

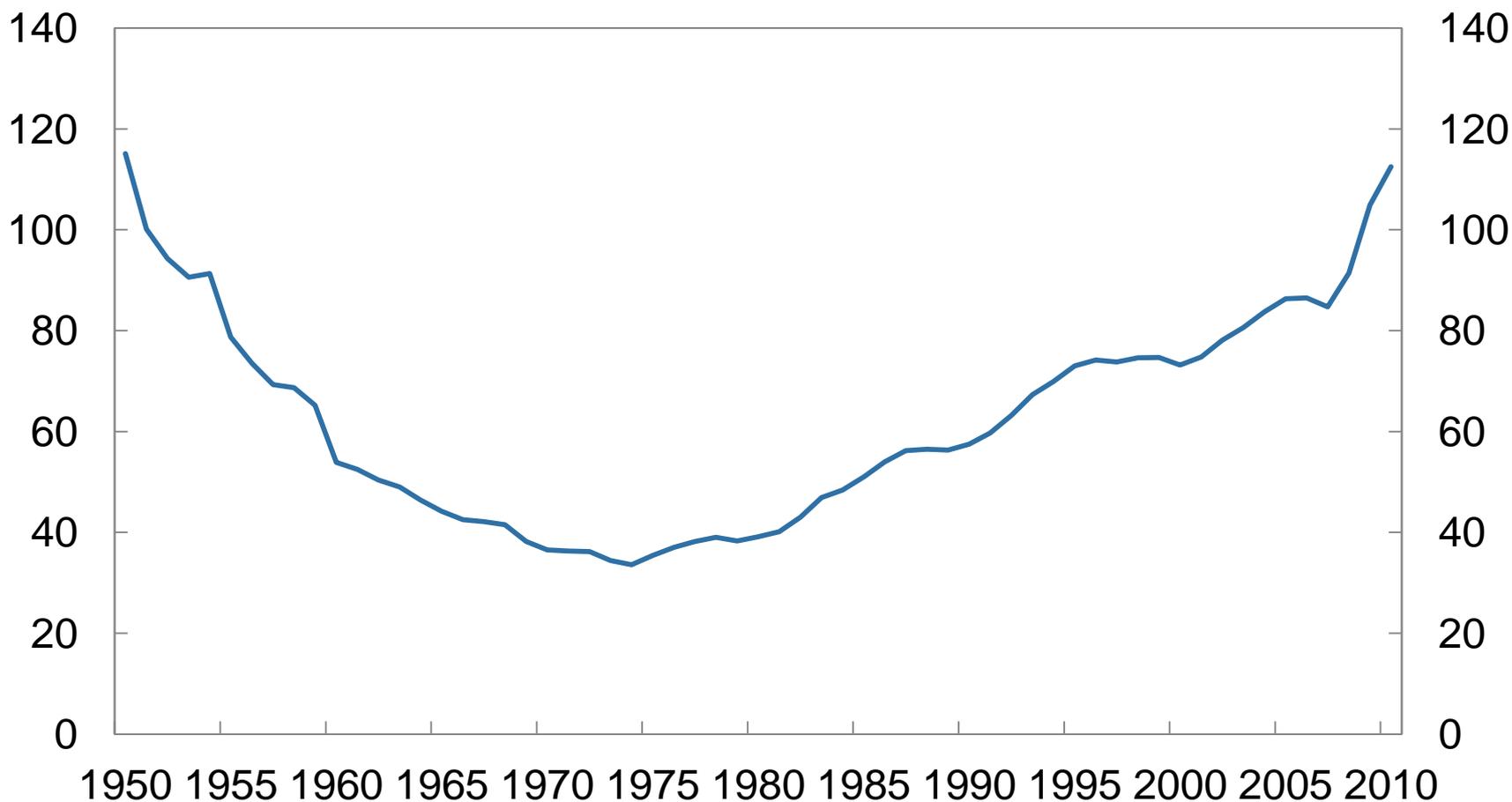
Business cycles, crises and public
finances – will governments be able to
honour their debts?

