



Australian Government

Australian Office of Financial Management

AOFM

AGS Investor Chart Pack – Budget 2024-25

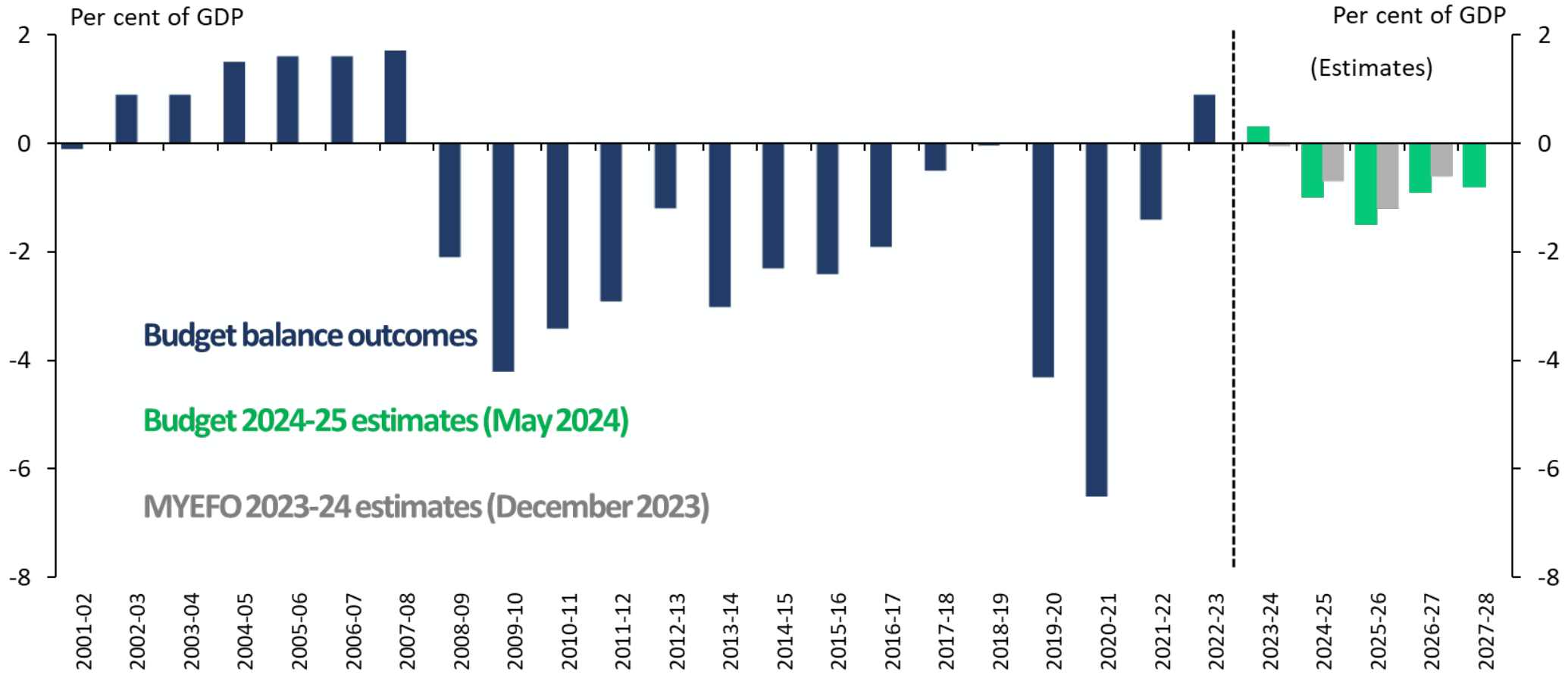
Australian Office of Financial Management

May 2024

Australia's budget balance

Underlying cash balance per cent of GDP

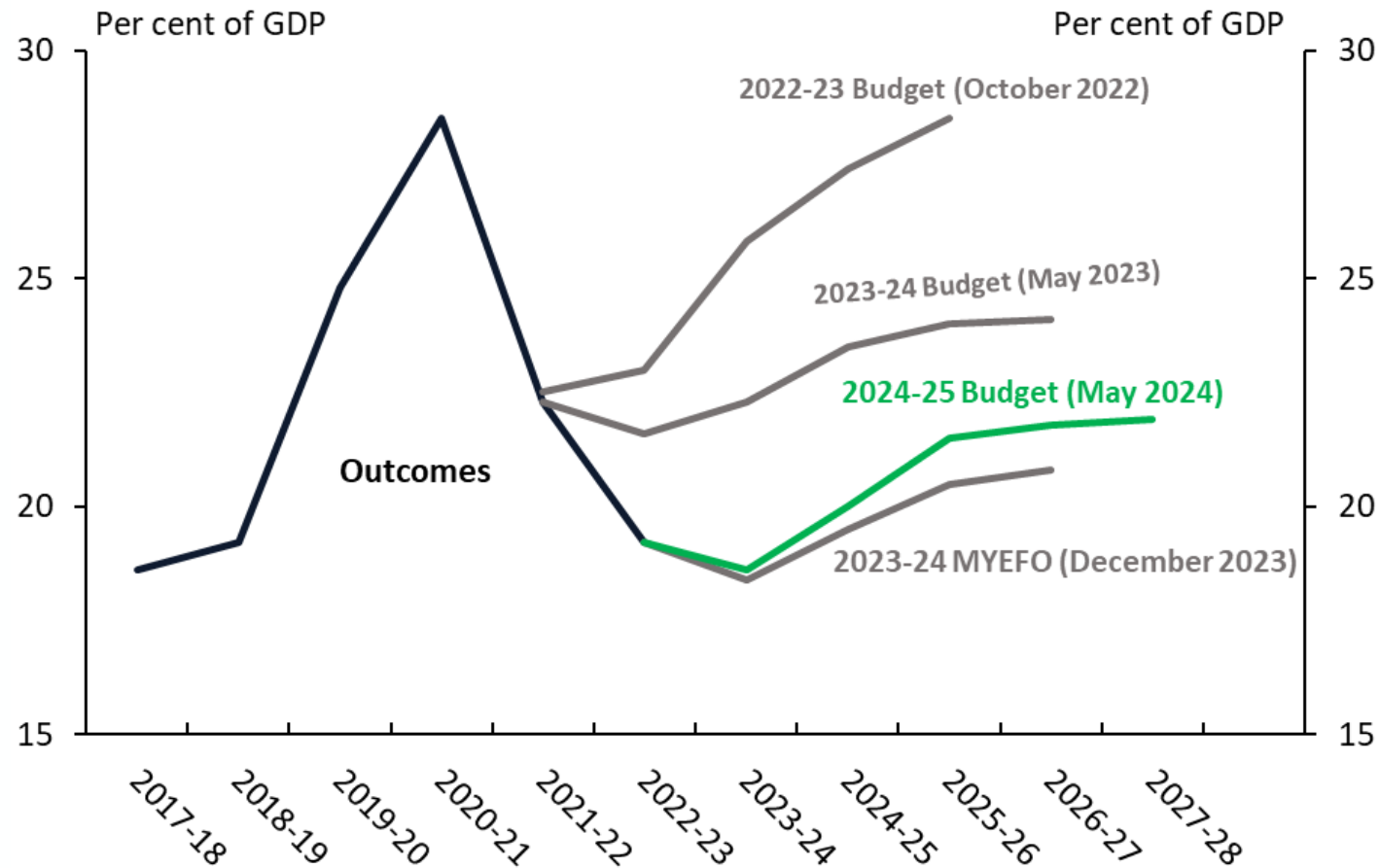
An underlying cash surplus of \$9.3 billion is forecast for 2023–24 (0.3 per cent of GDP), an improvement of \$10.5 billion compared to a deficit of \$1.1 billion forecast in the 2023–24 MYEFO . A deficit of \$28.3 billion (1.0 per cent of GDP) is forecast in 2024–25. The deficit is expected to peak in 2025-26 at 1.5 per cent of GDP before falling to 0.8 per cent of GDP in 2027-28.



Source: Treasury – Budget 2024-25.

Australia's net debt position

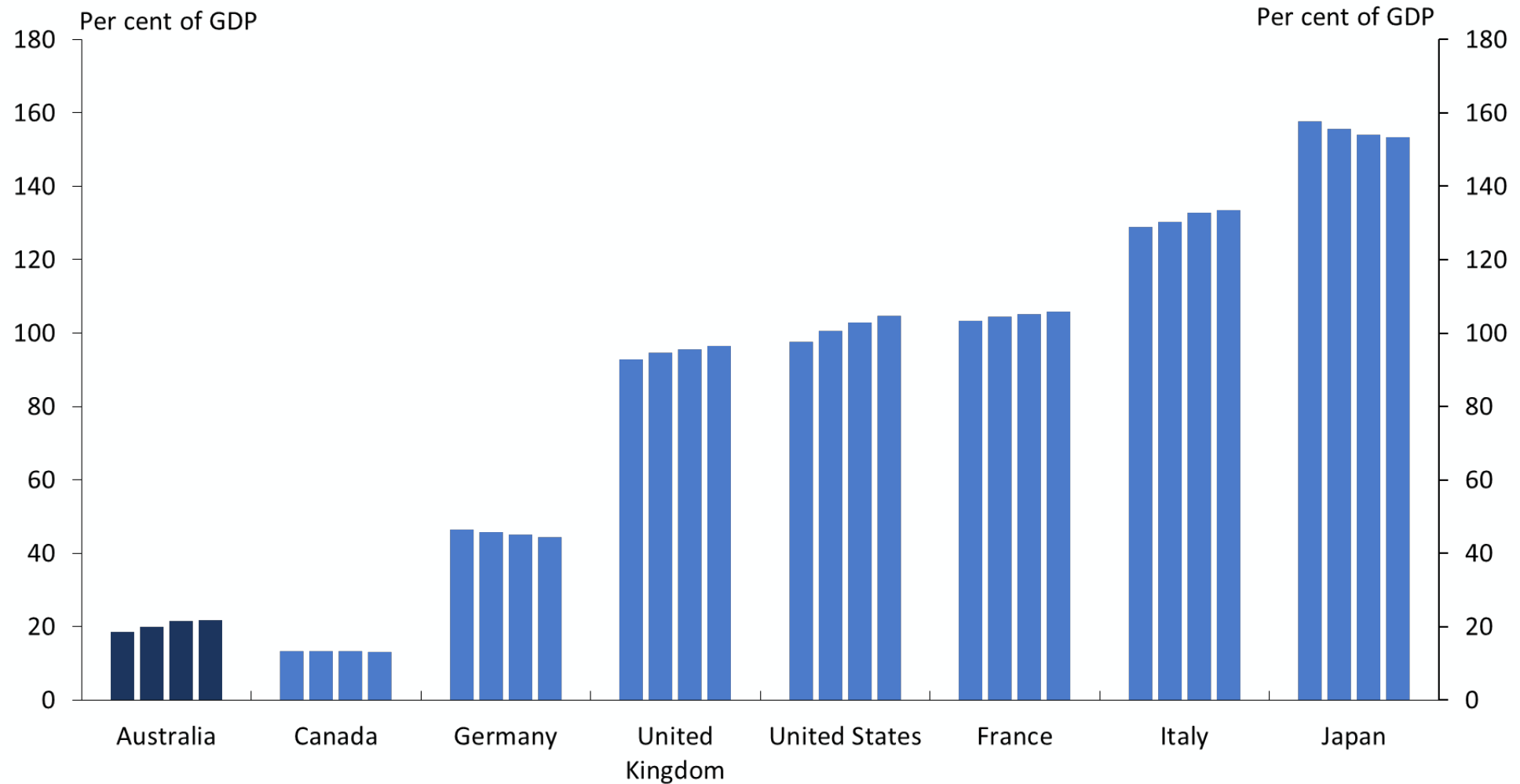
Net debt is estimated to be 18.6 per cent of GDP (\$499.9 billion) in 2023-24, slightly higher than the estimate of 18.4 per cent of GDP (\$491.0 billion) in the 2023-24 MYEFO. The increase in net debt since MYEFO across the forward estimates primarily reflects the increase in the market value of existing debt resulting from lower yields on AGS.



Source: Treasury – Budget 2024-25.

Comparison of government net debt

2023 to 2026 (forecast) for G7 and Australia



Note: Australian data are for the Australian Government general government sector for financial years commencing 2023-24. Data for all other countries are for total government and refer to calendar years commencing 2024.

Source: Treasury – Budget 2024-25, IMF Fiscal Monitor April 2024.

Australian Government Securities

Three instruments available

Treasury Bonds

Amount Outstanding

\$824.6 billion

28 lines on issue

Average line size is \$29.5 billion

Maturities range from 2024 to 2054

Gross Issuance 2024-25 (F)

Around \$90 billion

Treasury Indexed Bonds

Amount Outstanding

\$40.6 billion

7 lines on issue

Average line size is \$5.8 billion

Maturities range from 2025 to 2050

Gross Issuance 2024-25 (F)

Around \$2 - \$5 billion

Treasury Notes

Amount Outstanding

\$27 billion

8 lines on issue

Average line size is \$3.4 billion

Maturities can range up to 12 months

Further information

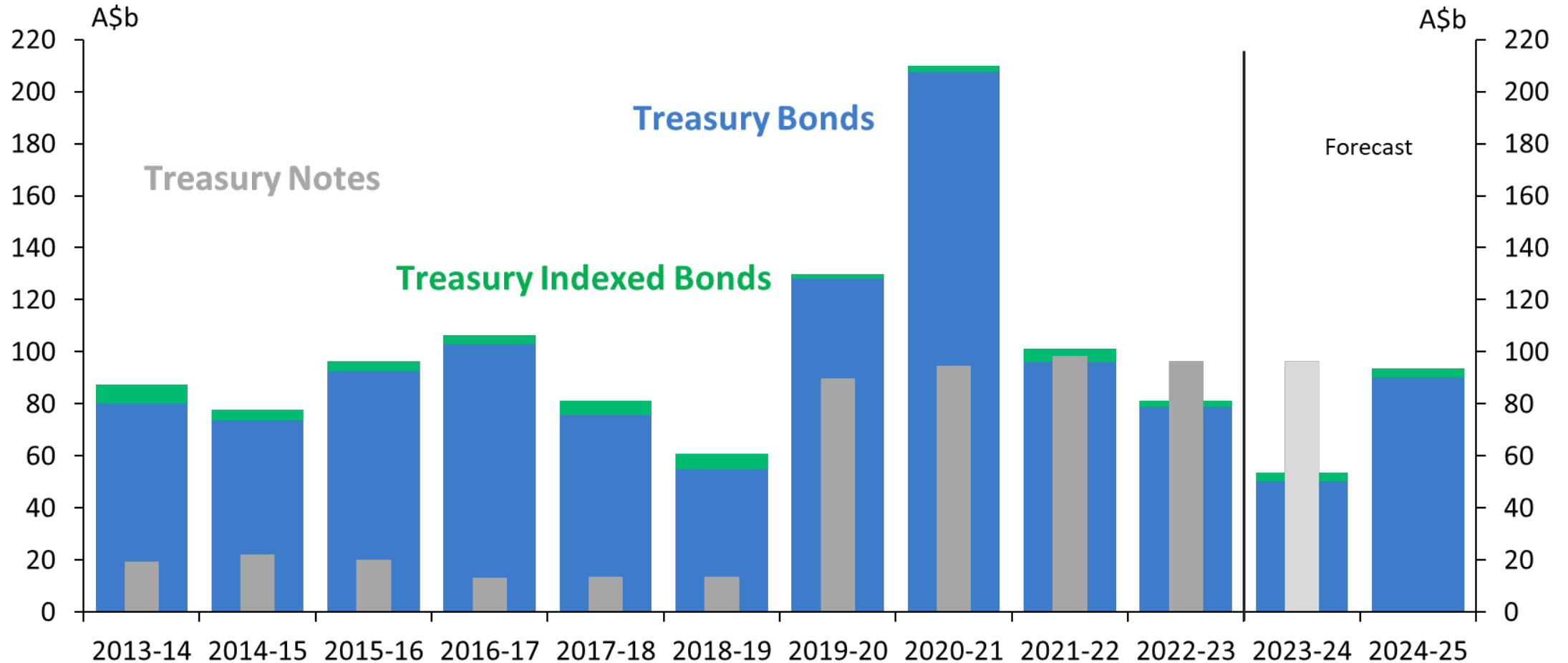
- Issuance of Treasury Bonds in 2023-24 will be around \$50 billion (of which \$36.7 billion has been completed as of 14 May 2024).
- Issuance of Treasury Bonds (including Green Treasury Bonds) in 2024-25 will be around \$90 billion.
- Issuance of Treasury Indexed Bonds in 2023-24 is planned to be around \$3.5 billion (of which \$3.15 billion has been completed).
- Issuance of Treasury Indexed Bonds in 2024-25 is expected to be between \$2 billion and \$5 billion.
- The AOFM will remain active in the Treasury Note market with regular issuance for cash management purposes.
- More detailed guidance on issuance plans for the first half of 2024-25 (including any planned new maturities) will be provided on 28 June 2024.

