

Government Finance Statistics (Central Government): Year ended June 2012

Embargoed until 10:45am – 21 June 2013

Key facts

This is the first release of government finance statistics for central government.

In the year ended June 2012:

- Central government revenue increased 0.7 percent and expenses decreased 11.7 percent.
- The net operating balance was a deficit of \$0.2 billion.
- The net borrowing position was \$1.0 billion, compared with \$16.4 billion in 2011.
- Net worth totalled \$55.8 billion.
- Non-financial assets increased 2.3 percent, with buildings and structures up 3.7 percent.

Revenue and expenses

Year ended June, 2009–12



Source: Statistics New Zealand

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21 June 2013
ISSN 2324-4712

Commentary

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First release of government finance statistics for central government

This information release is the first of a regular annual release. We analyse central government in New Zealand using government finance statistics (GFS) concepts and principles.

GFS is developed by the International Monetary Fund (IMF) specifically for measuring government financial activity. These concepts and principles allow government to be analysed on an economic rather than an accounting basis and aid cross-country comparisons.

See [Introducing Government Finance Statistics](#) for more information.

The GFS statistics in this release have been compiled 'bottom-up' from data for individual transactions, which gives different results to Treasury's 'top-down' GFS. There are also differences in which government units are included, data sources used and how transactions within government are netted out. The differences are largest in 2012, which includes some provisional data sources. For more information see [data quality](#). Statistics NZ plans to work with Treasury to reconcile GFS and the crown accounts in the future.

Due to this being a first release, Statistics NZ is happy to receive any feedback. To provide feedback [send us an email](#).

Expenses fall after earthquake payouts

Total operating expenses decreased 11.7 percent in the year ended June 2012. This was driven by a decrease in other capital transfers, from \$13.6 billion in the year ended June 2011 to \$1.2 billion in 2012. Capital transfers capture earthquake payments from the government. This is reflected in the breakdown of expenses in table 3, which shows a \$10.3 billion decrease in the amount spent on social protection between June 2011 and June 2012.

Operating expenses

Year ended June, 2009–12



Source: Statistics New Zealand

Taxation revenue increases

Revenue from taxation increased to \$62.0 billion in the year ended June 2012, up 5.6 percent from 2011. A key driver in the increase was the change in the goods and services tax rate from 12.5 percent to 15 percent on 1 October 2010. This change is also reflected in a 16.1 percent increase in the general taxes on goods and services category from 2010 to 2011.

Decreases in both personal and corporate tax rates contributed to changes in the amount of tax revenue collected between 2009 and 2012. Revenue from taxation dropped \$3.5 billion from 2009 to 2010, largely reflecting a 20.0 percent drop in taxes payable by corporations and other enterprises. This drop is driven by flow-on effects of decreases in the corporate tax rate and falling business profits during the global financial crisis.

