



New Zealand Government Debt Market Outlook

September 2018

newzealand.govt.nz



Overview



Fiscal Priorities



Funding Strategy



Offshore Investor Themes



Fiscal Priorities

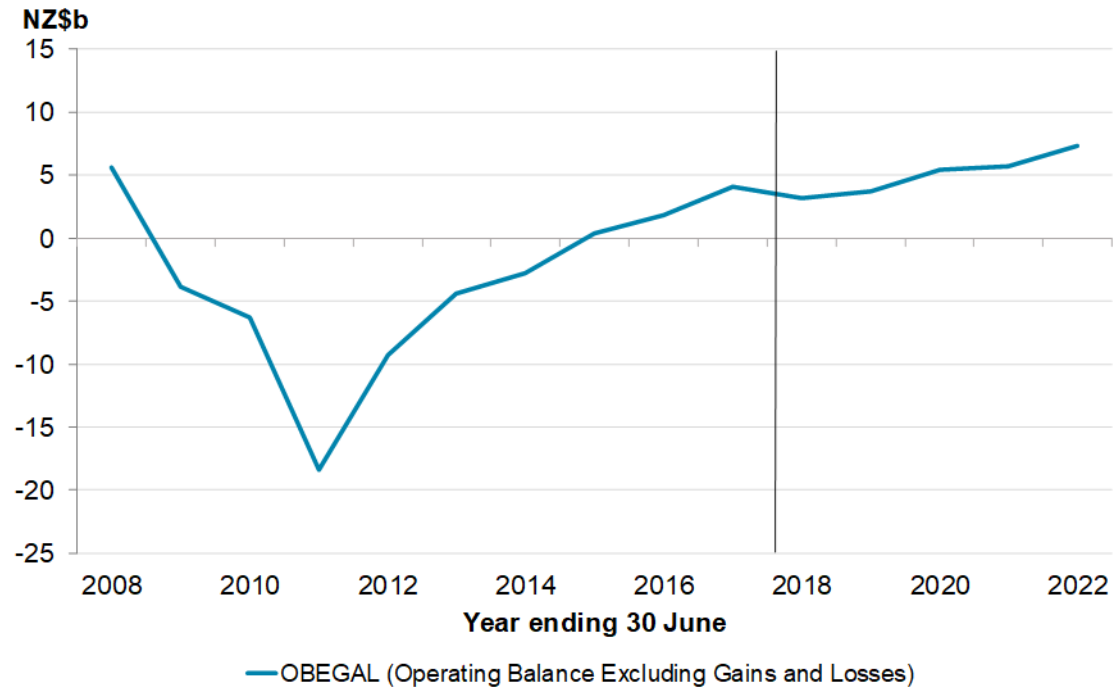
Budget Responsibility Rules



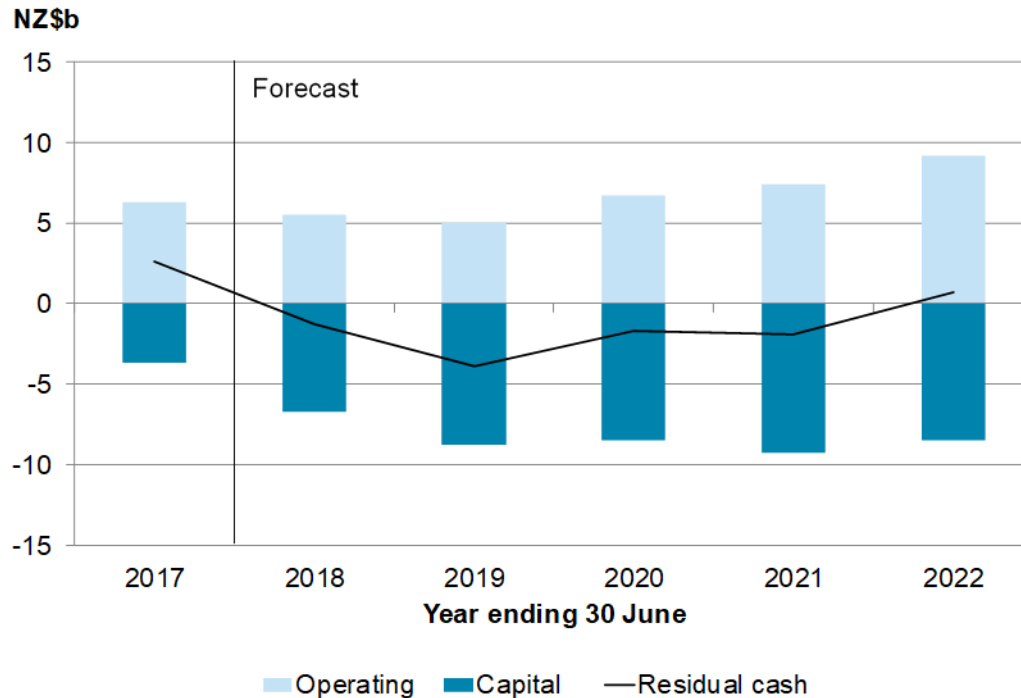
Current Government is committed to prudent fiscal strategy with 5 Budget Responsibility Rules:

- Deliver a sustainable operating surplus across an economic cycle.
- Reduce the level of net core Crown debt to 20 per cent of GDP within five years of taking office.
- 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.

