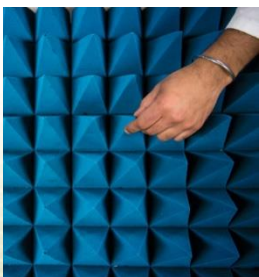


OUTLOOK FOR THE NEW ZEALAND GOVERNMENT DEBT MARKET



NEW ZEALAND
DEBT MANAGEMENT OFFICE



OVERVIEW

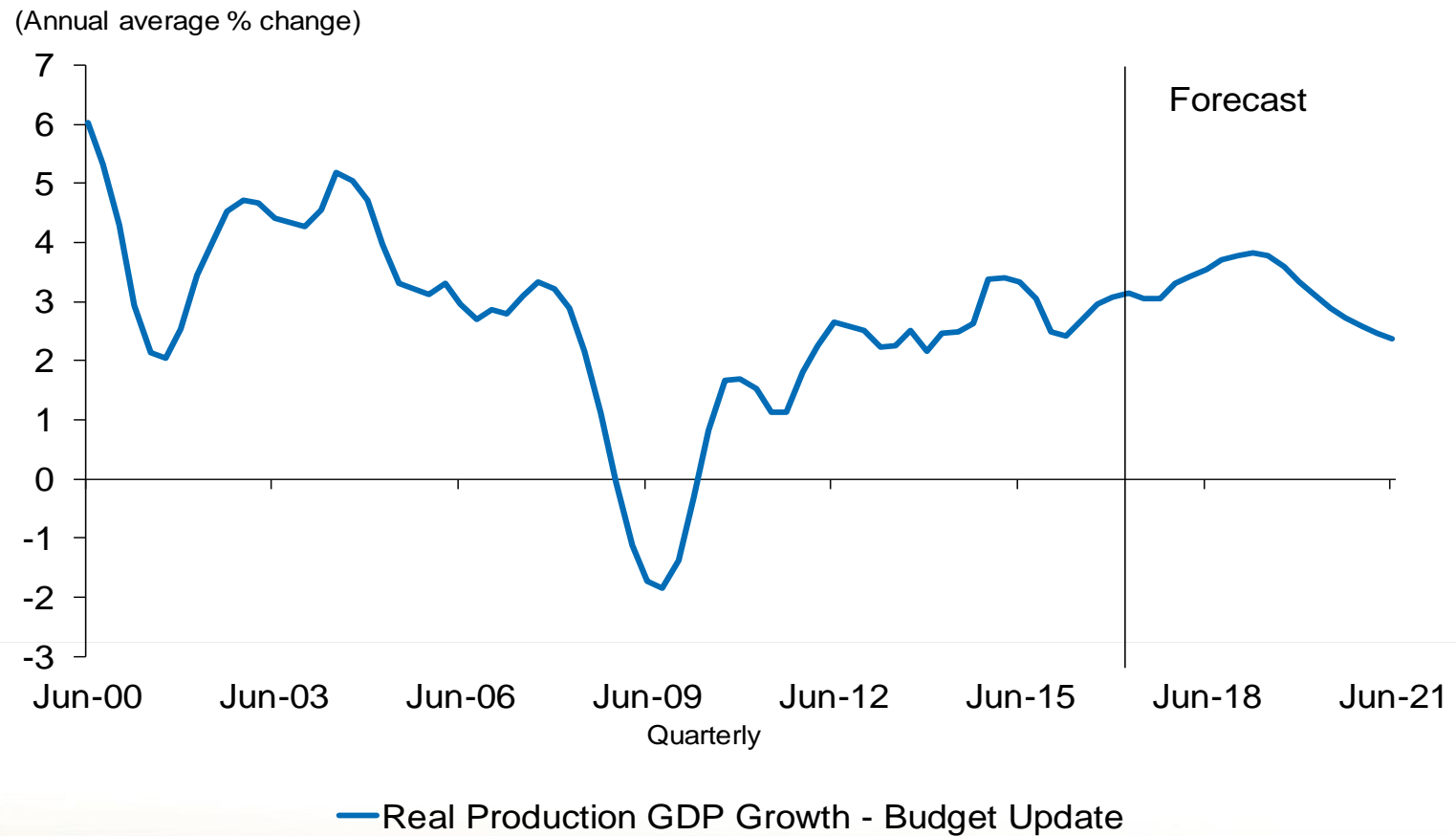


- 1 New Zealand Economic Outlook
- 2 New Zealand Government Bonds: Risk/Reward
- 3 Fiscal Priorities: Budget – May 2017
- 4 NZDMO: Announcements and Strategy

