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The Role of Sovereign Wealth Funds in Global Managament of Excess Foreign Exchange Reserves

Abstract

This paper finds evidence that for many countries Sovereign Wealth Funds are the alternative vehicle for management of excess foreign exchange reserves. These funds can be seen as a substitutes for monetary authorities as well as institutional innovations on global financial markets. Sovereign Wealth Funds offer to countries various economic and financial benefits. They facilitate saving intergenerational transfer of proceeds from nonrenewable resources and help reduce cyclical volatility driven by changes in commodity export prices. These state-run funds help to reduce the opportunity cost of reserves holdings due to greater portfolio diversification of reserve-assets and allow countries to accumulate large capital inflow without negative consequences such as exchange rate appreciations, price distortions, liquidity expansion, domestic asset bubbles, financial sector imbalances and inflations. Sovereign Wealth Funds can support domestic economy during the crises as a investors of last resort and stabilize international financial markets by supplying liquidity and reducing market volatility. Sovereign Wealth Funds are likely to continue growing and increase their relative importance in global financial markets.

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1. Introduction

Sovereign Wealth Funds are defined as a special purpose investment funds or arrangements, owned by the general government. Created by the general government for macroeconomic purposes, these funds hold, manage or administer assets in order to achieve financial objectives, and employ set of investment strategies including investing in foreign financial assets. Sovereign Wealth Funds are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports (IMF 2008a, p. 34). Although the first Sovereign Wealth Funds were established in the 1950s, they have attracted considerable attention in both the academic and policymaking communities in the last couple of years. Since the last crises these governments investment vehicles have become systematically significant institutions for global financial markets. Sovereign Wealth Funds are likely to continue growing and increase their relative importance in global financial markets.

The main goal of this article is to provide insights for better understanding of Sovereign Wealth Funds. In the first section the article examines motivation behind recent foreign exchange reserve accumulation in developing countries. In the next part specific benchmarks for reserve adequacy are presented. Section three analyses the key elements of Sovereign Wealth Funds. Finally the author presets the main benefits that these funds provide to the economy.

2. The motivation for the accumulation of foreign exchange reserves

Reserves accumulated by country provide two main benefits to the economy._First is self-insurance against financial crisis. Countries with higher level of foreign liquid assets are better able to survive panics in domestic or international markets and sudden reversals in capital flows. In this case forex reserves are seen as a war chest or buffer against financial crisis. The second benefit is mercantilist export promotion. Large stockpiles of foreign exchange reserves allow country to keep its currency undervaluated and follow the export-led growth strategy. In other words in this case, reserves are used by central bank to intervene in order to maintain a target exchange rate and reduce exchange rate volatility. This is especially important for developing countries because of empirical evidences that mitigating exchange rate volatility increases growth. In the recent literature self-insurance motive is the main motive for reserve accumulation.

Griffith-Jones and Ocampo distinguish four major motives for the accumulation of foreign exchange assets: wealth substitution motive, resilient surplus motive, counter-cyclical motive and self-insurance motive (Griffith-Jones, Ocampo 2010, pp. 14-18).

The first motive is characteristic of countries with current account surpluses which result from the explorations of natural non-renewable resources. In this case reserves accumulation is a form of transformation one asset into another. Because of exchange rate appreciation and decline in the manufacturing sector ("Dutch disease", "resource curse") for countries with natural resources allocation in foreign exchange assets is better solution than the domestic spending of revenues.

The resilient or structural surplus motive for accumulation of foreign exchange assets is connected with a tendency of some non-natural resources based economies to run current account surpluses that are quite resilient to growth or even to exchange rate appreciation. From one point of view this is the case of over-competitiveness in the production of tradable goods and services (due to exchange rate undervaluation) or a structural savings surpluses associated with high level of savings from another.

The counter-cyclical motive is associated with possibility of overheating of the domestic economy during the boom that would lead to real exchange rate appreciation. Accumulation of foreign exchange reserves is in this case a tool that helps the country to avoid "Dutch disease" and to smooth out exchange rate trends which has a positive impacts on long term growth.