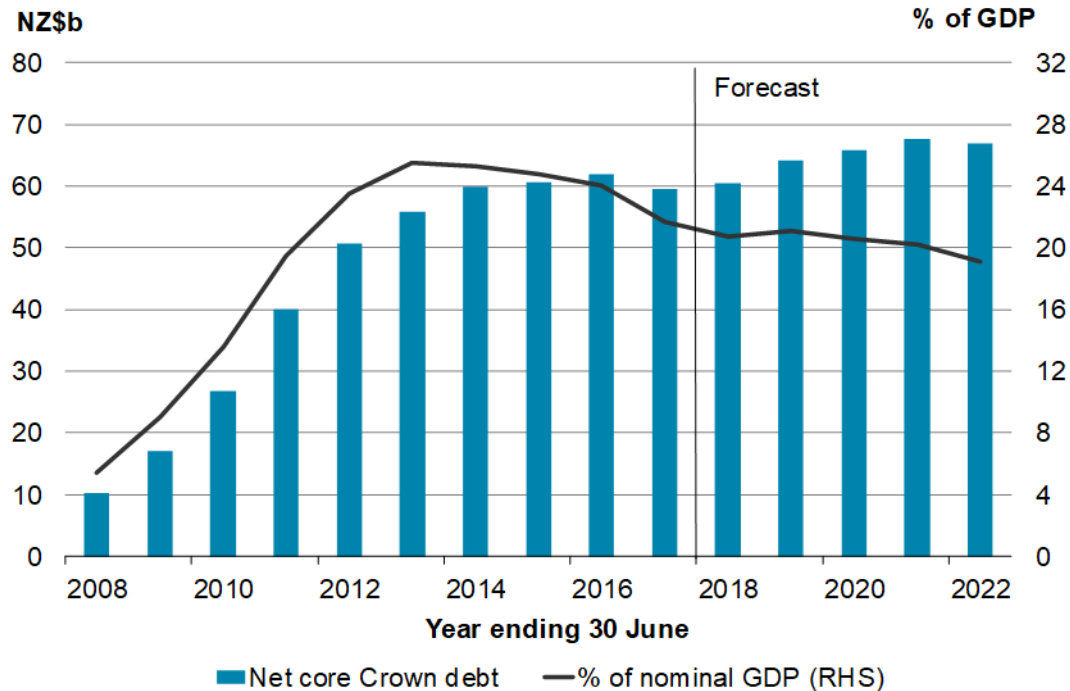
Operating surplus sustained



Capital spending impacts residual cash



Net debt falls below 20% of GDP





Funding Strategy

Recent announcements

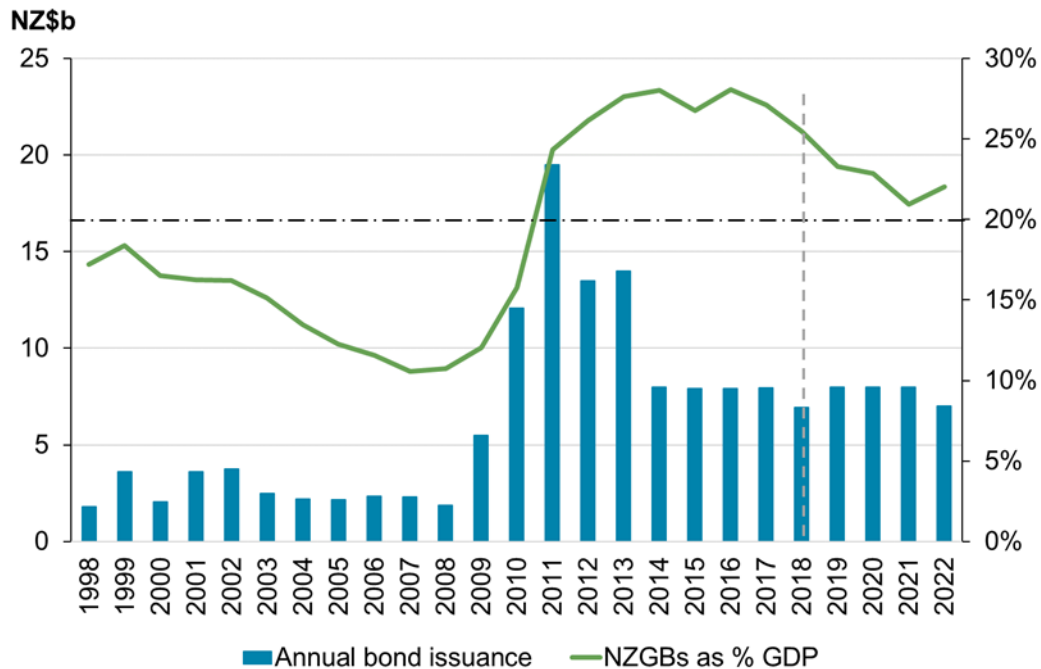
Forecast Borrowing Programme – BEFU, May 2018

