



TE TAI ŌHANGA
THE TREASURY



New Zealand Government Debt Market Outlook

May 2021

New Zealand Government



Overview



Fiscal Outlook



Funding Strategy

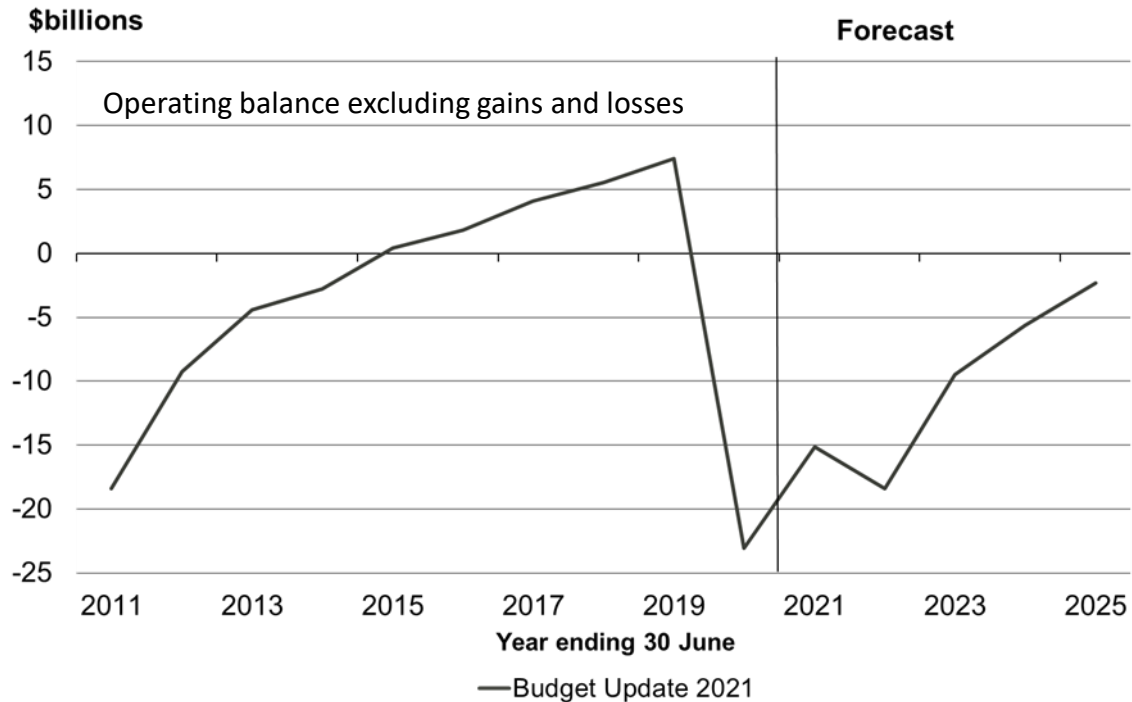


Market Dynamics

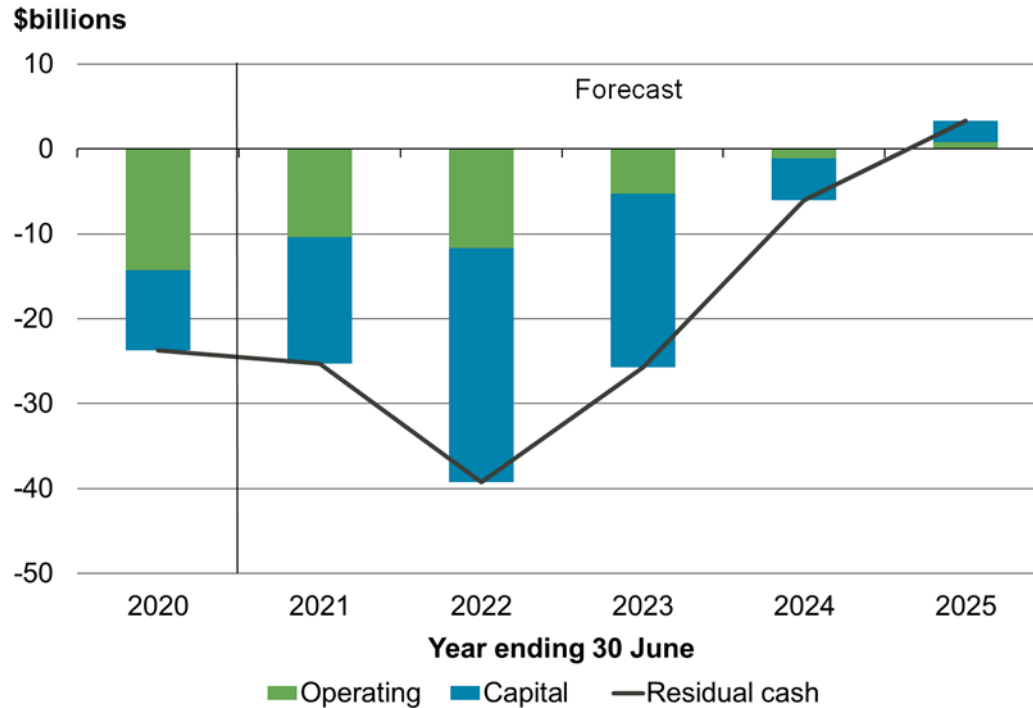


Fiscal Outlook

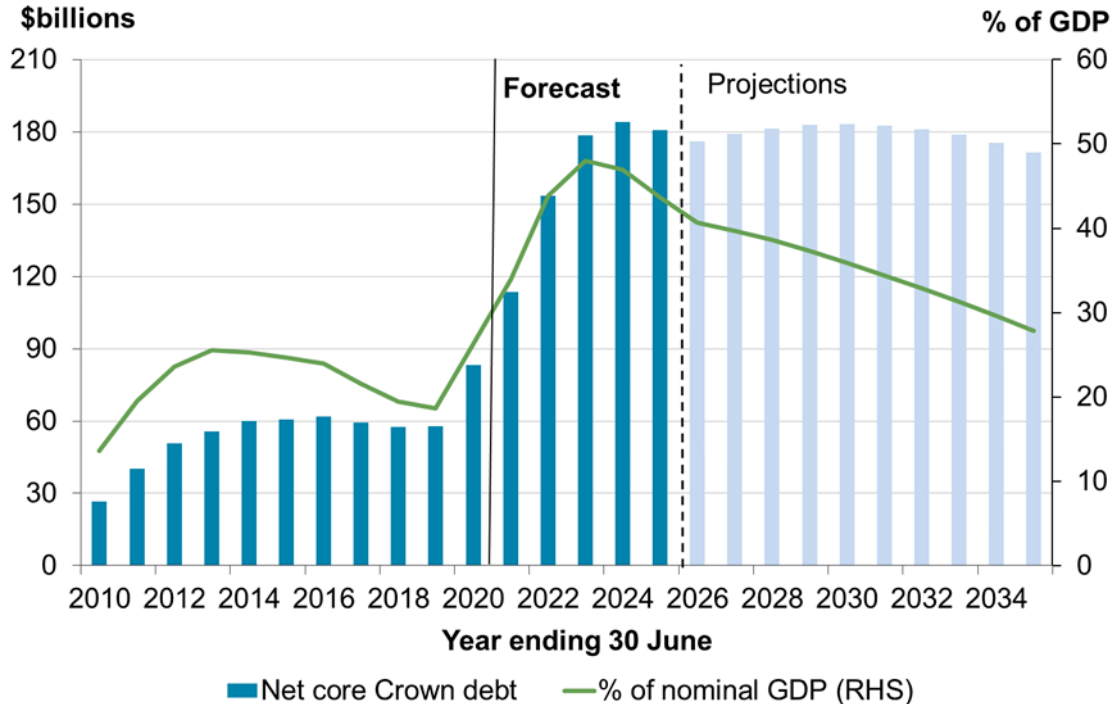
Operating Balance



Cash Deficit



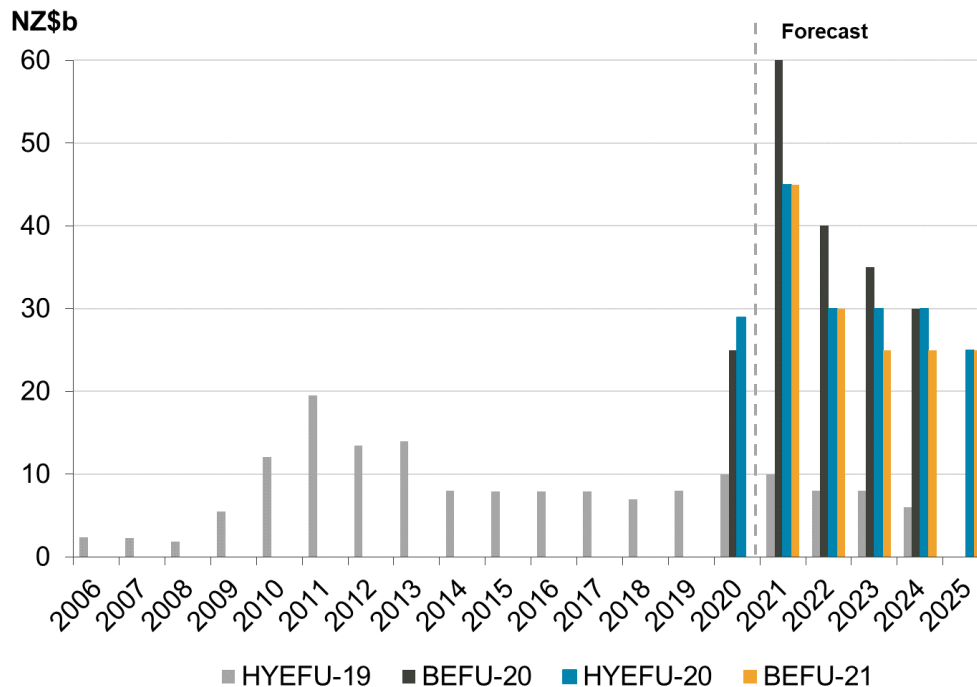
Net Core Crown Debt Projections





Funding Strategy

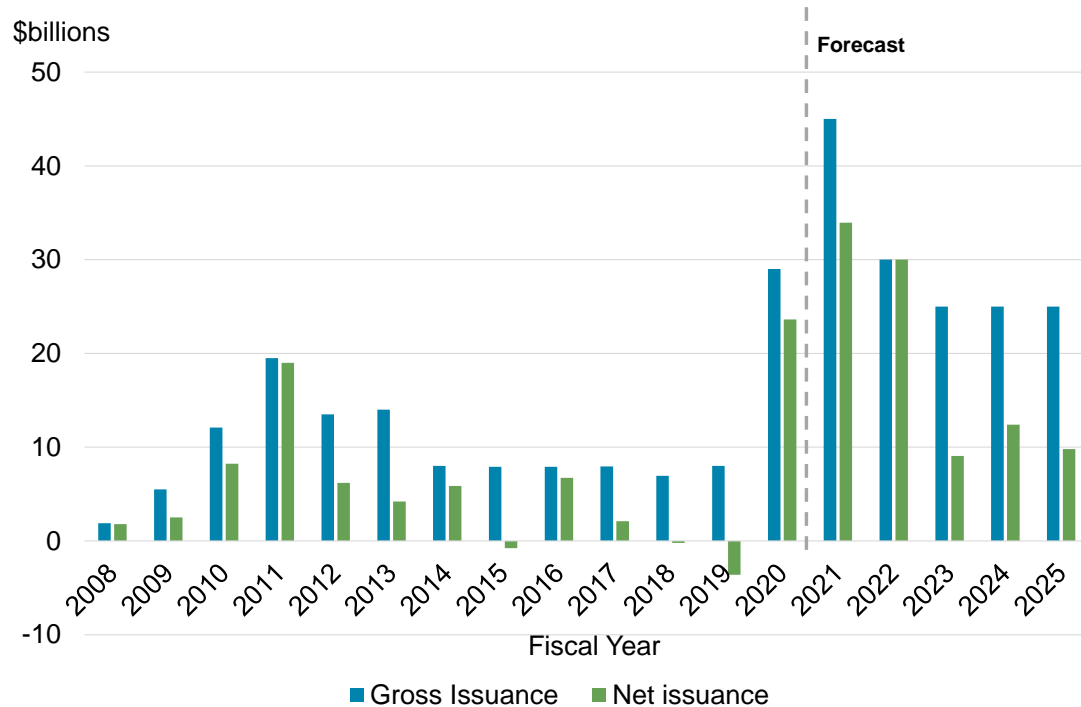
Changes in Forecasts



BEFU 2021 Announcements

Year ending 30 June (face value)	2021	2022	2023	2024	2025	Total
Gross NZGB issuance (NZ\$ billion)	45.0	30.0	25.0	25.0	25.0	150.0
NZGB maturities and repurchases (NZ\$ billion)	11.1	0.0	15.9	12.6	15.2	54.8
Net NZGB issuance (NZ\$ billion)	33.9	30.0	9.1	12.4	9.8	95.2
NZGBs outstanding (NZ\$ billion)	128.1	158.1	167.2	179.6	189.4	n/a
NZGBs outstanding (% of GDP)	38%	45%	45%	46%	46%	n/a
Forecast T-Bills on issue (NZ\$ billion)	8.0	5.0	4.0	4.0	4.0	n/a