Governor Svein Gjedrem

24 September 2010

Sovereign debt to GDP in the G7

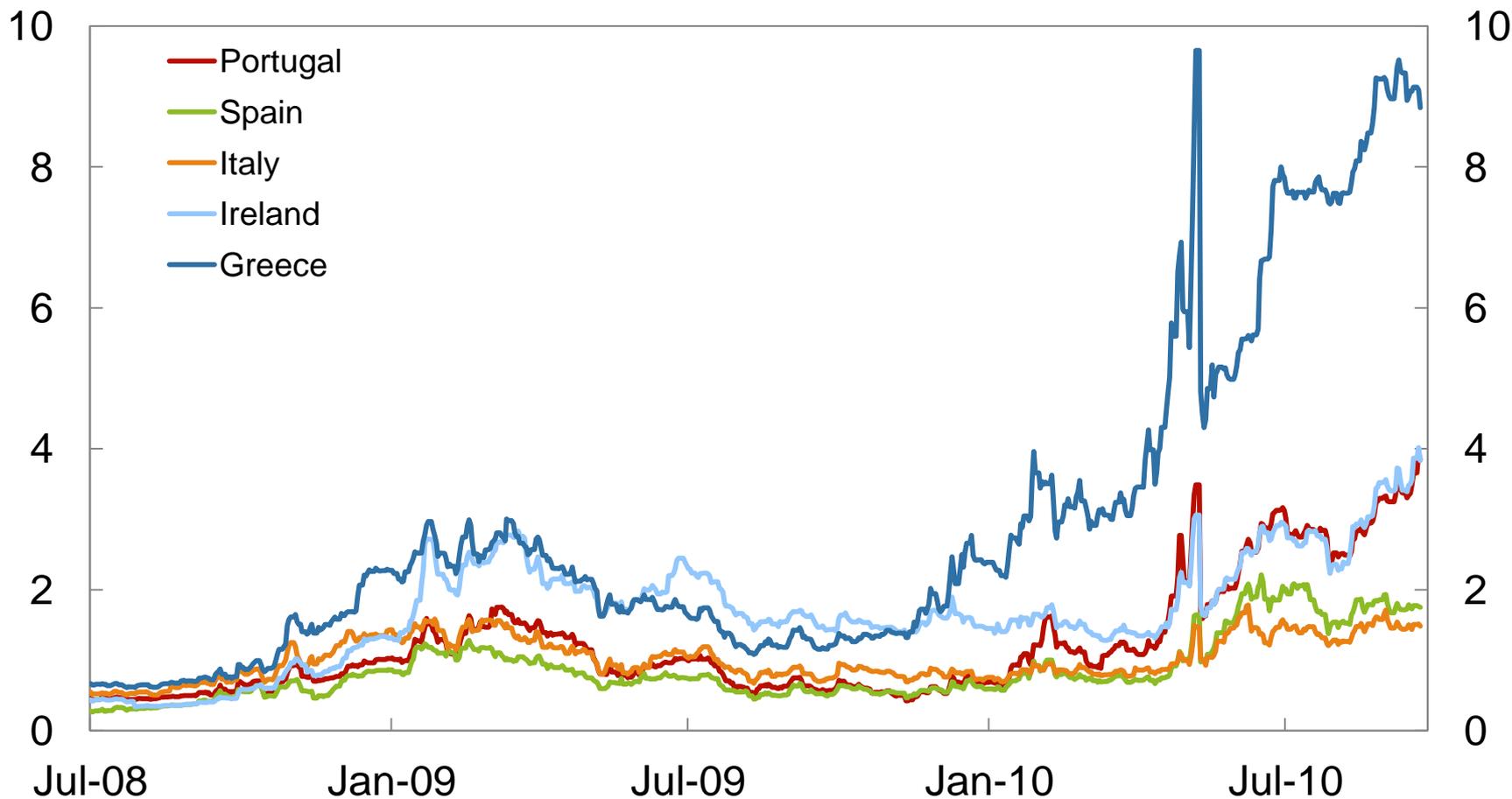
Per cent. 1950 - 2010



Source: IMF Global Financial Stability Report

Government bond yields

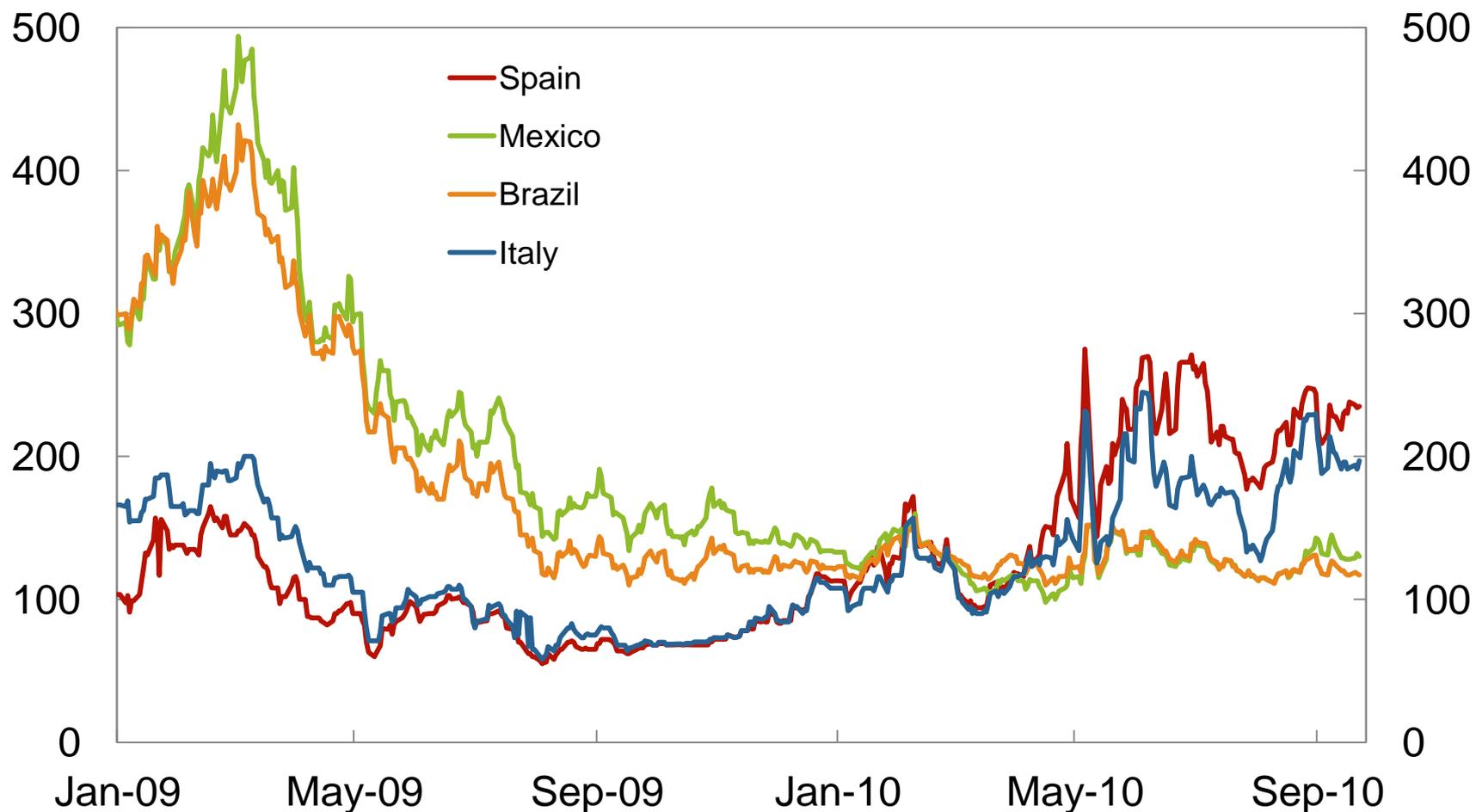
Spread against German bonds. Percentage points. 10-year maturity
1 July 2008 – 21 September 2010



