



TE TAI ŌHANGA
THE TREASURY



New Zealand Government Debt Market Outlook

February 2021

New Zealand Government



Overview



Economic Outlook



Fiscal Outlook



Funding Strategy



Economic Outlook

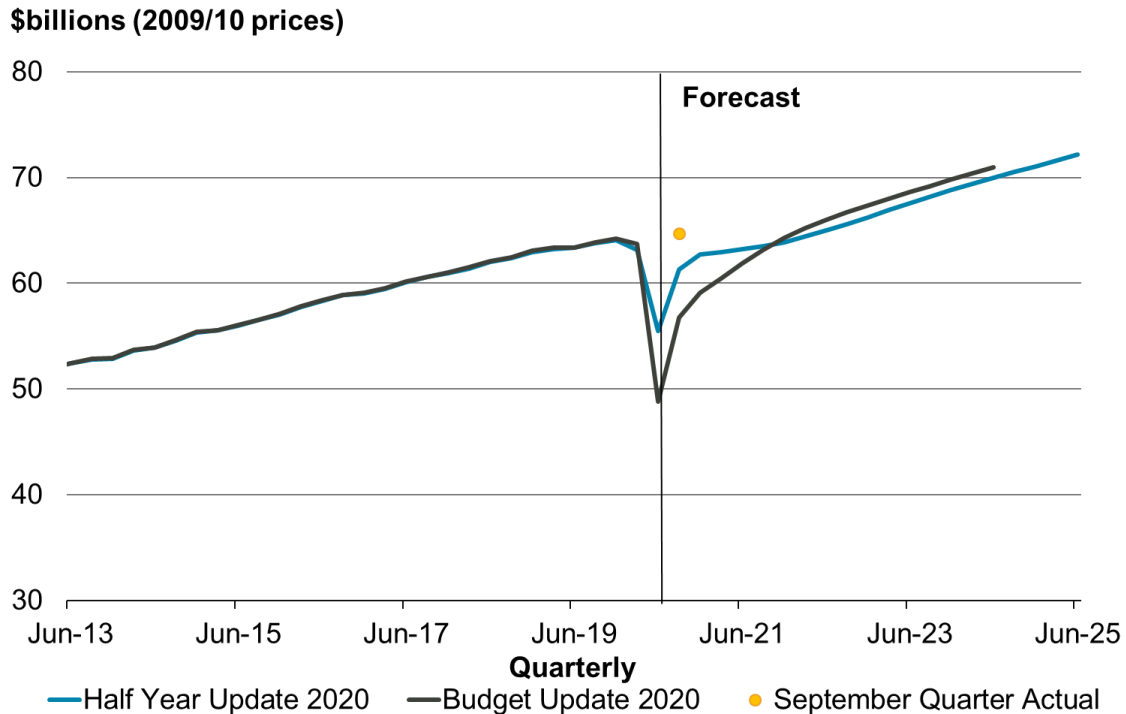
Summary of Forecasts

	2020	2021	2022	2023	2024	2025
June years	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Real production GDP (annual average % change)	-2.1	1.5	2.6	3.7	3.8	3.2
Unemployment rate (June quarter)	4.0	6.6	6.8	5.7	4.7	4.0
CPI inflation (annual % change)	1.5	1.4	1.2	1.4	1.8	2.1
Current account (annual, % of GDP)	-1.9	-2.8	-3.8	-3.4	-3.2	-3.2
Fiscal measures (\$billions)						
Core Crown tax revenue	85.1	88.3	89.1	96.9	102.5	108.8
Core Crown expenses	108.8	114.2	109.1	112.0	115.3	118.7
Total Crown operating balance before gains and losses	-23.1	-21.6	-16.4	-10.3	-7.5	-4.2
Core Crown residual cash	-23.7	-40.2	-36.3	-23.7	-5.5	3.9
Net core Crown debt ¹	83.4	128.6	166.2	189.1	194.2	190.0
<i>as a percentage of GDP</i>	26.4%	39.7%	49.1%	52.6%	50.7%	46.9%
Net worth attributable to the Crown	110.3	83.9	69.2	63.0	60.1	61.0

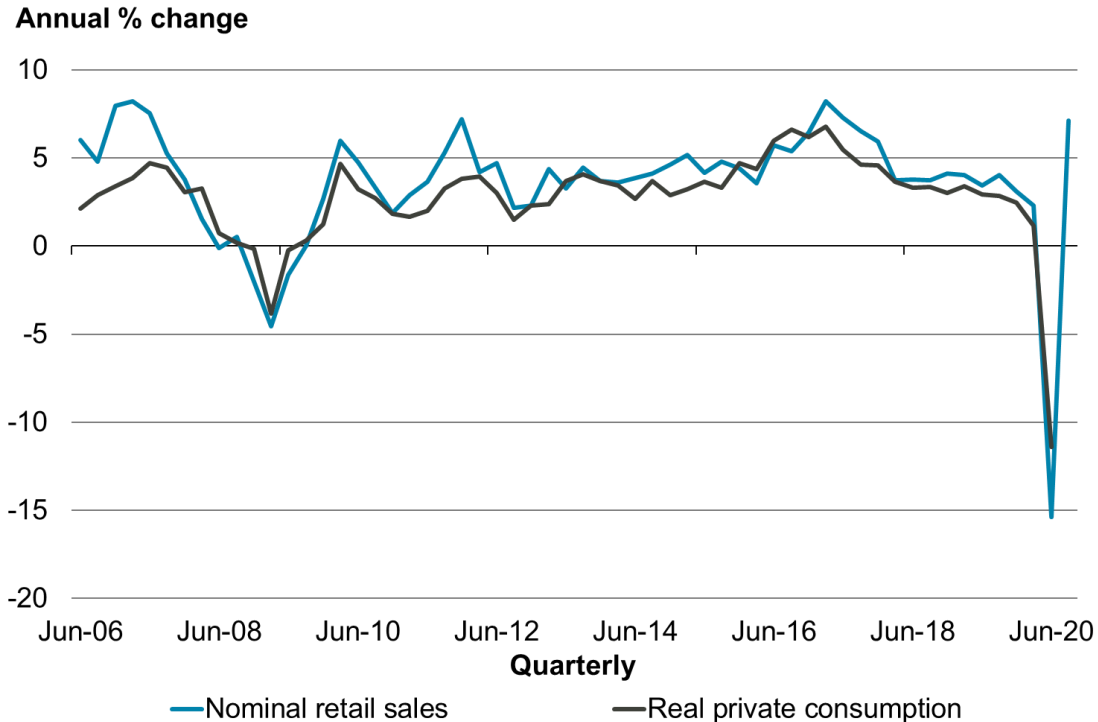
Note: 1 Net core Crown debt, excluding the New Zealand Superannuation Fund and advances (including lending under the Funding for Lending Programme – for more details see page 40 in the 2020 Half Year Economic and Fiscal Update).

