TE TAI ŌHANGA
THE TREASURY

# Half Year Economic and Fiscal Update 2024

17 December 2024

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## An introduction to the *Half Year Economic and Fiscal Update*

As the government's lead economic and financial adviser, the Public Finance Act 1989 requires the Treasury to produce a range of stewardship documents:

- Some as part of an annual cycle: twice-yearly Economic and Fiscal Updates, and monthly and annual Financial Statements of the Government.
- Some are every three or four years: Pre-election Economic and Fiscal Update, Long-term Fiscal Statement, Investment Statement, Wellbeing Report, as well as the Long-term Insights Briefing required by the Public Service Act 2020.

The *Half Year Economic and Fiscal Update* is part of the annual cycle of stewardship documents. This update primarily outlines what the Treasury observes in our current economic climate and what we might see in the future. Our observations of the economy, alongside the Government's fiscal policy decisions are used to inform our view on the Government's financial performance and financial position over the current year and next four years (our forecast period). We also consider the risks we may face that could alter the economic and fiscal outlook over the forecast period.

This gives an indication of what the economy and the Government's fiscal outlook is most likely to do for accountability purposes and inform decision-making.



Internet

The URL for this document on the Treasury's website at December 2024 is
https://treasury.govt.nz/publications/efu/half-year-economic-and-fiscal-update-2024

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# Statement of Responsibility

I, the Secretary to the Treasury, confirm that the Treasury has supplied the Minister of Finance with this *Half Year Economic and Fiscal Update* that:

- incorporates the fiscal and economic implications of:
  - all policy decisions with material economic or fiscal implications made by the Government before 28 November 2024, and which have been communicated to me by the Minister of Finance, and
  - all other circumstances with material economic or fiscal implications of which the Minister of Finance was aware before 28 November 2024 and which have been communicated to me by the Minister of Finance
- does not incorporate any decisions, circumstances, or statements that the Minister of Finance has determined under section 26V of the Public Finance Act 1989 should not be incorporated in this *Half Year Economic and Fiscal Update*.

The Treasury has prepared this *Half Year Economic and Fiscal Update* using its best professional judgements and on the basis of the economic and fiscal information available to it before 28 November 2024.

Iain Rennie
Secretary to the Treasury

10 December 2024

I, the Minister of Finance have communicated to the Secretary to the Treasury:

- all policy decisions with material economic or fiscal implications made by the Government before 28 November 2024, and

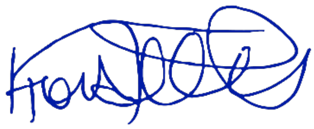
- all other circumstances with material economic or fiscal implications of which I was aware before 28 November 2024.

I accepted responsibility for:

- the integrity of the disclosures contained in this *Half Year Economic and Fiscal Update*

- the consistency of the information in this *Half Year Economic and Fiscal Update* with the requirements of Part 2 of the Public Finance Act 1989, and

- the omission from this *Half Year Economic and Fiscal Update* of any decision, circumstance or statement under section 26V of the Public Finance Act 1989.



Hon Nicola Willis
Minister of Finance

10 December 2024

# Executive Summary

***Economic recovery is expected from early 2025…***

The economic weakness of the past two years has persisted longer than anticipated. Economic growth starts to pick up in the first half of 2025, and real GDP is expected to grow 0.5% in 2024/25. Economic growth accelerates to 3.3% in 2025/26, supported by lower interest rates. The pace of the recovery is limited by the economy's supply capacity, with weakness in labour productivity expected to continue. As a result, growth slows to 2.4% in 2028/29.

***…and fiscal deficits are expected to decline over the forecast period***

Weakness in economic activity coupled with expenditure growth contributed to past fiscal deficits and increases in government debt. The deficit increases in 2024/25 as expenses continue to grow but tax revenue is flat. The Government's new headline fiscal indicator, the operating balance before gains and losses excluding Accident Compensation Corporation (ACC) revenue and expenses (OBEGALx) widens to a deficit of $12.9 billion, and net core Crown debt rises to $192.8 billion by the end of 2024/25. The box on page 36 of the Fiscal Outlook chapter discusses the new OBEGALx indicator.

The headline fiscal indicator moves into surplus in 2028/29 underpinned by the Government's plans to restrain future Budget operating allowances. Further impetus is provided as stronger economic activity flows through to higher tax revenue. The fiscal deficits and capital investment translate into an accumulated cash shortfall of around $57 billion over the forecast period. By the end of the forecasts, a growing economy and declining deficits results in net core Crown debt-to-GDP that is close to its 2024/25 ratio.

***Table 1*** – Key economic and fiscal indicators

| **Year ending 30 June** | **2024 Actual** | **2025 Forecast** | **2026 Forecast** | **2027 Forecast** | **2028 Forecast** | **2029 Forecast** |
|---|---|---|---|---|---|---|
| Real production GDP (annual average % change) | -0.2 | 0.5 | 3.3 | 2.9 | 2.6 | 2.4 |
| Unemployment rate (June quarter) | 4.6 | 5.4 | 4.8 | 4.5 | 4.3 | 4.3 |
| CPI inflation (annual % change) | 3.3 | 1.8 | 2.1 | 2.0 | 2.0 | 2.0 |
| Current account (annual, % of GDP) | -6.7 | -5.1 | -4.2 | -3.9 | -3.7 | -3.4 |
| OBEGALx ($billions) | (8.8) | (12.9) | (10.5) | (4.4) | (0.3) | 1.9 |
| *as a percentage of GDP* | *(2.1)* | *(3.0)* | *(2.3)* | *(0.9)* | *(0.1)* | *0.4* |
| Net core Crown debt ($billions) | 175.5 | 192.8 | 202.9 | 220.0 | 228.6 | 234.1 |
| *as a percentage of GDP* | *42.4* | *45.1* | *45.1* | *46.5* | *46.1* | *45.2* |

Sources: Stats NZ, the Treasury

***Inflation has eased and lower interest rates will support a pick up in activity…***

High inflation and high interest rates have stretched household budgets, reduced activity in the housing market and lowered business investment. Weakness in activity over the past two years has opened up some spare capacity in the economy, which is evident in higher unemployment and lower inflation.

With inflation returning to the target range, the Reserve Bank has eased its restrictive policy settings and expects to ease further next year. From early 2025, the reduction in interest rates supports an increase in household consumption and a recovery in house prices and residential investment. Exports are also a key contributor to growth in 2025/26.

***…but productivity growth is likely to remain low***

The recovery in economic activity is constrained by sluggish growth in labour productivity. The Treasury has revised down its productivity forecasts over the past year. Further evidence that the weak pre-pandemic trend has continued has led to another downward adjustment (the box on page 14 provides more detail). As a result, real GDP recovers more slowly and the economy is smaller than previously forecast.

***The fiscal position begins to recover in 2025/26…***

Fiscal deficits narrow from 2025/26, with a return to surplus forecast in 2028/29. By the end of the forecast period net core Crown debt falls to 45.2% of GDP. Growth in core Crown expenses slows in 2025/26 led by Government decisions to constrain Budget operating allowances. As a share of GDP, core Crown expenses decline from 33.9% in 2025/26 to 31.5% at the end of the forecast period. Meanwhile, rising activity lifts household incomes and business profits driving growth in tax revenue.

***…but at a slower pace than previously expected***

A slower recovery in labour productivity compared with the *Budget Economic and Fiscal Update 2024* (*Budget Update*) contributes to nominal GDP that is nearly $20 billion (or 1.1%) lower over the period to 2027/28, which flows through to a smaller tax base. Weaker outturns for some tax types, especially GST, source deductions and business income tax add to the change in the tax outlook. Overall, core Crown tax revenue is cumulatively $13 billion lower than previously forecast.

Compared with the *Budget Update*, core Crown expenses are $1.4 billion higher per year on average. The weaker economic outlook initially increases benefit expenses, particularly jobseeker support. Upward revisions to school roll projections drive higher education spending while higher core Crown debt adds to finance costs. In addition, Crown entity (excluding ACC) deficits are higher in 2024/25, largely owing to higher expenses in Health New Zealand.

These changes delay the return to OBEGALx surplus by two years compared to the *Budget Update*. Adding in the revenue and expenses of ACC, OBEGAL is now forecast to remain in deficit throughout the forecast period. The larger deficits flow through to net core Crown debt of 46.1% of GDP in 2027/28, up from 41.8% previously.

***There are risks on both sides of the outlook***

Risks to the economic and fiscal forecasts are broadly balanced, but the range of uncertainty around the main forecast is wide. Developments in labour productivity are a major source of uncertainty. To illustrate the uncertainty two scenarios for productivity growth are presented. In the upside scenario, productivity growth is stronger and there is more economic activity. Core Crown revenue is $8.5 billion higher over the forecast period, which leads to OBEGALx surpluses from 2027/28. In contrast, productivity growth is weaker in the downside scenario, the economy is smaller, deficits are larger and debt is higher.

The global outlook remains highly uncertain. Increasing trade protection and geopolitical conflicts could intensify and disrupt supply chains, raise inflation, and negatively impact growth. Potential impacts of higher trade barriers on the New Zealand economy are discussed in the box on page 17.

