



TE TAI ŌHANGA  
**THE TREASURY**



# New Zealand Government Debt Market Outlook

February 2020

New Zealand Government



# Overview



Economic Outlook



Fiscal Outlook



Funding Strategy

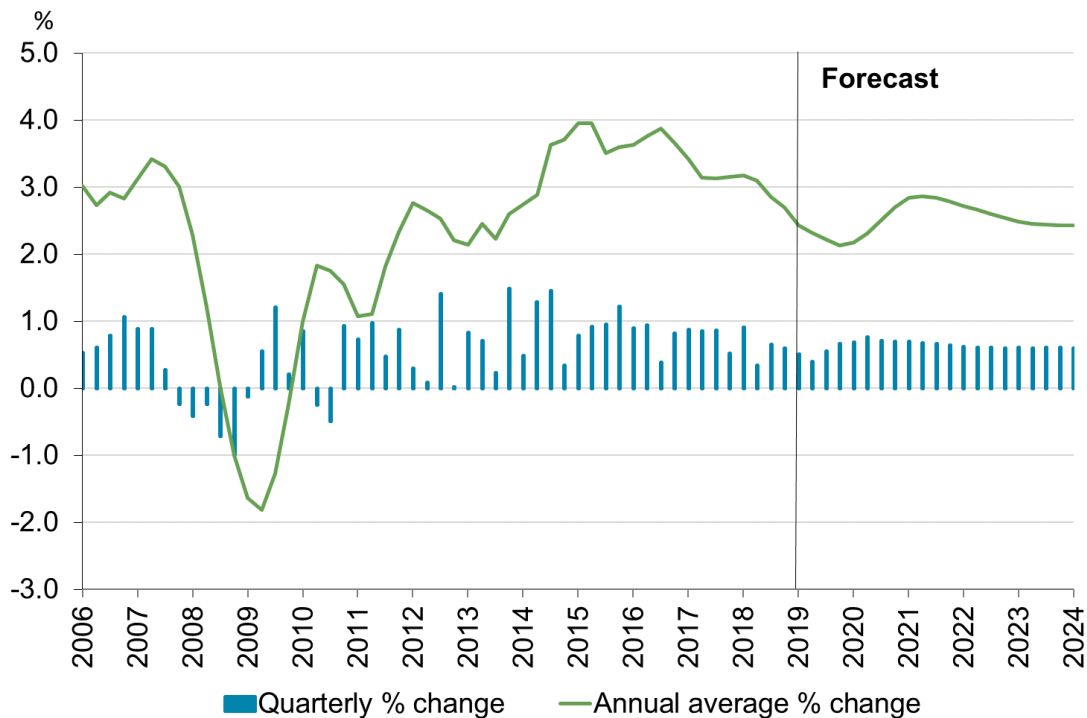


# Economic Outlook

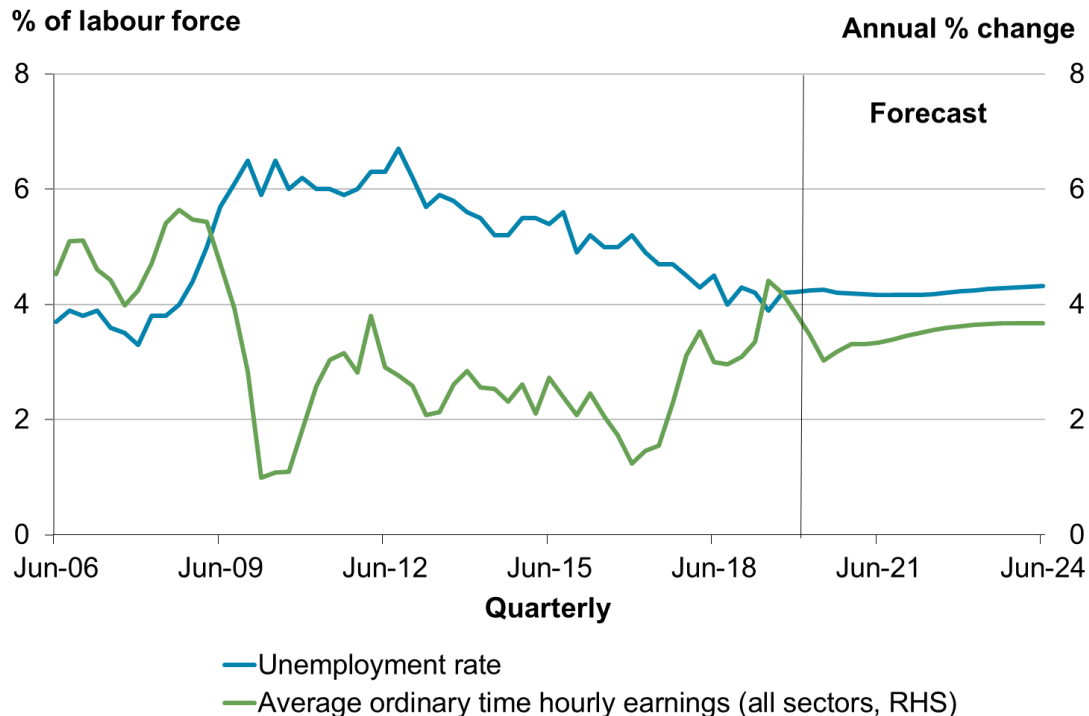
# Summary of Forecasts

	2019	2020	2021	2022	2023	2024
<b>June years</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
Real production GDP (annual average % change)	2.4	2.2	2.8	2.7	2.5	2.4
Nominal expenditure GDP (annual average % change)	3.7	5.1	5.2	5.3	4.9	4.8
Unemployment rate	3.9	4.3	4.2	4.2	4.3	4.3
CPI inflation (annual % change, June quarter)	1.7	1.9	1.9	2.0	2.0	2.0
Current account balance (% of GDP)	-3.4	-3.2	-3.4	-3.6	-3.7	-3.8
<b>Fiscal (% of GDP)</b>						
Core Crown tax revenue	28.4	27.7	28.0	28.0	28.2	28.4
Core Crown expenses	28.6	29.3	29.4	28.8	28.6	28.1
Total Crown operating balance before gains and losses	2.4	-0.3	0.0	0.5	1.1	1.5
Core Crown residual cash	-0.2	-1.6	-2.4	-1.6	-0.6	0.2
Net core Crown debt	19.0	19.6	21.0	21.5	20.9	19.6
Net worth	48.0	45.6	44.4	43.8	44.1	44.9

