



TE TAI ŌHANGA
THE TREASURY



New Zealand Government Debt Market Outlook

February 2022

debtmanagement@treasury.govt.nz

New Zealand Government



Overview



Economic & Fiscal Outlook



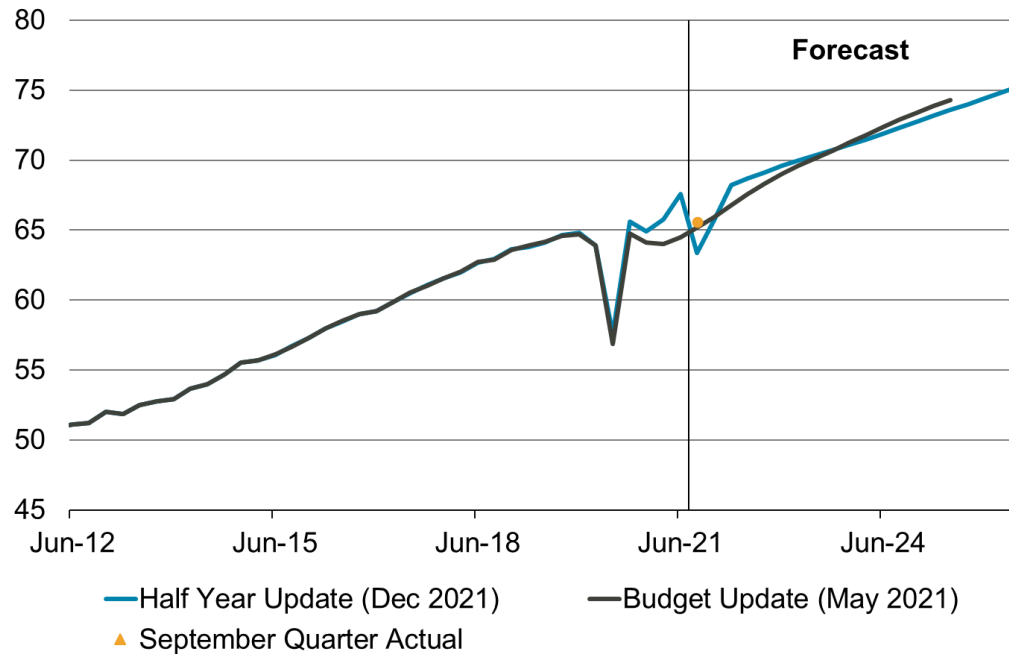
Funding Strategy



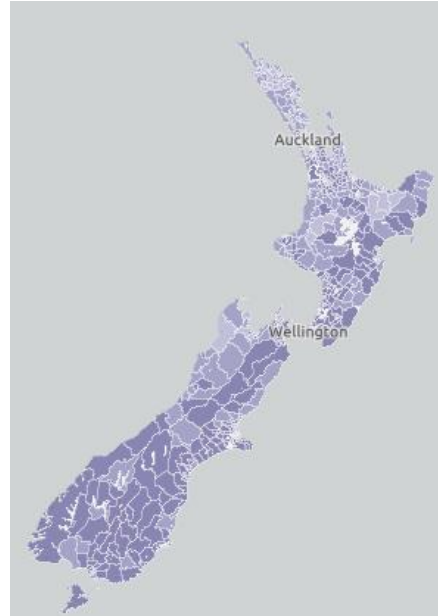
Economic & Fiscal Outlook

Real GDP

NZ\$b (2009/10 prices)



