

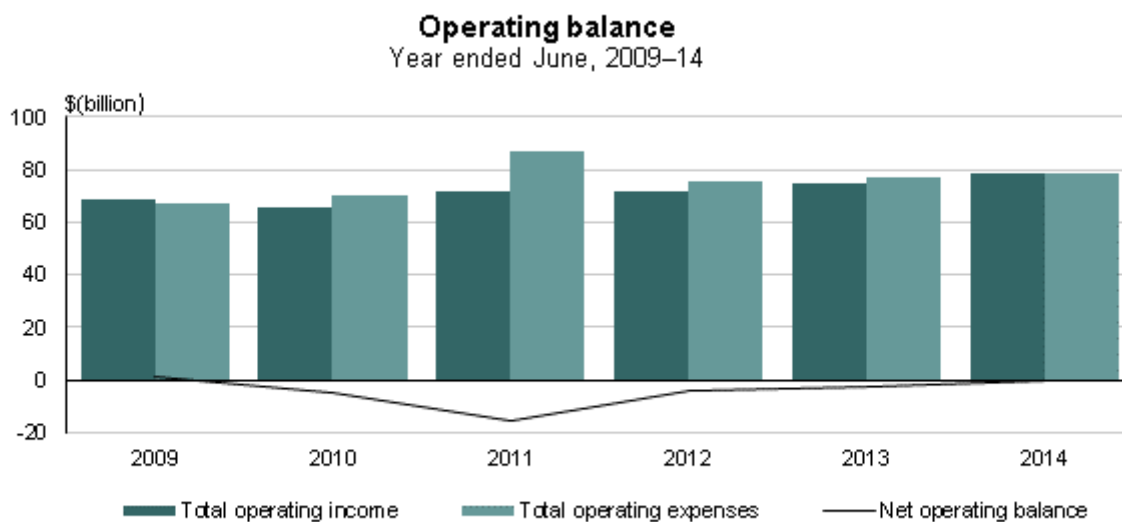
# Government Finance Statistics (Central Government): Year ended June 2014

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## Key facts

In the year ended June 2014:

- Central government net operating balance increased to a \$0.1 billion surplus.
- Total revenue increased 4.8 percent, led by an increase in individual income tax.
- Expenses increased 1.5 percent as superannuation payments rose.



Source: Statistics New Zealand

- Net acquisition of non-financial assets rose \$0.8 billion to \$2.8 billion.
- Net borrowing fell to \$2.7 billion.
- Net worth totalled \$73.5 billion at 30 June 2014.
- The ratio of net debt to nominal GDP fell to 27.5 percent at 30 June 2014.

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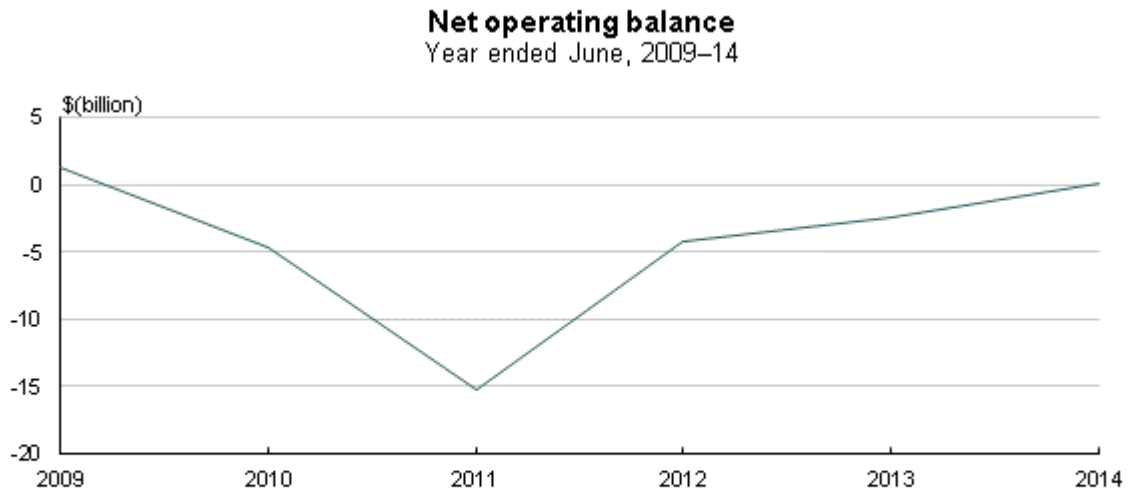
## Commentary

