



Australian Government

Australian Office of Financial Management

AOFM

5th Australian Government Fixed Income Forum

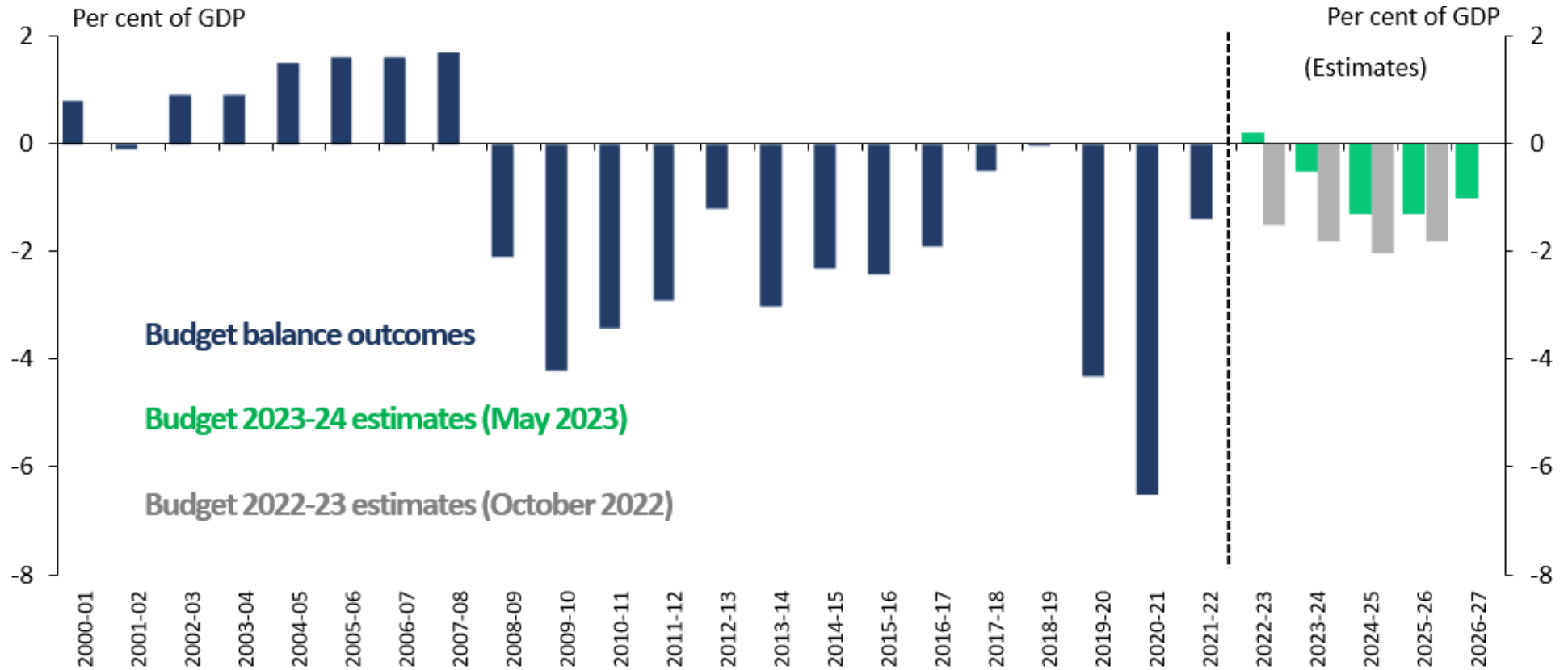
Anna Hughes, CEO

Australian Office of Financial Management

Tokyo, 24 May 2023

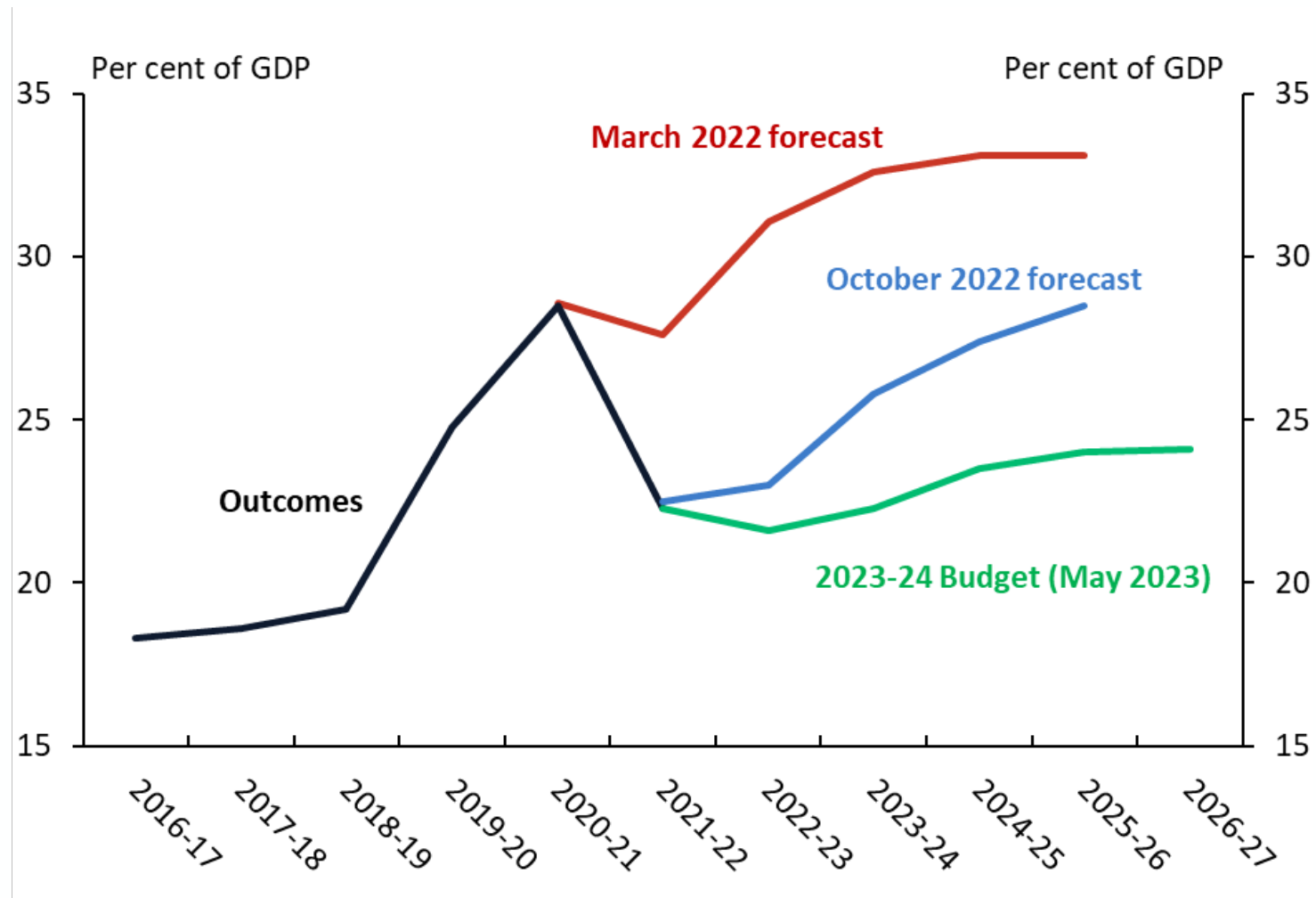
Australia's budget balance

Underlying cash balance per cent of GDP



Source: Treasury – Budget 2023-24

Australia's net debt position



Source: Treasury – Budget October 2023-24.

Australian Government Securities (AGS)

Three instruments available

Treasury Bonds

Amount Outstanding
\$821 billion

28 lines on issue
Average line size is \$29.3 billion
Maturities range from 2024 to 2051

Gross Issuance 2023-24 (F)
Around \$75 billion

Treasury Indexed Bonds

Amount Outstanding
\$39.1 billion

7 lines on issue
Average line size is \$5.6 billion
Maturities range from 2025 to 2050