The self-insurance motive is based on pro-cyclical capital flows and the risk of capital flow reversibility. This motive is especially important for developing countries with open economy that have experienced the sudden stop incidents in the past. Durdu et al. list 18 sudden stops incidents that occurred in the global economy between year 1994 and 2002. In response to loss of access to capital market these emerging countries initiated unprecedented in the recent history process of reserve accumulation. Large stockpiles of reserves are viewed in these economies as a form of self-insurance or a war chest for defense against sudden stop capital inflow and a form of New Mercantilism (Durdu et al 2009, pp. 194-195).

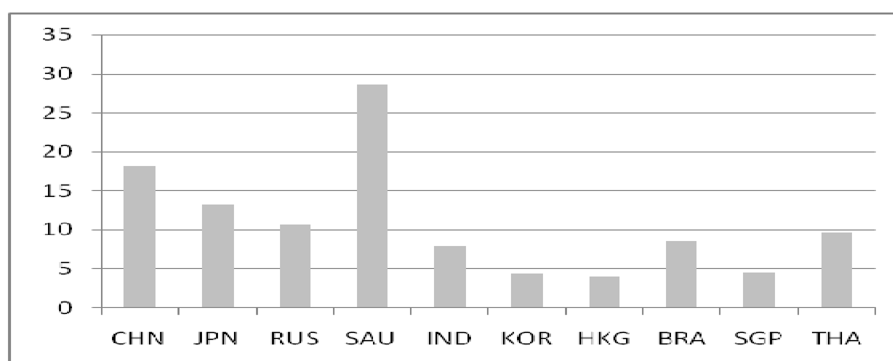
3. Conventional precautionary reserves benchmarks

Because of economic differences between countries there is no precise level of reserves that can be commonly accepted as a optimal or sufficient. In the

literature there are four simple and the most popular ratios for reserve adequacy (Green Torgerson 2007, pp.3-4):

- Reserves to short-term external debt. The so-called Greenspan-Guidotti rule is the most widely preferred benchmark for measuring vulnerability to capital account crises. According to this ratio developing countries should accumulate reserves equal to all external debt coming due within the next year. In other words, Greenspan-Guidotti rule states that a country should keep its reserves large enough to survive one year without new loans.
- Reserves to M2. This money-based measure is appropriate for countries facing risk of capital flight. Depending on the exchange rate regime, adequate level of reserves is equivalent of 5-20% of the total amount of money and quasi money in circulation. Reserves accumulation against monetary base can increase confidence in the value of local currency.
- Reserves to imports. Import-based ratio can be useful for low-income countries without significant access to capital markets and vulnerable to current account shocks. Foreign exchange reserves as a equivalent of three to four months imports is the most often cited benchmark.
- Reserves to GDP. This measure has a little theoretical and empirical justification because GDP does not represent any vulnerability, that must be covered in a crises. There is only a little reason for country to hold reserves as part of GDP.

Chart 1. Reserves to imports in the largest reserve holders in 2008 (months)



Source: World Bank.

The Chart 1. shows that in 2008 ten of the top reserve holders have accumulated reserves larger than import-based benchmark. This group of economies represents over 60% value of total reserves held globally in year 2008. The largest reserve holder economy is China with almost 2 bln USD

reserves. The second is Japan holding reserves worth around 1 bln USD. Chart 2 presents foreign exchange reserves to total external debt. In this case all countries except Brazil held bigger foreign exchange reserves than total external debt of the country. Due to lack of data the list of countries is smaller than before and also reserves to debt ratio is not the same as Greenspan-Guidotii rule. However economies that have reserves large enough to cover all external debt definitively follow the Greenspan-Guidotti rule.

Chart 2. Reserves to total external debt in selected countries in 2008 (%)

Source: World Bank.

To sum up, in the last couple of years emerging market economies have accumulated foreign exchange reserves bigger than conventional precautionary benchmarks such a Greenspan-Guidotti rule or reserve to import ratio. The group of the largest reserve holders is dominated by countries from Asia: China, Japan, India, Korea, Hong-Kong, Singapore and Thailand.

4. Sovereign Wealth Funds - institutional innovation on global financial markets

As it was mentioned in the previous section, in recent years group of economies has accumulated foreign exchange reserves that are higher than traditional balance of payments needs. The excess reserves of major emerging economies were calculated by Beck and Fidora (Table.1). The authors estimated excess reserves as the difference between foreign exchange reserves and the maximum of three-month import values and total short-term external debt. Table

1. shows that in 2007 excess reserves in these countries have exceeded level of 3 billions of USD.

