





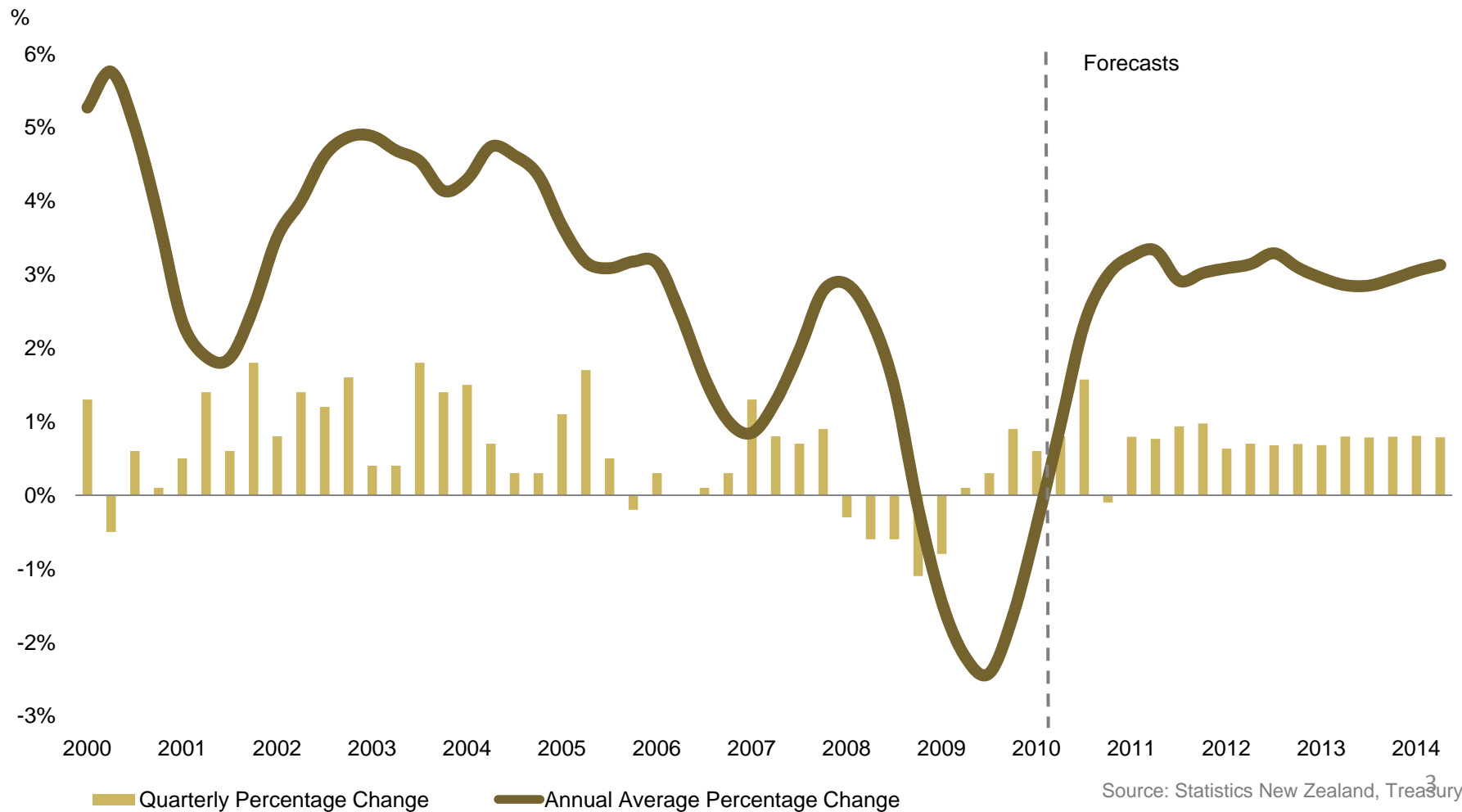
THE TREASURY
Kaitiaki Takekapa Kōwhiri

New Zealand Update

September 2010

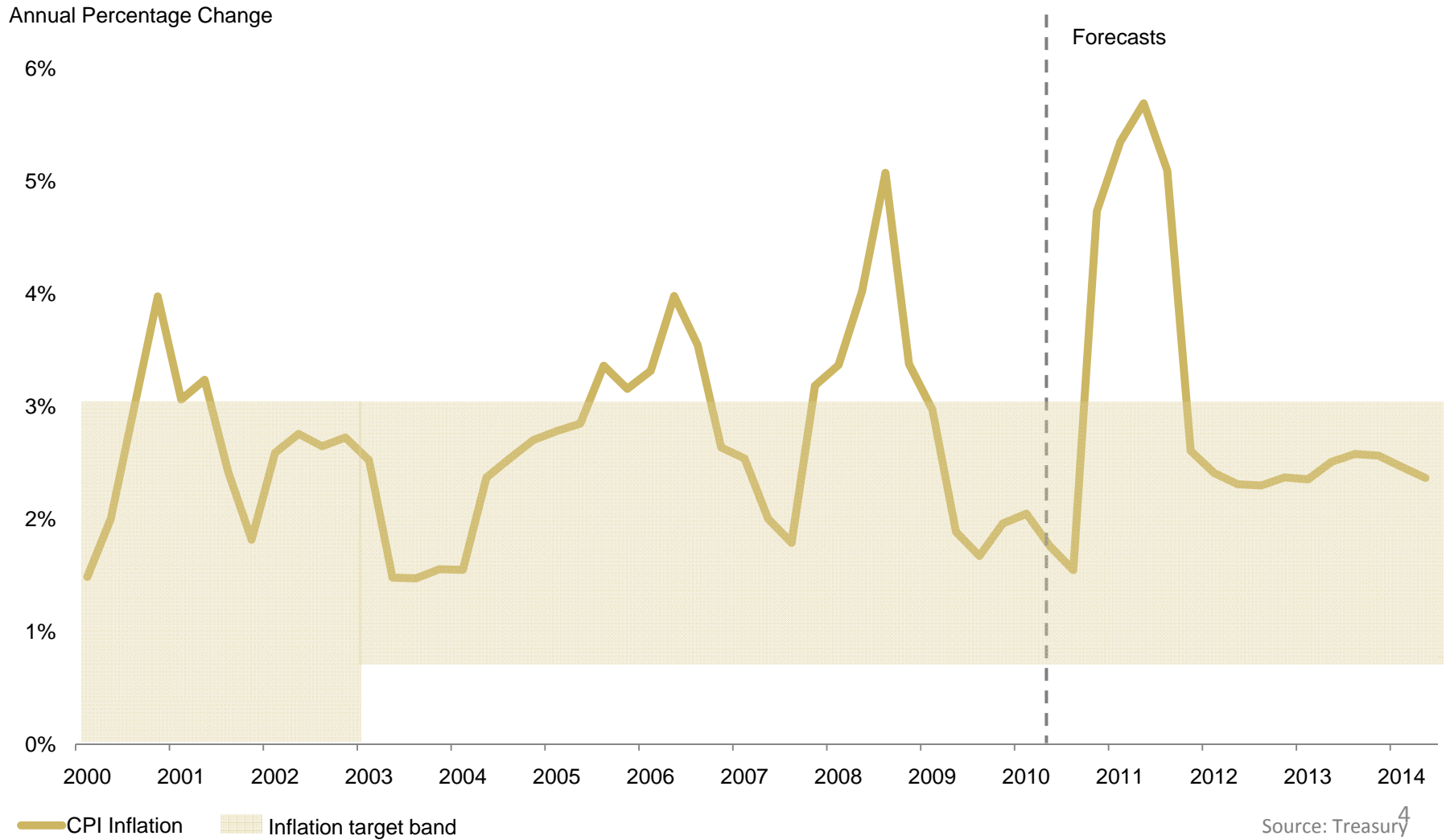
Real GDP Growth

The New Zealand economy resumed growing in the last half of 2009. Recent growth