Gross Issuance 2023-24 (F)
Around \$2 billion to \$4 billion

Treasury Notes

Amount Outstanding
\$37.5 billion

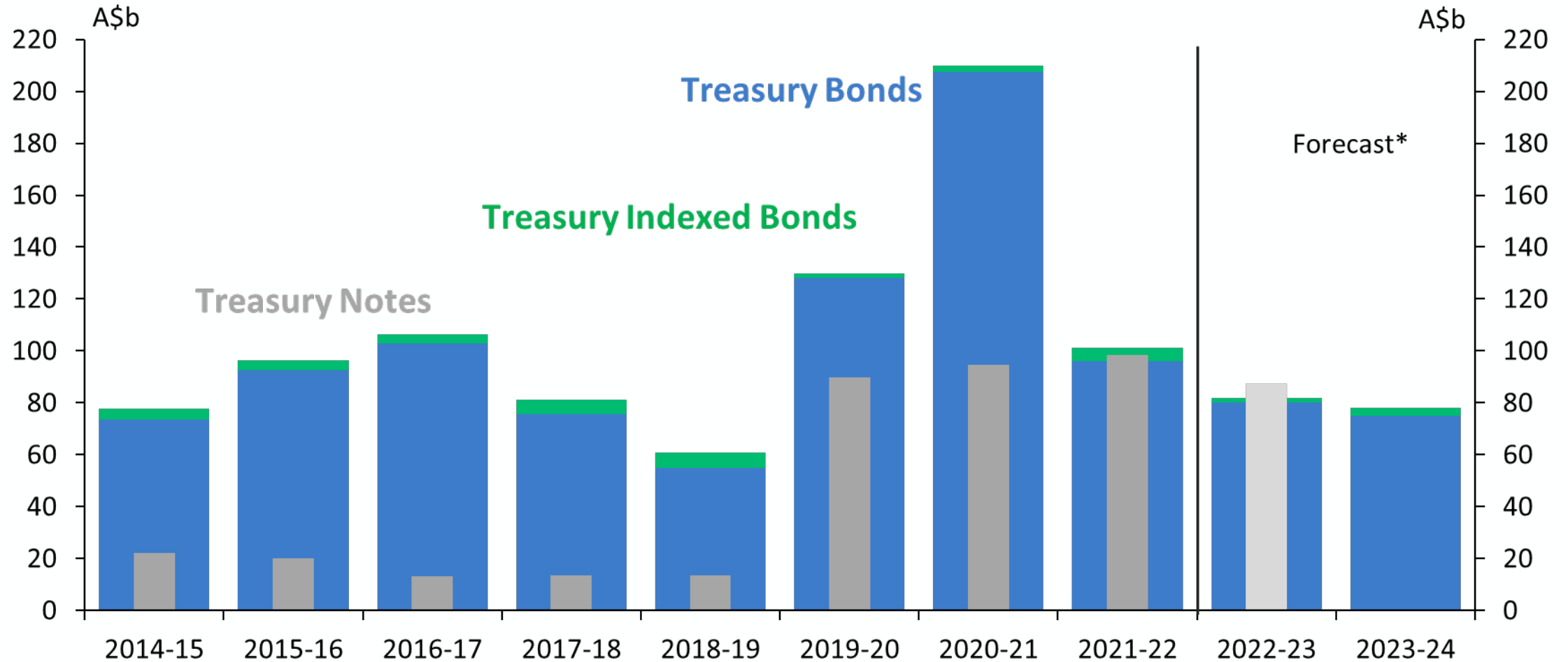
9 lines on issue
Average line size is \$4.2 billion
Maturities can range up to 12 months

Note: Figures are as at 23 May 2023.

Amount shown for Treasury Indexed Bonds is based upon the face value of the bonds outstanding unadjusted for changes in the CPI.

