

### General government net saving

Net saving refers to the difference between current revenues and current expenditures or the fiscal balance without taking into account capital expenditures. Net saving does not consider investment expenditures or capital transfers, instance e.g. to publicly owned enterprises or financial institutions. Net saving is typically associated with the “golden rule” of public finance, which advocates that, in the course of an economic cycle, the current revenues should cover current expenditures. This also implies that debt issuance should only be for growth-promoting investment leading to a sustainable fiscal stance.

In 2017, the average net saving in OECD countries was -1.8% of GDP, with slightly more than 50% of the countries reporting positive net saving levels. The United States had the largest negative net saving in 2017, amounting to 4.9% of GDP, partially explained by a change in trend in 2016 as the federal government increased expenditure after several years of consolidation. This trend is expected to continue as fiscal policy relaxed substantially in early 2018 resulting from a tax reform combined with congress raising spending ceilings in 2018 and 19 all of which led to further spending (OECD 2018a). Conversely, Norway had the highest positive net saving in 2017 (6.9%), as under the fiscal framework, withdrawals from the Norwegian Wealth Fund (e.g. revenues from off-shore petroleum production) cover the non-oil budget deficits to a ceiling set by the fiscal rule, while still protecting the interests of future generations. In consequence, it is unlikely that while this arrangement is in place net savings will be ever negative.

In 2007, only 8 OECD countries reported negative net savings compared to 17 in 2017. Still, all countries that had positive net savings in 2007 reported lower levels in 2017, except Austria (0.1 p.p.), the Czech Republic (0.4 p.p.), the Netherlands (0.8 p.p.) and Germany (1.2 p.p.) who reported higher net saving levels. These countries have been at the forefront of advocating and implementing austerity policies.

The difference between the net lending/borrowing (i.e. fiscal balance) and net savings is the size of capital expenditures, which could be either investment expenditures or an outflow of capital transfers. On average across OECD countries, the deficit (net lending/borrowing) was 0.38 p.p. higher than the net savings in 2017. The highest negative differences between net lending/borrowing and net savings occurred in Turkey (2.88 p.p.) and Iceland (2.86 p.p.). In Turkey, this is explained by substantial increases in public investment since 2016 and a massive scaling-up of loan guarantees (OECD 2018b). The Icelandic bank restructuring was achieved in 2016 but some remains of speculative funds that entered Iceland before 2008 were left unresolved until the first quarter of 2017, when most of these funds were finally let out (Baldursson, Portes and Thorlaksson, 2017). Additionally, Iceland increased needed infrastructure investment, due to prior fiscal restraint and stresses from tourism.

#### Methodology and definitions

Data are derived from the OECD National Accounts Statistics (database), 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). Using SNA terminology, general government consists of central government, state government, local government and social security funds.

Government net saving represents current revenues minus current expenditures including depreciation. In the case of gross saving, the costs of depreciation have not been deducted from current expenditures. Gross saving plus net capital transfers (i.e. capital transfers received minus paid) minus gross investments (i.e. gross capital formation and acquisitions less disposals of non-produced non-financial assets) equals the fiscal balance of net lending/borrowing. Net lending/borrowing reflects the fiscal position after accounting for capital expenditures: net lending, or government surplus, means that government is providing financial resources to other sectors, whereas net borrowing, or government deficit, means that government on balance requires financial resources from other sectors to finance part of its expenditures. As compared to net lending/borrowing, net saving has the advantage of avoiding possible one-off distortions coming from extraordinary and possibly very large capital transfers. It also avoids putting too much pressure on government investments in times of austerity programmes and increasing deficits.