Economic Opening - High Vaccination Rates



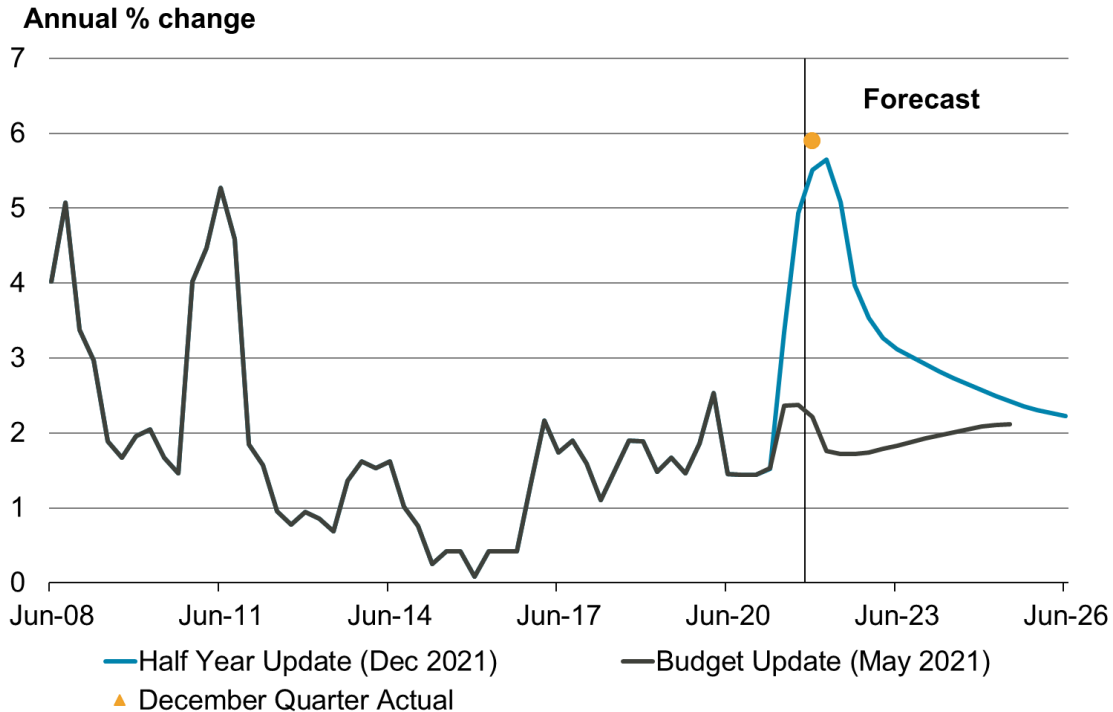
28.3%
Boosted

56.3%
2 doses only

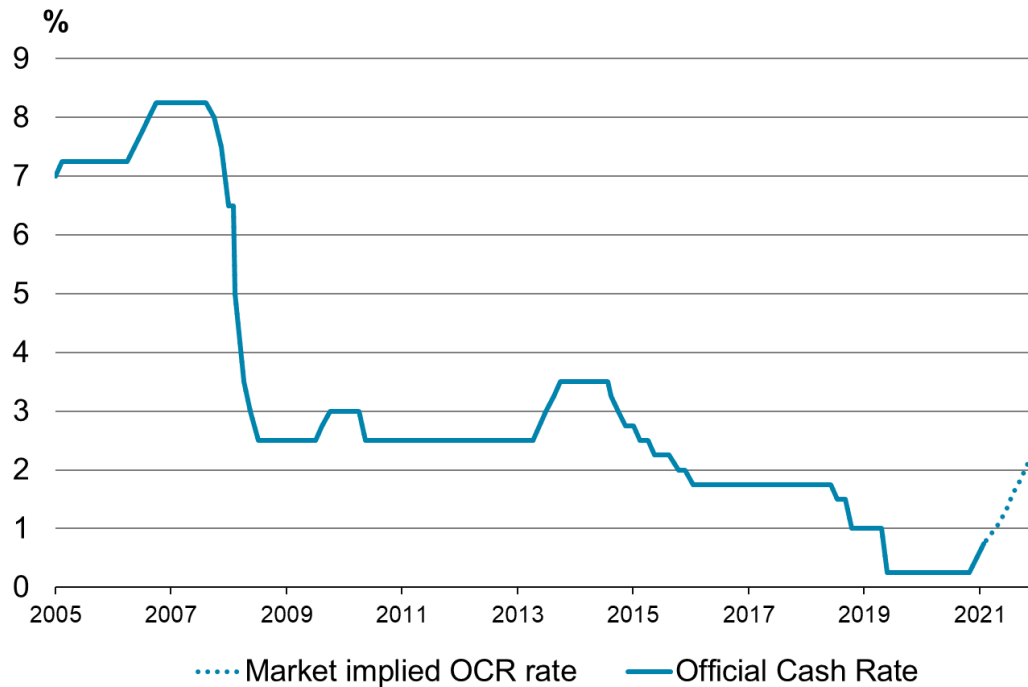
5.3%
1 dose only



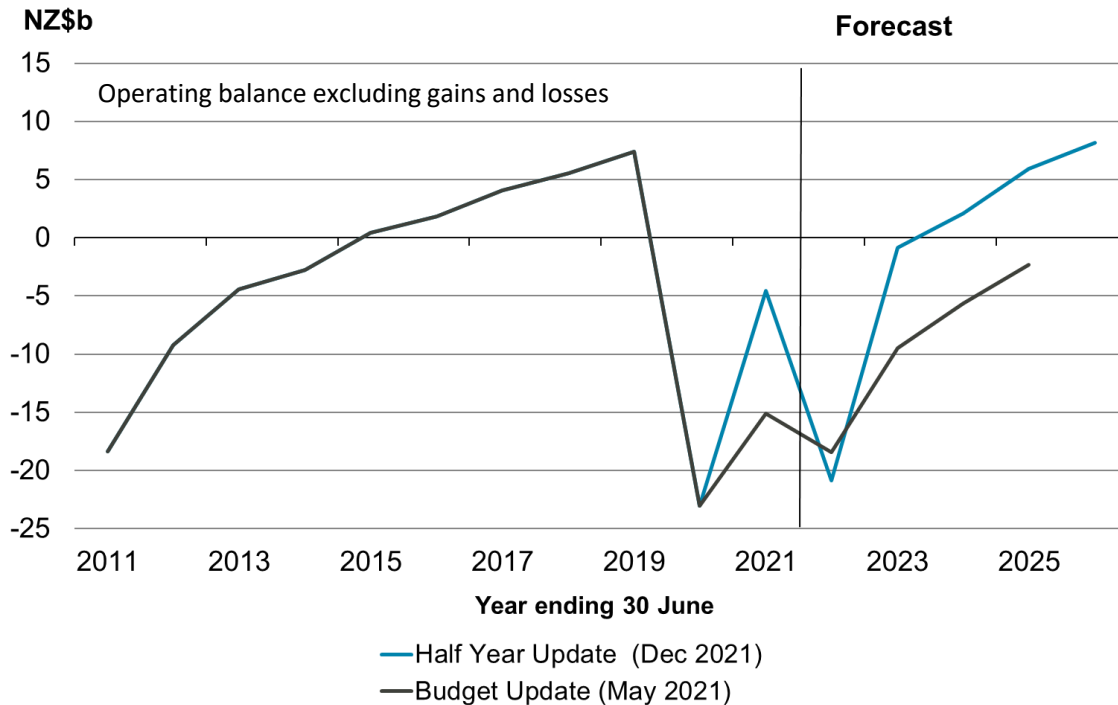
Inflation



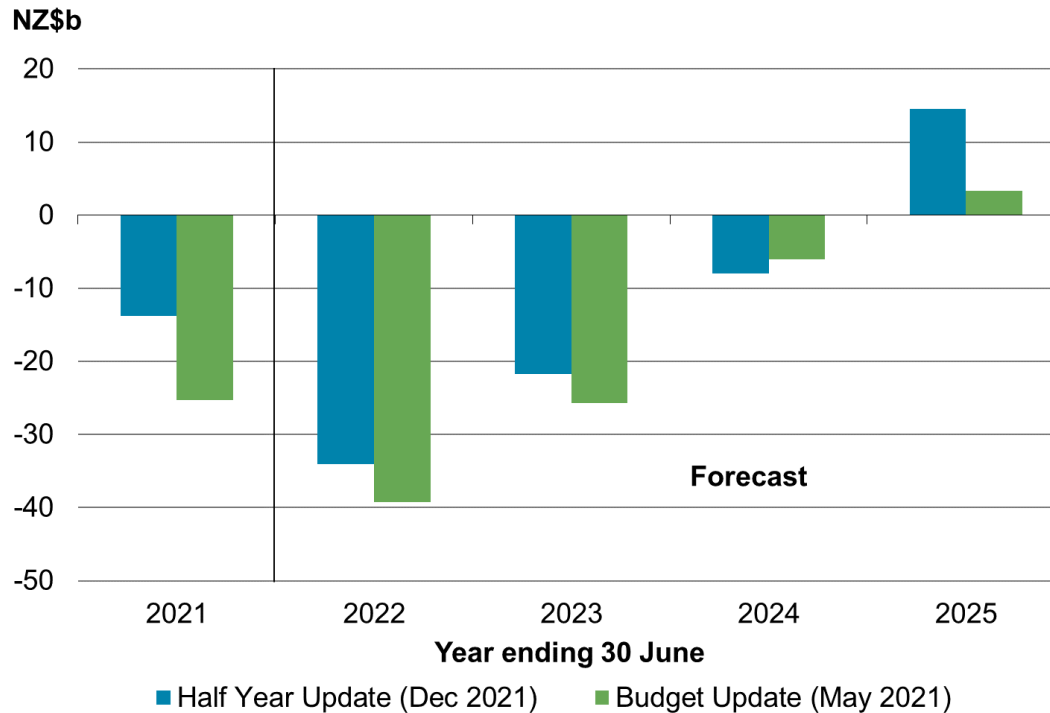
Market Implied OCR Rate



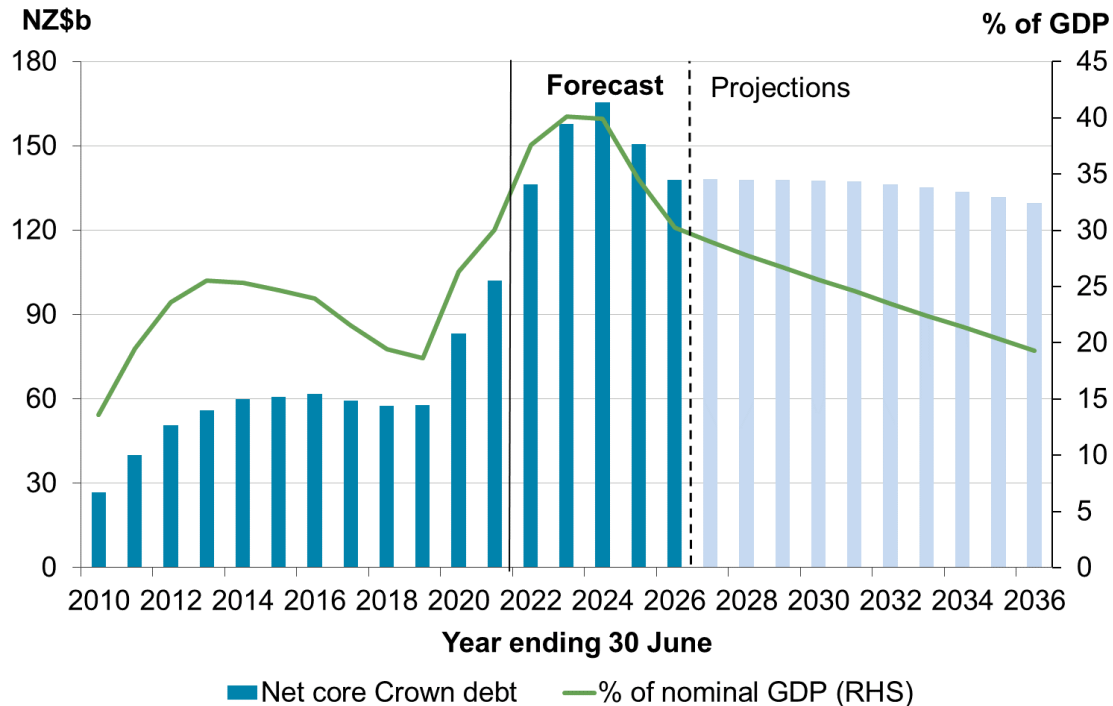