Past and forecast issuance of AGS

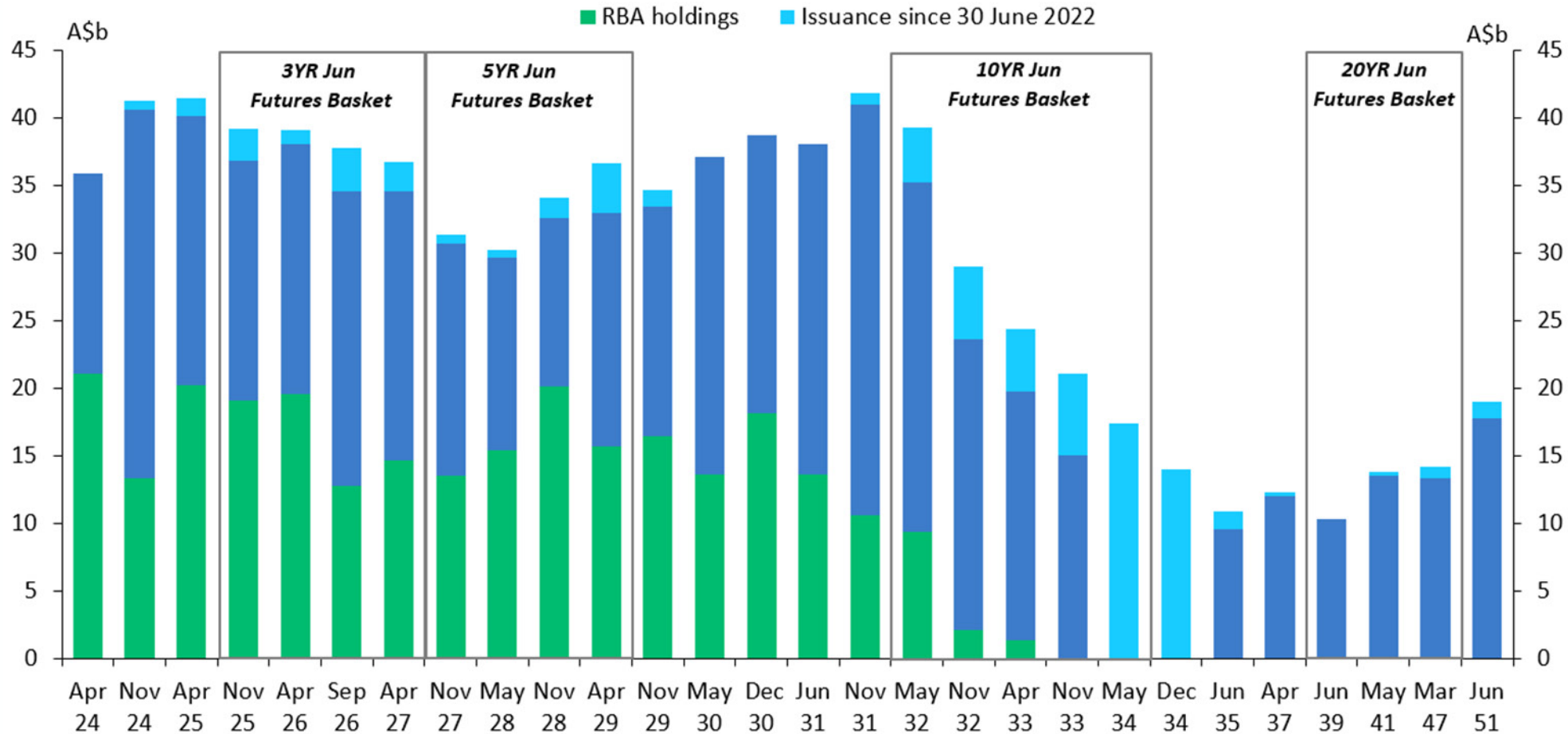
Gross Issuance



Source: AOFM.

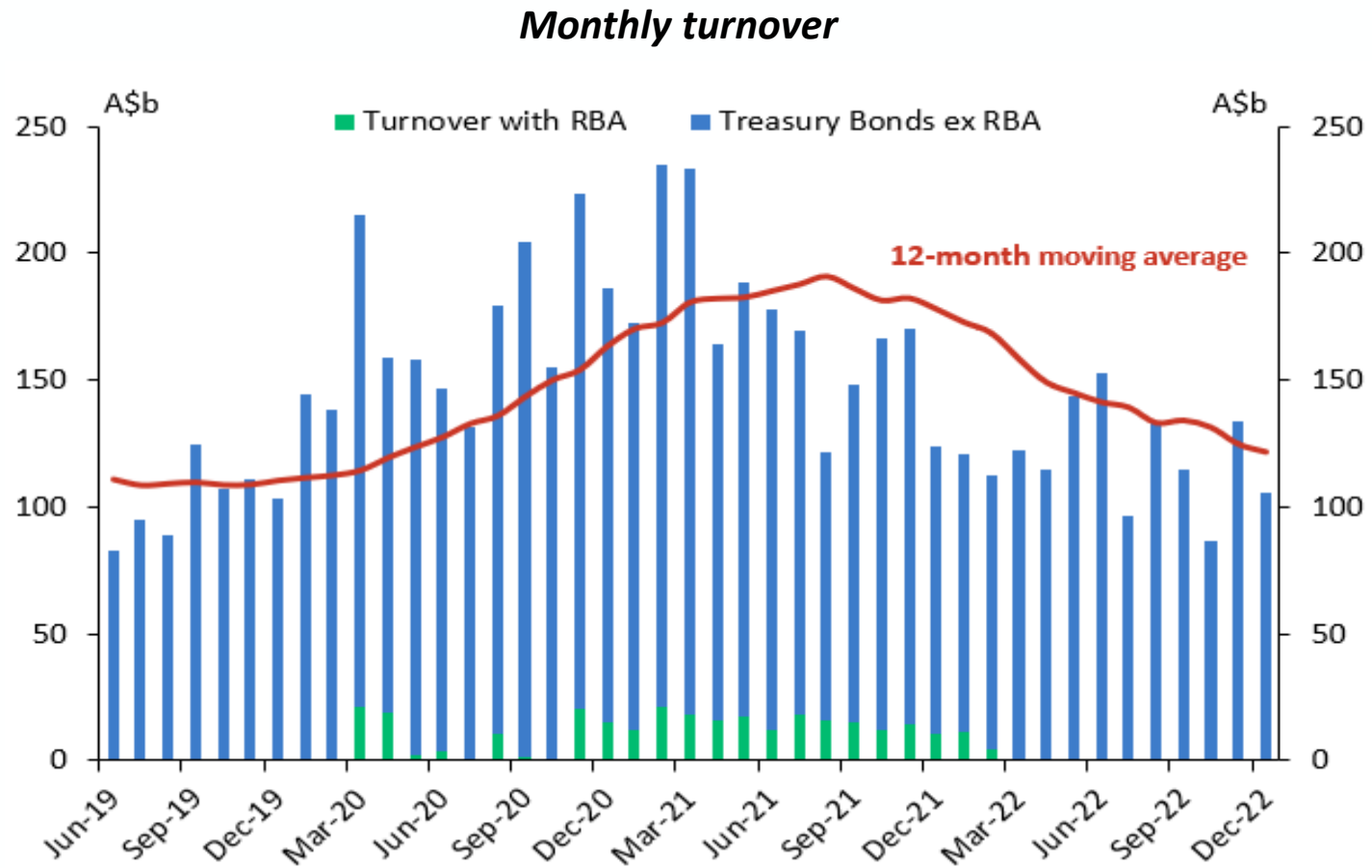
*Forecast issuance of Treasury Notes is not available. Actual Treasury Note issuance will vary depending on the flows of Government expenditure and receipts.