2 The fiscal forecasts were finalised 30 November 2020. The economic forecasts were finalised on 13 November 2020.

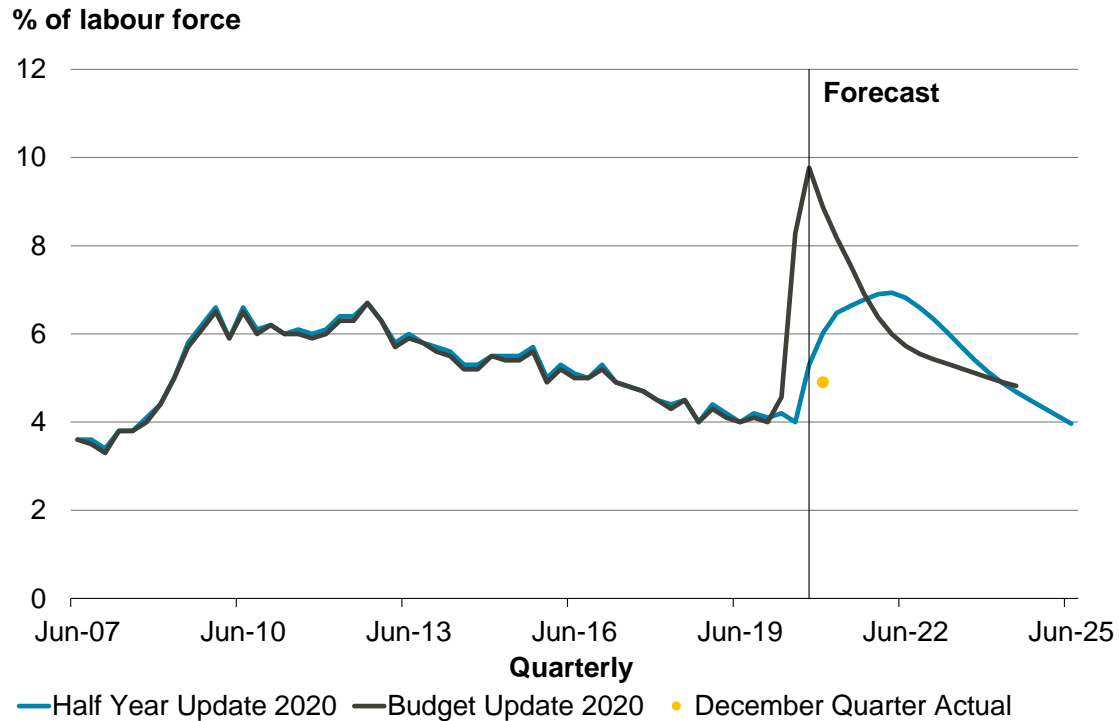
Real GDP



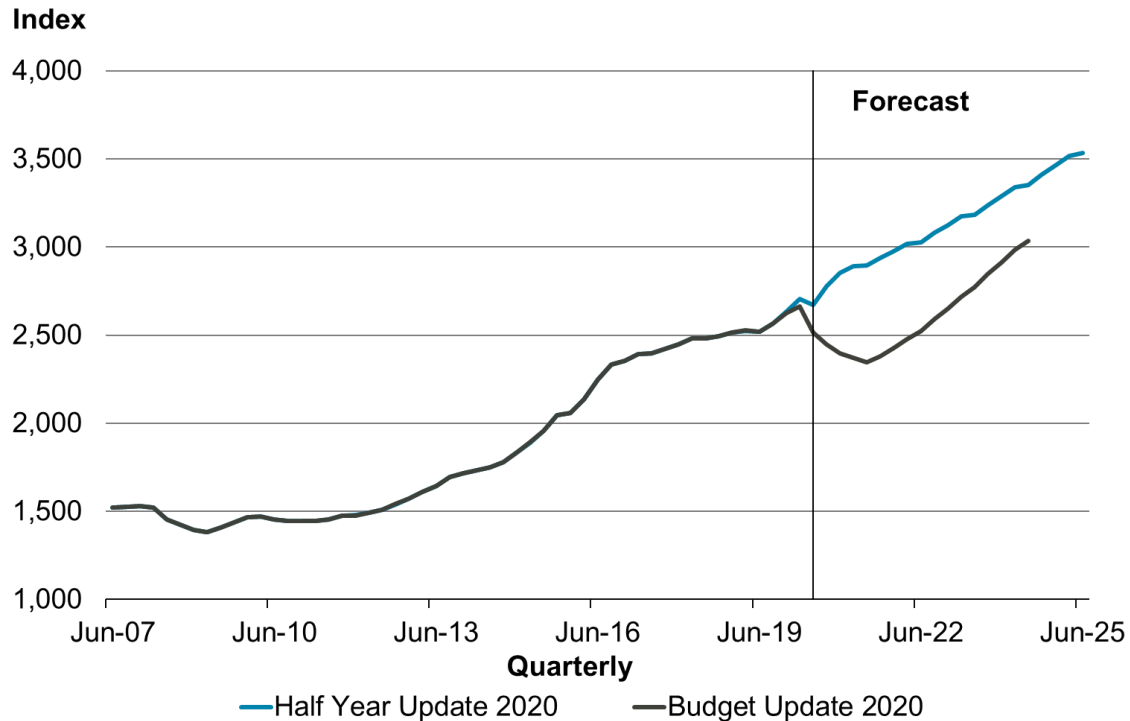
Rebound in Consumption



Unemployment

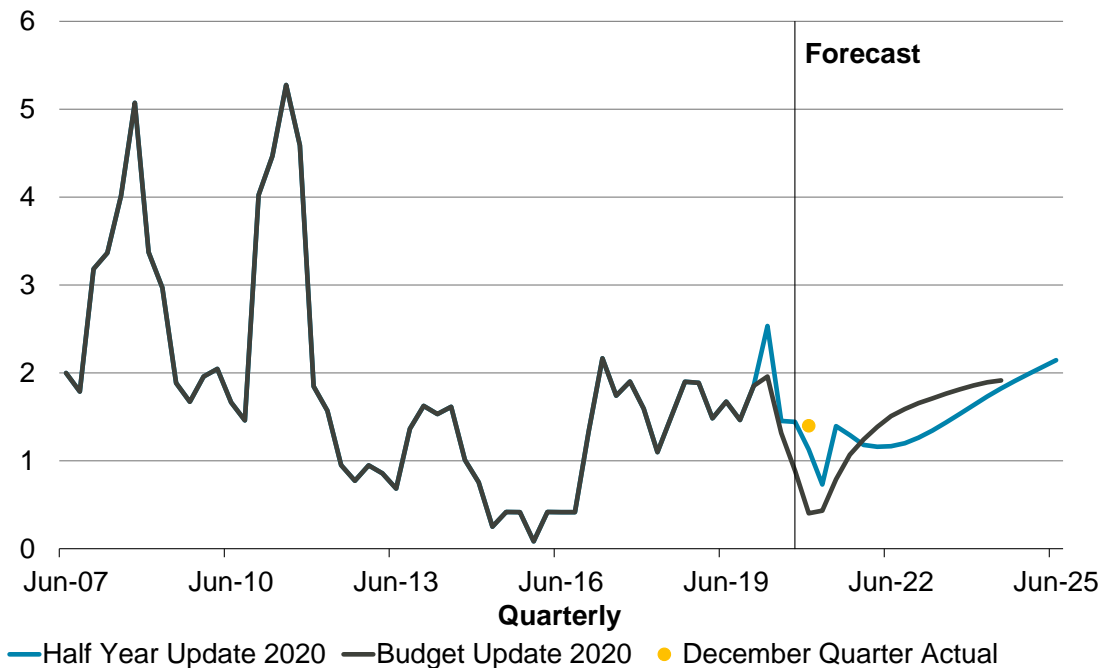


House Prices