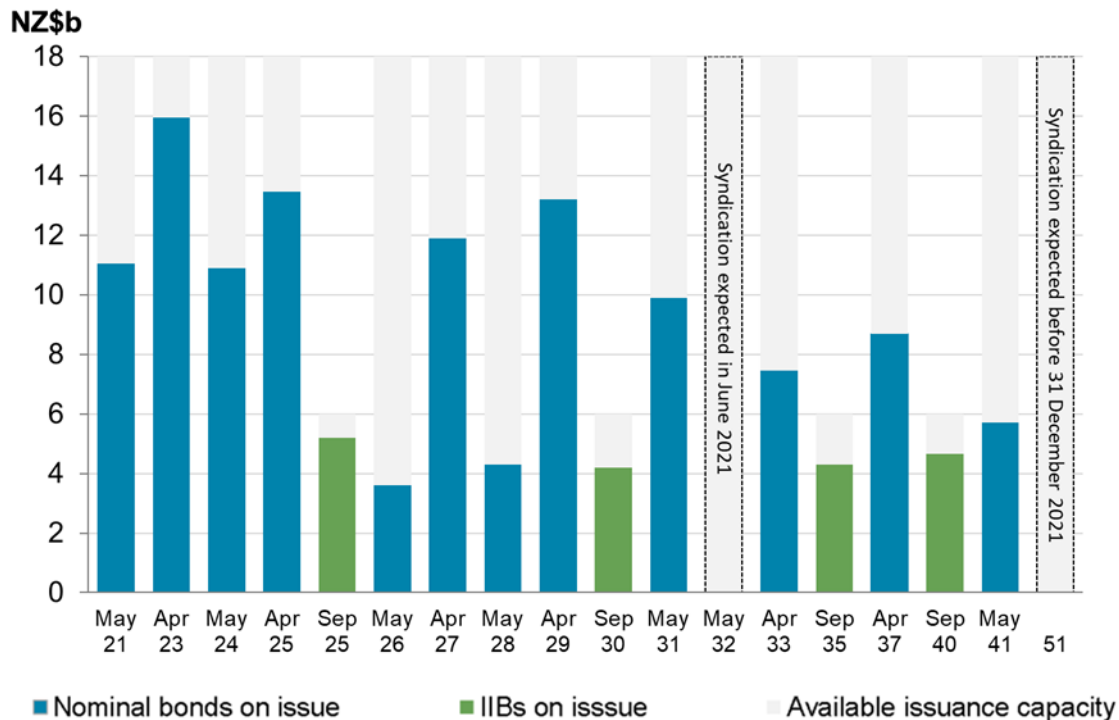
Net Issuance



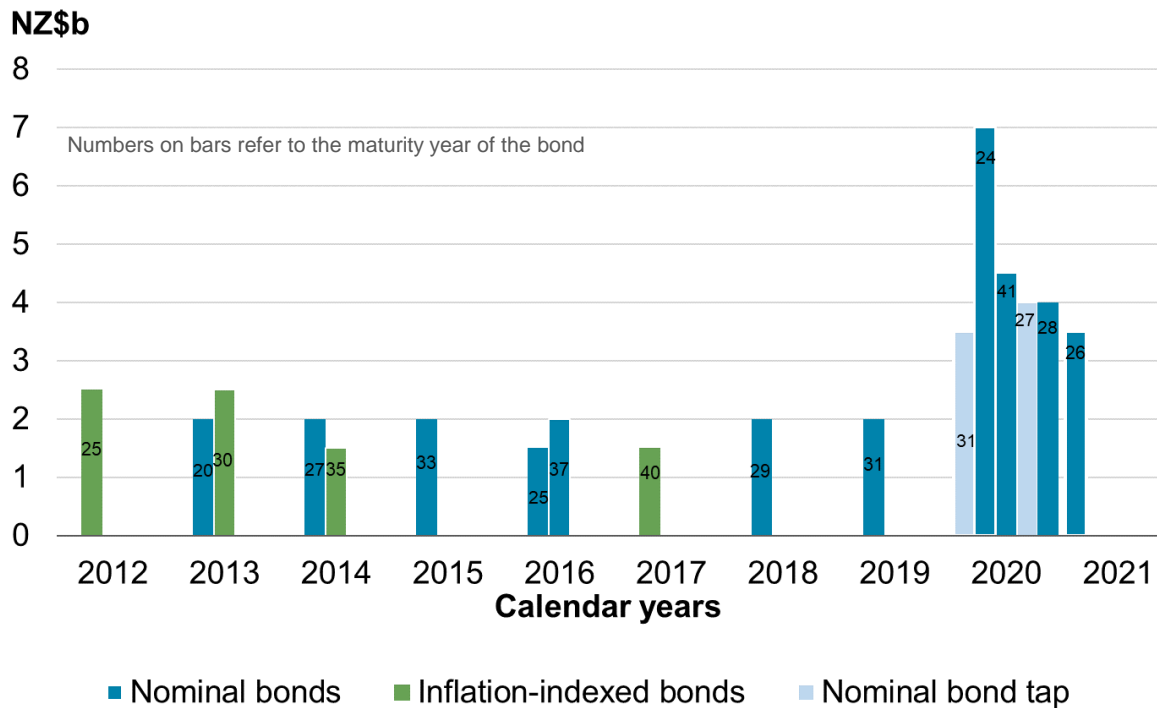
Treasury's Financial Assets

(\$millions)	2019	2020	2021	2022	2023	2024	2025
HYEFU 2019	20,874	20,175	13,816	16,682	13,940	19,141	n/a
BEFU 2020	20,874	23,606	38,086	40,051	32,999	35,710	n/a
BEFU 2021	20,874	35,474	45,984	47,233	37,173	35,865	34,317