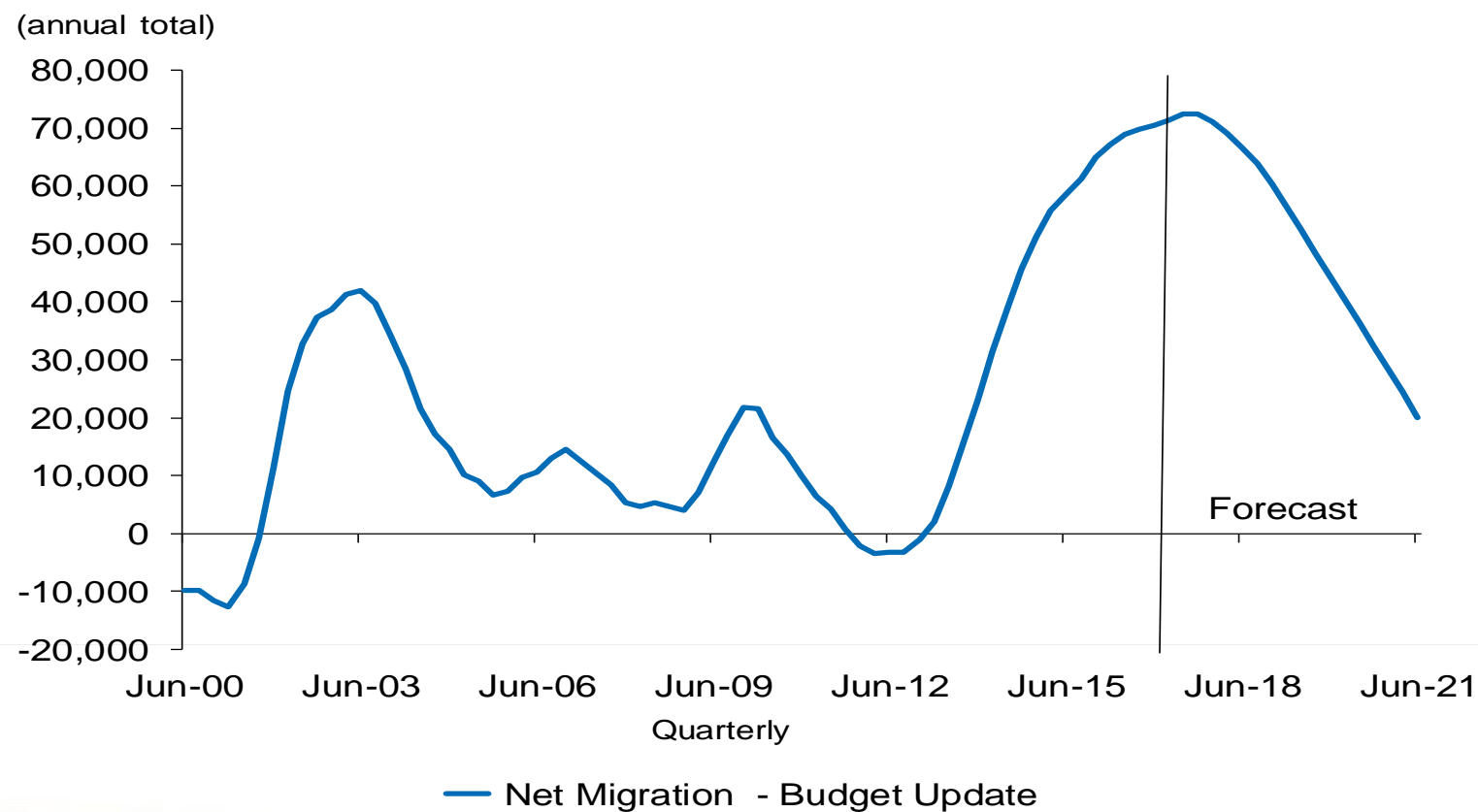
1. ECONOMIC OUTLOOK



SOLID GROWTH OUTLOOK



NET MIGRATION REMAINS STRONG

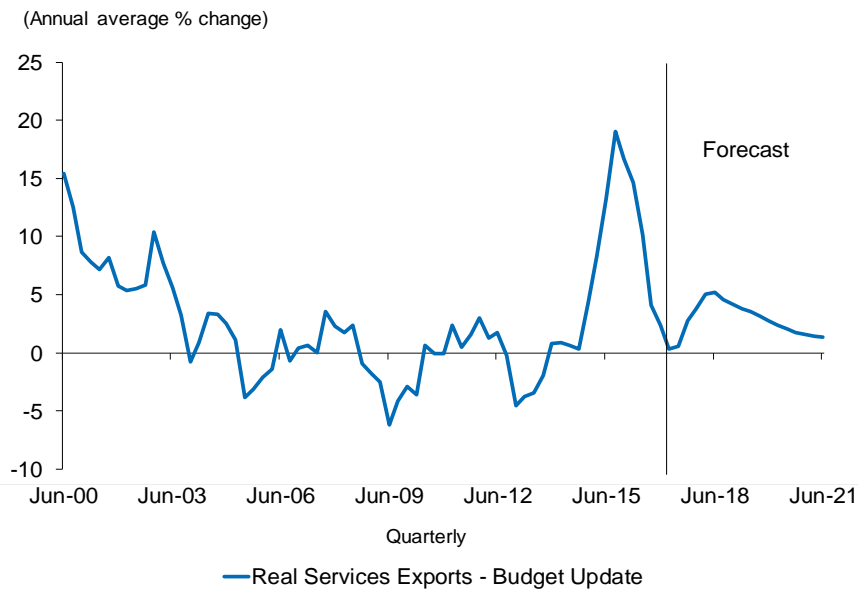


Source: Statistics NZ, Treasury

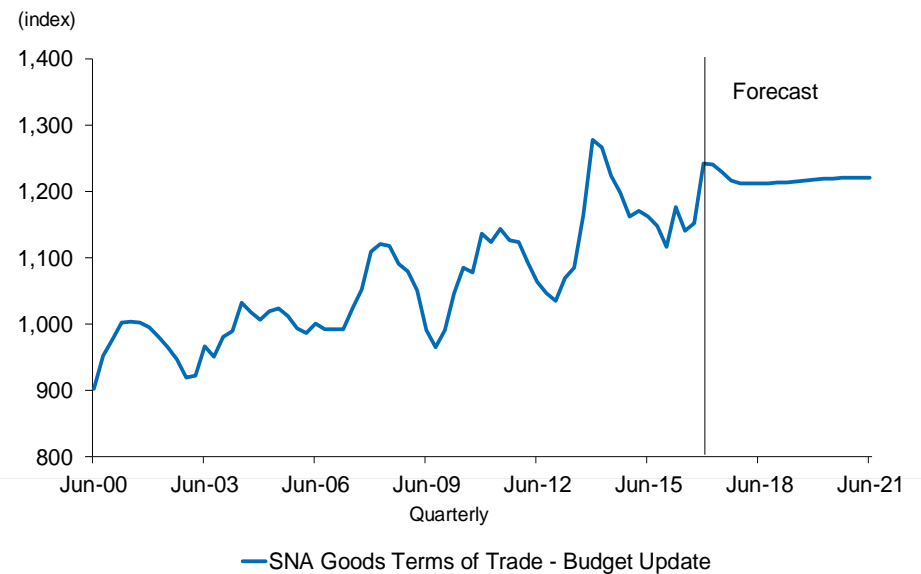
EXPORT OUTLOOK POSITIVE



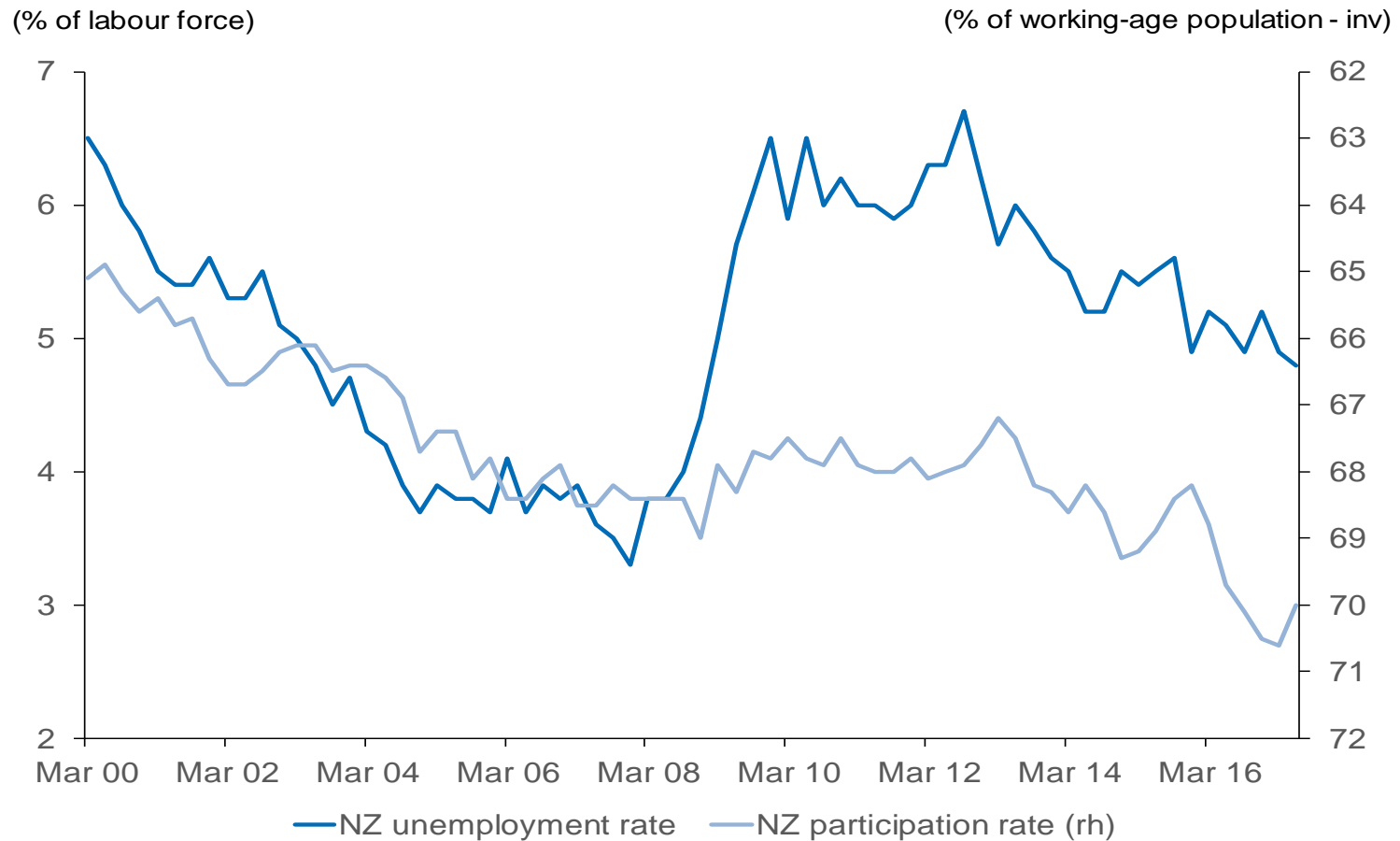
Services Exports



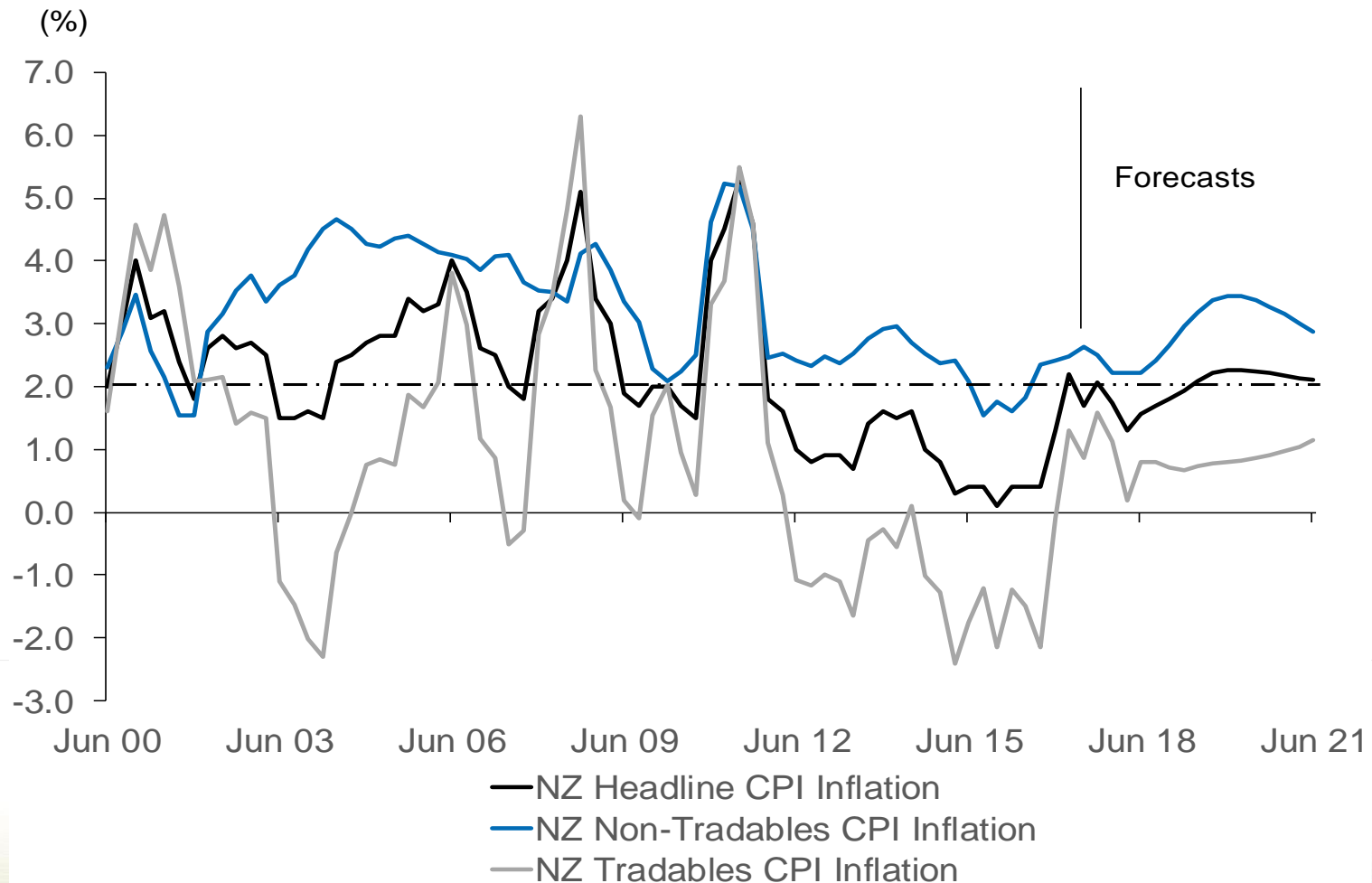
Goods Terms of Trade



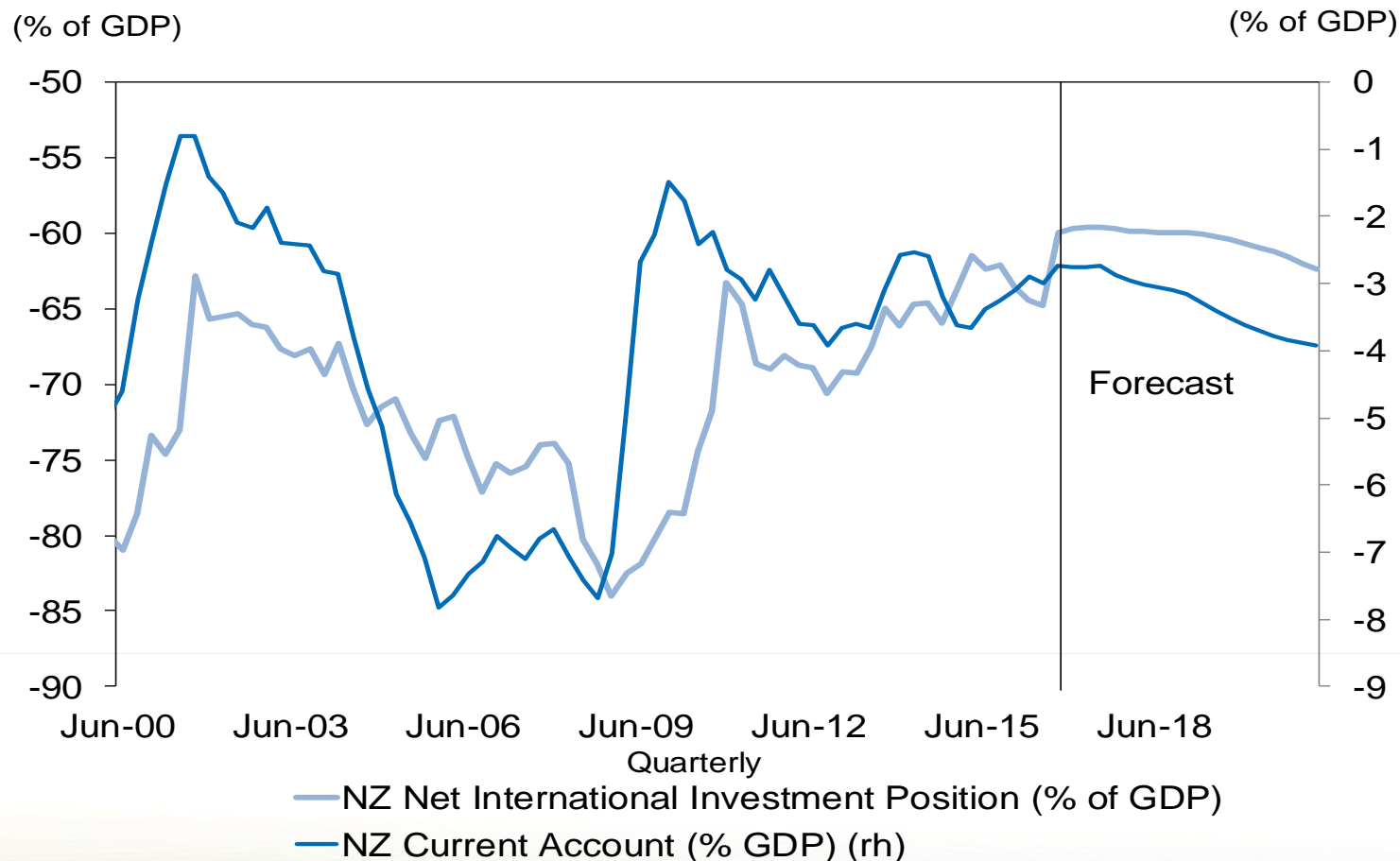
LABOUR SUPPLY MATCHING DEMAND



INFLATION TO RETURN TO TARGET



NZ NET INTERNATIONAL INVESTMENT POSITION HAS IMPROVED



2. NZGBS: RISK/REWARD

SOLID CREDIT RATINGS



Moody's

Aaa/Aaa (stable)