Consumer Price Index Inflation

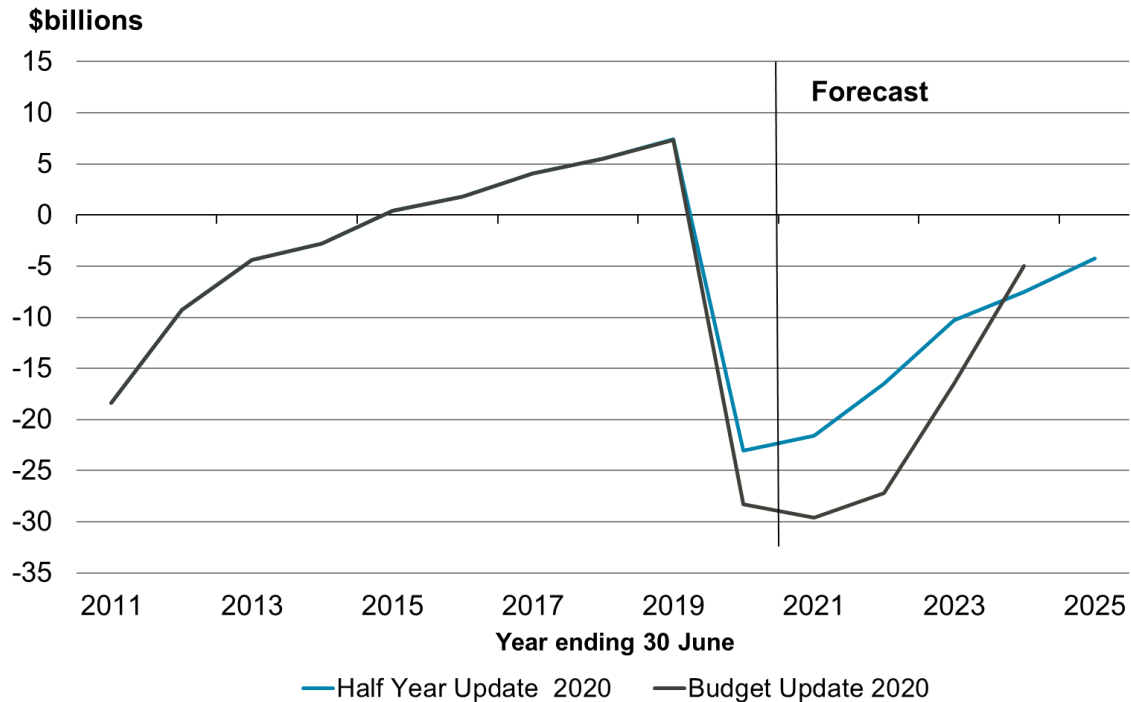
Annual % change



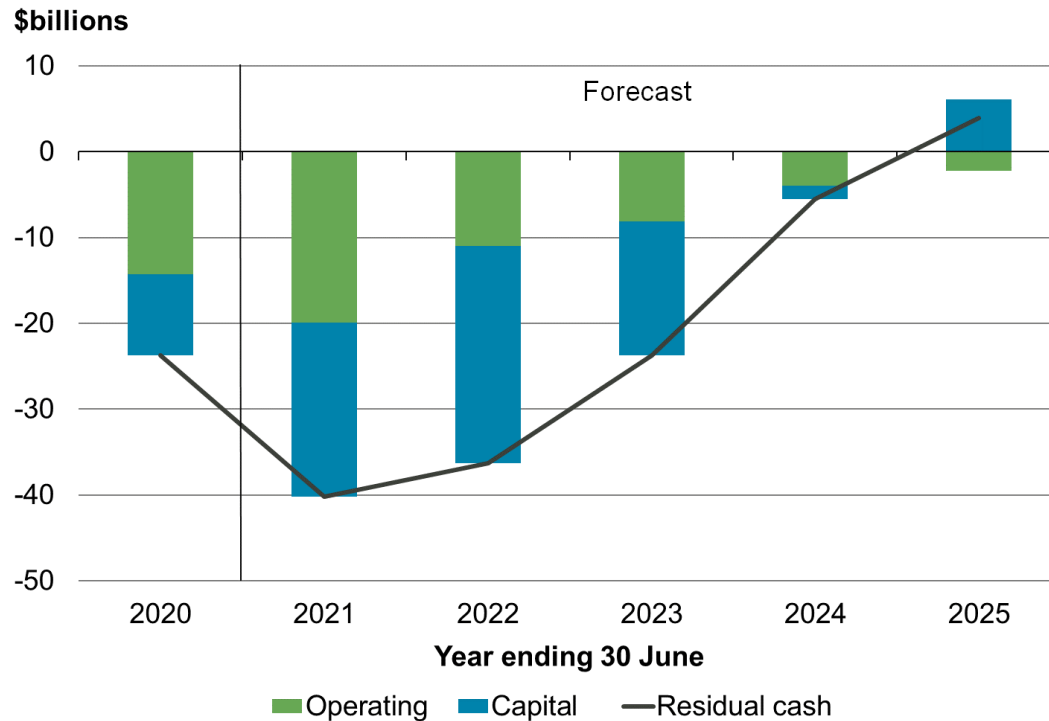


Fiscal Outlook

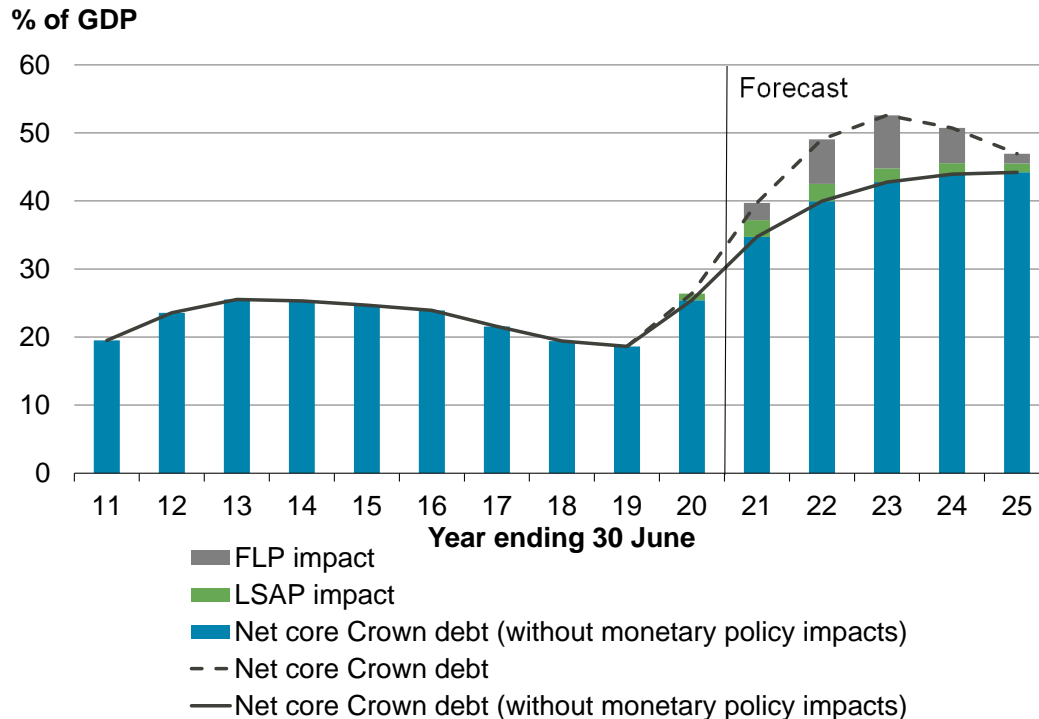
Operating Balance



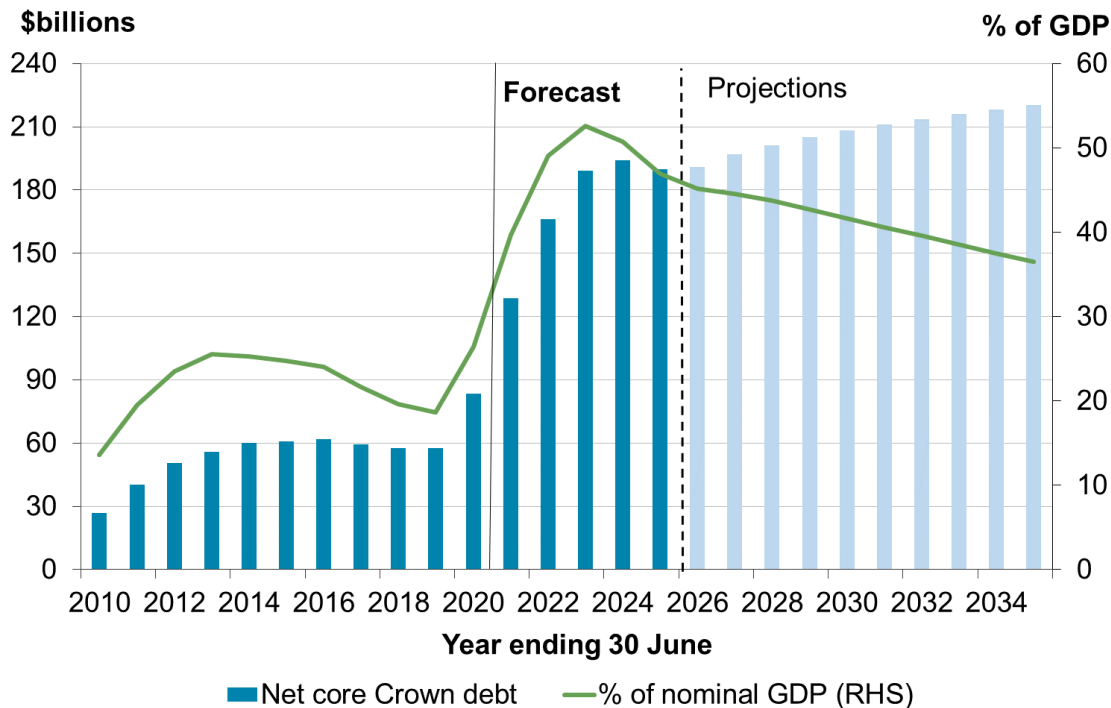
Residual Cash Profile



Net Core Crown Debt



Net Core Crown Debt Projections



Credit Ratings

Rating Agency	Domestic Currency	Foreign Currency	Latest update
Moody's Investors Service	Aaa (stable outlook)	Aaa (stable outlook)	2-Apr-20
S&P Global Ratings	AAA (stable outlook)	AA+ (stable outlook)	22-Feb-21
Fitch Ratings	AA+ (stable outlook)	AA (positive outlook)	12-Jan-21