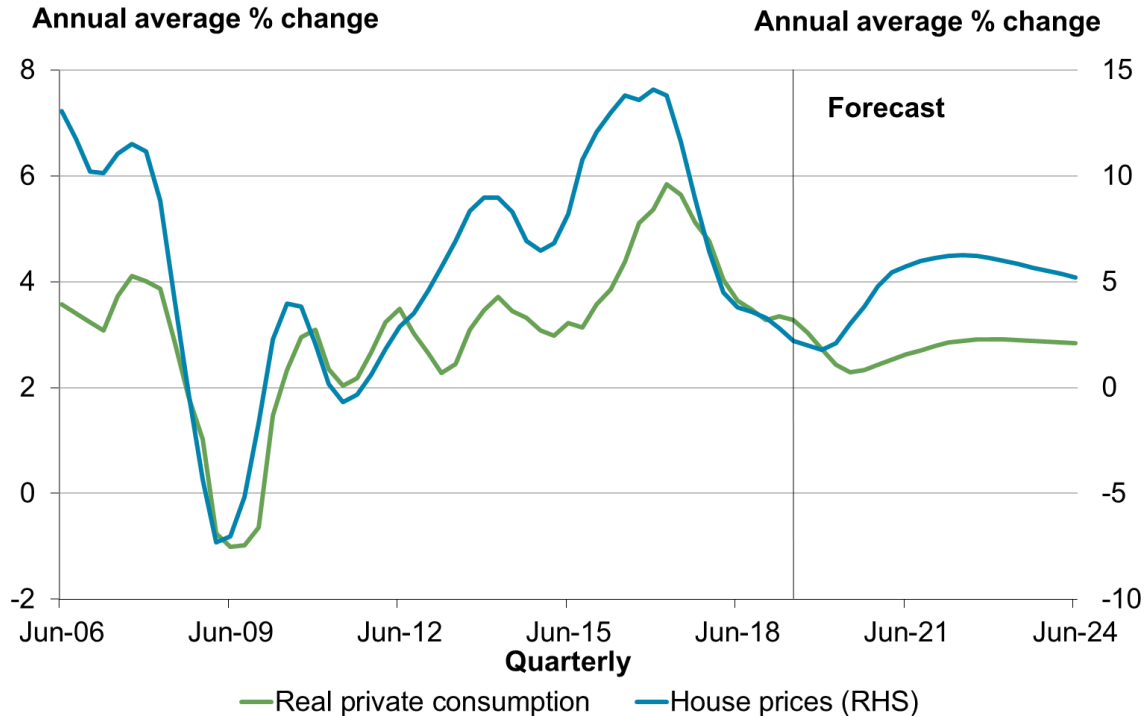
# GDP Growth Supported



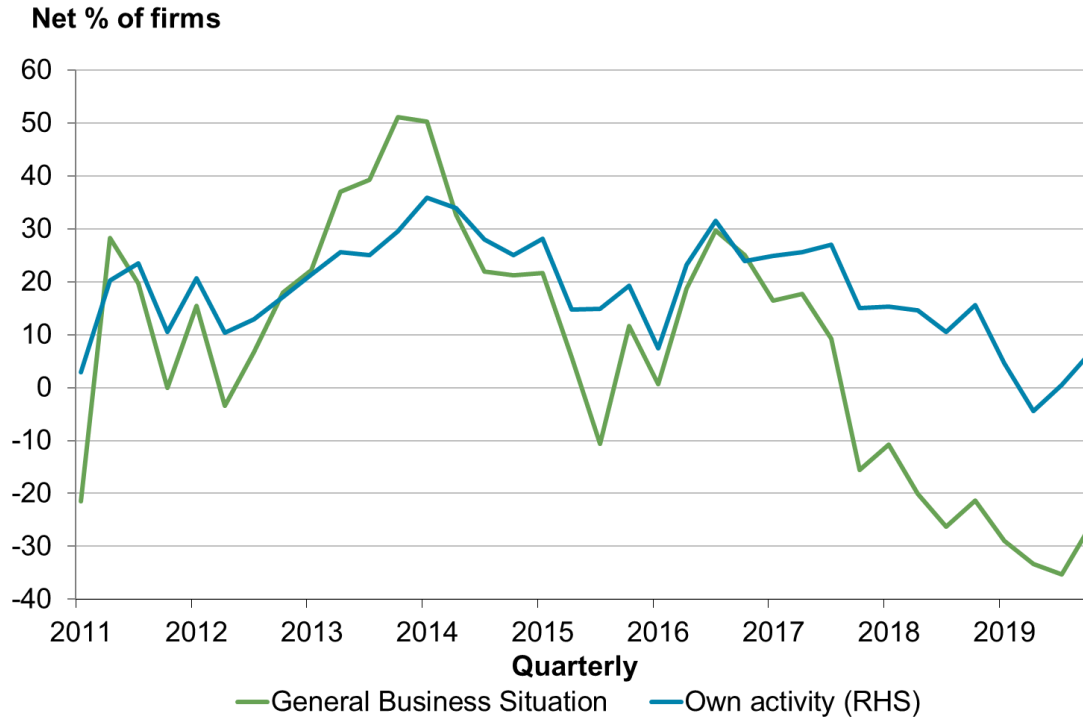
# Solid Labour Market to Continue



# House Prices to Support Consumption

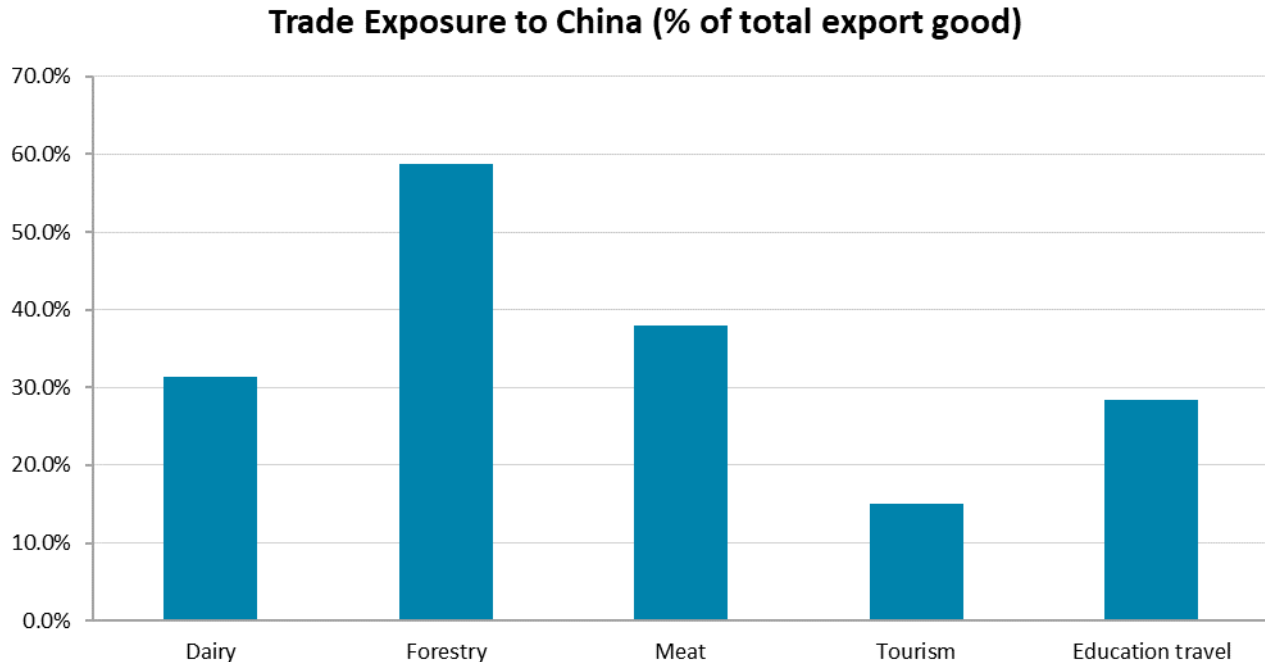


# Data Had Improved Since HYEFU

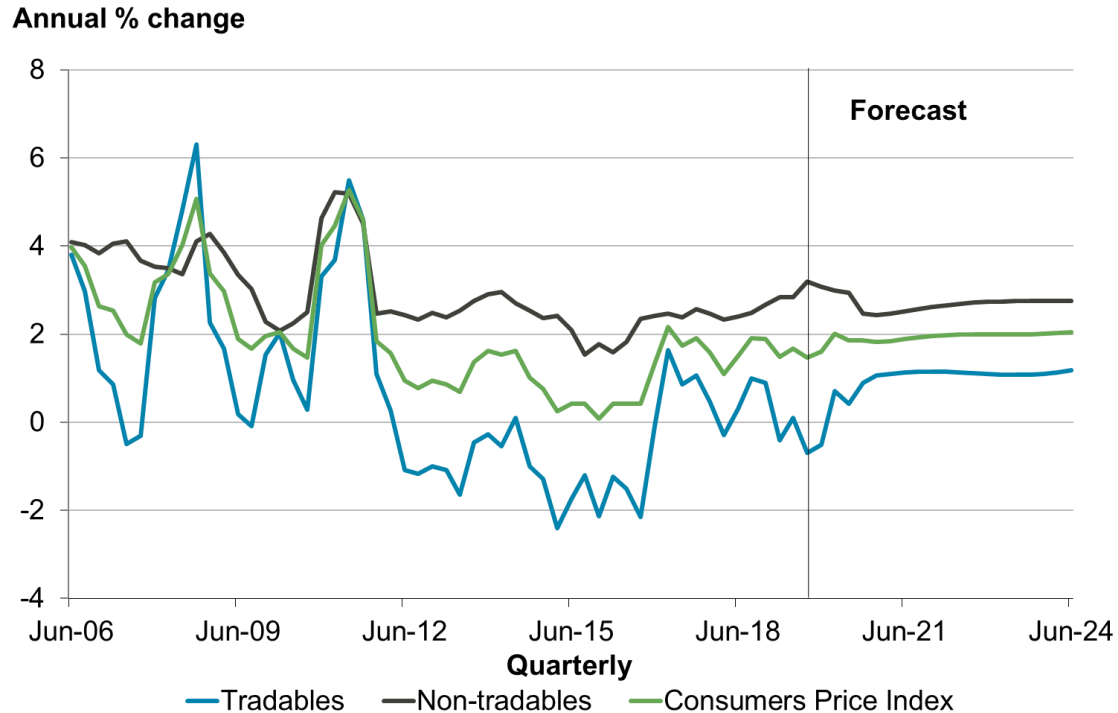




# But COVID-19 is a Risk to the Outlook



# Inflation Lethargic





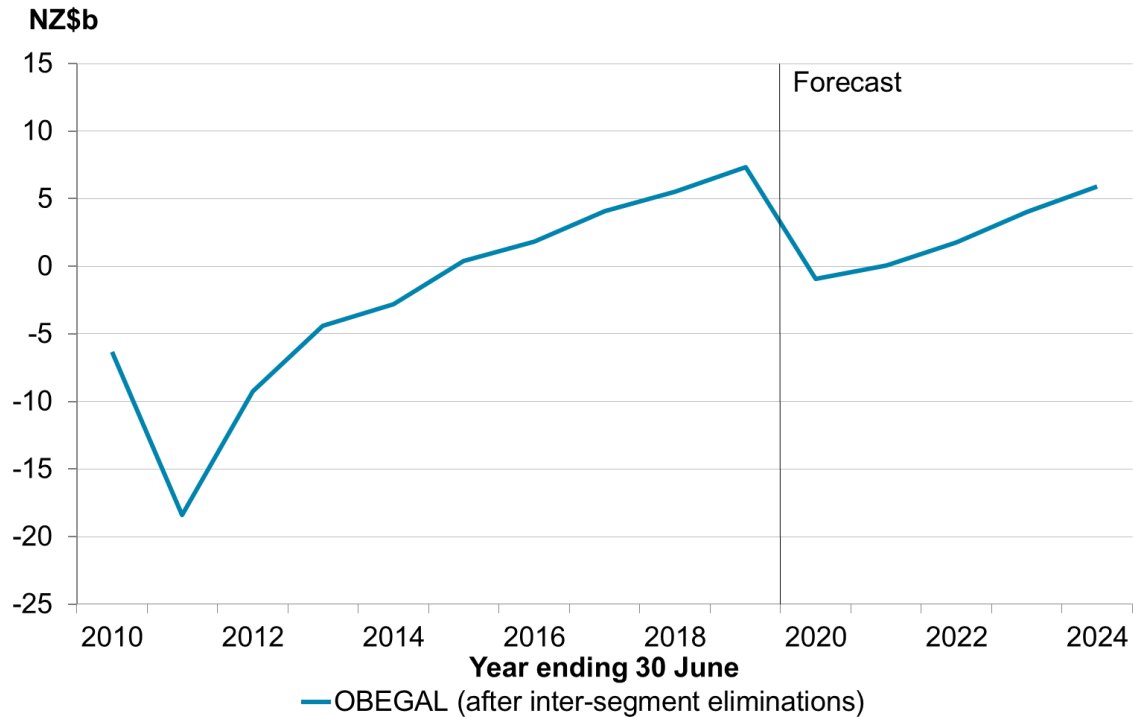
