

# A Snapshot of the 2012 Financial Statements of the Government of New Zealand

Over **2,500** entities make up the Government reporting entity. Together, they earned nearly **\$84 billion** of revenue and spent almost **\$93 billion** resulting in a **\$9 billion** deficit. The Government owns assets of **\$240 billion** and owes a total of **\$180 billion**.

Embargo: Contents not for communication in any form before 11.30am on Wednesday 10 October 2012.

Disclaimer: This publication is not audited. It is not intended to be read as a full picture of the New Zealand Government's financial performance or position.

<http://www.treasury.govt.nz/financialstatements/yearend/jun12snapshot>

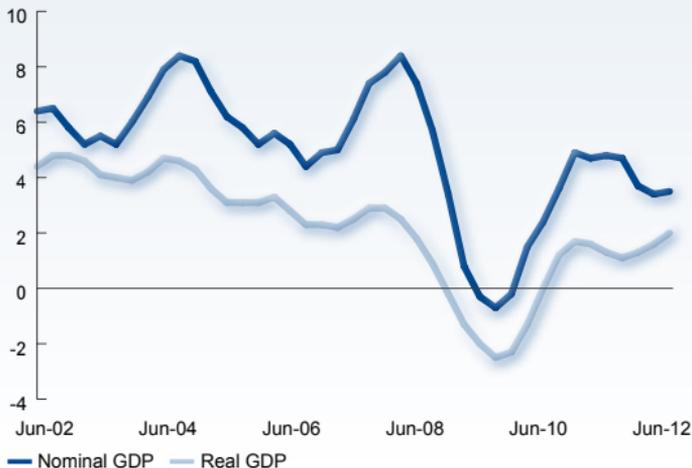


New Zealand Government

# The economy continued to recover from the recession

Following on from the Global Financial Crisis, the economy grew 3.5% from the previous year, helped by the Rugby World Cup, rebuilding efforts in Canterbury, increased household spending and strong export growth.

Annual average % change in GDP



## Facts and figures

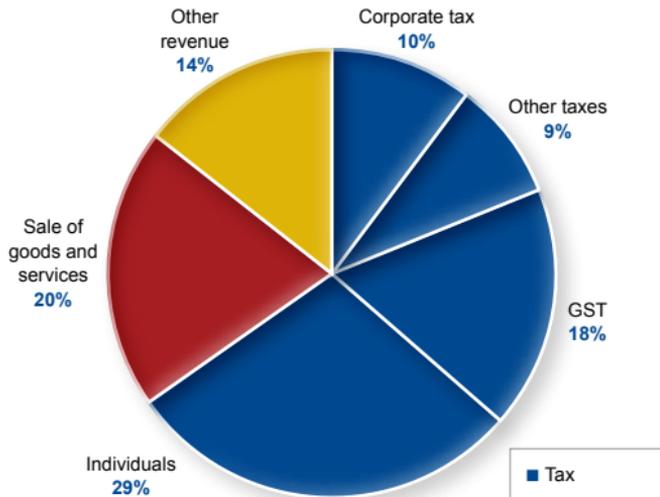
Year to June 2012 (compared to last year)

- Nominal GDP: \$204.6 billion (3.5% increase)
- Real GDP: \$139.0 billion (2.0% increase)
- Total exports: \$46.7 billion (1.3% increase)
- New jobs: 13,000 (0.6% increase)
- Unemployment: 6.8% (0.3% points increase)
- Inflation: 1.0% (5.3% in 2011 including the GST increase)

## Labour market and source deductions, June quarter 2012

- Full-time equivalent employees (FTE) increased 2.0% to 1,356,400
- Average weekly paid hours per FTE increased 0.3% to 38.45 hours
- Total weekly paid hours increased 2.4% to 52.153 million hours
- Average hourly earnings increased 2.8% to \$27.00/hour
- Total weekly gross earnings increased 5.2% to \$1,408 million
- Taxes on employees increased 1.8% to \$20.9 billion (year to June)

# Where does the Government's money come from?



## 66% of all revenue was from collecting taxes

Tax revenue increased \$3.5 billion from last year as the economy rebounded, spending increased, and wages and salaries rose.

## 20% of revenue was from selling goods and services

83% came from activities of the SOEs, eg, postal services, supplying electricity and airfares.