Source: Bloomberg

Credit risk on sovereign debt

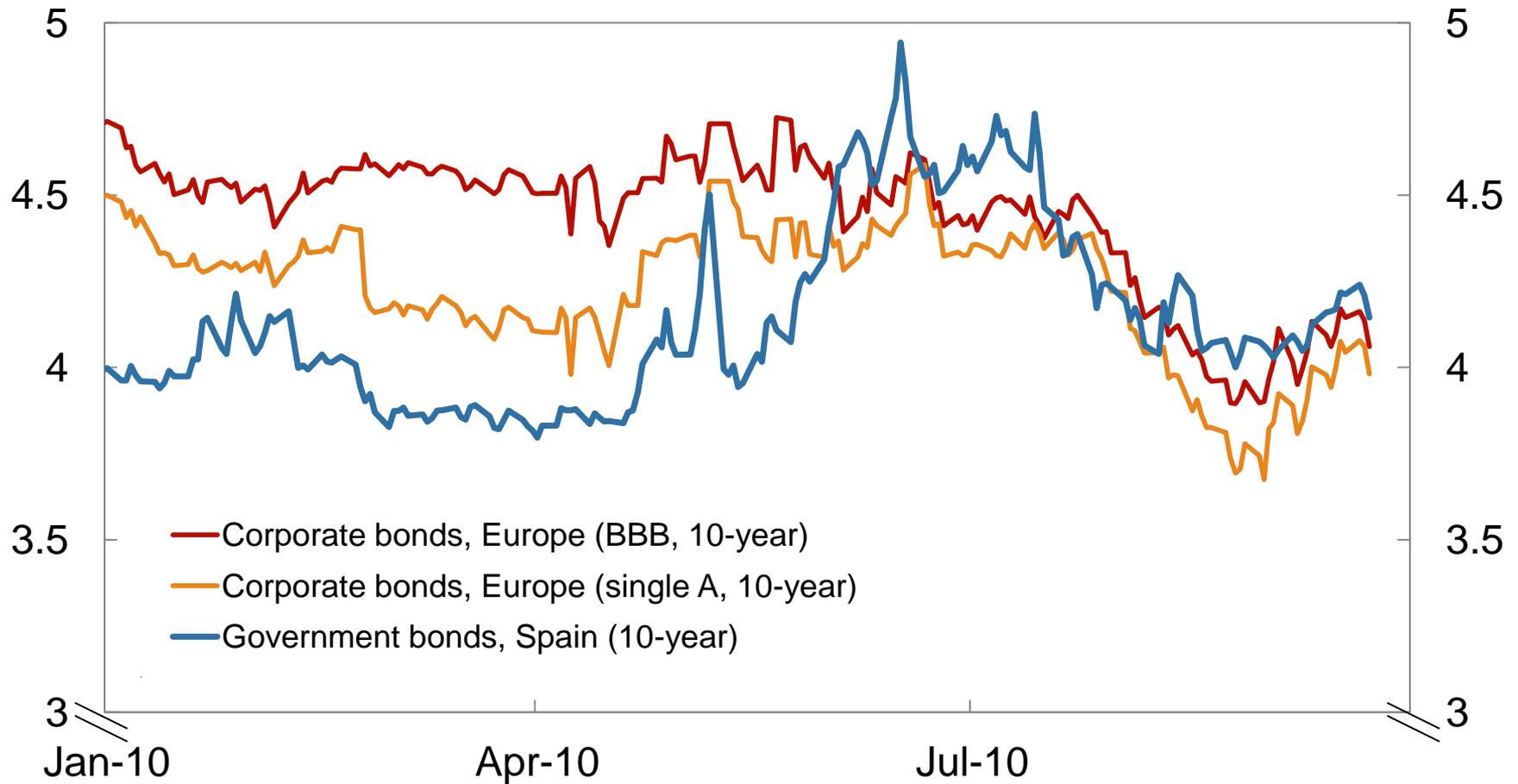
5-year CDS. Basis points. 1 January 2009 – 21 September 2010



Source: Bloomberg

Bond yields

Per cent. 1 January 2010 – 21 September 2010



Source: Thomson Reuters

Sovereign debt default

1500 - 1900

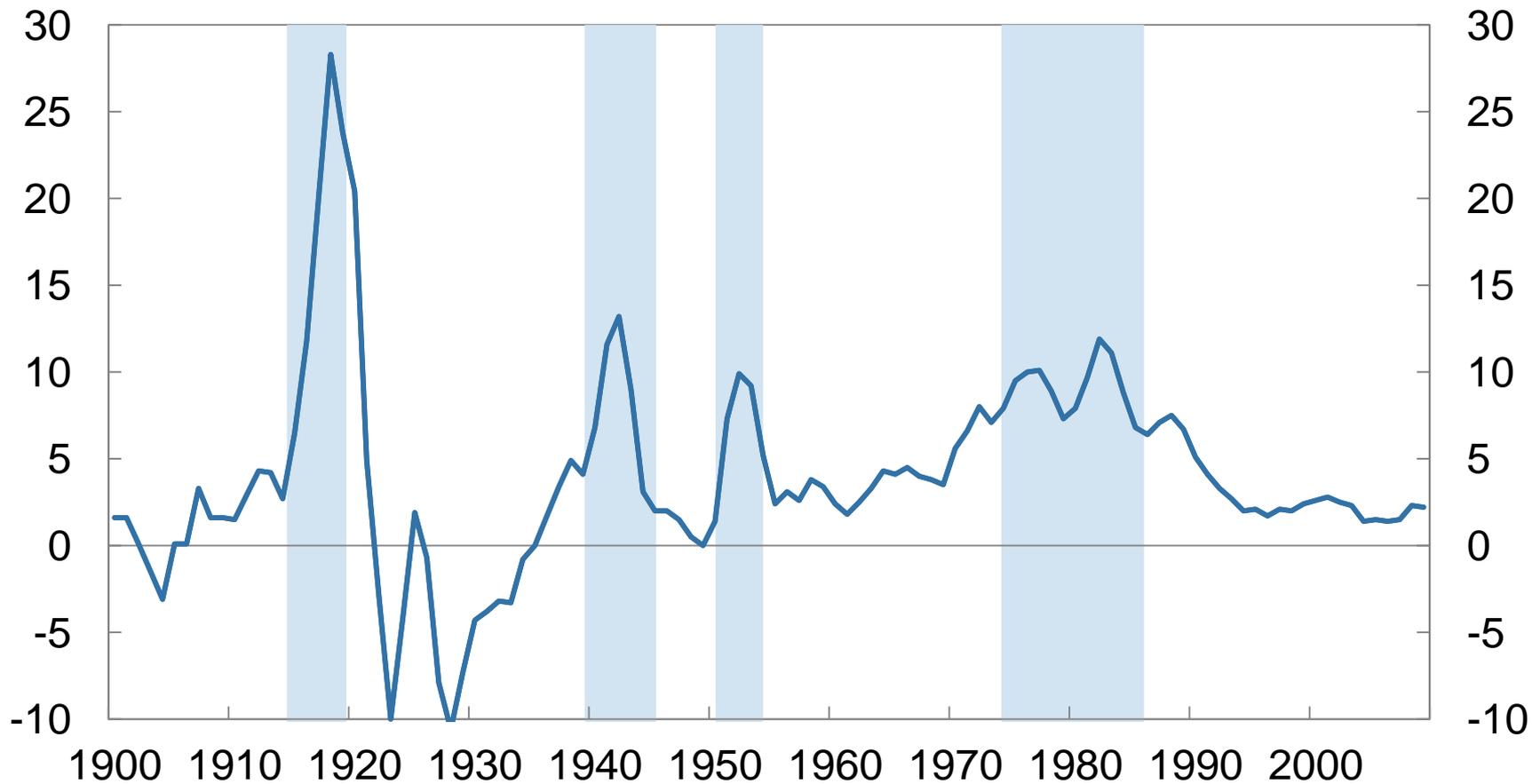
Country	Number ¹⁾	Last year of default:
Spain	14	1882
France	9	1812
German states	6	1850
UK	1	1594

