

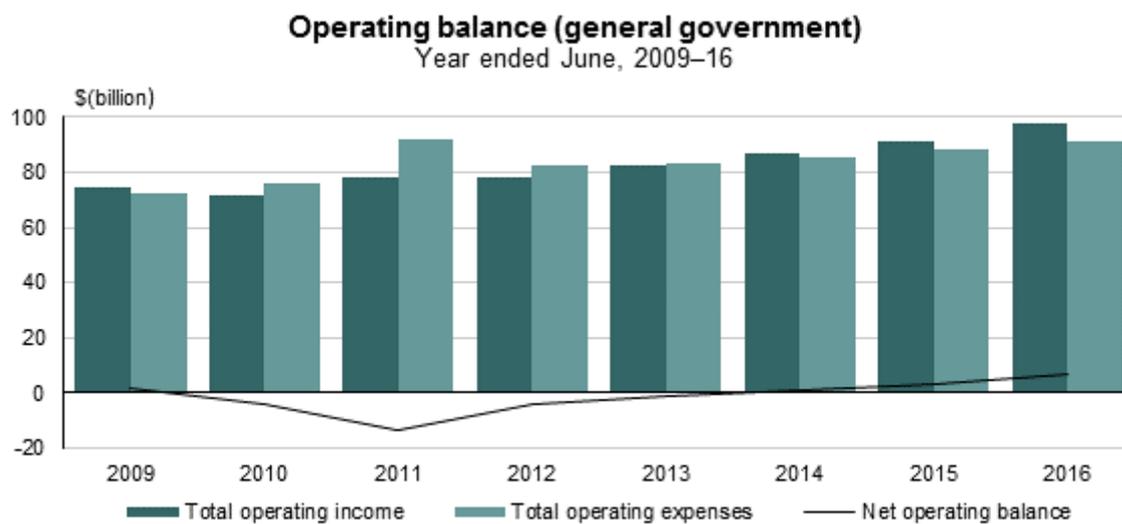
# Government Finance Statistics (General Government): Year ended June 2016

Embargoed until 10:45am – 16 December 2016

## Key facts

In the year ended June 2016:

- General government net operating balance increased to a \$7.0 billion surplus.
- Total operating income increased 7.0 percent, led by an increase in taxation.
- Total operating expenditure increased 2.9 percent as social benefits rose.



Source: Statistics New Zealand

- Net acquisition of non-financial assets rose \$0.2 billion to \$4.2 billion.
- Net lending was \$2.8 billion.
- Net worth totalled \$196.1 billion at 30 June 2016.
- The ratio of net debt to nominal GDP increased to 33.7 percent at 30 June 2016.

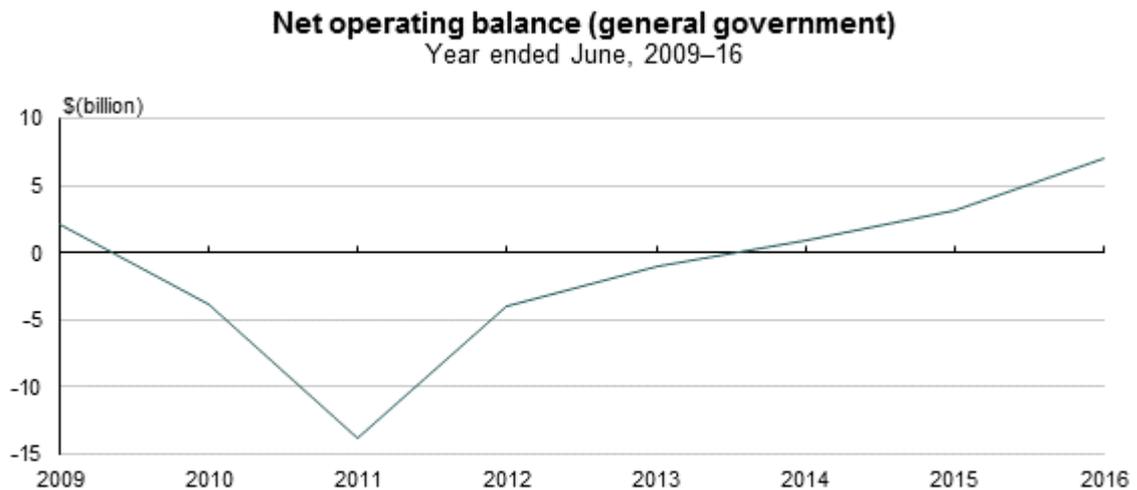
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## Commentary