Year ending 30 June (face value)	2018	2019	2020	2021	2022	Total
Gross NZGB issuance (\$ billion)	7.0	8.0	8.0	8.0	7.0	38.0
NZGB maturities and repurchases (\$ billion)	7.2	11.2	5.8	11.1	0.0	35.3
Net NZGB issuance (\$ billion)	-0.2	-3.2	2.2	-3.1	7.0	2.7
NZGBs on issue (\$ billion)	74.2	71.0	73.2	70.1	77.1	n/a
NZGBs on issue (percent of GDP)	25.0%	23.3%	22.9%	20.9%	22.0%	n/a

Year ending 30 June (face value)	2018	2019	2020	2021	2022
Forecast T-Bills on issue (\$ billion)	4	2	2	4	2

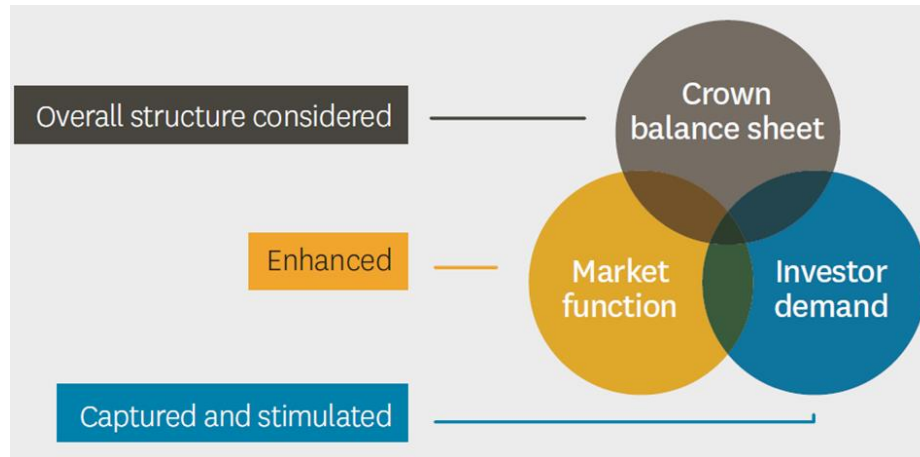
- Implement a more flexible approach to T-Bill issuance from 1 July 2018
- Inflation-indexed bond issuance is expected to be around \$1 billion of 2018/19 programme
- Plans to commence a repurchase programme of 15 April 2020 bond in 2018/19
- Forecast NZGBs on issue are consistent with the Government's commitment to maintain levels of NZGBs on issue at not less than 20% of GDP over time. Adjustments to the programme volumes were not required to specifically meet this commitment

NZGBs maintained above 20% of GDP



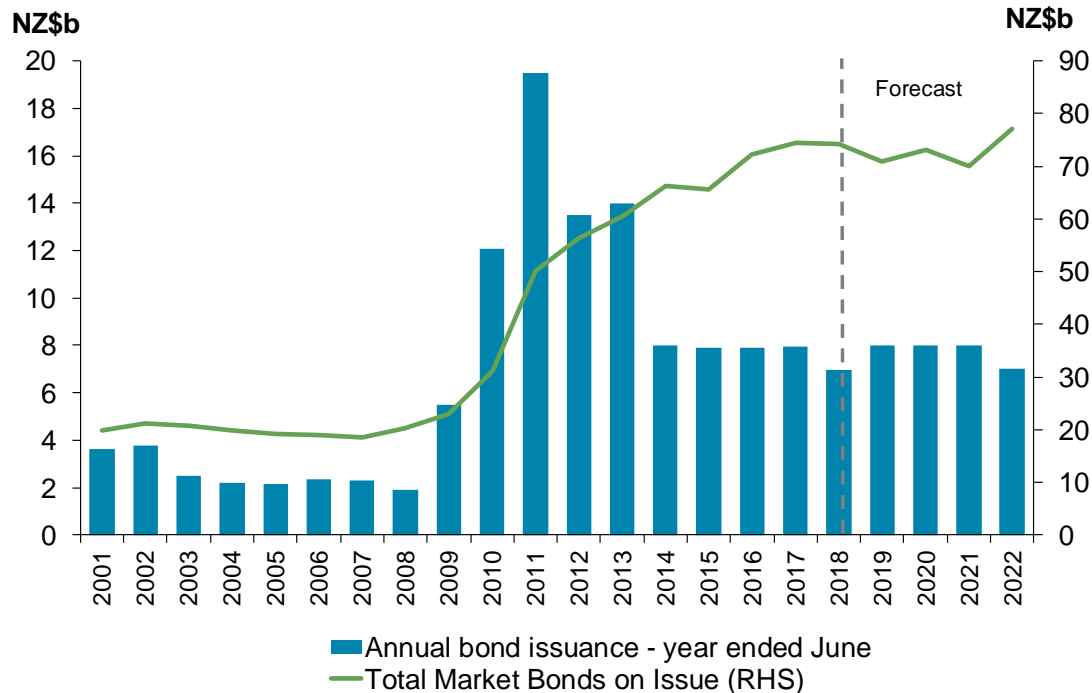
Funding strategy priorities

Debt funding strategy aims to minimise the Crown's borrowing costs over the long-term, with due consideration to risk.