Environmental Social and Governance

- On various independent sustainability and Environmental, Social and Governance (ESG) metrics, New Zealand is one of the most highly rated sovereigns in the world. This includes a 2020 [Sustainable Development Goals](#) (SDG) global rank of 16 out of 166 countries.
- In June 2020, an amendment to the Public Finance Act introduced new requirements for the Government to report annually on its wellbeing objectives in the Budget, and for the Treasury to report periodically on the state of wellbeing in New Zealand.
- In January 2021, the New Zealand Climate Commission laid out draft advice to the Government on the steps New Zealand can take to reduce greenhouse gas emissions and address climate change.
- The advice is open for consultation until 14 March 2021. The final advice will be released before 31 May. The Government will then respond with an Emissions Reduction Plan before the end of the year, which will set out how the first three emissions budgets will be achieved.
- NZDM are cognizant of the contribution an efficient, holistic and well managed debt funding strategy can make in supporting the Government to achieve its broad ESG objectives. In this context, NZDM have no imminent plans to issue debt in a specific ESG format.

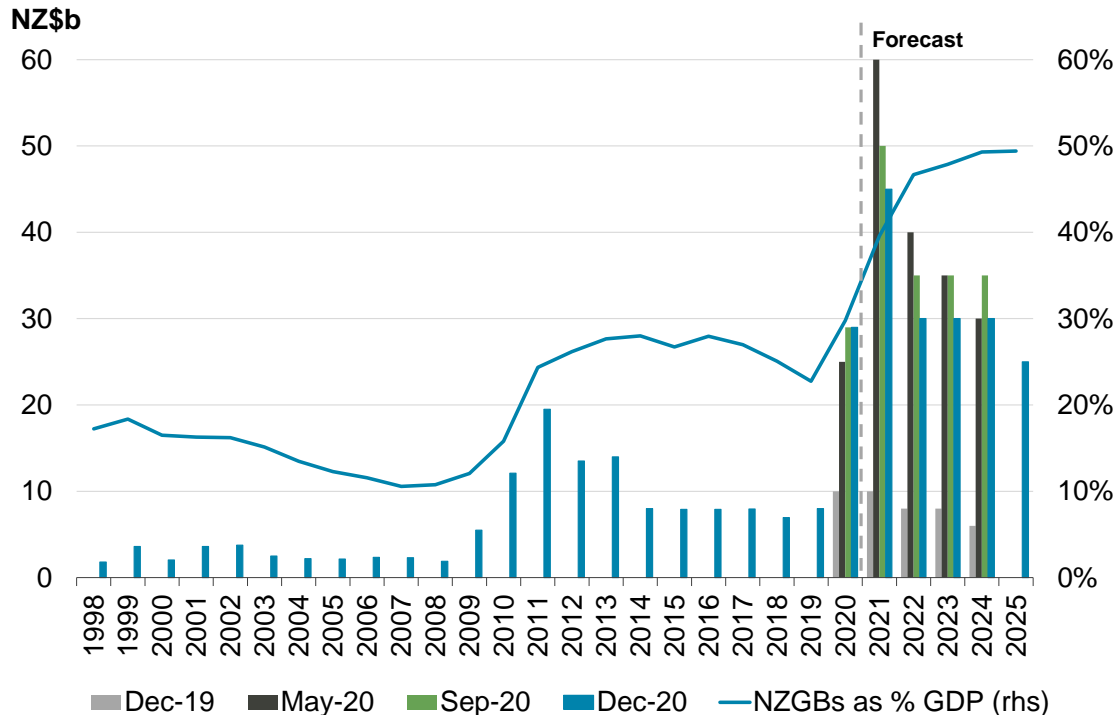


Funding Strategy

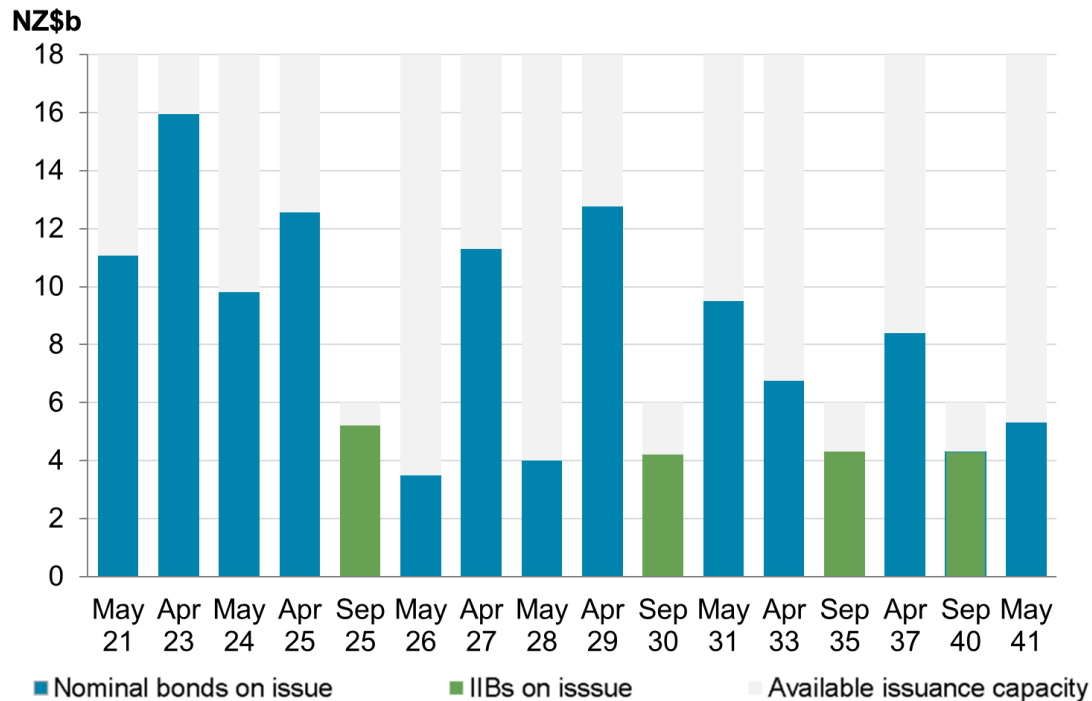
HYEFU 2020 Announcements

Year ending 30 June (face value)	2020 (Actual)	2021	2022	2023	2024	2025	Total (forecast period)
Gross NZGB issuance (NZ\$ billion)	29.0	45.0	30.0	30.0	30.0	25.0	160.0
NZGB maturities and repurchases (NZ\$ billion)	5.4	11.1	0.0	15.9	13.5	13.7	54.2
Net NZGB issuance (NZ\$ billion)	23.6	33.9	30.0	14.1	16.5	11.3	105.8
NZGBs outstanding (NZ\$ billion)	94.2	128.1	158.1	172.2	188.7	200.0	n/a
NZGBs outstanding (% of GDP)	30%	40%	47%	48%	49%	49%	n/a
Forecast T-Bills on issue (NZ\$ billion)	11.9	8.0	6.0	6.0	6.0	6.0	n/a
Change in NZGB issuance (relative to BEFU)	n/a	-15.0	-10.0	-5.0	0.0	n/a	-30.0
Change in T-Bills on issue (relative to BEFU)	n/a	-2.0	-4.0	-4.0	-4.0	n/a	n/a