driven by the export sector while domestic demand remains subdued.



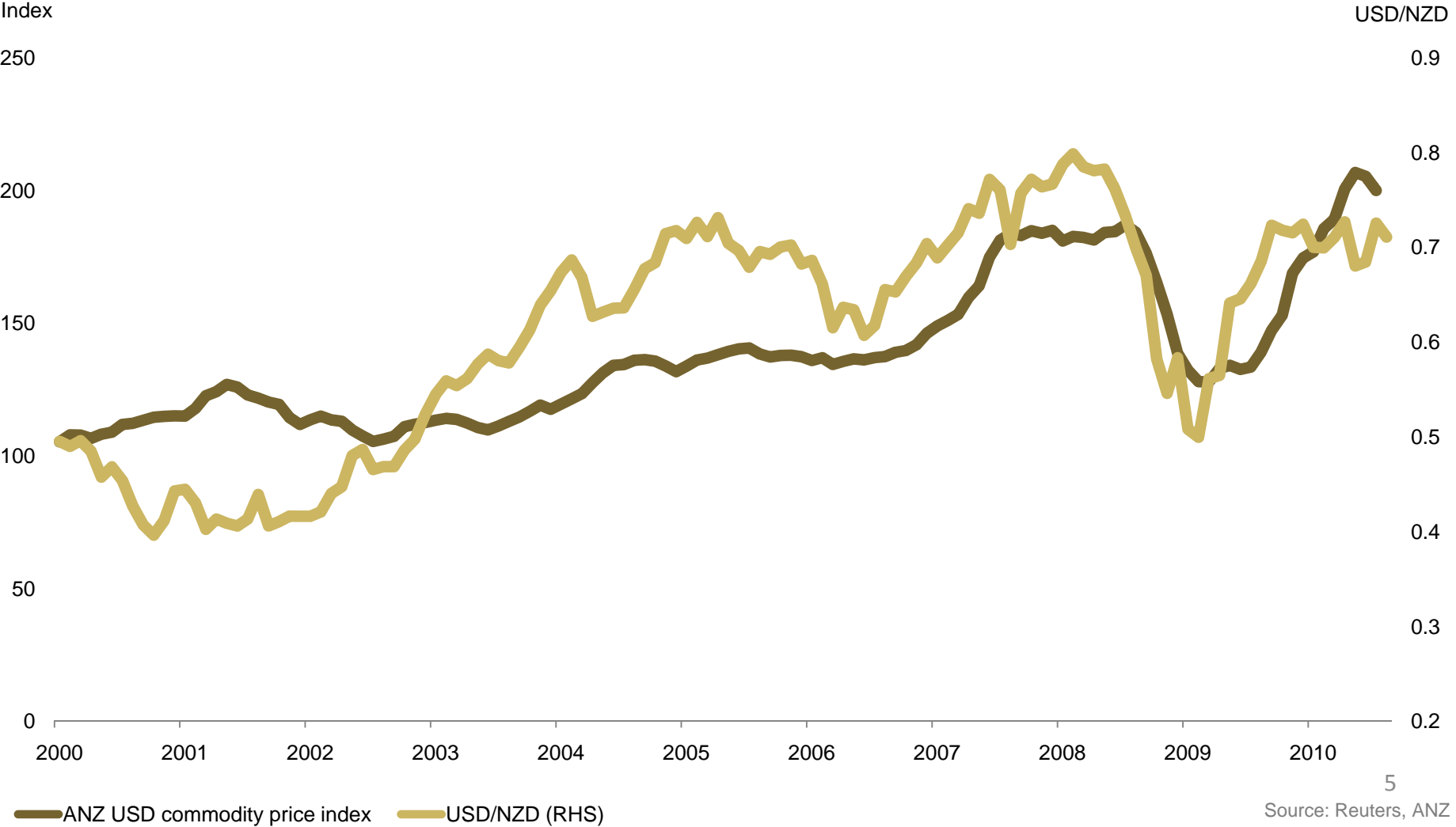
Inflation

Inflation forecast to temporarily exceed 1 -3% target band due to planned increases in value-added tax and other government charges.