Operating Balance



Residual Cash Deficit



Net Core Crown Debt Projections



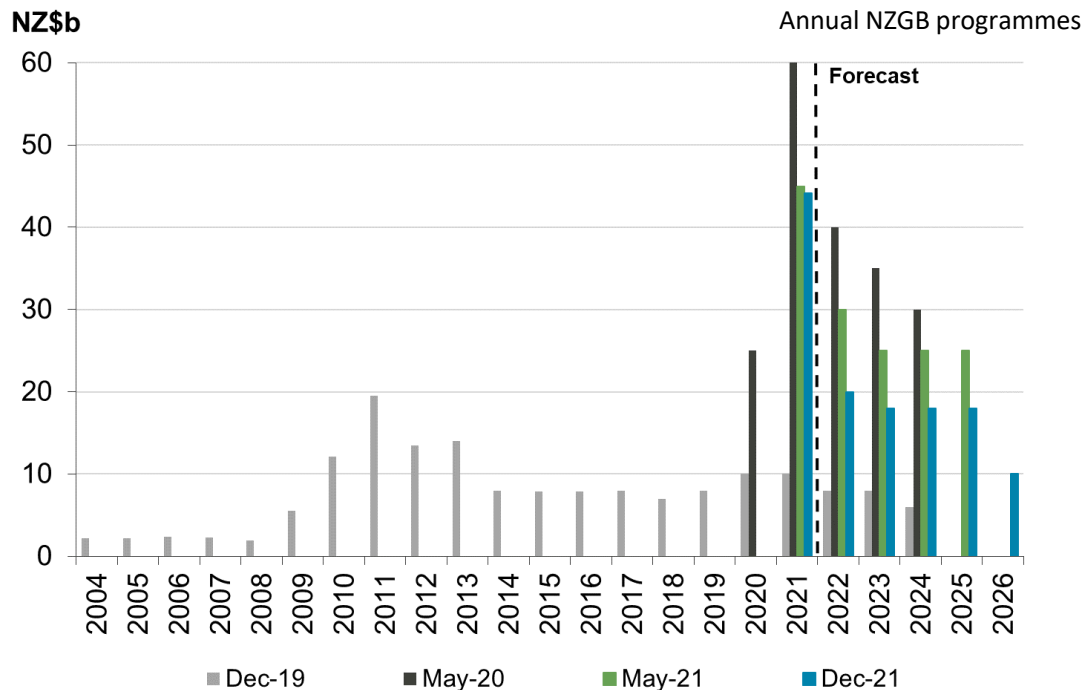


Funding Strategy

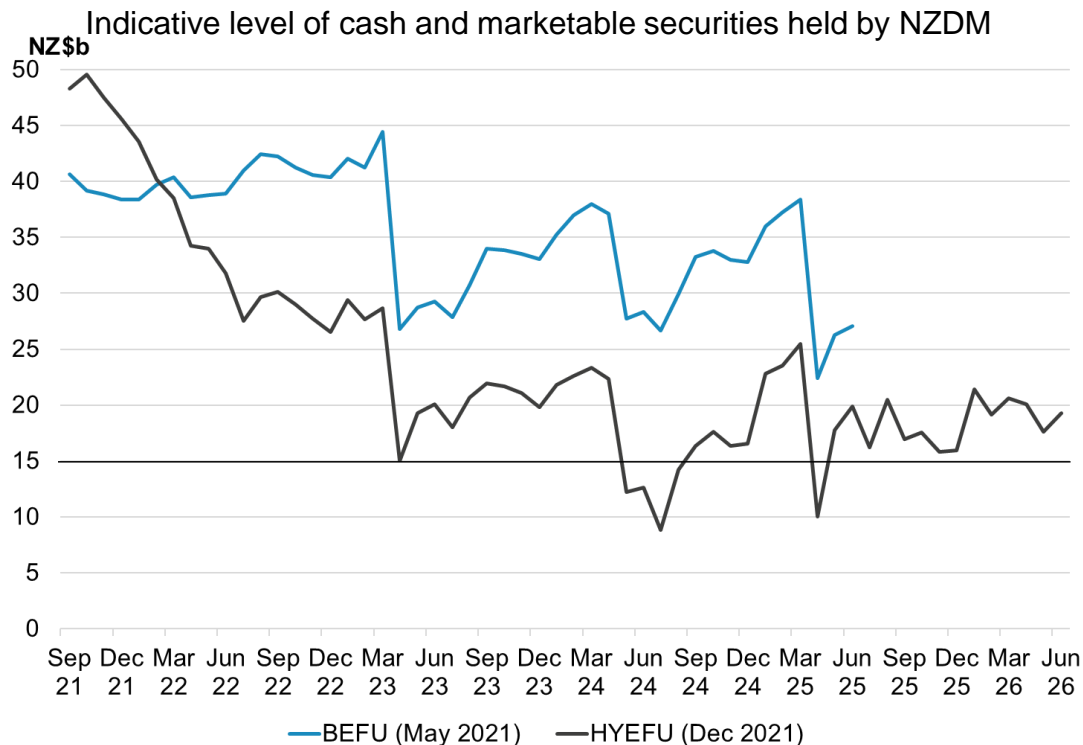
Forecasts

Year ending 30 June (face value)	2022	2023	2024	2025	2026	Total (forecast period)
Gross NZGB issuance (NZ\$ billion)	20.0	18.0	18.0	18.0	10.0	84.0
NZGB maturities and repurchases (NZ\$ billion)	2.4	15.5	13.8	14.9	11.9	58.5
Net NZGB issuance (NZ\$ billion)	17.6	2.5	4.2	3.2	-1.9	25.5
NZGBs outstanding (NZ\$ billion)	144.8	147.3	151.5	154.7	152.8	n/a
NZGBs outstanding (% of GDP)	40%	37%	37%	35%	33%	n/a
Forecast T-Bills on issue (NZ\$ billion)	4.0	3.0	3.0	3.0	3.0	n/a