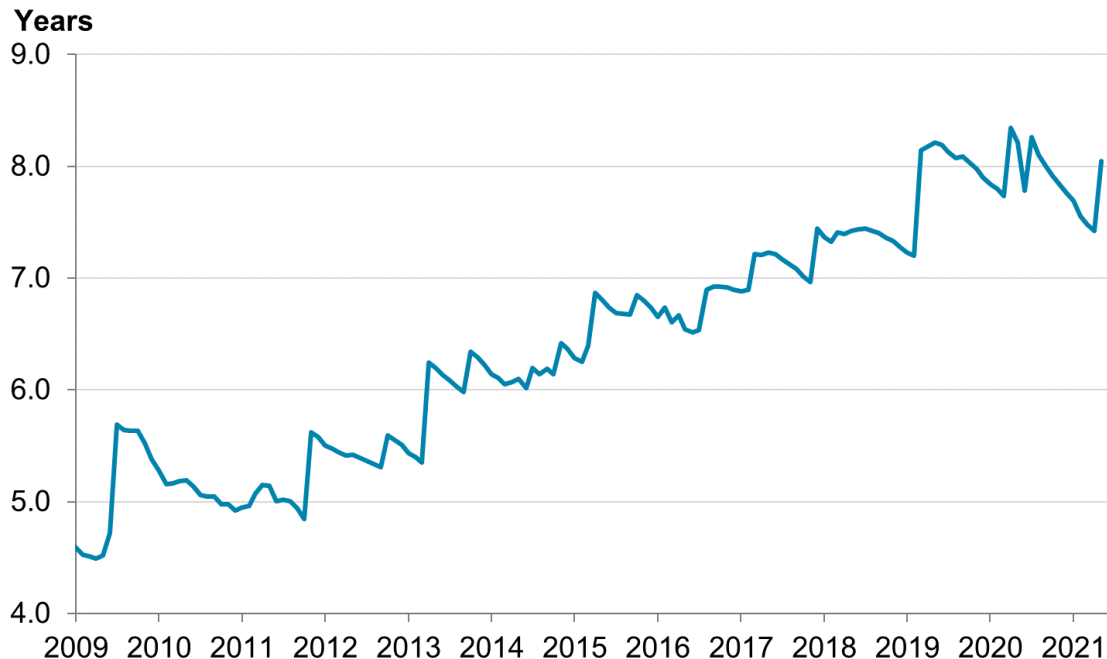
Current NZGB Portfolio



New Bonds Issued Via Syndication



Increasing Average Weighted Maturity

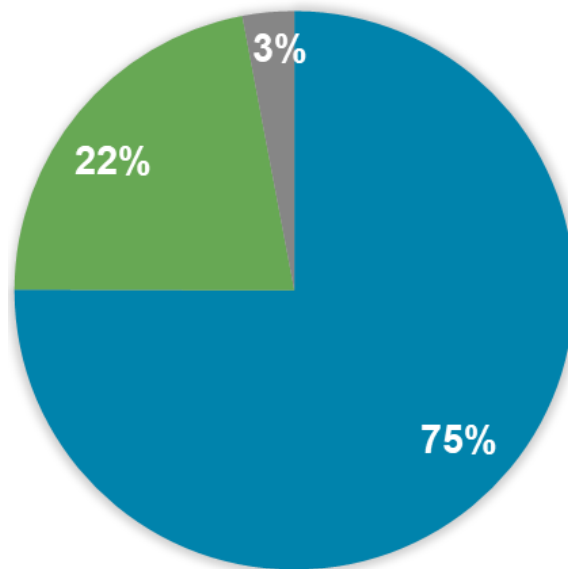
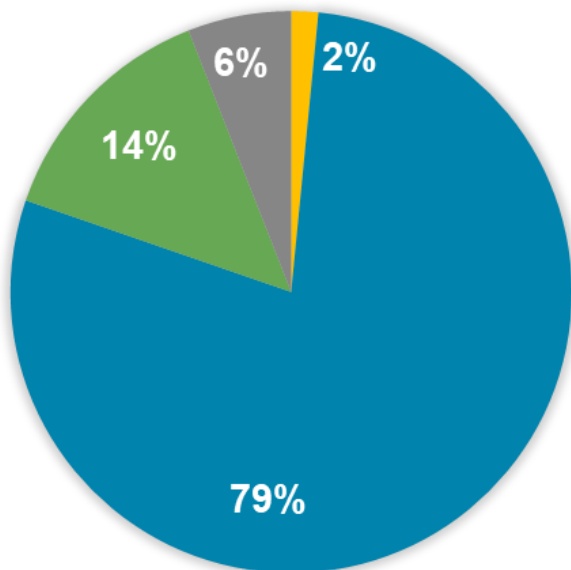


— Average weighted maturity of total NZGB portfolio (incl. IIBs)

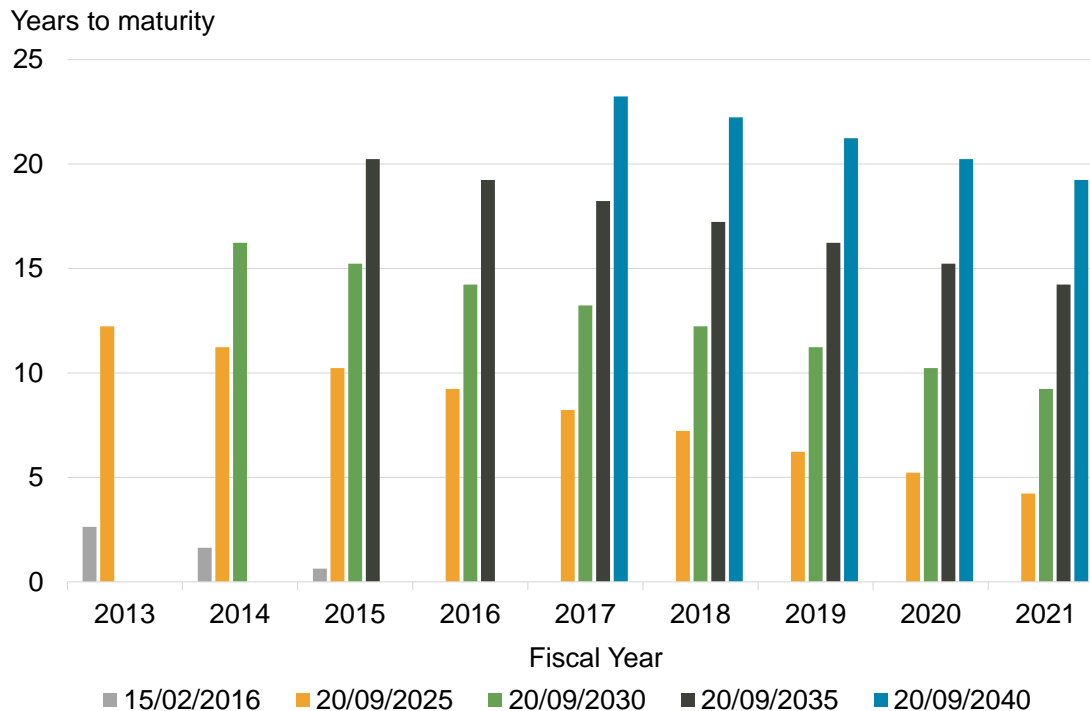
Change in Portfolio Composition

18 MAY 2021

31 DECEMBER 2019



IIBs On Issue Over Time



Environmental, Social and Governance (ESG)