Table 1. Excess reserves in emerging Asia and oil-exporting economies

Country	**Reserves**	**3-months imports**	**Short-term external debt**	**Excess Reserves**
China	1559	254	231	1306
Russia	420	70	53	350
Saudi Arabia	276	34	22	242
Taiwan	261	67	26	194
Korea	244	109	3	135
India	202	72	15	129
Brazil	175	37	66	110
Algeria	99	10	0	90
Libya	79	6	1	73
Singapore	149	85	40	64
Others	959			332
Total	4322			3023

Source: Beck, Fidora 2008, p. 14.

Holding reserves higher than the most popular benchmarks is not free of cost. First of all, traditional reserve management is based on low-risk and low-return assets investment, mainly in governments bonds and bills. The real return ratio of such a reserve investment in the last 60 years estimated by Deutsche Bank has been approximately about 1%. At the same time the real return on diversified portfolio of 60% stocks and 40% of bonds was almost 6% (Deutsche Bank 2007, p.5). Moreover historically low yield of US bond and bills along with depreciation of US currency make this traditional reserve management strategy even less attractive. Second, in many developing countries reserves could be used for less liquid but more productive investment for example in domestic infrastructure fostering economic growth. Third, under the presumption that most emerging countries are borrowers in the international market, the positive spread between borrowing rate and return on reserves represents opportunity cost of holding reserves (Akdogan 2010, p. 3). For developing countries cost of holding excess reserves - defined as the amount exceeding three-months of imports - was calculated by Rodrick as a 1% of GDP (Rodrick 2006, p. 9).

Park and Estrada (Park Estrada 2009, p.6) show that from macroeconomic point of view three major cost of reserve accumulation are inflation, fiscal costs and higher interest rate. The first one is associated with increase of the monetary

base of domestic currency in order to purchase foreign currency, which in turn leads to inflation. The second cost is connected with first one. In order to mitigate the inflationary impact a central bank issues bonds that are exchanged for currency in circulation, withdrawing domestic liquidity. The fiscal cost appears if the interest rate that central bank pays on bonds exceeds the interest rate it earns on its foreign reserves assets. The third cost –higher interest rate- is associated with sterilization made by central bank. Because of limited demand for sterilization bonds sustained accumulation of reserves will always lead to a higher interest rate.

Seeking to invest their excessive reserves countries have established institutional innovation – Sovereign Wealth Funds. These funds have become a symbol of global economic and financial rebalancing of power. During the last financial crises Sovereign Wealth Funds have been welcome investors, investing large amount of capital in major US financial institutions. These funds are becoming an alternative for economies to seek out better risk-adjusted return on their extra cash. These state-run funds are significant long-term institutional investors that can play stabilizing role in global financial markets by providing liquidity and reducing market volatility. Typically, these funds are passive investors that do not play an active role in operating the underlying businesses. The term “Sovereign Wealth Fund” was first used by State Street Bank economist Andrew Rozanov. He noted that some countries with budget surpluses and foreign exchange reserves surpluses established dedicated investment institution to manage these excessive financial resources. In the original article SWFs were defined as sovereign-owned assets pools, which are neither traditional public pension funds nor reserve assets supporting national currencies (Rozanov, 2005). Although the term “Sovereign Wealth Fund” is quite new, these funds has existed since the 1950`s when Kuwait Investment Authority was created in order to reinvest surpluses from oil revenues. First group of SWFs were established during the oil boom of the 1970`s, the second the most remarkable increase of theses funds is still taking place.

There is no one commonly excepted definition of SWF. The one of the most cited in the literature definition was presented by International Monetary Found. IMF defines Sovereign Wealth Funds as a special purpose investment funds or arrangements, owned by the general government. SWF are created by the general government for macroeconomic purposes. These funds hold, manage or administer assets in order to achieve financial objectives, and employ set of investment strategies including investing in foreign financial assets. Sovereign Wealth Funds are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports (IMF 2008a, p. 34).

