



TE TAI ŌHANGA
THE TREASURY



New Zealand Government Debt Market Outlook

November 2019

New Zealand Government



Overview



Fiscal outlook



Funding Strategy



Market Dynamics



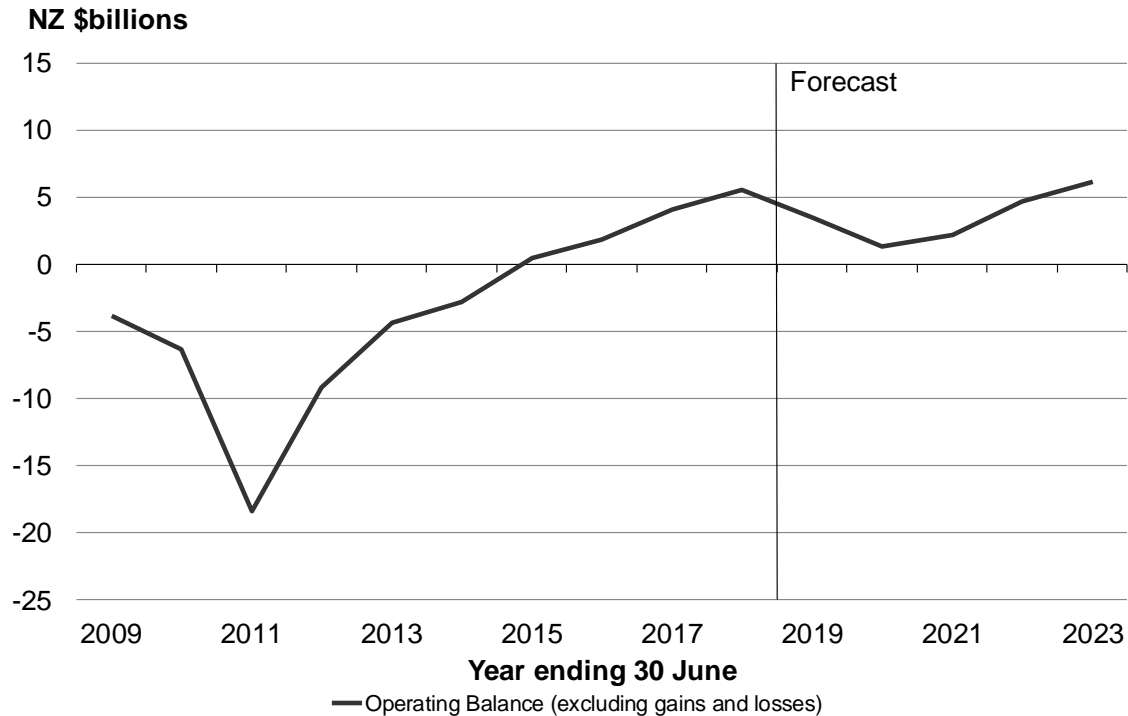
Fiscal outlook

Summary of forecasts

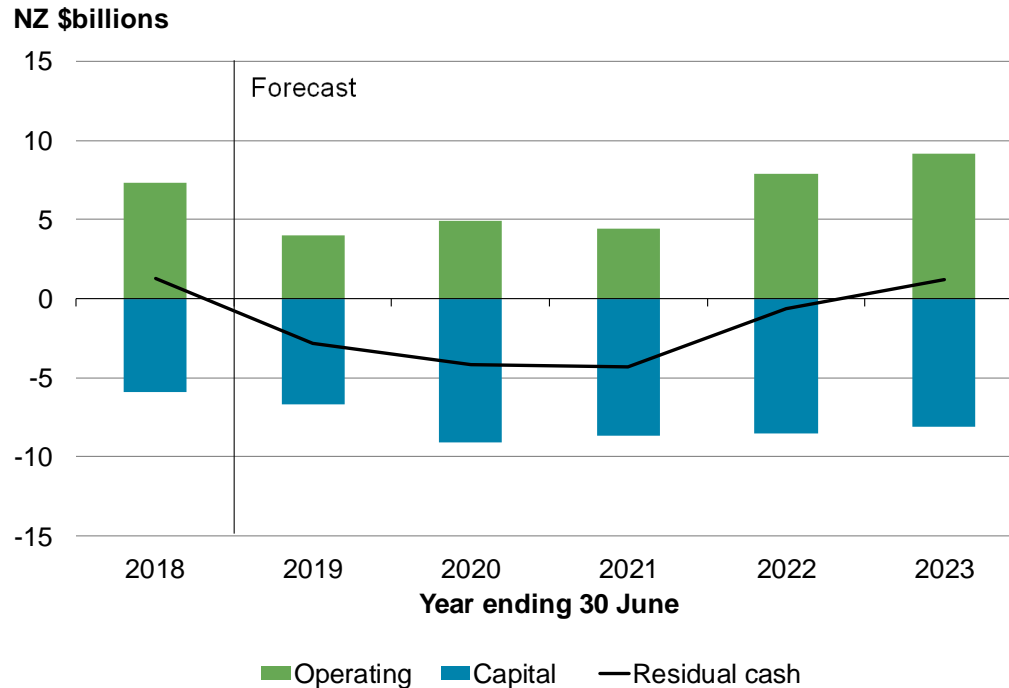
Executive summary table

June years	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Economic						
Real production GDP (annual average % change)	3.2	2.4	3.0	2.8	2.4	2.4
Real GDP per capita (annual average % change)	1.1	0.7	1.5	1.5	1.3	1.2
Unemployment rate (June quarter)	4.4	4.1	4.0	4.1	4.2	4.3
CPI inflation (annual % change, June quarter)	1.5	1.8	2.0	2.1	2.0	2.0
Current account balance (% of GDP)	-3.4	-3.4	-3.4	-3.4	-3.3	-3.3
Fiscal (% of GDP)						
Core Crown tax revenue	27.8	28.2	28.2	28.5	28.6	28.8
Core Crown expenses	27.9	29.1	29.4	29.6	29.0	28.8
Total Crown operating balance before gains and losses	1.9	1.2	0.4	0.6	1.3	1.7
Core Crown residual cash	0.5	-0.9	-1.3	-1.3	-0.2	0.3
Net core Crown debt	19.9	20.1	20.4	20.7	19.9	18.7
Net worth attributable to the Crown	44.9	43.4	42.5	42.1	42.8	43.9