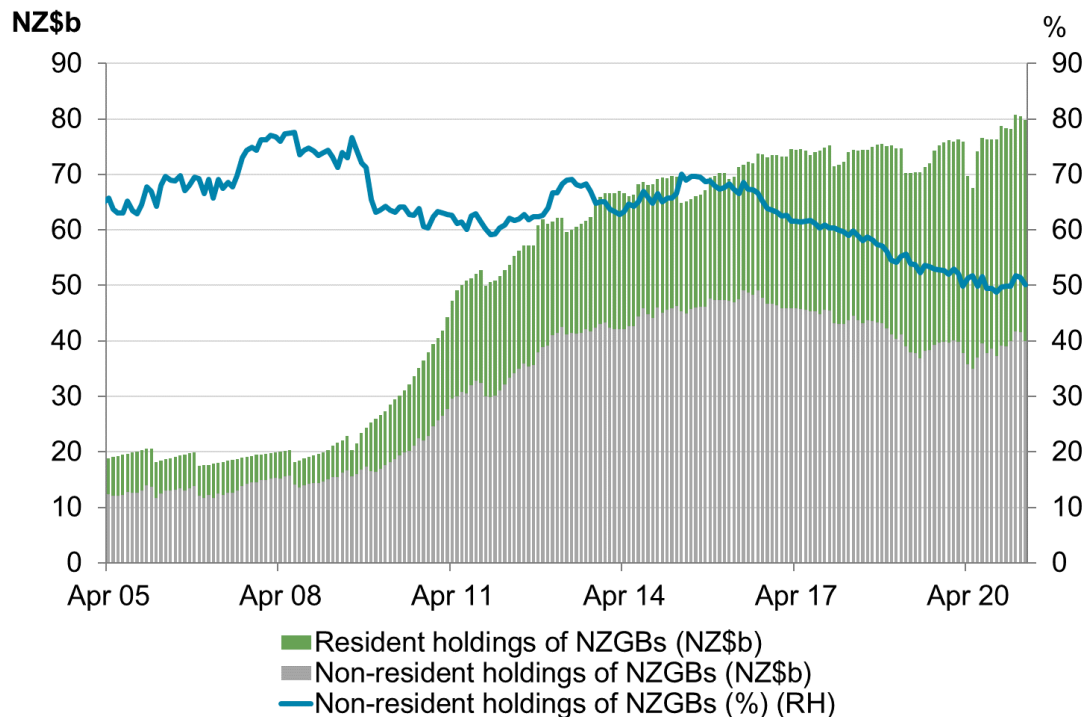


- On various independent sustainability and Environmental, Social and Governance (ESG) metrics, New Zealand is one of the most highly rated sovereigns in the world. This includes a 2020 [Sustainable Development Goals](#) (SDG) global rank of 16 out of 166 countries.
- In June 2020, an amendment to the 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 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 aware 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.