1) Includes only external defaults

Source: Reinhart og Rogoff (2009): "This time is different".

Inflation

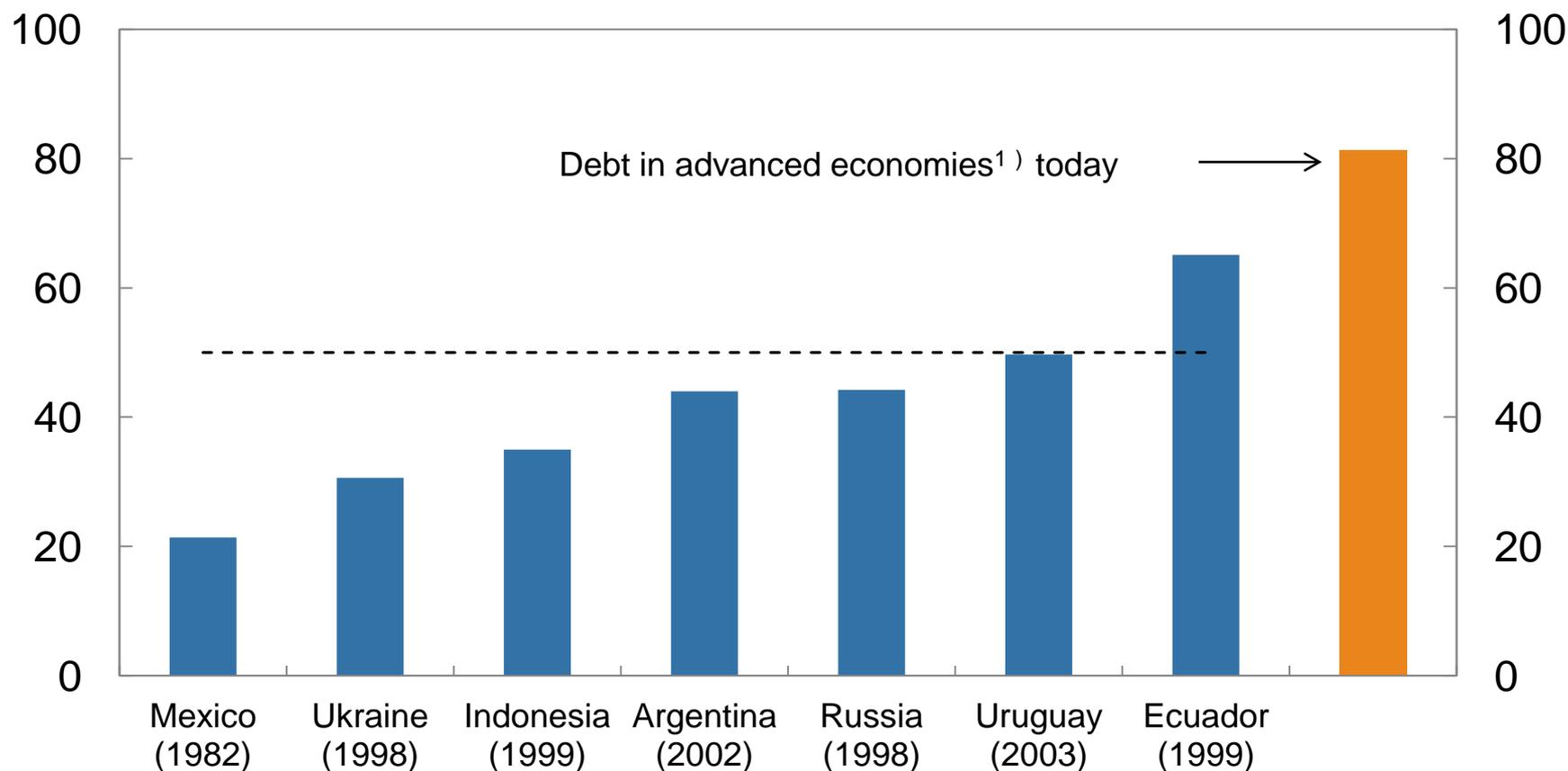
Per cent. Moving 3-year average. 1900 - 2009