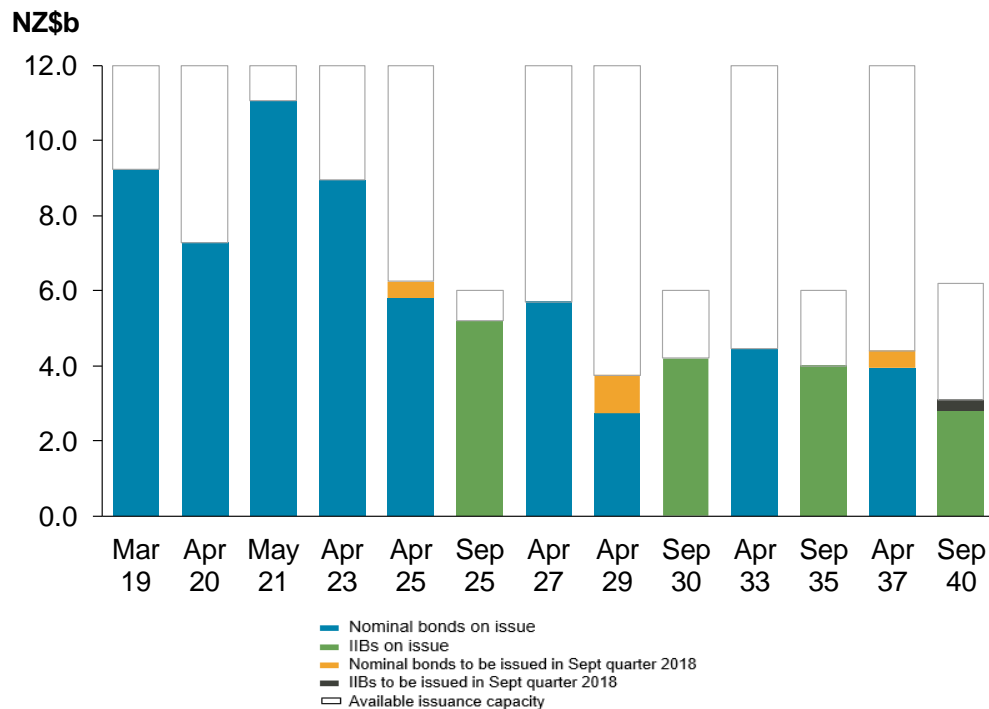


Implemented in a **transparent**, **even-handed** and **consistent** manner.