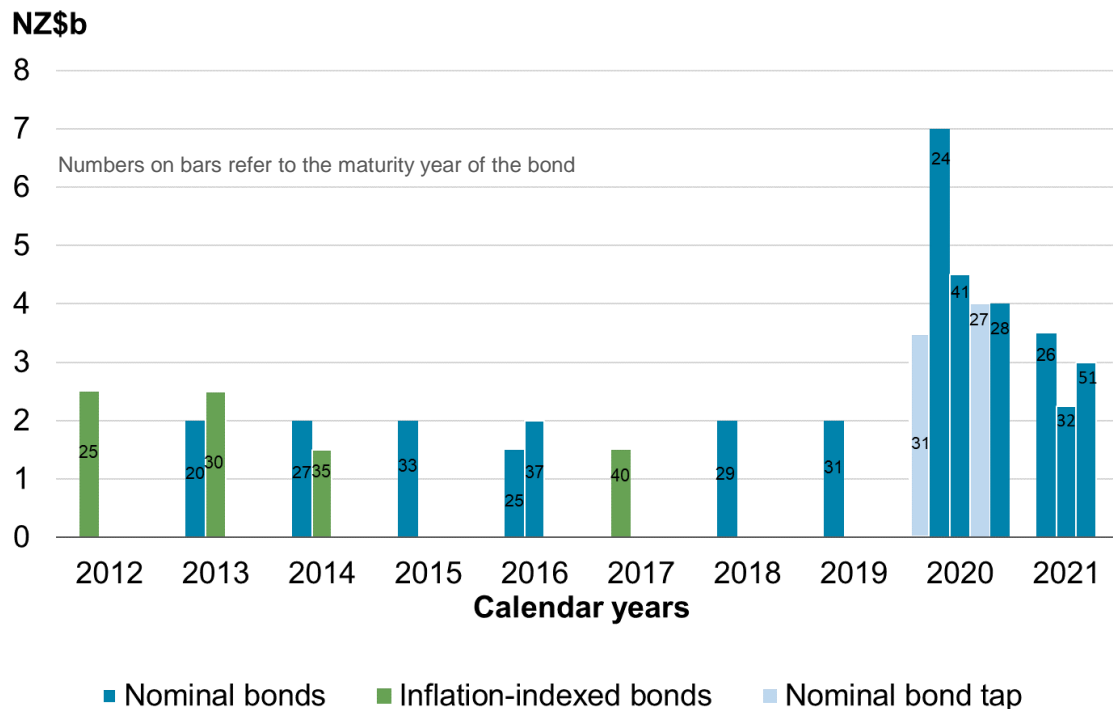
Changes in Forecasts



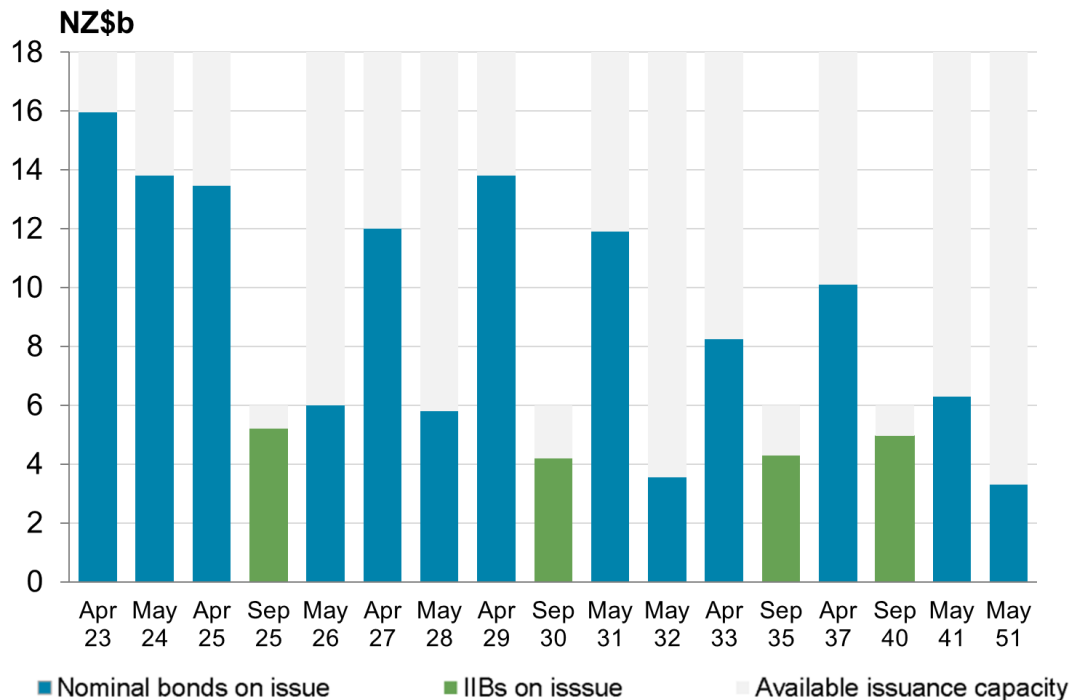
A Declining Liquidity Buffer



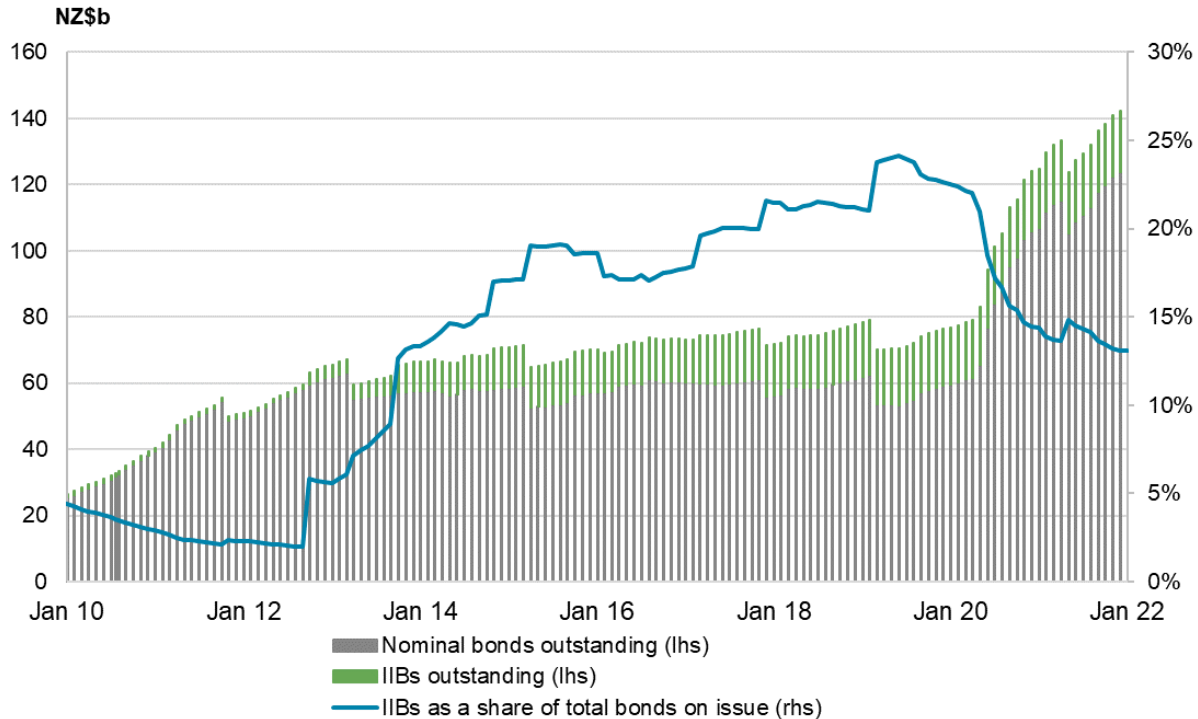
No Longer Expect 2nd Syndication in 2021/22