There are five key criteria characterizing these funds:

- SWFs are owned by sovereign government and usually managed separately from central bank reserves;
- SWFs pursue diversified investment strategies including investment in foreign assets;
- SWFs are established by government in order to achieve macroeconomic and financial objectives;
- SWFs are not hold, inter alia, for traditional balance of payments or monetary policy purposes, foreign currency reserves assets or
- Operations of state-owned enterprises (IMF 2008a, p. 34).

Sovereign Wealth Funds can be broken down into two general categories according to the source of their foreign exchange assets: commodity and non-commodity funds. Commodity funds are founded mainly from oil-revenue and non-commodity funds from official foreign exchange reserves and also in some cases from pension reserves or government budget surpluses. Some scholars also categorize Sovereign Wealth Funds from different perspective, for example Chao based on why the fund was created in the first place organizes these funds into five categories (Ping Chao, 2009, pp.4-5):

- Stabilizing SWFs – created in order to stabilize national income across different periods and reduce the impact accidental income fluctuations over economy and fiscal budget;
- Offsetting SWFs - to assist the monetary authority to channel foreign reserves, intervene in the forex market and absorb excessive liquidity;
- Saving SWFs – established to stabilize national wealth across generations and save up for future generations;
- Preventive SWFs – to prevent national social economic crises and promote smooth socioeconomic development;
- Strategic SWFs – created to support national development strategy and to optimize asset allocation globally.

SWFs are difficult to understand and analyze because some funds combine the functions of monetary authorities and SWF in a single institution.

Table 2. Sovereign Wealth Funds vs. other government institutions

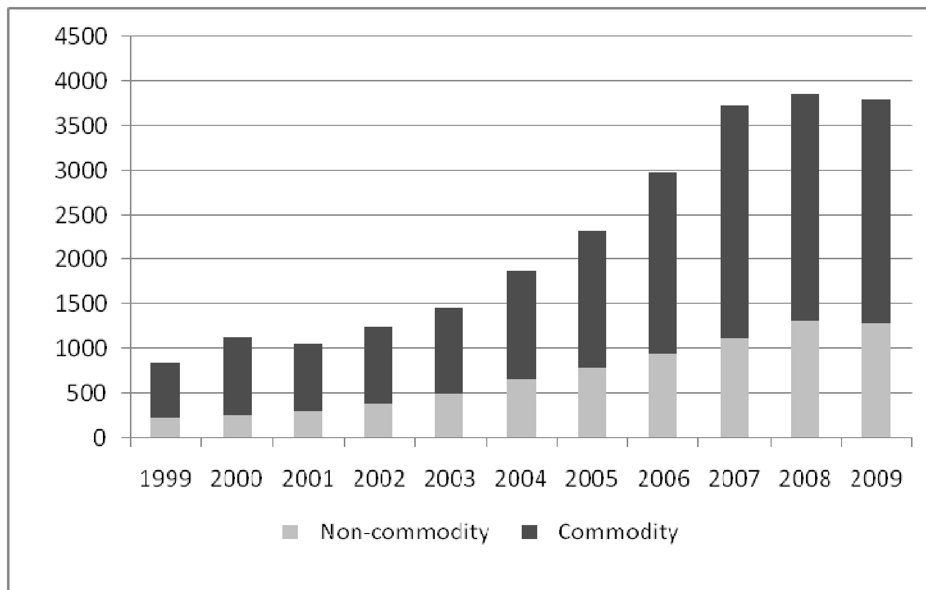
	Sovereign Wealth Funds	Government Pension Funds	Monetary Authorities	State-owned Enterprises
Owner	Central government	Members of the pension scheme	Central government	Central/local government
Source of found	Forex reserves / export	Contribution from community members	Forex reserves	Government grants / corporate profits
Investment purposes	Value enhancement (primary) and strategic goals (secondary)	Alleviate future pension funding pressure	Value preservation/ currency stabilization	Value enhancement / profit making strategy
Investment portfolio	Diverse	Diverse	Monotonous	Industrial sector prone
Investment horizon	Long	Long	Possibly short	Long
Government holding stake	Complete	Not obvious	Complete	Significant but not complete
Information disclosure	Varied – mostly non transparent	Highly transparent	Non transparent	Varied – listed companies need to meet disclosure requirements

Source: Ping Chao, 2009, pp. 6-7.