Changing funding needs



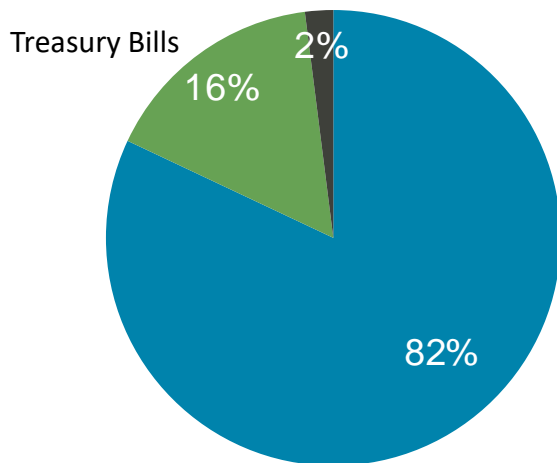
Nominal bonds primary funding vehicle



IIBs a core component of portfolio

From End-2012

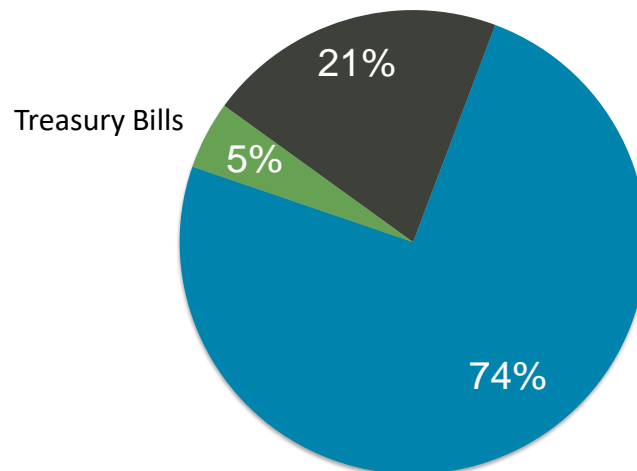
Inflation-Indexed Bonds



