Debt is incurred when governments spend more than they receive. Debt represents governments' outstanding liabilities resulting from the need to finance deficits by borrowing. While debt is not negative *per se*, high levels could threaten the sustainability of public finances, sending negative signals to lenders and private investors. The size of public debt can be influenced by factors such as the exchange rate (e.g. depending on the currency in which the debt is issued) and interest rate fluctuations.

Average government debt in SEA countries was 43.1% of GDP in 2016, much lower than the OECD average (112.5%) but, except Japan (221.5%), similar to debt levels in New Zealand (51%), Korea (45%) and Australia (41%). Of SEA countries, Singapore (106.8%), Viet Nam (59.8%) and Lao PDR (58.5%) have the highest levels of government debt as a share of GDP. Debt levels were lowest in Cambodia (33.7%), Indonesia (28.3%) and Brunei Darussalam (0.7%). While Singapore's debt is relatively high, like Japan's it is exclusively internal debt. By law, money raised through debt instruments cannot be used for current expenditures and must be invested. Thus a growing set of public assets backs Singaporean debt. Brunei Darussalam has low debt levels as it relies heavily on its oil and gas reserves to fund public spending.

While OECD average debt as a share of GDP grew by 39.7 p.p. in 2007-16, in SEA countries it remained fairly stable, increasing by only 1.79 p.p. Debt grew the most in Singapore (22.1 p.p.) and Viet Nam (18.9 p.p.). In Viet Nam, despite increased revenue collection, strong spending has pushed deficits above the 3.5% upper target and may challenge government capacity to maintain its self-imposed statutory debt ceiling of 65% (IMF, 2017). In contrast, Myanmar (26.7 p.p.) and the Philippines (13.4 p.p.) reduced public debt levels in 2007-16. Keeping debt sustainable is crucial for these countries. Myanmar recently passed a public debt law and is progressing towards a medium-term expenditure framework, while the Philippines plan further consolidation efforts.

Gross debt per capita in SEA countries reached on average USD 5 018 PPP in 2016, increasing at an annual rate of 4.1% since 2007 in terms of real debt per capita, slower than OECD countries (5.5%). At USD 105 365 PPP in 2017, Singapore has the highest levels of per capita debt. The pace of debt growth varies widely in SEA countries, from an annual growth rate of 16.3% in Brunei Darussalam to reduction of 0.9% in Myanmar during 2007-16. Debt in Brunei Darussalam has grown relatively quickly, but started close to zero, so the sustainability of public finances is not under strain.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2018), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA in several instances, which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

Debt is generally defined as all liabilities requiring payment(s) of interests or principal by the debtor to the creditor at a date(s) in the future. Thus all debt instruments are liabilities, but some liabilities (e.g. shares, equity and financial derivatives) are not debt. The treatment of government liabilities in respect of their employee pension plans varies across countries, making international comparability difficult. Under the GFSM framework, unfunded government sponsored retirement schemes are included in the debt components. In the 1993 SNA, only the funded component of the government employee pension plans are included. However, the 2008 SNA recognises the importance of the liabilities of employers' pension schemes regardless of whether they are funded or unfunded. For government employees' pensions provided by the government to their employees, some flexibility is allowed in recording unfunded liabilities in the core accounts. See more on calculating government debt per capita in general government revenues (methodology and definitions' section).

For the OECD countries and average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

Ferrarini, B. and A. Ramayadini (2015), "Public debt sustainability in developing Asia: An update", *ADB Economics Working Papers*, No. 468, ADB, Manila.

IMF (2018), "Myanmar: Debt sustainability analysis", *IMF Country Report*, No. 18/90, IMF, Washington, DC, *https://www.imf.org/external/pubs/ft/dsa/pdf/2018/dsacr1890.pdf*.