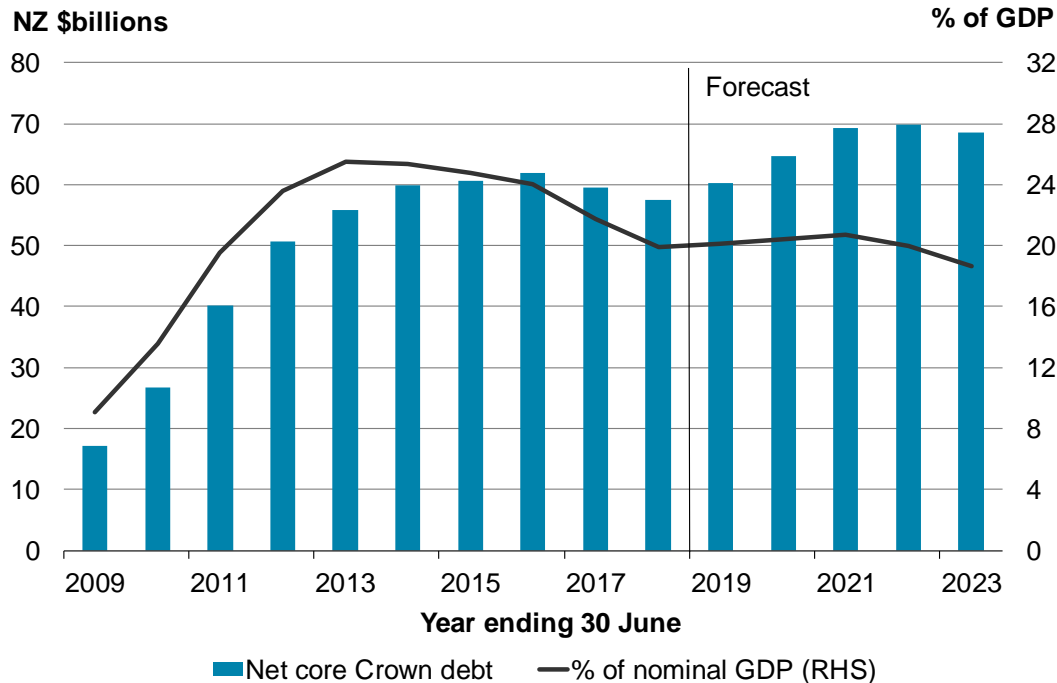
Operating surpluses sustained



Plans for capital spending



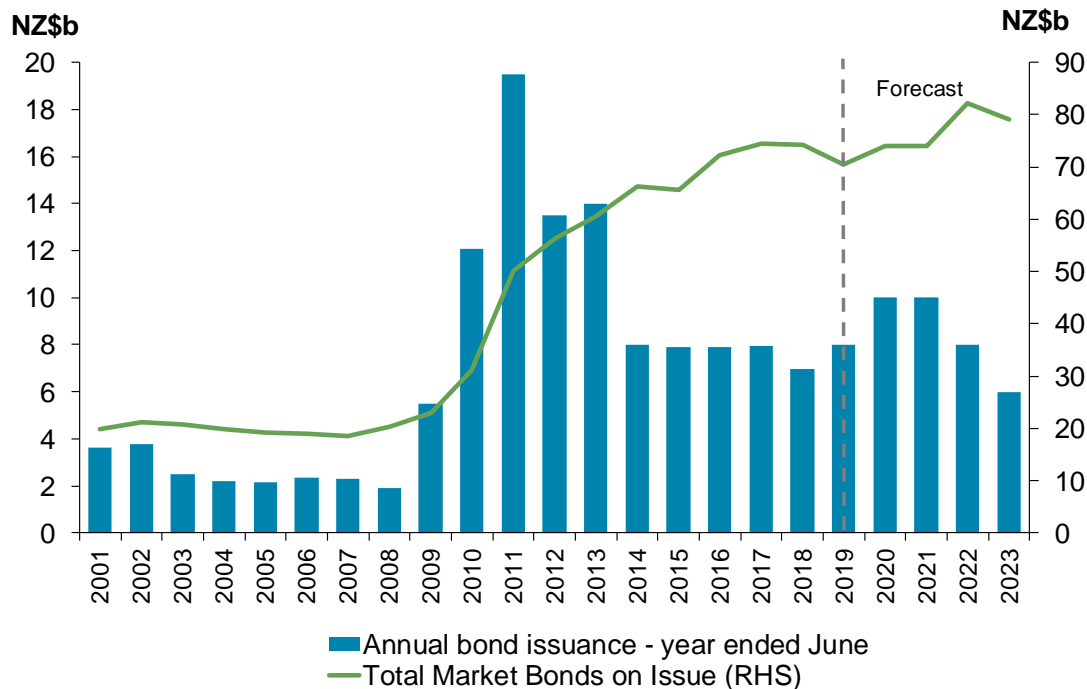
Net debt contained





Funding Strategy

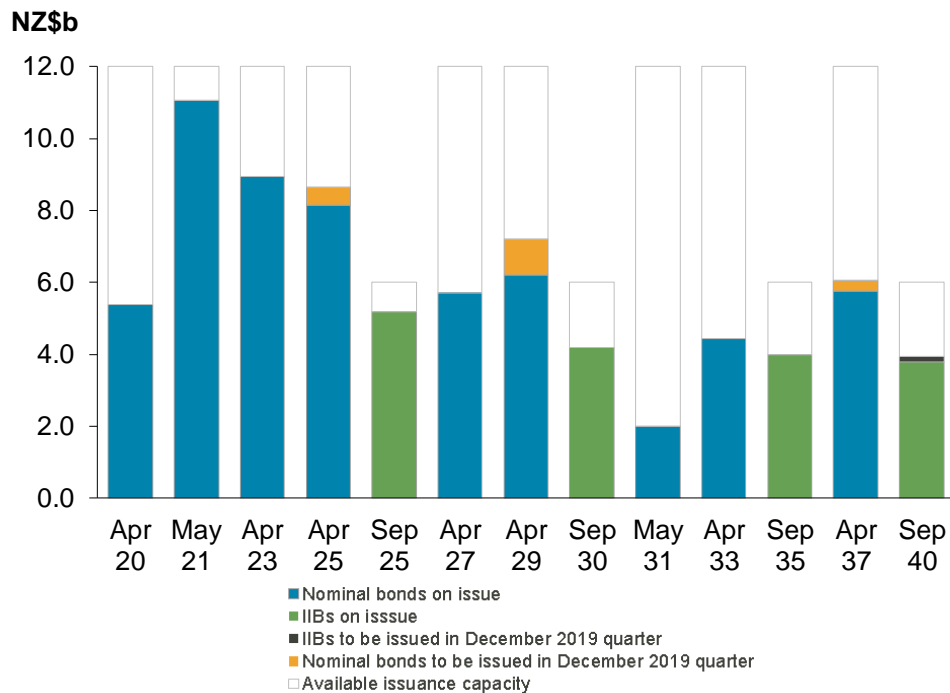
Changing funding needs