Nominal Bonds

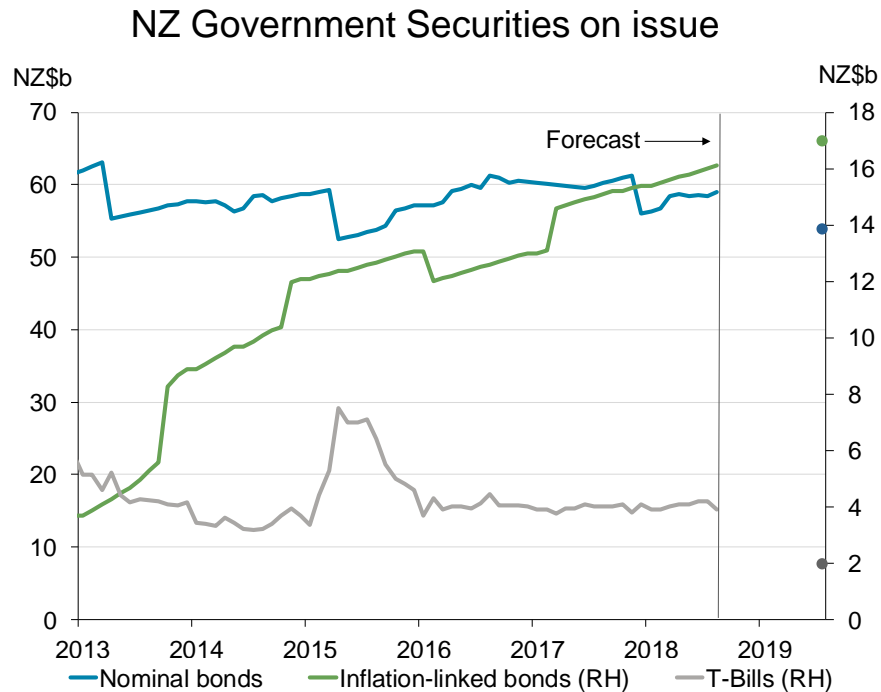
To Current

Inflation-Indexed Bonds

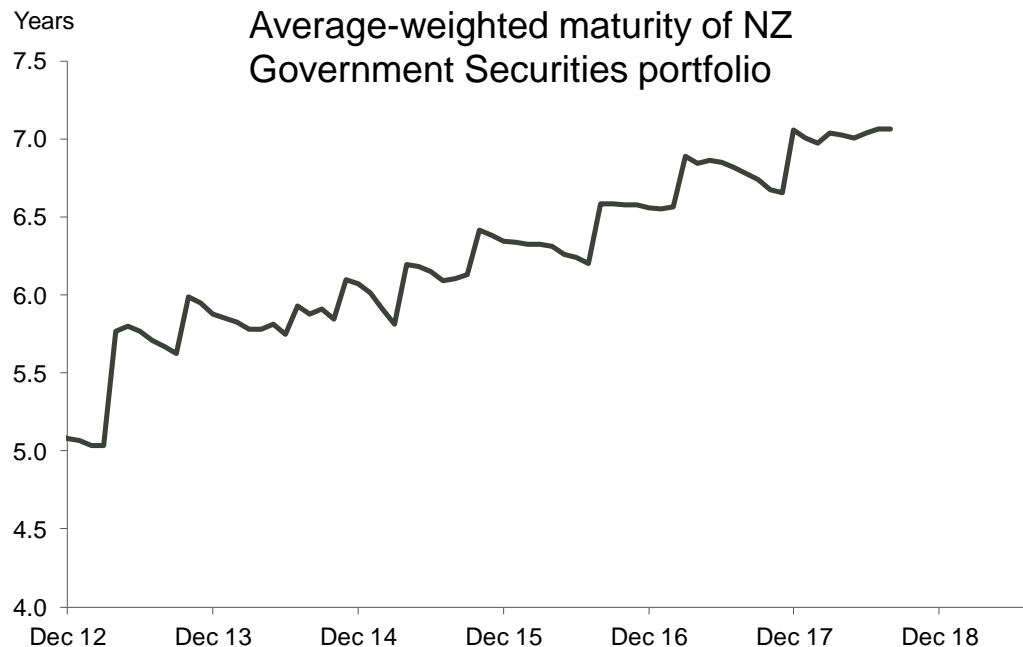


Nominal Bonds

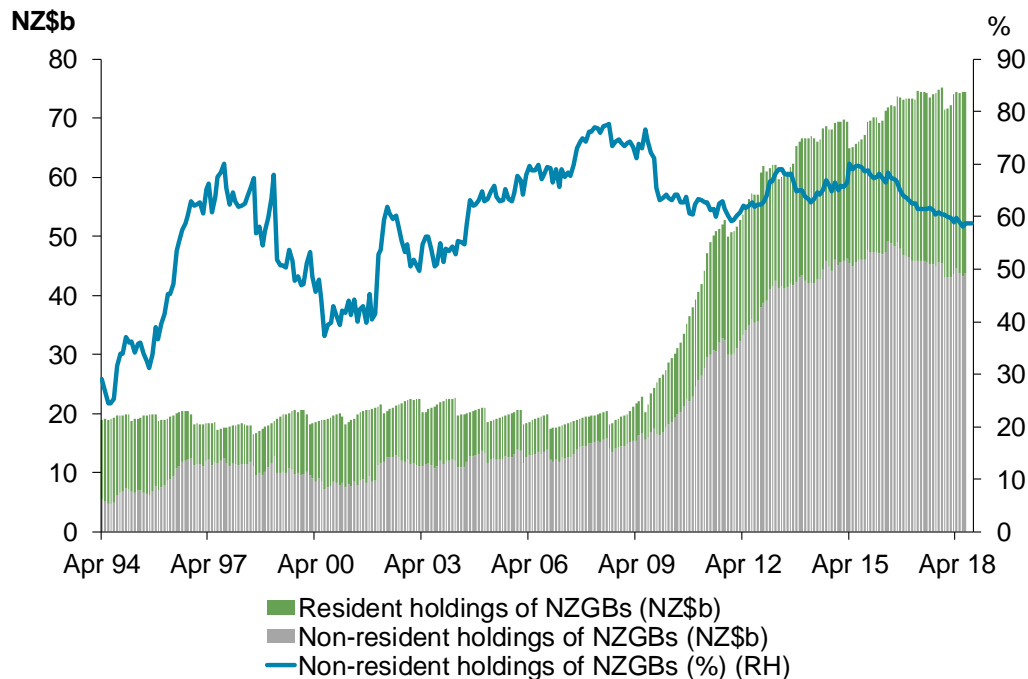
More flexible approach to T-Bill issuance