**Finalisation dates for the *Half Year Economic and Fiscal Update***

Economic forecasts – 8 November 2024

Tax revenue forecasts – 15 November 2024

Fiscal forecasts – 27 November 2024

Statement of specific fiscal risks – 27 November 2024

Text finalised – 10 December 2024

# 1

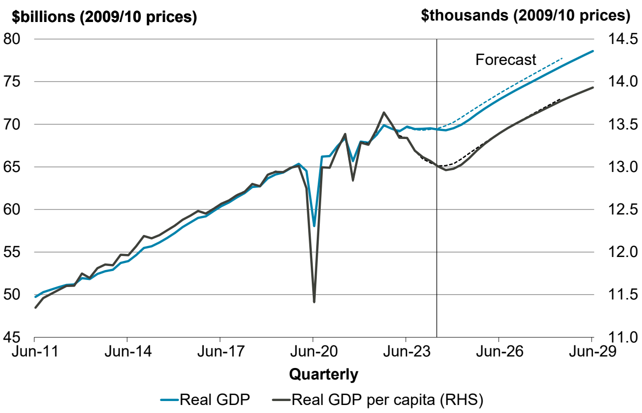
# Economic Outlook

The New Zealand economy is experiencing a prolonged period of flat activity.[1] The Treasury now forecasts this downturn to be deeper and the recovery to occur slightly later compared with the *Budget Update*.

Economic activity is expected to be subdued for the second half of 2024 before recovering more substantively throughout 2025. Real GDP is expected to have contracted 0.1% in the September 2024 quarter and is forecast to show modest growth from the December 2024 quarter as lower interest rates begin working through the economy. Exports are expected to be a key contributor to GDP growth in the June 2025 year, which reaches 0.5%, as services exports continues to recover post-COVID-19. As inflation stabilises around 2% from early 2025, further reduction in interest rates supports a recovery in house prices and residential construction.

The unemployment rate is expected to peak at 5.4% in the June 2025 quarter, slightly later than forecast at the *Budget Update*. This reflects additional labour market data and recent discussions the Treasury has had with businesses that suggests firms are preferring to hold onto staff and opting for lower wage increases and reduced overtime. Further, the unemployment rate has increased at a slower rate than previously expected due to a reduced labour force size. While there are a variety of reasons people exit the labour market, net migration has slowed faster than expected as increasing numbers of New Zealanders leave for overseas.

***Figure 1.1*** – Real production GDP




Note: Dotted lines represent *Budget Update* forecasts.

Sources: Stats NZ, the Treasury

Slower labour productivity growth relative to the *Budget Update* is a key driver of lower real GDP over the forecast period, and the main driver of weaker underlying or potential growth. The Treasury has been revising down its productivity forecasts in successive economic updates as new information becomes available, with potential output a further 1% lower than forecast in the *Budget Update* in the year to June 2028.

1 These economic forecasts were based on economic data up until 8 November. When the September quarter GDP is released on 19 December it will incorporate revisions to historical GDP data that will change the level of GDP. The interpretation of these changes will be included in the Treasury's *Budget Update*. The recent developments and implications for the forecasts section offer a fuller explanation.

The impact of successive changes to productivity growth has contributed to lower forecasts for nominal GDP and tax revenue, independent of government policy. Relative to the *Budget Update*, the forecast for nominal GDP is a cumulative $19.8 billion lower between the 2025 and 2028 June years. The difference widens over the forecast period, reflecting the compounding nature of lower underlying productivity growth, with nominal GDP in the June 2028 year forecast to be $7.1 billion lower than in the *Budget Update*. A smaller nominal economy reduces the tax base and is a key factor in lower forecasts of tax revenue. Core Crown tax revenue is cumulatively $13 billion (0.7% of nominal GDP) lower across the forecast period to 2027/28 compared to the *Budget Update* (see the Fiscal Outlook chapter for more detail).

***Table 1.1*** – Economic forecasts

| **Year ending June<br>Annual average % change** | **2024<br>Actual** | **2025<br>Forecast** | **2026<br>Forecast** | **2027<br>Forecast** | **2028<br>Forecast** | **2029<br>Forecast** |
|---|---|---|---|---|---|---|
| Private consumption | 0.2 | 0.2 | 1.7 | 2.6 | 2.5 | 2.4 |
| Public consumption | -0.2 | -0.2 | 0.5 | -0.2 | 0.2 | 0.6 |
| **Total consumption** | **0.1** | **0.1** | **1.4** | **1.9** | **1.9** | **2.0** |
| Residential investment | -5.7 | -8.4 | 7.1 | 5.9 | 3.9 | 3.0 |
| Business investment[1] | -3.1 | -3.2 | 4.5 | 5.1 | 3.2 | 2.4 |
| **Total investment** | **-3.7** | **-4.4** | **5.0** | **5.3** | **3.4** | **2.6** |
| Stock change[2] | -0.5 | 0.8 | 0.3 | 0.0 | 0.0 | 0.0 |
| **Gross national expenditure** | **-1.3** | **0.5** | **2.2** | **2.7** | **2.3** | **2.1** |
| Exports | 4.9 | 3.2 | 4.4 | 2.5 | 2.3 | 2.3 |
| Imports | -1.2 | -1.0 | 2.1 | 2.0 | 1.6 | 1.5 |
| **GDP (expenditure measure)** | **0.2** | **0.9** | **3.2** | **2.9** | **2.5** | **2.3** |
| **GDP (production measure)** | **-0.2** | **0.5** | **3.3** | **2.9** | **2.6** | **2.4** |
| Real GDP per capita | -2.7 | -0.6 | 2.2 | 1.7 | 1.4 | 1.2 |
| Nominal GDP (expenditure measure) | 4.7 | 3.4 | 5.4 | 5.0 | 4.7 | 4.5 |
| GDP deflator | 4.4 | 2.4 | 2.2 | 2.1 | 2.1 | 2.1 |
| Potential GDP | 2.1 | 2.0 | 2.1 | 2.2 | 2.2 | 2.2 |
| Output gap (% of potential, June quarter)[3] | -1.6 | -2.0 | -0.8 | -0.3 | -0.1 | 0.0 |
| Employment | 1.8 | -0.4 | 1.7 | 2.2 | 1.8 | 1.6 |
| Unemployment rate[4] | 4.6 | 5.4 | 4.8 | 4.5 | 4.3 | 4.3 |
| Participation rate[5] | 71.7 | 71.3 | 71.6 | 71.9 | 72.0 | 72.1 |
| Hourly wages (annual % change)[6] | 5.0 | 2.9 | 2.9 | 3.0 | 2.9 | 2.8 |
| CPI inflation (annual % change) | 3.3 | 1.8 | 2.1 | 2.0 | 2.0 | 2.0 |
| Terms of trade (goods)[7] | -3.1 | 5.3 | 0.1 | 0.0 | 0.0 | -0.1 |
| House prices (annual % change)[8] | 1.6 | -0.1 | 5.3 | 5.8 | 5.1 | 4.3 |
| Current account balance (annual) | | | | | | |
| $billions | -27.9 | -22.0 | -18.9 | -18.6 | -18.3 | -17.8 |
| % of GDP | -6.7 | -5.1 | -4.2 | -3.9 | -3.7 | -3.4 |
| Net international investment position (% of GDP) | -49.7 | -53.2 | -54.6 | -56.0 | -57.1 | -58.1 |
| Exchange rate (TWI)[9] | 71.4 | 69.7 | 69.6 | 69.6 | 69.5 | 69.5 |
| 90-day bank bill rate[10] | 5.6 | 3.6 | 3.0 | 2.9 | 2.9 | 2.9 |
| 10-year bond rate[10] | 4.7 | 4.4 | 4.2 | 4.1 | 4.0 | 4.0 |
| Population growth | 2.6 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 |
| Net migration (4-quarter sum, 000s) | 72.9 | 28.7 | 36.5 | 39.2 | 39.8 | 40.0 |

Notes:
1 Business investment is non-residential public and private investment.
2 Contribution to GDP growth.
3 Percentage difference between actual real GDP and potential real GDP.
4 Percent of the labour force, June quarter, seasonally adjusted.
5 Percent of working-age population, June quarter, seasonally adjusted.
6 Quarterly Employment Survey (QES), average ordinary time hourly earnings.
7 System of National Accounts.
8 CoreLogic Quarterly House Price Index.
9 Trade-weighted index (TWI), average for the June quarter.
10 Average for the June quarter.

## Recent developments and implications for the forecasts

The economic forecasts were finalised on 8 November with tax forecasts on 15 November. Since the forecasts were finalised, there have been several potentially significant events and data developments.

### *November Monetary Policy Statement*

The Reserve Bank published its November Monetary Policy Statement on 27 November. The Reserve Bank's Monetary Policy Committee lowered the Official Cash Rate by 50 basis points to 4.25%. This move was widely anticipated and in line with our expectation.

### *Release of annual GDP data and forthcoming revisions*

Stats NZ released annual nominal GDP data through to the year ended March 2023 on 15 November. GDP data is available on both a quarterly and annual basis. Quarterly GDP is timelier, but based on less complete information, while annual data is produced with longer lags but is based on more comprehensive information. As new annual data becomes available, previous quarterly data are revised. Relative to quarterly data used in the *Half Year Update*-forecasts, annual nominal expenditure GDP was around $6 billion (or 1.5%) higher in the year to March 2023.

In addition, Stats NZ has noted that real production GDP growth for the year to March 2024 will be revised up by just over 1 percentage point with combined growth over 2023 and 2024 around 2 percentage points higher than is currently apparent in the quarterly data. These revisions will be included in the release of September 2024 GDP data on 19 December.

These revisions mean that the level of both real and nominal GDP will almost certainly be higher than forecast in the *Half Year Update* when production of the *Budget Update* 2025 forecasts begins in the new year. The impact on future growth forecasts is less clear and will be influenced by updates to the historical growth profile contained in the release of September quarter GDP data. Current GDP data shows real GDP per capita peaking in the September 2022 quarter and subsequently falling 4.6% by June 2024. When GDP data is released on 19 December it is likely that this decline will be materially smaller, just how much so will depend on the quarterly profile of the revisions. The quarterly profile will also be important in assessing the impact on key trends such as labour productivity and therefore the growth persistence of the changes.