Note: Figures are as at 14 May 2024.

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

Issuance of Australian Government Securities

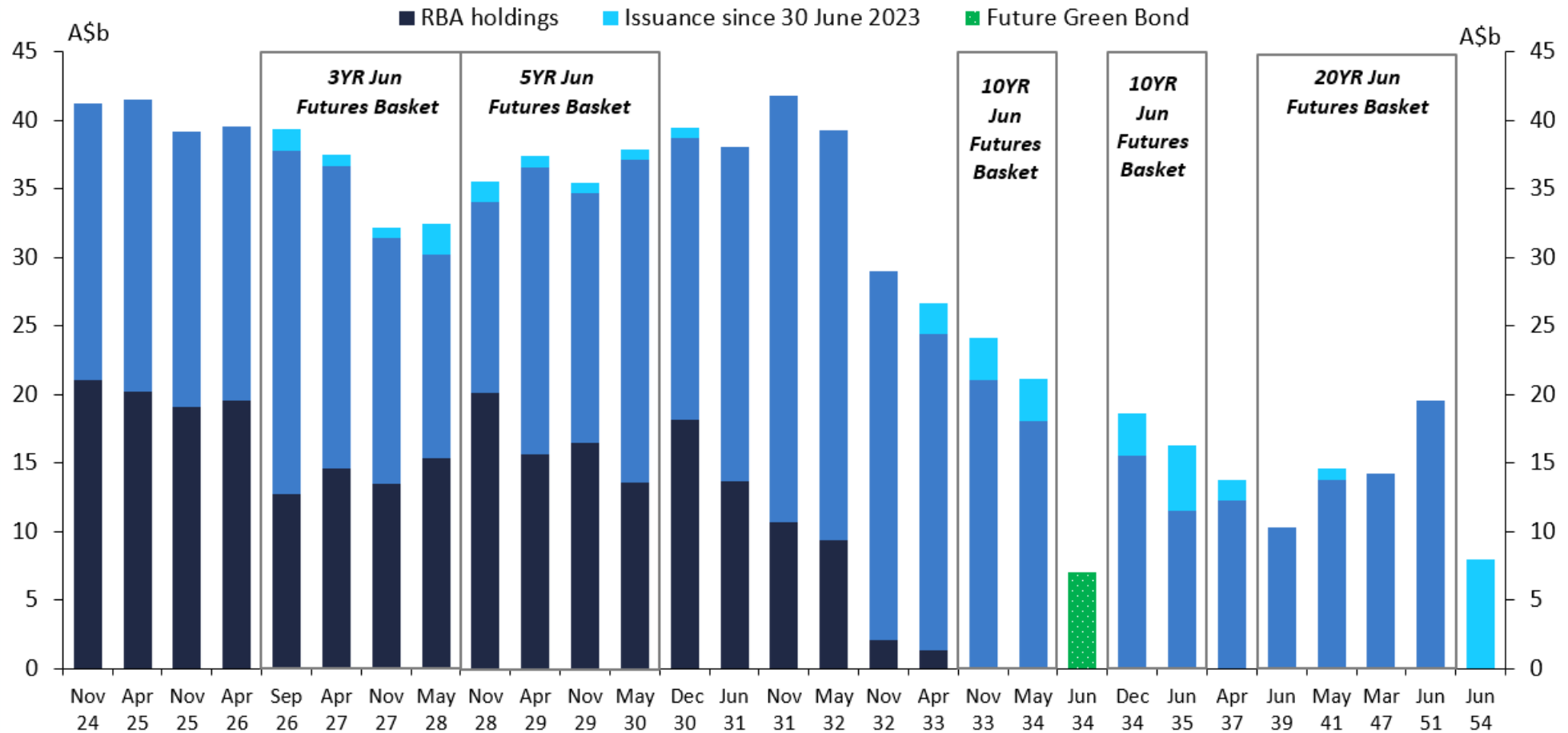
Gross Issuance



Source: AOFM. Treasury Note issuance for 2023-24 is for the year-to-date 14 May 2024. 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

The AOFM will continue to use the most liquid (high-demand) parts of the yield curve to support the bulk of planned issuance, while supporting other parts of the market by responding to demand and issuing in appropriate volumes. A new \$7 billion June 2034 Green Treasury Bond is planned to be issued before 30 June 2024.

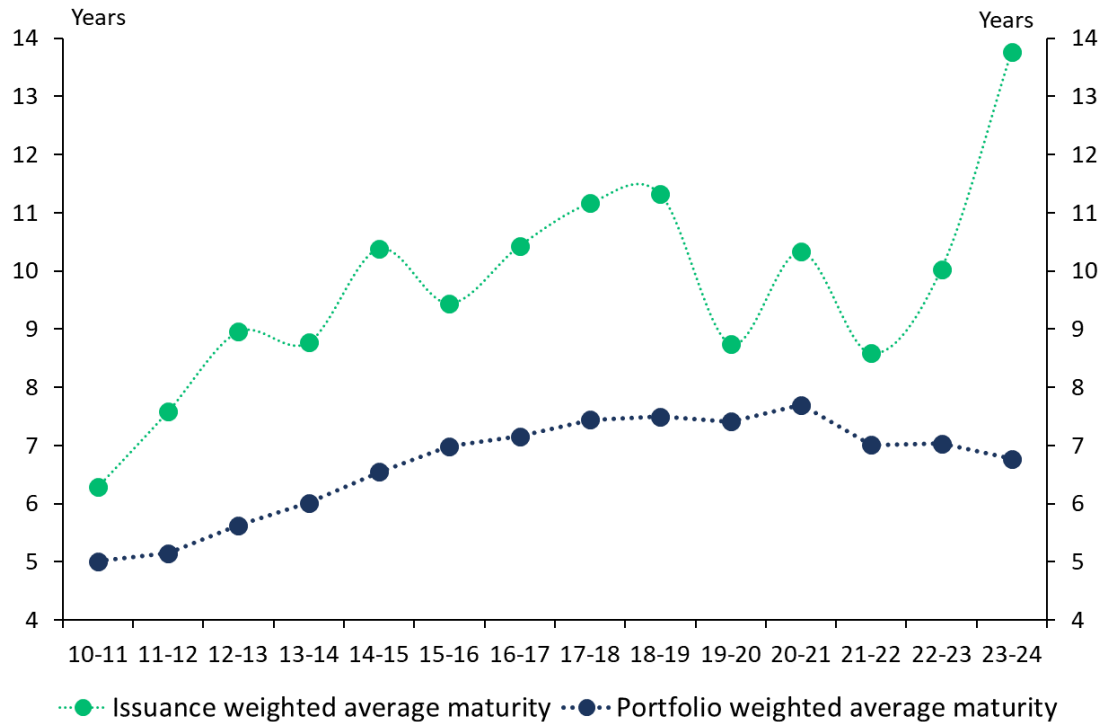


Source: AOFM. As at 14 May 2024.

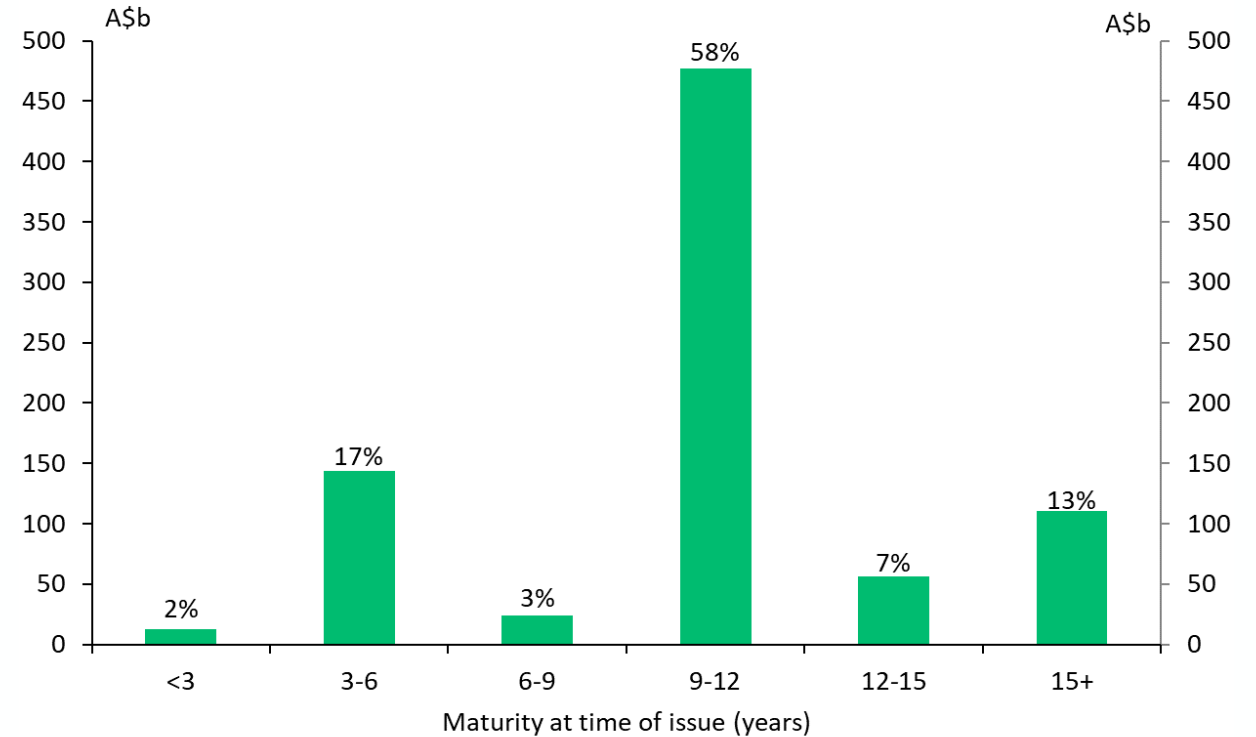
Treasury Bond curve

Over the last decade the AOFM has gradually lengthened the Treasury Bond yield curve to 30 years and increased the average term to maturity of the portfolio. The AOFM currently has no plans to further extend the yield curve and will focus on maintaining the 30-year benchmark and continuing to support ultra-long maturities through issuance into existing lines. Around 78% of the portfolio was issued at an original maturity of nine years or longer.

Weighted average maturity



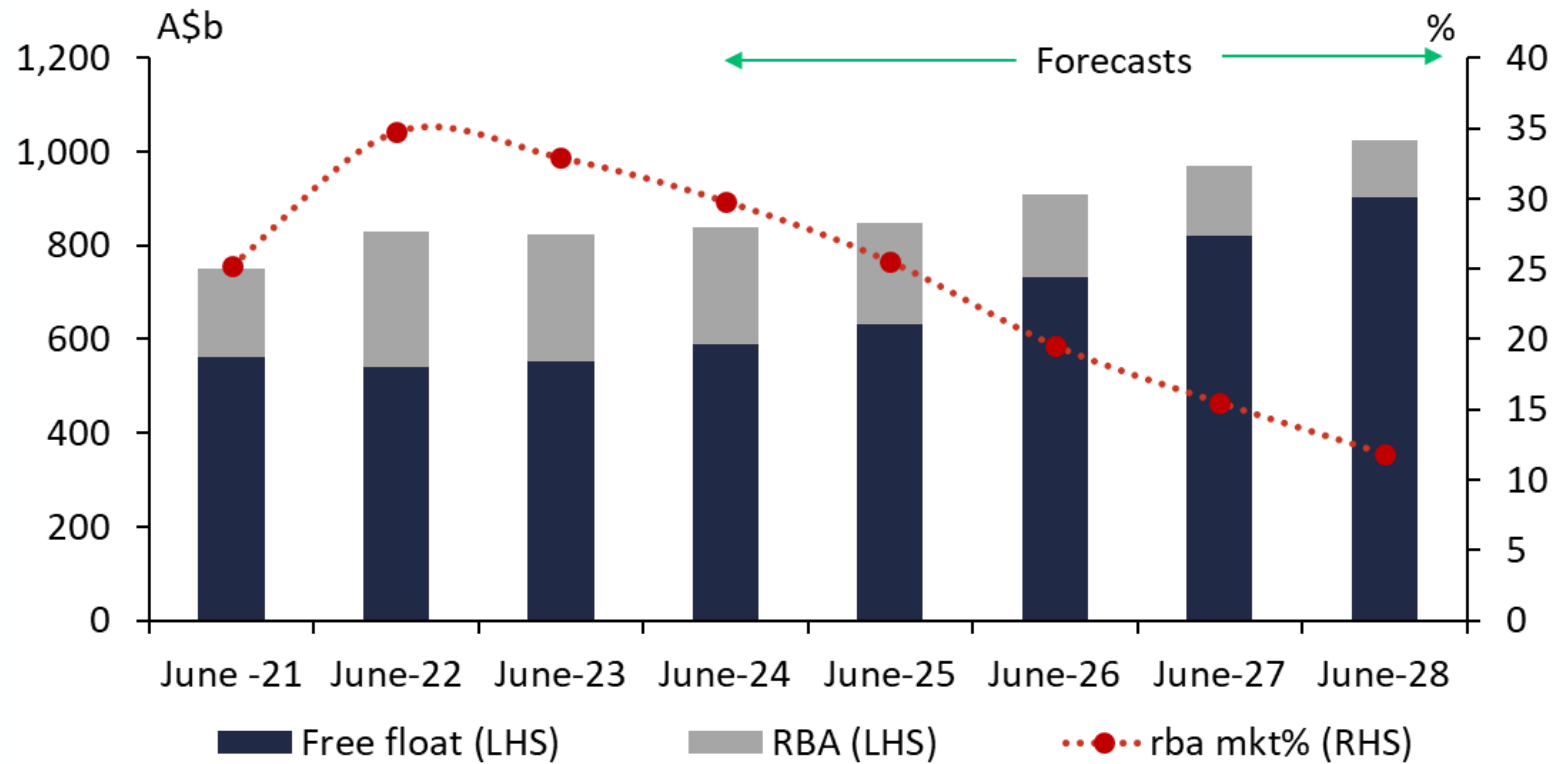
Treasury Bond portfolio composition by original term to maturity



Source: AOFM. 2023-24 is YTD to 30-Apr-2024.

