

Reference: 20200252

7 August 2020

s9(2)(a)

Dear s9(2)(a)

Thank you for your email, received on 23 July 2020. You asked for official information, and therefore your request is being considered as an Official Information Act request. You requested:

*“I have contacted Treasury earlier this morning with a direct question regards New Zealand’s current loan status.*

*I am trying to establish who specifically - the New Zealand government - has loaned money from in order to meet the financial obligations that have come about as a direct result of covid 19.*

*Also I would like to know the amounts involved; as well the interest incurred - and where I can source this information independently in the future.”*

When the Government spends more money than it earns, it needs to access funds. These funds are typically raised through borrowing or through selling financial assets. This role is primarily managed by the New Zealand Debt Management (NZDM) team within the Treasury.

In contrast to how a member of the public borrows money, which is typically to borrow money from a bank, NZDM will borrow money by issuing financial instruments. These financial instruments predominantly consist of New Zealand Government Bonds (NZGBs) and Treasury Bills. Issuing these instruments is done by either:

- Regular weekly tenders, competitive, open and transparent mechanisms for Registered Tender Counterparties to regularly purchase bonds on behalf of investors, or
- Syndications, which involve appointing a group of intermediaries to a panel, whose key function is to achieve a relatively large volume of interest across a diverse range of investors at cost-effective pricing.

Further details on NZDM and its operations can be found here:

<https://debtmanagement.treasury.govt.nz/>

A list of Registered Tender Counterparties can be found here:

<https://debtmanagement.treasury.govt.nz/government-securities/primary-market-access-information>

Bonds sold in a tender (primary market) are only able to be allocated to Registered Tender Counterparties. These bonds can then be sold on to investors in the secondary bond market. NZDM does not have visibility over who the bonds are sold to in the secondary market, however the RBNZ provide data (<https://www.rbnz.govt.nz/statistics/d30>) on aggregate non-resident holdings of New Zealand Government Bonds. At the end of June 2020, about 50% of NZGBs were held by non-residents (i.e. offshore investors) while the remaining 50% were held by residents. Holders of these bonds include asset managers, banks, hedge funds, insurance companies and central banks.

Since 1 April 2020, NZDM has borrowed about \$30 billion on behalf of the New Zealand Government. This compares to previous forecasts (i.e. forecasts prior to the emergence of COVID-19) of around \$3 billion over this period. Borrowing history can be found on this webpage: <https://debtmanagement.treasury.govt.nz/investor-resources/data>

The interest incurred by the Government for borrowing forms the majority of the “Finance Costs” in the Government’s Financial Statements. The latest monthly Interim Government Financial Statement was released for the end of May and shows Finance Costs were \$3.4 billion for the 11 months to 31 May 2020. You can access these here: <https://treasury.govt.nz/system/files/2020-07/fsgnz-11mths-may20.pdf>

The Budget Economic and Fiscal Update 2020, released in May 2020, shows Treasury’s forecasts for the Government’s Financial Statements from 30 June 2020 to 30 June 2024, which includes borrowing estimates and finance costs. You can access the publication here: <https://treasury.govt.nz/sites/default/files/2020-07/befu20-v2.pdf>. It also includes commentary on the fiscal and economic outlook.

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

Kate Le Quesne  
Acting Head of Funding Strategy and Engagement