Exchange Rate

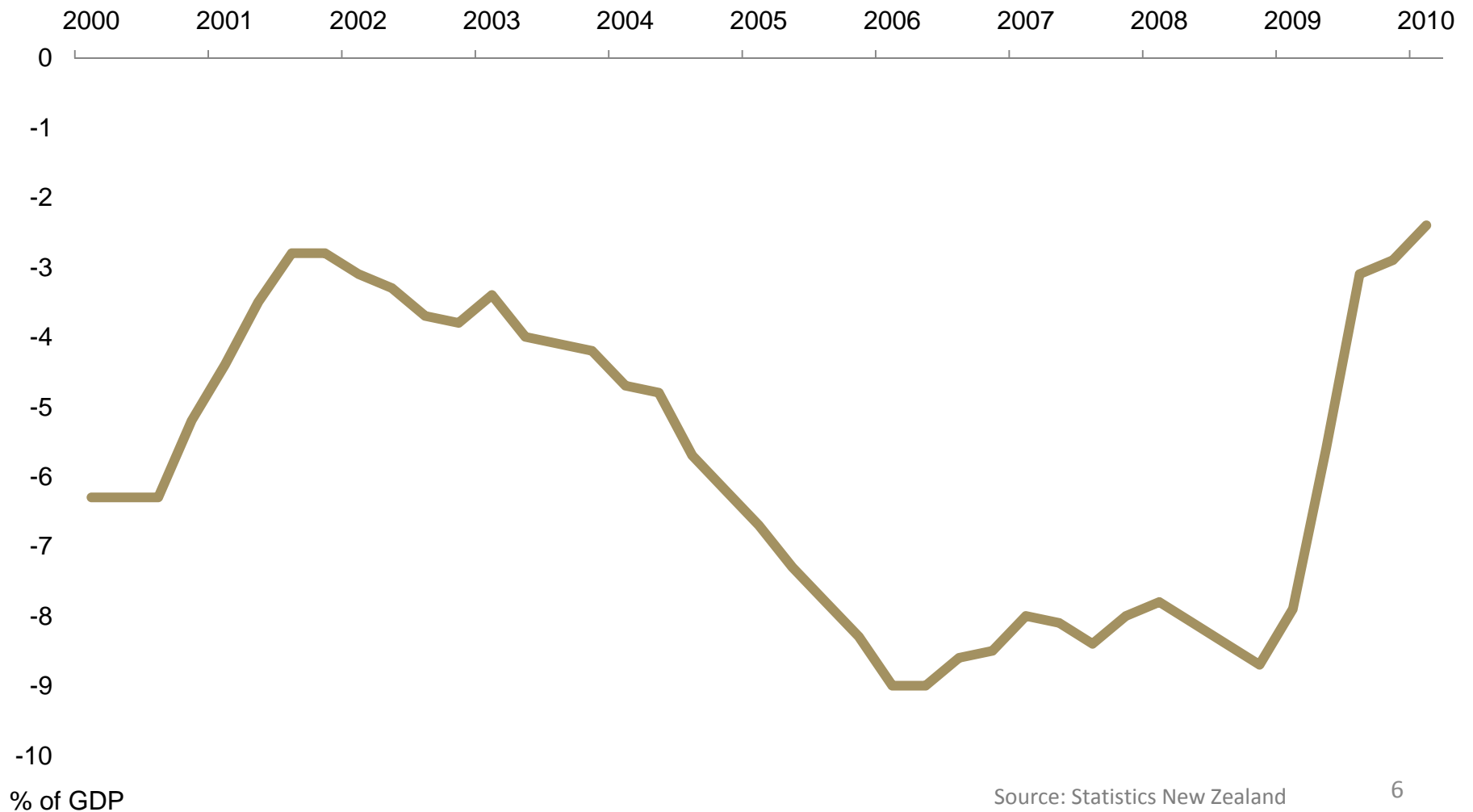
Exchange rate driven by global risk appetite, demand for NZ exports and interest rate differentials.