"New Zealand's credit profile reflects its very high economic resilience, very strong institutions and political effectiveness and a strong fiscal position compared to peers." 20 July 2017

Standard & Poor's

AA+/AA (stable)

"New Zealand has monetary and fiscal flexibility, a resilient economy, and institutions conducive to swift and decisive policy actions." 19 Jan 2017

Fitch

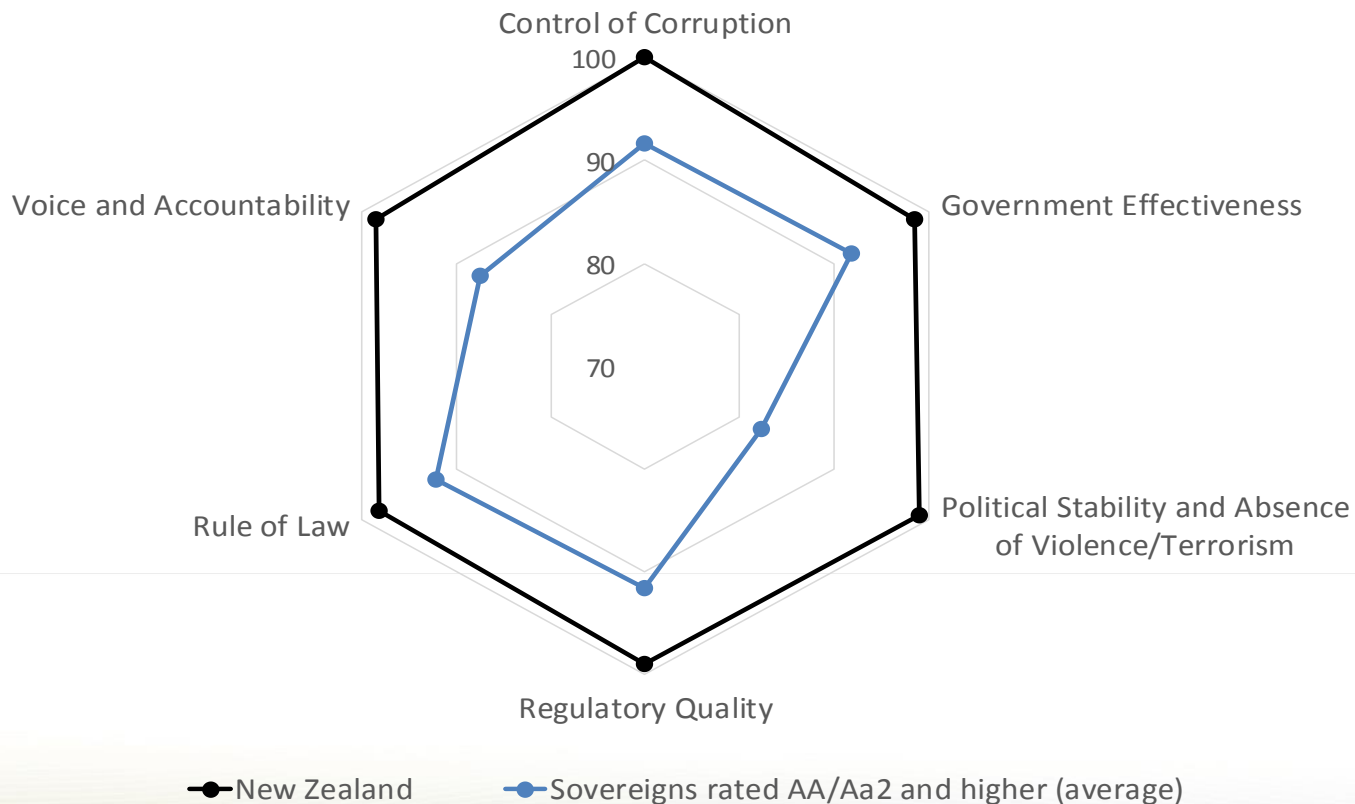
AA+/AA (stable)

"New Zealand's 'AA' rating reflects the country's strong macroeconomic policy framework and prudent fiscal management, reinforced by governance standards and a business environment that are rated among the best globally by the World Bank." 13 Mar 2017