#### Further reading

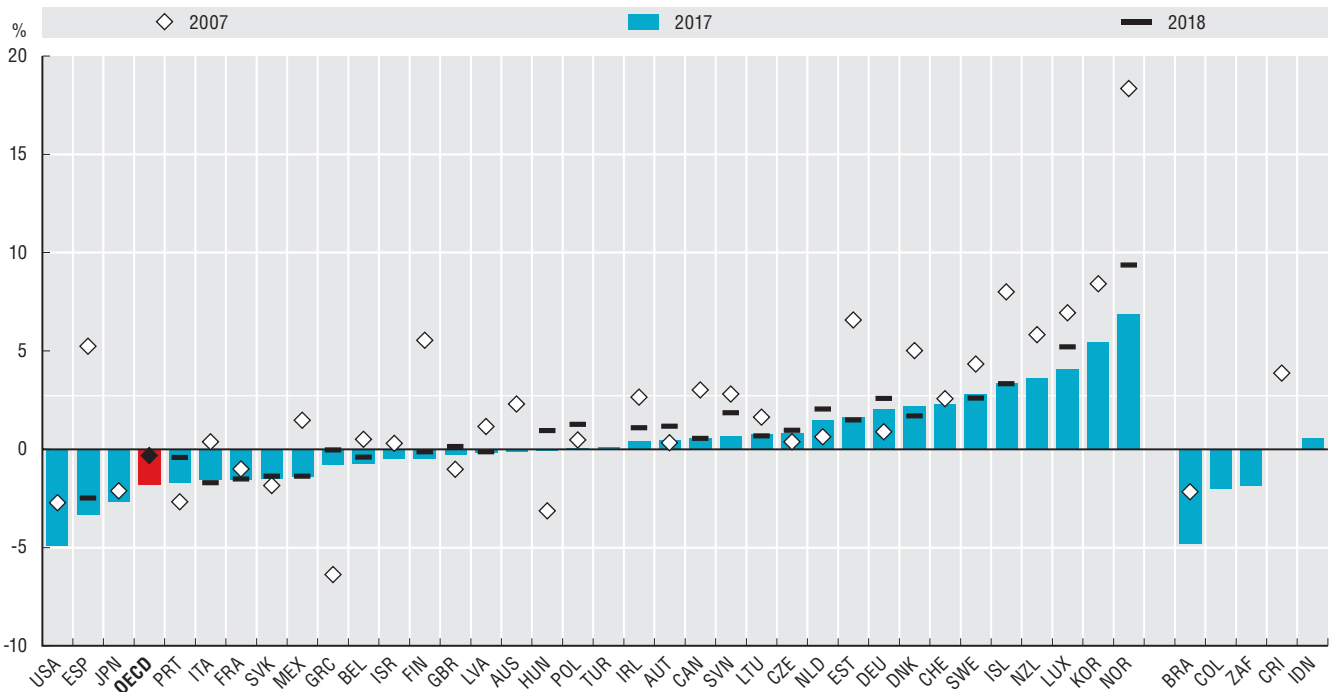
- Baldursson, F., R. Portes and E. Thorlaksson (2017), “Iceland’s Capital Controls and the Resolution of its Problematic Bank Legacy”, <http://doi.org/10.13140/RG.2.2.36548.73604>.
- OECD (2018a), OECD Economic Surveys: United States 2018, OECD Publishing, Paris. [http://dx.doi.org/10.1787/eco\\_surveys-usa-2018-en](http://dx.doi.org/10.1787/eco_surveys-usa-2018-en)
- OECD (2018b), OECD Economic Surveys: Turkey 2018, OECD Publishing, Paris. [https://doi.org/10.1787/eco\\_surveys-tur-2018-en](https://doi.org/10.1787/eco_surveys-tur-2018-en)

#### Figure notes

Data for Chile are not available. On data for Israel, see <http://doi.org/10.1787/888932315602>. Data for Turkey are not included in the OECD average due to missing time series. Data for Brazil and Indonesia are for 2016, data for Russia are for 2015 rather than 2017.

2.5. (Net capital transfers as a percentage of GDP) is available online in Annex F.

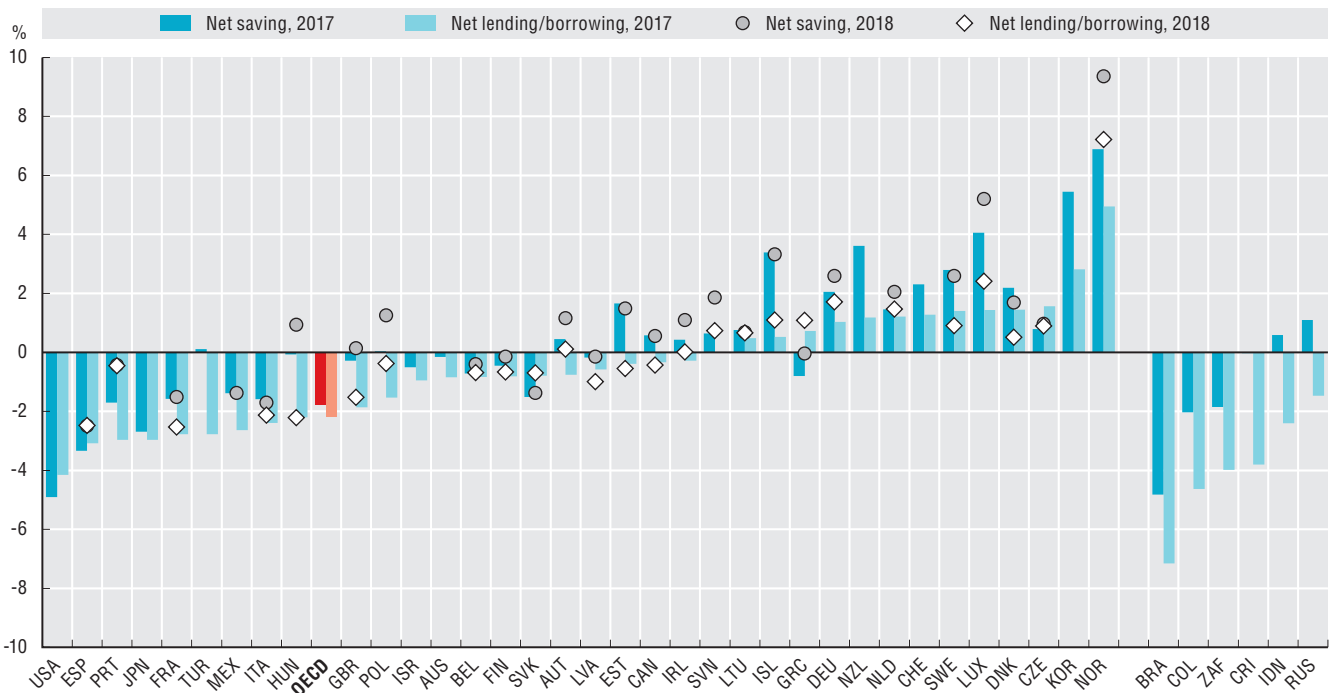
2.3. General government net saving as a percentage of GDP, 2007, 2017 and 2018



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934031332>

2.4. General government net saving versus net lending/borrowing as a percentage of GDP, 2017 and 2018



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934031351>



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