Generally, revisions to the level of nominal GDP do not materially impact forecasts of tax revenue, provided they are fairly consistent across the forecast period. This is because while estimates of nominal GDP and therefore incomes in the economy are now higher, historical tax revenue has not changed and therefore the increase in nominal GDP is offset by lower estimates of effective tax rates eg, the ratio of tax to income.

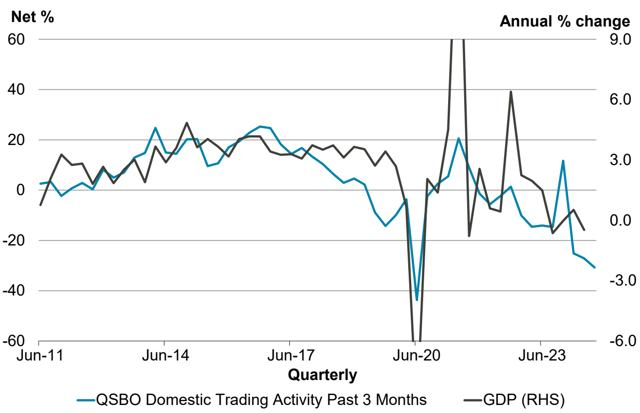
### *Near-term activity expected to be weaker compared with the Budget Update…*

The economy slowed over the first half of 2024 as higher interest rates removed excess demand to bring down inflation from a 30-year peak of 7.3% in 2022 to 2.2% in the September 2024 quarter. Higher interest rates, necessary to reduce inflation, have helped to rebalance demand and supply as the economy adjusted in the years after COVID-19. The Treasury expect that the economy reached the bottom of the current cycle in the September 2024 quarter, contracting 0.1%, and modest growth is forecast for the December quarter.

Consumer and business sentiment surveys are showing a stark contrast between optimism for the future and current conditions. While recent improvements in optimism signal a modest pickup in the near term, the Quarterly Survey of Business Opinion (QSBO) reports firms are as pessimistic about their current activity as they were during the global financial crisis.

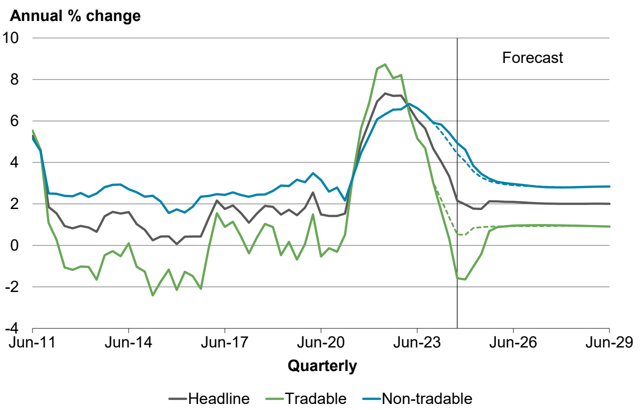
Firms have faced pressure from higher interest rates as well as higher input costs, but as demand eased firms have been limited in their ability to pass on these cost increases to households. As a consequence of easing demand, headline inflation slowed to 2.2% in the September quarter and is forecast to drop below 2% in the near term, based on recent data indicating lower tradables inflation. This has been due to weaker global demand lowering oil prices and reducing domestic petrol and diesel prices. However, non-tradables inflation has persisted mainly due to essential items and housing-related costs including rents, insurance, property rates, utilities, and other central and local government fees and charges.

***Figure 1.2*** – QSBO activity and real GDP




Sources: NZIER, Stats NZ

***Figure 1.3*** – Consumers price inflation



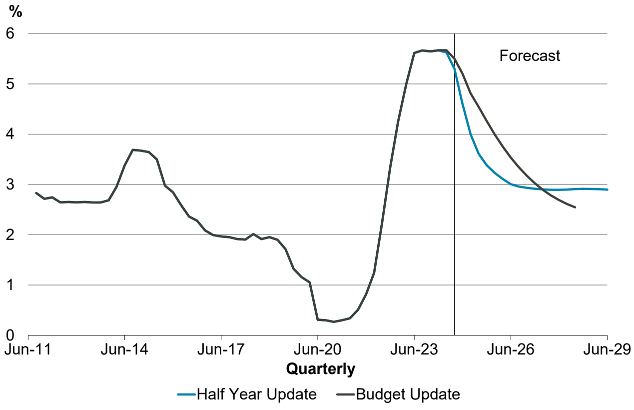

Note: Dotted lines represent *Budget Update* forecasts.

Sources: Stats NZ, the Treasury

With inflation slowing and spare capacity in the economy emerging, monetary policy has become less restrictive, with the Reserve Bank lowering the Official Cash Rate (OCR) by 125 basis points since August. Further reductions in the OCR are forecast, with 90-day interest rates expected to fall to 3.6% by June 2025. This compares with 4.5% in the *Budget Update.*

Lower interest rates will stimulate demand in time as lower debt-servicing costs for mortgage holders and borrowers in general encourage both household spending and business investment. After a modest pickup in growth to 0.5% in the June 2025 year, economic activity is expected to accelerate to 3.3% in 2026 and 2.9% in 2027.

***Figure 1.4*** – 90-day interest rate

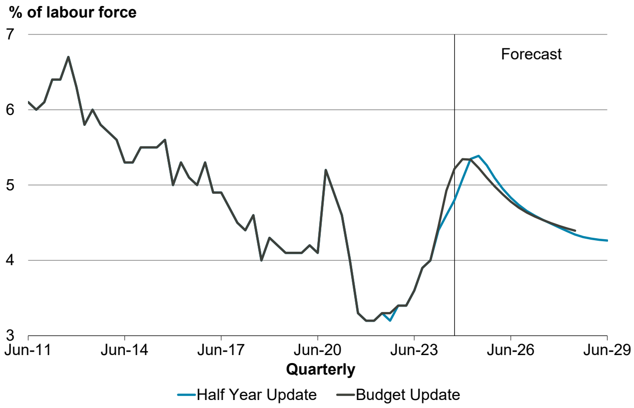



Sources: Stats NZ, the Treasury

### *Labour market undergoing rebalance of supply and demand*

The labour market is undergoing a rebalance of labour demand and supply similar to the broader economy. When the economic cycle was at its peak unemployment reached a record low of 3.2%, but the subsequent economic slowdown has seen unemployment reach 4.8%.

***Figure 1.5*** – Unemployment rate




Sources: Stats NZ, the Treasury

The labour market tends to lag developments in overall activity and is forecast to continue to soften over the first half of 2025. Wage growth eases further from 5% in the June 2024 year to 2.9% by mid-2025. Relative to the *Budget Update*, the unemployment rate reaches a later peak of 5.4% by mid-2025. This reflects additional labour market data and recent discussions the Treasury has had with businesses that suggests firms are preferring to hold onto staff and opting for lower wage increases and reduced overtime.

The unemployment rate has increased at a slower-than-expected rate largely owing to more people exiting the labour force. While people leave the labour force for a variety of reasons, the reduced size is due in part to the increasing number of New Zealanders leaving for overseas, mainly to Australia. Therefore, annual net migration is forecast to almost halve from 49,500 in September 2024 to 28,700 by June 2025 before normalising to 40,000 in the later part of the forecast horizon. Growth in the working age population is forecast to continue slowing from 3.0% at the start of 2024 to 1.6% in the March 2025 quarter.

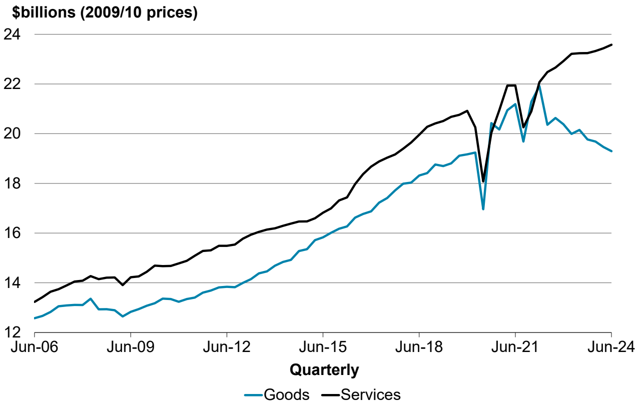
As net migration normalises towards 40,000, the capacity of the labour market to absorb this additional labour supply in the face of a slowing economy is limited. Later, as the recovery gains momentum, the unemployment rate is forecast to fall over the rest of 2025, boosting the wider economy and supporting household demand in the year to June 2026.

***In the near-term household budgets remain stretched…***

Real levels of household consumption increased this year but the contrast in spending on goods versus services since interest rates began increasing is stark (Figure 1.6). Consumption of services has been led by housing and household-related costs such as rents, property rates, and insurance which have been driven by the surge in population growth. High frequency data, consumer sentiment regarding current conditions and plans to purchase large items, and slowing net migration point to falling household consumption in the second half of 2024.

Household consumption is forecast to show modest growth of 0.2% in the year to June 2025. As the recovery gains momentum, and the unemployment rate falls and household wealth increases, household consumption growth strengthens to 1.7% in the June 2026 year. While the Reserve Bank began easing monetary policy in August, this will take time to filter through the economy as households grapple with several years of high interest rates, living costs, lower house prices, and more recently higher unemployment.