Sources: Statistics Norway and Norges Bank

Debt at the time of default

Percentage of GDP¹⁾



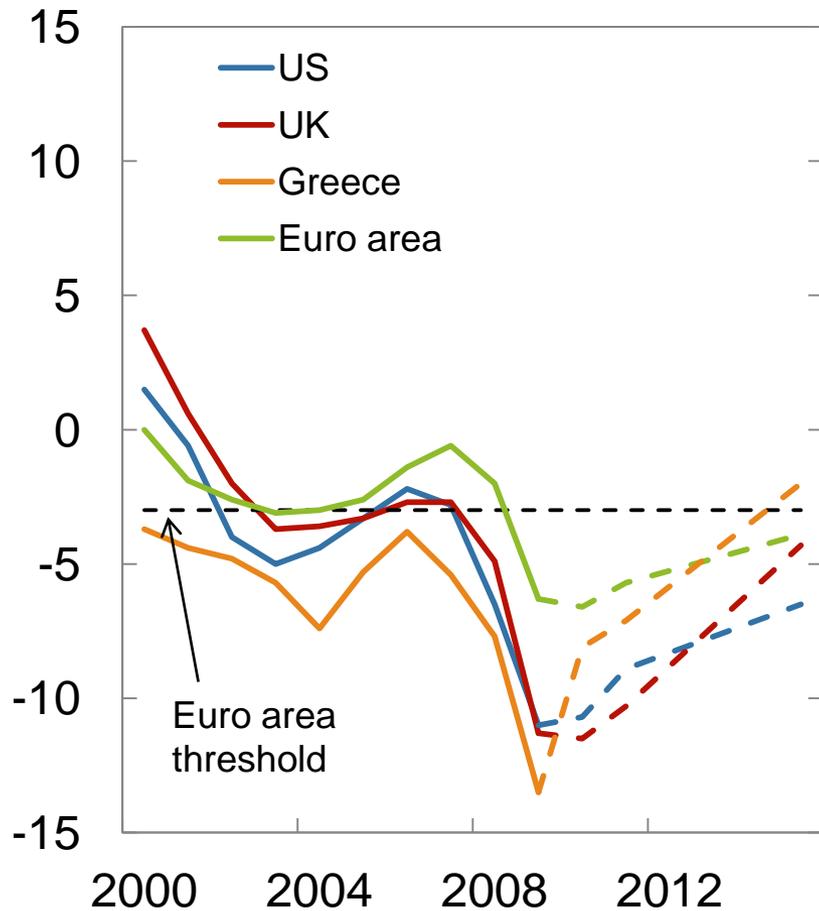
1) Average of 2 years prior to default. Average debt in 2009-10 is used for advanced economies

2) Median of France, Greece, Ireland, Italy, Japan, Netherlands, Portugal, Spain, UK, US