- Net operating balance surplus continues to grow
- Slower rise in net worth
- Net debt to GDP ratio increases

### Net operating balance surplus continues to grow

Government finance statistics for general government show the net operating surplus was \$7.0 billion in the year ended June 2016. This was an improvement from the June 2015 year, when the net operating balance was a surplus of \$3.2 billion. The 2016 surplus was due to large and continuing income growth (up 7.0 percent from 2015), driven by an increase in tax intake, combined with relatively low growth in expenses (up 2.9 percent).

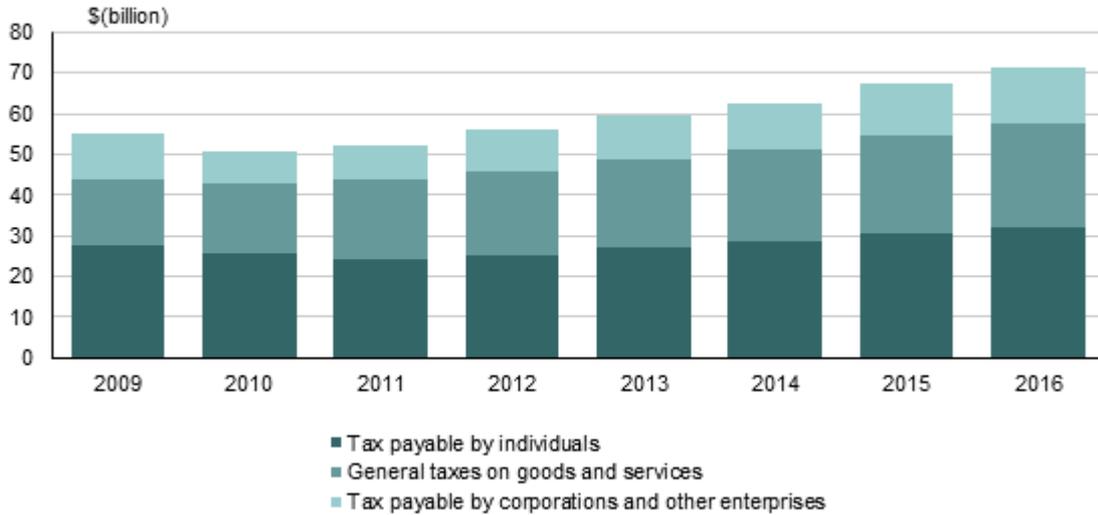


Source: Statistics New Zealand

Operating income rose by \$6.4 billion to a total of \$97.9 billion in the year ended June 2016. The main drivers for the increase in 2016 were:

- Taxation revenue was up \$4.3 billion (up 5.8 percent) due to strong growth in all three major tax types.
- Capital transfers received was up \$1.6 billion, due to some of Housing New Zealand's ownership of land and buildings being transferred to central government.
- Dividends received was up \$0.6 billion, mostly due to a large dividend paid out to central government by the Reserve Bank of New Zealand.