***Figure 1.6*** – Real household consumption

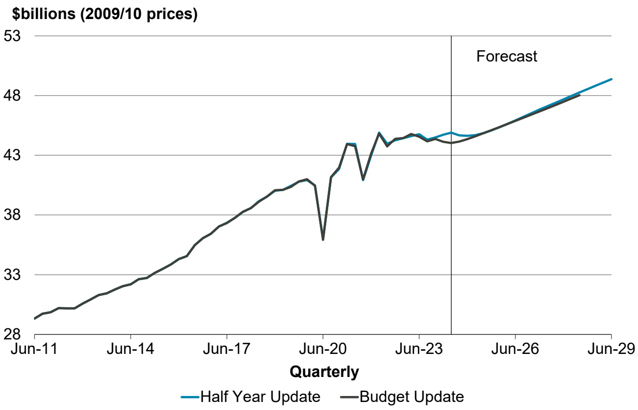



Sources: Stats NZ, the Treasury

***… amid a slowing housing market***

Lower house prices have restrained spending through lower household wealth. By the March 2023 quarter house prices had fallen 13.5% as interest rates began increasing from record lows at the end of 2021. Having shown some growth in the June 2024 year, annual house price inflation is forecast to be flat in June 2025 as net migration continues to slow and mortgage holders refinance onto lower interest rates.

***Figure 1.7*** – Real private consumption



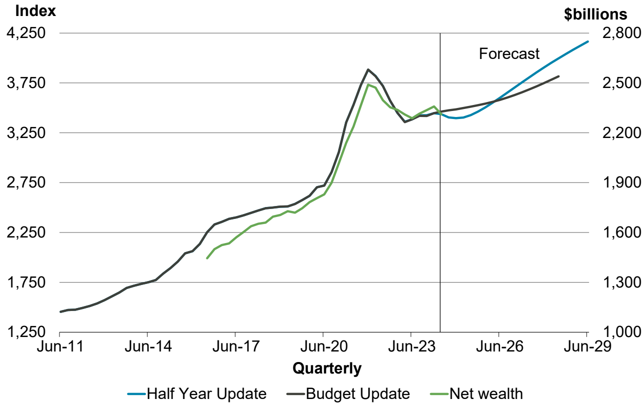

Sources: Stats NZ, the Treasury

The recovery in house prices then gains momentum from the September quarter, and between 2026 to the end of the forecast period annual house price inflation is forecast to average about 5%.

### *Private sector investment to lift as economy shows sustainable signs of recovery*

Ongoing weakness in residential building consent issuance indicates that residential investment is still falling. Residential construction activity is expected to accelerate from early-2025, with growth reaching an annual average rate of 7.1% in the June 2026 year. While easing net migration inflows and broader housing market indicators point to some ongoing softness in the near term, lower interest rates are expected to be the stronger driver (Figure 1.8).

***Figure 1.8*** – Household wealth and house prices




Sources: CoreLogic, Stats NZ, the Treasury

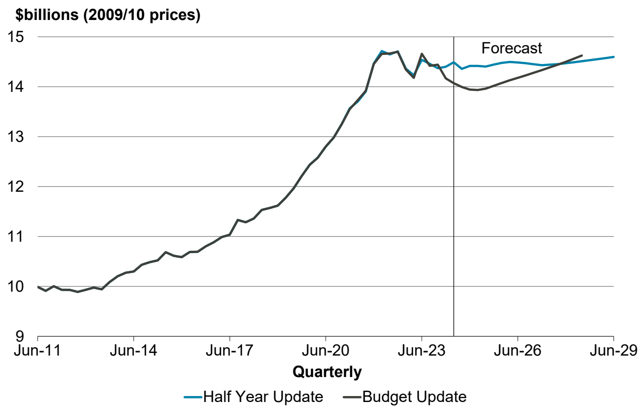
Businesses report little interest in investing as they remain cautious about the domestic trading environment and become increasingly uncertain about the global environment. Business investment is forecast to continue falling into next year, contracting by 3.2% in the June 2025 year. From then, business investment will gain momentum as profitability grows and businesses become more willing to invest.

### *Government consumption to remain relatively flat*

Government consumption has been stronger than forecast in the *Budget Update*, and is expected to remain elevated over much of the forecast period despite incorporating lower future allowances announced at *Budget 2024*, which result in slower growth in nominal government consumption. Higher fiscal expenses relating to the provision of public services forecast in the *Half Year Update* are likely to see government consumption remain above that in the *Budget Update* until later in the forecast period (see the Fiscal Outlook chapter).

Overall, both real and nominal government consumption remain above that in the *Budget Update* until later in the forecast period. Real government consumption is also supported by initially slower inflation relative to the *Budget Update*, enabling slightly higher levels of government services to be provided from a given level of nominal expenditure.

***Figure 1.9*** – Real government consumption




Sources: Stats NZ, the Treasury

***Medium term outlook characterised by weak productivity…***

Since COVID-19 economic growth has slowed and the labour force, via a surge in net migration, has expanded rapidly. This implies that growth in labour productivity has slowed. Since the *Budget Update*, further information such as ongoing weakness in real GDP indicators has added to the evidence of this slowdown in labour productivity growth, which has been reflected in the *Half Year Update*. This is a key driver of slower GDP growth over the later forecast years, which eases from a peak of 3.3% in 2025/26 to 2.4% by 2028/29 (see the box below).

## Implications of productivity on the outlook

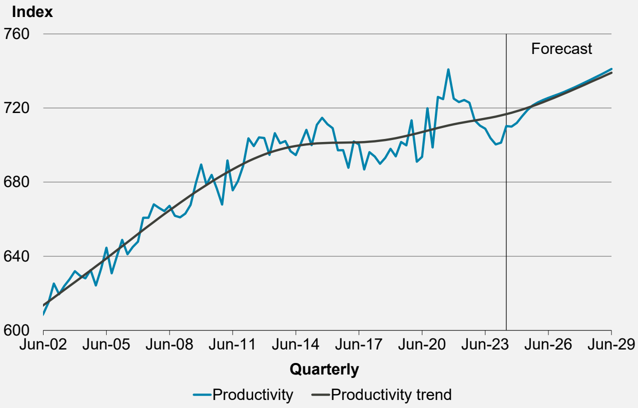
The outlook for growth is influenced by both the availability of labour and how effectively labour is used – or labour productivity, measured as output or GDP per hour worked.

There has been a slowing in labour productivity growth over recent decades. Labour productivity grew on average 1.4% per annum from 1993 to 2013 but growth slowed to around zero from 2014 until 2019.

Productivity growth accelerated sharply in the early-2020s during the COVID-19 period. The extent to which this was a temporary phenomenon or represented a more persistent pick up in the trend was unclear. The Treasury took a cautious approach in its 2022 and 2023 Budget forecasts, assuming that this burst of productivity growth was mostly temporary and forecasting a return to the rates of productivity growth that prevailed before 2014.

However, current estimates of labour productivity have fallen back almost to the pre-COVID-19 level, with average growth over the past decade now 0.2% per annum, suggesting that New Zealand is likely in a flat period that was briefly interrupted by COVID-19. As a consequence, the Treasury have revised down our forecasts for trend labour productivity in the past two forecast updates.

***Figure 1.10*** – Near-term cyclical pick-up in labour productivity

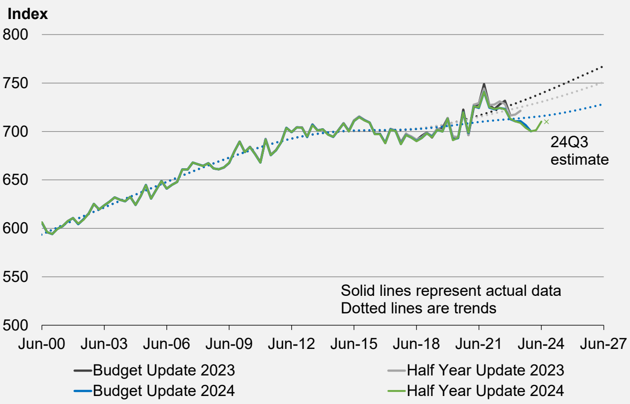



Sources: Stats NZ, the Treasury

The Treasury does expect a pickup in labour productivity, partly because productivity is negatively correlated with net migration which is slowing. However, the Treasury is forecasting slower productivity growth over time than in previous updates.

Productivity growth began slowing in most advanced countries around the same time over the 2010s and is not specific to New Zealand. In May the Treasury published a paper on the global productivity slowdown and how it is playing out in New Zealand.[2] Several factors are likely to have contributed to this slowdown including poor diffusion of innovation, weak investment, and a slowdown in international trade and connections. Based on an analysis of current trends, the paper concluded that productivity growth was most likely to remain slow over the coming years. The Reserve Bank of Australia's November monetary policy statement set out the historical downward revisions to their estimates of Australian productivity trends since 2021 after similarly placing too much weight on higher COVID-19 era productivity growth.

***Figure 1.11*** – Evolution of actual and trend labour productivity forecasts




Sources: Stats NZ, the Treasury

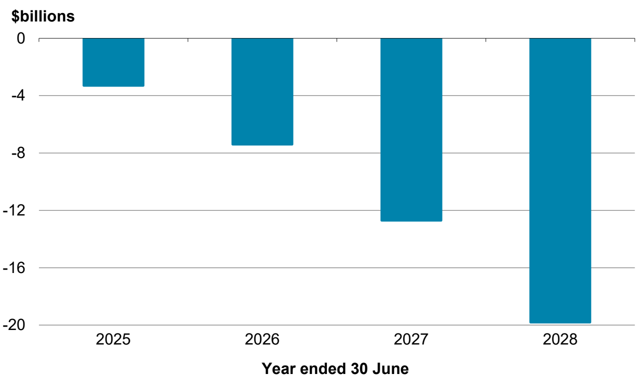
The release of September 2024 quarter GDP data in December will incorporate new annual data as well as provisional data for the March 2024 year. The GDP data released in December will provide an important starting point for the *Budget Update* 2025 forecasts and an additional data point to assess the Treasury's productivity view.