Source: IMF

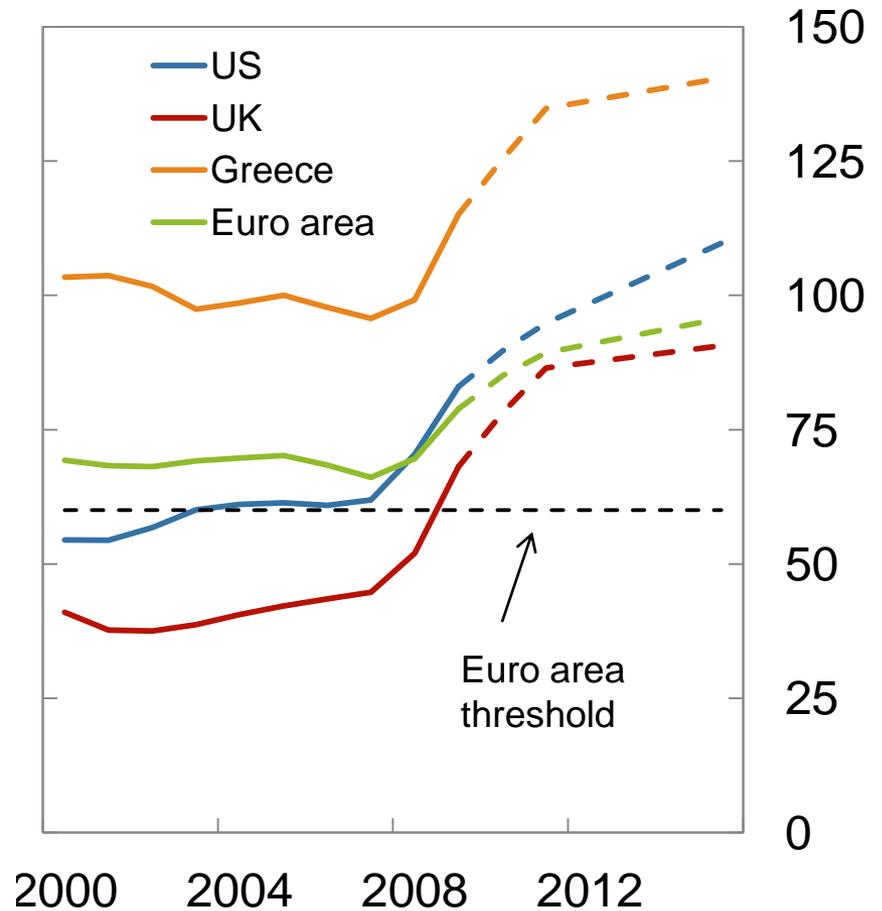
Fiscal deficit

Percentage of GDP. 2000 – 2015



Public debt

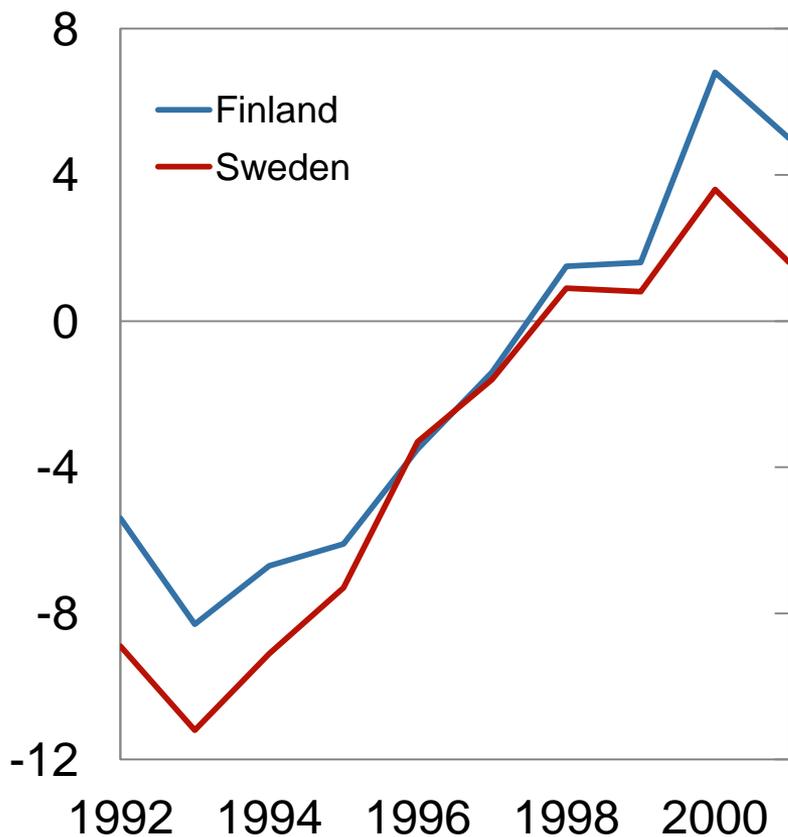
Percentage of GDP. 2000 – 2015



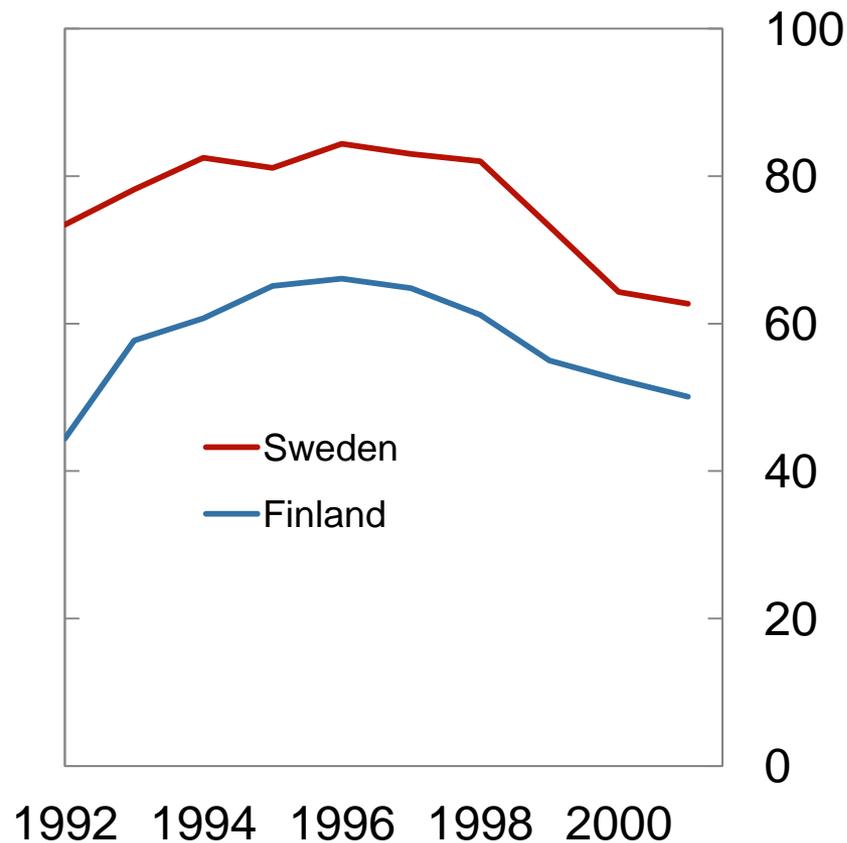
Sources: OECD Economic Outlook 87, IMF Fiscal Monitor May 2010 and Norges Bank