Forecast Treasury Bonds outstanding and RBA holdings

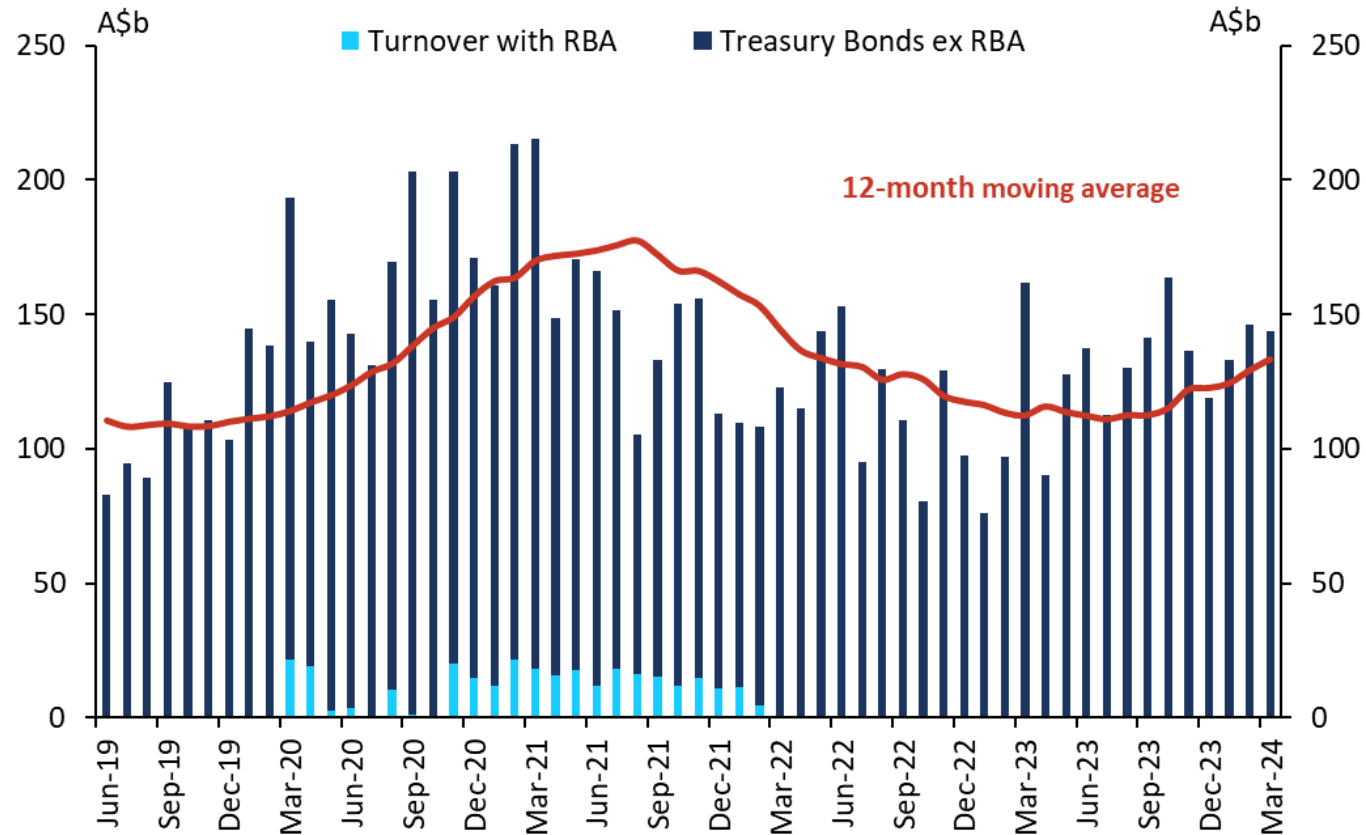
- The RBA's bond purchase program concluded in February 2022. The RBA currently holds around 31 per cent of Treasury Bonds on issue.
- RBA holdings as a proportion of total Treasury Bonds outstanding are expected to decline gradually as the bonds they hold mature.



Source: Treasury – Budget 2024-25, RBA, AOFM.

Treasury Bond secondary market turnover

Liquidity in the AGS market remains supportive – particularly around the 3-year and 10-year futures baskets. Secondary market turnover was lower in 2022-23 than in 2021-22, although it is still around pre-pandemic levels (albeit in a now larger AGB market).



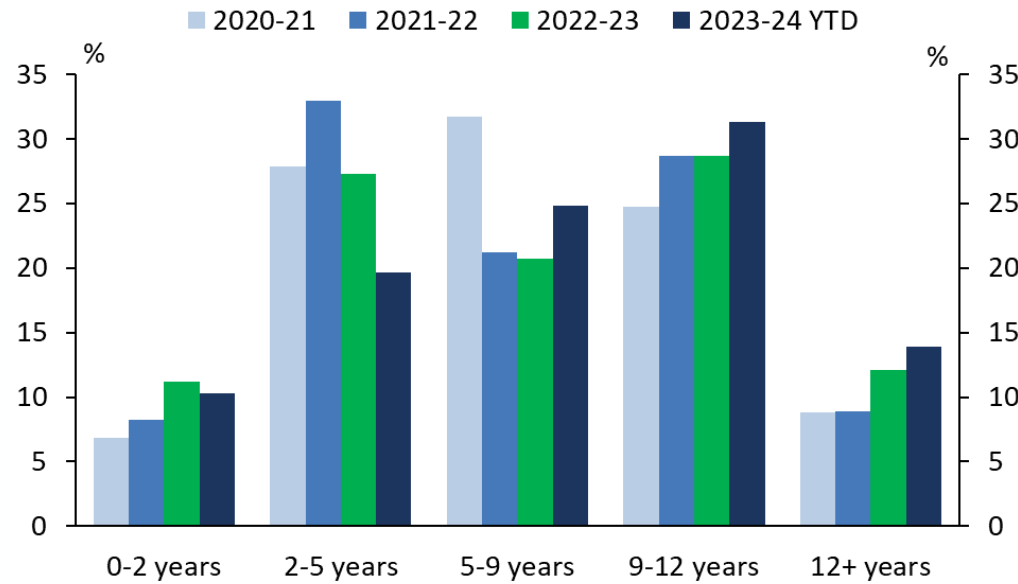
Source: AOFM. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data.

Turnover – Treasury Bonds

Total turnover A\$1.33 trillion (2022-23)

A\$1.57 trillion (2021-22)

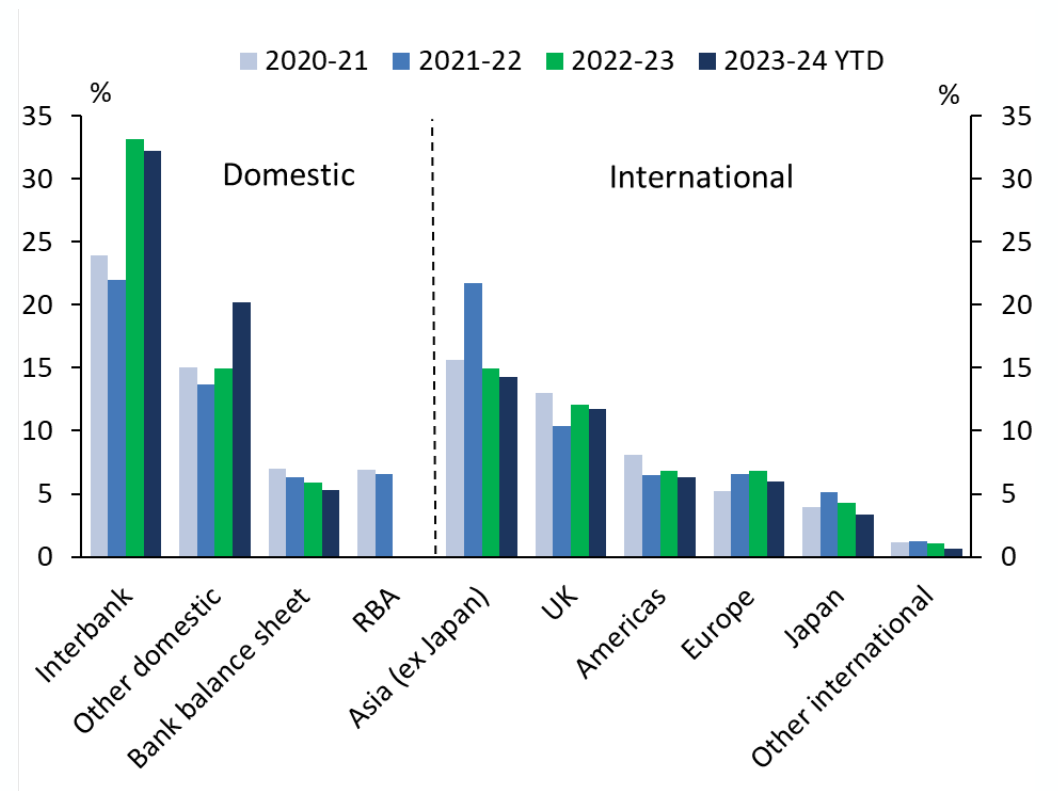
Turnover by tenor



Monthly average A\$111 billion (2022-23)

A\$131 billion (2021-22)

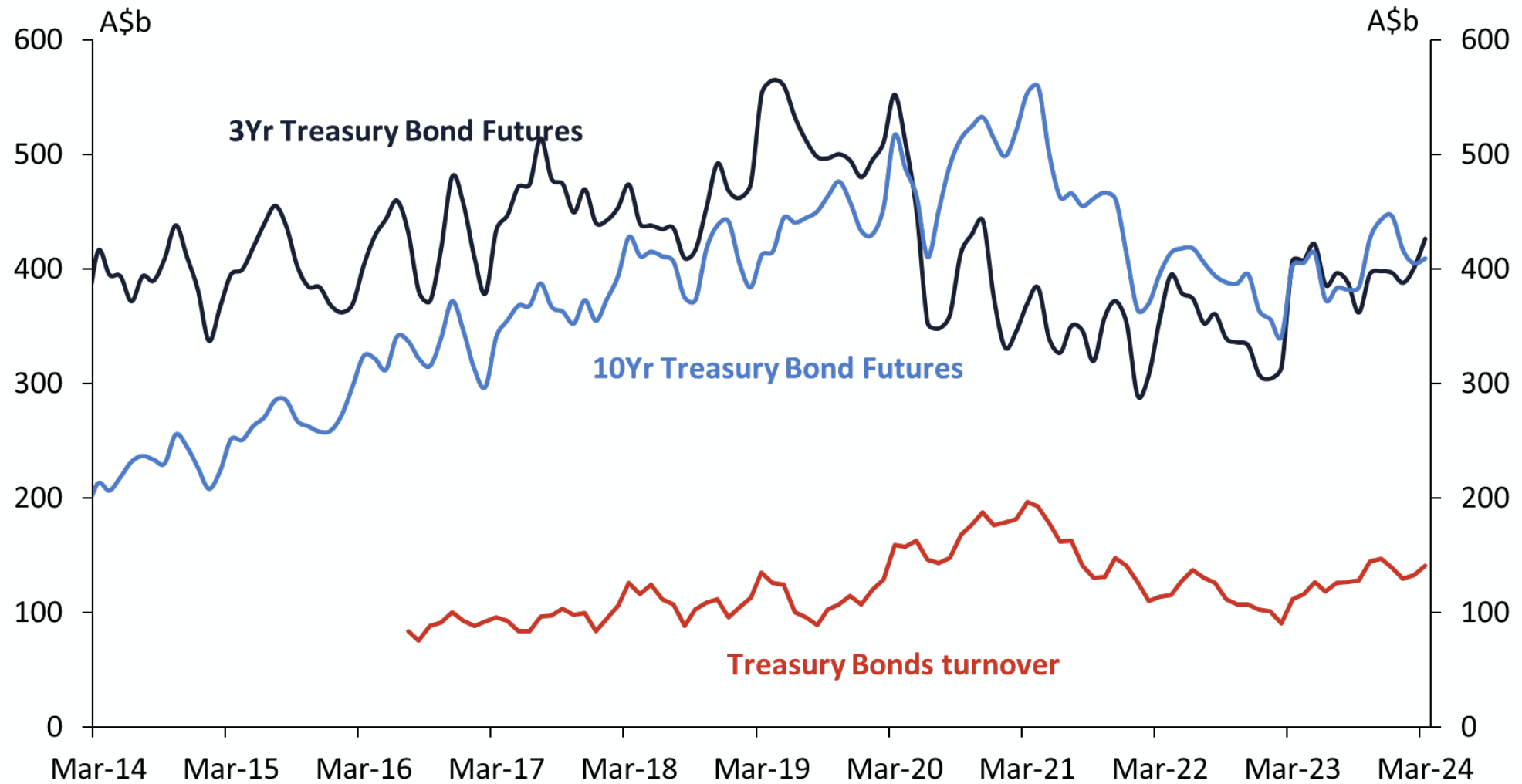
Turnover by category



Source: AOFM. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data. 2023-24 YTD ranges from 1 July 2023 to 31 March 2024.

Treasury Bond futures market activity

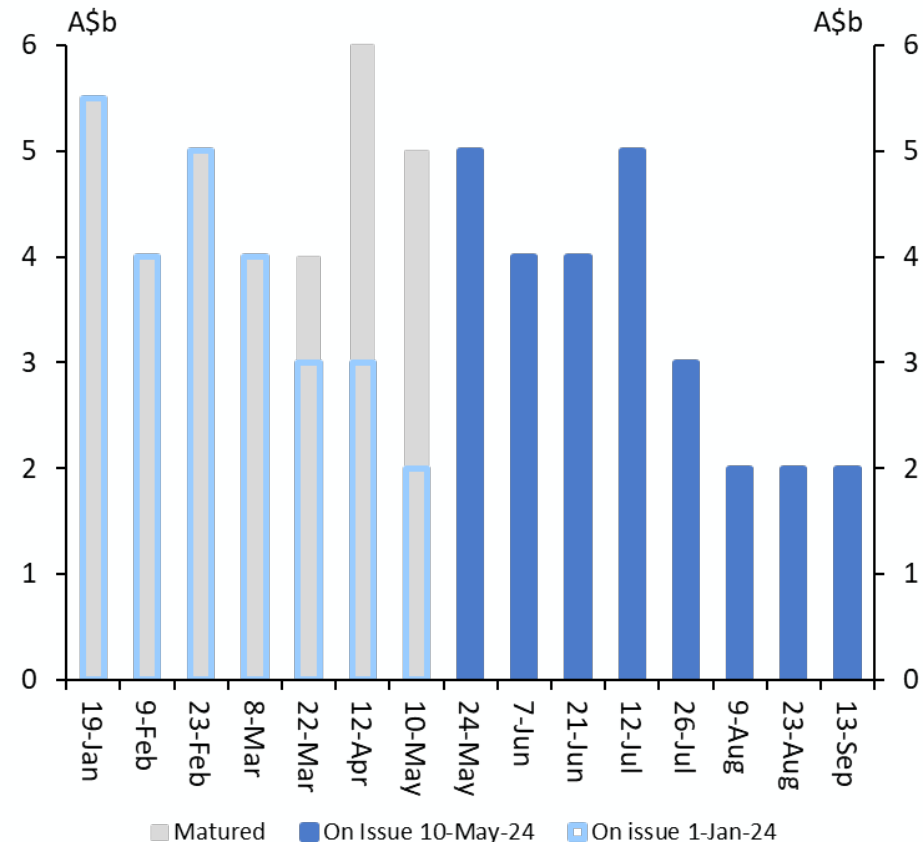
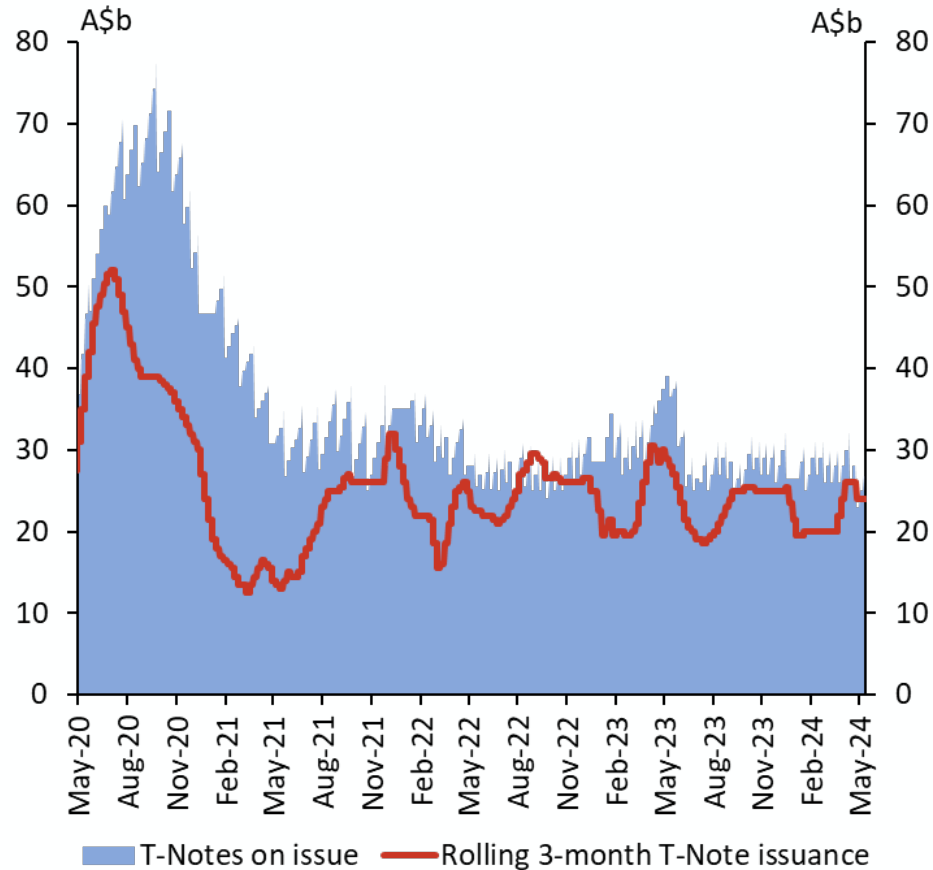
Monthly turnover (3m M.A.)