**Major tax revenue (general government)**  
Year ended June, 2009–16



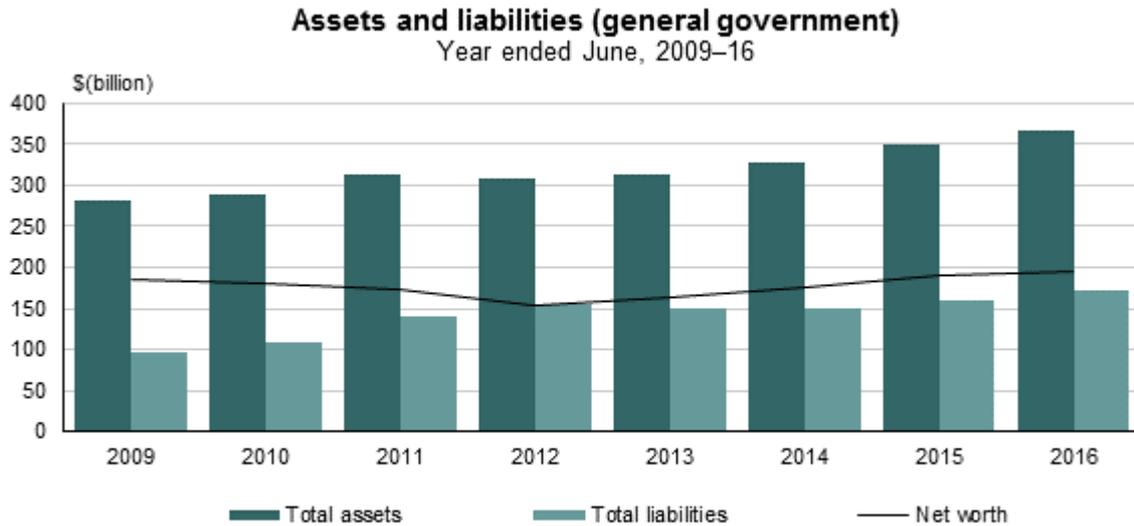
Source: Statistics New Zealand

Operating expenses increased by \$2.6 billion to a total of \$90.9 billion in the year ended June 2016. Social benefits (up \$1.0 billion from 2015) and employee expenses (up \$0.8 billion) were the main drivers.

General government net lending in the June 2016 year was \$2.8 billion, compared with a net borrowing figure of \$0.9 billion in the year ended June 2015. The change from net borrowing to net lending for general government is due to a large operating surplus combined with relatively low growth in the net acquisition of non-financial assets.

**Slower rise in net worth**

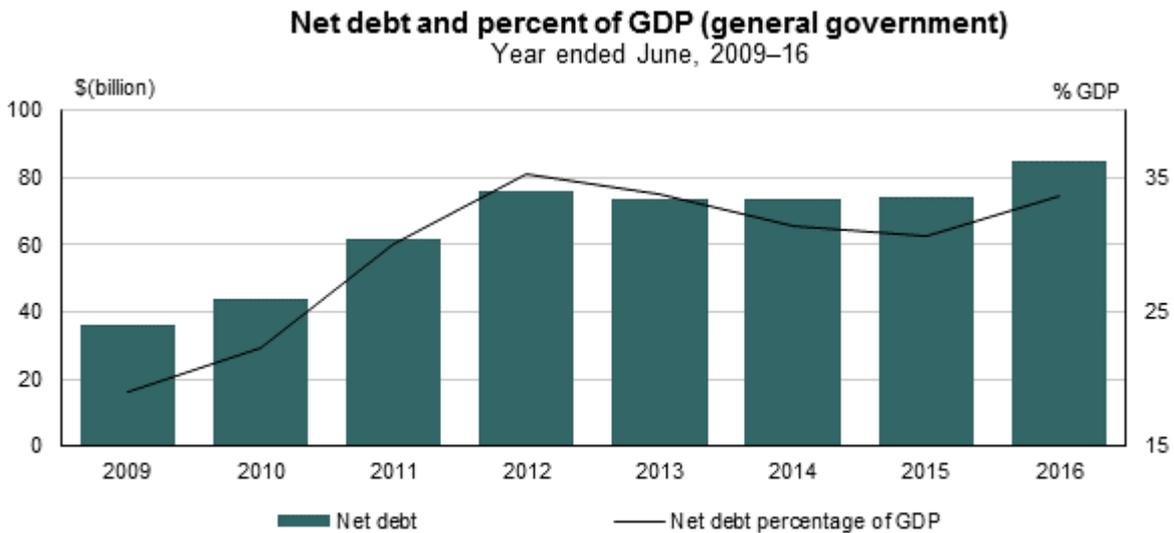
General government net worth totalled \$196.1 billion at 30 June 2016, up \$5.4 billion from 2015. This \$5.4 billion increase compares with the \$14.8 billion increase in the previous year. The slower growth in 2016 is due to a relatively large increase in central government liabilities, up \$10.5 billion from 2015. Local government net worth grew by \$2.7 billion in 2016, which compares with \$3.5 billion in 2015. Local government makes up 57.6 percent of total general government net worth.