Source: Reuters, ANZ

Current Account

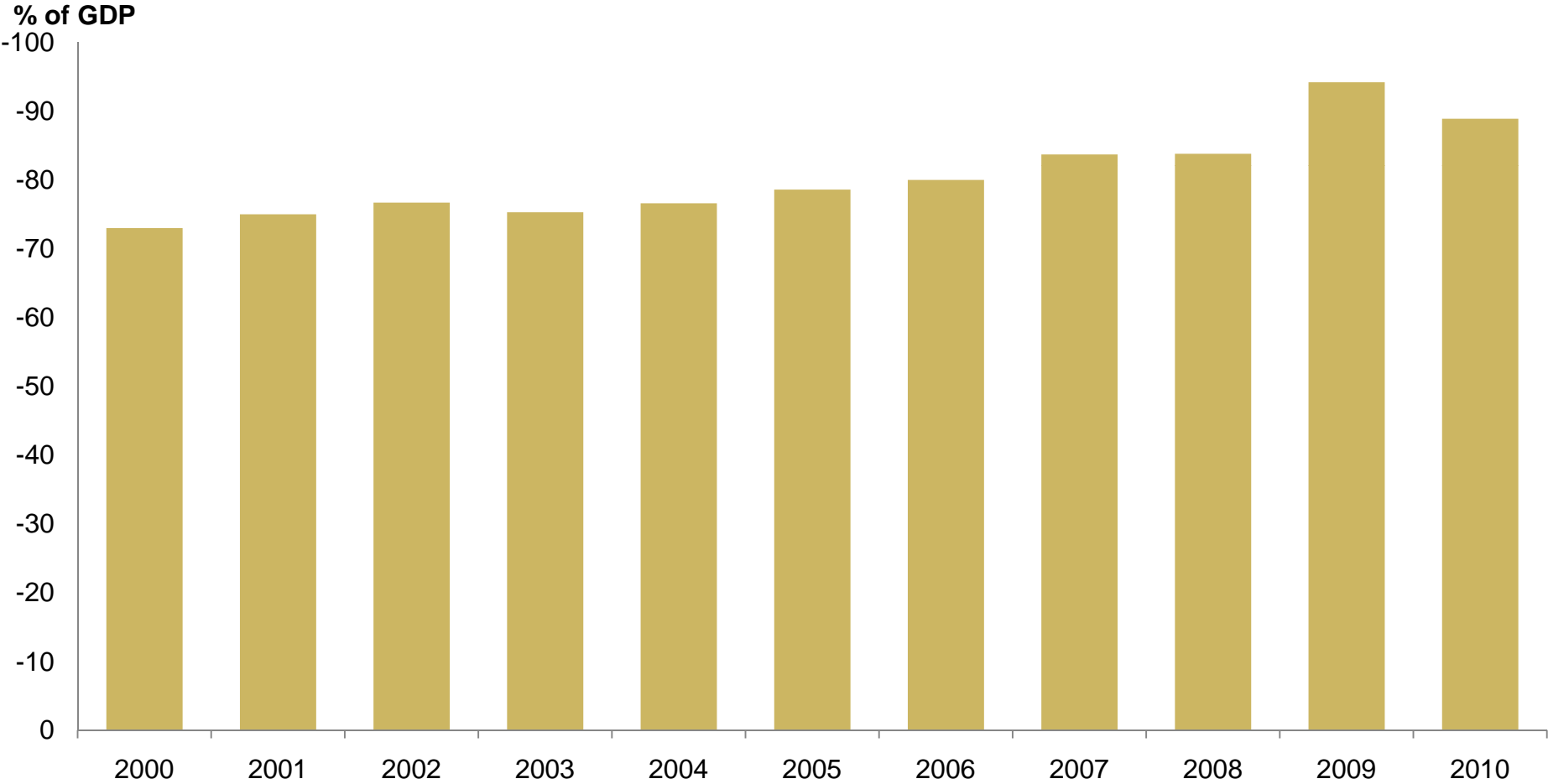
Current account deficit forecast to persist although has narrowed recently as households have reduced debt levels.



Source: Statistics New Zealand

Net International Investment Position

Lower current account deficits and stronger NZD has seen an improvement in New Zealand's net international investment position over the last year.