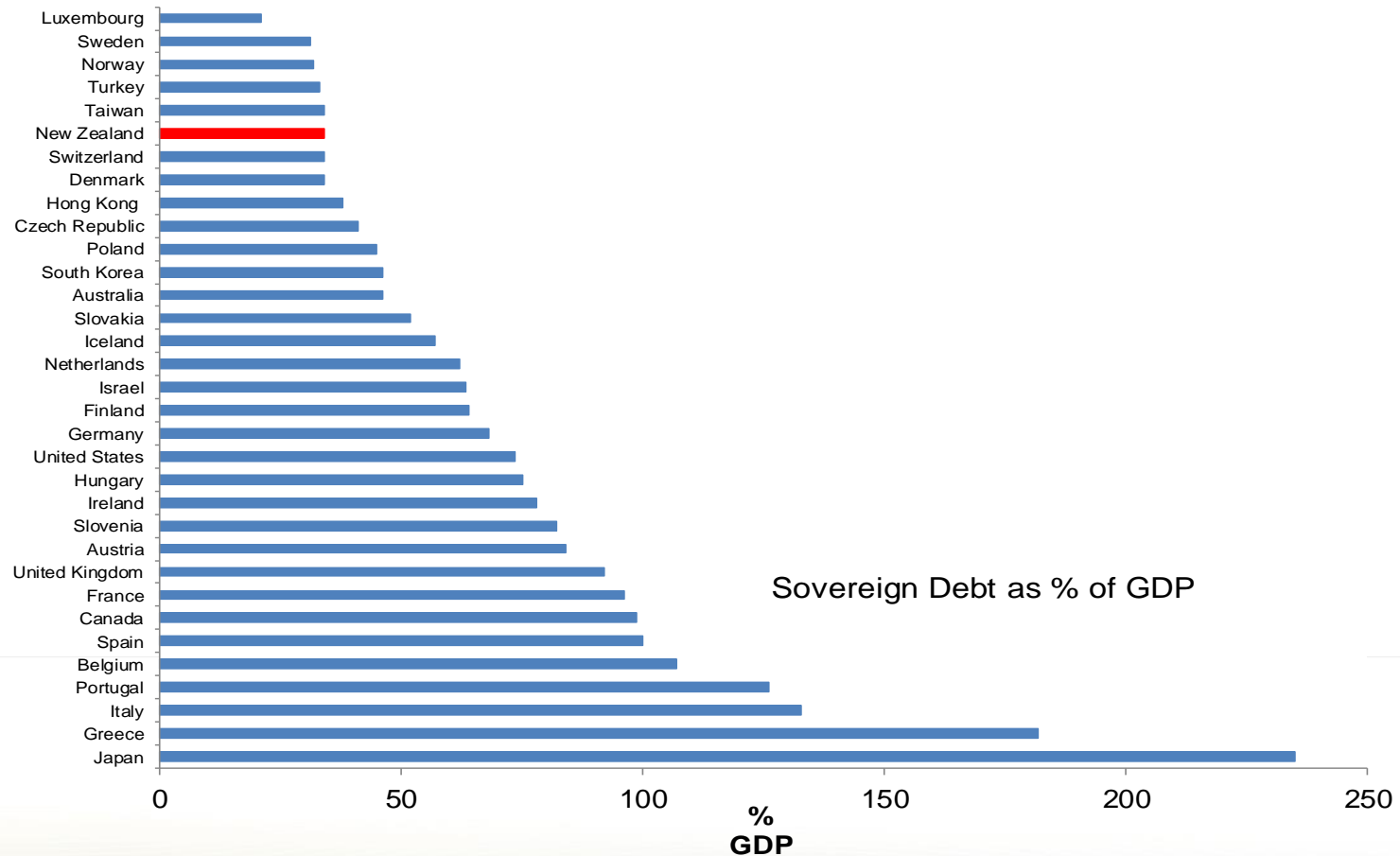
NZ'S STABILITY STANDS OUT



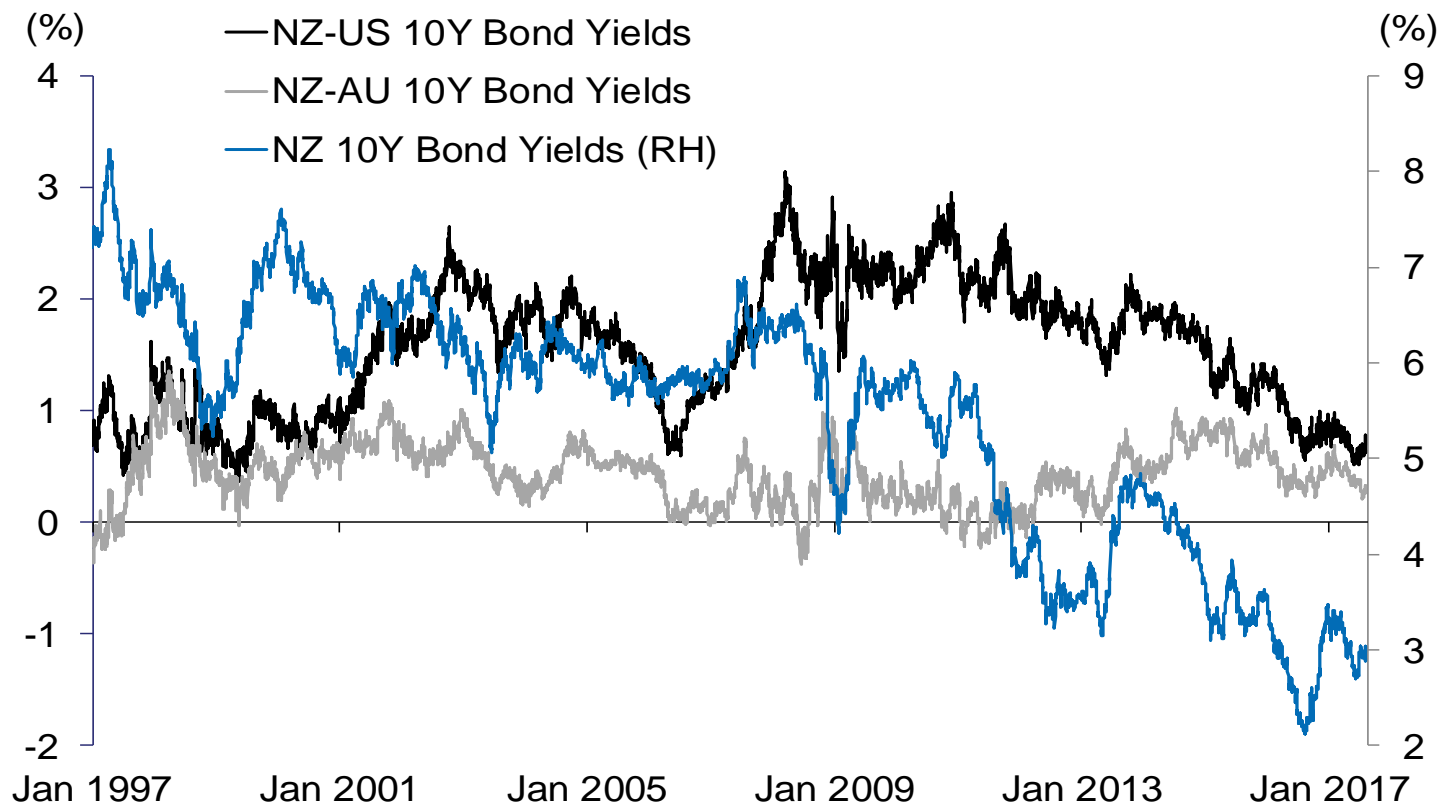
Worldwide Governance Indicators – World Bank (percentile rank)