### Commentary

- Net operating balance returns to surplus
- Total revenue up as tax intake rises
- Small growth in expenses as superannuation payments rise
- Net borrowing lower than in June 2013 year
- Rising increase in net worth
- Net debt to GDP ratio falls

### Net operating balance returns to surplus

Government finance statistics for central government show the net operating surplus was \$0.1 billion in the year ended June 2014. This was an improvement from the June 2013 year, when the net operating balance was a deficit of \$2.3 billion. The 2014 surplus is the first recorded since the year ended June 2009. It was due to large and continuing growth of revenue (up 4.8 percent from 2013) and relatively low growth in expenses (up 1.5 percent).



Source: Statistics New Zealand

### Total revenue up as tax intake rises

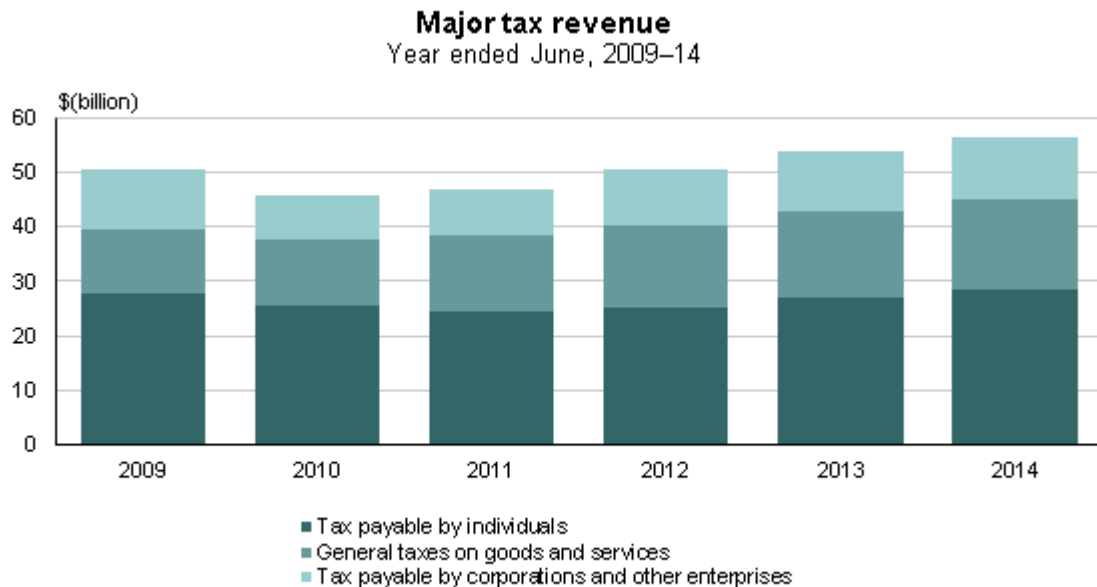
Total revenue increased 4.8 percent in the year ended June 2014. As a share of the economy, total revenue was 33.6 percent of nominal gross domestic product (GDP). The rise was mainly driven by increased revenue from taxation, up \$2.9 billion (4.8 percent) from 2013. Non-taxation revenue also rose, up \$0.7 billion (5.0 percent) from 2013.

Three major tax types contributed to the increase in tax revenue in 2014.

- The largest driver was individual income tax, which rose \$1.4 billion (5.0 percent) from 2013. This is consistent with the 3.6 percent increase in the number of people employed for the June 2014 year.

See: [Employment and unemployment labour market tables](#)

- Goods and services tax intake was \$1.0 billion higher, up 4.7 percent from 2013. A 3.6 percent increase in household consumption expenditure for the year ended June 2014 was the main driver.
- Corporate tax increased \$0.5 billion. This compares with June-year increases of \$0.9 billion for 2013 and \$1.8 billion for 2012.