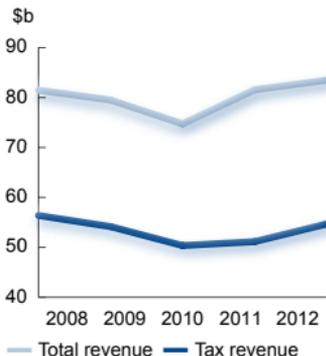
## 14% was from other sources including ACC levies and EQC levies



### Revenue trend:

Total Crown revenue increased by \$1.9 billion from last year.

While all major tax types were stronger, this year's higher business profits were a big driver increasing tax revenue.



### Facts and figures

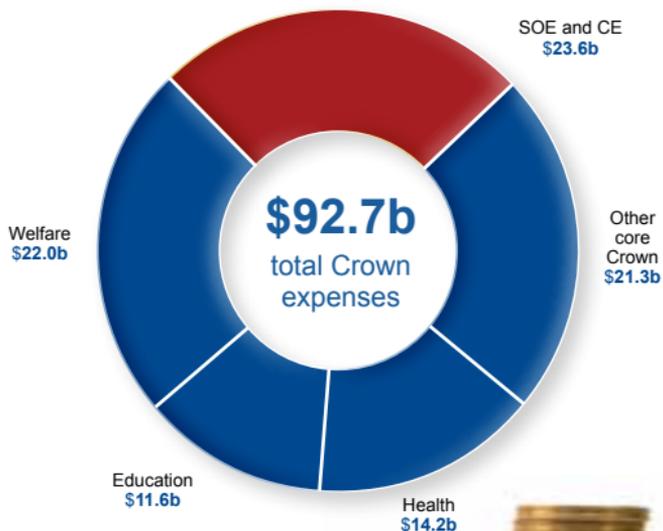
- Next year 3.3 million New Zealanders are forecast to pay income tax of \$25.1 billion (\$0.5 billion more than last year). This is an average of \$7,600 per person.

### Who pays income tax, and how much?

| Income             | % of people | pay % of tax |
|--------------------|-------------|--------------|
| Under 30,000       | 54          | 12           |
| \$30,00 – \$70,000 | 32          | 33           |
| Over \$70,000      | 14          | 55           |

Note: this data was based on forecasts for the year to 31 March 2013.

# Your tax dollar – where was it spent?



The \$69.1 billion of core Crown expenses includes all Departments, Offices of Parliament, the Reserve Bank and the New Zealand Superannuation Fund.



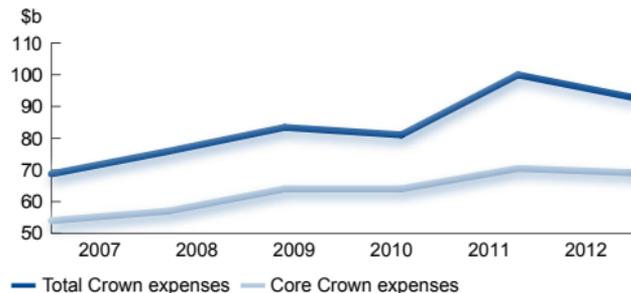
Just over 50% of total Crown spending was on the three main areas of public spending, welfare, health and education. See the next page for details on what this spending provided.

Other core Crown expenses includes spending on law and order, defence, housing, and interest costs on government borrowing.

The SOE and Crown entity (CE) sectors make up 26% of total Crown expenses.

## Expenses trend:

Total Crown expenses were \$7.3 billion less than last year due to lower earthquake costs (see next page) and some decreases in departmental spending (as shown by the light blue line).



# Your dollar provided...

## Welfare, health and education services of \$48 billion, 1.4% growth from last year

### Social welfare

\$9.6 billion of funding to provide 585,000 superannuitants with income support and \$4.8 billion to 335,000 New Zealanders receiving the unemployment, sickness, invalids, and domestic purposes benefits.



### Health

Nearly \$11.5 billion of funding to hospitals around the country employed 49,356 nurses and 14,333 doctors to provide healthcare, including 153,000 elective surgeries.



### Education

Total core Crown education expenses of \$11.7 billion helped to fund learning for 216,000 children in early childhood education services; 763,000 students in primary and secondary schools; and employ 52,000 teachers.



## Spending in Canterbury

The bulk of the Government's share of earthquake costs was recorded last year. However, costs are still being incurred, and will continue to do so until final decisions and cost estimates have been made.