### *… reducing the size of the economy and tax base*

Weaker underlying productivity growth has brought down the level of underlying or potential output over time relative to the *Budget Update*. Across the four years to June 2028, the forecast for nominal GDP is a cumulative $19.8 billion lower than in the *Budget Update*. The difference widens over the forecast period, reflecting the compounding nature of slower underlying productivity growth, with nominal GDP in the year to June 2028 forecast to be $7.1 billion lower than in the *Budget Update*.

Slower growth in the nominal economy is a key driver of lower forecasts of tax revenue. Total core Crown tax revenue is cumulatively $13 billion (0.7% of cumulative nominal GDP) lower across the forecast period to 2028 compared to the *Budget Update*. Lower forecasts of nominal GDP account for $7.2 billion of this change, with the remainder due to lower forecast tax relative to GDP. Compared to the *Budget Update*, total tax revenue is forecast to be lower in every year of the forecast period and $4.1 billion (0.8% of nominal GDP) lower in the 2027/28 year.

***Figure 1.12*** – Nominal GDP cumulative difference between the *Half Year Update* 2024 and the *Budget Update* 2024

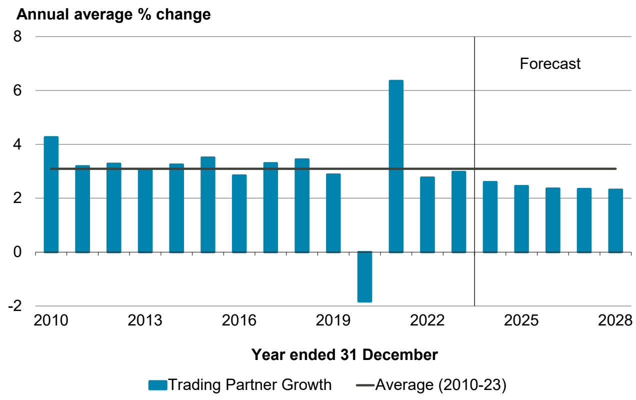



Sources: Stats NZ, the Treasury

2 https://www.treasury.govt.nz/news-and-events/news/new-treasury-paper-productivity-slowdown

### *Challenging global conditions ahead*

***Figure 1.13*** – Trading partner growth




Sources: Haver, the Treasury

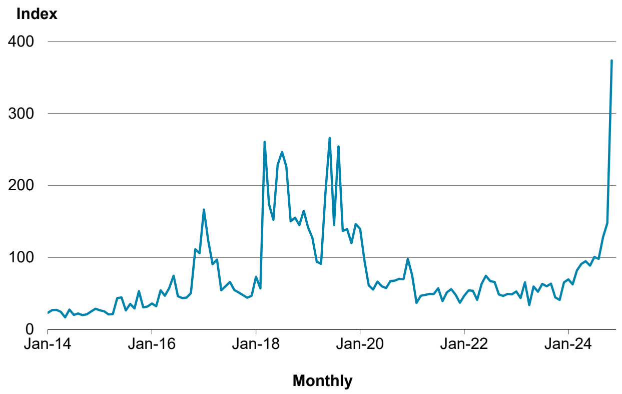
Internationally, the outlook is for a gradual slowing in trading partner growth (TPG) mostly reflecting developments in China and the United States (Figure 1.13).

In China, growth has been sluggish this year, but policy has recently become more supportive of growth and helped to mitigate some of the risks that had been building up. The economy continues to face headwinds, including ongoing adjustment in the property sector and high levels of public debt, and growth is expected to trend down over the years ahead. Growth in the United States has been resilient in 2024, and inflation is returning to its target without a substantial rise in unemployment. Monetary policy has eased but remains restrictive, and growth is expected to gradually return to trend.

The performance of the United States has been an exception, especially in productivity growth, and growth in other advanced economies has been subdued. In Australia, GDP growth has slowed, largely owing to softness in household spending, and the labour market has loosened, although unemployment remains low. Headline inflation has eased, but underlying price pressures have been slower to dissipate. Growth is expected to pick up in the year ahead and, as inflation pressures gradually subside, monetary policy will ease. In Europe, economic conditions have improved but remain challenging, especially in the industrial sector where trade frictions and geopolitical tensions are weighing on sentiment and activity. Lower policy rates will support a pickup in growth, but tighter fiscal policy will be a dampening influence.

The international outlook remains highly uncertain, with risks on both sides of the outlook. Heightened geopolitical tensions and potentially large changes to global trade policy and fiscal policies could have substantial effects on the New Zealand economy should they eventuate.

***Figure 1.14*** – Trade policy uncertainty




Sources: Matteo Iacoviello/Haver

An escalation in regional conflicts could disrupt global energy markets and cause prices to rise sharply. This would be likely to increase global inflation and slow global growth. Global shipping costs could rise and supply shortages could raise production costs in the New Zealand economy and add to inflation.

The prospect of increased trade protection in the world's largest economies is adding to uncertainty. Policies to protect domestic industries and enhance national security are becoming more prevalent, which is putting downward pressure on demand in exporting countries. There is also uncertainty around the degree of stimulus from fiscal policy. In particular, policy support in the United States and China could be larger than assumed in the main forecasts, which could offset some of the negative impacts of higher trade protection.

### Potential impacts of increased global trade protection

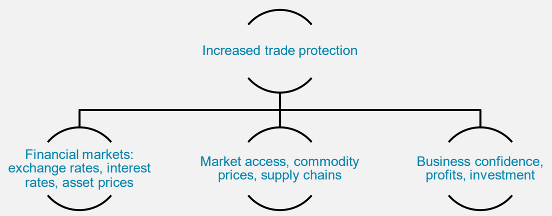
There is a growing global trend towards trade protection to support domestic industries and build supply chain resilience. Uncertainty around trade polices has intensified and presents a significant source of downside risk to global growth. New Zealand is a small trading nation that relies on and actively promotes a rules-based system to facilitate market access. Unilateral actions by countries to impose trade barriers is a threat to the smooth operation of global supply chains, and to medium-term growth prospects. This box illustrates how the New Zealand economy could be affected by a rise in trade barriers.

Trade protection can come in many forms, including tariffs, which are a tax on goods entering a country, limits on import quantities, and non-tariff barriers such as content requirements. These measures may be applied directly to New Zealand exports, but even if not directly affected, there may be indirect effects if they are applied to other trading partners. The indirect effects include uncertainty about trading conditions, changes in global commodity prices, and responses in financial markets (Figure 1.15). The scale of the impacts will depend on factors including how high the barriers are and how broadly they are applied across countries and industries.

#### *Uncertainty*

In advance of an increase in restrictions, uncertainty can have an immediate negative impact on global activity by reducing business investment. On the other hand, activity can increase as importers bring forward orders to avoid the restrictions. Global economic activity may also be affected by changes in trade flows as importing firms shift their preferences to suppliers (whether external or domestic) they expect to be less affected by the measures.

***Figure 1.15*** – Impacts of increased trade protection




Source: The Treasury

#### *Commodity prices*

When a large economy raises barriers to trade it increases input prices in its economy and lowers demand for imports. If the barriers are applied to New Zealand exports, the price of those goods would likely fall, reducing incomes for exporters and weighing on investment and economic activity. Even if New Zealand exports were not directly affected, lower demand in other countries could still dampen export prices. Prices for other global commodities, including oil, would also likely fall. Lower import prices may help to mitigate some of the negative effects of the higher trade barriers.

For the most part, changes in demand for New Zealand's major export commodities are likely to be reflected in prices rather than major changes in export volumes. New Zealand's primary production tends to be resilient to price changes, reflecting their relatively low costs of production. However, the potential for increased volatility in exchange rate, interest rate and commodity markets is high.

*Financial markets*

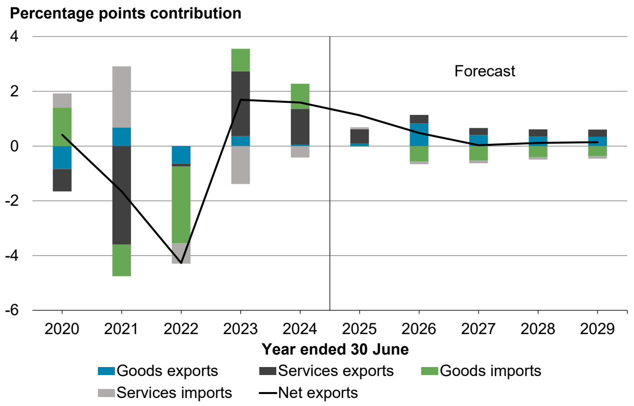
Depending on the scale of the impact, demand for New Zealand dollars could fall and lead to a lower exchange rate. The depreciation would help to stabilise incomes of exporters but would increase the price of imported goods and add to inflation pressure. Reductions in the profitability of exporters, and the increased risks of investment in export industries could reduce the value of their business assets and negatively affect their access to credit.

Financial market responses will also reflect the policy reactions in the affected countries, and their interactions with other policies.[3] Some countries may choose to offset lower demand with increased fiscal and monetary policy support, while others may benefit from the re-routing of trade flows. Countries may also choose to retaliate with trade protection measures of their own, exacerbating the negative effects. Alternatively, other trade agreements may emerge that lessen the overall impact. Despite these mitigating factors, increased global trade protection would weigh on medium-term growth prospects by impeding the transfer of technology and innovation.

The forecasts have been prepared on the basis that global trade policies are unchanged. Exports are expected to be a key contributor to economic growth. Over recent years, growth in services exports, especially tourism, has provided an offset to declines in domestic demand. Activity in the tourism industry has recovered a substantial portion of the decline induced by the pandemic. A return to earlier levels is expected in the period ahead, but recent data points to a slower recovery than anticipated in the *Budget Update*.