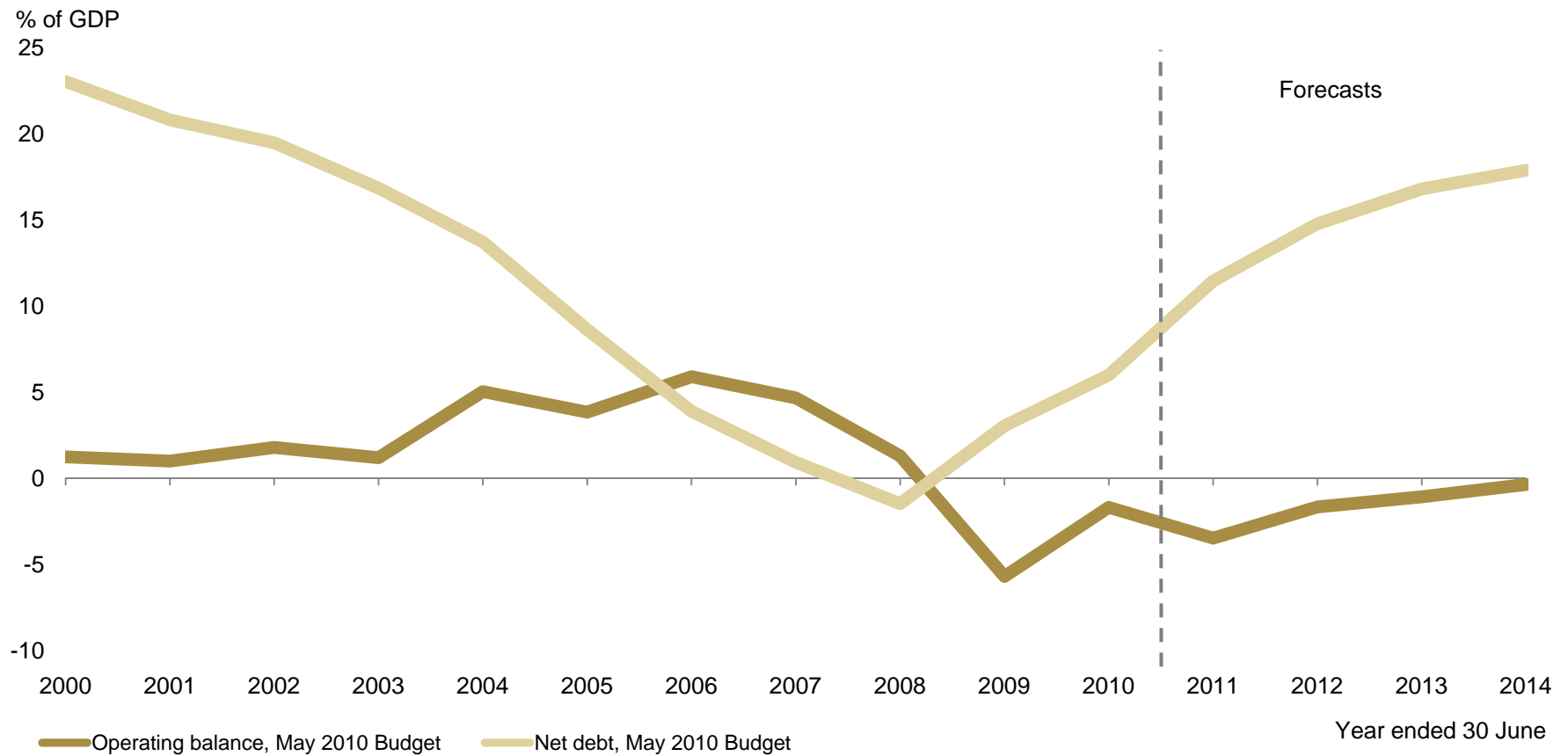


Source: Statistics New Zealand



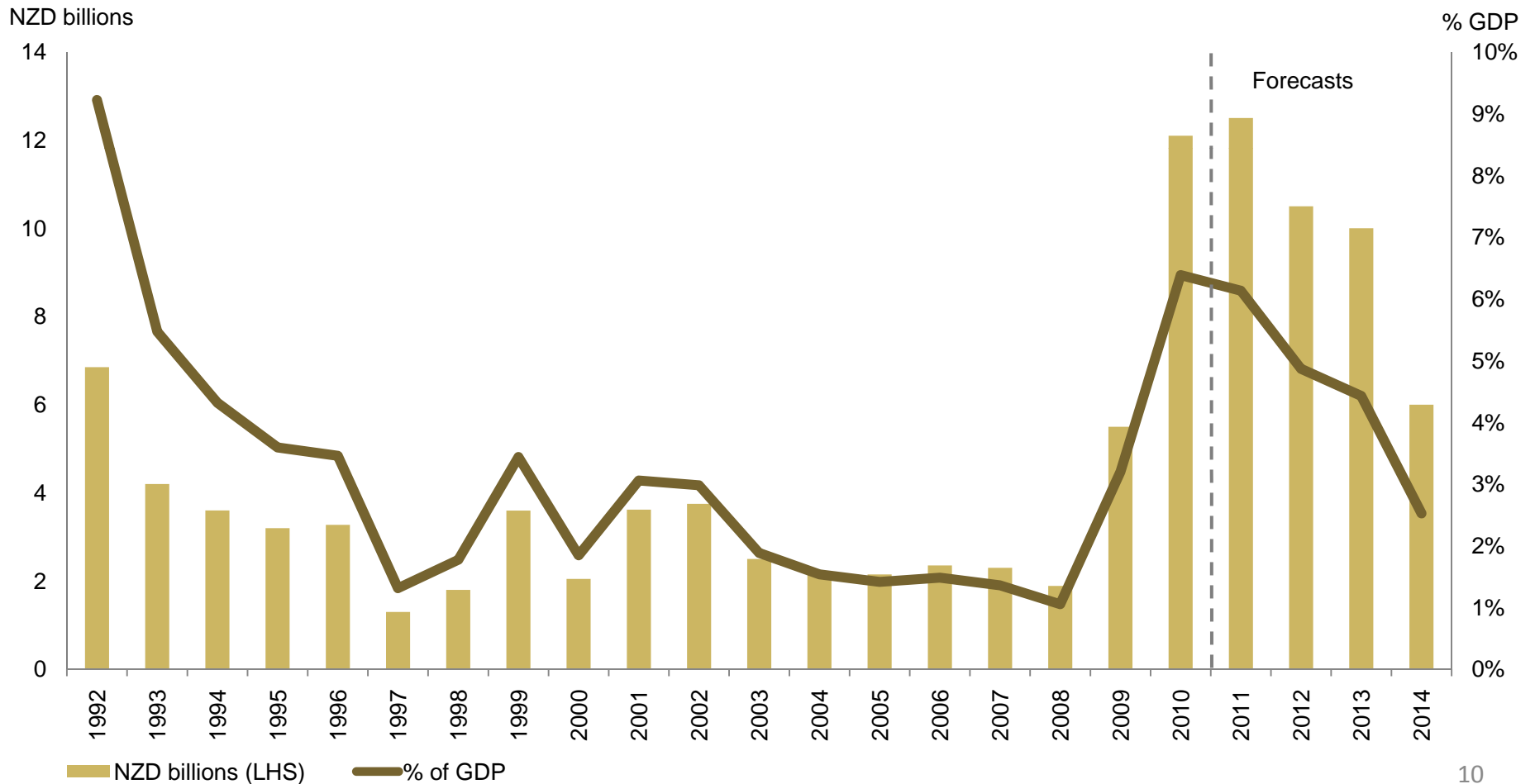
Net Debt and Operating Balance Forecasts

Net debt (including assets of the New Zealand Superannuation Fund) forecast to peak at just under 19% in 2015.