Sweden and Finland in the 1990s

Fiscal deficit
Percentage of GDP



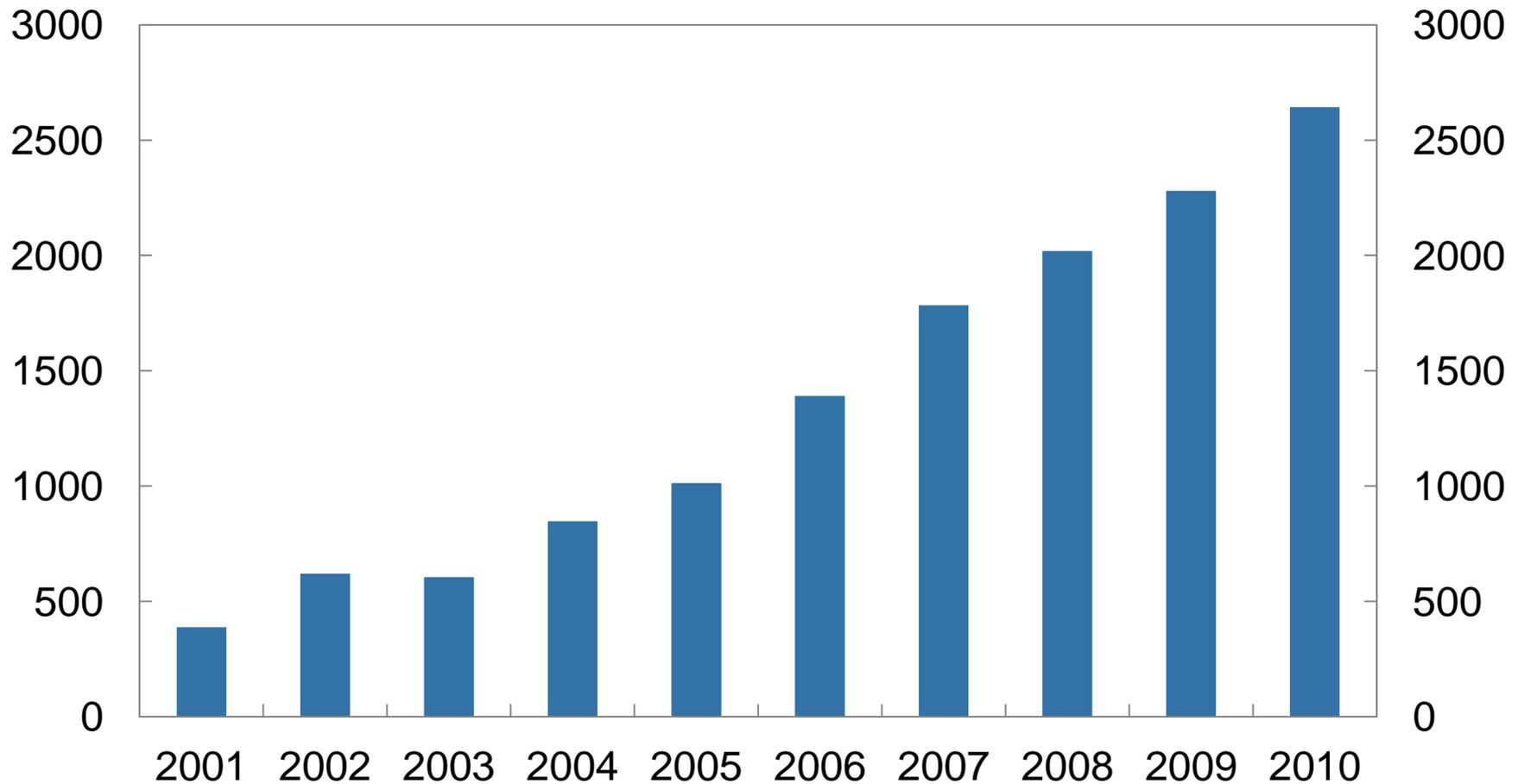
Public debt
Percentage of GDP



Source: OECD

Government Pension Fund Global

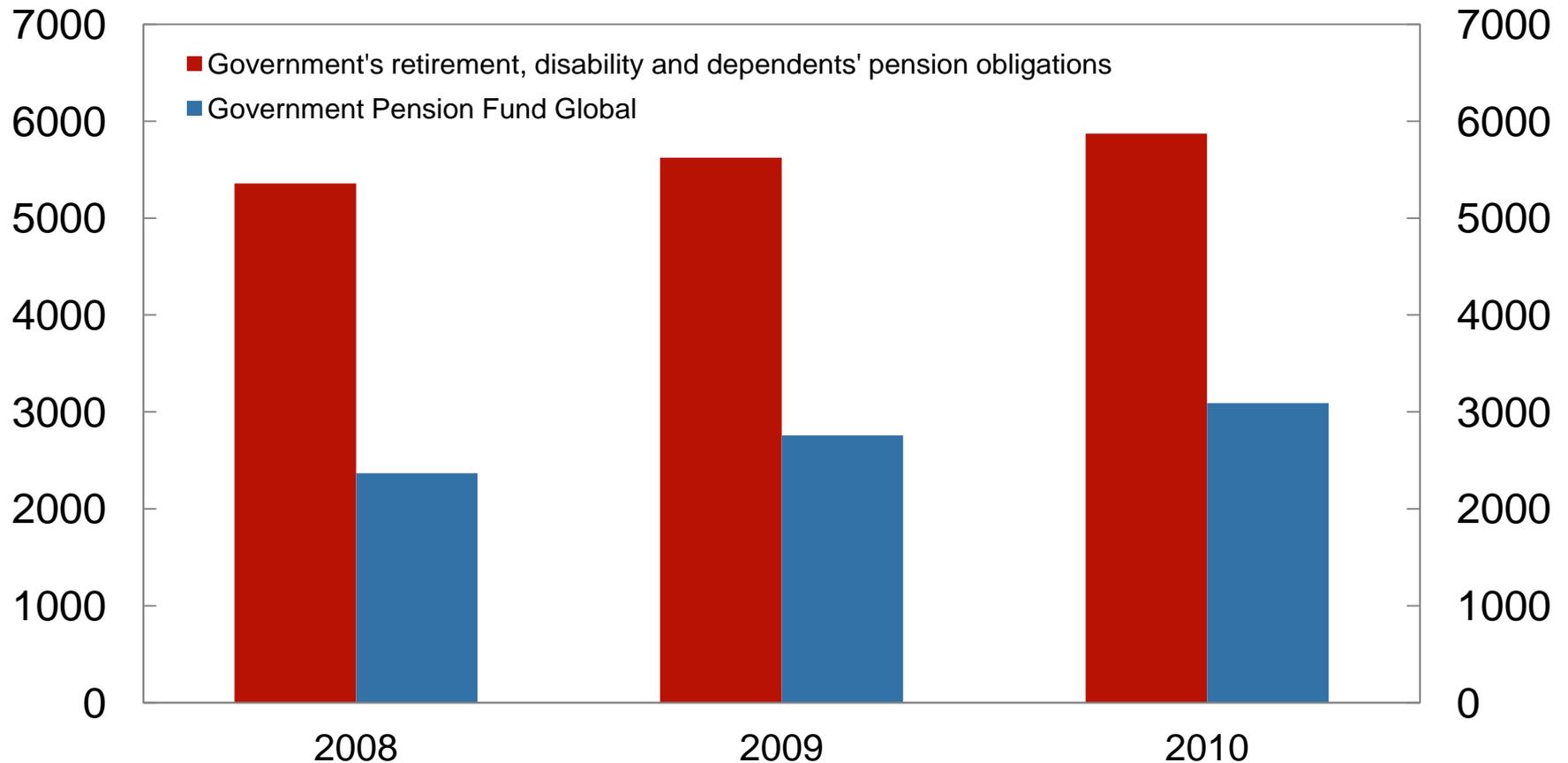
The Fund's market value at the beginning of the year. In billions of NOK
2001 - 2010



Source: Ministry of Finance (RNB 2010)