# Fiscal Outlook



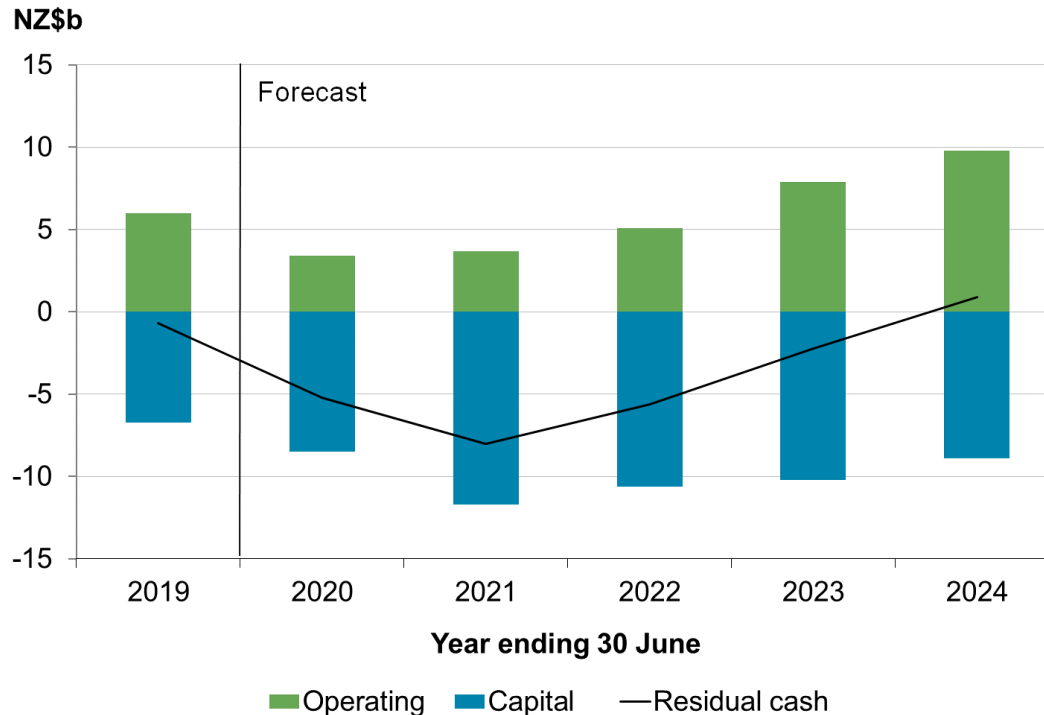
# Short-Term Fiscal Intentions

- **The current Government is committed to a prudent fiscal strategy with 5 short-term intentions:**
  - Deliver a sustainable operating surplus across an economic cycle.
  - Maintain net debt within a range between 15 and 25 per cent of GDP.
  - Prioritise investments to address the long-term financial and sustainability challenges facing New Zealand.
  - Take a prudent approach to ensure expenditure is phased, controlled and directed to maximise its benefits. The Government will maintain its expenditure to within the recent historical range of spending to GDP ratio.
  - Ensure a progressive taxation system that is fair, balanced and promotes the long-term sustainability and productivity of the economy.