## Small growth in expenses as superannuation payments rise

Total operating expenses rose \$1.2 billion (up 1.5 percent) in the year ended June 2014. As a share of the economy, expenses were 33.5 percent of nominal GDP.

Three major drivers contributed to the operating expenses' increase in 2014.

- Social benefit payments were \$0.9 billion higher, up 2.8 percent from 2013. The Ministry of Social Development represents \$0.6 billion of the increase, largely due to rising superannuation payments. The Accident Compensation Corporation (ACC) made up most of the remaining \$0.3 billion, through rehabilitation and compensation expenditure.
- Employee expenses rose \$0.5 billion, up 2.7 percent from 2013.
- The purchase of goods and services increased \$0.4 billion in the year ended June 2014.

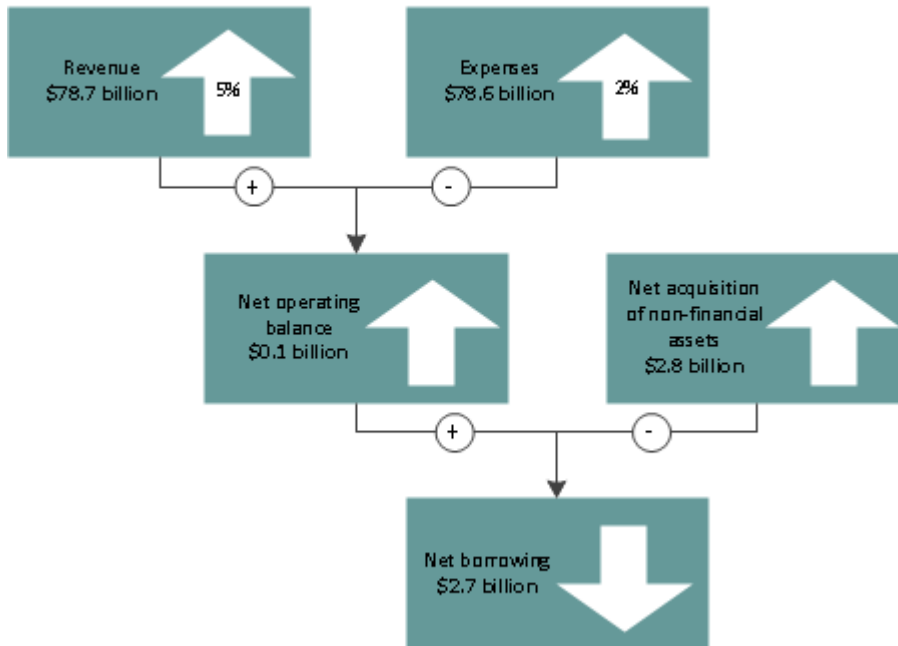
Partly offsetting these increases was a \$0.2 billion reduction in interest expense paid for market government bonds held by the Debt Management Office (DMO).

## Net borrowing lower than in June 2013 year

Central government net borrowing in the June 2014 year was \$2.7 billion, compared with \$4.3 billion in the year ended June 2013. The reduced borrowing is due to the net operating balance returning to surplus, which then required only the net acquisition of non-financial assets to be financed through borrowing or the reduction of financial assets.