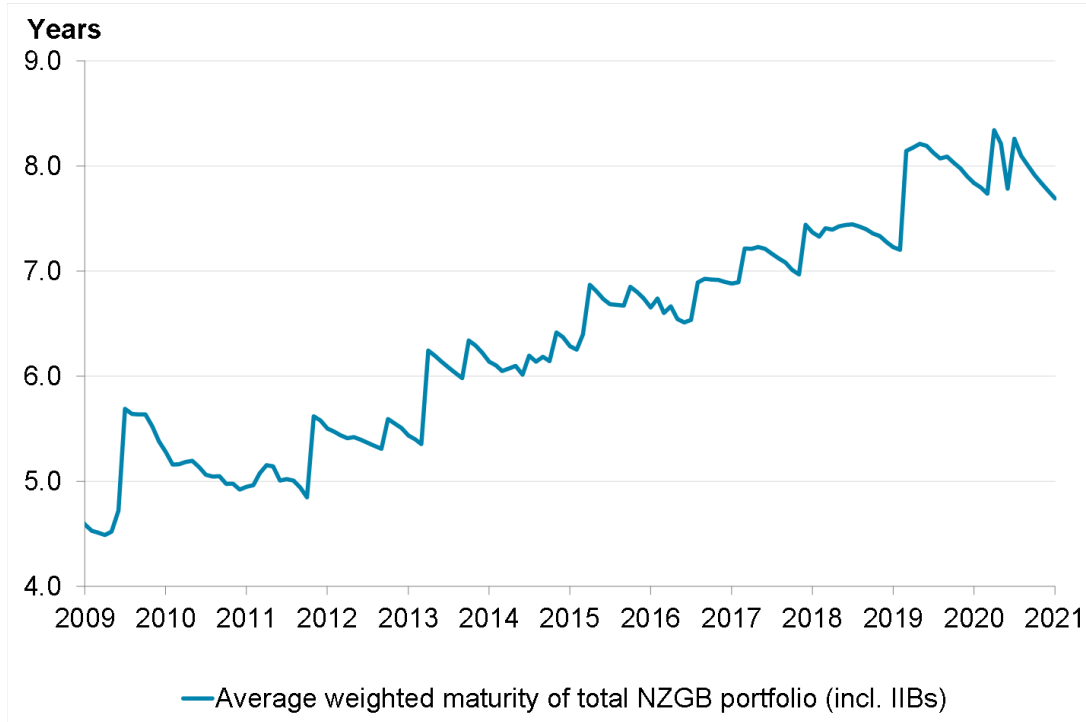
Changes in Forecasts



Current NZGB Portfolio

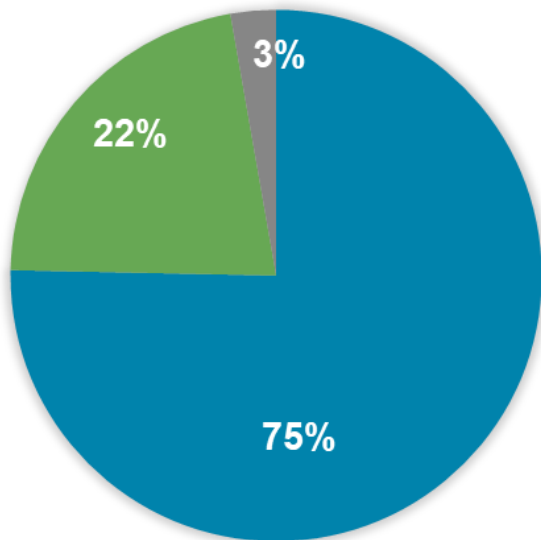


Increasing Average-Weighted Maturity

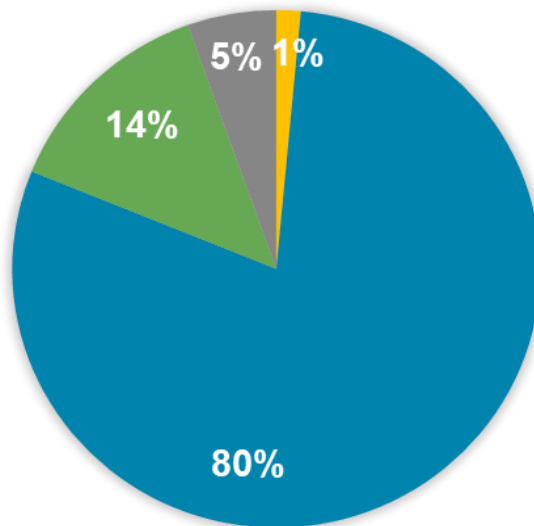


Change in Portfolio Composition