Source: ASX, Refinitiv, AOFM

Issuance of Treasury Notes

Regular issuance of Treasury Notes will continue. Weekly issuance volumes will depend on the timing and size of government receipts and outlays and the AOFM's assessment of its cash portfolio requirements. There will be at least \$25 billion of Treasury Notes on issue to maintain investor engagement.

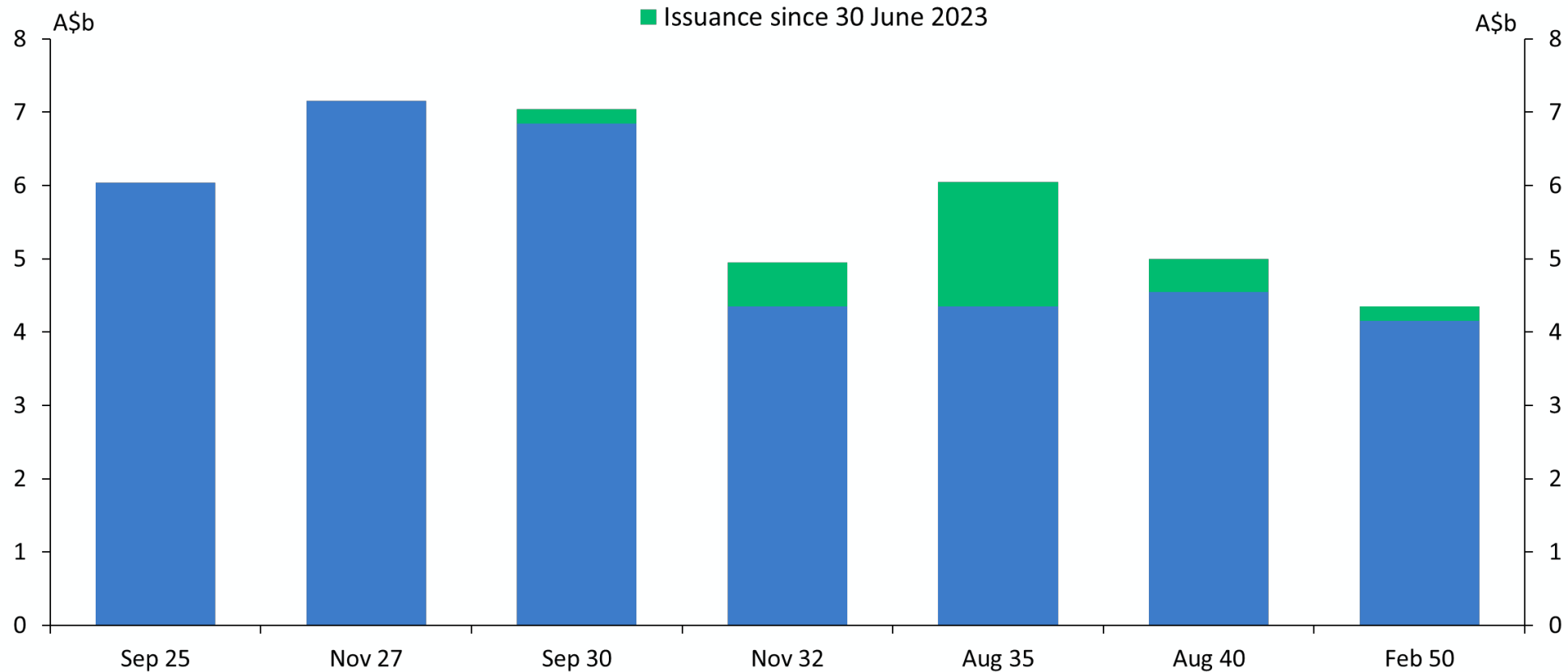


Source: AOFM, as at 14 May 2024.

Treasury Indexed Bonds on issue

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

The AOFM recognises the liquidity challenges facing the TIBs market and will continue to issue to support this market. This means that prevailing market conditions will remain important determinants of issuance decisions. Regular issuance supply will be maintained.

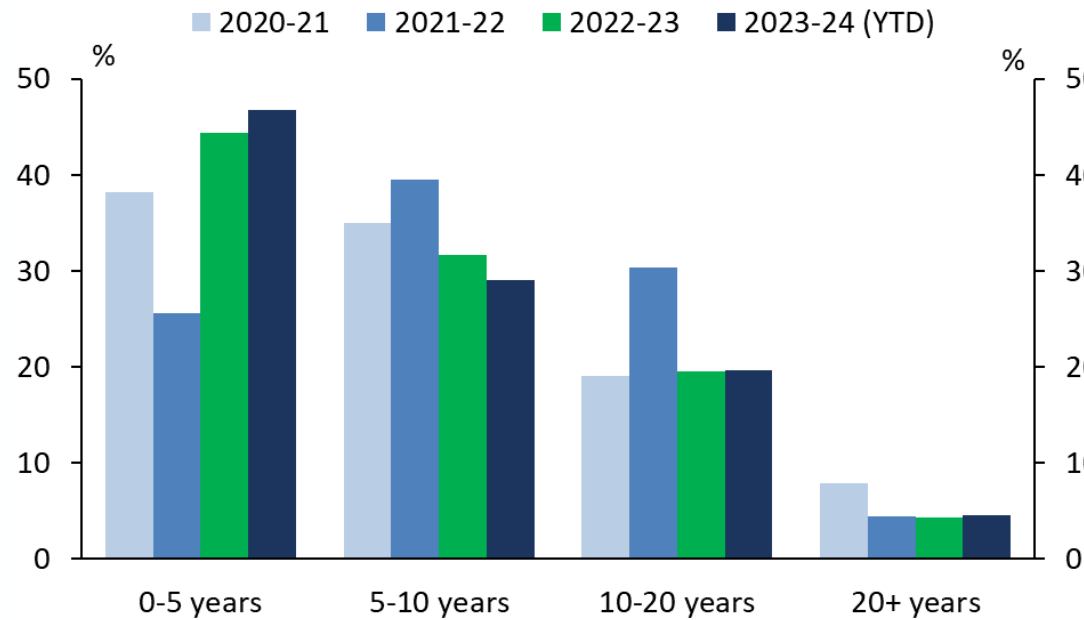


Source: AOFM. As at 14 May 2024.

Turnover – Treasury Indexed Bonds

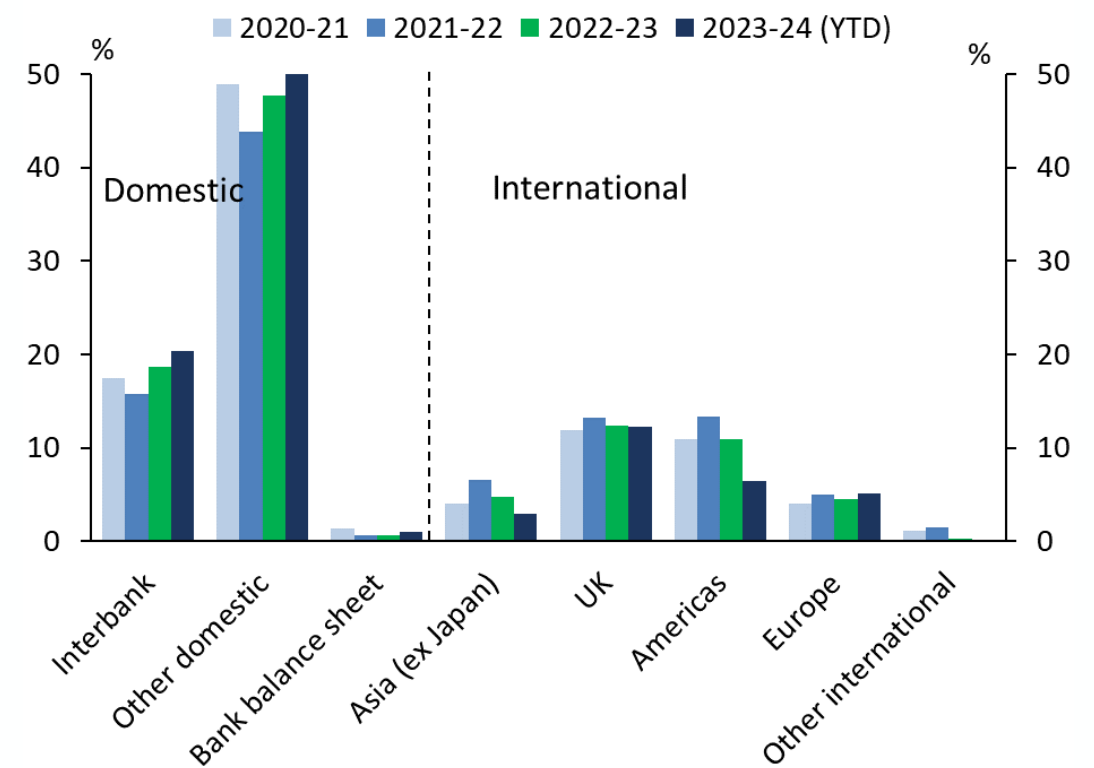
Total turnover A\$43 billion (2022-23)
 A\$49 billion (2021-22)

Turnover by tenor



Monthly average A\$3.6 billion (2022-23)
 A\$4.1 billion (2021-22)

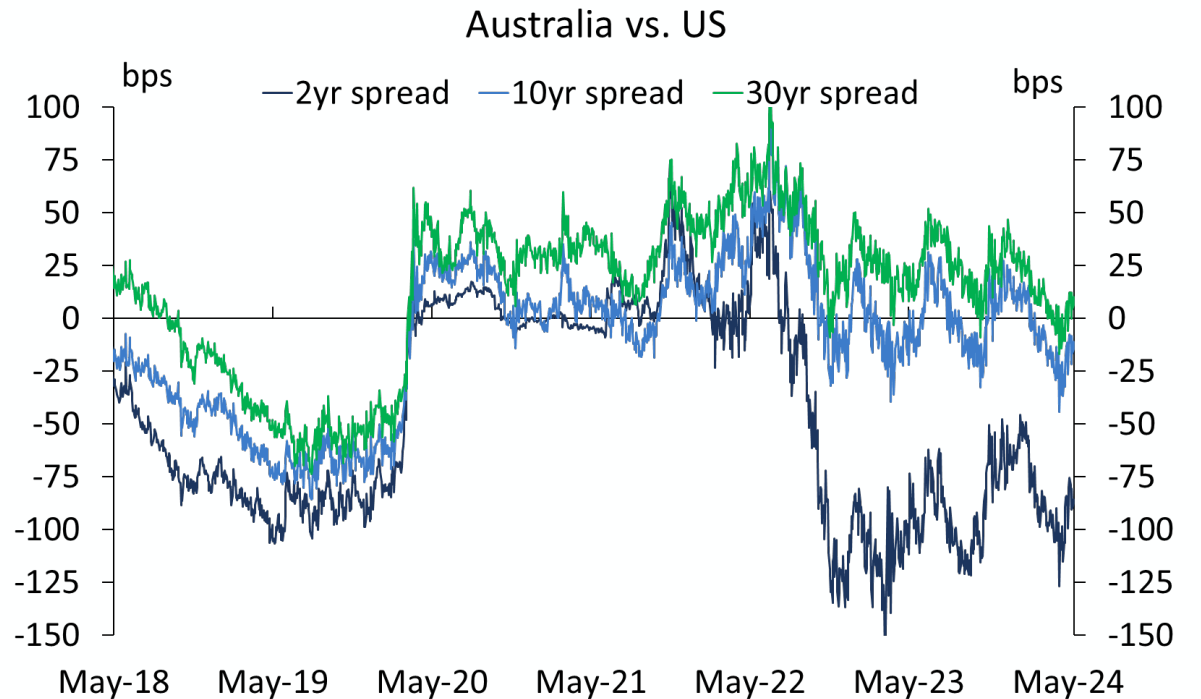
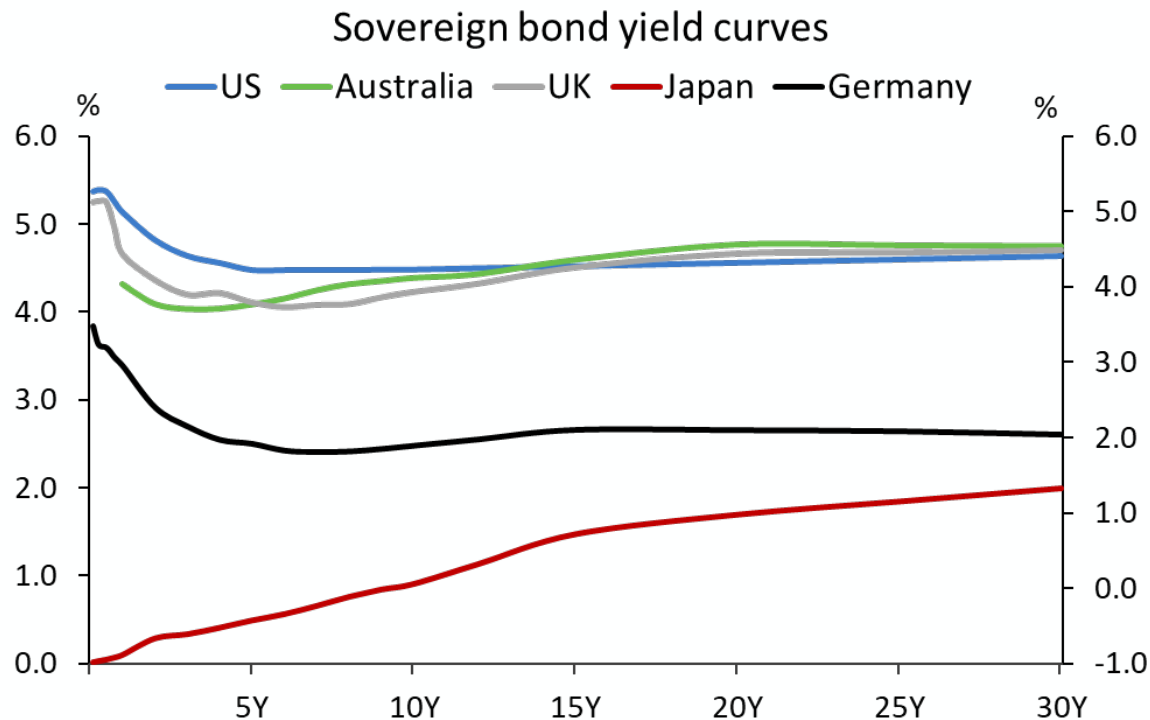
Turnover by category



Source: AOFM. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data. 2023-24 YTD ranges from 1 July 2023 to 31 March 2024.