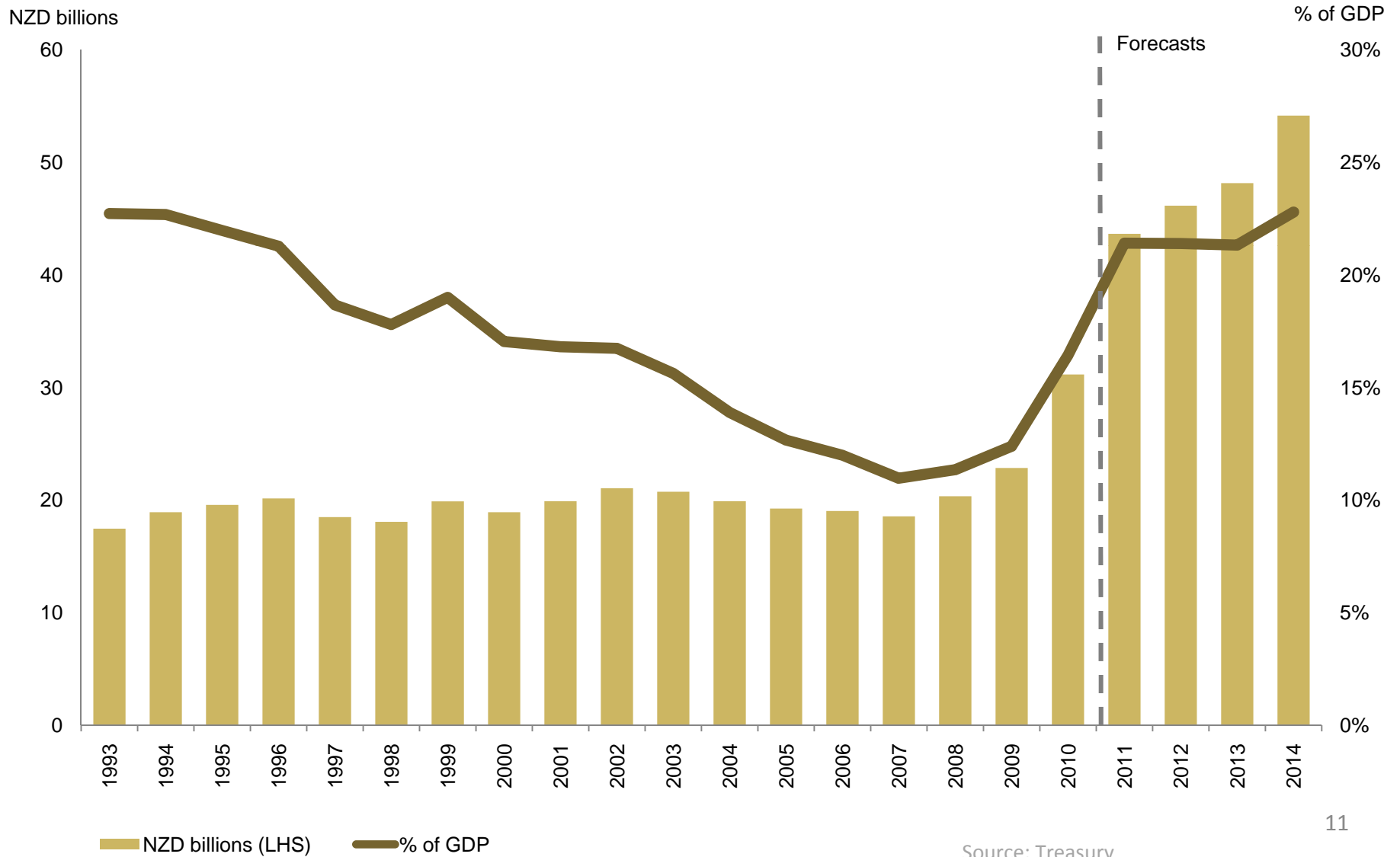
Forecast Bond Issuance

Budget 2010 forecast issuance profile reflects improvements in fiscal outlook since Budget 2009. Forecast cash deficits partly a result of increased public infrastructure spending.