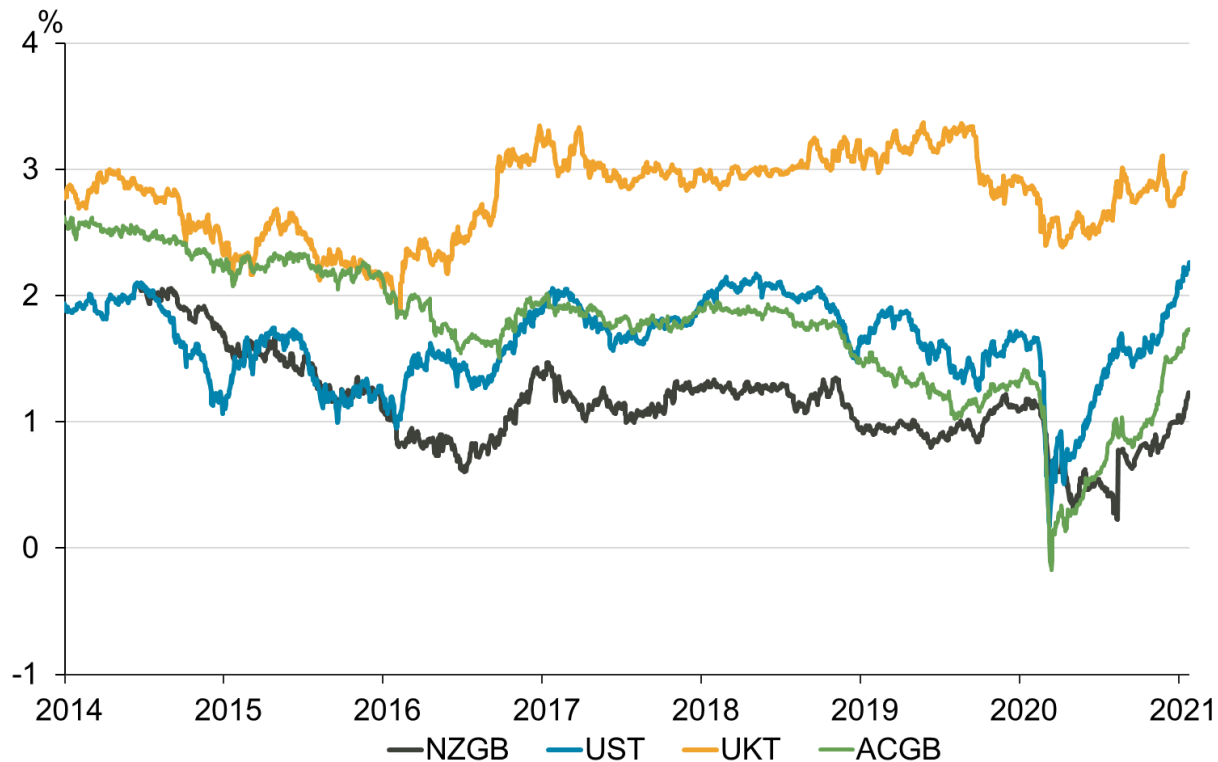
31 JANUARY 2020



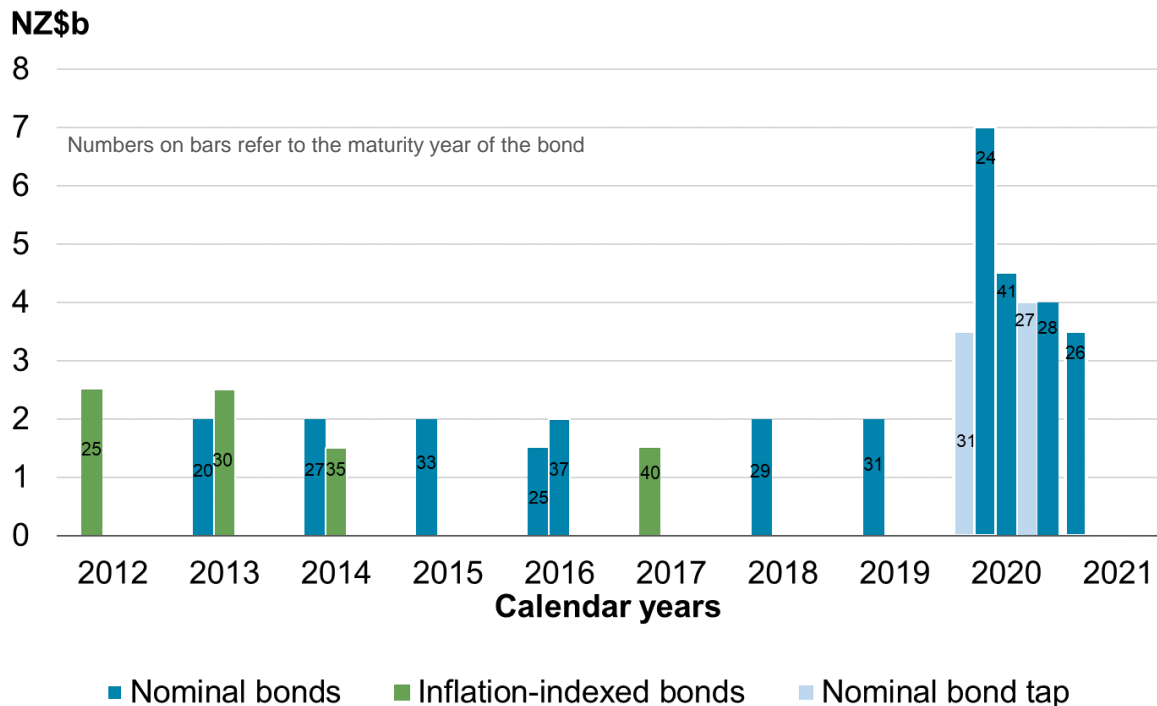
31 JANUARY 2021



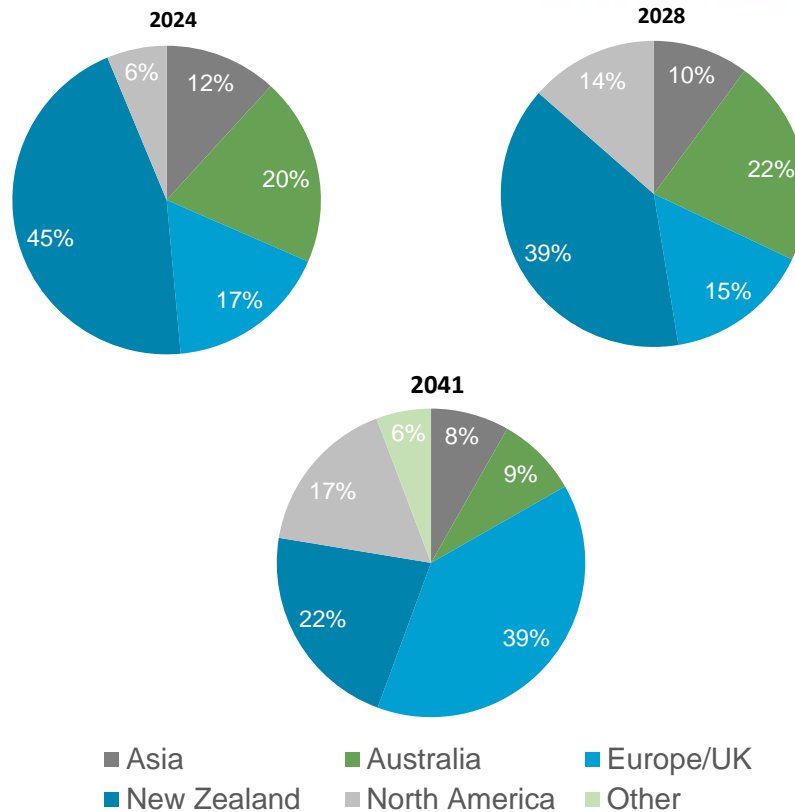
5-Year IIB Breakeven-Inflation



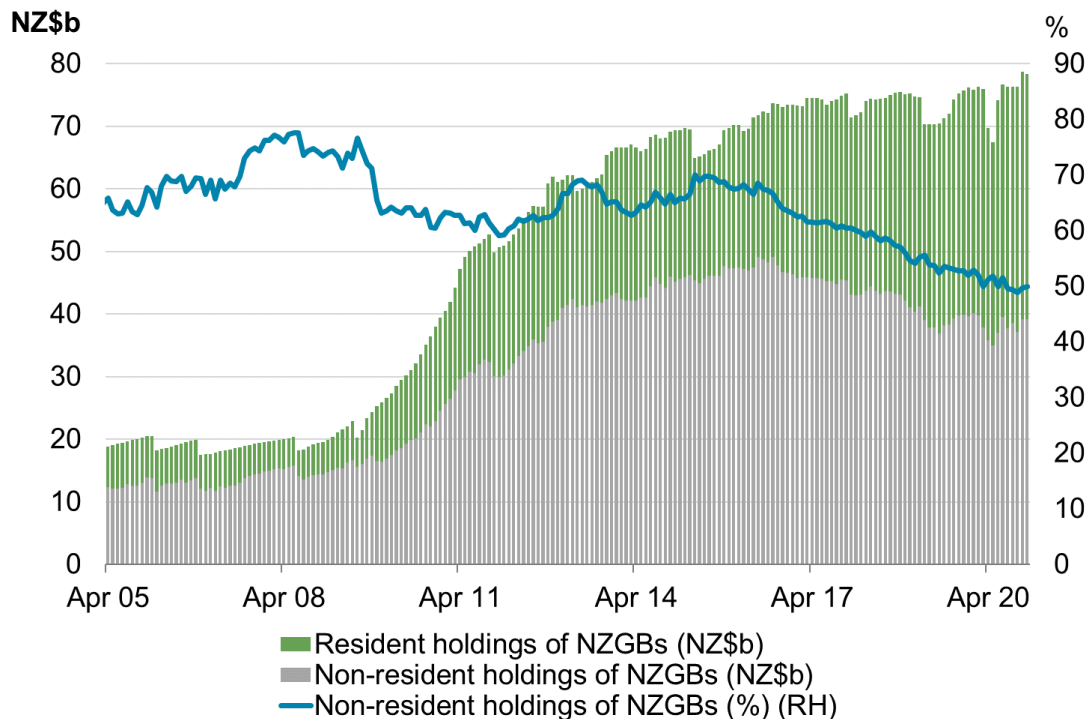