These funds are defined as a government funds that differ from central banks and pension funds. They don` t have short-term liquid assets required for foreign exchange market intervention and also specific future liabilities (Caner Grennes 2010, p.599). Ping and Chao suggest that Sovereign Wealth Funds are often confused with traditional government pension funds, state-owned enterprises and monetary authorities. Table 2 shows differences between four of them. In contrast to government pension funds and state-owned enterprises, Sovereign Wealth Funds are fully owned by central government. Sovereign Wealth Funds are "value-enhancing" oriented with diversified investment portfolio including high-risk assets whereas monetary authorities are more "value preserving" oriented with monotonous investment portfolio which includes mainly foreign bonds and bills. Sovereign Wealth Funds are mostly non transparent –with some exceptions, in contrast to highly transparent government pension funds. In the case of Sovereign Wealth Funds and monetary authorities government has a complete holding stake whereas government holding stake in traditional government pension funds is not obvious or significant but not complete in state-owned enterprises.

Estimates of the size and growth of SWFs market differ widely due to varying definitions of SWFs and limited disclosure and lack of transparency of many funds. At the end of 2009 assets under management of these funds were estimated at 3,8 trillion USD. This is more than assets held by hedge funds (1,6) and private equity funds (2,6). Projections prepared by IFSL are for SWFs assets to increase 5,5 trillion USD in 2012 (IFSL 2010, pp.1-2).

Chart 3. Sovereign Wealth Funds assets under management (billions of USD)



Source: IFSL 2010, p. 1.

Investment activity of these state-run funds is focused on wide range of sectors including: banking and insurance, communication, transportation, real estate, construction, chemicals, mining, as well as health-care, aerospace, automobiles and trucks. Emerging market economies are the major investment targets for these funds. Regional distribution of Sovereign Wealth Funds is dominated by funds from Middle East (43% of total) and Asia 36%. The largest individual country share of the total SWFs market have China, United Arab Emirates, Norway, Saudi Arabia, Singapore, Kuwait and Russia. Five of the biggest funds are Abu Dhabi Investment Authority, Government Pension Fund-Global, SAMA Foreign Holdings, SAFE Investment Company and China Investment Corporation.

To sum up Sovereign Wealth Funds are institutional innovation on international financial markets that help countries to invest alternatively their foreign exchange reserves. Sovereign Wealth Funds are market-oriented and

professional investment vehicle owned and managed by a state`s central government. Theses state-run funds uses mainly forex reserves and export revenues to make overseas investment.

5. Sovereign Wealth Funds – effective management of excess reserves

Areaza et al. argue that transfer of capital from official foreign reserves to Sovereign Wealth Funds seems to some extend unavoidable because in the last couple of years accumulation of reserves surpassed the issuance of traditional reserve securities – treasury bills and treasury bonds (Areaza et al 2009, p. 31). Furthermore this was accompanied by global imbalances- credit expansion in the United States from one side and massive capital accumulation in emerging countries from another. Current account surpluses in emerging economies were recycled into US government securities and other low-risk assets, depressing their yields and encouraging other investors to search for higher return assets from more risky assets (De Larosière 2009, p.7). In this plentiful liquidity and low return environment not only private but also institutional investor went searching for opportunities. For many countries with reserve accumulation Sovereign Wealth Funds has become such a investment vehicle.

IMF suggests that Sovereign Wealth Funds offer to countries various economic and financial benefits. They facilitate saving intergenerational transfer of proceeds from nonrenewable resources and help reduce cyclical volatility driven by changes in commodity export prices. They help to reduce (or even eliminate) the opportunity cost of reserves holdings due to greater portfolio diversification of reserve-assets. For countries with plentiful reserves Sovereign Wealth Funds are a tool of sound and responsible management of national assets (IMF 2008b, p.4).

Reserve build-up and its sources rise significant policy questions in terms of investments decisions that are not at odds with economic goals. Large capital inflow can not be absorbed by economies without experiencing disruptive economic consequences such as exchange rate appreciations, price distortions, liquidity expansion, domestic asset bubbles, financial sector imbalances, inflations and cyclical volatility. In order to mitigate such a effects in the economy monetary authorities employ such a tools as exchange market intervention, taxes on short-term capital inflows, changes in reserves requirements for banking sector. These interventions are costly and hard to sustain effectively in the long term. Alternative strategy is to establish Sovereign Wealth Funds which are government-owned investment vehicles (Areaza Castilla Fernandes 2009, p. 26).