## Operating statement

Year ended June 2014



Source: Statistics New Zealand

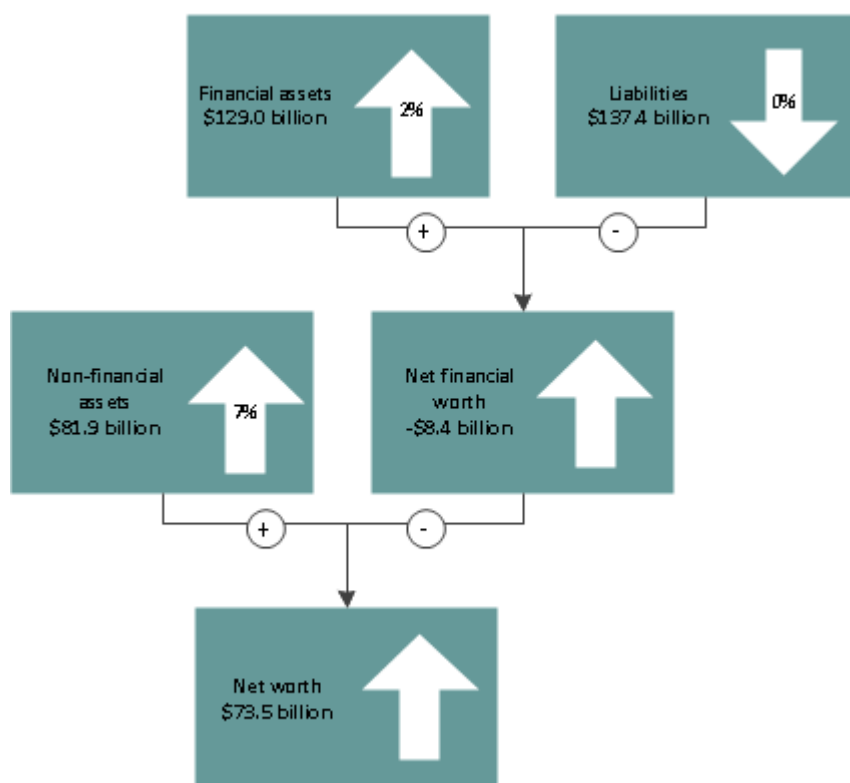
Total net acquisition of non-financial assets increased to \$2.8 billion for the year ended June 2014, which was partly driven by a \$0.4 billion increase in the acquisition of fixed assets. The remaining \$0.4 billion was mostly due to an increase in land acquisitions by the Canterbury Earthquake Recovery Authority.

## Rising increase in net worth

Central government net worth totalled \$73.5 billion at June 2014, up \$8.4 billion from 2013 due to both an increase in assets and a reduction in liabilities.

## Balance sheet

Year ended June 2014



Source: Statistics New Zealand

**Total assets** increased \$7.9 billion, to \$210.8 billion at 30 June 2014 – mainly due to a \$5.3 billion increase in non-financial assets.

**Non-financial assets** can be broken down to increases in:

- buildings and structures – up \$3.2 billion, largely due to \$1.4 billion more in state highway additions
- land – up \$1.5 billion, mostly due to a \$0.9 billion increase in state highway land
- other fixed assets – up \$0.6 billion.

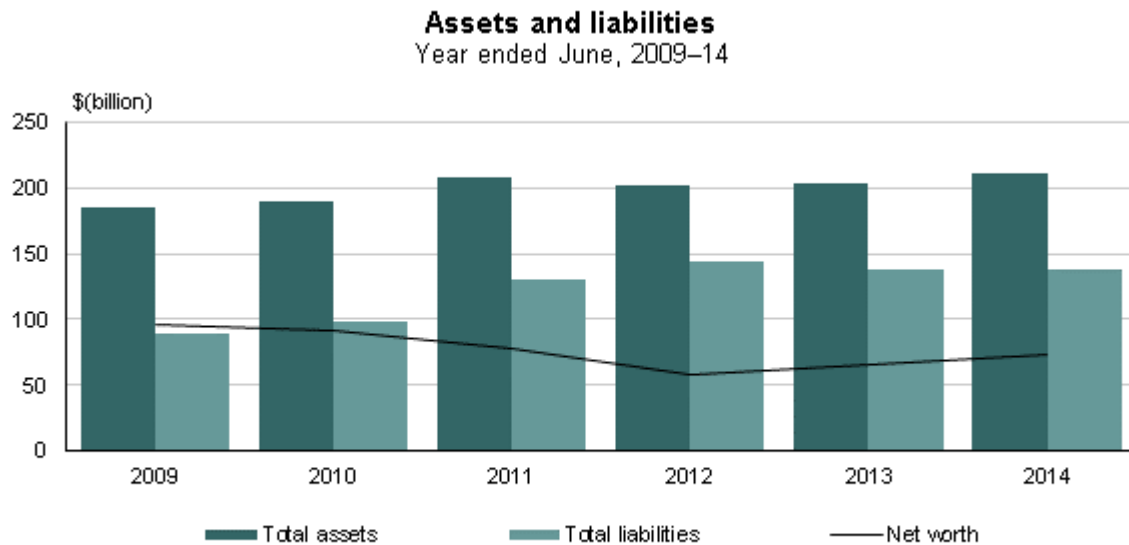
**Financial assets** increased by the remaining \$2.6 billion, which can be broken down to increases in:

- securities – up \$3.7 billion, mostly held by the DMO, ACC, and the NZ Super Fund
- shares and other equity – up \$3.3 billion, driven by a large increase in the NZ Super Fund's holdings
- loans – up \$0.5 billion.