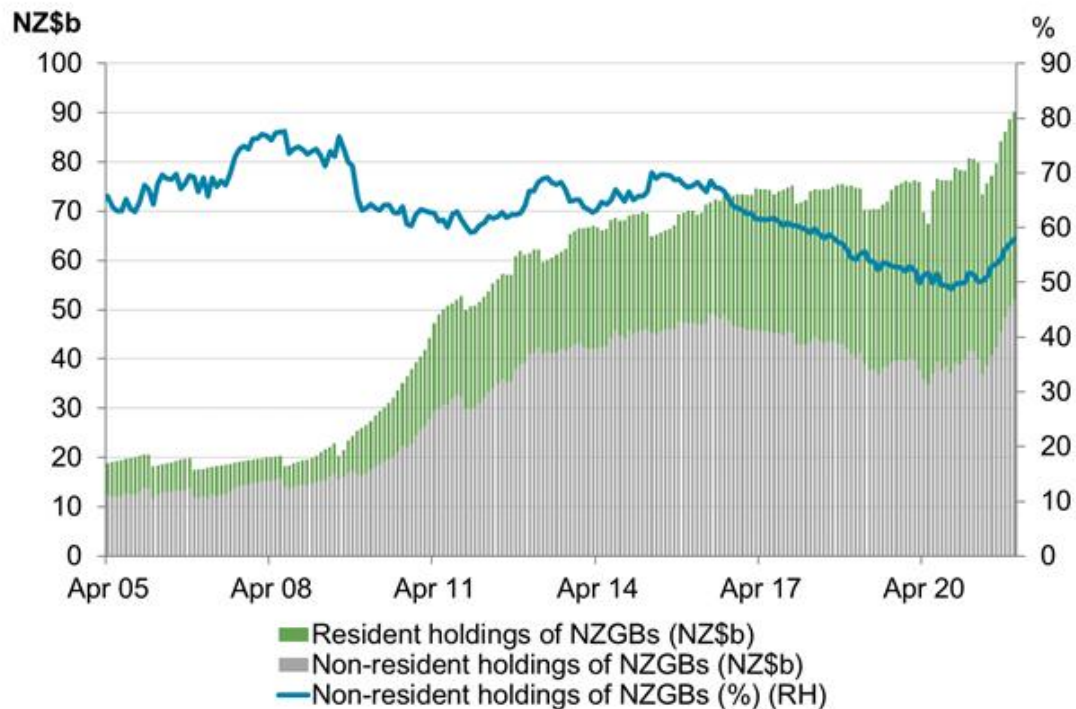
Current NZGB Portfolio



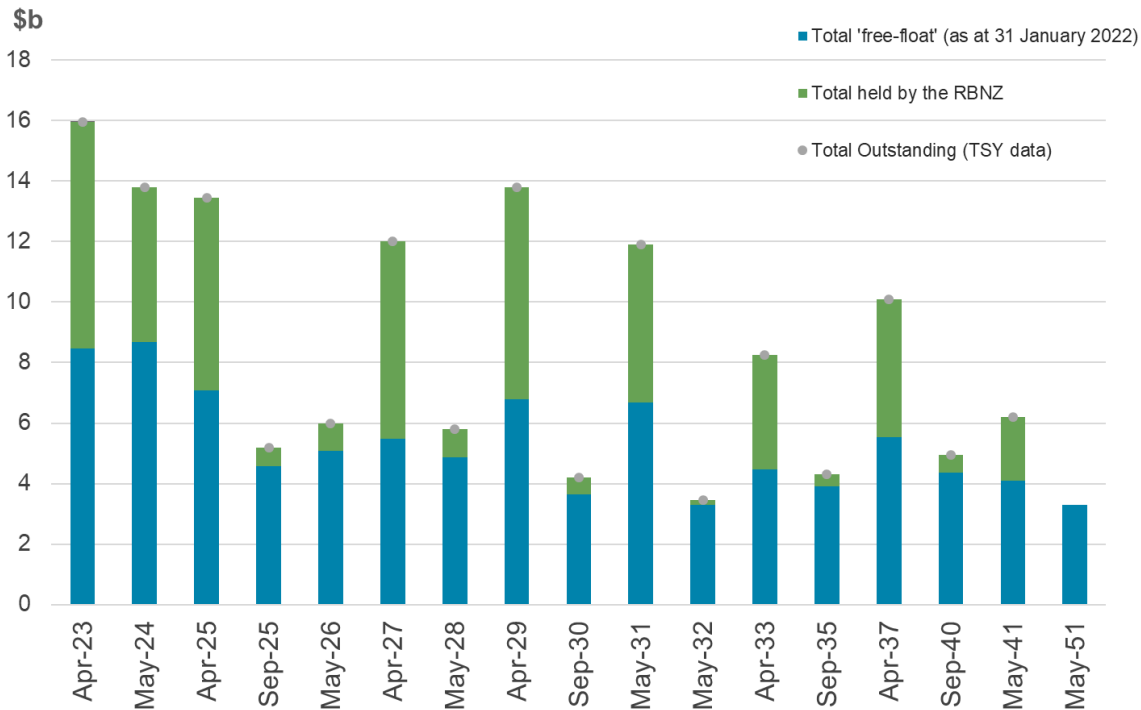
Changes to IIB Tender Issuance Approach



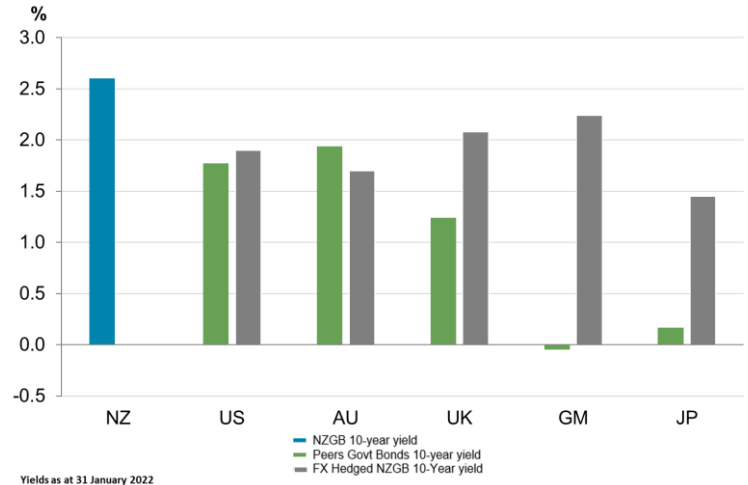
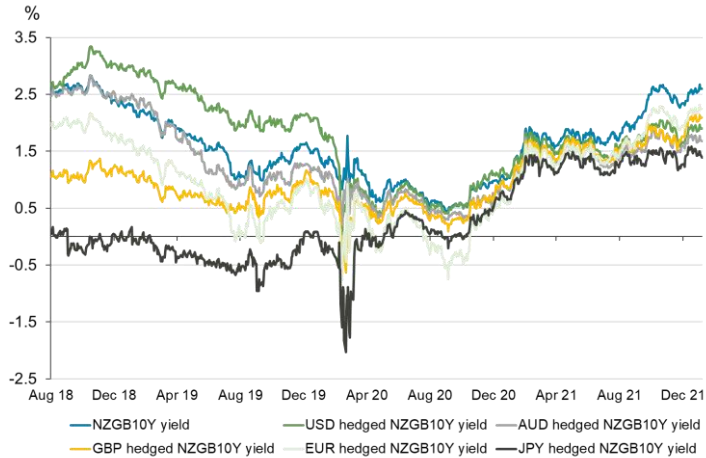
Offshore Holdings



RBNZ Holdings



Hedged Yields



Green Bond Programme

- Green Bonds are a new source of funding but do not represent additional 'funds' for the Crown. They will be issued as part of the overall forecast core Crown borrowing programme.
- New Zealand Sovereign Green Bonds will help ensure high quality Government projects with robust environmental outcomes are financed, delivered, monitored and reported on.
- Design of the Green Bond programme will be informed by international best practice and consideration of New Zealand specific elements. Joint structuring advisors have been appointed to support development of the framework. The first Green Bond issuance is expected in late 2022.



Appendix



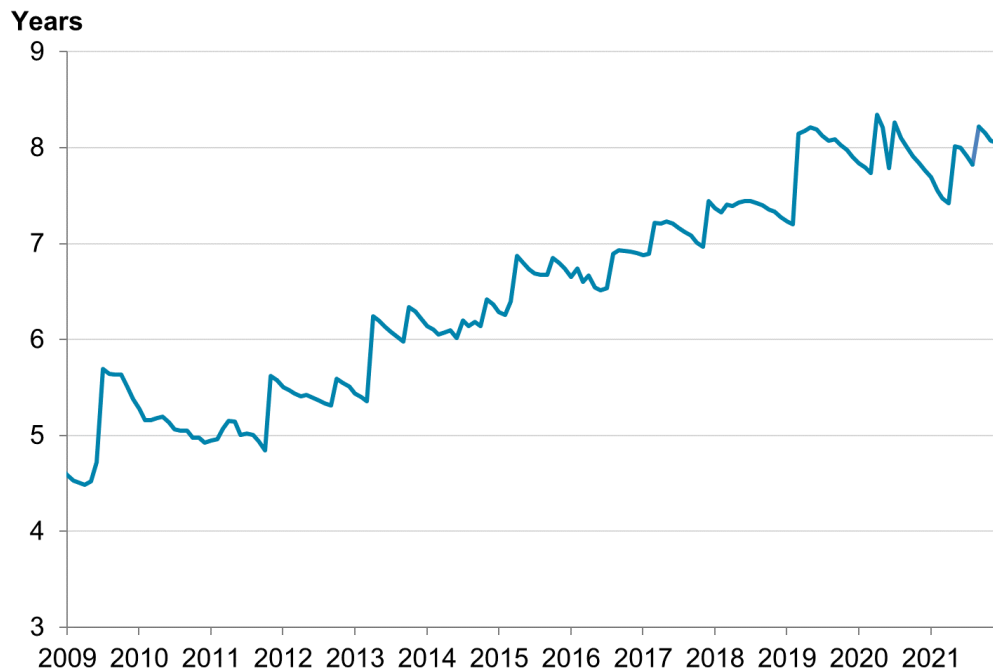
WGBI Index Inclusion



- NZGBs may become eligible for inclusion in the FTSE-Russell World Government Bond Index (WGBI) at their next semi-annual review, in March 2022. This would lead to inclusion in the index after the next review in September.
- Our funding strategy has not been directly influenced by this factor, but we would see this as a positive development for our market.
- The criteria for inclusion depends on three factors:
 - Minimum credit rating of A-/A3
 - Minimum volume of outstanding nominal bonds, excluding central bank holdings. There are three currency thresholds in JPY, EUR and USD
 - Market accessibility
- New Zealand easily meets the JPY and EUR volume threshold but the USD50 billion depends on the currency. FTSE will make their assessment on 18 February. Given current scheduled tender volumes, we calculate that an exchange rate of 0.6686 is needed to reach the threshold (provided all our tenders are filled).
- No issues have been flagged on New Zealand meeting the market accessibility criteria. However, a final review will be undertaken in March.