So far, the net cost to the Government of the earthquakes has been \$11.0 billion. The main costs this year were further EQC insurance claims; an estimate of the Government's share of local authorities' costs for restoring local infrastructure; and further offers made to purchase Red Zone properties.

| (\$ billions)         | 2012       | 2011       | Total       |
|-----------------------|------------|------------|-------------|
| EQC insurance         | 0.7        | 7.5        | 8.2         |
| Local infrastructure  | 0.6        | 0.1        | 0.7         |
| Red Zone              | 0.3        | 0.6        | 0.9         |
| Other                 | 0.3        | 0.9        | 1.2         |
| <b>Total Net Cost</b> | <b>1.9</b> | <b>9.1</b> | <b>11.0</b> |

### In the two years since the 4 September 2010 earthquake:

- Over 11,900 earthquakes have shaken the region
- EQC received 459,237 claims and paid out over \$3.3 billion (\$4.6 million per day)
- CERA zoned 7,779 properties red and has settled with around 58% of those property owners so far

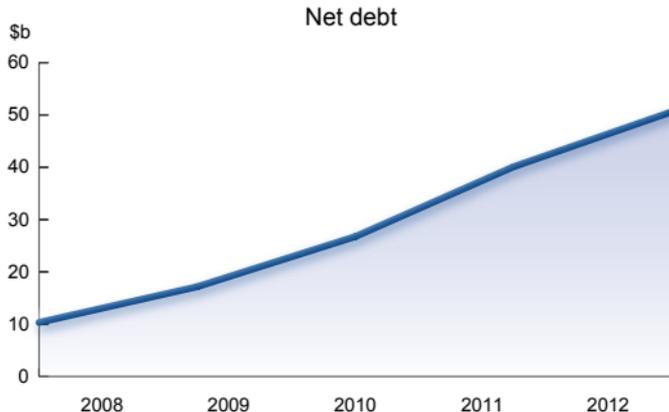
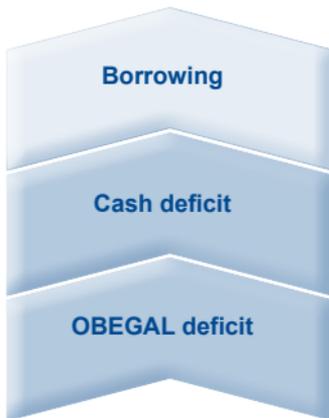
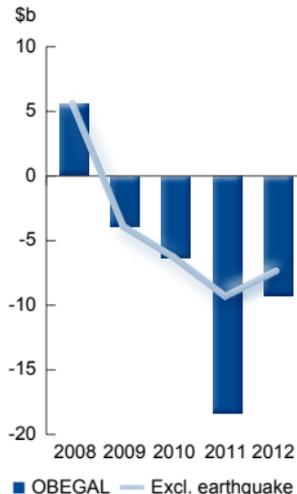


# Government spending exceeded income

Operating balance before gains and losses (OBEGAL) trend:

The OBEGAL deficit halved from \$18.4 billion last year to \$9.2 billion, largely due to the fall in earthquake costs.

Excluding earthquake costs, the OBEGAL deficit was \$1.9 billion lower than last year.



If the Government spends more cash than it receives, there are two options to meet the shortfall: borrowing, or selling financial assets. Generally there is a mix of the two, but borrowings is the most common way the Government funds its cash requirements.

## Facts and figures

- The Government received **\$15.1 billion** from issuing domestic market bonds, or **\$302 million** per week, based on 50 weekly tenders during the year.
- Net of maturing bonds, the Government's Gross Debt increased **\$7.2 billion** from 2011 to just under \$80 billion, or **38.9%** of GDP.

# What does the Government owe?

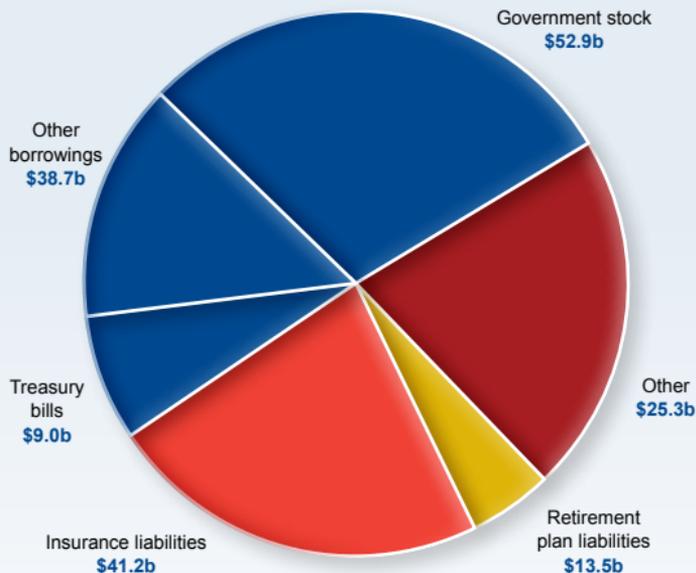
## Borrowings

Government bonds make up the bulk of the Crown's borrowing programme, with most of the remainder through Treasury Bills.

