

HER MAJESTY THE QUEEN IN RIGHT OF NEW ZEALAND



SECTOR	SOVEREIGN		
CREDIT RATINGS (S&P/M/F)	AA+/Aaa/AA+ (positive/stable/stable)		
LONG-TERM NZD			
CREDIT RATINGS (S&P/M/F)	AA+/Aaa/AA+ (positive/stable/positive)		
LONG-TERM FOREIGN CURRENCY			
RISK WEIGHTING	0%		
TERM FUNDING REQUIREMENT (NZ\$BN)	FY20 10	FY19 8	FY18 7
RBA REPO ELIGIBLE	NO		
RBNZ REPO ELIGIBLE	YES		

About New Zealand

New Zealand is a parliamentary democracy that operates on free-market principles. The *New Zealand Constitution Act 1852* provided for the establishment of a parliament with an elected House of Representatives. New Zealand's land mass is similar in size to Japan and the UK but hosts a resident population of only 4.9 million. New Zealand has a large services industry and a sizeable manufacturing sector, complementing an efficient export-oriented primary sector. The economy has been robust in recent years. In the 2019 financial year, it grew at 2.8% in real terms.

Fiscal outlook

The *Public Finance Act 1989* requires the New Zealand government to be transparent in its short- and long-term fiscal objectives and to maintain prudent debt levels. Current and recent governments have maintained a strong commitment to prudent fiscal management.

The Crown's fiscal position has strengthened in recent years. In 2018/19, the operating balance before gains and losses was a surplus of NZ\$7.3 billion (2.4% of GDP). A small operating deficit of 0.3% of GDP is forecast for 2019/20, with gradually increasing surpluses in the rest of the forecast period.

Net core Crown debt was 19% of GDP in 2018/19. This ratio is forecast to increase slightly, peaking at 21.5% in 2021/22, before gradually declining to 19.6% in 2023/24.

The New Zealand government recognises the importance of an enduring New Zealand government bond (NZGB) market. The *Fiscal Strategy Report* published in May 2019 reiterated the government's commitment to maintaining the level of NZGBs on issue at not less than 20% of GDP over time, even if net core Crown debt were to fall sustainably below this.

Funding strategy

New Zealand Debt Management is one of the functions of the New Zealand Treasury. Its primary responsibility is the efficient management of core Crown debt and associated financial

assets within an appropriate risk-management framework. The maintenance of a well-functioning NZGB market is central to this remit.

The debt-management strategy is currently focused on the core instruments of nominal bonds, inflation-indexed bonds and Treasury bills, issued in the wholesale market. Issuance is undertaken only in New Zealand dollars.

Primary issuance is generally through competitive tenders, while syndications have historically been confined to launching new bond lines.

The central principles of transparency, consistency and even-handedness underpin all activities.

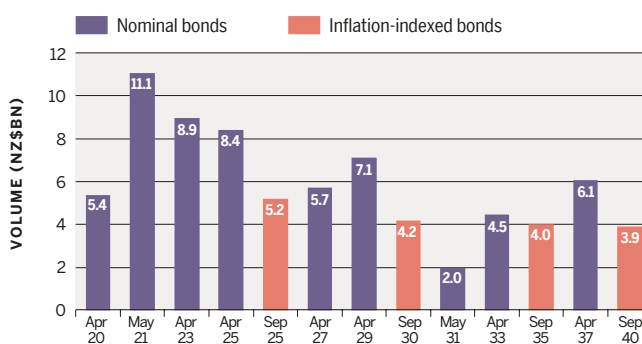
There is a long-term strategic approach to implementing funding. Future actions are communicated well in advance, rather than through a short-term tactical approach. However, some flexibility is maintained towards issuing Treasury bills, to meet short-term liquidity needs efficiently.

The strategy aims to balance demand from different investor types, whether by geography, style or mandate. A structured annual investor engagement programme is undertaken.

The funding strategy incorporates buying back bonds within the 18-month window before maturity. The weighted average maturity of the NZGB portfolio has been increasing in recent years. It is now about eight years.

At 31 December 2019, NZ\$79.7 billion of NZGBs was on issue. Of this, NZ\$76.4 billion were market bonds that may trade freely in the secondary market. In addition, NZ\$2.3 billion of Treasury bills was on issue.

NZDM DEBT MATURITY PROFILE (MARKET BONDS)



SOURCE: NEW ZEALAND DEBT MANAGEMENT DECEMBER 2019

FOR FURTHER INFORMATION PLEASE CONTACT:

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