Partly offsetting the increases in financial assets were reductions in:

- cash and deposits – down \$2.0 billion
- equity accounted investments – down \$1.7 billion, driven by the partial sales of state-owned enterprises
- other non-equity assets – down \$1.3 billion.

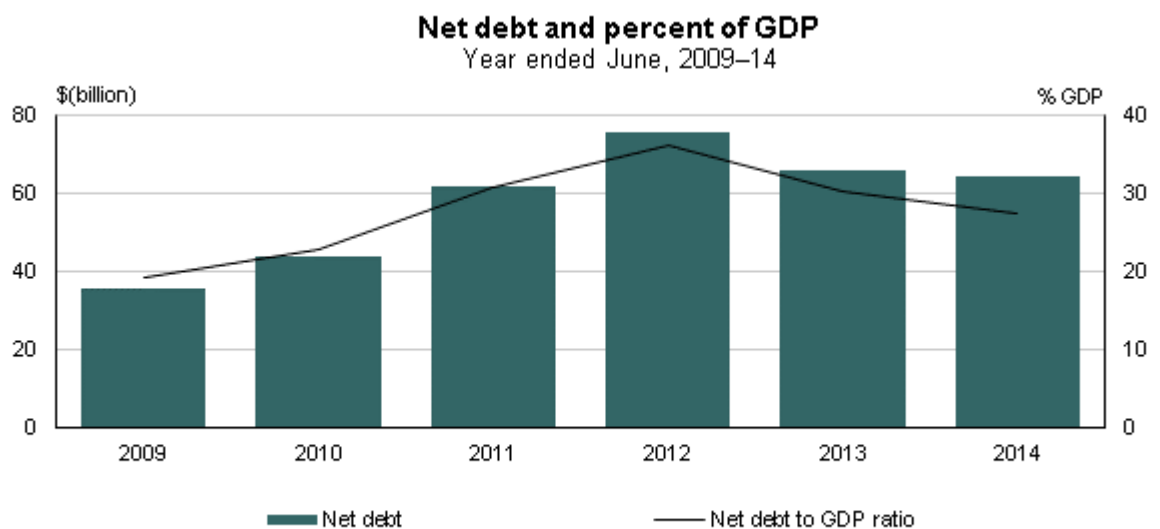
**Total liabilities** fell \$0.6 billion, to \$137.4 billion at 30 June 2014. The fall was primarily due to a reduction in retirement plan liabilities (down \$1.4 billion from 2013), and a reduction in insurance liabilities (down \$1.8 billion) due to insurance claim payments made during 2014 to households affected by the Canterbury earthquakes. These movements more than offset the \$2.3 billion increase in security liabilities.



Source: Statistics New Zealand

## Net debt to GDP ratio falls

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 net debt to nominal GDP decreased from 30.4 to 27.5 percent for the year ended June 2014. Net debt dropped due to both a small decrease in liabilities and a large increase in cash and cash equivalents, while nominal GDP increased significantly from \$216.6 billion to \$234.2 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. We exclude some Crown entities, such as Housing New Zealand, 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. 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.

**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 releases

*Government Finance Statistics (Central Government): Year ended June 2015* will be released in May 2016.

*Government Finance Statistics (Local Government): Year ended June 2014* will be released on 26 June 2015.

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

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

### Related information

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

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

### Information about government finance statistics

[Government Finance Statistics Manual 2014 \(GFSM 2014\)](#). This manual updates the GFS system and harmonises its content with the 2008 System of National Accounts.

[Government Finance Statistics Manual 2001 \(GFSM 2001\)](#). This reference manual describes the GFS system. Available from [www.imf.org](http://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](#)
- [Data consolidated](#)
- [Corrections to balance sheet information](#)

### General information

This section contains information that does not change between releases.