The environment for growth in goods exports has been challenging: supply has been curtailed by adverse weather and rising input costs, and demand has been soft, especially from China. These constraints have eased over the course of the year. Primary production has increased, particularly in dairy and fruit industries, and export prices have firmed. Export volumes are expected to strengthen in 2025/26 before returning to trend over the medium-term.

***Figure 1.16*** – Contribution of net exports to GDP growth



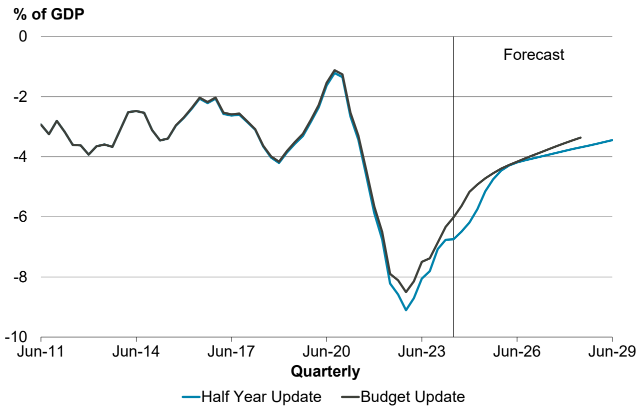

Sources: Stats NZ, the Treasury

Meanwhile, import prices have been trending down. Declines in international oil prices have been a key driver, but subdued global demand has contributed to a broad-based slowing in imported inflation, including falls in some consumer goods prices. The import and export price movements are reflected in terms of trade gains, which helps to support national income growth and business profitability. However, the global trend towards heightened trade barriers is expected to be a persistent source of upward pressure on import prices, and to limit the pace of growth in export demand. These forces are assumed to be broadly offsetting, and following a pickup in the short-term, the terms of trade rises only modestly thereafter.

3 For example, the International Monetary Fund discusses a scenario that encompasses an increase in global tariffs alongside changes in fiscal policy and labour migration. See: https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024.

New Zealand's current account deficit, which reflects the financial implications of New Zealand's transactions with the rest of the world, has narrowed from its peak in late 2023, but remains wide. Further reductions in the deficit on trade in goods and services are forecast, with the latter moving into surplus next year.

***Figure 1.17*** – Current account balance




Sources: Stats NZ, the Treasury

The costs of financing past deficits are reflected in the income balance, which is forecast to be broadly stable at around -3.3% of GDP. Overall, the current account deficit declines gradually, reaching 3.4% of GDP by the end of the forecast period, close to its long-run average. The trade weighted exchange rate is assumed to be broadly stable over the forecast period, also close to its historical average.

# Risks and Alternative Scenarios

The forecasts presented in this chapter include a number of assumptions and judgements. As with any kind of forecasting, there is risk that actual events will differ from expectations. Economic activity has slowed in large part due to the monetary policy response to elevated inflationary pressures, but there is uncertainty about the depth of the cycle and speed of recovery. In addition, unexpected events such as economic shocks abroad or climatic events in New Zealand may occur.

Risks to the outlook include, but are not limited to:

- productivity developments impacting on medium term growth
- inflation proving more or less persistent impacting nominal GDP and interest rates
- migration deviating from forecast impacting the size of the population and economy
- significant climatic events affecting primary production
- unanticipated global developments.

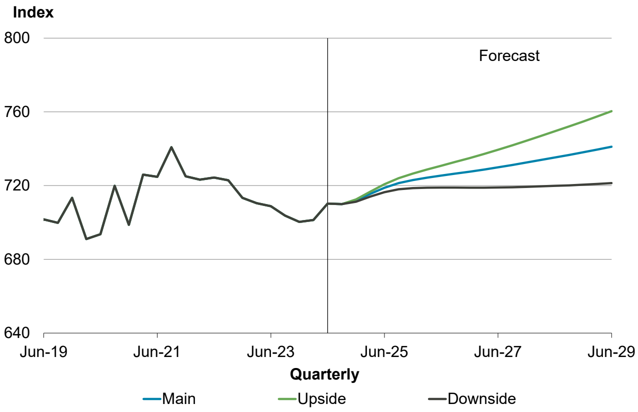
***Labour productivity growth is a key determinant of economic and fiscal outcomes…***

Given the importance of labour productivity growth to the outlook, these scenarios illustrate alternative paths for labour productivity growth and the resulting impact on the economic and fiscal outlook.

***…with a higher productivity growth assumption resulting in less inflationary pressures…***

In an "upside" scenario, labour productivity growth is assumed to be around 0.5 percentage points higher at the end of the forecast period relative to the central forecast.[4] This leads to a higher level of underlying or potential growth which, other things equal, would increase spare capacity and reduce inflationary pressure, meaning interest rates are lower to keep inflation on target.

***Figure 1.18*** – Labour productivity



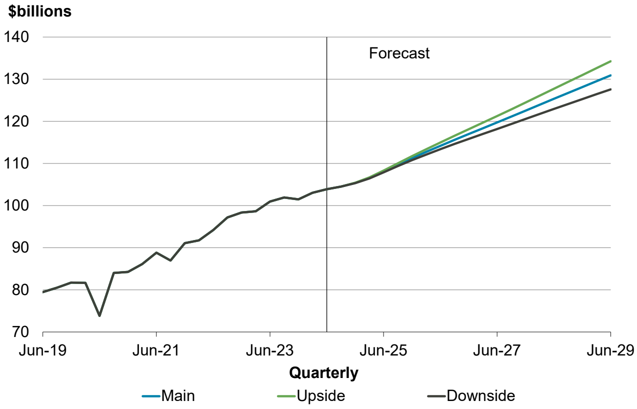

Sources: Stats NZ, the Treasury

[4] This represents approximately one standard deviation in the growth rate in trend labour productivity observed over the past 30 years.

### *…allowing more accommodating monetary policy, higher activity and increased tax revenues…*

Lower interest rates in turn stimulate aggregate demand in the medium term, meaning that the amount of spare capacity in the economy is broadly unchanged from the central forecast, while nominal GDP is a cumulative $28 billion higher.

**Figure 1.19** – Nominal GDP




Sources: Stats NZ, the Treasury

Higher nominal GDP generates additional tax revenue relative to the central economic forecast. Core Crown revenue is approximately $8.5 billion higher across the five forecast years and drives a more rapid improvement in the operating balance before gains and losses excluding ACC revenue and expenses (OBEGALx) with lower levels of net debt relative to the main forecast. In this scenario, the OBEGALx returns to a slight surplus in 2028 and net core Crown debt falls to 42.3% of GDP in 2029.

**Table 1.2** – Alternative scenarios

| June years | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| **Real GDP (annual average % change)** | | | | | | |
| **Main forecast** | **-0.2** | **0.5** | **3.3** | **2.9** | **2.6** | **2.4** |
| Upside | -0.2 | 0.6 | 3.7 | 3.5 | 3.2 | 3.1 |
| Downside | -0.2 | 0.4 | 2.8 | 2.3 | 1.9 | 1.8 |
| **Inflation (annual % change)** | | | | | | |
| **Main forecast** | **3.3** | **1.8** | **2.1** | **2.0** | **2.0** | **2.0** |
| Upside | 3.3 | 1.7 | 2.1 | 2.0 | 2.0 | 2.0 |
| Downside | 3.3 | 1.8 | 2.1 | 2.0 | 2.0 | 2.0 |
| **Unemployment rate (June quarter)** | | | | | | |
| **Main forecast** | **4.6** | **5.4** | **4.8** | **4.5** | **4.3** | **4.3** |
| Upside | 4.6 | 5.4 | 4.9 | 4.5 | 4.3 | 4.3 |
| Downside | 4.6 | 5.3 | 4.8 | 4.5 | 4.4 | 4.3 |
| **Core Crown revenue ($ billions)** | | | | | | |
| **Main forecast** | **133.2** | **134.0** | **140.8** | **149.6** | **157.6** | **165.0** |
| Upside | 133.2 | 134.2 | 141.4 | 151.1 | 160.1 | 168.7 |
| Downside | 133.2 | 133.9 | 140.1 | 148.1 | 155.0 | 161.4 |
| **Net core Crown debt[1] (% of GDP)** | | | | | | |
| **Main forecast** | **42.4** | **45.1** | **45.1** | **46.5** | **46.1** | **45.2** |
| Upside | 42.4 | 45.1 | 44.6 | 45.5 | 44.3 | 42.3 |
| Downside | 42.4 | 45.2 | 45.5 | 47.6 | 48.2 | 48.4 |
| **OBEGALx[2] (% of GDP)** | | | | | | |
| **Main forecast** | **-2.1** | **-3.0** | **-2.3** | **-0.9** | **-0.1** | **0.4** |
| Upside | -2.1 | -3.0 | -2.2 | -0.6 | 0.5 | 1.2 |
| Downside | -2.1 | -3.0 | -2.5 | -1.3 | -0.7 | -0.6 |

Notes: 1 Net core Crown debt (excluding New Zealand Superannuation Fund and advances).

2 Operating balance before gains and losses excluding ACC revenue and expenses.

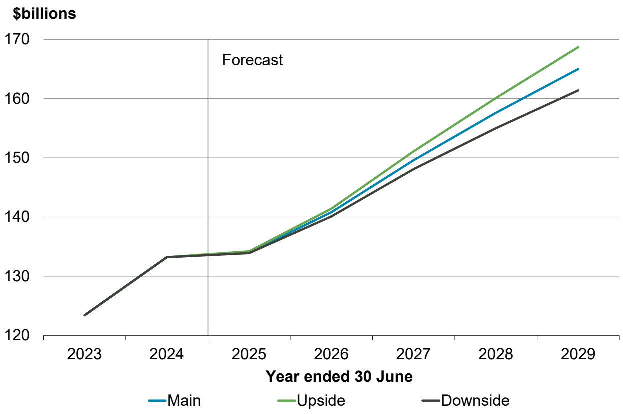
Sources: Stats NZ, the Treasury

### *…with the downside scenario effectively being a mirror image*

In the downside scenario, weaker activity sees nominal GDP cumulatively $28 billion lower over the forecast period, with a corresponding cumulative reduction in core Crown revenue of $8.5 billion relative to the central forecast.