STRONG BALANCE SHEET

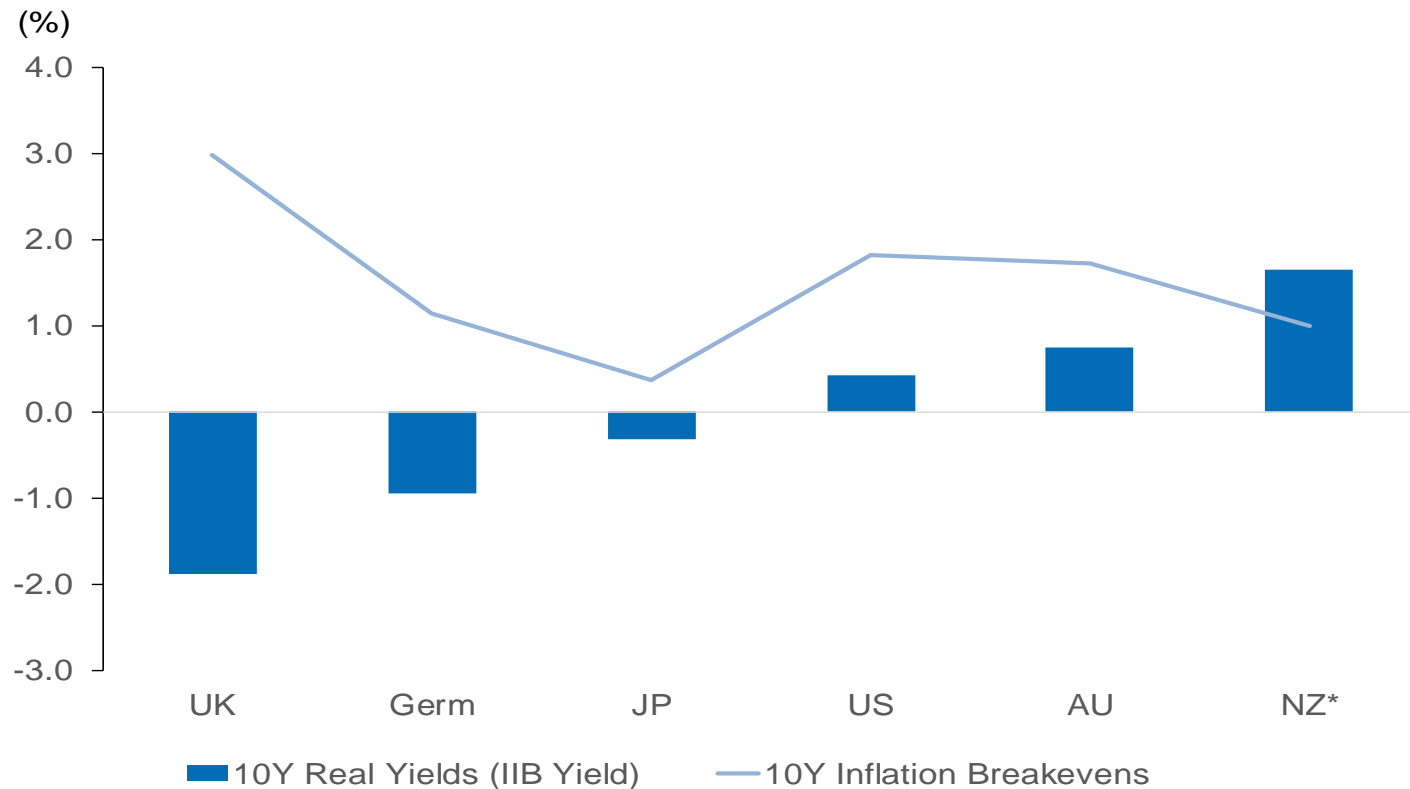


POSITIVE SPREAD TO PEERS



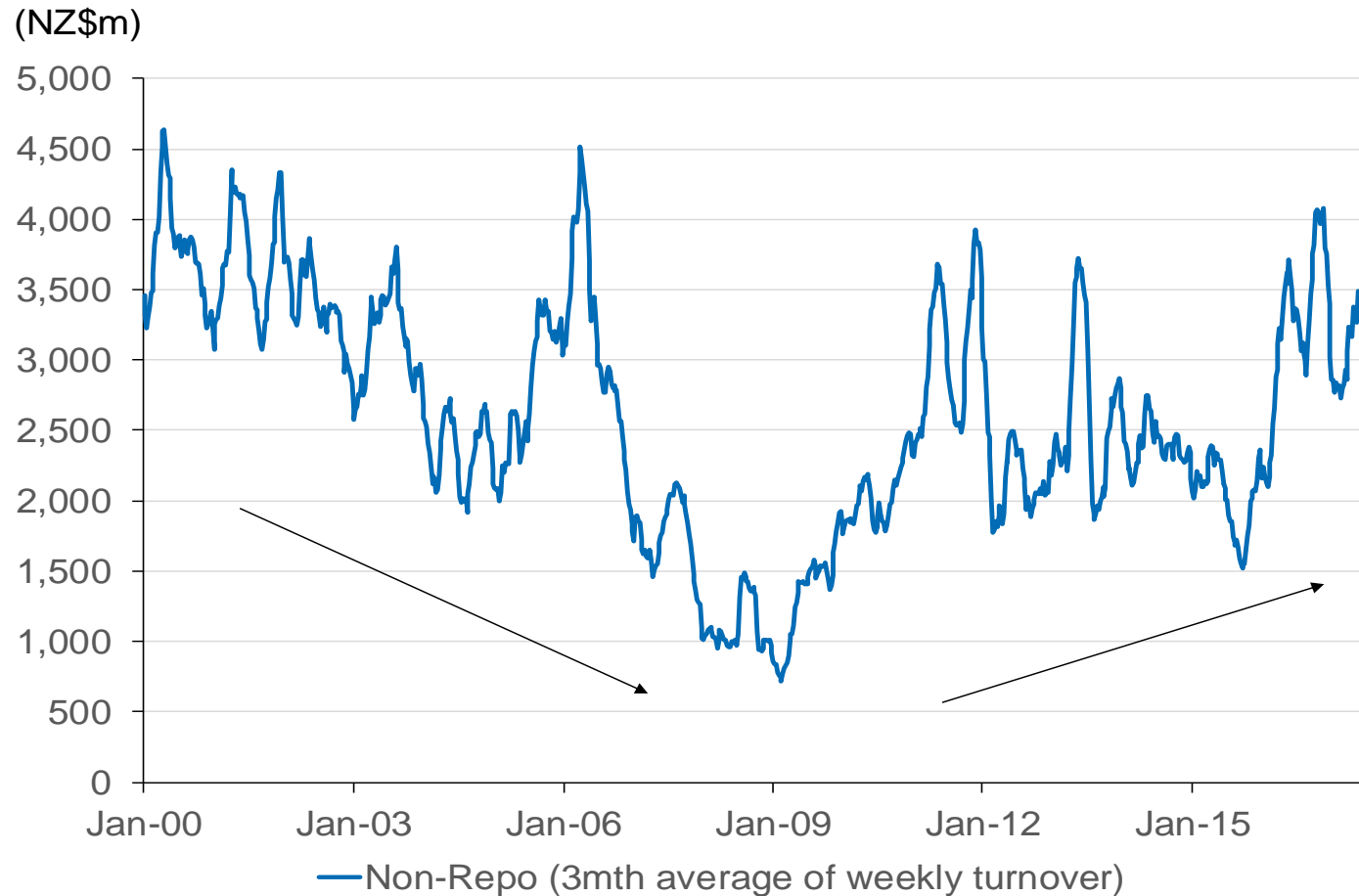
Source: Bloomberg, * Generic bond spreads

ATTRACTIVE REAL YIELDS

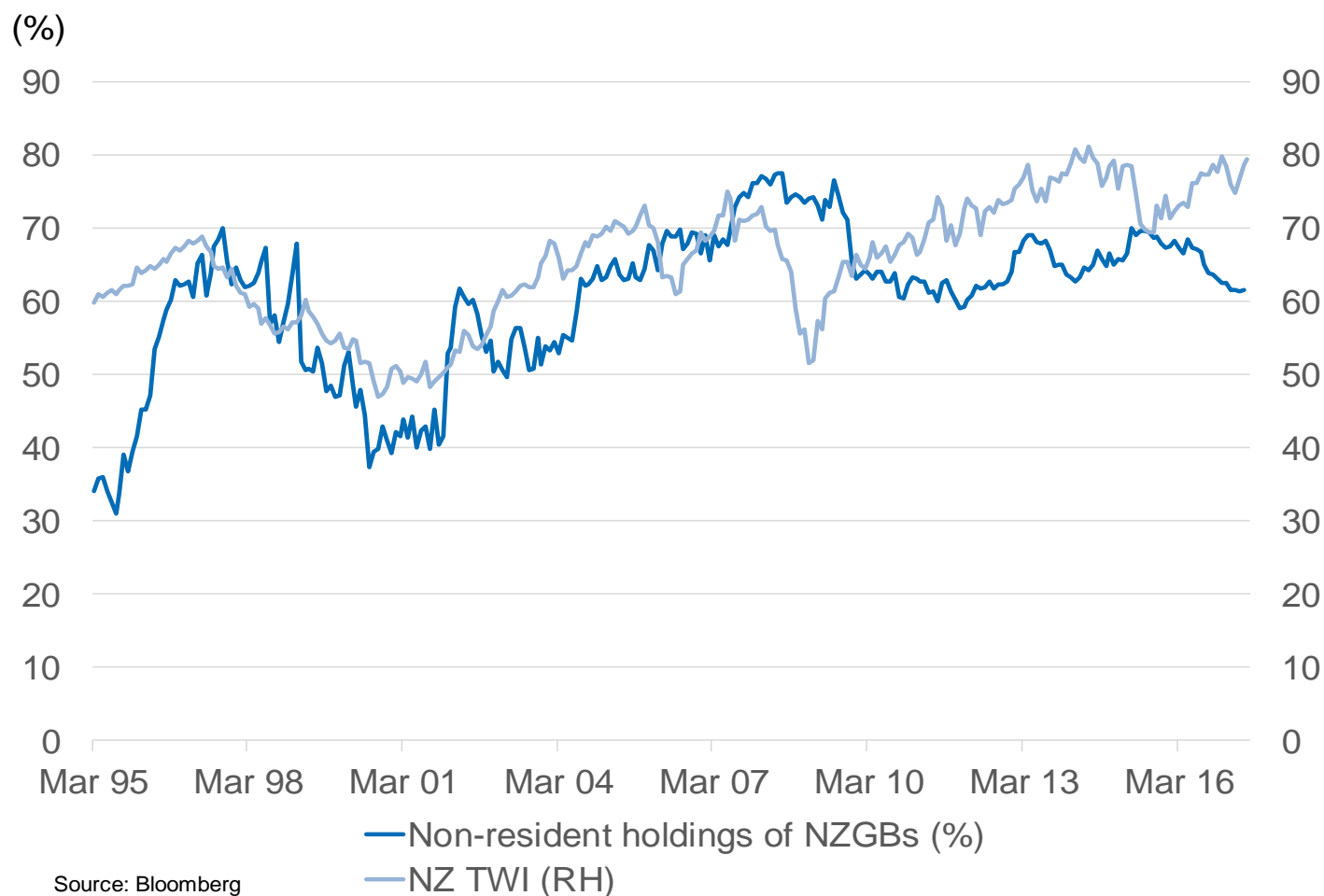


* NZ data refers to the 2025 maturity

GRADUAL IMPROVEMENT IN LIQUIDITY



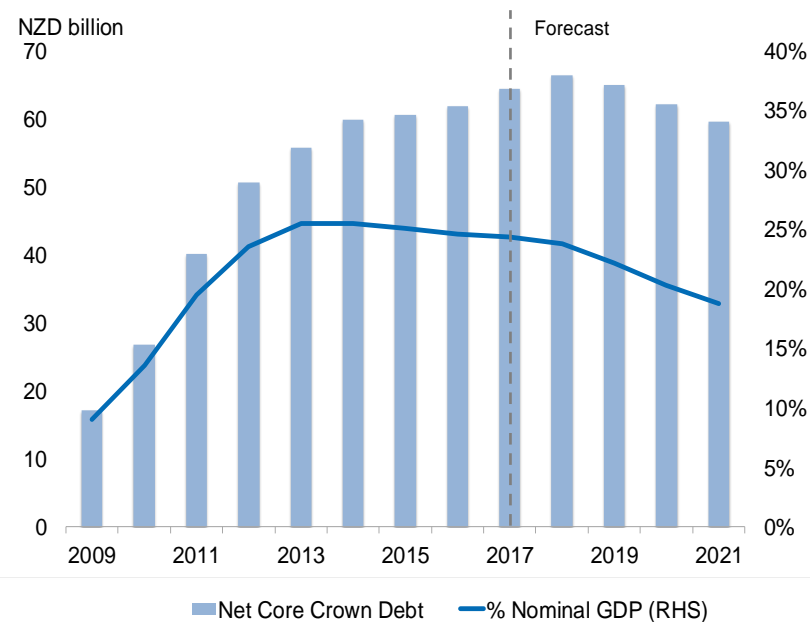
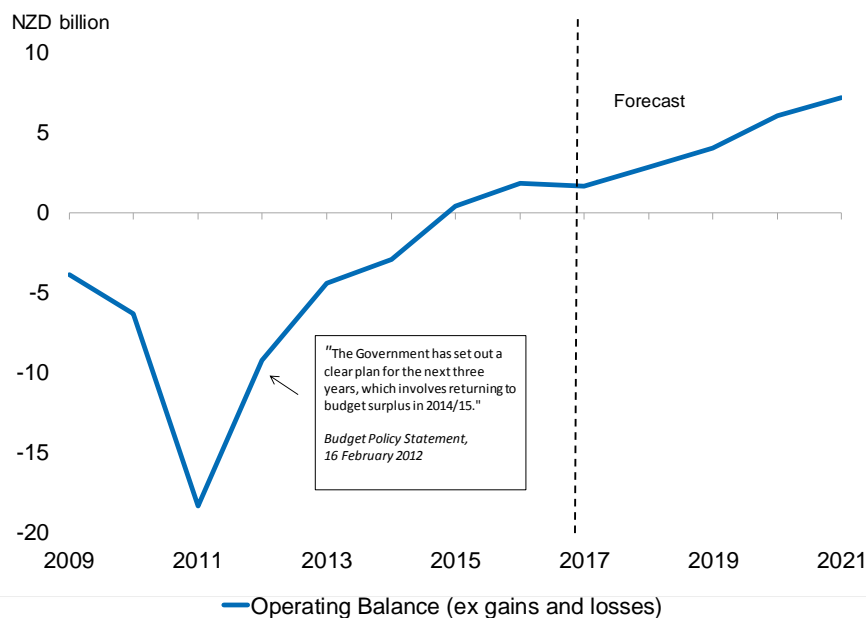
WEAKENED LINK WITH CURRENCY