Source: Statistics New Zealand

## Net debt to GDP ratio increases

Net debt in the Government Finance Statistics system includes all financial assets and liabilities, except for shares and other equity, and equity accounted investments. The ratio of general government net debt to nominal GDP increased from 30.6 percent to 33.7 percent for the year ended June 2016. The increased net debt was mostly due to increases for central government insurance and retirement plan liabilities as a result of changes to the actuarial assumptions, such as the expected future interest rates and inflation. Central government net debt has been decreasing in nominal terms since the last Canterbury earthquake in 2012, with the exception of 2016. Local government net debt has been increasing in nominal terms across the time series due to the rebuild in Christchurch and the expansion of core infrastructure in Auckland. Nominal GDP increased from \$241.6 billion to \$251.8 billion during the year.



Source: Statistics New Zealand

For more detailed data, see the Excel tables in the 'Downloads' box.

## Definitions

### About Government Finance Statistics (General Government)

Government Finance Statistics (GFS) is a set of concepts and principles developed by the International Monetary Fund (IMF) specifically for measuring government financial activity. These concepts and principles allow the entire public sector to be analysed. That is:

all levels of government (both central and local government in New Zealand, and state government in countries like Australia and the United States of America)  
all sectors of government (general government, public non-financial corporations, and public financial corporations). In New Zealand, general government is the consolidation of both local and central government.

Unlike accounting-based financial statements, GFS is an economic representation of a government's financial activity. It is the IMF's preferred standard for publishing financial statistics on government.

### More definitions

**Assets:** are what government owns. They represent a store of value, and can be a source of income or generate economic benefit when used. Assets are either current or non-current.

**Balance sheets:** measure the values of stocks of assets or liabilities. They are typically compiled at the beginning and end of the accounting period.

**Capital transfer:** a transaction in which one institutional unit provides a capital asset to another unit without receiving anything in return.

**Capital transactions:** relate to establishing or owning an asset. Capital transactions must be linked to a particular purpose. For example, charges for development work (eg building new subdivisions or buildings) to cover additional infrastructure costs incurred by government.

**Change in inventories:** the change in the value of inventories of raw materials, work-in-progress, and finished goods, over a given period. The change is measured in the appropriate prices in the market at the time additions and withdrawals are made.

**COFOG:** the Classification of Functions of Government is a detailed classification of the functions, or socioeconomic objectives, that government units aim to achieve through various outlays. See table 3.

**Current transfer:** a transaction in which one unit provides goods, a service, or an asset to another unit for the purposes of current expense without receiving anything in return.

**Depreciation:** the gradual writing-off over time of the value of a physical asset such as infrastructural assets, restricted assets, buildings, mobile equipment, and other plant, machinery and office equipment.

**Employee expenses:** the gross earnings of all paid employees. Includes overtime, sick and holiday pay, severance and redundancy payments, levies paid to the Accident Compensation Corporation (ACC), and employer contributions to superannuation schemes. Wages and salaries paid to employees, which were involved in own account capital formation, are no longer included in employee expenses.

**Equity accounted investments:** a balance sheet asset covering government equity in state-owned enterprises and market operating crown entities

**Financial assets:** consist of financial claims, monetary gold, and special drawing rights allocated by the IMF. Examples include: cash and bank deposits, stocks held, short-term accounts receivable, pre-payments, Treasury bills, and short-term loans.

**Insurance liabilities:** represents the present value of expected future payment of claims. Includes ACC liabilities and earthquake-related insurance liabilities.

**Liabilities:** debts that establish an obligation to provide economic benefits to another party that holds the corresponding financial claims.

**Market entity:** provides goods or services at prices that are economically significant.

**Net debt:** includes all financial assets and liabilities except shares and other equity and financial derivatives.

**Net financial worth:** equal to the total value of all financial assets less the total value of all liabilities. It is an important component of total net worth.