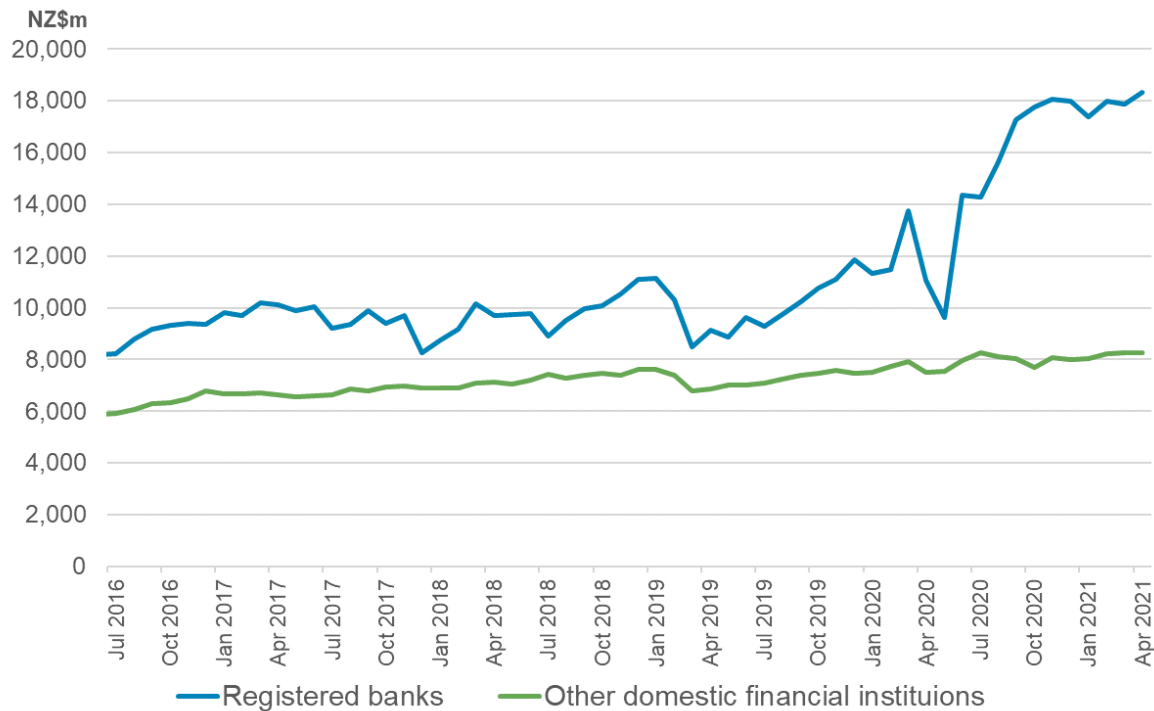
Market Information

Offshore Holdings

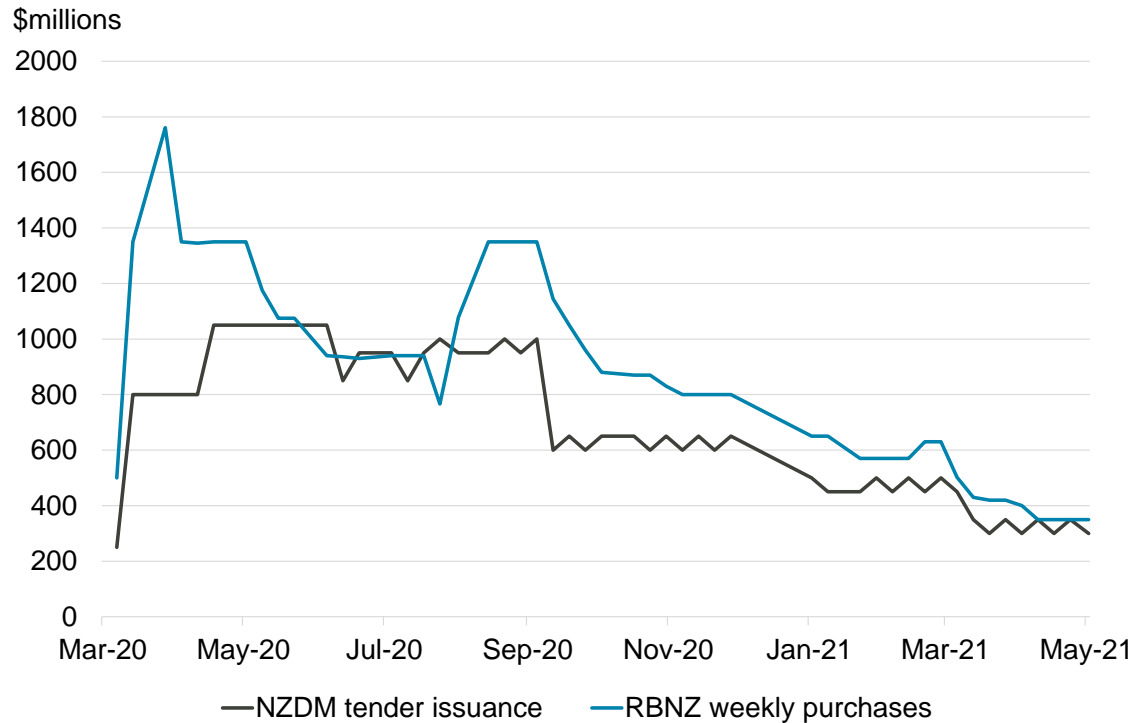


As at 30 April 2021

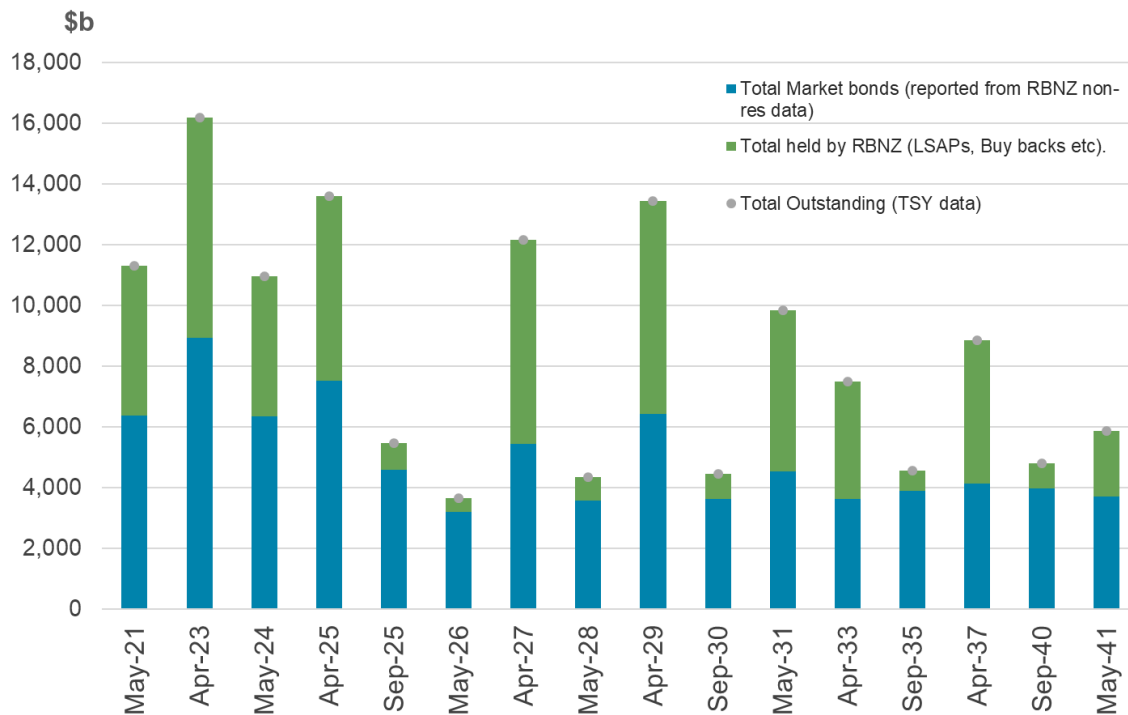
Domestic Holdings of NZGBs



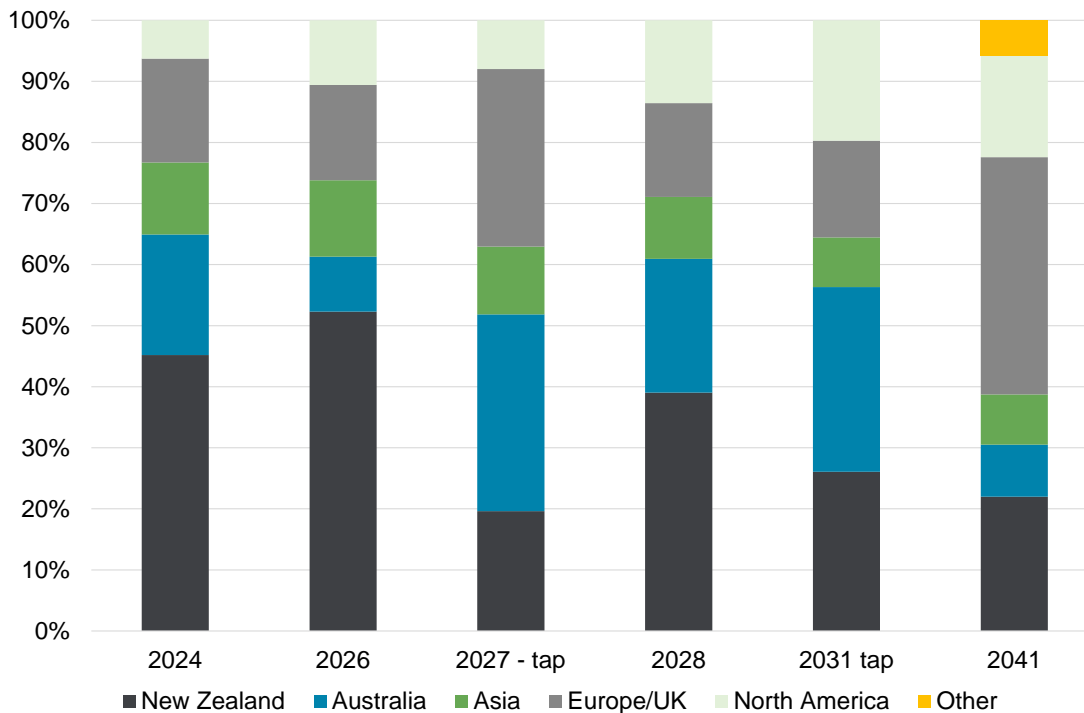
RBNZ Purchase Rate vs Tender Issuance



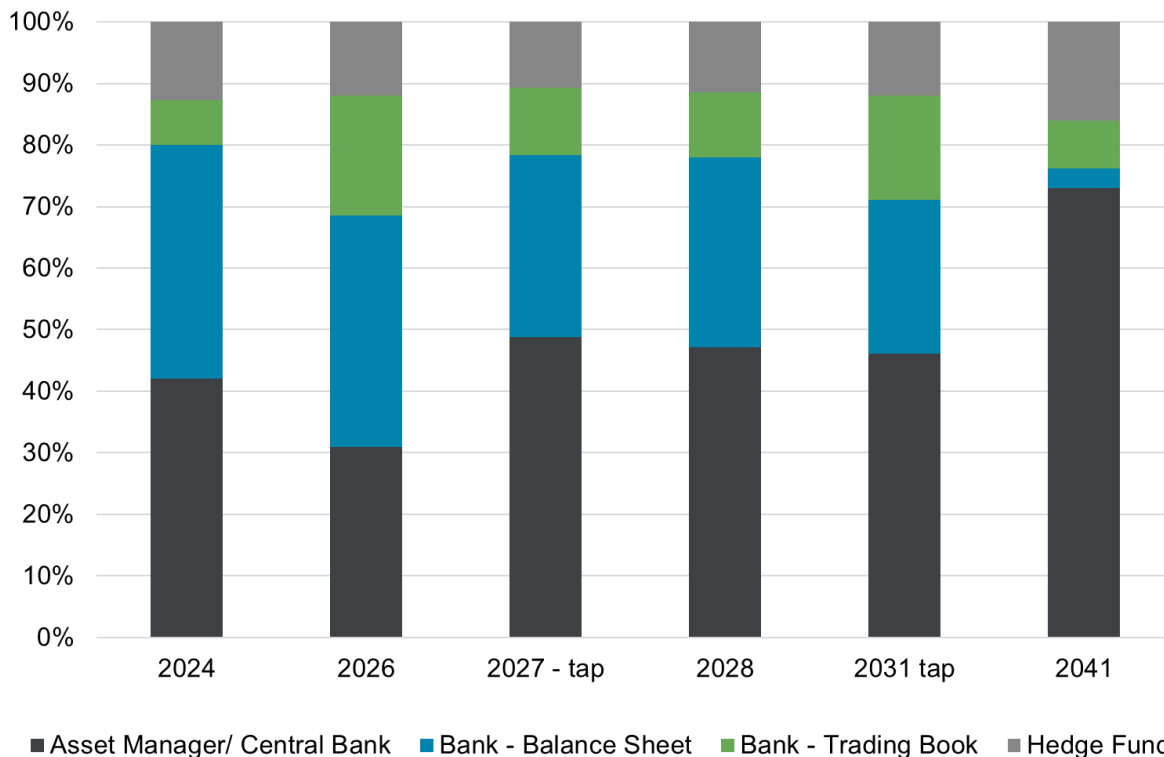
RBNZ Holdings



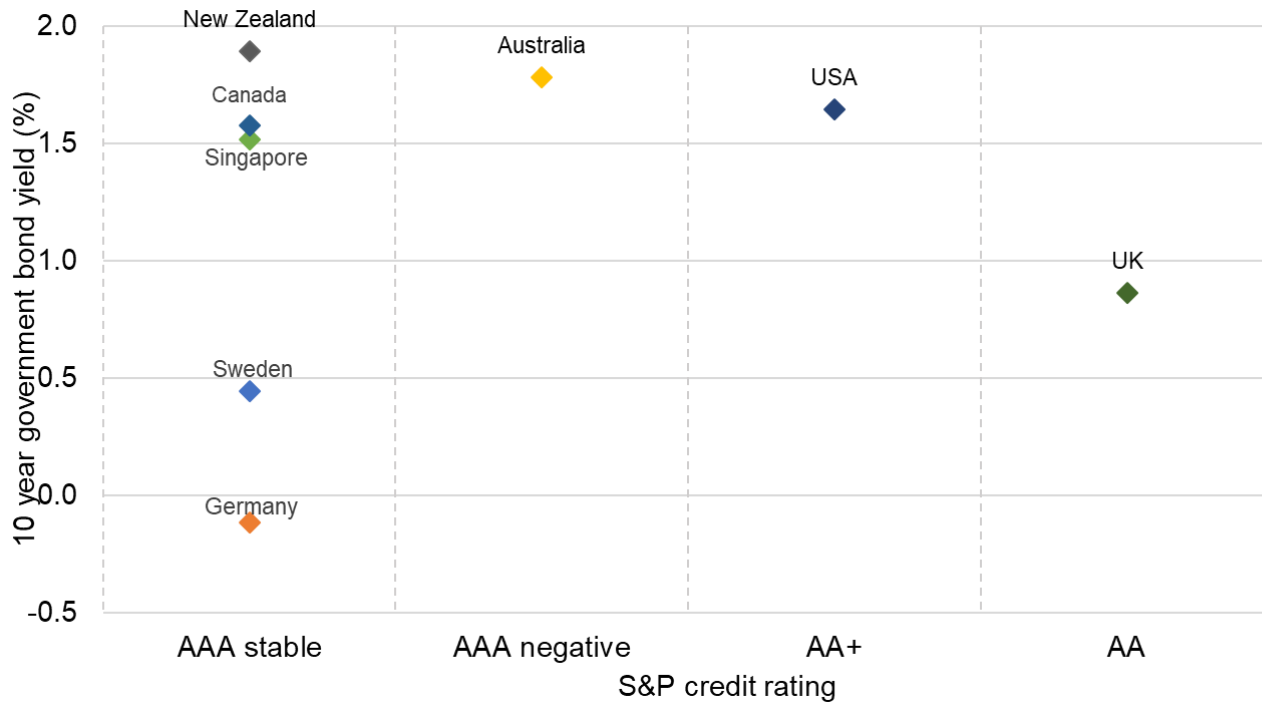
Syndication Statistics - Region



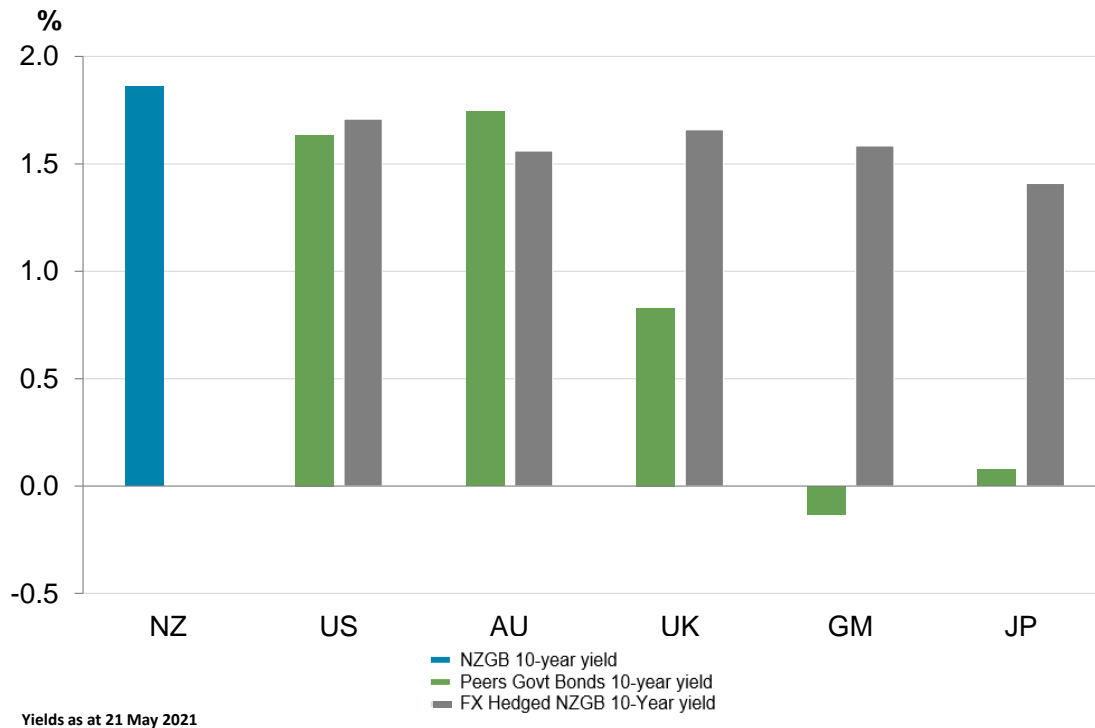
Syndication Statistics – Investor Type



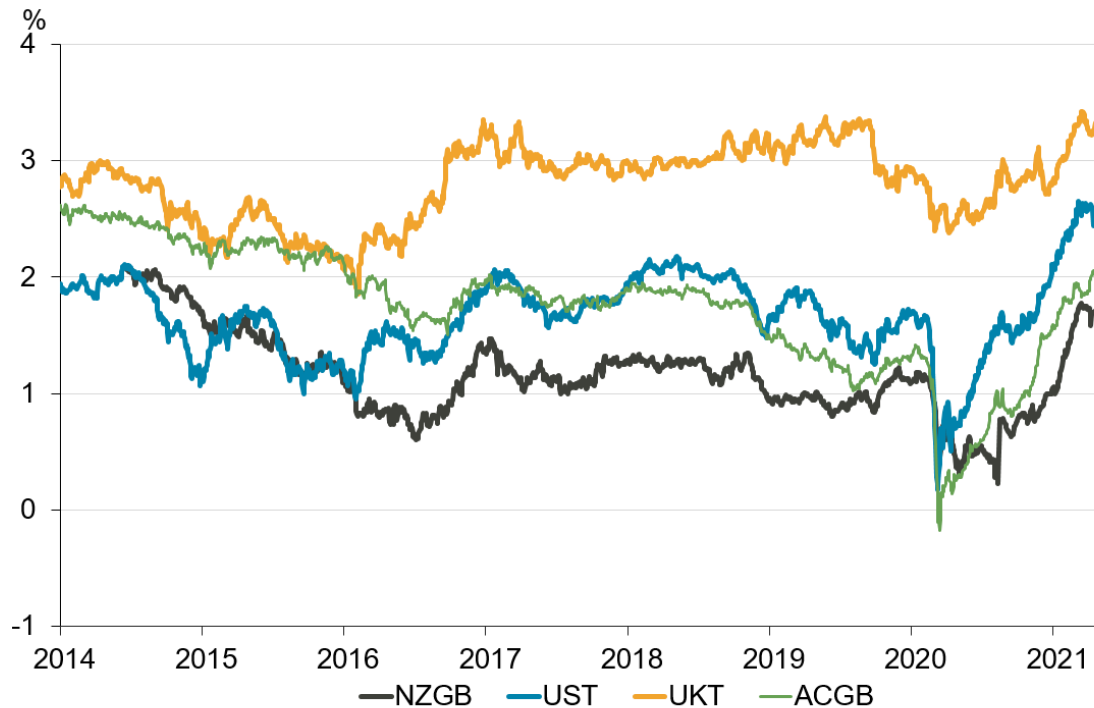