Source: Bloomberg

3. FISCAL PRIORITIES: BUDGET - MAY 2017

FISCAL PRIORITIES MET & EXTENDED



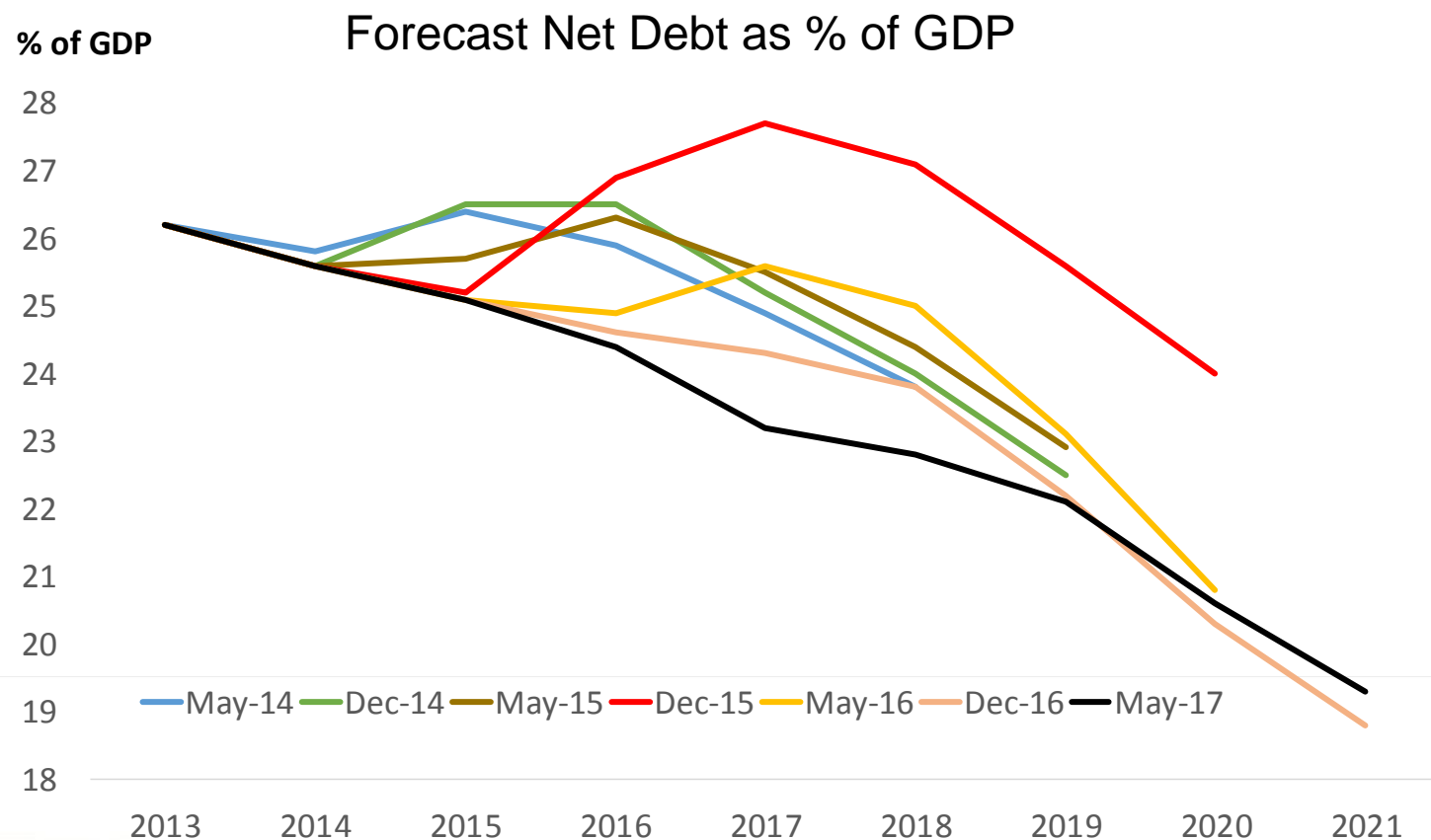
STEADY BOND ISSUANCE



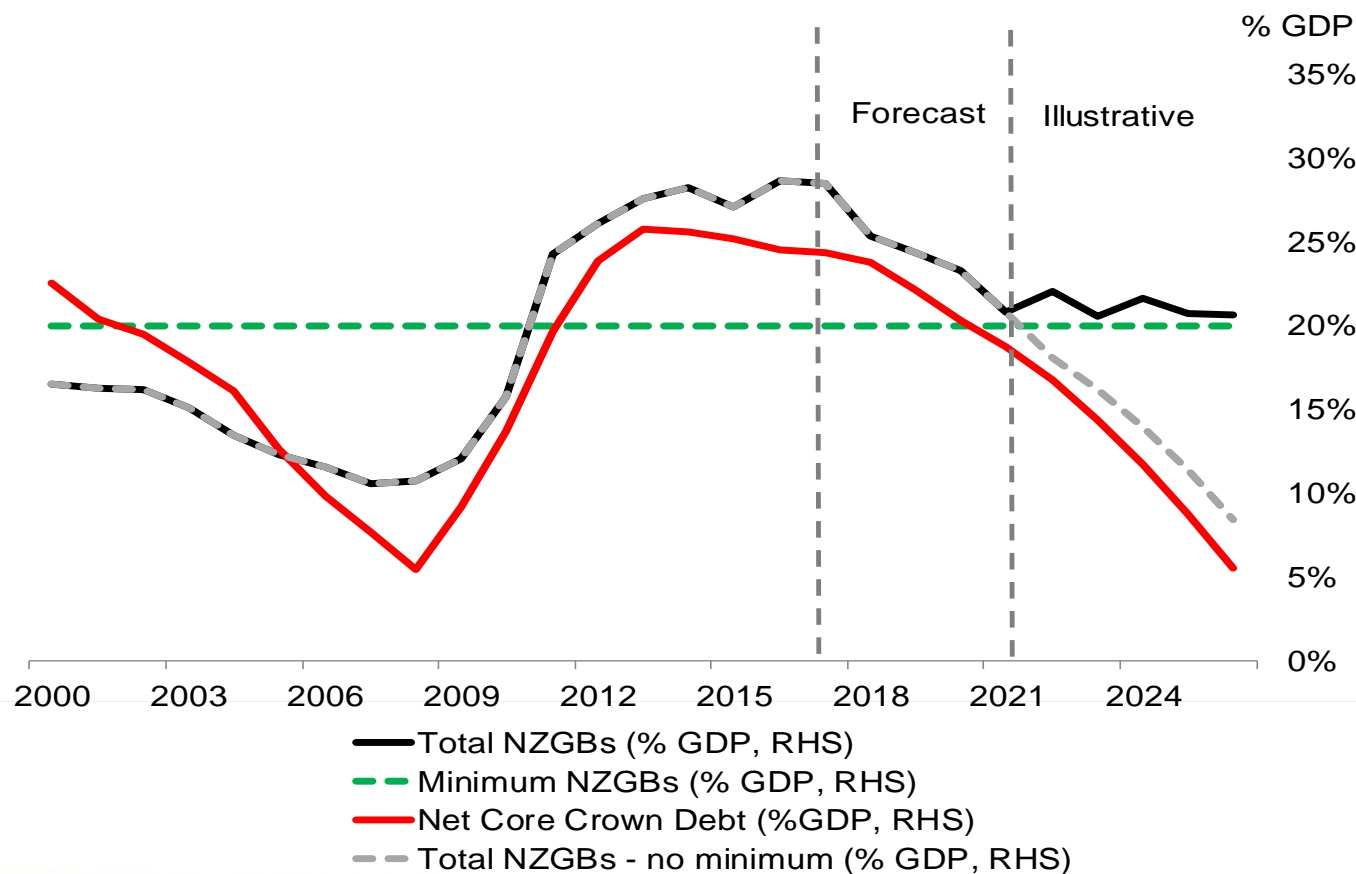
Year End 30 June (face value)	2017	2018	2019	2020	2021	Total
Gross NZGB issuance (NZ\$b)	8.0	7.0	7.0	7.0	6.0	35.0
NZGB maturities and repurchases (NZ\$b)	4.8	11.5	6.5	7.3	11.1	41.1
Net NZGB issuance (NZ\$b)	3.1	-4.5	0.5	-0.3	-5.1	
NZGBs on issue (NZ\$b)	75.4	70.9	71.5	71.2	66.1	