# OBEGAL to Return to Surplus

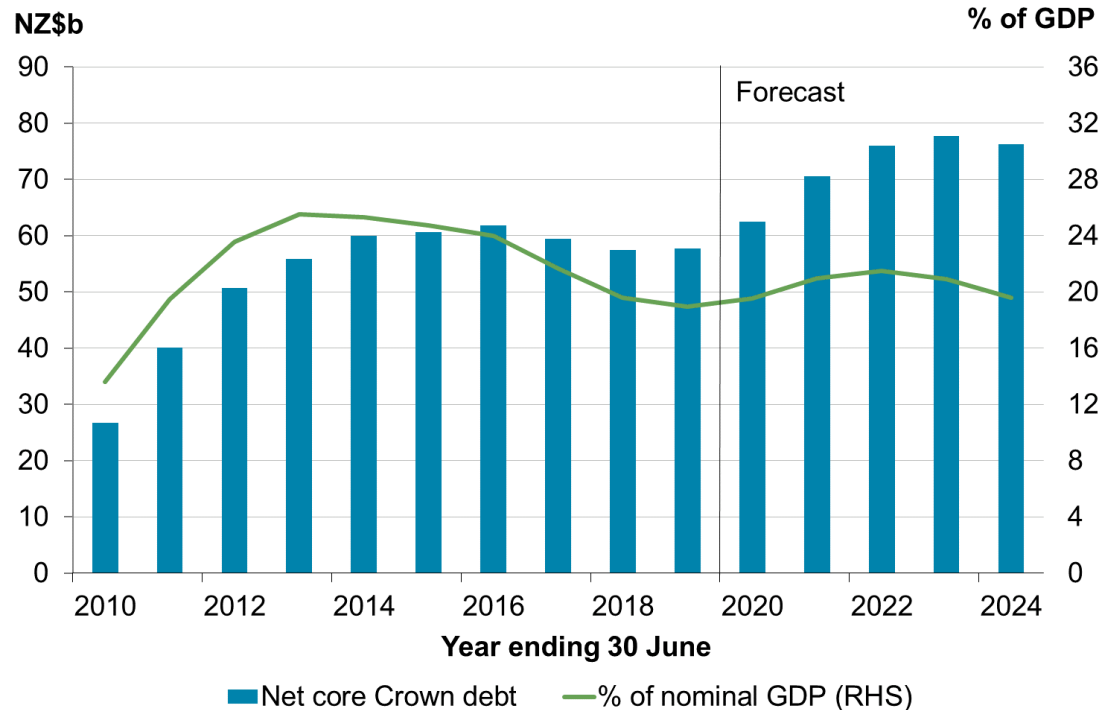


# Capital Spending Impacts Residual Cash





# Net Debt Contained





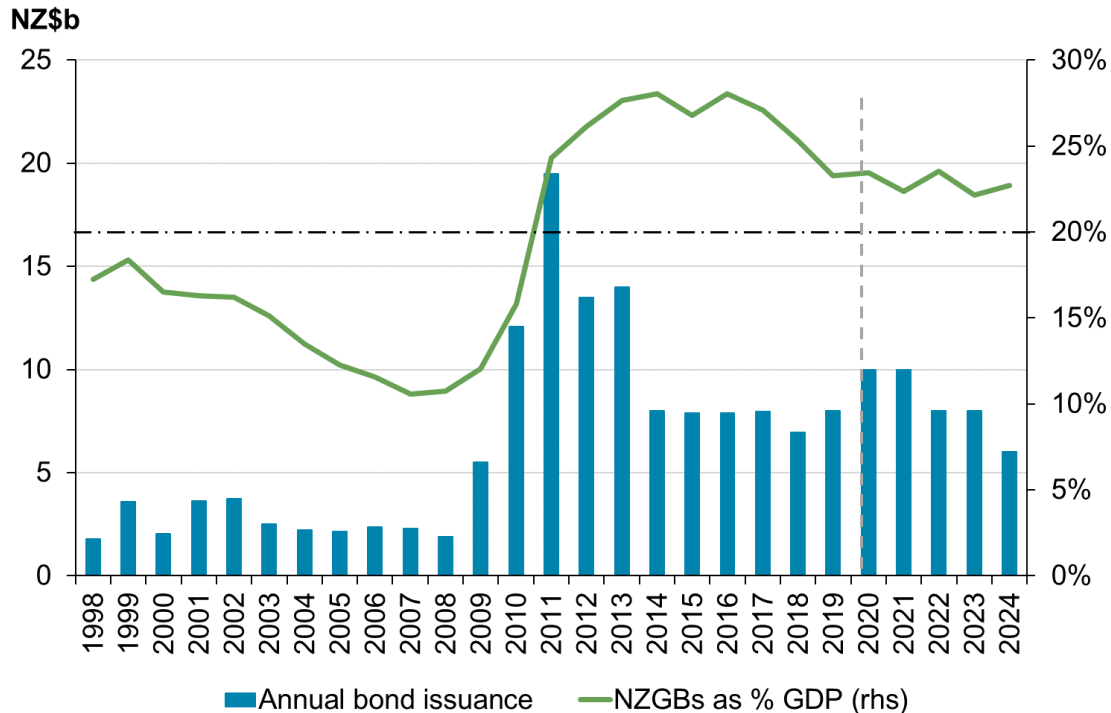
# Funding Strategy



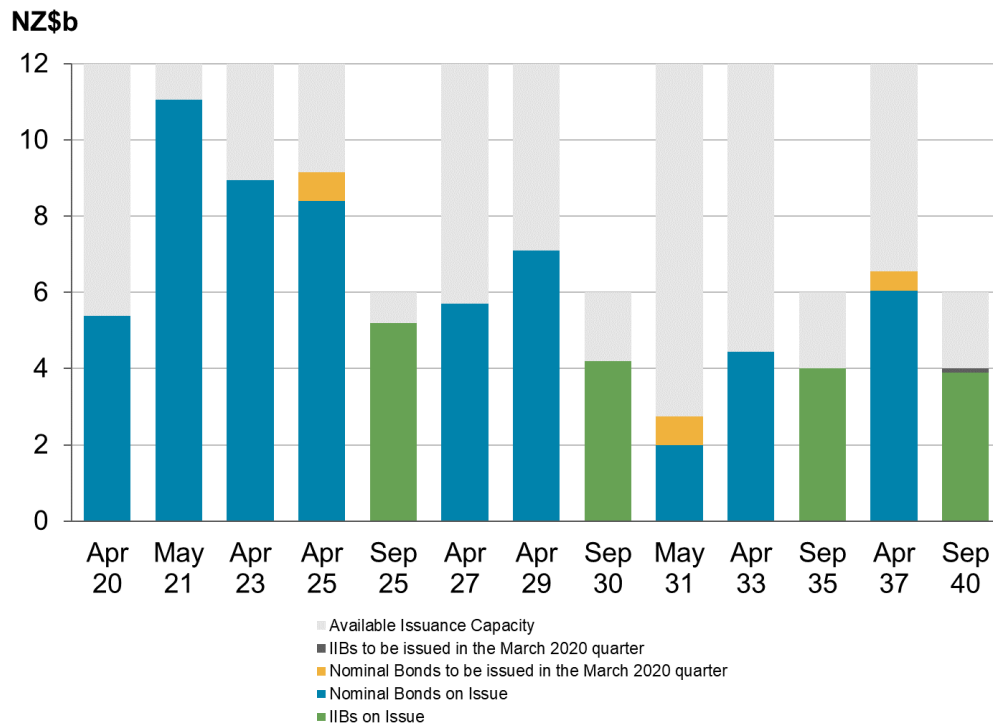
# HYEFU 2019 Announcements

Year ending 30 June (face value)	2020	2021	2022	2023	2024	Total
Gross NZGB issuance (NZ\$ billion)	10.0	10.0	8.0	8.0	6.0	42.0
NZGB maturities and repurchases (NZ\$ billion)	6.6	9.8	0.0	8.9	0.0	25.4
Net NZGB issuance (NZ\$ billion)	3.4	0.2	8.0	-0.9	6.0	16.6
NZGBs on issue (NZ\$ billion)	74.0	74.1	82.1	81.2	87.2	n/a
NZGBs on issue (percent of GDP)	23.5%	22.4%	23.5%	22.2%	22.7%	n/a
Forecast T-Bills on issue (NZ\$ billion)	3	4	4	4	2	n/a