"Other" borrowings are mostly undertaken by SOEs. \$11.6 billion (30%) was Kiwibank's customers' deposits.

## Insurance liabilities

The Government is committed to meet the expected cost of claims by New Zealanders through ACC, EQC and Southern Response.



## Other liabilities

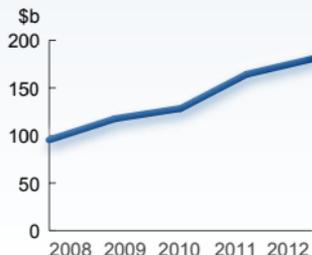
Includes accounts payable, currency issued by the Reserve Bank, and provisions (eg, earthquake related and weathertight homes).

## Retirement plan liability

This liability represents the expected cost of funding the 64,768 members of the Government Superannuation Fund.

## Liabilities trend:

Liabilities grew this year as the Government borrowed money to meet the cash deficit. There were also increases in the Crown's long-term liabilities (ACC and GSF).



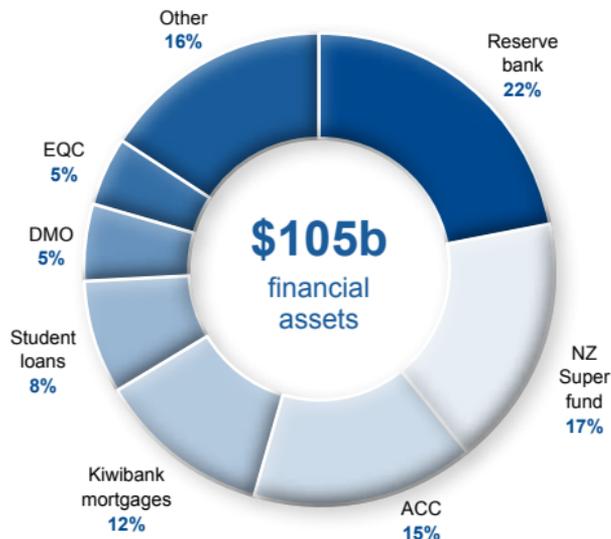
## Discount rates

- The long term liabilities (eg, ACC and GSF) are particularly sensitive to discount rates to estimate the present value of the liability.
- A 1% decrease in the discount rate would increase the ACC liability by \$3.8 billion and the GSF liability by \$1.8 billion.

# What does the Government own?

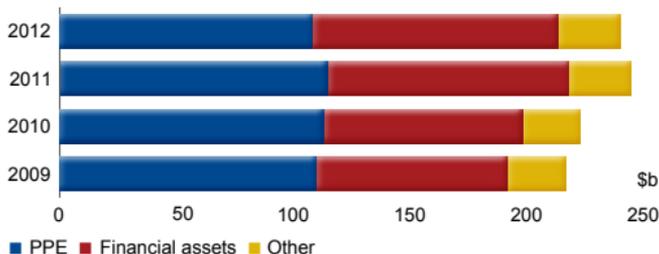
**\$109 billion worth of property, plant and equipment (PPE)**

|        |                                   |
|--------|-----------------------------------|
| 25     | hospitals                         |
| 30,000 | school buildings                  |
| 3,200  | police cars                       |
| 66,544 | state houses                      |
| 4,192  | km railway tracks                 |
| 8,771  | m hectares of conservation estate |
| 19     | prisons                           |
| 11,000 | km of state highways              |



## Assets trend:

The Crown owns assets worth \$240 billion, \$5 billion less than last year, as PPE values fell.



## Facts and figures

- 54% of PPE is land and buildings (\$59 billion).
- 53% of financial assets were held in New Zealand, and 16% in each of Europe and the USA.
- The Government lent \$1.6 billion in student loans in 2012 to over 200,000 students.