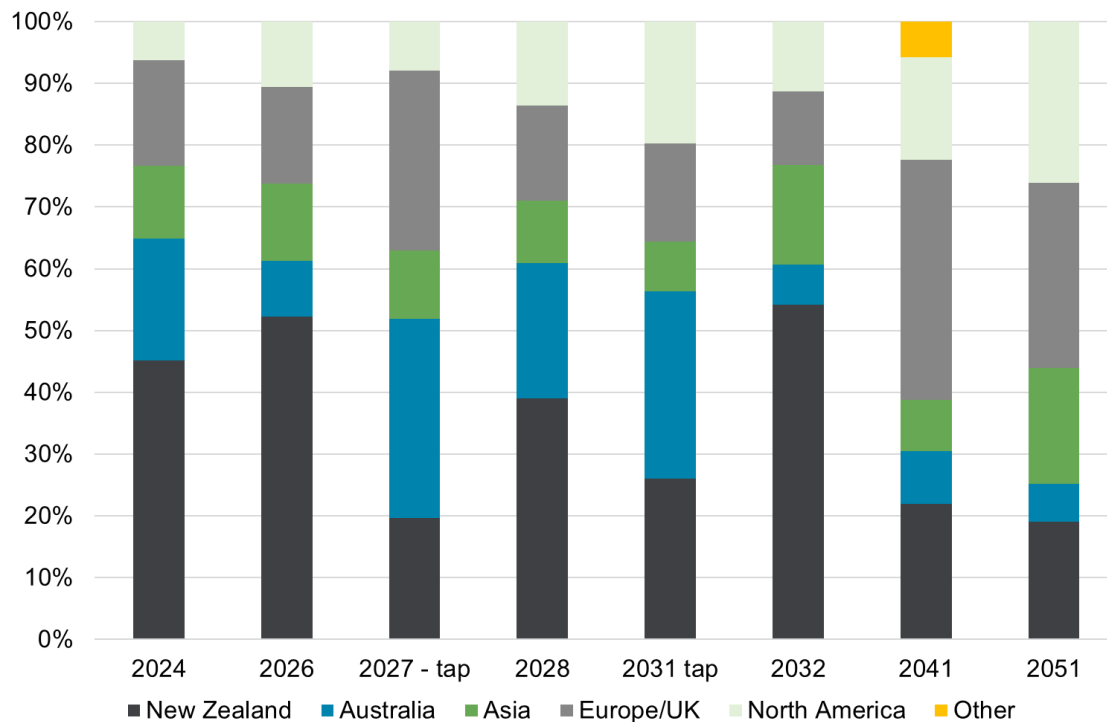
Average Weighted Maturity

Average Weighted Maturity of NZGB Portfolio

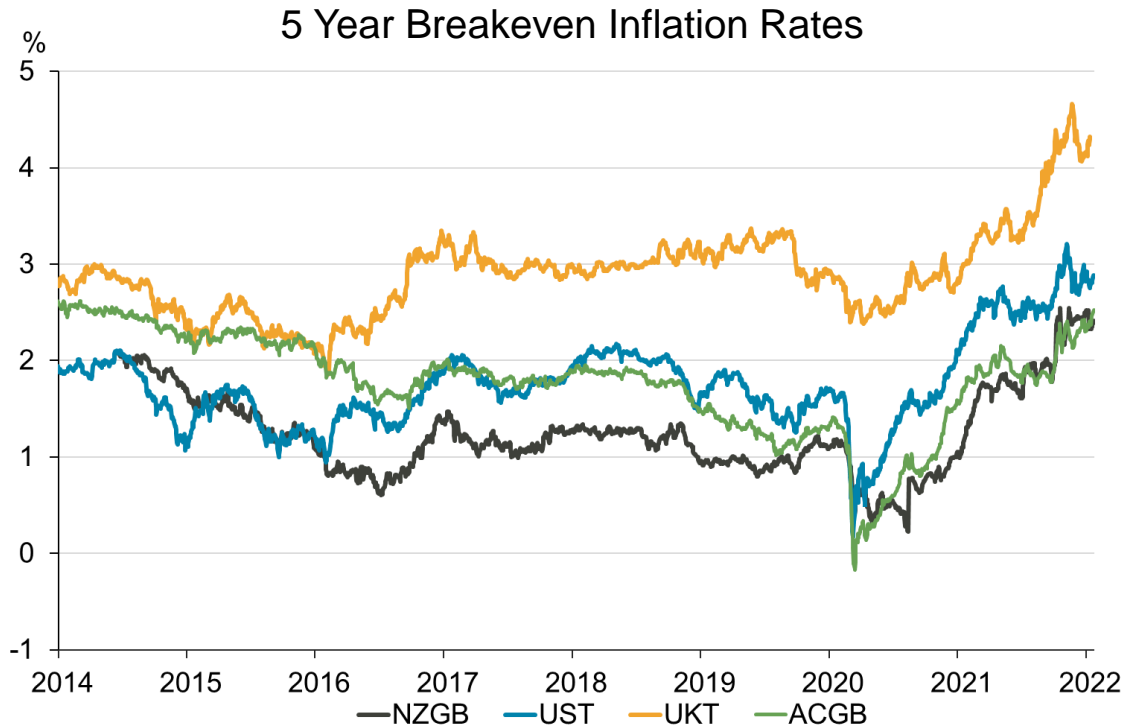


Syndications

Syndication Allocation by Investor Location



Breakeven Inflation



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)	6-Jan-22

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