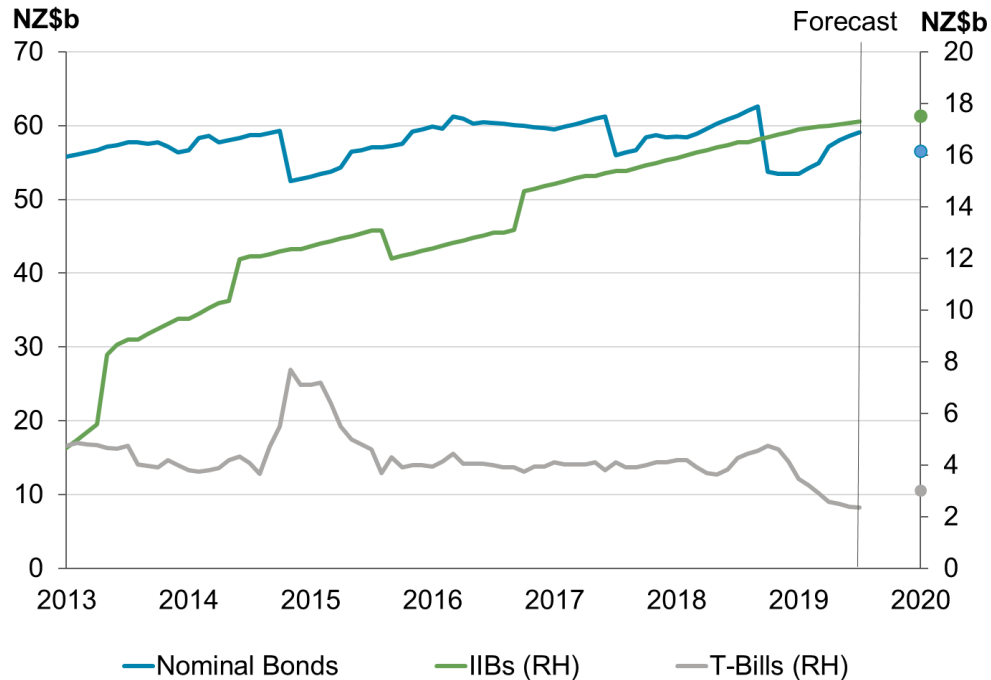
# NZGBs – Not Less Than 20% of GDP



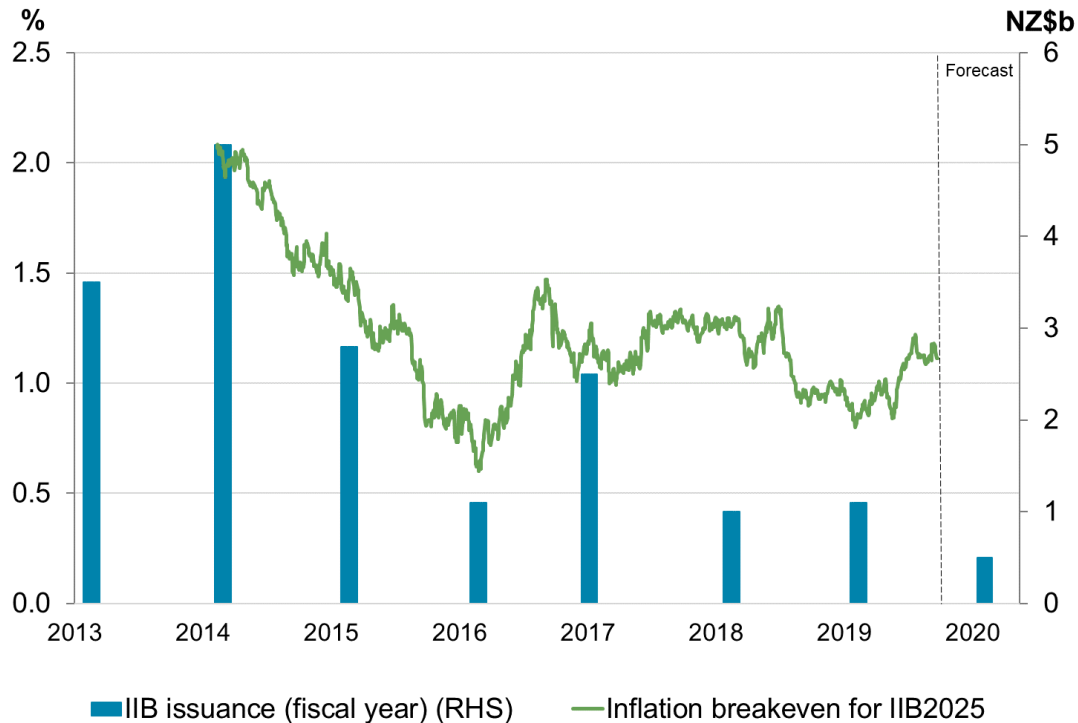
# Current NZGB Portfolio



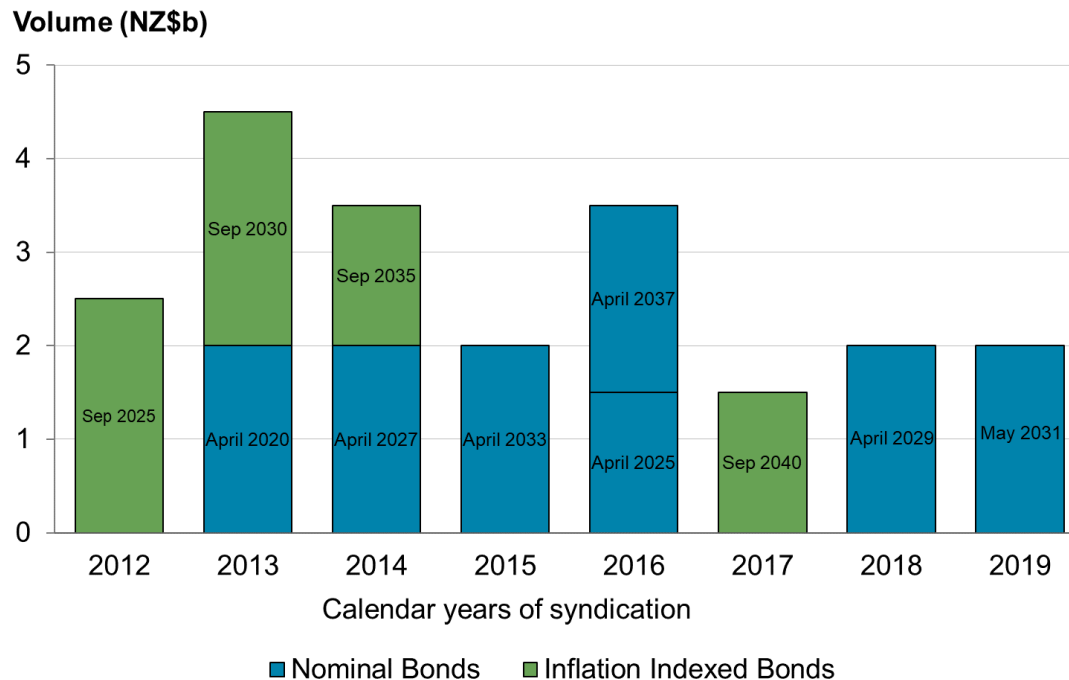
# NZGS on Issue



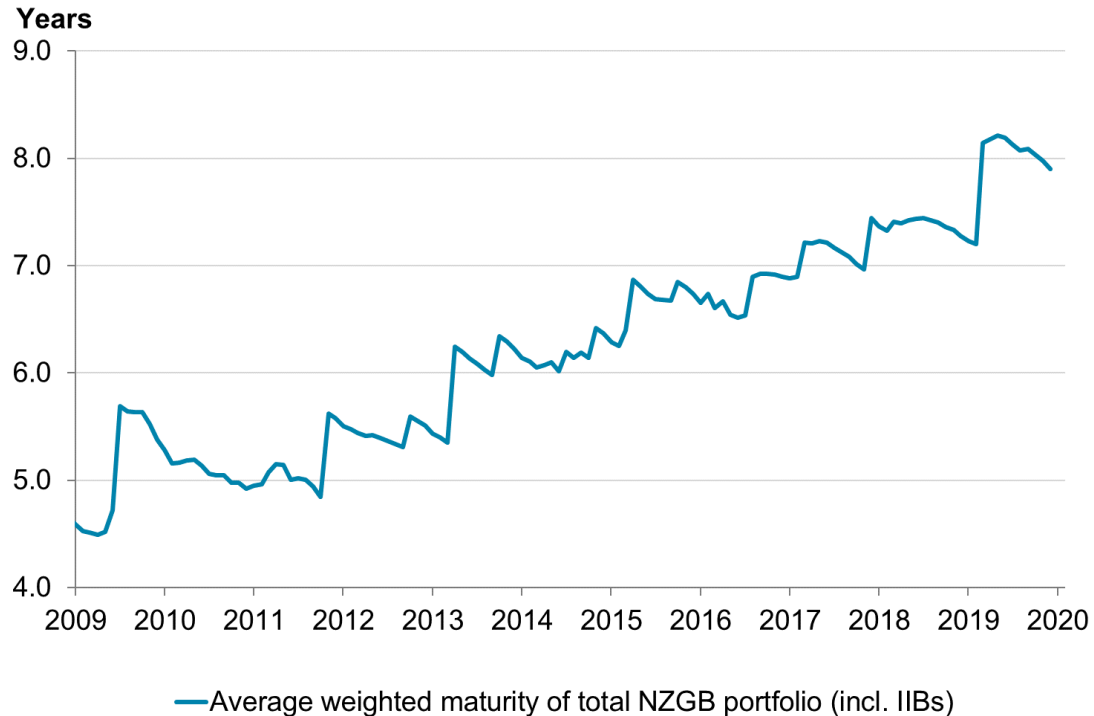
# IIB Issuance and Breakeven



# New Bonds Issued Via Syndication



# Increasing Average-Weighted Maturity



# Environmental, Social and Governance (ESG)



- The New Zealand Government has clearly stated Environmental, Social and Governance (ESG) objectives. Many of these are outlined in the Government's 2019 Wellbeing Budget that focuses on the wellbeing of people, the health of the environment and the strength of the community.

<https://treasury.govt.nz/publications/wellbeing-budget/wellbeing-budget-2019>

- The Government has passed a policy framework that will drive climate change policy towards low greenhouse gas emissions and climate resilience in New Zealand.
- The framework supports New Zealand's commitments under the Paris Agreement, including the target to reduce emissions by 11 per cent below 1990 levels by 2030.
- In addition, the Government passed an Amendment to the Climate Change Response Bill that set new reduction targets by 2050 for greenhouse gases (to net zero) and biogenic methane (below 2017 levels by between 24 per cent and 47 per cent).

<https://www.mfe.govt.nz/climate-change/zero-carbon-amendment-act>

- In this context, the Treasury currently has no plans to issue bonds in a specific ESG format. More broadly, it is cognisant of the contribution that efficient debt funding can make to the Government's ESG objectives.