Treasury Bonds on issue



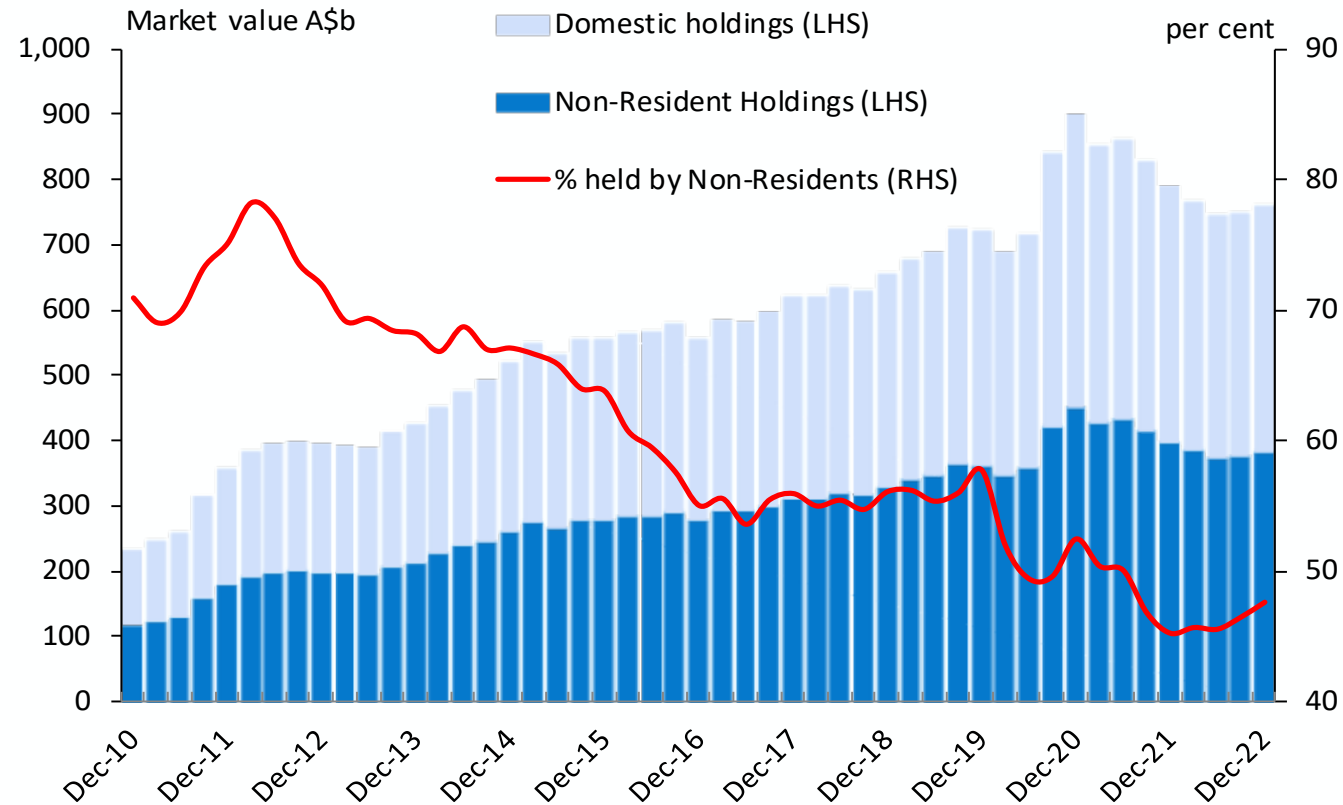
Source: AOFM

Treasury Bond secondary market turnover



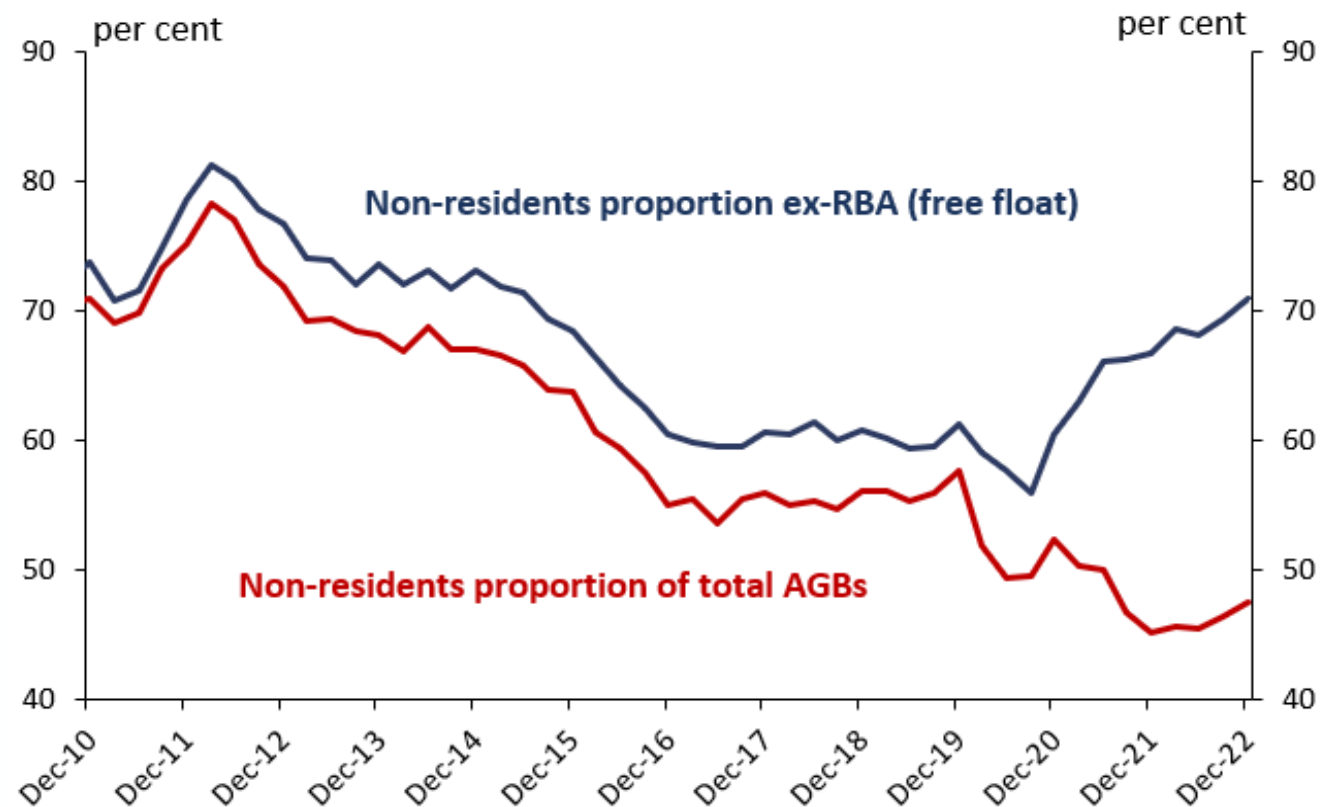
Source: AOFM, RBA. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data