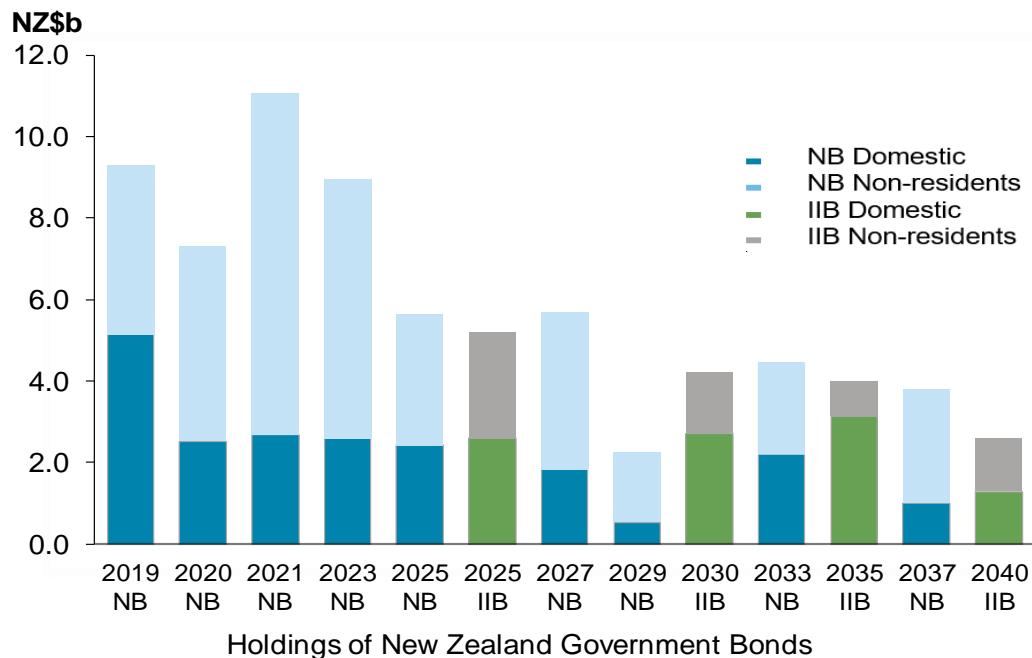
Lengthening maturity of portfolio



A strategic investor relations approach



Targeting investor diversity

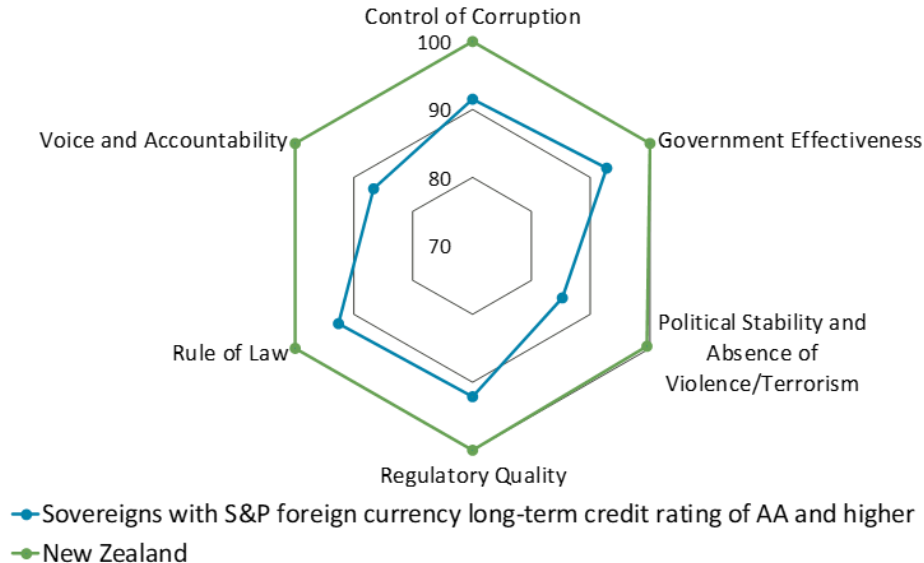




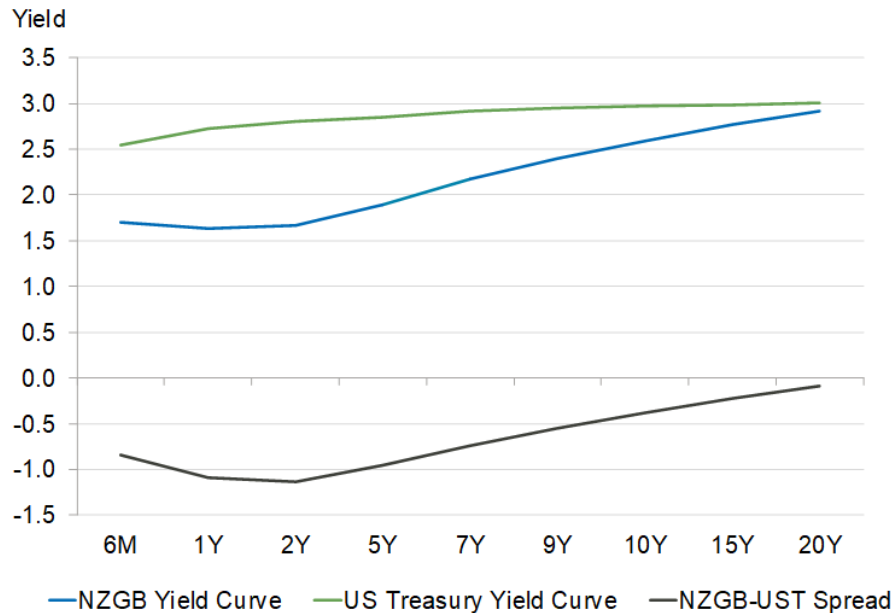
Offshore Investor Themes

Continued focus on structural strengths

Worldwide Governance Indicators – World Bank (percentile rank)

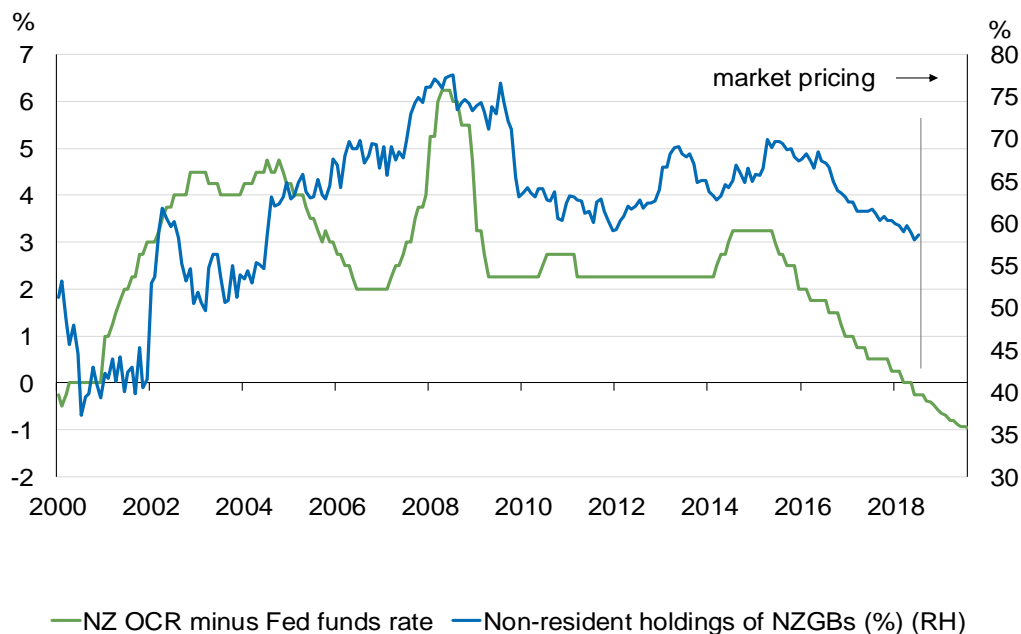


Reduced spreads, but NZ curve still 'steep'

