

General government net saving

Net saving arises, and accrues over time, when revenues exceed expenditures without taking into account capital expenditures, such as public investment, transfers to publicly-owned enterprises or transfers to financial institutions (for instance, rescuing them during the financial crisis).

Government net saving is also associated with the “golden rule” concept, whereby government current revenues should, on average, cover current expenditures during the course of an economic cycle. Following this rule can help fiscal balances from becoming unsustainable and compromising long-term growth to the extent that any deficit-financed capital expenditure is invested in carefully-evaluated, growth-promoting investment.

For 2015, OECD countries on average reached a net saving of -2.2% of GDP, improving from -6.2% in 2009, but not yet reverting to the pre-crisis level of -0.1% in 2007. Spain had the largest negative net saving in 2015, amounting to -5.2% of GDP. Conversely, Norway had the highest positive net saving, reaching 7.7% of GDP.

With the available data for 2016, eight of the thirty four OECD countries had positive net saving in 2016; from those Iceland (19.2%), Norway (5.1%), Luxemburg (3.7%), Sweden (2.3%), Estonia (1.7%) and Germany (1.2%) reported the highest figures. The largest negative net saving for this year was in Spain (-4.6%), Portugal (-3.4%), France (-2.6%), Belgium (-2.4%), the Slovak Republic (-2.3%) and Italy (-2%).

Comparing 2015 to 2007, the last year before the financial and economic crisis broke, the largest changes in net saving happened in Norway, decreasing from 18.3% of GDP in 2007 to 7.7% but remaining positive in 2015; Spain had the second-highest change in this period, from 5.2% of GDP positive net saving in 2007 turned to negative 5.2% in 2015. Linking net saving in 2015 to that of 2009, Greece had the largest reduction in net saving, going from -13.2% to -4%, followed by Ireland with a reduction in net saving from -9.1% to -0.6%, and Iceland, which increased net saving from -6.6% to 1.5%.

Net borrowing, or lending, is equivalent to net saving when the capital expenditures are taken into account. As a result, differences between the two balances could show either investment expenditures or an outflow of capital transfers. On average across OECD countries the deficit (net lending/borrowing) was 0.6 p.p. higher than the net savings in 2015. The largest negative differences occurred in Greece (2 p.p.) and the United Kingdom (1.5 p.p.). In the case of Greece the difference is partly due to capital transfers (0.9% of GDP) mainly explained by the bank capitalization that took place on that year. In the case of the United Kingdom, where a similar pattern is observed, it partially corresponds to some outstanding support to banks in the form of cash outlays. According to the 2016 data the situation of both countries is evolving, while in Greece the difference between net lending/borrowing almost balanced due to a positive net capital transfer (1.4% of GDP) it decreased slightly in the United Kingdom (1.4 p.p.). Yet, in the case of the latter the size of the net capital transfers remained constant (0.5% of GDP).

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 updated 2008 SNA framework has been now implemented by all OECD countries (see Annex A for details on reporting systems and sources). 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 government investments (i.e. gross capital formation and acquisitions less disposals of non-produced non-financial assets) equals the fiscal balance of net lending/borrowing. (For additional information on government fiscal balance, see the “methodology and definitions” section of this indicator). In this respect, 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, signifies 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. Figure 2.5, Net capital transfers as percentage of GDP is available online in Annex F.

Further reading

OECD (2015), *National Accounts at a Glance 2015*, OECD, Paris, http://dx.doi.org/10.1787/na_glance-2015-en

Figure notes

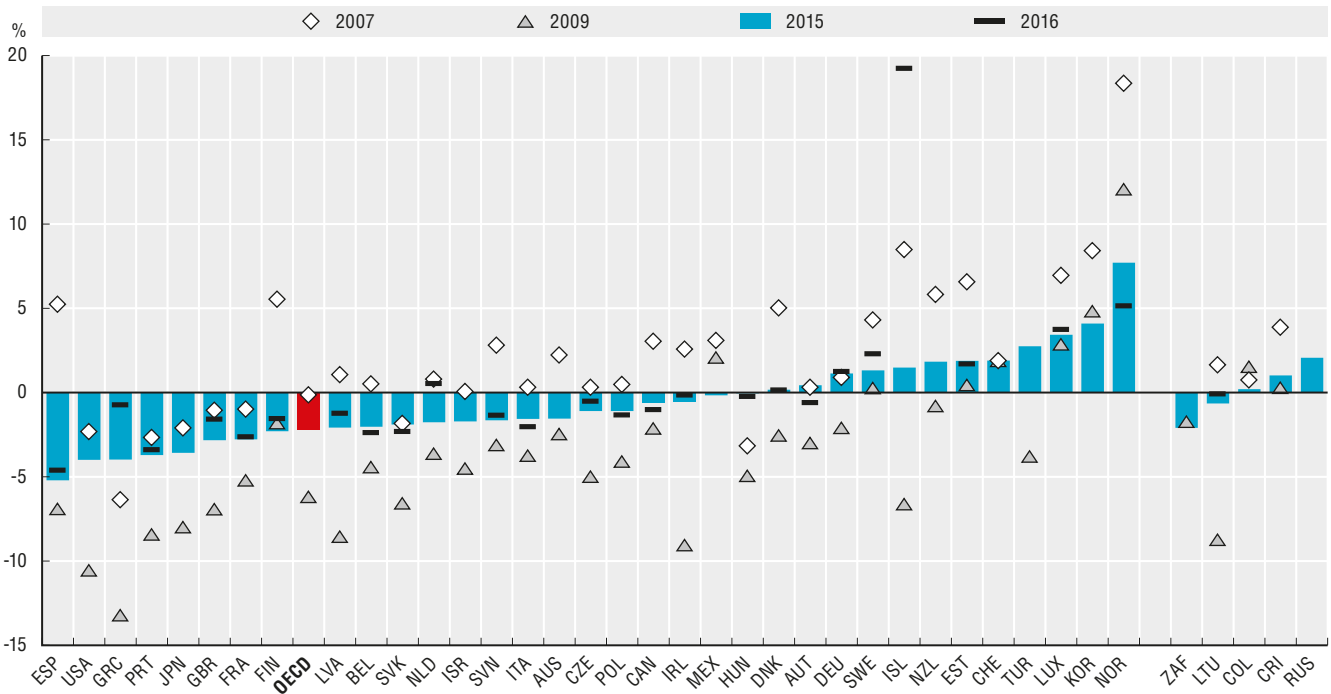
Data for Chile are not available. Data for Turkey and are not included in the OECD average because of missing time series.

