

Reference: 20200371



8 December 2020

s9(2)(a)

Dear s9(2)(a)

Thank you for your Official Information Act request, received on 23 October 2020. You requested the following:

*Interested to know what is the current debt figure for NZ please?*

*What will the total amount of money be in 2021?*

*Where has the money been borrowed from?*

*And finally, if NZ will take part in any Debt Reset Program?*

**Interested to know what is the current debt figure for NZ please?**

Net core Crown debt is one of the key fiscal indicators used by the Treasury to look at Government debt. It is the amount the Government owes others less the assets it has on hand that could be used to pay off that debt. At the end of the 2020 fiscal year (June 2020), net core Crown debt was \$83 billion, or 27% of GDP. New Zealand's net core Crown debt as a percentage of GDP is low relative to many sovereign peers.

In contrast to how a member of the public borrows money, which is typically through a bank, New Zealand Debt Management (NZDM), a function within the Treasury, borrows money on behalf of the Government. It does this primarily by selling New Zealand Government Bonds (NZGBs) and Treasury Bills, collectively called New Zealand Government Securities (NZGS).

When NZDM sells the NZGS, they are referred to as being 'on issue'. As at 31 October 2020, there were NZ\$126 billion of NZGS on issue.

**What will the total amount of money be in 2021?**

NZDM updated the core Crown borrowing forecasts alongside the Pre-Election Economic and Fiscal Update in September. The update showed that at the end of the 2021 fiscal year (June 2021), NZGBs on issue are forecast to be NZ\$133 billion and Treasury Bills on issue are forecast to be NZ\$10 billion – a total of NZ\$143 billion.

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<https://treasury.govt.nz>

## **Where has the money been borrowed from?**

NZGBs and Treasury Bills are predominantly sold in tenders and are only able to be allocated to Registered Tender Counterparties. For more information, please visit the website:

[debtmanagement.treasury.govt.nz/government-securities/primary-market-access-information](https://debtmanagement.treasury.govt.nz/government-securities/primary-market-access-information).

These bonds can then be sold on to investors in the secondary bond market. NZDM is not informed of who the bonds are sold to in the secondary market. Therefore, I am refusing your request for this information under section 18(g)(i) of the Official Information Act:

- the information requested is not held by the Treasury and there are no grounds for believing that the information is held by another agency.

NZGBs are also sold via syndication, which involves appointing a group of intermediaries (banks) to a panel to issue a significant volume of a new or existing bond line. Their function is to achieve a relatively large volume of interest across a diverse range of investors at cost-effective pricing. Recent syndication data shows that bonds were issued to investors in New Zealand, Australia, United Kingdom, Europe, North America and Asia. You can see the proportion of bonds recently being issued via syndication to investors in different locations at [debtmanagement.treasury.govt.nz/investor-resources/data](https://debtmanagement.treasury.govt.nz/investor-resources/data). Please note that these bonds can then also be sold on to other investors in the secondary bond market, which is not visible to us.

That said, the RBNZ provides data on aggregate non-resident holdings of NZGBs ([www.rbnz.govt.nz/statistics/d30](https://www.rbnz.govt.nz/statistics/d30)). At the end of September 2020, about 50 per cent of NZGBs were held by non-residents (i.e. offshore investors) while the remaining 50 per cent were held by residents. Holders of these bonds include asset managers, banks, hedge funds, insurance companies and central banks.

## **And finally, if NZ will take part in any Debt Reset Program?**

If this question refers to cancellation of sovereign debt from developing countries as part of the New Zealand Aid Programme, the New Zealand Aid Programme is currently purely grants-based so we do not hold any outstanding sovereign debt from developing countries to cancel or reset.

If, however, the question is referring to cancellation of New Zealand sovereign debt held by other countries, NZDM ensures NZGS can be repaid on the date that they mature by building up funds in advance. If the Government has a cash surplus (i.e. general Government receipts, with tax receipts the largest source, is higher than general Government payments), these funds can be used to repay the NZGS. Alternatively, additional NZGS can be issued, which effectively extends the maturity date of the borrowing.

Credit ratings are given by independent credit rating agencies and provide investors with an indication of a country's ability to repay debt. The New Zealand sovereign is amongst the countries with the highest credit ratings in the world and has no history of defaulting on debt.

For further information on how the Treasury conducts borrowing on behalf of the government see [debtmanagement.treasury.govt.nz/about-us/borrowing-basics](https://debtmanagement.treasury.govt.nz/about-us/borrowing-basics).

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Martin', with a stylized flourish at the end.

Kim Martin  
**Acting Director, Capital Markets**