General Government debt: a quick way to improve comparability

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In simple words the General Government debt is the sum of liabilities of the General Government sector. In the current financial crisis, market participants monitor carefully the evolutions of the government indebtedness across countries. Comparisons between different countries are possible owing to the commonly used methodology based on the System of National Accounts (SNA).

Starting from these common concepts different debt definitions can be compiled according to a) the financial instruments covered; b) valuation; c) consolidation/netting. Financial instruments could cover all government liabilities, broad debt (which includes pension liabilities and trade credit) and core debt (currency & deposits, debt securities and loans). Debt can be measured at face value, nominal value and market value. Finally, debt can be consolidated or not, i.e. the liabilities that are at same time assets of the same government sector can be netted out or not. An alternative way to present the General Government debt is to deduct the assets from their liabilities, resulting in a net debt concept. To have a better picture of future debt developments, data on unfunded pension liabilities are recommended.

International organisations use different options to elaborate their well-known Economic Outlook forecasts. This paper will show how the impact of the different options used for each of the three above dimensions can be measured. A standardised way to compare government debt will be proposed, which will allow a comparison of the forecasts made by international organisations.

Keywords: Public debt; debt valuation; debt consolidation; gross and core debt.