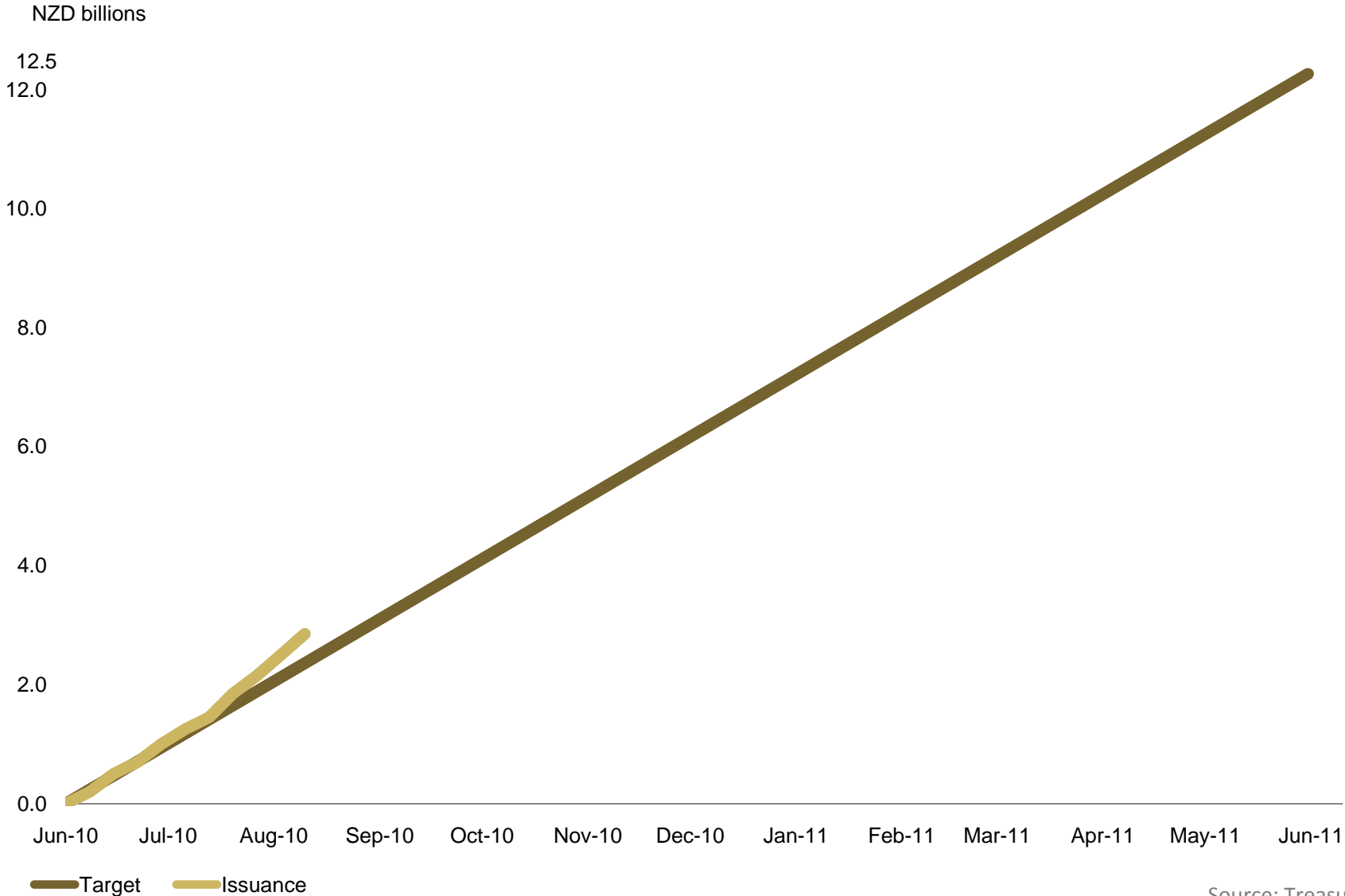
Source: Treasury

New Zealand Government Bond Outstandings



Source: Treasury

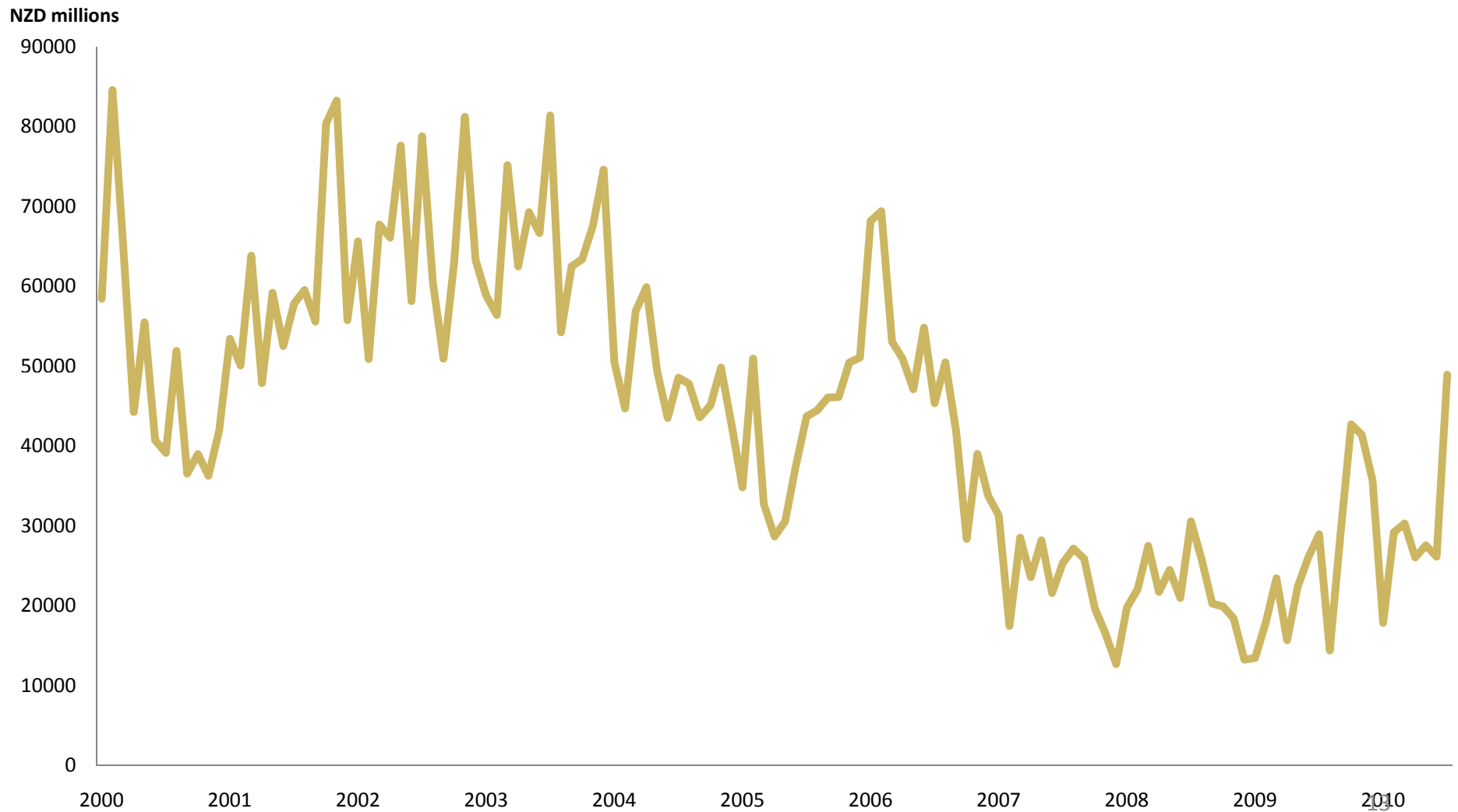
2010/11 Bond Issuance Progress



Source: Treasury¹²

Monthly Government Bond Turnover

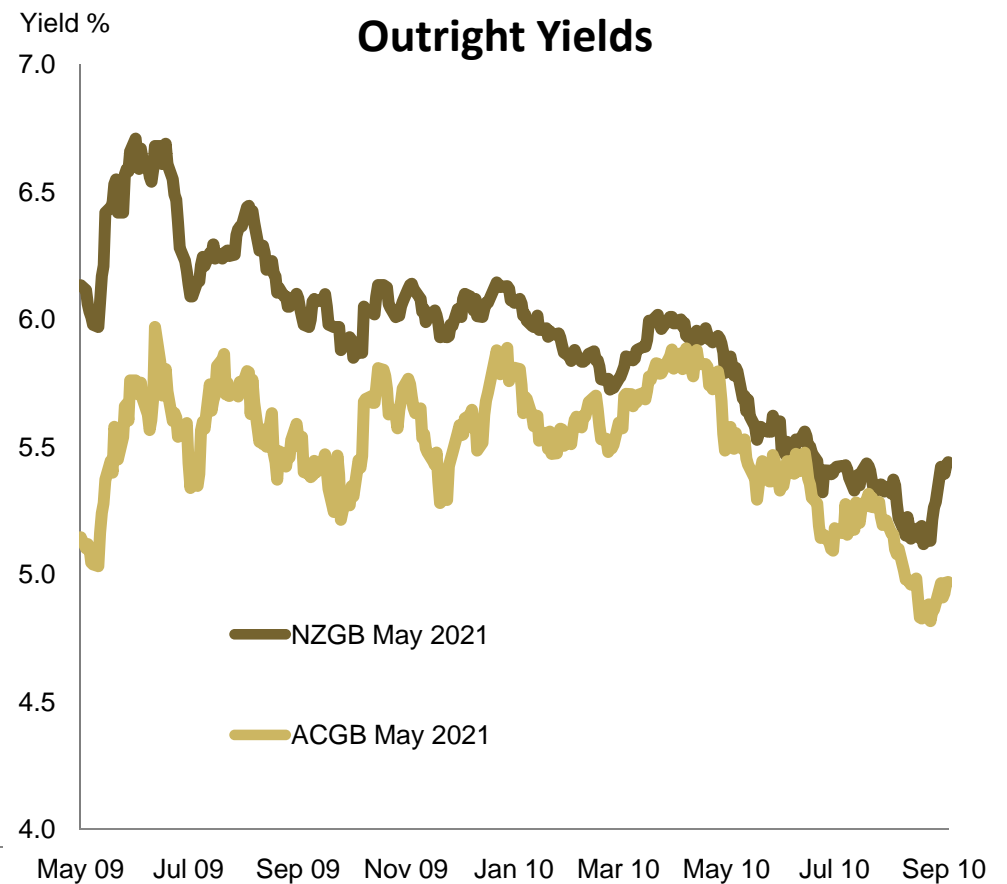
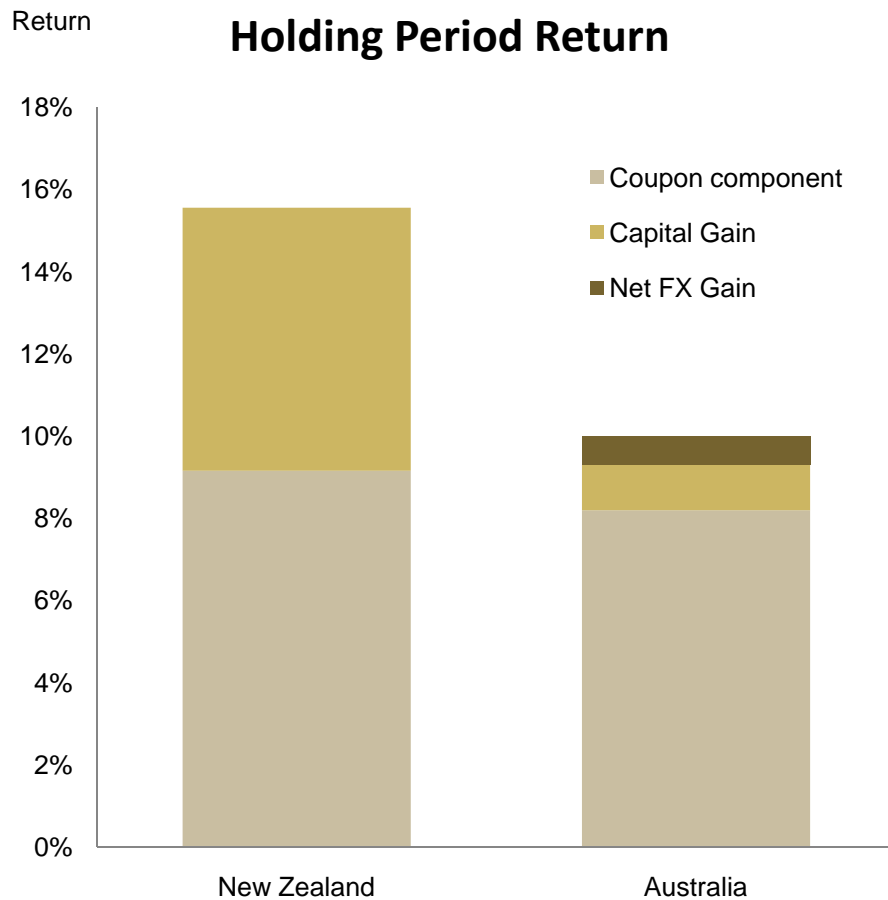
Increasing turnover over last year indicates improvements in bond market liquidity







Source: RBNZ

Relative Return NZ versus Australia

Holding period return on NZD100 purchase of May 2021 NZGB and ACGB equivalent between 12 May 2009 and 27 August 2010.



New Zealand Credit Ratings

Rating Agency	Domestic Currency	Foreign Currency	Date of Latest Report
	Aaa (stable outlook)	Aaa (stable outlook)	28-May-09
	AAA (stable outlook)	AA+ (stable outlook)	13-Jan-10
	AAA (negative outlook)	AA+ (negative outlook)	16-Jul-09
	AAA (stable outlook)	AA+ (stable outlook)	13-Jul-10



Contact: New Zealand Debt Management Office, The Treasury, 1 The Terrace,
Wellington, 6011, New Zealand | PO Box 3724, Wellington 6140, New Zealand
Tel: +64 4 472 2733 | Fax: +64 4 472 2492 info@nzdmo.govt.nz www.nzdmo.govt.nz