Global investment activity of Sovereign Wealth Funds can be the substitute of domestic sterilization made by central bank. Allocation of excess reserves on international financial markets can be seen as a form of foreign sterilization. Capital transfer from national economy to external markets has the same effect as domestic intervention of monetary authority. Furthermore Sovereign Wealth Funds allow country to invest their reserves with higher return, invest in more diverse group of foreign assets than traditional reserve management. Aizenman et al. argue that the creation of SWF represent the policy response to growing popular pressure for using surplus reserves for active profit-seeking investment rather than passive liquidity management (Aizenman Jinjarak Park 2010, p.3). Diverting assets from official foreign reserves to Sovereign Wealth Funds is rational especially for small countries with limited domestic absorptive capacity. When reserves are much beyond this capacity, they can`t be efficiently invested at home without asset bubbles and inflation (Cehajic 2009, p.18). In addition to investing foreign exchange reserves in higher-return assets, Sovereign Wealth Funds are also used to hedge against shocks in the commodity- and export-oriented sectors by holding assets whose returns are inversely correlated with country`s primary risk exposure (Lam Rossi 2010, p. 305).

Ping and Chao suggest that under the current international monetary system for non-reserve currency countries Sovereign Wealth Funds are an alternative mechanism use to regulate the exchange rate risk and prevent reserves from loosing their purchasing power. Another solution is currency block within countries don`t need excessive reserves. But formation of currency block first of all requires coordination of interest between different countries, second is a long process. Because of that creation of SWF is for many countries more practical choice (Ping Chao 2009, p. 12).

Clark and Monk have identified five common function of these funds (Clark Monk 2010, p.16). First, Sovereign Wealth Funds allow their sovereign sponsors to realize a long-term premium on a nation`s wealth over and above the projected real rate of economic growth. This premium is achieved through investment in a broad portfolio of assets on global markets. Second these state-run funds promote long-term macroeconomic stability by separating a portion of national wealth accumulated by country from the domestic economy and placing them on international markets. Third SWFs are a form of insurance of the future economic prosperity of the nation against economic and financial instability. Fourth these funds are a tool that help the country to separate some of a nation`s wealth from short-term exigencies and also to conserve the wealth. Fifth Sovereign Wealth Funds allow the country to distribute current national wealth from exploitation of non-renewable resources to future generations.

Another application of Sovereign Wealth Funds in the domestic economy has appeared during the last crisis. In some countries these funds were used to support domestic economy as a investors of last resort. In countries like China and Quatar Sovereign Wealth Funds have been used as a shareholders of last resort for the domestic banking sector, in others like Kuwait, Russia and France as a tool of intervention on stock exchange (Rymond 2010).

6. Conclusion

Foreign exchange reserves accumulation provide to the economy two main benefits: self-insurance against financial crisis and mercantilist export promotion. Analysis presented in the second part of the article suggest that the largest reserve-holders countries –mainly Asian economies- have accumulated forex reserves bigger that traditional precautionary demand benchmarks: Greenspan-Guidotti rule and reserves to import ratio. In order to manage such a excessive reserves many countries have established special investment vehicle – Sovereign Wealth Funds. These funds are defined as a special purpose investment funds or arrangements, owned by the general government. These funds hold, manage or administer assets in order to achieve financial objectives, and employ set of investment strategies including investing in foreign financial assets. Sovereign Wealth Funds are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity export.

The main benefits that Sovereign Wealth Funds provide to the economy are following:

- they facilitate saving intergenerational transfer of proceeds from nonrenewable resources and help reduce cyclical volatility driven by changes in commodity export prices;
- they help to reduce or eliminate the opportunity cost of reserves holdings due to greater portfolio diversification of reserve-assets;
- they allow domestic economy to absorb large capital inflow without experiencing disruptive economic consequences such as exchange rate appreciations, price distortions, liquidity expansion, domestic asset bubbles, financial sector imbalances, inflations and cyclical volatility;
- they are an alternative mechanism used to regulate the exchange rate risk and prevent accumulated forex reserves from loosing their purchasing power;

- they allow their sovereign sponsors to realize a long-term premium on a nation`s wealth over and above the projected real rate of economic growth;
- they can be used to support home economy during the crises as a investors/shareholders of last resort to financial and non-financial sectors.