This results in a slower reduction in the OBEGALx deficit, with OBEGALx in a slight deficit in 2029, while core Crown debt peaks higher at 48.4%% of GDP in 2029.

***Figure 1.20*** – Core Crown revenue




Source: The Treasury

## Key economic forecast judgements and assumptions

In addition to the judgements and assumptions included in the text, these forecasts include the following assumptions:

- Annual net migration inflows are assumed to have peaked in the year to September 2023 at 135,000 and ease to 29,000 by June 2025. Net migration then picks up to around 40,000 per year by the end of the forecast period. Including revisions to earlier data, the total population change from migration between June 2025 to June 2028 is approximately 37,000 lower than in the *Budget Update*.
- The New Zealand dollar trade-weighted index is assumed to decline from 70.9 in the September 2024 quarter to 69.5 by June 2029.
- West Texas Intermediate oil prices are assumed to fall from an average US$75.8 per barrel in the September 2024 quarter to US$70.0 in the December quarter before increasing to US$79.3 by the end of the forecast period.
- The non-accelerating inflation rate of unemployment is assumed to be 4.25% in the long run.

# 2

# Fiscal Outlook

***The fiscal outlook starts to recover after the current year…***

Beyond the current year the fiscal outlook is expected to recover with operating deficits narrowing and net core Crown debt as a share of GDP peaking in 2026/27 at 46.5% of GDP before falling to 45.2% of GDP by 2028/29. The Government's new headline operating indicator – the operating balance before gains and losses excluding Accident Compensation Corporation (ACC) revenue and expenses (OBEGALx)[5] is forecast to return to a surplus of $1.9 billion in 2028/29.

The expected recovery in the fiscal outlook after 2024/25 is supported by a slower rate of growth in core Crown expenses, largely reflective of smaller future Budget operating allowances when compared to recent years. As a share of GDP, core Crown expenses drop from 33.9% in 2024/25 to 31.5% by the end of the forecast period. In contrast, the growth in core Crown tax revenue after 2024/25 picks up in both nominal terms and as a share of GDP as employment and wage growth lift household incomes and the business cycle recovers, leading to improved growth in taxable profits.

The trend in core Crown tax revenue and core Crown expenses largely drives the narrowing in the operating deficits. This sees the operating balance return to surplus in 2027/28 and OBEGALx returns to a surplus a year later in 2028/29. While the operating balance before gains and losses (OBEGAL) deficit also narrows by an average of $3.7 billion per annum from 2024/25, it is forecast to remain in deficit over the entire forecast period with a deficit of $2.4 billion expected in 2028/29.

The accumulated residual cash deficits total $57.0 billion across the forecast period, with $52.1 billion of this attributable to net capital investments planned by the Government over the forecast period. The expected cash shortfall is largely funded through additional borrowings. As a result, in nominal terms, net core Crown debt is forecast to increase from $175.5 billion in 2023/24 to reach $234.1 billion by 2028/29. However, as a share of GDP, after an initial increase, net Core crown debt starts to fall from the 2027/28 year to stand at 45.2% by the end of the forecast period.

The accumulation of the forecast operating balance results sees net worth decline over the forecast period from $191.0 billion in 2023/24 to $176.2 billion in 2028/29 and as a share of GDP, net worth falls from 46.2% in 2023/24 to 34.0% in 2028/29.

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5 The Government has changed the headline operating indicator for the purposes of communicating its fiscal strategy. Refer to page 36 for further details.

In contrast, to other years in the forecast period, the current year show that the Government is expected to run larger operating deficits compared to the previous year, which also translate into an increase in net core Crown debt. The OBEGALx deficit is expected to widen to $12.9 billion in 2024/25 compared to a deficit of $8.8 billion last year. Other key operating indicators such as the operating balance and OBEGAL follow a similar trend.

The weak current-year outlook is underpinned by static growth in core Crown tax revenue reflecting subdued economic activity, impacts from policy change (eg, changes to personal income tax thresholds) and a one-off revenue uplift in resident withholding tax (RWT) on dividend income recorded in 2023/24. As a result, core Crown tax revenue as a share of GDP falls from 29.2% in 2023/24 to 28.2% in 2024/25. In contrast, growth in core Crown expenses remains elevated in the current year reflecting the impact of past Budget decisions and growth in benefit costs driven by an increase in the number of recipients and the impact of indexation of most main benefit payments. This sees core Crown expenses increase to just under 34.0% of GDP in 2024/25.

***…but at a slower pace than previously expected***

While the fiscal outlook is expected to recover, it is at a slower pace than expected at the *Budget Update*. All key fiscal indicators are expected to be weaker across all years compared to the *Budget Update*.

The change in the fiscal outlook is largely driven by the weaker economic outlook described in the Economic Outlook chapter. Overall, core Crown tax revenue forecasts are now cumulatively $13.0 billion lower compared to the *Budget Update,* which represents just over 70% of the overall change in OBEGALx. Around half of this change reflects the weaker economic outlook, which has reduced forecast GST and source deduction revenue the most. In addition, the results from recent tax outturns, which show a deterioration in income tax revenue from businesses, have contributed to the downward revisions.

As a result of the revisions in core Crown tax revenue and to a lesser extent upward revisions to the forecasts of core Crown expenses, net finance costs have been revised up to reflect additional funding requirements now expected over the forecast period.

Core Crown expenses are expected to be higher in each year compared to the *Budget Update*. The updated economic conditions are expected to lead to higher benefit payments in the near term with more recipients anticipated, particular for the jobseeker support benefit. In addition, demographic changes and an increase in depreciation expenses from the impact of the recent revaluation of the school property portfolio have resulted in an increase in education spending.

In the near term, other factors such as weaker Crown entity forecasts also contribute to the weaker OBEGALx outlook.

The revisions in core Crown tax revenue and core Crown expenses flow through to other headline fiscal indicators. As a result, the cumulative residual cash deficit is $22.7 billion higher compared to the *Budget Update*, which also drives an increase in the level of net core Crown debt. By the end of the forecast period, net core Crown debt is expected to be 45.2% of GDP, and peaks just over 3 percentage points higher than forecast at the *Budget Update*.

The key fiscal indicators for the *Half Year Update* are outlined in Table 2.1. A summary of the changes since the *Budget Update* is outlined on pages 43 to 46.

Key judgements and assumptions that underpin the fiscal forecasts are outlined on pages 100 to 102.

This chapter is broken into the following sections:

- Fiscal Performance
- Fiscal Resilience
- Crown Funding and Financing
- Comparison to the *Budget Update*
- Risks to the Fiscal Forecasts
- Other fiscal information.

**Cook Strait Resilience**

On 9 December 2024 Cabinet agreed to set aside funding from the Budget capital allowance to support Cook Strait resilience. This decision has not been reflected into the fiscal forecasts, as it occurred after the date our forecasts were finalised. This decision will likely change the phasing of the capital expenditure profile in *the Half Year Update*, but not the overall amount forecast to be spent. The other consequence is there will now be less funding available for other capital investments at Budget 2025.

***Table 2.1*** – Key fiscal indicators

| Year ending 30 June<br>$billions | 2024<br>Actual | 2025<br>Forecast | 2026<br>Forecast | 2027<br>Forecast | 2028<br>Forecast | 2029<br>Forecast |
|---|---|---|---|---|---|---|
| **Core Crown tax revenue** | | | | | | |
| *Half Year Update* | 120.6 | 120.6 | 128.3 | 136.7 | 144.1 | 151.2 |
| *Budget Update* | | 122.9 | 131.4 | 140.2 | 148.2 | |
| **Core Crown expenses** | | | | | | |
| *Half Year Update* | 139.0 | 144.6 | 149.8 | 152.6 | 157.7 | 162.9 |
| *Budget Update* | | 143.9 | 147.7 | 151.1 | 156.4 | |
| **OBEGALx** | | | | | | |
| *Half Year Update* | (8.8) | (12.9) | (10.5) | (4.4) | (0.3) | 1.9 |
| *Budget Update* | | (9.6) | (5.1) | 0.2 | 4.7 | |
| **OBEGAL** | | | | | | |
| *Half Year Update* | (12.9) | (17.3) | (14.1) | (8.2) | (4.3) | (2.4) |
| *Budget Update* | | (13.4) | (8.5) | (3.1) | 1.5 | |
| **Operating balance** | | | | | | |
| *Half Year Update* | (8.4) | (10.2) | (7.9) | (1.6) | 2.7 | 5.3 |
| *Budget Update* | | (7.1) | (1.9) | 4.0 | 9.1 | |
| **Core Crown residual cash** | | | | | | |
| *Half Year Update* | (19.3) | (16.6) | (9.8) | (16.8) | (8.1) | (5.6) |
| *Budget Update* | | (8.9) | (7.8) | (11.0) | (0.9) | |
| **Net core Crown debt** | | | | | | |
| *Half Year Update* | 175.5 | 192.8 | 202.9 | 220.0 | 228.6 | 234.1 |
| *Budget Update* | | 187.3 | 195.4 | 207.4 | 209.9 | |
| **Net worth** | | | | | | |
| *Half Year Update* | 191.0 | 177.5 | 169.5 | 168.1 | 171.0 | 176.2 |
| *Budget Update* | | 182.0 | 180.1 | 184.2 | 193.4 | |
| **% of GDP** | | | | | | |
| **Core Crown tax revenue** | | | | | | |
| *Half Year Update* | 29.2 | 28.2 | 28.5 | 28.9 | 29.1 | 29.2 |
| *Budget Update* | | 28.5 | 28.9 | 29.3 | 29.5 | |
| **Core Crown expenses** | | | | | | |
| *Half Year Update* | 33.6 | 33.9 | 33.3 | 32.2 | 31.8 | 31.5 |
| *Budget Update* | | 33.4 | 32.5 | 31.6 | 31.1 | |
| **OBEGALx** | | | | | | |
| *Half Year Update* | (2.1) | (3.0) | (2.3) | (0.9) | (0.1) | 0.4 |
| *Budget Update* | | (2.2) | (1.1) | - | 0.9 | |
| **OBEGAL** | | | | | | |
| *Half Year Update* | (3.1) | (4.1) | (3.1) | (1.7) | (0.9) | (0.5) |
| *Budget Update* | | (3.1) | (1.9) | (0.6) | 0.3 | |
| **Operating balance** | | | | | | |
| *Half Year Update* | (2.0) | (2.4) | (1.8) | (0.3) | 0.6 | 1.0 |
| *Budget Update* | | (1.7) | (0.4) | 0.8 | 1.8 | |
| **Core Crown residual cash** | | | | | | |
| *Half Year Update* | (4.7) | (3.9) | (2.2) | (3.6) | (1.6) | (1.1) |
| *Budget Update* | | (2.1) | (1.7) | (2.3) | (0.2) | |
| **Net core Crown debt** | | | | | | |
| *Half Year Update* | 42.4 | 45.1 | 45.1 | 46.5 | 46.1 | 45.2 |
| *Budget Update* | | 43.5 | 43.0 | 43.3 | 41.8 | |
| **Net worth** | | | | | | |
| *Half Year Update* | 46.2 | 41.5 | 37.6 | 35.5 | 34.5 | 34.0 |
| *Budget Update* | | 42.3 | 39.6 | 38.5 | 38.5 | |