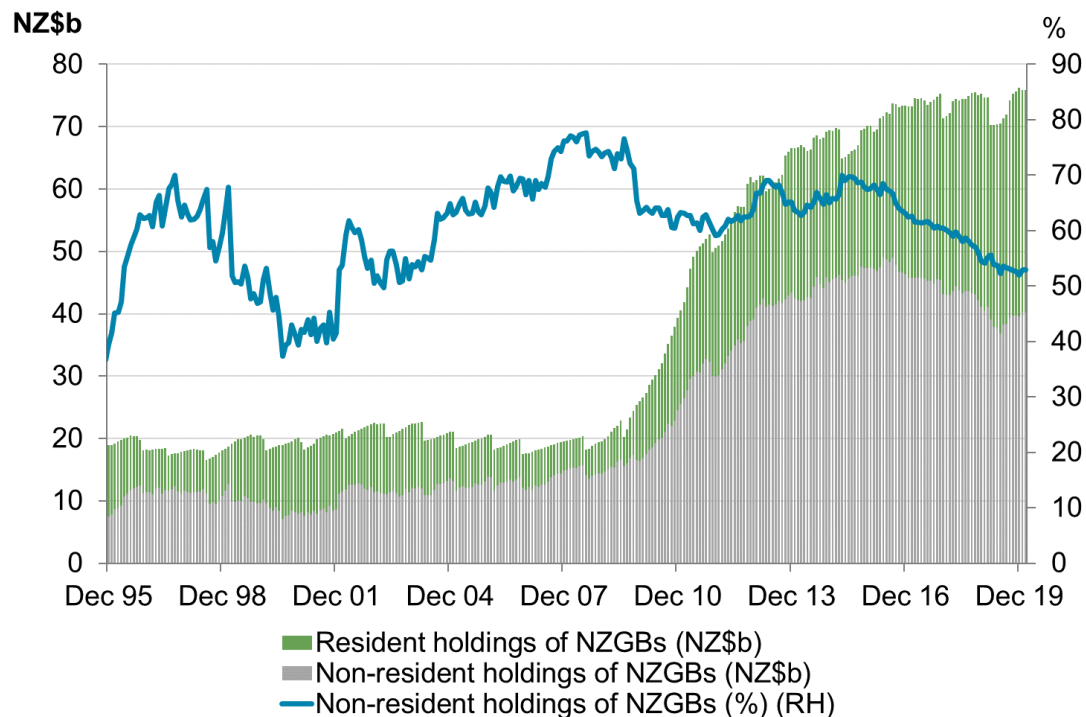


# Credit Ratings



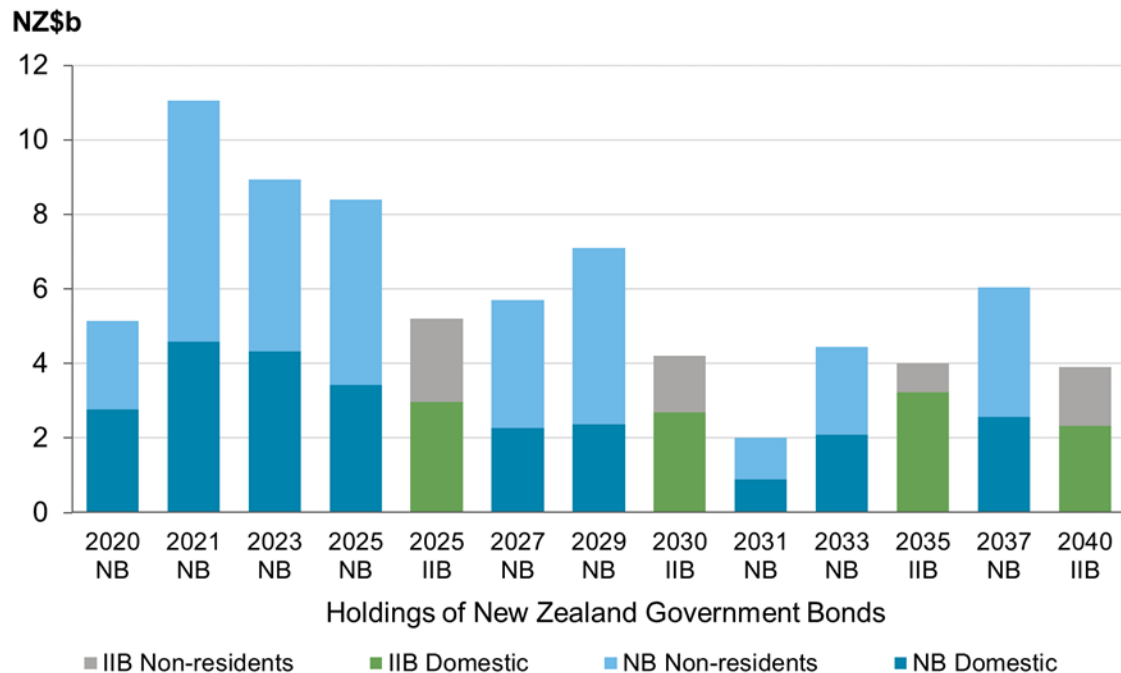
Rating Agency	Local Currency	Foreign Currency	Latest Update
S&P Global Ratings	AA+ (positive outlook)	AA (positive outlook)	30-Jan-19
Moody's Investor Services	Aaa (stable outlook)	Aaa (stable outlook)	21-Sep-18
Fitch Ratings	AA+ (stable outlook)	AA (positive outlook)	22-Jan-20

# Non-Resident Holdings



As at 31 January, 2020

# Overall Holdings



# Registered Tender Counterparties



The current list of approved Registered Tender Counterparties are:

- ANZ Bank New Zealand Limited
- Bank of New Zealand
- Commonwealth Bank of Australia
- Deutsche Bank AG, Sydney
- J.P. Morgan Securities Australia Limited
- The Toronto-Dominion Bank, London
- UBS AG, Australia
- Westpac Banking Corporation, New Zealand

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