Australian sovereign bond spreads

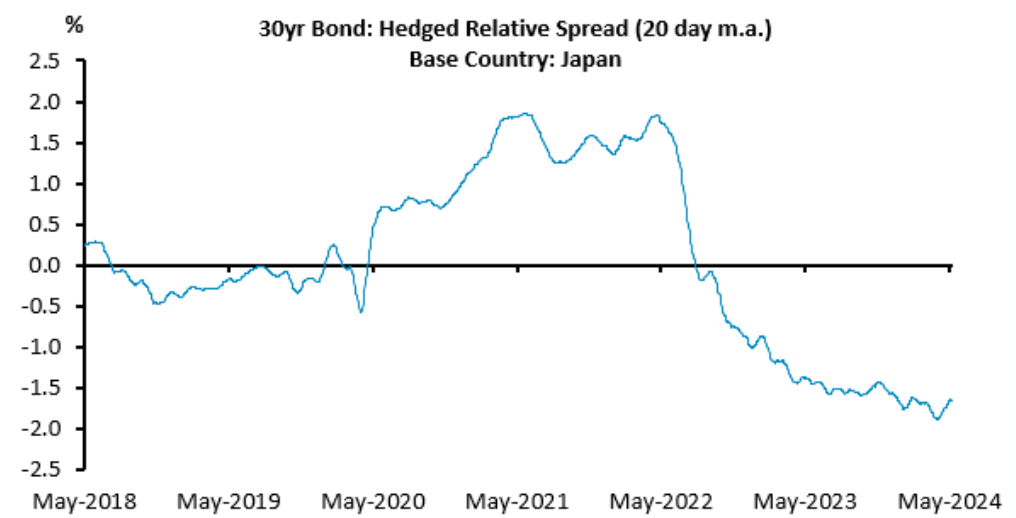
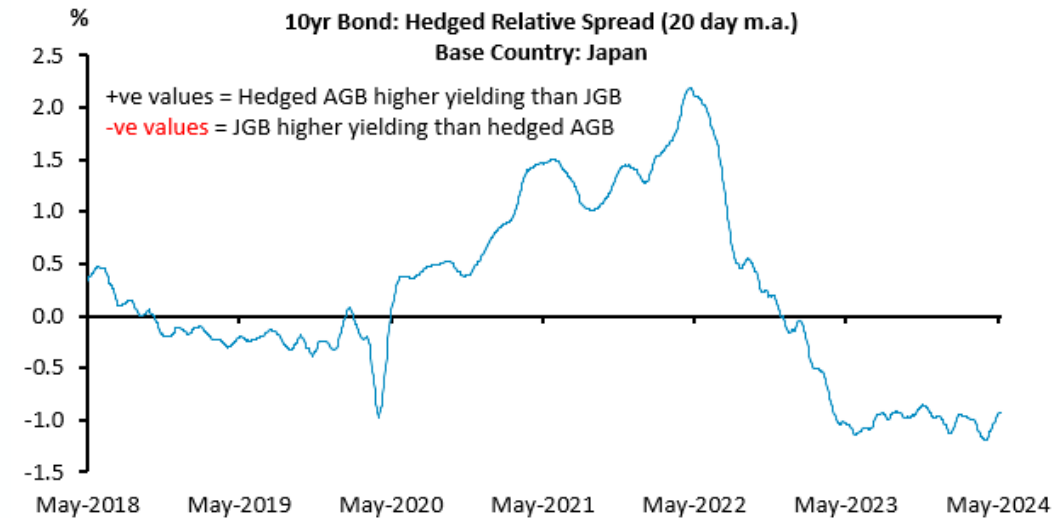
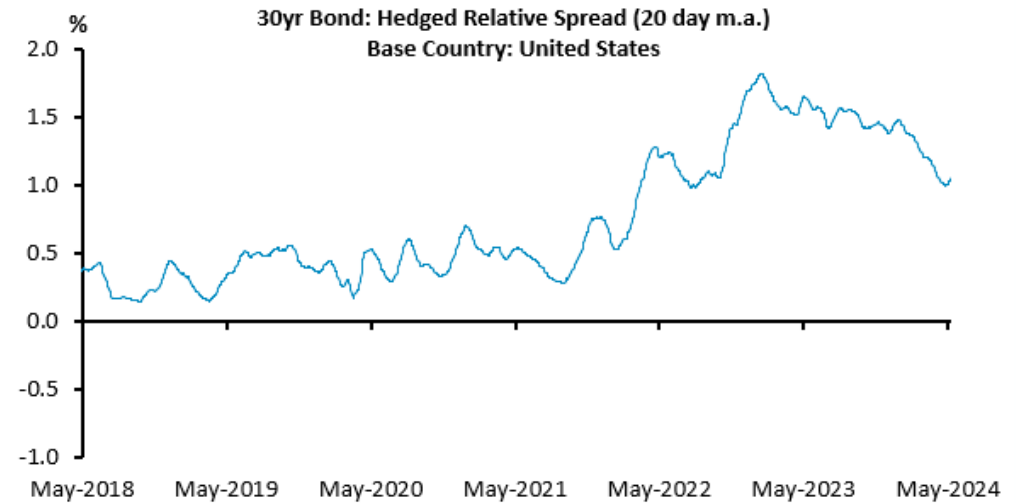
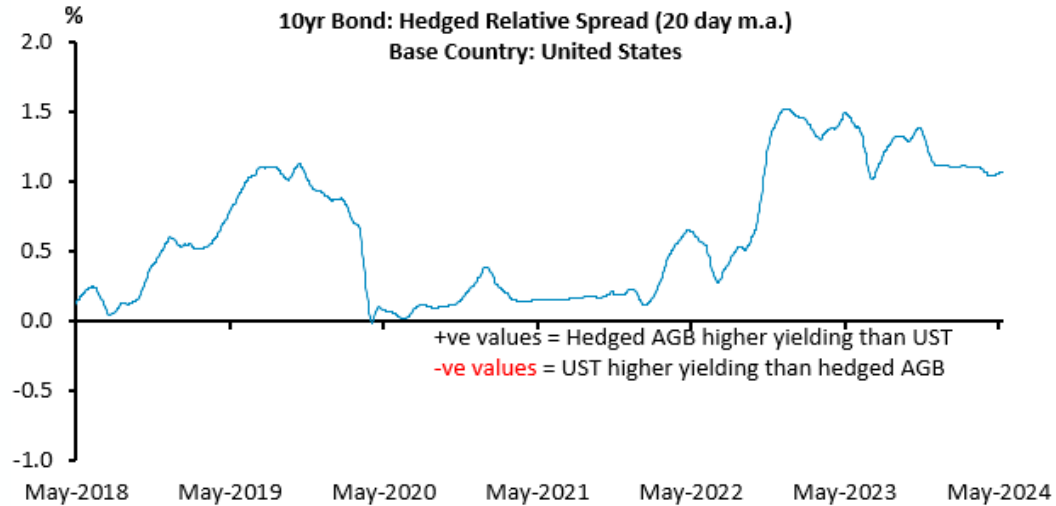
- The AGS market continues to look attractive compared to other core sovereign markets on an outright and hedged basis from an offshore investor perspective.
- The AGS domestic investor base primarily comprises bank balance sheets and fund manager allocations, with the RBA also a significant holder of AGS.



Source: Refinitiv, as at 14 May 2024.

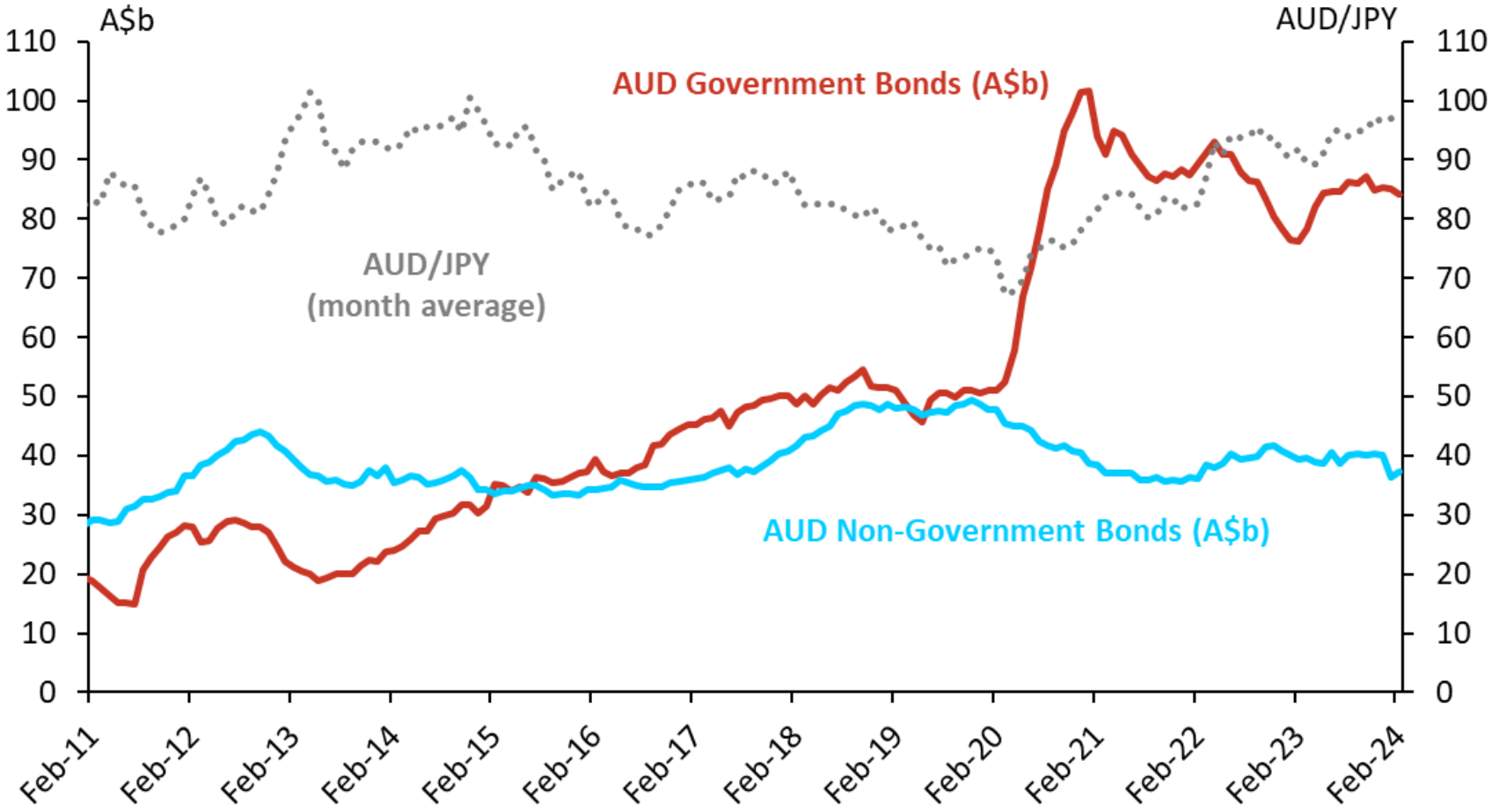
Australian sovereign bond spreads

Hedged via rolling 3m fx forwards



Source: Bloomberg, AOFM. Updated to 14 May 2024

Net capital flow into Australian government bonds by Japanese investors (AUD billion)

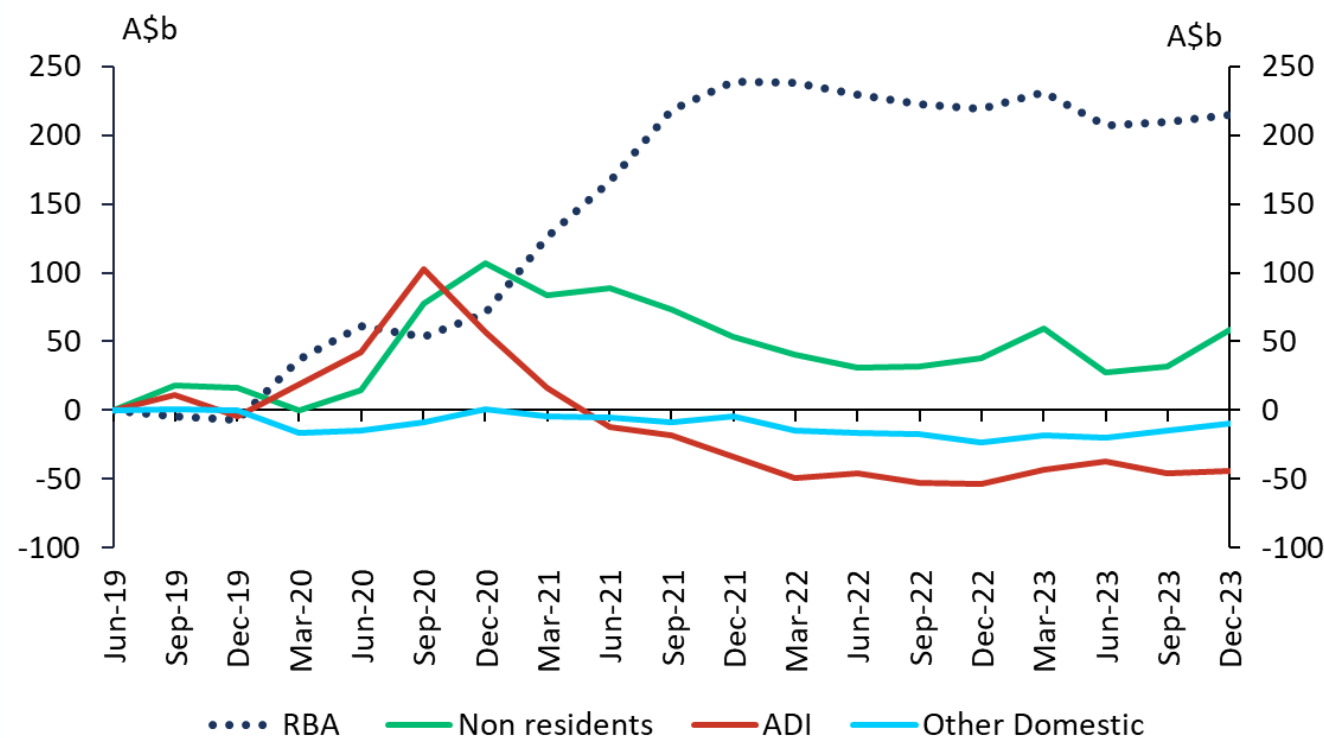


Source: Japan Ministry of Finance, Bloomberg. AUD government bonds includes both AGS and semi government bonds. Updated to 28 Feb 2024