Forecast borrowing programme

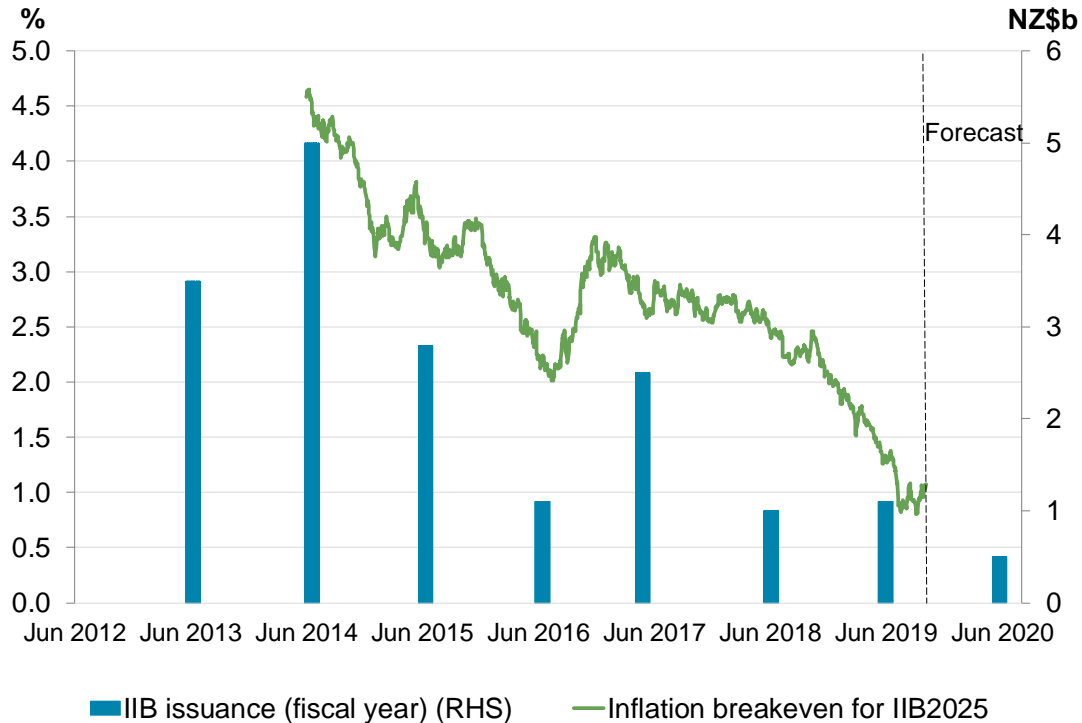
Year ending 30 June (face value)	2019	2020	2021	2022	2023	Total
Gross NZGB issuance (NZ\$ billion)	8.0	10.0	10.0	8.0	6.0	42.0
NZGB maturities and repurchases (NZ\$ billion)	11.7	6.6	9.8	0.0	8.9	37.0
Net NZGB issuance (NZ\$ billion)	-3.7	3.4	0.2	8.0	-2.9	5.0
NZGBs on issue (NZ\$ billion)	70.5	73.9	74.1	82.1	79.2	n/a
NZGBs on issue (percent of GDP)	23.5%	23.3%	22.2%	23.4%	21.6%	n/a
Forecast T-Bills on issue (NZ\$ billion)	3	3	4	4	3	n/a

