IMF Fiscal Monitor October 2018

The IMF's Fiscal Monitor October 2018 issue presents a new database that shows comprehensive estimates of public sector assets and liabilities for a broad sample of 31 countries, covering 61 percent of the global economy, and provides tools to analyze and manage public wealth.

According to IMF's Fiscal Monitor, the scars from the global financial crisis are still evident on public wealth a decade later. Even though deficits have shrunk, at least in the advanced economies most affected by the crisis, net financial worth across the 17 sampled countries with time series data remains US$11 trillion (28 percentage points of GDP) lower than it was before the crisis. The balance sheet approach reveals a more nuanced picture than what deficits and debt alone show. It recognizes that public investment creates assets, and accounts for valuation effects, which are particularly large on the asset side. The scars from the crisis reemphasize the importance of governments rebuilding their balance sheets, by reducing debt and investing in high-quality assets.

While there are considerable challenges in compiling reliable balance sheets, the benefits of basic balance sheet analysis are within reach of many countries, not just advanced economies with high-quality data. Only a handful of countries currently undertake a public sector balance sheet approach. Yet, balance sheet estimates can be developed even in data-constrained environments like The Gambia or complex emerging economies like Indonesia. The estimates should be treated with some caution, as the application of accounting and statistical standards varies widely. Once governments produce these estimates, analyzing, assessing, and projecting the balance sheet forward is relatively simple, relying on easy-to-use frameworks.

Some of the key findings of the report are as under-

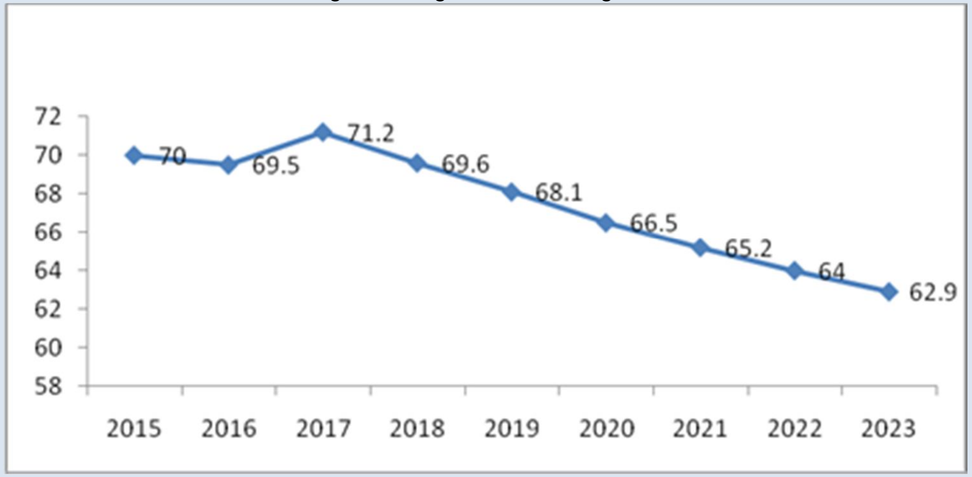
- New estimates suggest that China's general government net financial worth has deteriorated to about 8 percent of GDP, largely because of sub-national borrowing and underperforming public corporations. Off-budget debt and the weak performance of public corporations both entail risks for the future.

- Although Norway's fiscal position is very strong, long-term spending pressures significantly reduce its intertemporal net worth relative to its vast asset position.

- In contrast, Finland's recent and planned reforms mean that future primary balances are positive despite an ageing population, adding to inter-temporal net worth.

- The report states that India's general government gross debt is estimated at 69.6% in 2018 and is expected to decline in the coming years. The report projects India's government gross debt at 62.9% in 2023.

India's general government gross debt



Source: PHD Research Bureau, compiled from IMF Fiscal Monitor October 2018;
Note: Projections are based on staff assessment of current policies

The report is attached for your kind reference.

Please contact for any query related to this mail to Ms. Megha Kaul, Economist, megha@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in and PHD Chamber of Commerce & Industry.

Warm regards,

Dr. S P Sharma
Chief Economist

PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016
Ph.: + 91-11-26863801-04, 49545454
Fax: +91- 26855450, 49545451
Email: spsharma@phdcci.in
Website: www.phdcci.in

ISO 9001:2015

"Towards a Prosperous India"

PHD CHAMBER OF COMMERCE AND INDUSTRY
PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947
Connect with us: Like us on Facebook · Follow us on Instagram · YouTube · LinkedIn