**Net lending/borrowing position:** an indicator of the financial impact of government activity on the rest of the economy. It shows a government's financing requirement and is calculated as the net operating balance less the net acquisition of non-financial assets.

A positive net lending/borrowing position indicates a net lending position. After accounting for all operating transactions and their net acquisition of non-financial assets, a government is still in surplus and has funds it can invest or lend.

A negative net lending/borrowing position indicates a net borrowing position. After accounting for all operating transactions and their net acquisition of non-financial assets, a government will need to borrow (or run down its financial investments) to fund all its expenditure.

**Net operating balance:** change in the net worth of government due to transactions, rather than to provisions and valuation or other changes. It is equal to total operating income less total operating expenses, and is important when measuring the ongoing sustainability of government operations. Provisions and valuation or other changes are treated as other economic flows in government finance statistics rather than transactions.

**Net worth:** the difference between the total value of all assets and the total value of all liabilities.

**Non-financial assets:** all economic assets other than financial assets. These can be fixed assets, such as infrastructure and buildings, inventories, valuables, or non-produced assets.

**Operating expenditure:** the amount spent on providing core services.

**Operating income:** funding earned to provide core services.

**Retirement plan liabilities:** unfunded obligations for the Government Superannuation Fund and the National Provident Fund.

**Securities:** securities other than shares are negotiable financial instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. Examples include bills, bonds and debentures, commercial paper, negotiable certificates of deposit and tradable depository receipts.

**Social benefits:** transfers in cash or kind to protect the entire population, or specific segments of it, against certain social risks. Examples of social benefits include providing medical services and unemployment compensation.

**Social security contributions:** actual or imputed receipts from either employers on behalf of their employees or from employees, on their own behalf, that secure entitlement to social

benefits for the contributors, their dependants, or their survivors. The contributions may be voluntary or compulsory.

## Related links

### Next release

*Government Finance Statistics (General Government): Year ended June 2017* will be released in December 2017.

To [subscribe to information releases](#), including this one, please complete the online subscription form.

The [Release calendar](#) lists all our upcoming information releases by date of release.

### Related information

[Government Finance Statistics Manual 2001 – International Monetary Fund \(GFSM 2001\)](#)  
This reference manual describes the GFS system.

[Introducing government finance statistics](#)  
Explains what GFS is, and the statistics' relevance.

[Changes to government finance statistics releases](#)  
Explains the changes for the new general government release.

[National accounts](#)  
Provide an annual measure of economic aggregates in the New Zealand economy.

[Forecasts \(Economic and Fiscal Updates\)](#) Comprehensive financial statements for the government of New Zealand from the New Zealand Treasury.

[Principles and protocols for producers of Tier 1 statistics](#)  
Statistics in this release have been produced in accordance with the Official Statistics System principles and protocols for producers of Tier 1 statistics for quality. They conform to the Statistics NZ Methodological Standard for Reporting of Data Quality.

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## Data quality

### Period-specific information

This section contains data information that has changed since the last release.

- [Reference period](#)
- [New general government consolidation](#)
- [Improved timeliness for the local and central GFS data](#)
- [New balance sheet categories](#)
- [New gross and net debt memorandum items](#)

### General information

This section contains information that does not change between releases.

- [Accuracy of the data](#)
- [Consistency with other periods or datasets](#)
- [Consolidation](#)
- [Data sources](#)
- [Interpreting the data](#)
- [Local Authority Financial Statistics](#)
- [Understanding the tables](#)
- [Confidentiality and accessing the data](#)
- [Revisions](#)
- [More information](#)

## Period-specific information

### Reference period

This information release presents Government Finance Statistics (GFS) for local, central, and general government for the years ended June 2009 and 2016.

### New general government consolidation

This release is the first official publication of New Zealand's general government compiled under the GFS framework. General government consolidates all the subsectors of government and eliminates funding flows and balance sheet positions held between them. In New Zealand, central and local government are the subsectors of general government to be consolidated. General government figures enable international comparability between countries with different structures of government – such as Australia which has a state sub-sector that New Zealand does not. A breakdown for the local and central subsectors will be available within the general GFS publication. This replaces two previously separate publications.