Shift in investor holdings of Australian government bonds

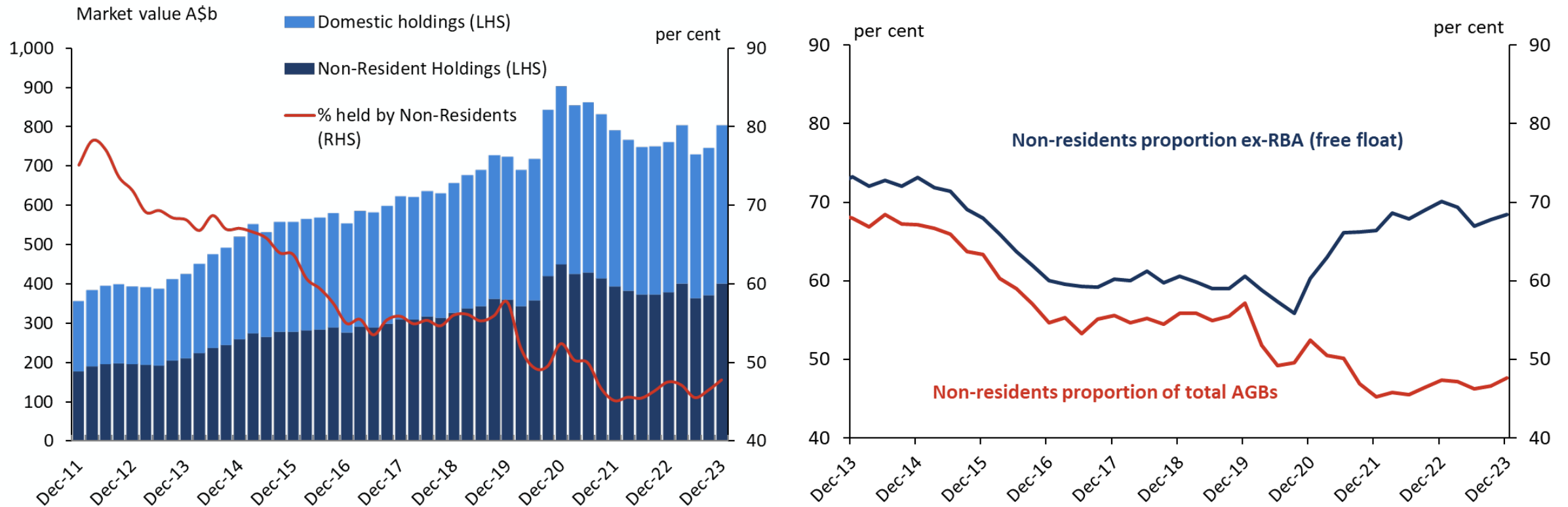
Change in AGB holdings since June 2019

Since the RBA commenced its broad bond purchase program in late 2020, domestic banks (ADIs) reduced Treasury Bond holdings to the greatest extent. In contrast, non-resident holdings have remained relatively steady (since late 2020).



Source: ABS, AOFM.

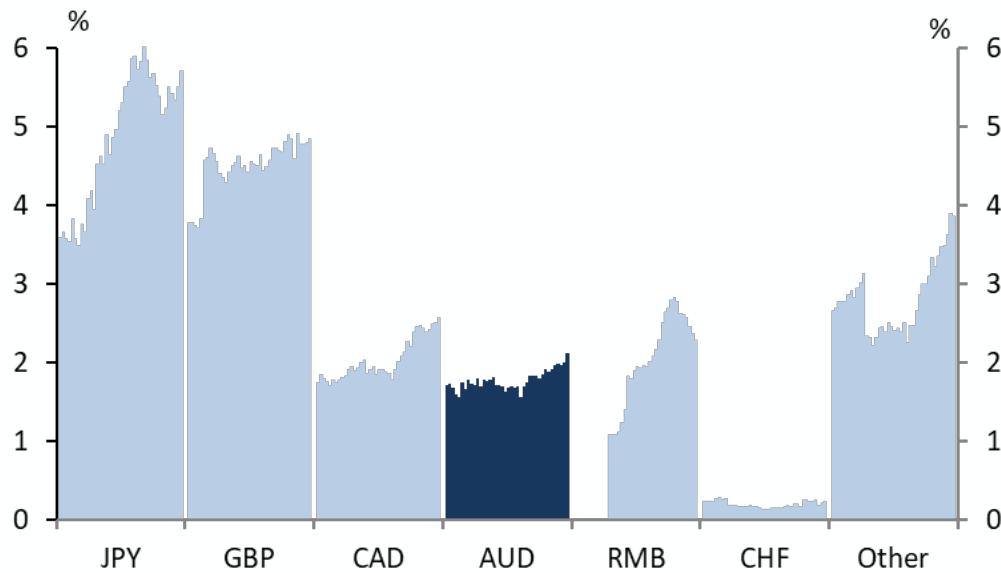
Non-resident holdings of AGBs



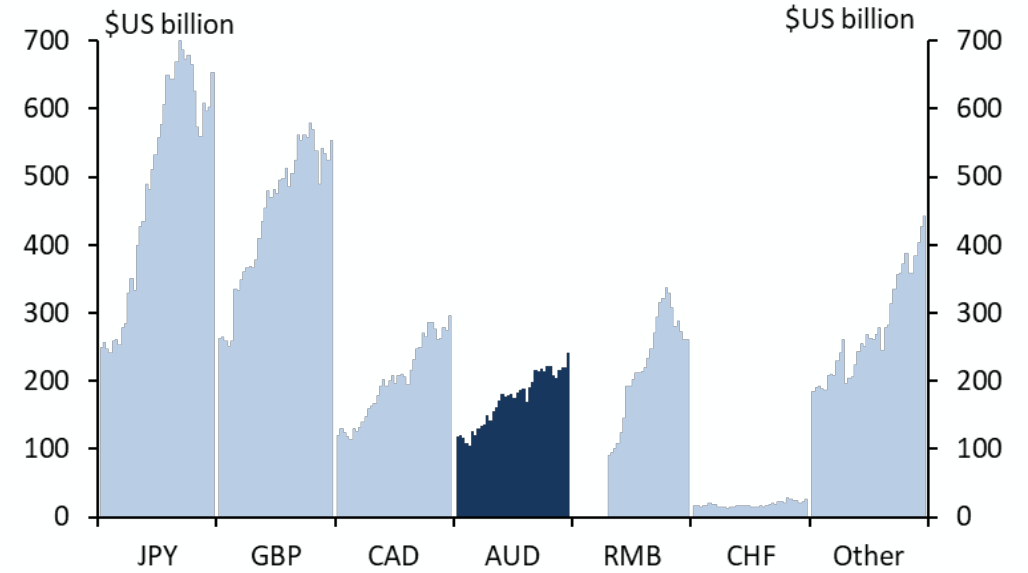
Source: Australian Bureau of Statistics (ABS), RBA, AOFM. AGBs are Treasury Bonds and Treasury Indexed Bonds.

Central Bank FX reserve allocation outside of USD & EUR

2014 to 2023



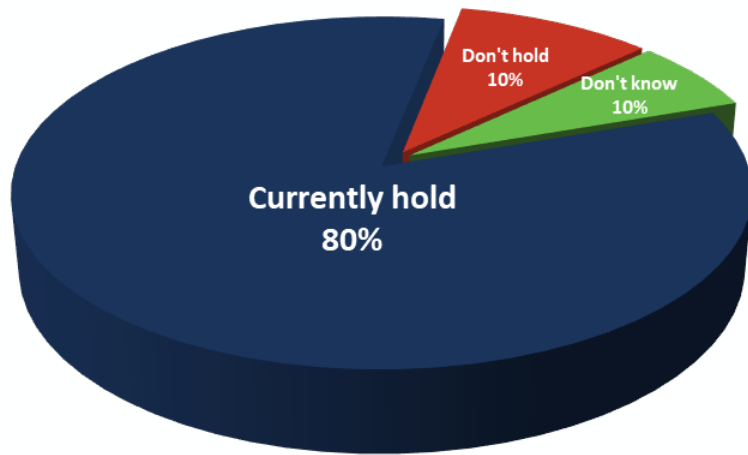
Proportion of allocated reserves



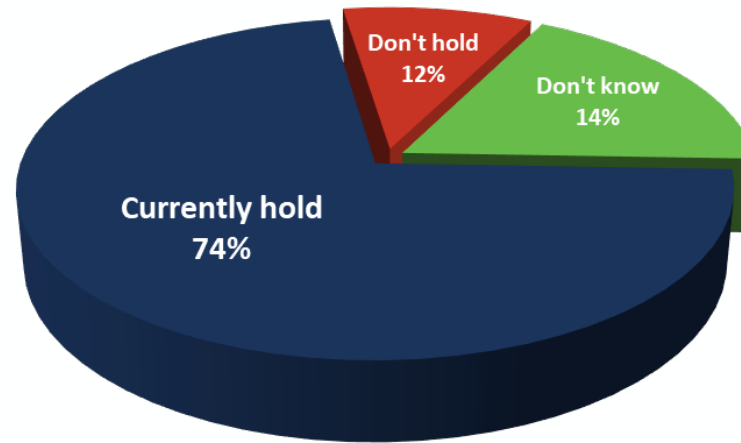
Value of allocation (USD billions)

Source: IMF

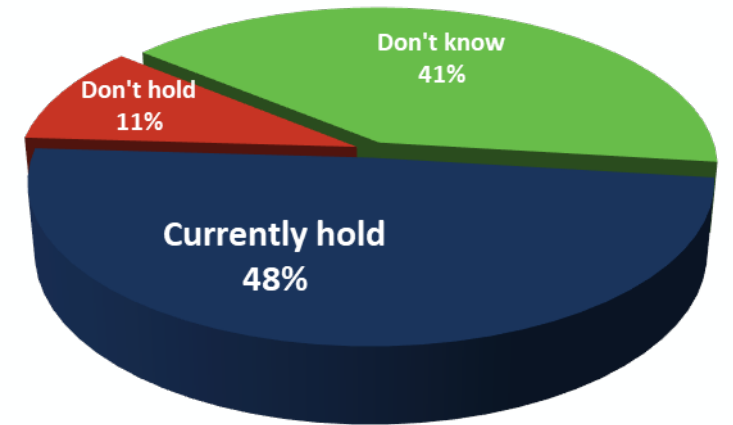
Holdings of AGS amongst Reserve Managers



World's 30 Largest Foreign
Currency Reserve Managers



World's 50 Largest Foreign
Currency Reserve Managers



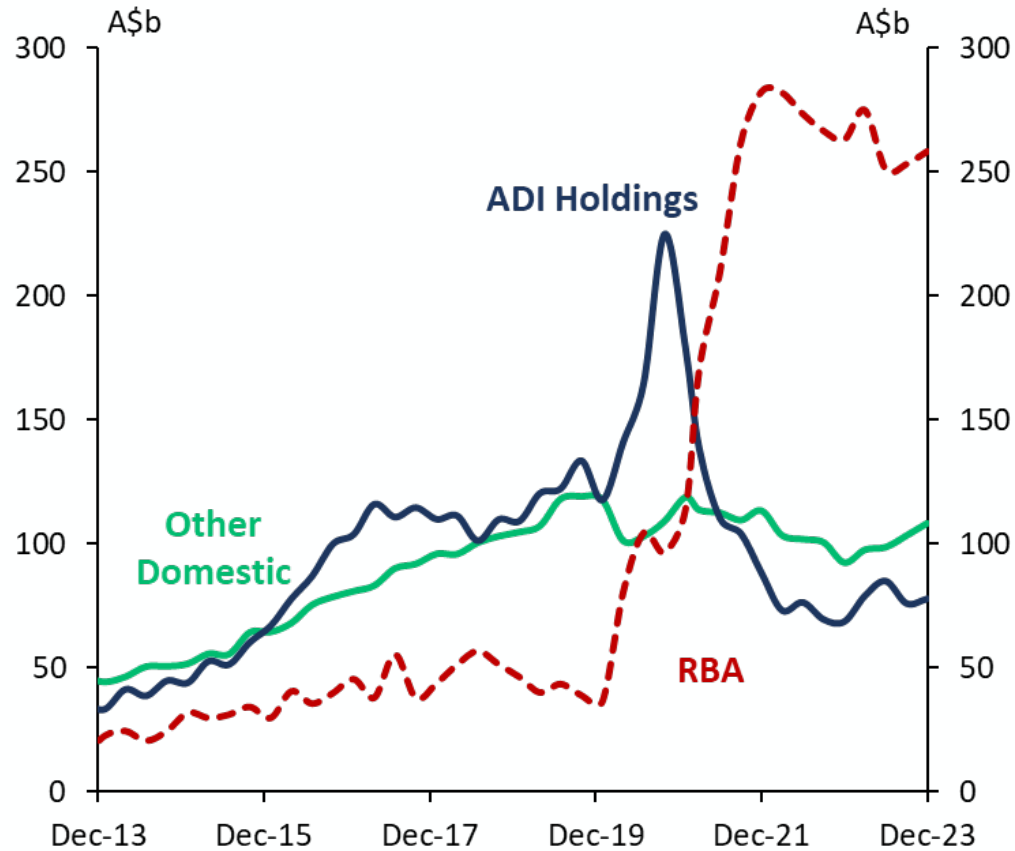
World's 100 Largest Foreign
Currency Reserve Managers

Source: AOFM, IMF

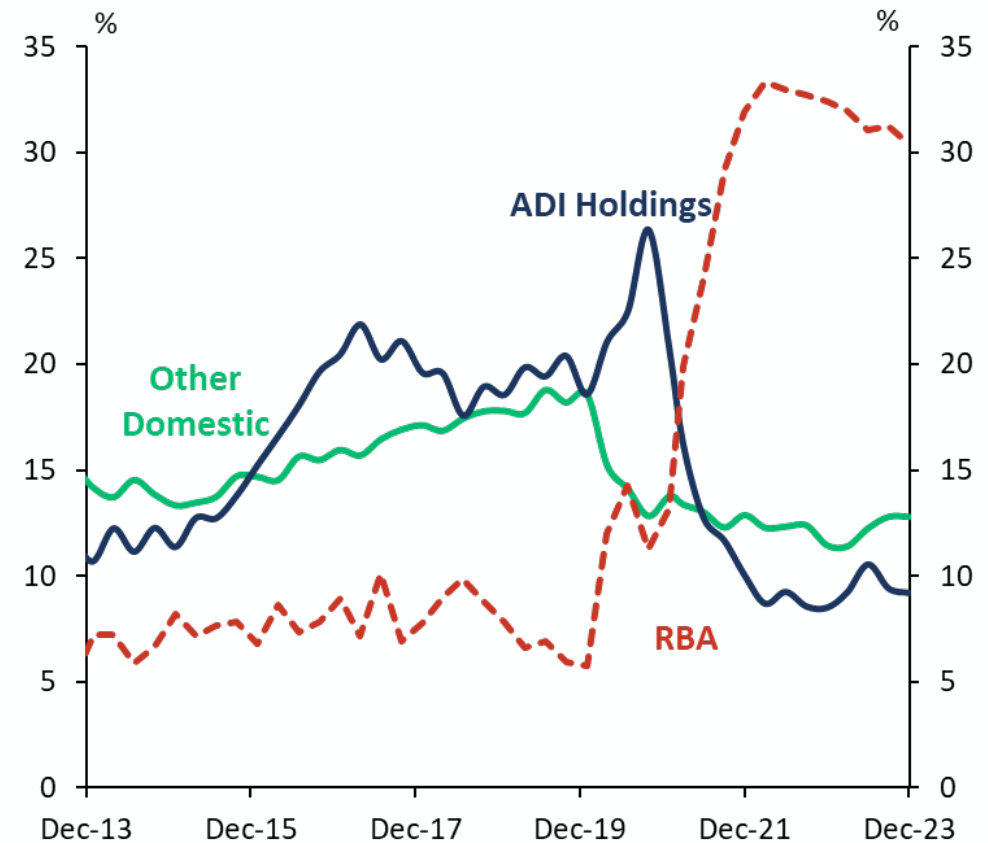
Domestic bank and non-bank holdings of AGBs

December 2013 to December 2023

Value of Holdings (market value)