Resident and Non-resident holdings of Australian Government Bonds (AGBs)*



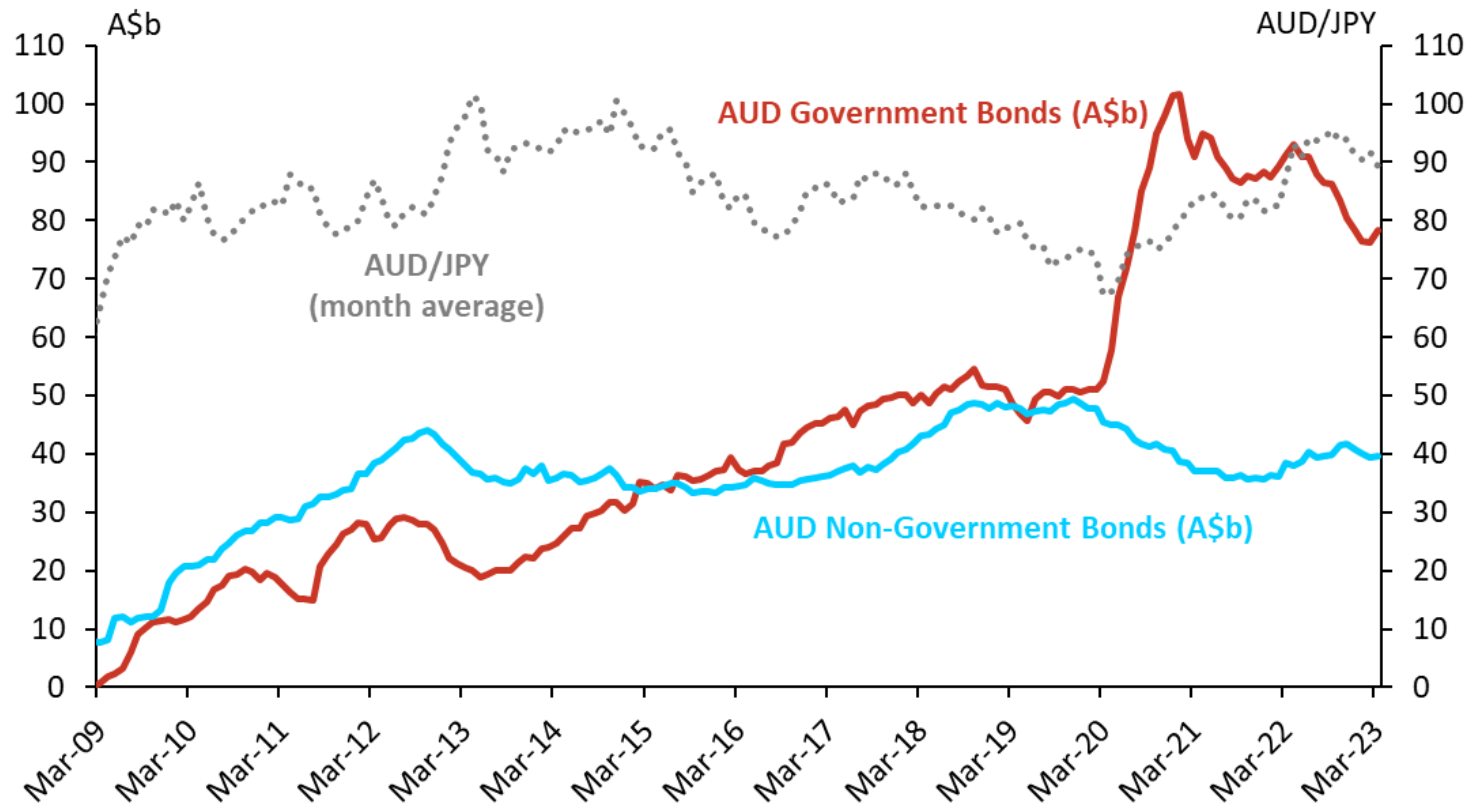
Source: Australian Bureau of Statistics (ABS), RBA, AOFM. * AGBs are Treasury Bonds and Treasury Indexed Bonds.

Non-resident holdings of Australian Government Bonds (AGBs)*



Source: Australian Bureau of Statistics (ABS), RBA, AOFM. * AGBs are Treasury Bonds and Treasury Indexed Bonds.