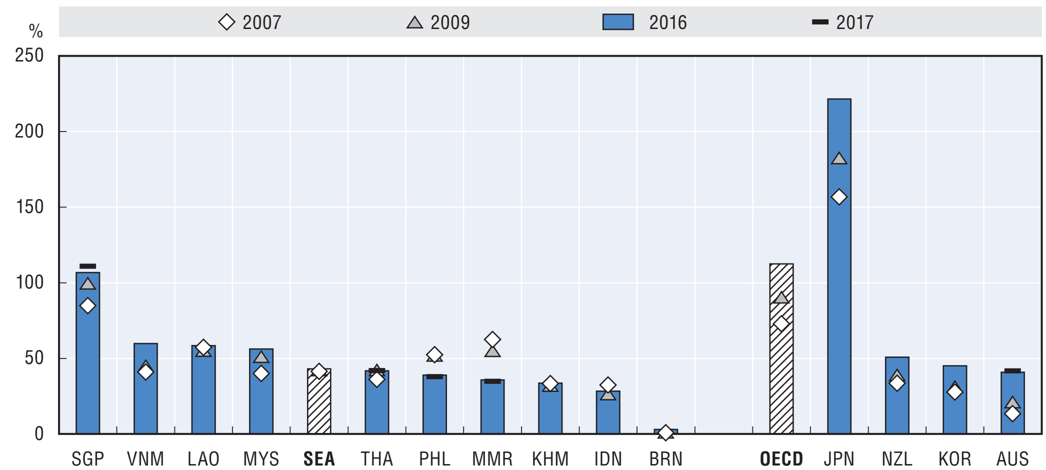
IMF (2017), "Vietnam: Selected issues", *IMF Country Report*, No. 17/191, IMF, Washington, DC.

Figure note

2.5: Unadjusted debt (i.e. including unfunded pension liabilities) for Australia is 39.1% of GDP in 2009, 68.5% of GDP in 2016 and 64.9% of GDP in 2017.

2.6: Unadjusted debt per capita (i.e. including unfunded pension liabilities) for Australia is USD 15 991 PPP in 2009, USD 32 998 PPP in 2016.

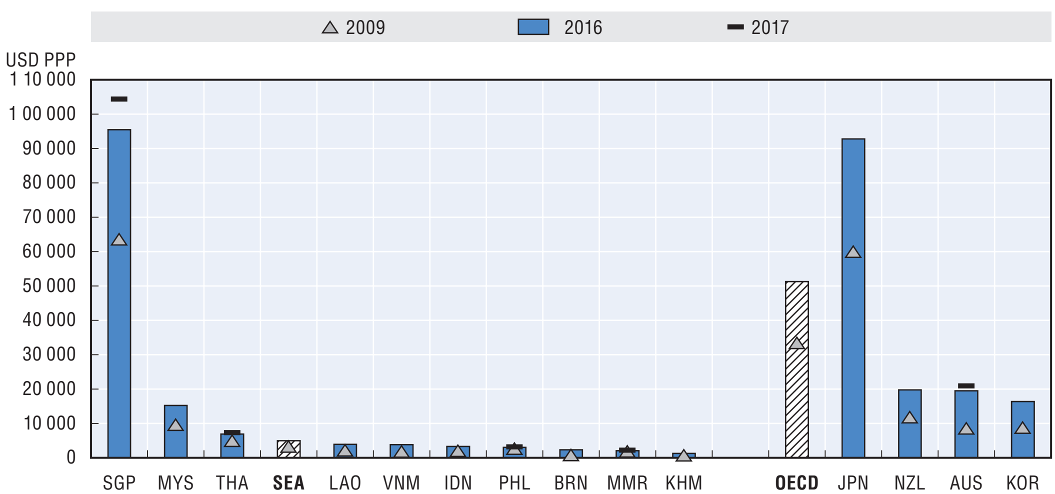
2.5. General government gross debt as a percentage of GDP, 2007, 2009, 2016 and 2017



Sources: For SEA countries, IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888933840513

2.6. General government gross debt per capita, 2009, 2016 and 2017



Sources: For SEA countries, IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888933840532

From:

Government at a Glance Southeast Asia 2019

Access the complete publication at:

https://doi.org/10.1787/9789264305915-en

Please cite this chapter as:

OECD/Asian Development Bank (2019), “General government debt”, in *Government at a Glance Southeast Asia 2019*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/acf15e91-en

OECD