

13 February 2018

MEDIA STATEMENT

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**Financial Statements of the Government of New Zealand
for the six months ended 31 December 2017**

The *Financial Statements of the Government of New Zealand* for the six months ended 31 December 2017 were released by the Treasury today. The statements are compared against forecasts based on the *2017 Half Year Economic and Fiscal Update* (HYEFU 17) published on 14 December 2017.

Core Crown tax revenue was \$37.2 billion for the six months to 31 December 2017. Overall core Crown tax was higher than expected by \$0.6 billion, with source deductions and GST ahead of forecast by \$0.3 billion and \$0.2 billion respectively. Some of this variance can be expected to remain until year end.

Core Crown expenses of \$39.6 billion were higher than the \$39.5 billion forecast with some expenditure recognised earlier than expected.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$1.1 billion. When the core Crown results are combined with higher than expected Crown entity results, the OBEGAL surplus was \$0.8 billion more than forecast.

Net investment gains of \$4.3 billion were recorded to 31 December 2017, \$1.8 billion higher than forecast. Partially offsetting these investment gains were net losses on non-financial instruments of \$2.0 billion. ACC recognised an actuarial loss of \$1.6 billion on its outstanding claims liability, mainly due to the discount rate used to calculate this liability being lower than expected.

When gains and losses are added to the OBEGAL result, the **operating balance** was a \$3.5 billion surplus, \$0.8 billion larger than forecast. This result flows directly into **net worth attributable to the Crown** which was \$0.8 billion higher than forecast at \$114.1 billion.

Core Crown residual cash was a deficit of \$5.9 billion and was close to forecast.

Net debt was \$64.5 billion at 31 December 2017, \$0.5 billion lower than forecast. This variance was mainly due to higher circulating currency and higher than forecast valuation gains.

	Year to date				Full Year
	December	December	Variance	Variance	June
	2017	2017			2018
	Actual ¹	HYEFU 17 Forecast ¹	to HYEFU 17	to HYEFU 17	HYEFU 17 Forecast ²
	\$m	\$m	\$m	%	\$m
Core Crown					
Core Crown tax revenue	37,181	36,584	597	1.6	78,172
Core Crown revenue	40,431	39,786	645	1.6	84,670
Core Crown expenses	39,624	39,458	(166)	(0.4)	81,653
Core Crown residual cash	(5,949)	(5,956)	7	0.1	(2,647)
Gross debt ³	84,569	83,999	(570)	(0.7)	84,524
as a percentage of GDP	30.4%	30.2%			29.5%
Net debt ⁴	64,482	64,997	515	0.8	62,114
as a percentage of GDP	23.2%	23.4%			21.7%
Total Crown					
Operating balance before gains and losses	1,090	311	779	250.5	2,541
Operating balance	3,506	2,669	837	31.4	5,916
Net worth attributable to the Crown	114,086	113,260	826	0.7	116,568

1 Using the most recently published GDP (for the year ended 30 September 2017) of \$278,312 million (Source: Statistics New Zealand).

2 Using HYEFU 17 forecast GDP for the year ending 30 June 2018 of \$286,391 million (Source: The Treasury).

3 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

4 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.

ENDS

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