2.3: Data for Colombia and Russia are for 2012 rather than 2013

2.4: The values for Iceland in 2016 are not displayed in the graph (net saving and net borrowing recording 19.2% and 17.2% of GDP respectively). Data for Costa Rica, Russia and South Africa are for 2014 rather than 2015.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

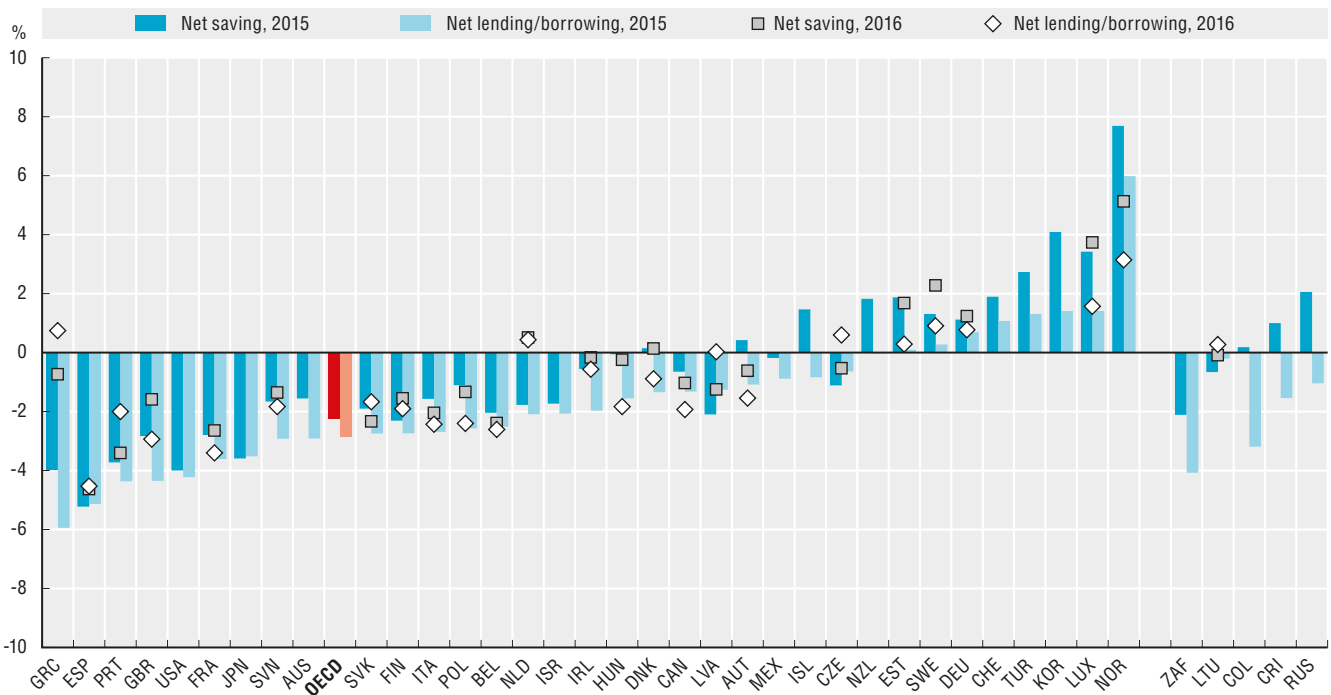
2.3. General government net saving as a percentage of GDP, 2007, 2009, 2015 and 2016



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933531402>

2.4. General government net saving versus net lending/borrowing as a percentage of GDP, 2015 and 2016



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933531421>



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