Credit Ratings and Bond Yields



Hedged Yields



5-Year IIB Breakeven-Inflation



Summary of Forecasts

	2020	2021	2022	2023	2024	2025
June years	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Real production GDP (annual average % change)	-1.7	2.9	3.2	4.4	3.3	2.9
Unemployment rate (June quarter)	4.0	5.2	5.0	4.4	4.2	4.2
CPI inflation (annual % change)	1.5	2.4	1.7	1.8	2.0	2.1
Current account (annual, % of GDP)	-1.8	-2.7	-3.4	-3.5	-3.3	-3.1
Fiscal measures (\$billions)						
Core Crown tax revenue	85.1	91.5	93.2	101.7	107.1	113.2
Core Crown expenses	108.8	110.7	114.7	115.4	117.8	121.1
Total Crown OBEGAL ¹	-23.1	-15.1	-18.4	-9.5	-5.7	-2.3
Core Crown residual cash	-23.7	-25.3	-39.2	-25.7	-6.0	3.3
Net core Crown debt	83.4	113.7	153.3	178.5	184.2	180.8
<i>as a percentage of GDP</i>	26.3%	34.0%	43.8%	48.0%	46.9%	43.6%
Net worth attributable to the Crown	110.3	112.0	96.6	91.5	90.8	94.0

Note: 1 Operating balance before gains and losses.

2 The fiscal forecasts were finalised 30 April 2021. The economic forecasts were finalised on 1 April 2021.

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