

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates – 25–26 February 2009

**Question: aet 82**

**Topic: Bonds Held By AOFM**

**Hansard Page: E14, E15 (26 February 2009)**

**Senator BUSHBY asked:**

**Senator BUSHBY**— .... Can the AOFM tell me what percentage of the bonds that they are issuing are held in what categories? Do you have shorter term ones and longer term ones? I am also interested in knowing—and you may have to take this on notice—what percentage of the bonds that are issued are actually bought by Australians and what percentage are bought by people or institutions overseas. If we could have that breakdown that would be very useful. What does the AOFM consider are the risks to the credit rating of the Commonwealth from going further into debt? I know we are in a fairly low-debt situation at this point, but we are looking at going up to \$200 billion and at the same time we have also got the bank guarantee, which I imagine is something that ratings agencies would have a pretty close look at as well. What do you think is the risk to our credit rating in the next couple of years?

**Mr Hyden**—Shall I will take those questions in order?

**Senator BUSHBY**—I would like to hear your opinion on the last one now, if I can, about the risk to the credit rating.

**Mr Hyden**—Just on the instruments we are using, we are basically issuing into the existing lines of bonds that we have and they are spread over the curve from just over zero up to 13 years. At present the volume of those bonds on issue is fairly even. We filled each up to five billion and some, since we have been doing additional issuance, have gone up to six billion or so, but it is relatively even. In terms of the issuance going forward, we will judge which lines to issue into very much in terms of our assessment from week to week as to where the demand is greatest.

**Senator BUSHBY**—That would make sense. I am interested in how that has panned out. If you can give me some details on how it currently exists, then we can compare that in future estimates with trends as you experience changes in demand. I am quite happy for that to be taken on notice, but I am interested in your view on credit ratings and the risk to Australia's credit rating. In that context, could you also inform the committee when our credit rating was last downgraded and then last upgraded?

...

**Senator Sherry**—Chair, I will just clarify a question that Senator Bushby put. In terms of the breakdown between domestic Australian bond uptake and overseas—if it is possible; I do not know—do you want a breakdown by country?

**Senator BUSHBY**—If that is possible, that would be great. My main interest was how much it was going to be. By country would be a bit more useful.

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Additional Estimates – 25–26 February 2009

#### Answers:

#### What is the maturity structure of Australian Government bonds being issued?

The bonds currently being issued by the AOFM are fixed coupon Treasury bonds. There are ten lines of these bonds, with the following maturities, issuance volumes so far this financial year and amounts on issue at end March 2009:

<b>Maturity date</b>	<b>Issuance July 2008 – March 2009 Face value \$ billion</b>	<b>Stock on issue at 31 March 2009 Face value \$ billion</b>
15 September 2009	0.3	6.009
15 August 2010	1.201	6.2025
15 June 2011	1.902	7.6987
15 April 2012	1.349	6.352
15 May 2013	2.299	7.0994
15 June 2014	4.401	4.401
15 April 2015	1.65	6.648
15 February 2017	1.353	6.348
15 March 2019	0.6	5.5965
15 May 2021	2.6	5.601

#### What percentage of Australian Government bonds are bought by Australians and what percentage are bought by overseas investors? If possible provide a breakdown by country.

- The Australian Bureau of Statistics (ABS) undertakes a survey each quarter to estimate the amount of Commonwealth Government Securities held by non-residents. This survey is undertaken in order to estimate Australia's International Investment Position. Data concerning the amount of Commonwealth Government Securities held by non-residents is published in ABS Catalogue 5302.0, Table 30.
- The latest available data is for end-December 2008. Based on this data, the percentage of Commonwealth Government Securities held by non-residents at end-December 2008 is estimated to be approximately 68 per cent. The balance (32 per cent) was held by Australian residents.
- Data providing a breakdown of non-resident investor holdings of Commonwealth Government Securities by country is not available.

#### When was Australia's credit rating last downgraded and then last upgraded?

- Australia's long-term foreign currency debt rating was last **downgraded** on 24 October 1989. This was a downgrade from AA+ to AA by Standard & Poor's.

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Additional Estimates – 25–26 February 2009

- Australia's long-term foreign currency debt rating was last **upgraded** on 17 February 2003. This was an upgrade from AA+ to AAA by Standard & Poor's.

#### **What is the risk to Australia's credit rating?**

- The risk of downgrade is regarded as low. The Australian Government has a low ratio of debt to GDP, both in absolute terms and relative to other developed countries. This will remain the case with the volume of debt issuance now in prospect. The financial system is strong and the likelihood that contingent liabilities from guarantees to financial institutions will be realised is small.
- The ratings agencies have indicated to Treasury that they do not have any ratings concerns in relation to the fiscal projections published in the Updated Economic and Fiscal Outlook (UEFO). The ratings agencies have also recently noted that Australia has a resilient economy and a strong fiscal adjustment capacity.