Taxation revenue
Year ended June, 2009–12

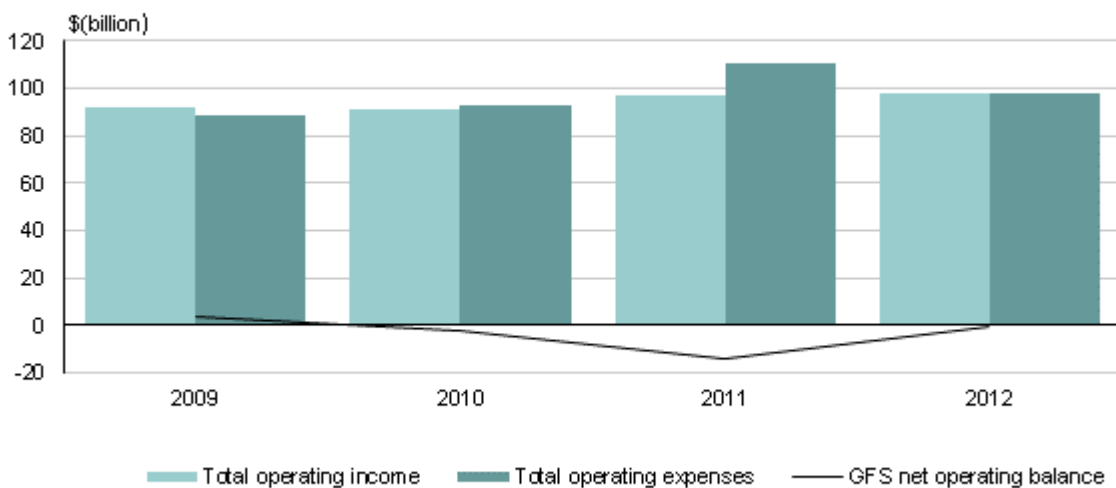


Source: Statistics New Zealand

Net operating balance improves

The net operating balance increased by \$13.7 billion in the year ended June 2012, but remained negative (at -\$0.2 billion). This was due to expenses reducing from \$111.0 billion in 2011 to \$98.0 billion in 2012. The high expenses in 2011 were mainly due to a large increase in payments for the Canterbury earthquakes. In 2012, operating revenue increased \$0.7 billion from 2011. The increase in revenue was offset by a drop in 'other income', down \$2.7 billion from 2011. Other income for 2011 included income relating to the earthquakes, received by the government from their insurers.

Revenue and expenses
Year ended June, 2009–12



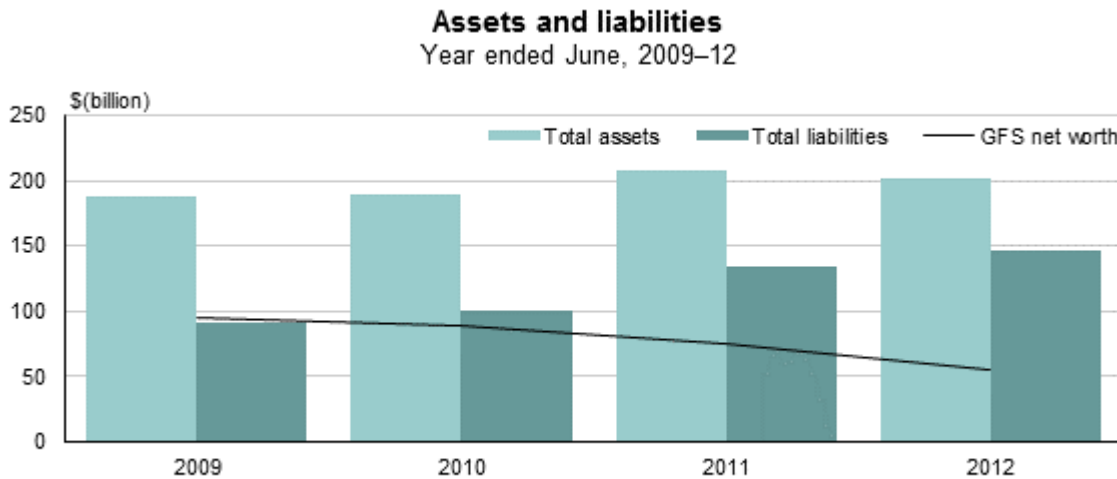
Source: Statistics New Zealand

Net worth falls

Net worth totalled \$55.8 billion at 30 June 2012, down \$18.6 billion from 30 June 2011. This follows a trend of falling net worth, where central government net worth decreased \$39.5 billion between 30 June 2009 and 30 June 2012. The decrease in 2012 was largely driven by a change in the valuation of existing assets and liabilities. In 2011 the decline was primarily due to increased borrowing to finance earthquake payouts. Between 30 June 2009 and 30 June 2012, total central government liabilities increased 59.3 percent, compared with total assets increasing 7.9 percent.

At 30 June 2012, central government had:

- financial assets of \$127.6 billion
- non-financial assets of \$74.3 billion
- liabilities of \$146.0 billion.



Source: Statistics New Zealand

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

Definitions

About government finance statistics

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).

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.

Central government: This sector includes all core Crown departments and most Crown entities. Some Crown entities, such as Housing New Zealand, are excluded because they operate as market entities. A market entity provides goods or services at prices that are economically significant.