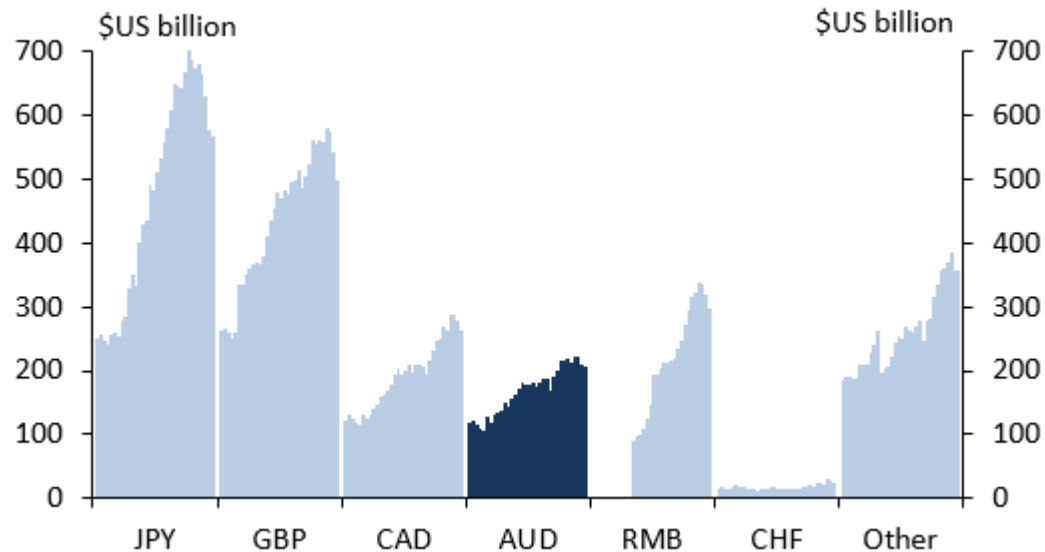
Net capital flow into AGS and semi-government bonds by Japanese investors (AUD billion)



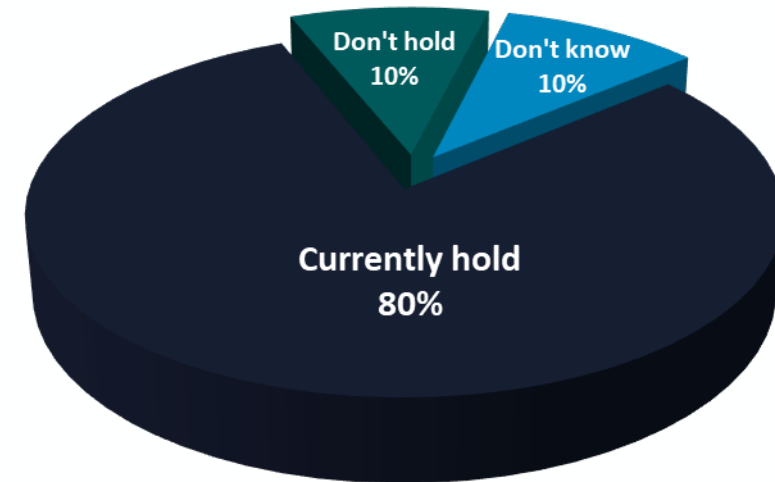
Source: Japan Ministry of Finance, Bloomberg. AUD Government Bonds includes both AGS and semi government bonds. Updated to 31 March 2023.

Consistent and increasing holdings of AGS by FX reserve managers

Central bank FX reserve allocation outside of USD & EUR
(2014 to 2022)



80% of the 30 largest foreign currency reserve managers indicate they hold AGS



Source: IMF COFER database, AOFM

The AOFM's approach to ESG and Green Bond Issuance

- Prior to April 2023, the AOFM's approach to Green or labelled Bonds and ESG was to gather investor feedback on their ESG investment practices, monitor other sovereigns' Green Bond issuance and provide updates on Australia's climate policies.
- In April 2023, the Treasurer announced the Australian Government will introduce a Sovereign Green Bond program. Further detail on this process was provided in the recent Budget 2023-24.
- The program will be managed by the AOFM with considerable input from the Department of Treasury and other government departments.
- The first Australian Government Green Bond issuance is expected to begin around mid-2024.
- Green bonds will not impact the total stock of Government debt as they displace issuance of other bonds.

Green Bonds and future steps

- An Australian Government Green Bond will form a part of the Government's Sustainable Finance Strategy.
- The government is currently developing a Climate Classification Framework which will inform its selection of the climate-related spending.
- In assessing what is selected as climate-related expenditure, Australia adopts the climate-related elements of the International Capital Markets Association(ICMA) Green Bond Principles framework.
- The Framework currently has four core categories
 - Reducing Australia's energy emissions
 - Improving climate change adaptability and disaster resilience
 - International climate leadership
 - Building the government's climate capability
- Climate related expenditure of \$24.9 billion was identified in the October 2022-23 budget and \$4.6 billion new expenditure was set out in the recent 2023-24 Budget.
- Over the next 12 months, the AOFM will work and engage closely with investors to gather their thoughts around these issues as well as specifics of the bond program.