Current NZGB portfolio

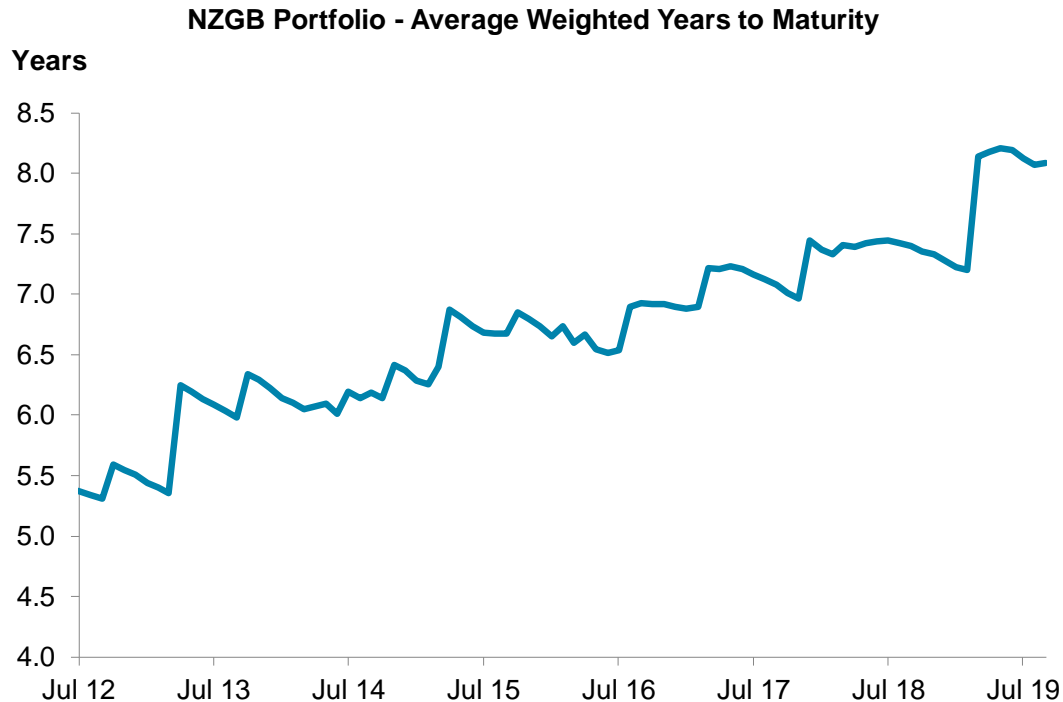


As at 30 September, 2019

Reduced rate of IIB issuance



Increasing average-weighted maturity



Environment, Social and Governance (ESG)



- The New Zealand Government has clearly stated ESG objectives.
- Many of these are outlined in the Government's Wellbeing Budget 2019 that focuses on the wellbeing of people, the health of the environment and the strength of communities.
- <https://treasury.govt.nz/publications/wellbeing-budget/wellbeing-budget-2019>
- The Government is committed to progressing a climate change programme that allows for a just transition to a low-emissions economy.
- Cabinet has agreed a policy framework which will drive climate change policy towards low greenhouse gas emissions and climate resilience in New Zealand.
- <https://www.mfe.govt.nz/climate-change/climate-change-and-government/climate-change-programme>
- In this context, the Treasury currently has no plans to issue bonds in a specific ESG format. More broadly, it is cognizant of the contribution that efficient debt funding can make to the Government's ESG objectives.