Proportion of AGB Market

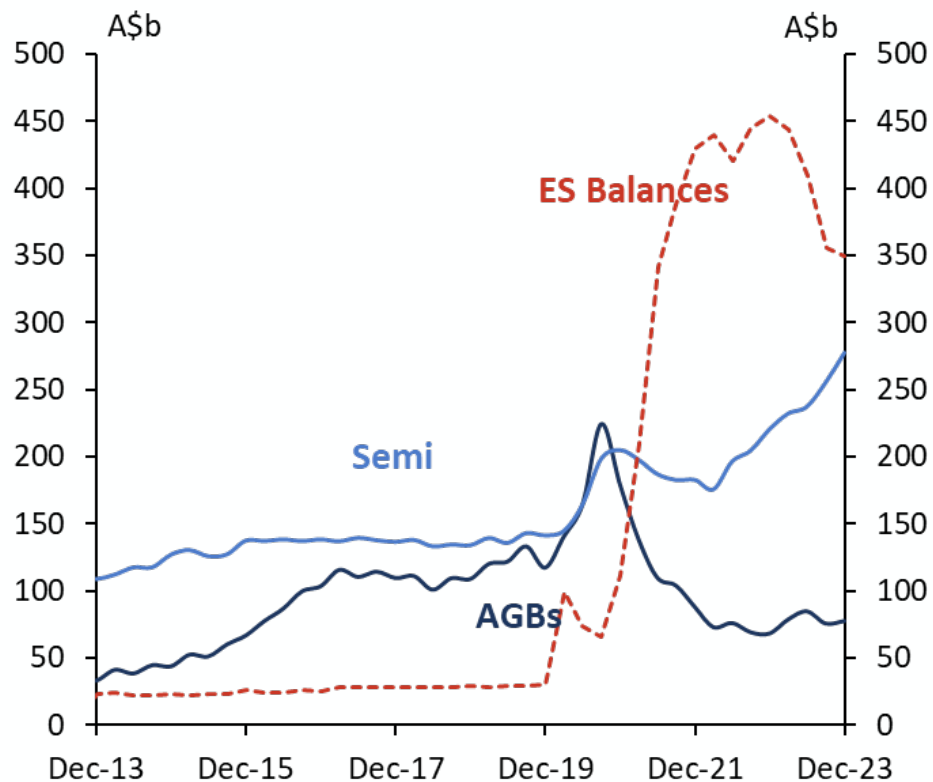


Source: ABS. Holdings are not adjusted for repurchase transactions.
AGBs are Treasury Bonds and Treasury Indexed Bonds.

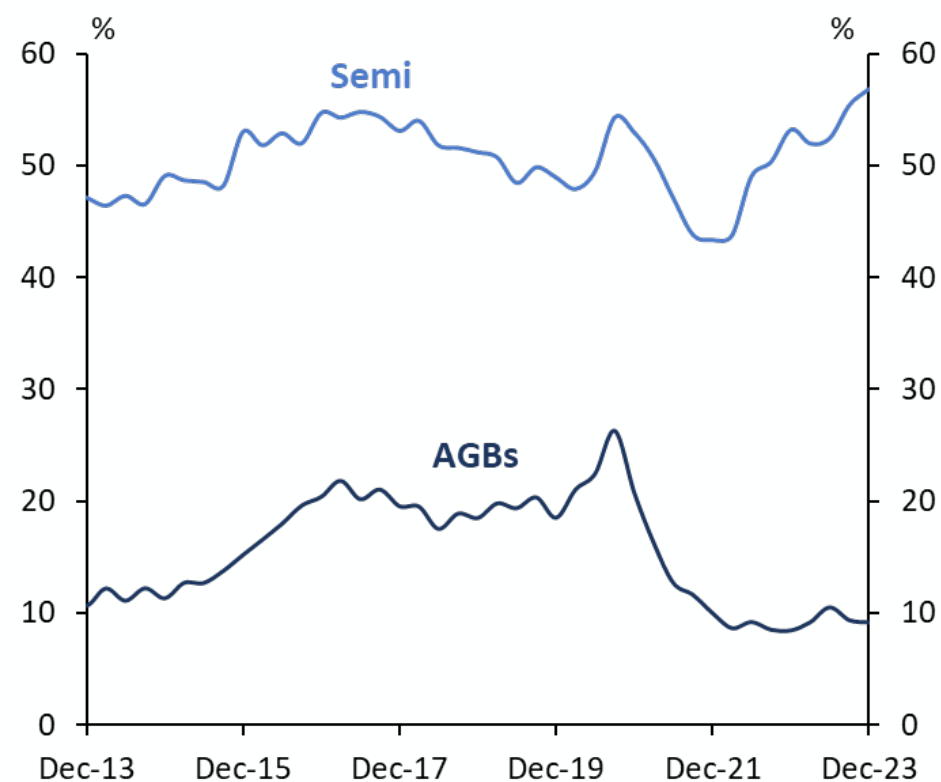
Domestic bank holdings of AGBs and semi-government bonds

December 2013 to December 2023

Value of Holdings (market value)

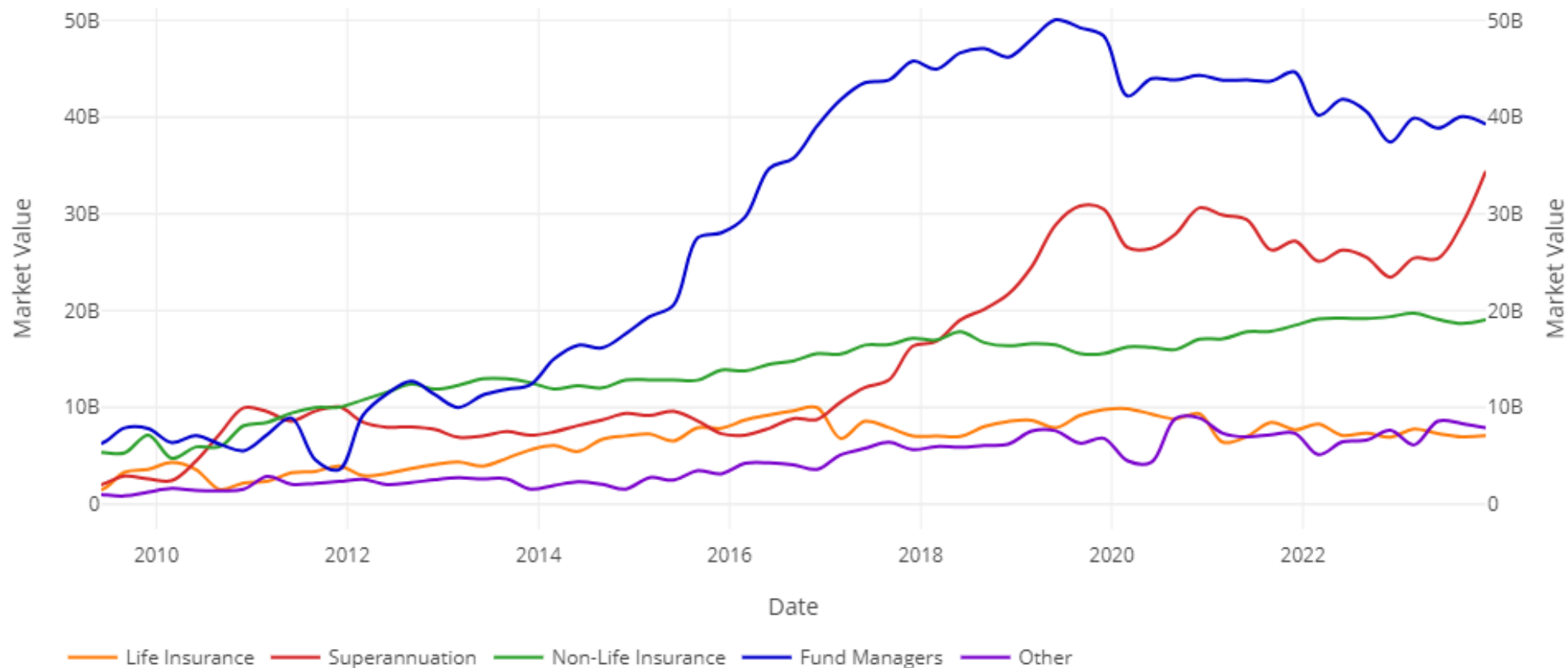


Proportion of Respective Market



Source: ABS. AGBs are Treasury Bonds and Treasury Indexed Bonds. ES Balances are exchange settlement balances held with the RBA.

Holdings of AGBs by Domestic Managed Funds



Source: ABS. AGBs are Treasury Bonds and Treasury Indexed Bonds. Updated to 31-Dec-2023.

Australian government bonds

Treasury Bonds:	Volume Outstanding (AUD)	Yield (%)	Modified Duration
0.25% 21 November 2024	41,300,000,000	4.68	0.92
3.25% 21 April 2025	41,500,000,000	4.71	1.30
0.25% 21 November 2025	39,200,000,000	4.71	1.89
4.25% 21 April 2026	39,600,000,000	4.61	2.21
0.50% 21 September 2026	39,400,000,000	4.52	2.70
4.75% 21 April 2027	37,499,566,000	4.43	3.06
2.75% 21 November 2027	32,200,000,000	4.37	3.67
2.25% 21 May 2028	32,500,000,000	4.35	4.15
2.75% 21 November 2028	35,600,000,000	4.33	4.54
3.25% 21 April 2029	37,399,786,000	4.31	4.83
2.75% 21 November 2029	35,500,000,000	4.29	5.38
2.50% 21 May 2030	37,900,000,000	4.28	5.83
1.00% 21 December 2030	39,500,000,000	4.25	6.59
1.50% 21 June 2031	38,100,000,000	4.21	6.89
1.00% 21 November 2031	41,800,000,000	4.18	7.44
1.25% 21 May 2032	39,300,000,000	4.13	7.80
1.75% 21 November 2032	29,000,000,000	4.08	8.04
3.00% 21 November 2033	26,700,000,000	4.04	7.54
4.50% 21 April 2033	24,100,000,000	4.01	8.38
3.75% 21 May 2034	21,200,000,000	3.98	8.48
3.50% 21 December 2034	18,600,000,000	3.96	8.80
2.75% 21 June 2035	16,250,000,000	3.96	9.44
3.75% 21 April 2037	13,800,000,000	3.96	10.23
3.25% 21 June 2039	10,300,000,000	3.99	11.54
2.75% 21 May 2041	14,600,000,000	4.01	13.10
3.00% 21 March 2047	14,200,000,000	4.13	15.38
1.75% 21 June 2051	19,600,000,000	4.23	18.85
4.75% 21 June 2054	8,000,000,000	4.15	15.88
Total:	824,649,352,000		5.3
Treasury Indexed Bonds:	Volume Outstanding (AUD)	Yield (%)	Modified Duration
3.00% 20 September 2025	6,042,498,000	1.99	1.32
0.75% 21 November 2027	7,150,000,000	1.92	3.45
2.50% 20 September 2030	7,042,347,000	1.84	5.86
0.25% 21 November 2032	4,950,000,000	1.76	8.38
2.00% 21 August 2035	6,050,000,000	1.61	10.04
1.25% 21 August 2040	5,000,000,000	1.46	14.98
1.00% 21 February 2050	4,350,000,000	1.40	22.11
Total:	40,584,845,000	Portfolio:	7.9

Source: AOFM, Refinitiv. As at 14 May 2024.

Australian Government Securities are exempt from non-resident Interest Withholding Tax.

Market Makers – Treasury Bonds

These institutions (listed alphabetically) have indicated that they make markets in Treasury Bonds.
The level of activity can vary between institutions.



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Deutsche Bank

Goldman
Sachs



HSBC

J.P.Morgan

MIZUHO

Morgan Stanley



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Australia
Bank

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Connecting Markets East & West



Capital
Markets



The Green Bond Framework

- The [Australian Government Green Bond Framework](#) and accompanying [Second Party Opinion \(SPO\)](#) report are on the [AOFM's website](#).
- The Framework has been developed with and is compliant with International Capital Market Association (ICMA) *Green Bond Principles* and is informed by the Climate Bonds Initiative's taxonomy.
- The Framework sets out the Government's key climate change and environmental policies and outlines how green bonds will be used to finance Eligible Green Expenditures. This includes:
 - the types of projects that can be financed or refinanced with green bonds
 - processes for project evaluation and selection
 - how proceeds will be managed
 - ongoing reporting on the allocation of proceeds and the impact of the projects.

The First Green Treasury Bond Issue

- The Green Treasury Bond will be issued by syndication prior to 30 June 2024.
- The bond will mature in June 2034.
- The volume of issuance will be around AUD \$7 billion.
- The bond will be issued under AOFM's standard Treasury Bond Information Memorandum.
- The AOFM undertook a roadshow ahead of the first issue of the Green Treasury Bond which included in-person and virtual meetings with investors.
- The [investor presentation](#) is available on the AOFM website.

The Green Treasury Bond Program

- There will be an ongoing program of issuance to support liquidity.
- The AOFM expects to reissue the June 2034 Green Treasury Bond by tenders in the new financial year 2024-25.
- Green Treasury Bonds will be RBA repo eligible securities.
- The AOFM plans to introduce other maturities over time.
- It is expected that the bonds will meet criteria to be included in international green bond indices.

Further information

Website: www.aofm.gov.au

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Parkes ACT 2600 Australia

Enquiries: InvestorRelations@aofm.gov.au

Access to benchmark yields

<https://www.rba.gov.au/statistics/tables/>

Market data and live yields

Bloomberg:

"AOFM Go" (*Homepage*)

"ACGB Govt Go" (*TBs and TIBs*)

"ACTB Govt Go" (*TNs*)

Refinitiv:

"AOFMINDEX" (*Homepage*)

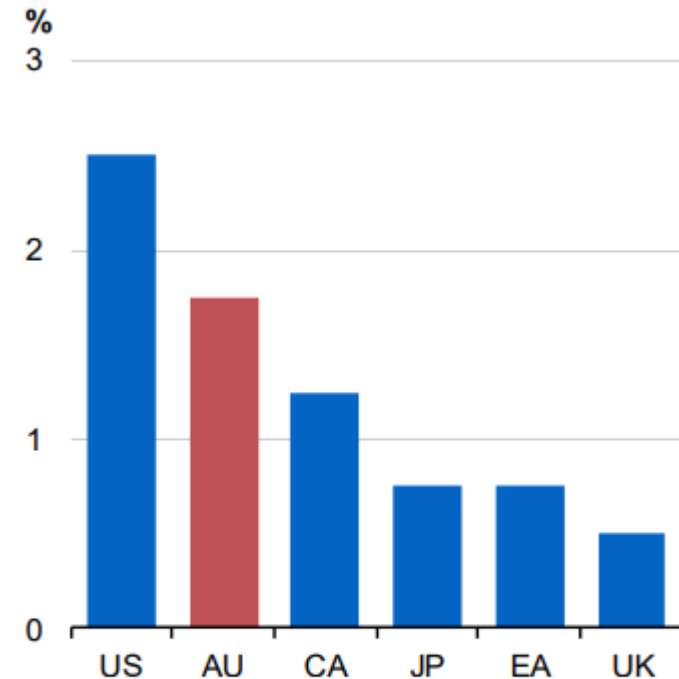
"Yieldbroker" (*AGS yields*)

Economic outlook

Economic parameter forecasts

	Outcome	Forecasts				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Real GDP (% change)	3.1	1.75	2	2.25	2.5	2.75
Employment (% change)	3.5	2.25	0.75	1.25	1.75	1.75
Unemployment rate (%)	3.6	4	4.5	4.5	4.5	4.25
Consumer price index (% change)	6.0	3.5	2.75	2.75	2.5	2.5
Wage price index (% change)	3.7	4	3.25	3.25	3.5	3.5
Nominal GDP (% change)	9.9	4.75	2.75	4	5.25	5.25
Gross debt (% of GDP)	34.7	33.7	33.9	35.1	35.2	34.9
Net Debt (% of GDP)	19.2	18.6	20.0	21.5	21.8	21.9

2024 GDP growth forecasts



Source: Treasury.

