Australian Business Economists

Mr Rob Nicholl
Chief Executive Officer
Australian Office of Financial Management

Australian Government Sovereign Debt

Sydney, Tuesday 26 May 2015

AUSTRALIAN GOVERNMENT SECURITIES

Australian Government

Australian Business Economists Luncheon

Australian Government Sovereign Debt: Are we there yet? What more can be expected in terms of developing the market?

Rob Nicholl

Chief Executive Officer

AOFM

Considerations used by Reserve Managers in determining currency composition

Choice	Total	AC	MIC	LIC
Currency composition of central bank's overall foreign currency liabilities	48.5%	39.1%	54.2%	52.6%
Currency composition of central government's short-term foreign currency liabilities	39.4%	17.4%	41.7%	63.2%
Currency composition of central government's overall external liabilities	40.9%	17.4%	54.2%	52.6%
Currency composition of the maturity mismatch in banks' FX book	4.5%	13.0%	0.0%	0.0%
Currency composition of the economy's (short term) external liabilities	28.8%	17.4%	20.8%	52.6%
Trade composition (e.g., the composition of imports)	40.9%	17.4%	50.0%	57.9%
The currency/currencies to which your currency is pegged or closely related	30.3%	8.7%	37.5%	47.4%
Depth and liquidity of the underlying asset markets (e.g., government bond markets)	50.0%	82.6%	45.8%	15.8%
Depth and liquidity of the FX markets (e.g., ability to run a swap book)	31.8%	47.8%	25.0%	21.1%
The nominal interest rate	21.2%	17.4%	16.7%	31.6%
Access to a Federal Reserve System or ECB swap line	0.0%	0.0%	0.0%	0.0%
Other	13.6%	26.1%	12.5%	0.0%
Number of respondents	66	23	24	19

AC: *Advanced Country*
MIC: *Middle and other (i.e. not advanced) high income countries (those with a per capita income of over $3,975)*
LIC: *Low Income Country (World Bank classification of countries with a per capita income of less than $3,975)*

Source: IMF WP 13/99 – Survey of Reserve Managers: Lessons from the Crisis

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Sovereign bond market liquidity

Nominal bonds issued in domestic currency

	Country	Outstanding (USD bil)	No of lines	Average line size as a % of outstanding	Length of curve (yrs)	Proportion 10yrs+
Triple AAA (Stable)	Luxembourg	6.9	5	20.0%	28	17%
	Norway	43.1	6	16.7%	10	0%
	Singapore	71.5	18	5.6%	27	21%
	Sweden	76.6	11	9.1%	24	9%
	Switzerland	92.5	23	4.3%	49	37%
	Denmark	98.1	9	11.1%	24	26%
	Australia	**267.0**	**21**	**4.8%**	**22**	**19%**
	Canada	369.5	47	2.1%	50	19%
	Germany	1,205.8	64	1.6%	31	17%
	France	1,382.4	48	2.1%	45	23%
	Italy	1,417.9	66	1.5%	31	23%
	UK	1,701.2	41	2.4%	53	41%
	Japan*	6,915.7	348	0.3%	40	26%
	US	10,119.8	307	0.3%	30	13%

**JGBs exclude those lines issued to retail investors*

Source: Australian Office of Financial Management, Bloomberg

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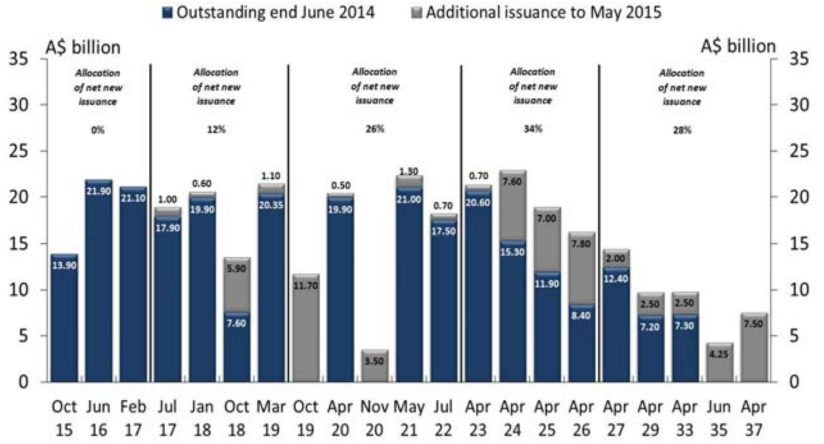
Treasury Bonds on Issue