Market Dynamics

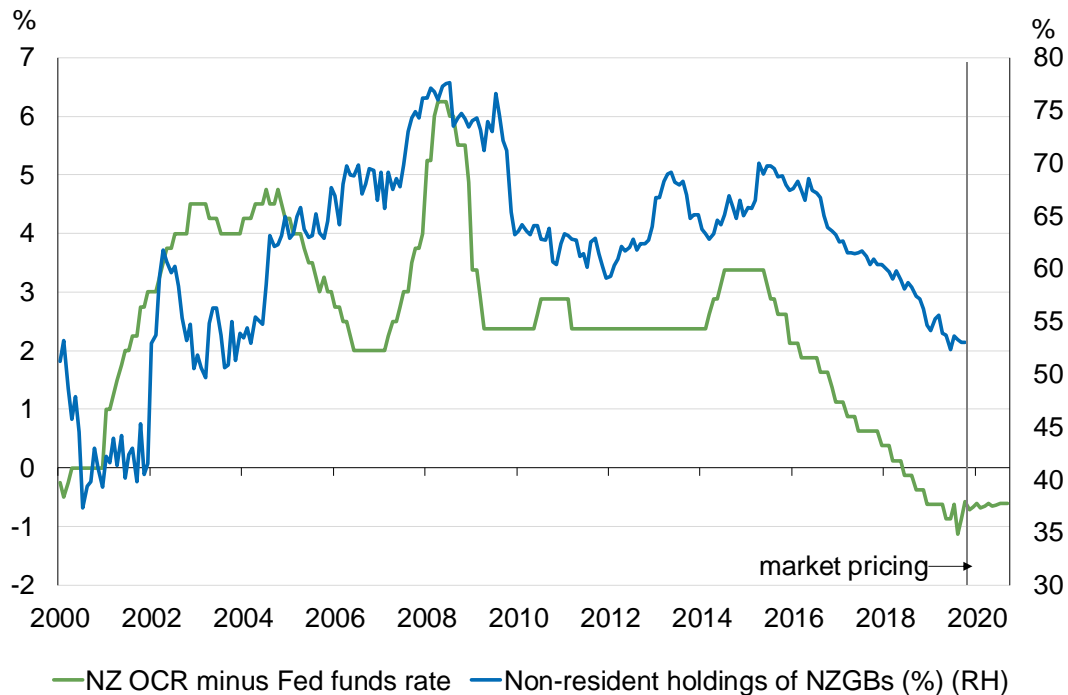
Registered tender counterparties



The current list of approved Registered Tender Counterparties are:

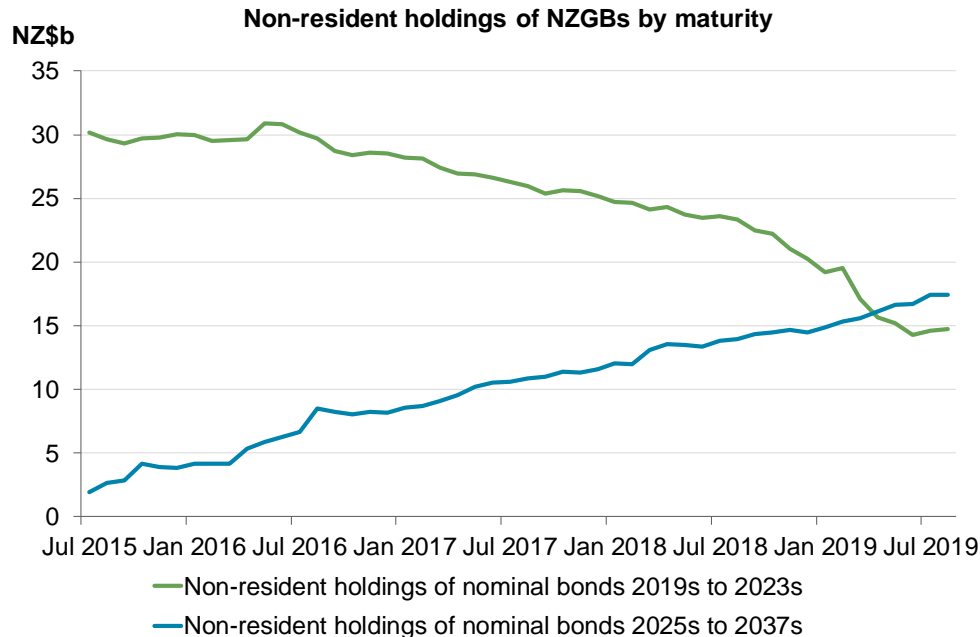
- ANZ Bank New Zealand Limited
- Bank of New Zealand
- Commonwealth Bank of Australia
- Deutsche Bank AG, Sydney
- J.P. Morgan Securities Australia Limited
- The Toronto-Dominion Bank, London
- UBS AG, Australia
- Westpac Banking Corporation, New Zealand