New Bonds Issued Via Syndication



Syndication Statistics

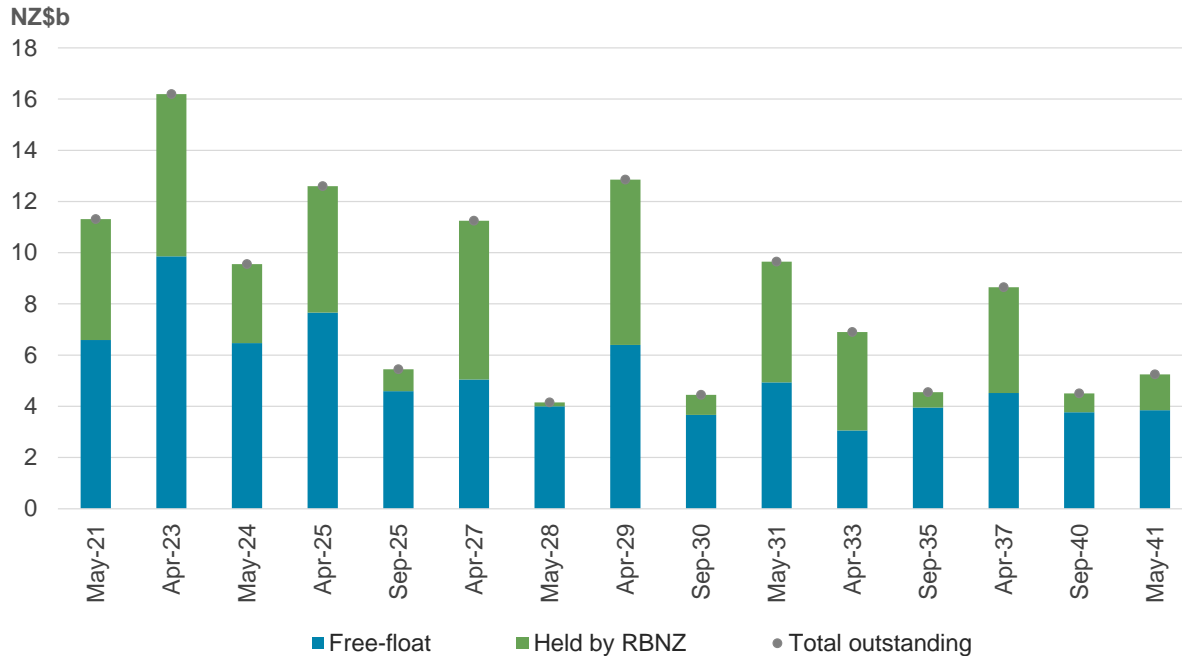


Offshore Holdings



As at December 2020

RBNZ Holdings at 31 December



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