State-owned enterprises are public non-financial corporations and are therefore not included in the scope of the central government sector. 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 the Treasury.

See the appendix section of [Update on release of government finance statistics for central government](#) for a list of New Zealand units of central government departments and entities included in this sector.

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 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.

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

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. This is displayed in 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, and employer contributions to superannuation schemes.

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

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 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 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.

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 the provision of 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

Upcoming releases

Government Finance Statistics (Local Government): Year ended June 2012 will be released on 26 July 2013.

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

National accounts provide an annual measure of economic aggregates in the New Zealand economy.

Information about government finance statistics

Government Finance Statistics Manual 2001 (GFSM 2001). This reference manual describes the GFS system. Available from www.imf.org.

Introducing government finance statistics is an information paper that explains what GFS is, and the statistics' relevance.

Data quality

Period-specific information

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

- [Reference period](#)

General information

This section contains information that does not change between releases.

- [Data source](#)
- [Accuracy of the data](#)
- [Consistency with other periods or datasets](#)
- [Interpreting the data](#)
- [Understanding the tables](#)
- [Timing of published data](#)
- [Confidentiality and accessing the data](#)
- [More information](#)

Period-specific information

Reference period

This information release presents GFS for the central general government sector for the years ended June 2009 to 2012.

General information

Data source

Data in the accompanying Excel tables is primarily derived from Treasury's database (CFISnet) and supplemented by information from annual reports, survey data, and data direct from ministries. This differs from Treasury's GFS estimates, which are solely derived from CFISnet.

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.

GFS is reported on a June year. However, data sources have different reporting periods, including March, June, and calendar years, which require different techniques in order to be standardised.

Consistency with other periods or datasets

The set of concepts and principles that is 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.

Generally, the GFS estimates have been compiled consistently with Treasury GFS, but Statistics NZ has used a bottom-up and line-by-line approach rather than Treasury's top-down approach. Statistics NZ plans to work with Treasury to do a reconciliation of differences in the future.

Interpreting the data

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

Some Crown entities, such as Housing New Zealand, are excluded 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.

Conceptually, GFS treats individual government entities 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'. In compiling this output, this GFS principle has been followed for the balance sheet and the non-financial assets reconciliation tables. Further work is required to produce the revenue and expenditure on a net basis, using detailed counterparty information so this may differ from the Treasury GFS estimates.

In 2012 there was separate reporting of state highways as structures, and the land under the roads as land, in CFISnet. The figure had previously been reported as a total that was classified to structures. A split of highways and land was available in annual reports so the split was applied to all years. This differs from Treasury's GFS as they do not revise their estimates.

Understanding the tables

While the *Government Finance Statistics Manual (2001)* recommends a particular layout for each table, it recognises that different transactions can have greater or lesser importance in some countries than others. Statistics NZ has used some 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 (central 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). Provisions and valuation or other changes are treated as other economic flows in government finance statistics rather than as transactions.

Table 2 – Balance sheet (central 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 purpose (central general government)

Shows the functional split of total operating expenses and total net acquisition of non-financial assets from the operating statement.

Table 4 – Taxation revenue (central general government)

Identifies the different types of tax charged by government.

Table 5 – Non-financial assets reconciliation (central general government)

Brings together the transactions in non-financial assets (with the exception of 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.

Timing of published data

Government Finance Statistics (Central Government) is generally published 12 months after the end of the reference year. This is to allow government departments to complete their accounts, including auditors' approval, and questionnaire processing by Statistics NZ.

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.

More information

Further information on GFS and the concepts and principles behind them is in the IMF's [Government Finance Statistics Manual 2001 \(GFSM 2001\)](#). The GFSM 2001 is currently being reviewed by the IMF following releases of updated balance of payments and system of national accounts manuals.

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. Operating statement, central government
2. Balance sheet, central government
3. General government expenditure by purpose, central government
4. Taxation revenue, central government
5. Non-financial assets reconciliation, central 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**