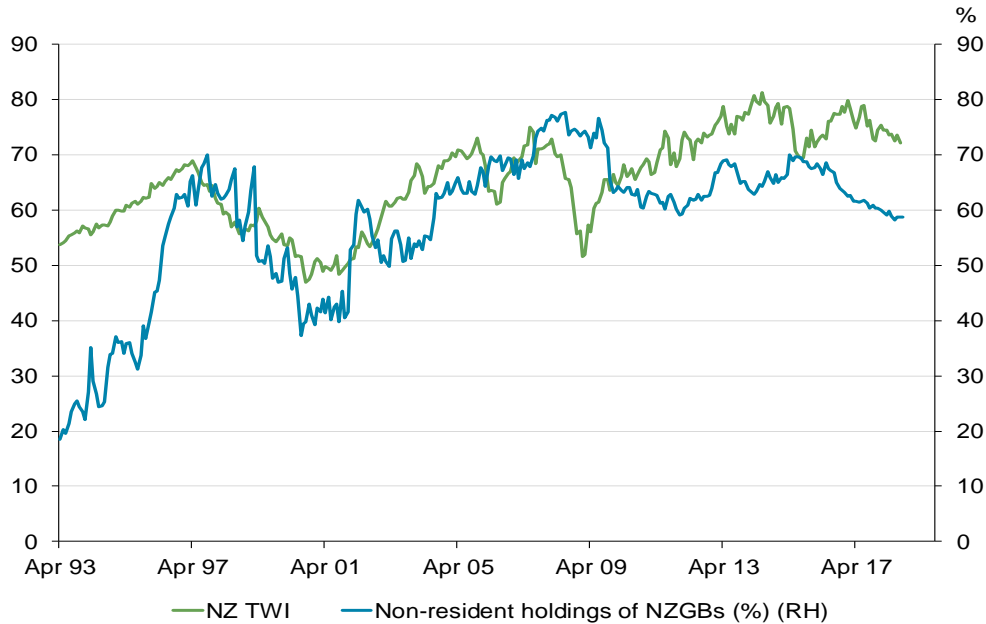


Source: Bloomberg , as of 13 Sep 2018

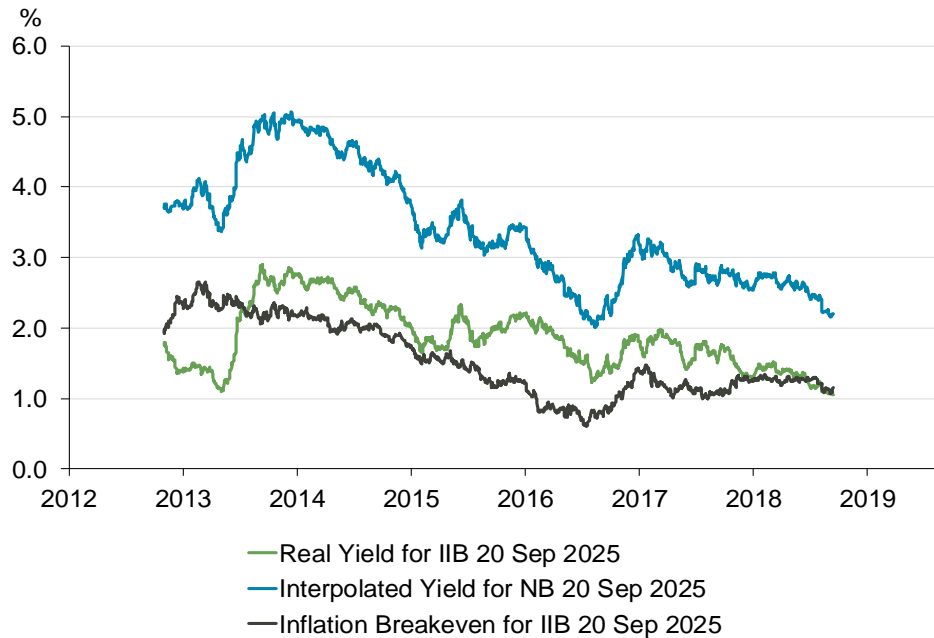
Non-resident holdings & narrower spreads



Investor attention to NZD



Investor interest in IIB breakevens



Disclaimer

- This presentation has been prepared by The Treasury's New Zealand Debt Management Office ("NZDMO") on behalf of the New Zealand Government and is for general information purposes only. By listening to the presentation, or reading the presentation materials, you acknowledge and agree to the contents of this disclaimer.
- To the maximum extent permitted by law, neither NZDMO nor the New Zealand Government makes any representation, recommendation or warranty, express or implied as to the accuracy, completeness or currency of any of the information in this presentation and accept no responsibility or liability therefore. Data are indicative and approximate only, and all information is subject to change. This presentation is intended as a snapshot view of New Zealand only, and NZDMO and the New Zealand Government have no obligation, and do not undertake or accept any responsibility or obligation, to update, expand or correct anything in this presentation or inform you of any matter arising or coming to their notice, after the date of this presentation, which may affect any matter referred to in this presentation.
- This presentation contains forward-looking statements including information regarding NZDMO's future bond issuances and the New Zealand Government's forecast fiscal and economic performance based on current information, estimates and forecasts. Those statements are subject to risks, uncertainties, and assumptions which are hard to predict or anticipate, and therefore actual outcomes and performance may differ materially from the statements. Any opinions expressed in this presentation reflect the judgement of NZDMO as the date hereof, and do not bind NZDMO nor the New Zealand Government.
- This presentation is not a product disclosure statement, disclosure document or other offer document under New Zealand law or any other law. This presentation is not, and does not constitute financial advice. All reasonable care has been taken in relation to the preparation and collation of this presentation. Except for statutory liability which may not be excluded, no person, including NZDMO or any person mentioned in this presentation accepts responsibility for any loss or damage howsoever occurring resulting from the use or reliance on this presentation by any person. Past performance is not indicative of future performance and no guarantee or future rights are implied or given.
- Nothing in this presentation is an offer to sell, or solicitation of an offer to purchase, any securities. This presentation must not be relied upon by any person for making any investment decision and will not form part of any investment contract. The information provided in this presentation is not investment advice and does not take into account the investment objectives, financial situation or particular needs (including financial and taxation issues) of any particular investor. Any person considering investing in New Zealand Government securities must refer to any relevant offer documents and disclosures provided expressly in connection with those securities and should take their own independent financial and legal advice on their proposed investment. New Zealand Government securities have not been and will not be registered under the United States Securities Act of 1933 (**U.S Securities Act**) or the securities laws of any state or other jurisdiction of the United States. New Zealand Government securities may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any person in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.
- This presentation may not be copied, distributed, disclosed or used without NZDMO's express written consent.