Source: NZDMO - In conjunction with BEFU, 25 May 2017

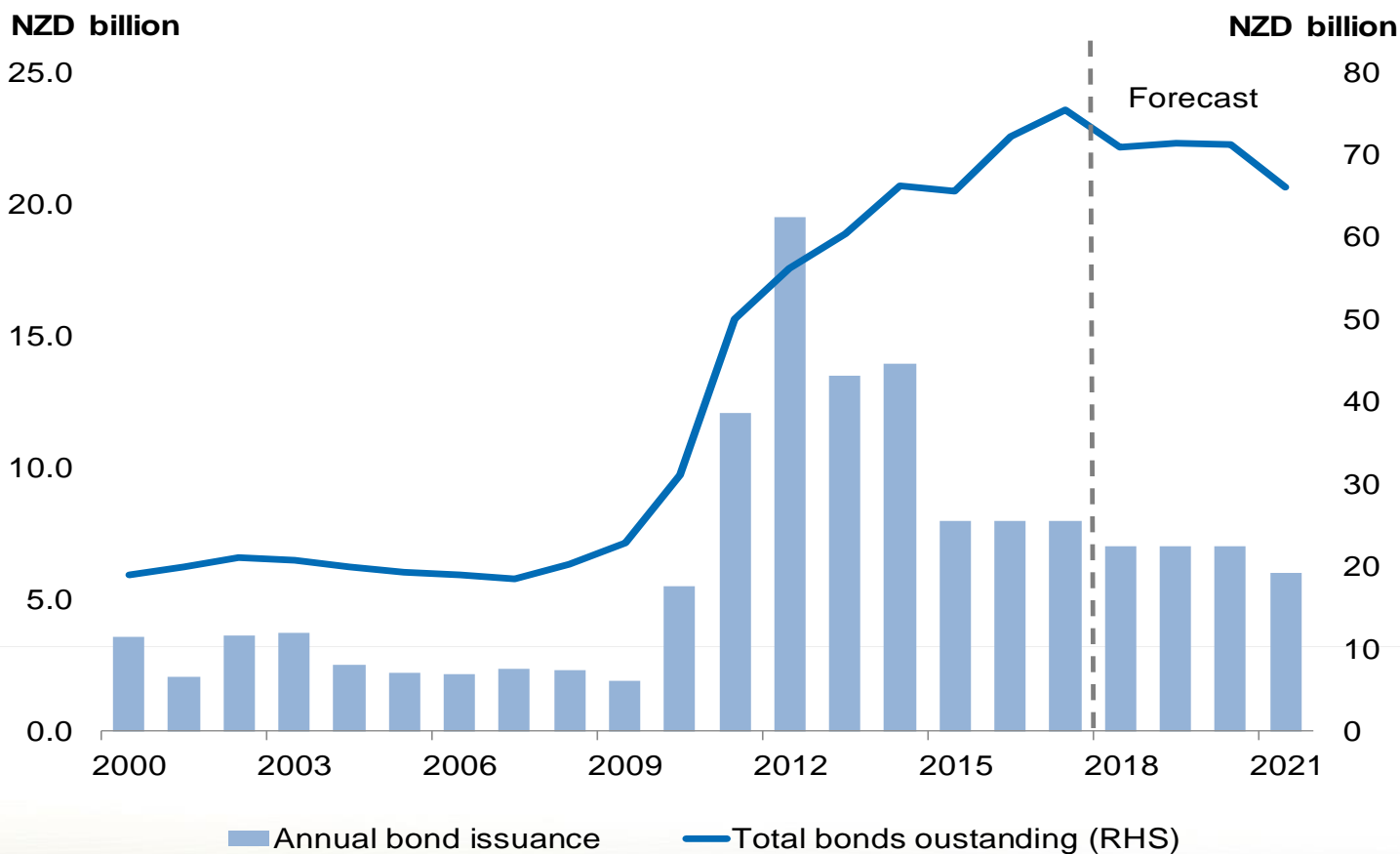
OUTTURNS BEATING EXPECTATIONS



GOVERNMENT COMMITMENT TO MAINTAIN NZGB ABOVE 20% OF GDP OVER TIME



ANNUAL ISSUANCE STABILISED



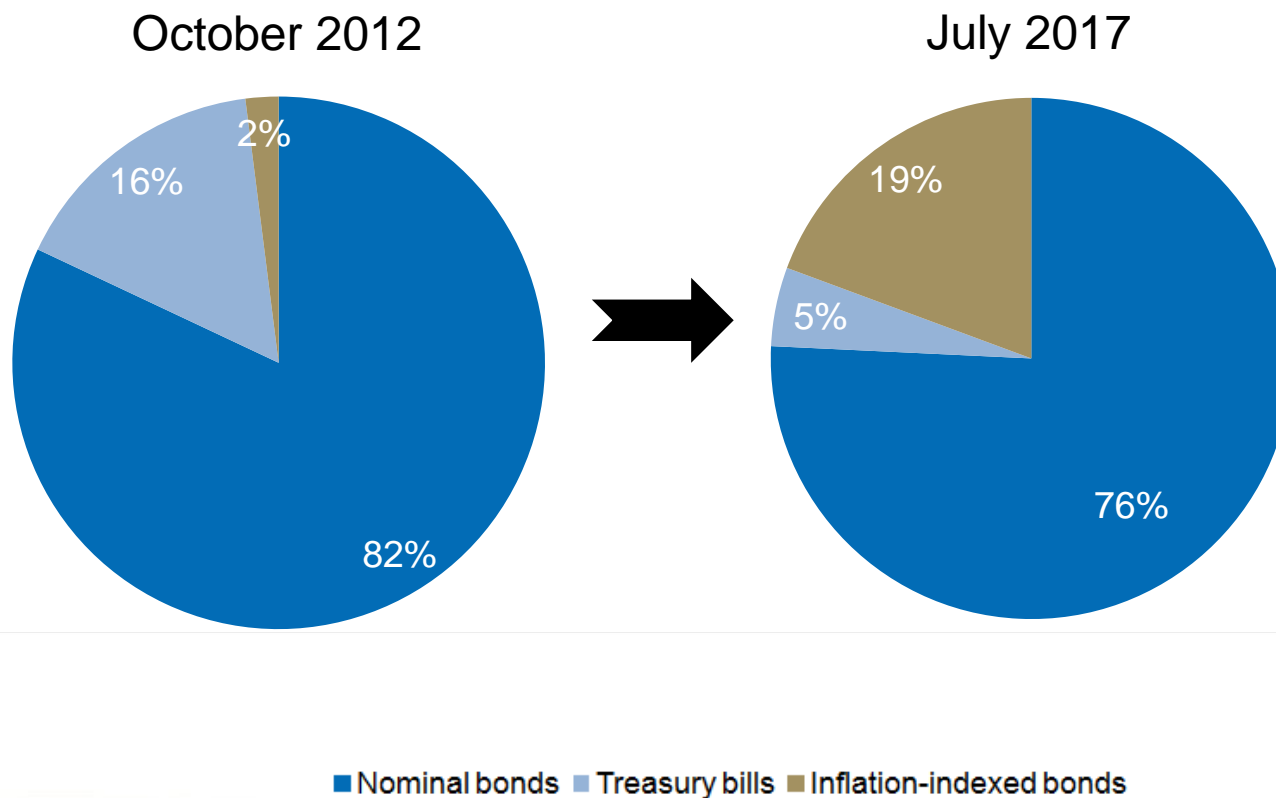


2. NZDMO ANNOUNCEMENTS AND STRATEGY

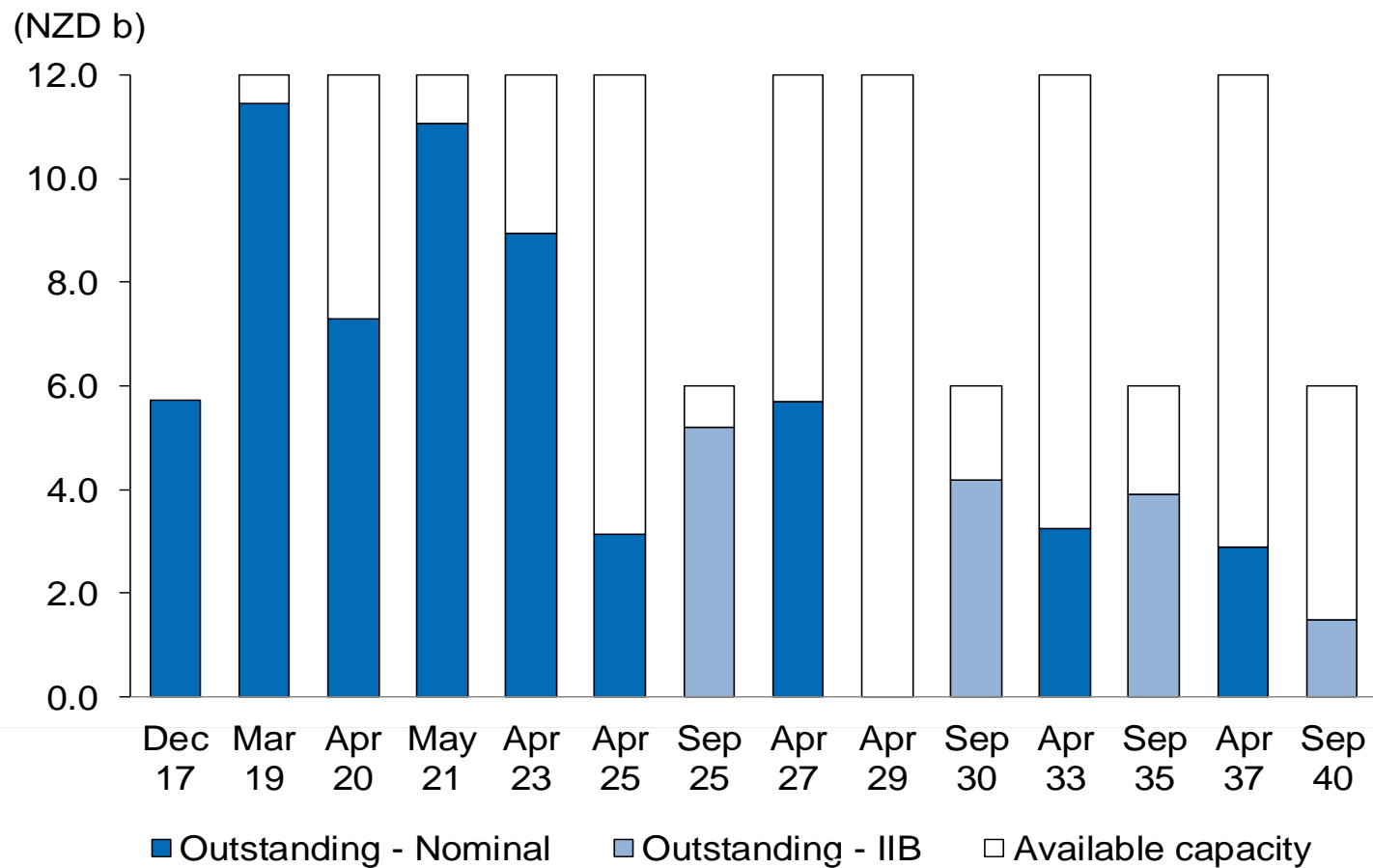
FUNDING STRATEGY PRIORITIES

- Balance Sheet Management approach
 - Reduce overall fiscal variability
 - Reduce refinancing risk
 - Commitment to inflation-indexed bonds