- [Data source](#)
- [Accuracy of the data](#)
- [International comparisons](#)
- [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 government finance statistics (GFS) for the central government sector for the years ended June 2009 to 2014.

### Data consolidated

In this release we extended the data consolidation on the central government balance sheet to show units within central government as if they constituted a single unit. This is consistent with the GFS system and follows improvements to the operating statement made in our previous release. For more information about consolidation and the revisions.

See [Revisions](#) for more information.

### Corrections to balance sheet information

In this release we have made two significant corrections to the GFS central government balance sheet.

- New Zealand Superannuation Fund is included.
- Equity of the state-owned enterprises was overstated in the past and has now been corrected.

## **General information**

### **Data source**

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.

### **Accuracy of the data**

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

### **International comparisons**

The main purpose of GFS is to produce a common reporting framework to more easily enable cross-country comparisons of government activity. However, there may still be underlying data capture, measurement, and recognition-point differences between countries that may affect cross-country comparisons.

We have not done any direct cross-country comparisons but the [OECD](#) and [Eurostat](#) collate data and tables for their member countries.

### **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* in March 2015. We intend to implement GFSM 2014 at a later date.

Generally, the 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.

### **Interpreting the data**

The GFS central government operating balance differs from the operating balance published in the Crown accounts, due to differences in coverage and scope. For the June 2014 year, the GFS operating surplus of \$90 million compares with a Crown accounts operating balance before gains and losses (OBEGAL) deficit of \$2,933 million.

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 *GFS Manual (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.

## **Understanding the tables**

While the *GFS 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. We use 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 (central 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 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 (central 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 government)**

Identifies the different types of tax charged by government.

### **Table 5 – Non-financial assets reconciliation (central 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.

## 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 us to process questionnaires.

## 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 \(GFSM 2001\)](#).

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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## Revisions

- Consolidation of transactions, assets and liabilities
- Improvements in classification
- Other revisions

The revisions to this release cover some treatment changes, data revisions and corrections and some affect the whole time series. See the revisions for the operating statement and the balance sheet in the downloadable excel file.

### **Consolidation of transactions, assets, and liabilities**

Consolidation is a method of presenting statistics for a set of units as if they constituted a single unit. It involves eliminating all transactions (and assets and liabilities) that occur among the units being consolidated. Conceptually, GFS presents data on a consolidated basis.

We have improved consolidation for the balance sheet (table 2) and for revenue and expense transactions in the operating statement (table 1). Transactions between entities that were eliminated consisted of current and capital transfers, sales and purchases of goods and services, interest on government bonds and tax paid on the Government Superannuation Fund. Elimination on the balance sheet have been extended to assets and liabilities between entities. Government stock held by ACC and the Earthquake Commission was already included in the balance sheet elimination process.

### **Improvements in classification**

While producing GFS we have improved the classification of units and transactions. Changes include capital and current transfers of the New Zealand Transport Agency to local government.

Withholding tax on superannuation payments is now included in employee expenses. Wages and salaries paid to employees, which were involved in own account capital formation, are no longer included in employee expenses. This treatment is different to the System of National Accounts, but consistent with the *Government Finance Statistics Manual 2001*.

### **Other revisions**

The National Accounts (Income and Expenditure): Year ended March 2014 release included revisions to central government data, due to incorporating more up-to-date information. In particular, Massey University had previously been understated for 2013.

Other data revisions include understated superannuation payments being corrected and an improved GST calculation that affects the operating statement (table 1).

The balance sheet now includes the New Zealand Superannuation Fund and corrections to the previously overstated equity of state-owned enterprises. The two corrections were partly offsetting and apply to the entire time series.



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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 expenses by function, central government
4. Taxation revenue, central government
5. Non-financial assets reconciliation, central government

## Revisions tables

Revisions 1. Revisions to the operating statement, central government  
Revisions 2. Revisions to the balance sheet, 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**

## Next releases

*Government Finance Statistics (Local Government): Year ended June 2014* will be released on 26 June 2015.

*Government Finance Statistics (Central Government): Year ended June 2015* will be released on 1 May 2015.