### Improved timeliness for the local and central GFS data

The data timing for the existing central and local government subsectors will be brought forward seven and five months, respectively, as a result of the December release date.

The improved timeliness means the underlying Local Authority Census (LAC) data for GFS local government will be unavailable for the latest GFS published year in the future. In the absence of LAC data, we calculate provisional estimates for local government using a mixture of survey

data, alternate data collections, and imputation methodology. In subsequent publications, we will replace the provisional estimates from the previous year with LAC data and calculate new estimates for the latest year.

### **New balance sheet categories**

This year's GFS publication will include a more-detailed breakdown of balance sheet categories. Some existing categories may be revised down, or removed entirely, as a result of reclassifying the underlying instruments. The new categories are:

Financial assets: 'Special Drawing Rights (SDRs)', 'Financial derivatives', 'Insurance technical reserves', and 'Other accounts receivable'.

Liabilities: 'Special Drawing Rights (SDRs)', 'Financial derivatives', and 'Other accounts payable'.

### **New gross and net debt memorandum items**

We have introduced an official gross and net debt time series for each government sector compiled under the GFS framework. These debt figures are derived using international best practice methodology consistent with the Government Finance Statistics Manual 2001 and the Public Sector Debt Statistics 2013 [PDF, 231p].

## **General information**

### **Accuracy of the data**

Internationally, GFS are presented in a consistent format. However, there may still be underlying data capture, measurement, and recognition-point differences between countries that may affect cross-country comparisons.

### **Consistency with other periods or datasets**

The set of concepts and principles that make up the GFS is one of the International Monetary Fund's (IMF) four macroeconomic standards. The other three are the balance of payments, national accounts, and money and banking (financial) statistics. As the concepts behind GFS are consistent with these other statistics, GFS estimates are directly comparable with them.

We compile information in this release in accordance with the Government Finance Statistics Manual 2001. The IMF released the Government Finance Statistics Manual 2014 (GFSM 2014) in March 2015. We intend to implement GFSM 2014 at a later date.

Generally, the central government GFS estimates are compiled consistently with Treasury GFS, but we use a bottom-up and line-by-line approach rather than Treasury's top-down approach. We have worked with Treasury to reconcile our GFS estimates.

We treat income from water rates as sales of goods and services in the GFS, rather than as taxation revenue. This is different from this income's treatment in the Local Authority Financial Statistics (LAFS).

## **Consolidation**

Conceptually, GFS treats individual government entities within a specified sector as if they were all the same single entity, and nets off all transactions (and assets and liabilities) that this entity has with itself. This process is called 'consolidation'.

## **Data sources**

Central government: We derived data in the accompanying Excel tables primarily from Treasury's database (CFISnet) and supplemented it with information from annual reports, survey data, and data direct from ministries. This differs from Treasury's GFS estimates, which are solely derived from CFISnet.

Local Government: We derived the data in the accompanying Excel tables from our annual Local Authority Census (LAC), supplemented by information from individual local authority annual reports and subsequent enquiries to councils. LAC data is unavailable for the latest GFS published year so we use a combination of methods and surveys to create provisional estimates.

## **Interpreting the data**

Central government: The GFS central government operating balance differs from the operating balance published in the Crown accounts, due to differences in coverage and scope.

The main reason for the difference is that in a GFS framework impairments and write-offs on financial assets are not considered an expense item. For example, bad debts written off by Inland Revenue are not included as a GFS expense for central government.

The central government sector includes all core Crown departments and most Crown entities. State-owned enterprises are public non-financial corporations and therefore we do not include them in the scope of the GFS central government sector.

We exclude some Crown entities, such as Housing New Zealand, as they operate as market entities. A market entity provides goods or services at prices that are economically significant. However, equity ownership of the market-operating Crown entities and state-owned enterprises is included in the balance sheet as a financial asset. This is consistent with the GFS manual but may differ from the GFS estimates produced by Treasury.

According to the GFSM 2001, net debt includes all financial assets and liabilities except shares and other equity and financial derivatives. We include cash and deposits, loans, securities, retirement plan liabilities, insurance liabilities, other non-equity assets, and other non-equity liabilities in our calculation of net debt.