Pension obligations and the Government Pension Fund¹⁾

In billions of NOK

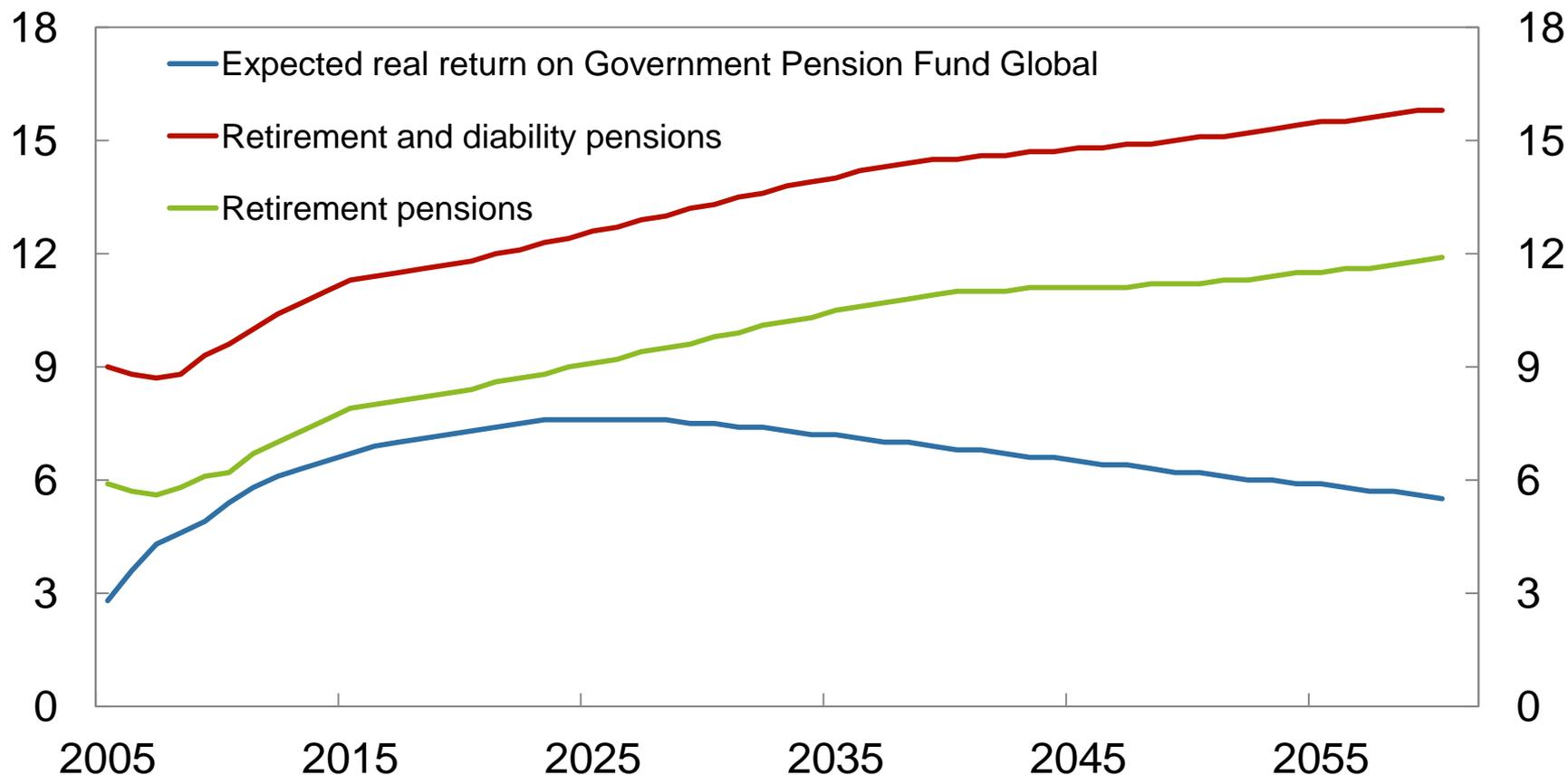


¹⁾ Present value of already accrued retirement pension entitlements to future payments from the National Insurance Scheme. In addition is the government's disability and dependents' pension obligations, estimated at NOK 1100bn.

Source: Ministry of Finance (RNB 2010)

Pension costs and expected fund returns

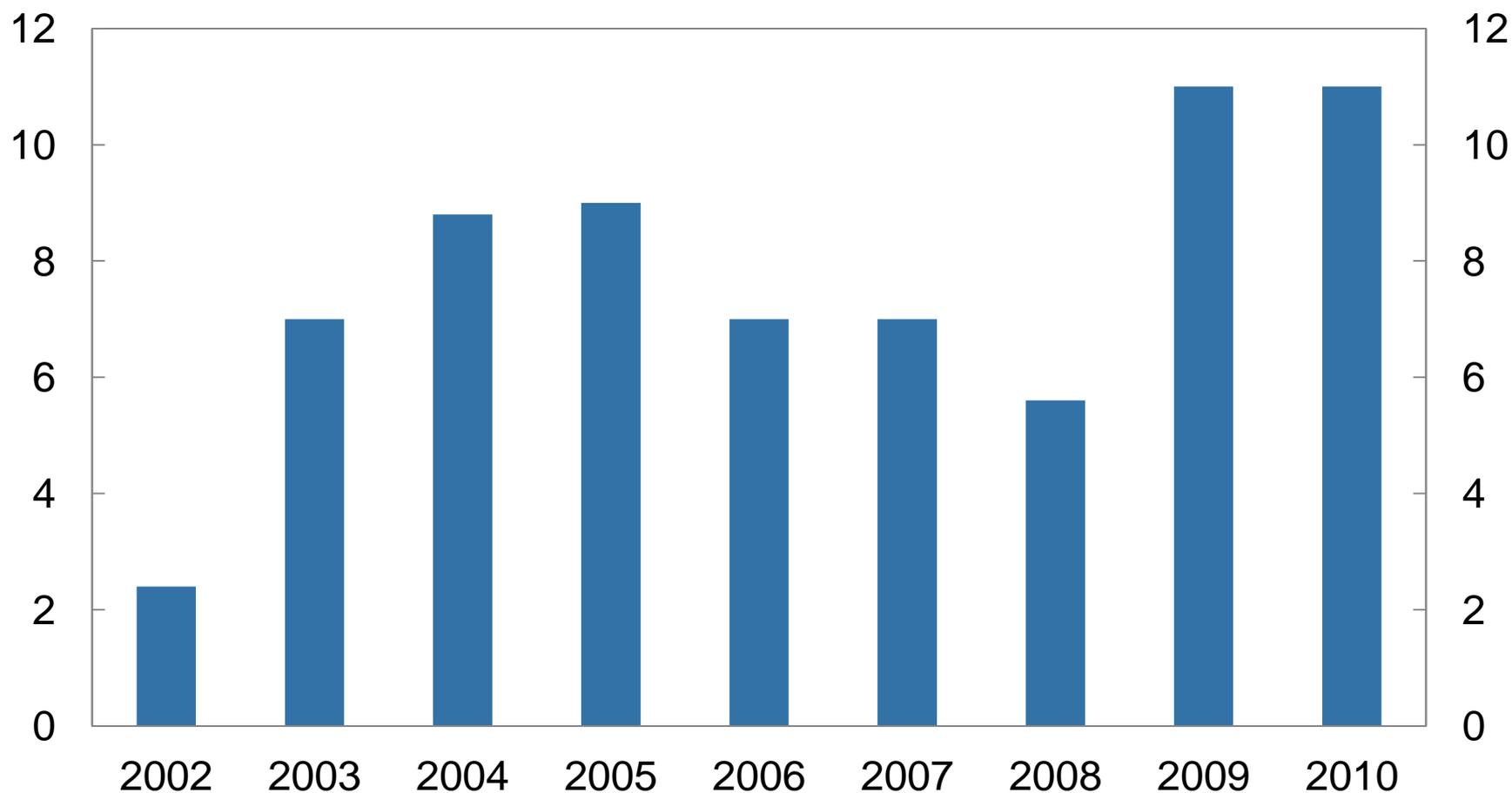
Percentage of mainland GDP. 2005 - 2060



Source: Ministry of Finance (RNB 2010)

Generational account

Estimated need for fiscal tightening as a percentage of GDP. 2002 - 2010



Source: Statistics Norway, Statistical Analyses (SA 114)

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