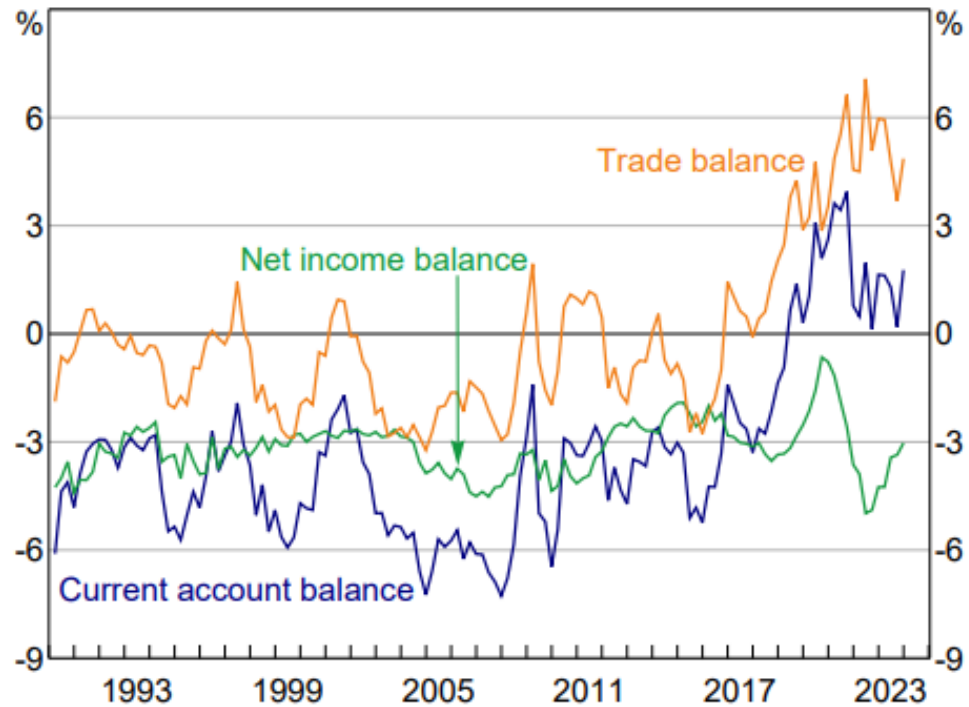
Notes: US is United States. AU is Australia. CA is Canada. JP is Japan. EA is euro area. UK is United Kingdom.

Source: Australian Bureau of Statistics, Treasury Budget 2024-25

Economic outlook

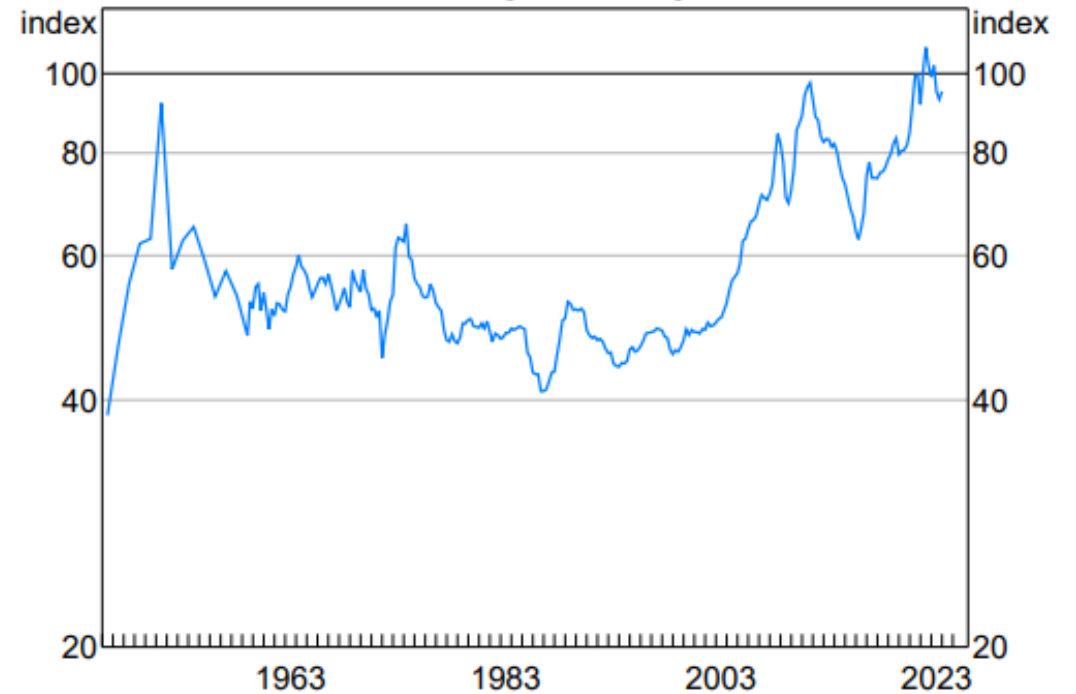
Current Account Balance

Per cent of nominal GDP



Terms of Trade*

2021/22 average = 100, log scale



* Annual data are used prior to 1960.

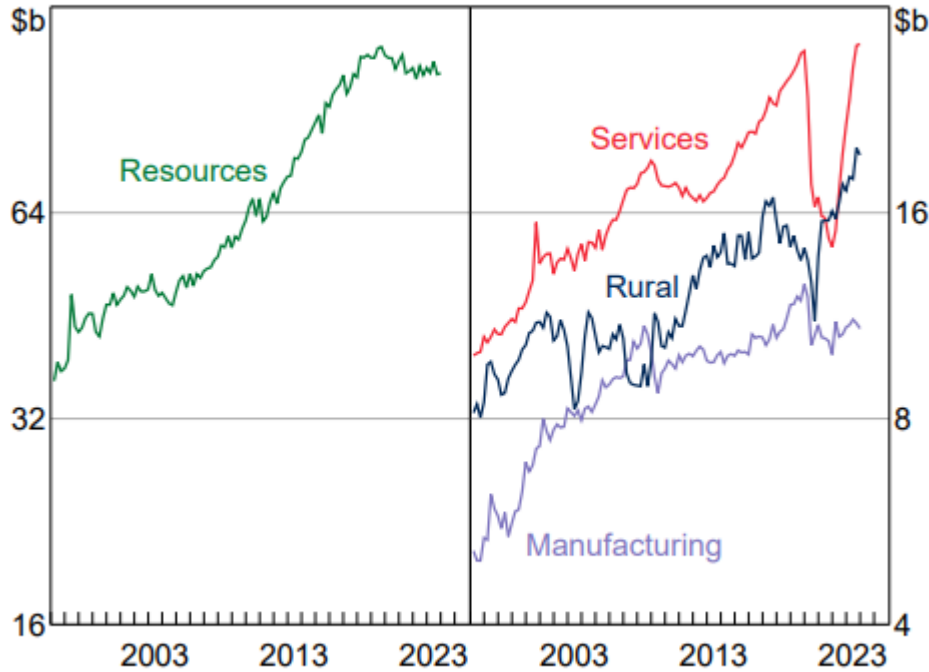
Sources: ABS; RBA.

Source: RBA, ABS

Economic outlook

Export Volumes

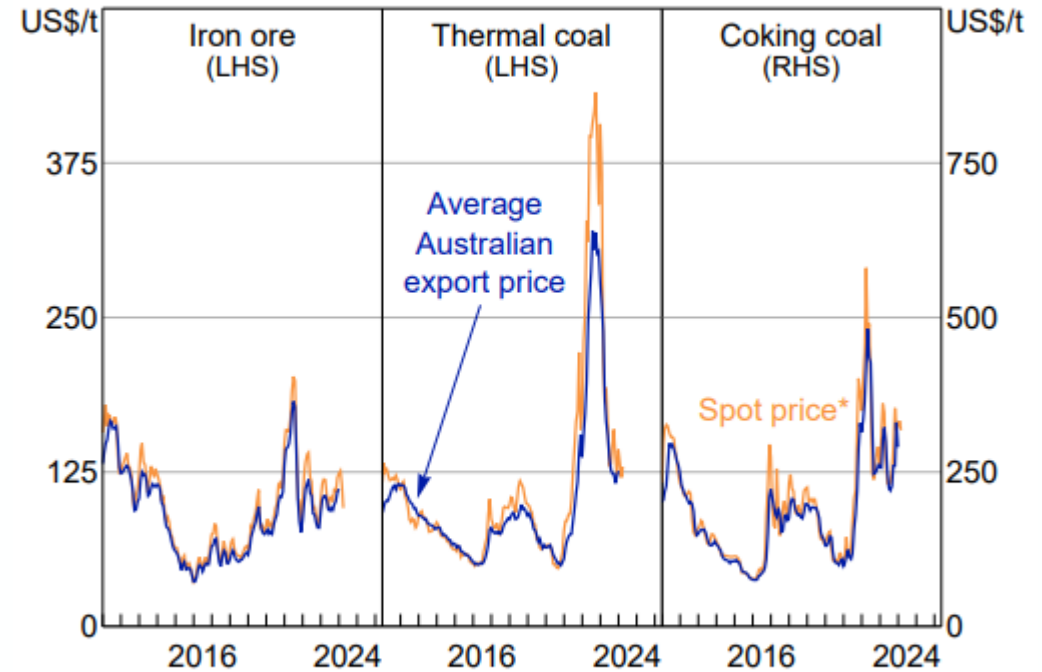
Log scale, quarterly



Sources: ABS; RBA.

Bulk Commodity Prices

Free on board basis



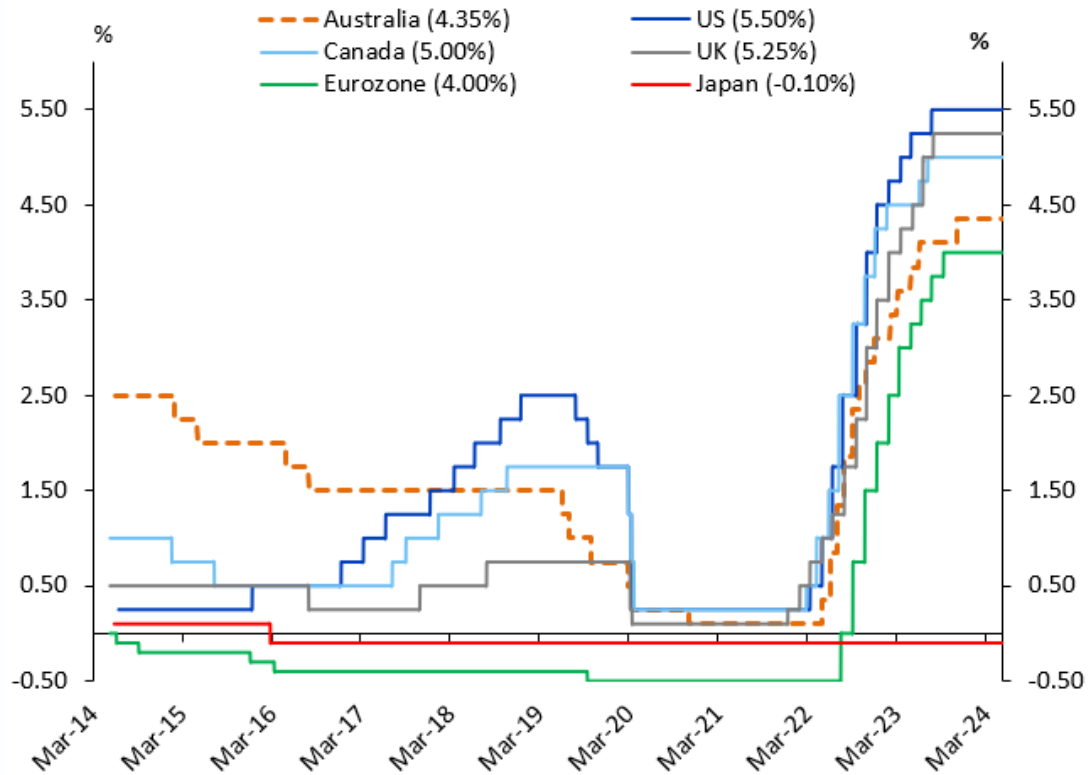
* Iron ore 62% Fe fines index; Newcastle thermal coal and premium hard coking coal.

Sources: ABS; Bloomberg; McCloskey by OPIS; RBA.

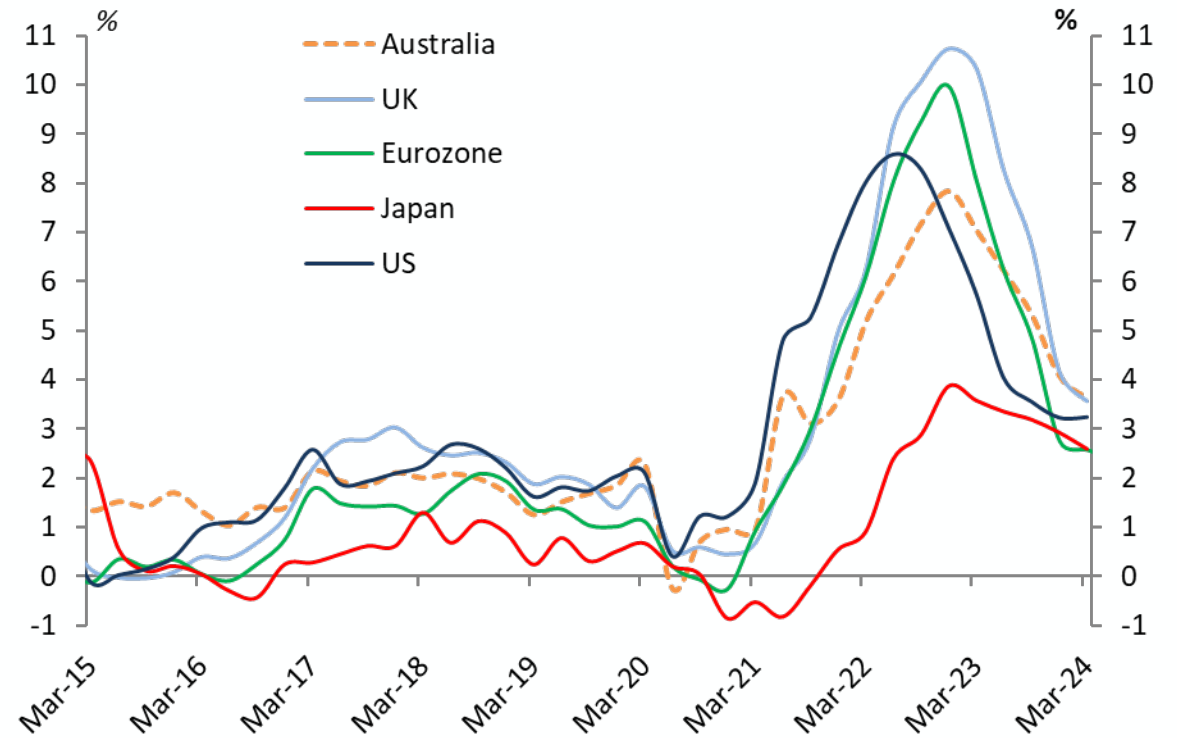
Source: RBA. Key commodities are assumed to decline from elevated levels over four quarters to the end of the March quarter 2025: the iron ore spot price is assumed to decline to **US\$60/tonne**; the metallurgical coal spot price declines to **US\$140/tonne**; the thermal coal spot price declines to **US\$70/tonne**. All bulk prices are in free-on-board (FOB) terms.

Economic outlook

Central bank policy rates



CPI global comparisons



Source: Refinitiv

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