Offshore demand resilient

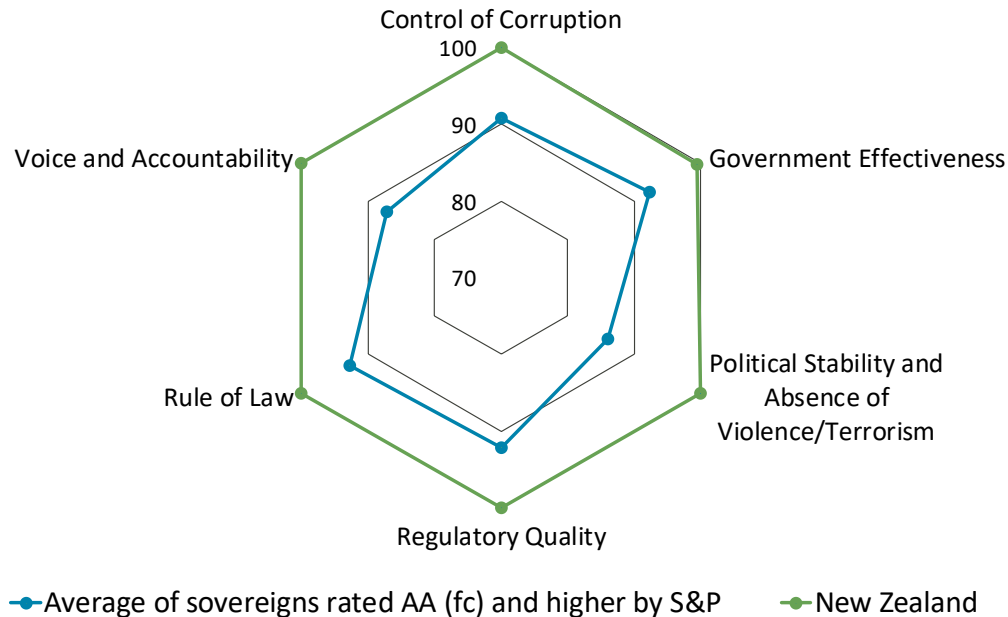


As at 4 November, 2019

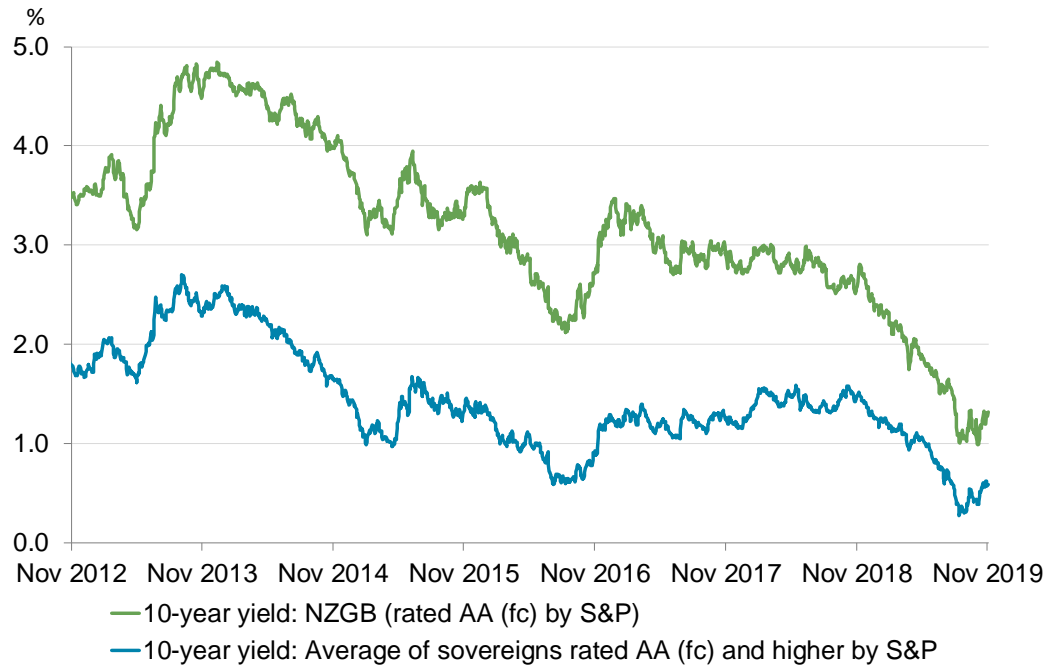
Offshore tilt to longer maturities



