman Sachs Helped Greece to Mask its True Debt

By Beat Balzi

Goldman Sachs helped the Greek government to mask the true extent of its deficit with the help of a derivatives deal that legally circumvented the EU Maastricht deficit rules. At some point the so-called cross currency swaps will mature, and swell the country's already bloated deficit.



Chris Ratcliffe/Bloomberg News


Gary D. Cohn, president of Goldman Sachs, went to Athens to pitch complex products to defer debt. Such deals let Greece continue deficit spending, like a consumer with a second mortgage.

## Wall St. Helped to Mask Debt Fueling Europe's Crisis


By LOUISE STORY, LONDON THOMAS Jr. and NELSON D. SCHWARTZ  
Published: February 13, 2010

Wall Street tactics akin to the ones that fostered subprime mortgages in America have worsened the financial crisis shaking [Greece](#) and undermining [the euro](#) by enabling European governments to hide their mounting debts.

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# A Rose by Any Other Name.

- We are interested in non-equity liabilities of the public sector.
- Theological debates about the definition of debt are not relevant.

# Valuation of Debt

- IMF Debt statistics guide recommends a mixture of nominal and market values.
- The ABS believes that the only useful valuation to show the position of the public sector is market valuation.
- If not available, it should be estimated as best possible.

# Australian Data in a Matrix.

Australian gross public sector debt as a percentage of GDP

	GL2	June 2013		GL5(a)
		GL3	GL4	
<b>Debt Securities</b>	<b>19.0%</b>	<b>19.2%</b>	<b>19.2%</b>	<b>31.7%</b>
plus Loans	0.1%	8.9%	15.9%	1.4%
<b>Equals D1</b>	<b>19.1%</b>	<b>28.0%</b>	<b>35.2%</b>	<b>33.1%</b>
plus SDRs	0.3%	0.3%	0.3%	0.3%
plus Currency and deposits	0.2%	0.2%	0.2%	4.3%
<b>Equals D2</b>	<b>19.6%</b>	<b>28.6%</b>	<b>35.7%</b>	<b>37.7%</b>
plus Accounts Payable	1.5%	1.8%	2.4%	2.6%
<b>Equals D3</b>	<b>21.1%</b>	<b>30.4%</b>	<b>38.1%</b>	<b>40.3%</b>
plus IPSGS	12.7%	23.0%	23.0%	23.0%
<b>Equals D4</b>	<b>33.8%</b>	<b>53.5%</b>	<b>61.1%</b>	<b>63.3%</b>
plus Derivatives	1.0%	1.0%	1.0%	2.5%
<b>Equals D5</b>	<b>34.8%</b>	<b>54.5%</b>	<b>62.1%</b>	<b>65.8%</b>

(a) GL5 for Australia has only partial coverage due to data availability.

Source: Australian National Accounts: Financial Accounts (cat. no. 5232.0) – December quarter 2013; and Australian National Accounts: National Income, Expenditure and Product (cat. No. 5206.0) – December quarter 2013.

Note: All data at end of June quarter and valued at market prices in accordance with the established principle of market valuation in all circumstances in ABS economic statistics.

Data is on a consolidated basis.

# The Australian Experience.

- International organisations have adopted the matrix approach, but we need to sell it domestically.
- In March 2014 the ABS released an information paper on the proposed presentation of public sector debt statistics.
- The paper detailed:
  - IMF & SNA definitions of debt.
  - The instrument dimension of debt.
  - The sector dimension of public debt.
  - Presenting debt data (IMF debt matrix).
  - Presentation of debt data in Australia.

# Feedback

- Sensitive topic in Australia as elsewhere.
- Debt estimates are included in Financial Statements of Australian governments.
- Accounting standards require governments to provide definition of debt.
- Stakeholders spoken to so far are generally supportive of debt matrix for GFS presentation of statistics (as long as not prescriptive for Government Financial Statements).