21 lines on issue, 12 of which have more than AUD 15 billion outstanding



Source: Australian Office of Financial Management

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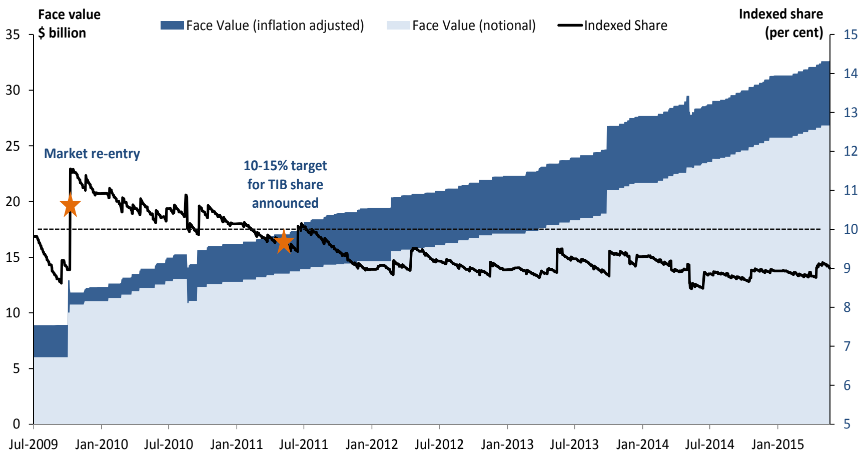
Size of the TIBs market



Source: Australian Office of Financial Management

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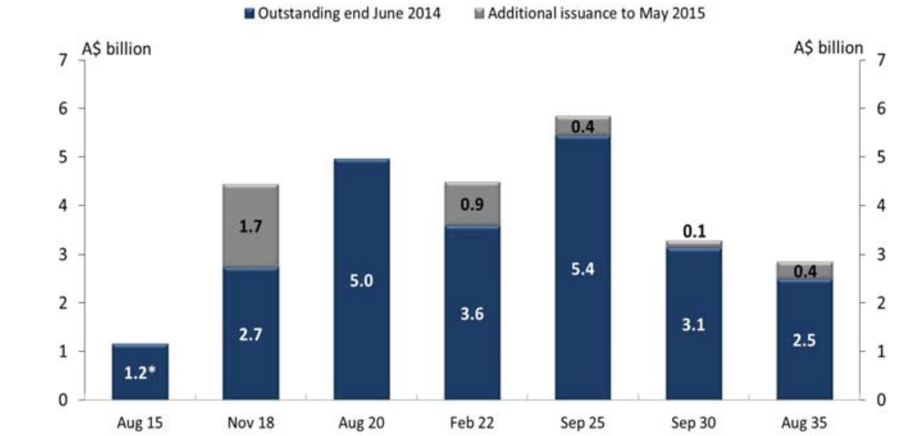
Treasury Indexed Bonds on Issue

Amount shown is the face value unadjusted for changes in the CPI adjusted capital value of the bond



** On 2 May 2014, the AOFM conducted a conversion tender that offered an opportunity to holders of the August 2015 TIB to convert their holdings into the November 2018 TIB line. The outcome of which saw AUD 2.03893 billion face value converted from the August 2015 line into the November 2018 line and thereby reducing the volume on issue of the August 2015 to AUD 1.156839 billion.*

Source: Australian Office of Financial Management

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New South Wales Budget 2015

The Hon Gladys Berejiklian MP
Treasurer

Mr Steve Knight
Chief Executive, NSW TCorp

Wednesday 24 June, Four Seasons Sydney

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