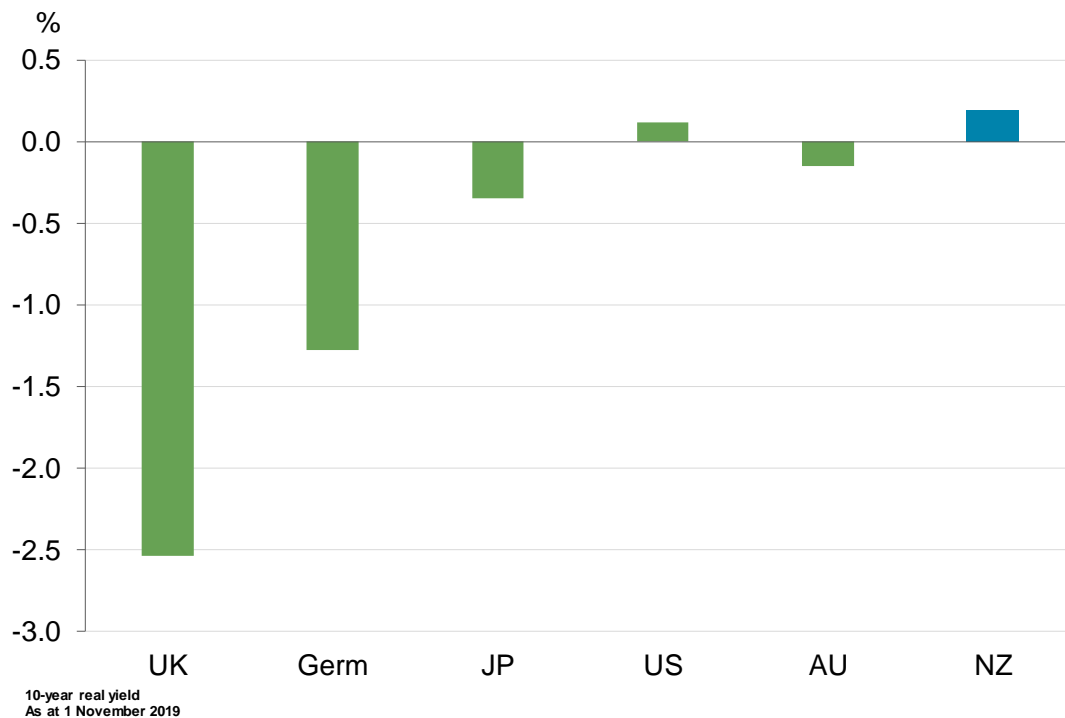
Strong governance structure



Relative yield



Real yields relative to peers



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