Local government: While the scope of local government includes all local authorities and local government special-purpose entities, the actual coverage does not include many special-purpose entities. This undercoverage is not expected to materially affect any output we produce. Development contributions are fees that local government charges developers for building subdivisions and other new buildings. Financial contributions are charges that fund local authorities' management of natural and physical resources. City and district councils receive revenue from a petrol tax that is collected by oil companies and returned to councils. This revenue is available for general expenditure by the council. We treat charges, such as admission and parking fees, as sales of goods and services and they are therefore not included in taxation revenue.

## **Local Authority Financial Statistics**

The information and media releases of the Local Authority Financial Statistics (LAFS) are no longer available from the year ended June 2014. We made this decision as part of our commitment to using GFS as the preferred framework for reporting on government fiscal activity and to avoid confusion from releasing two sets of statistics that use the Local Authority Census (LAC). The LAFS series contains financial information that can be broken down for individual local authorities. We will continue to update this on Infoshare with the arrival of new LAC data.

See [Infoshare](#): Subject categories - Local Authority Financial Statistics - LAF

### **Understanding the tables**

While the GFSM 2001 recommends a particular layout for each table, it recognises that different transactions have greater or lesser importance in some countries than others. We used our discretion for the final format of the following tables – to adapt to New Zealand’s circumstances. Generally, the layout of the tables is consistent with the manual’s recommendations. A brief description of the content and purpose of each table follows.

Table 1 – Operating statement (local, central, and general government): A summary of the government’s accrual transactions in a given accounting period. The statement is similar to a company’s statement of financial performance but also includes transactions in non-financial assets (eg land, buildings, infrastructure, and intangibles). We treat provisions and valuation or other changes as other economic flows in GFS rather than as transactions.

Table 2 – Balance sheet (local, central, and general government): Records the market value of a government’s stock of financial and non-financial assets, liabilities, and net worth at the end of each accounting period.

Table 3 – General government expenses by function (local, central, and general government): Shows the functional split of total operating expenses and total net acquisition of non-financial assets from the operating statement. Compiled under the Classification of the Functions of Government (COFOG) framework.

Table 4 – Taxation revenue (local, central, and general government): Identifies the different types of tax charged by government.

Table 5 – Non-financial assets reconciliation (local, central, and general government): Brings together the transactions in non-financial assets (except inventories) included in the operating statement, the balance sheet values, and the actual or implied other economic flows associated with those same assets (ie valuation or other changes) between successive balance dates.

### **Confidentiality and accessing the data**

Data collected and information contained in this publication must conform to the provisions of the Statistics Act 1975. This requires that published information maintains the confidentiality of individual respondents.

### **Revisions**

Each year we make revisions arising from new and more up-to-date information.

## More information

Further information on GFS and the concepts and principles behind them is in the IMF's Government Finance Statistics Manual 2001 (GFSM 2001).

Statistics in the release have been produced in accordance with the Official Statistics System principles and protocols for producers of Tier 1 statistics for quality. They conform to the Statistics NZ Methodological Standard for Reporting for Data Quality.

## Liability

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## Timing

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## Tables

The following tables are available in Excel format from the 'Downloads' box. If you have problems viewing the files, see [opening files and PDFs](#).

- 1.1 Operating statement, general government
- 1.2 Operating statement, central government
- 1.3 Operating statement, local government
- 2.1 Balance sheet, general government
- 2.2 Balance sheet, central government
- 2.3 Balance sheet, local government
- 3.1 General government expenses by function, general government
- 3.2 General government expenses by function, central government
- 3.3 General government expenses by function, local government
- 4.1 Taxation revenue, general government
- 4.2 Taxation revenue, central government
- 4.3 Taxation revenue, local government
- 5.1 Non-financial assets reconciliation, general government
- 5.2 Non-financial assets reconciliation, central government
- 5.3 Non-financial assets reconciliation, local government

### Access more data on Infoshare

Use [Infoshare](#) to access time-series data specific to your needs. For this release, select the following categories from the Infoshare homepage.

Subject category: **Government finance**

Group: **Government finance statistics - GFS**

### Next release

*Government Finance Statistics (General Government): Year ended June 2017* will be released in December 2017.