- Build and maintain liquidity
 - Diversify investor base
 - Encourage intermediary participation
- Focus on domestic issuance
- Execute in a Transparent, Even-handed and Consistent manner

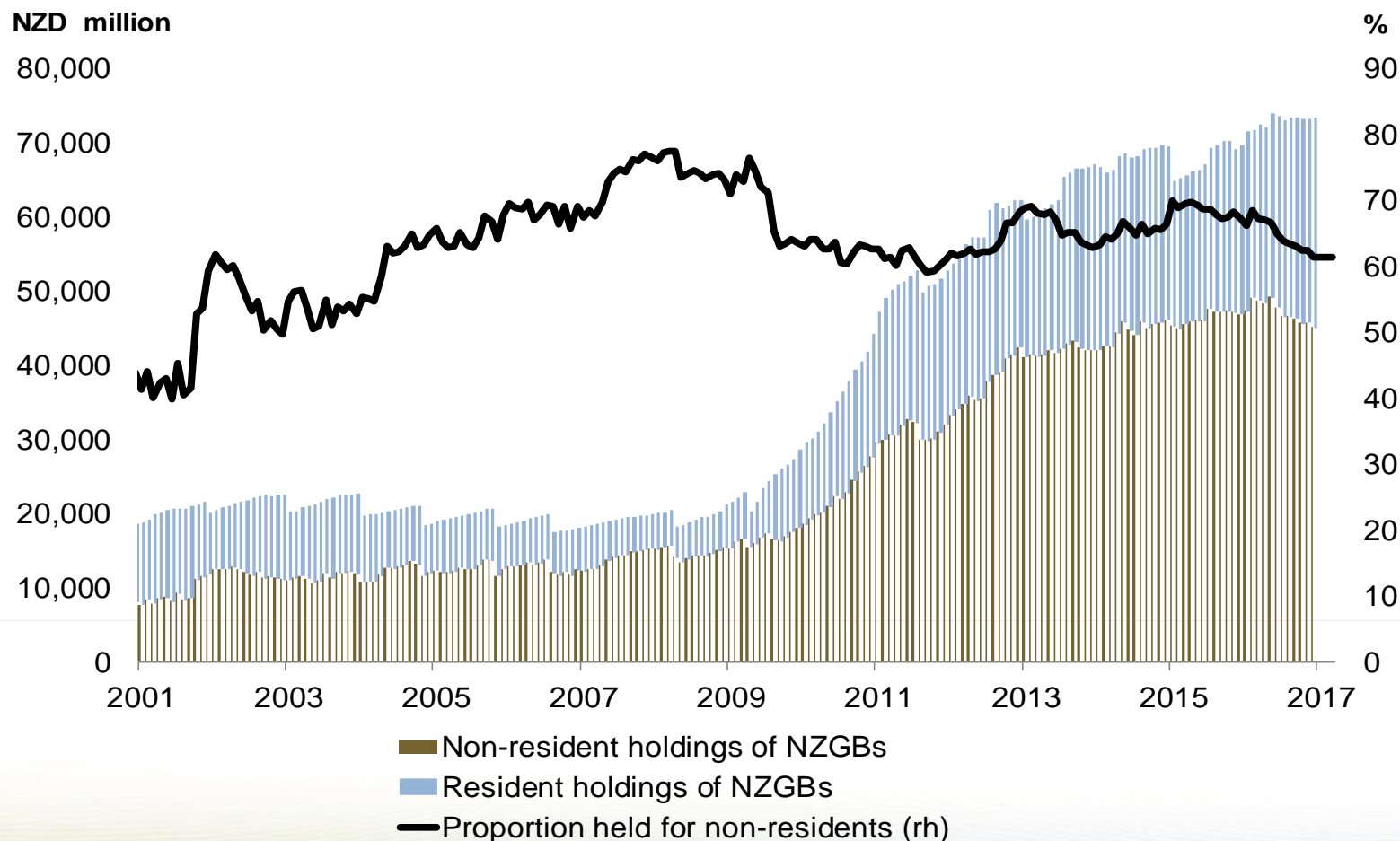
PORTFOLIO COMPOSITION REDUCES FISCAL VARIABILITY, REFINANCING RISK



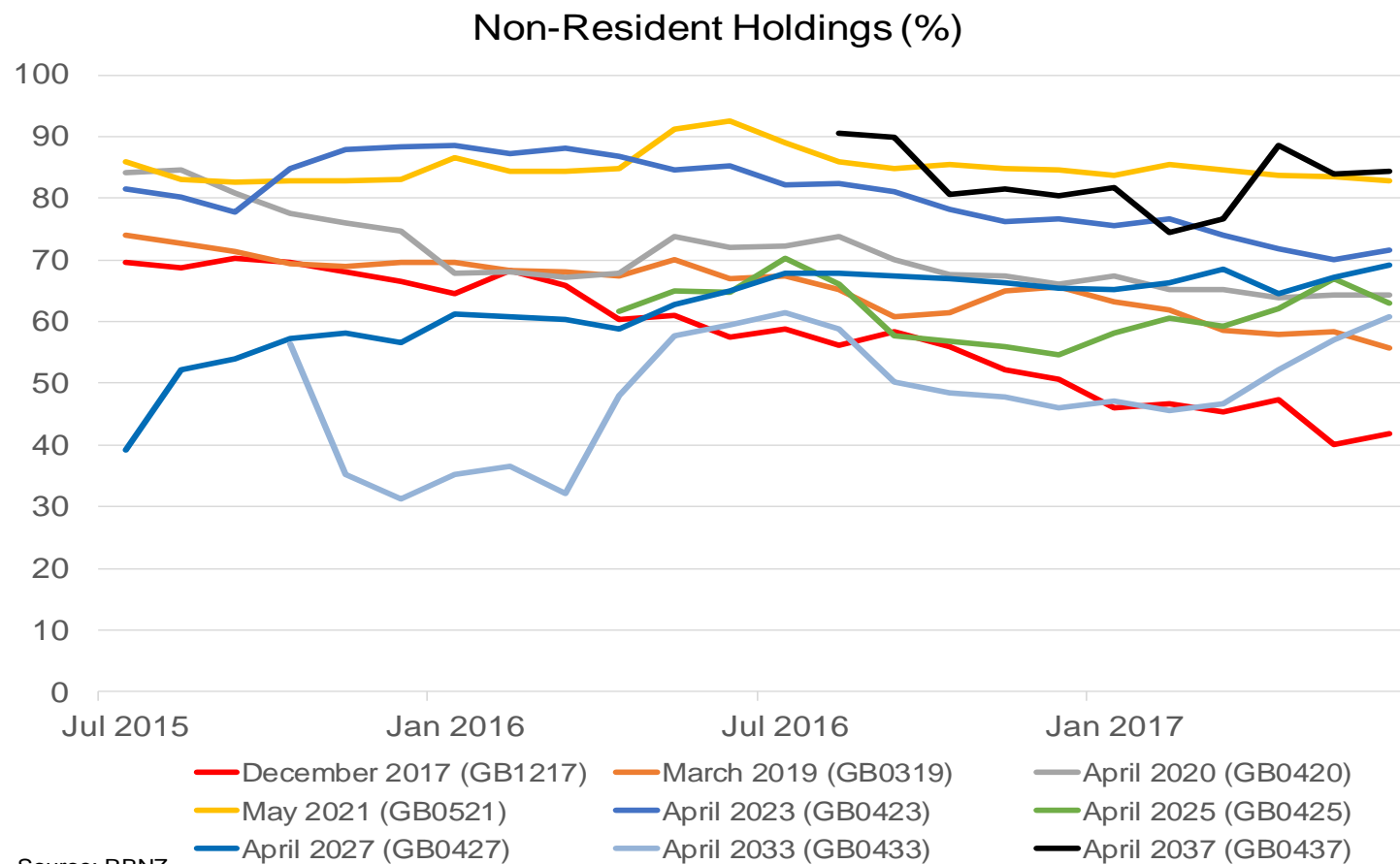
INTENTION TO SYNDICATE NZGB 2029



CONSISTENT INCREASE IN OFFSHORE AND DOMESTIC DEMAND



CONTINUE REPURCHASE PROGRAM



DISCLAIMER



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