There is ground to believe that due to growing global imbalances, depreciation of the dollar and historically low yield on US government bonds and government bills accompanied by Euro-zone economic and financial problems for more and more countries Sovereign Wealth Funds will become an alternative mechanism for effective management of excessive reserves. Moreover, the last global crisis has reinforced perception in a group of emerging market economies that more than adequate level of reserves provides a useful insurance against external shocks. As a consequence it seems likely that in the nearest future large share of external surpluses will be transfer into Sovereign Wealth Funds. In coming years these state-run funds will become more important – both in size and qualitatively – and influential investors on international financial markets. As a unleveraged passive investors with long-term investment horizon, these funds are able to provide stability to domestic and global financial markets.

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Streszczenie

ZNACZENIE PAŃSTWOWYCH FUNDUSZY MAJĄTKOWYCH W GLOBALNYM ZARZĄDZANIU NADMIERNYMI REZERWAMI WALUTOWYMI

W artykule przedstawione zostały motywy gromadzenia przez kraje rezerw walutowych oraz poziom tych rezerw w wybranych krajach w 2008 roku w odniesieniu do najczęściej występujących w literaturze poziomów referencyjnych. Przedstawione analizy dowodzą, że w grupie krajów, które zgromadziły ponad 60% ogólnoświatowych rezerw walutowych przekroczone zostały mierniki uznawane za optymalne, co dowodzi, że kraje te posiadają nadmierne rezerwy. Dotyczy to takich krajów jak: Chiny, Japonia, Rosja, Arabia Saudyjska, Hong Kong, Indie, Korea Południowa, Brazylia, Singapur oraz Tajlandia. W kolejnej części przedstawiona została krótka charakterystyka państwowych funduszy majątkowych, które są jednocześnie instytucjonalną innowacją na globalnych rynkach finansowych oraz alternatywnym narzędziem zarządzania nadmiernymi rezerwami walutowymi. W następnej części artykułu przybliżone zostały korzyści płynące dla gospodarki z tytułu posiadania tego typu podmiotów. Wymienić wśród nich należy m.in. możliwość inwestowania rezerw walutowych w szerszą grupę aktywów o wyższym ryzyku oraz wyższej stopie zwrotu niż ma to miejsce w przypadku tradycyjnego zarządzania rezerwami walutowymi prowadzonego przez krajowe władze monetarne. Podmioty te ułatwiają ponadto absorpcję napływającego do gospodarki strumienia kapitału bez wystąpienia takich negatywnych konsekwencji jak aprecjacja kursu walutowego, powstawanie baniek spekulacyjnych czy inflacja.

Dzięki inwestowaniu w szeroką gamę aktywów na rynkach międzynarodowych państwowe fundusze majątkowe zmniejszają lub wręcz eliminują koszty alternatywne związane z utrzymywaniem rezerw. Fundusze te ułatwiają międzypokoleniowy transfer środków pochodzących z eksploatacji zasobów nieodnawialnych jak również mogą być wykorzystywane do wspierania gospodarki podczas kryzysów kiedy to jako inwestorzy ostatniej instancji zapewniają płynność zarówno sektora finansowego jak i pozostałych gałęzi gospodarki. Państwowe fundusze majątkowe postrzegane są jako narzędzie wspierające stabilność makroekonomiczną gospodarki oraz forma zabezpieczenia przyszłego dobrobytu ekonomicznego kraju. Podmioty te wnoszą ponadto istotny wkład w funkcjonowanie gospodarki światowej. Jako długoterminowi, pasywni inwestorzy, którzy nie stosują w swoich strategiach inwestycyjnych dźwigni, państwowe fundusze majątkowe wywierać mogą stabilizujący wpływ na międzynarodowe rynki finansowe zwiększając ich płynność oraz obniżając wahania rynkowe. Wnioski wyciągnięte w artykule wskazują, że w najbliższym latach możliwy jest dalszy rozwój rynku państwowych funduszy majątkowych i wzrost ich znaczenia na międzynarodowych rynkach finansowych.