Source: The Treasury

# Fiscal Performance

Fiscal performance looks at the revenue earned and expenses incurred by the Government over the forecast period. The Government's fiscal performance helps to assess the ability of the Government to sustain public finances at a credible and serviceable position over the long term. It shows whether the Government can maintain its current level of expenditure and revenue without major adjustments or whether its policies would lead to excessive accumulation of public debt unless the Government takes action to change its policies. There are a number of fiscal indicators that help determine the fiscal performance of the Government, which are discussed in more detail in this section.

## Total Revenue

Across the five-year forecast horizon, total Crown revenue is expected to increase by around $38.1 billion, from $167.3 billion in 2023/24 to $205.4 billion in 2028/29, and becomes a smaller share of the economy, reducing from 40.5% of GDP to 39.7% of GDP.

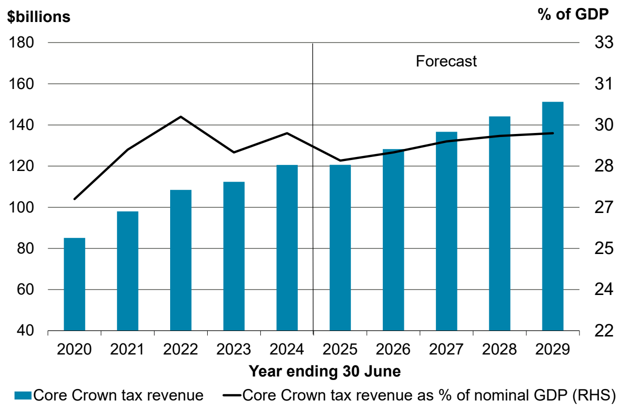
Approximately three-quarters of the Crown's revenue comes from tax revenue, of which around 70% relates to direct taxes earned from individuals (eg, source deductions such as PAYE) and businesses (eg, corporate tax) with the remainder coming from indirect taxes (eg, GST). Sales of goods and services is the second-largest component of total Crown revenue, making up around 15%, and largely comprises revenue earned from the activities of entities within the State-owned enterprise (SOE) reporting segment (eg, selling electricity and air travel). Other sovereign revenue (eg, fines and levies) contributes around 6% of total Crown revenue, which consists mainly of ACC levies and New Zealand Emissions Trading Scheme (NZ ETS) revenue.

***Core Crown tax revenue is forecast to be flat in 2024/25…***

Core Crown tax revenue is forecast to be broadly similar to 2023/24 at $120.6 billion in the first year of the forecast period before increasing by $30.6 billion to $151.2 billion by the final year of the forecast period (Figure 2.1).

Figure 2.1 shows that the tax to GDP ratio spiked during COVID-19 and remained elevated compared to pre-COVID-19 levels. The weaker core Crown tax revenue growth in 2024/25 sees the tax to GDP ratio dropping in the current year but increasing thereafter.

***Figure 2.1*** – Core Crown tax revenue




Source: The Treasury

Economic activity through the 2024/25 year is expected to deliver growth in most tax types. However, this is all but offset by the impact of tax policy changes, mainly from income tax threshold changes introduced from 31 July 2024, and weaker year-to-date outturns, particularly for GST revenue. The one-off uplift in RWT on dividend income experienced last year is not expected to continue into 2024/25, resulting in a decline in revenue. RWT on dividends grew strongly in 2023/24 following the announcement that the trustee tax rate would increase from 1 April 2024.

### *…before starting to grow over the remainder of the forecast period*

The growth in core Crown tax revenue picks up from 2025/26 with total growth of $30.6 billion expected by the end of the forecast period. Source deductions are the main contributor to this growth alongside business income tax revenue and GST (Table 2.2).

***Table 2.2*** – Movements in core Crown tax revenue by major tax type

| **Year ending 30 June $billions** | **2025 Forecast** | **2026 Forecast** | **2027 Forecast** | **2028 Forecast** | **2029 Forecast** | **Total change** |
|---|---|---|---|---|---|---|
| **Movement in core Crown tax revenue owing to:** | | | | | | |
| Source deductions | 1.0 | 1.8 | 2.9 | 3.2 | 3.3 | **12.2** |
| Corporate tax | 0.2 | 3.0 | 3.1 | 1.6 | 1.3 | **9.2** |
| Goods and services tax (GST) | (0.5) | 1.9 | 1.7 | 1.6 | 1.5 | **6.2** |
| Net other persons tax | 0.4 | 1.2 | 0.3 | 0.7 | 0.6 | **3.2** |
| Motor vehicle fees and road user charges | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 | **1.6** |
| Customs and excise duties | (0.1) | - | 0.2 | 0.2 | 0.2 | **0.5** |
| Resident withholding tax (RWT) on interest | 0.3 | (0.7) | (0.4) | (0.4) | (0.2) | **(1.4)** |
| RWT on dividends | (1.6) | 0.2 | - | 0.1 | 0.1 | **(1.2)** |
| Other taxes | - | - | 0.3 | - | - | **0.3** |
| **Total movement in core Crown tax revenue** | **-** | **7.7** | **8.4** | **7.4** | **7.1** | **30.6** |
| Plus previous year | 120.6 | 120.6 | 128.3 | 136.7 | 144.1 | |
| **Core Crown tax revenue** | **120.6** | **128.3** | **136.7** | **144.1** | **151.2** | |
| As a % of GDP | 28.2 | 28.5 | 28.9 | 29.1 | 29.2 | |

Source: The Treasury

Overall source deductions are forecast to grow by $12.2 billion over the forecast period with an increase of $11.2 billion expected from 2024/25. The key drivers of the increases from 2024/25 are wage growth and fiscal drag contributing $6.6 billion and $2.4 billion respectively. The contribution from employment is also forecast to increase in the latter part of the forecast period as economic conditions improve.

Corporate tax and net other persons tax revenue are forecast to grow by $9.2 billion and $3.2 billion respectively over the forecast period. The majority of this growth occurs beyond the current year. Following recent weakness, operating surplus (a proxy for taxable profits) is forecast to grow strongly from 2025/26 onwards, leading to stronger revenue growth for business income taxes.

GST is expected to initially decline but grows from 2025/26 onwards, mostly driven by growth in nominal private consumption. Growth in GST revenue is forecast to be relatively stable over the forecast period as private consumption holds up and residential investment recovers from 2025/26 onwards.

Most other tax types are forecast to grow from the 2024/25 year except for RWT on interest. The drop in RWT on interest reflects the expected fall in deposit interest rates.

## Total Expenses

***Total expenses are expected to increase across the forecast period…***

Total expenses are forecast to increase from $180.1 billion in 2023/24 to $207.3 billion by the end of the forecast period. However, as a share of the economy, total expenses decline from 43.6% of GDP in 2023/24 to 40.0% of GDP by 2028/29.

Most of the nominal growth in total expenses is driven by core Crown expenses, which contribute around $23.9 billion to the increase over the forecast period (discussed further below). Core Crown expenses are forecast to initially increase as a percentage of GDP to 33.9% in 2024/25 before declining to 31.5% by 2028/29.

Crown entities are forecast to add $5.4 billion to the growth of expenses over the forecast period with $2.6 billion of this related to insurance expenses incurred by ACC. The expected increase in insurance costs is mainly driven by economic factors such as wage growth impacting compensation and health provider costs and higher expected claims volumes due to population growth as well as increasing costs of health services. Weekly compensation costs have increased due to lower rehabilitation performance than what was estimated in the *Budget Update*. In addition, personnel expenses are expected to increase by $3.2 billion, mainly within the health sector. This increase has mainly been funded from the pre-commitments charged against future Budget operating allowances (refer to page 32).

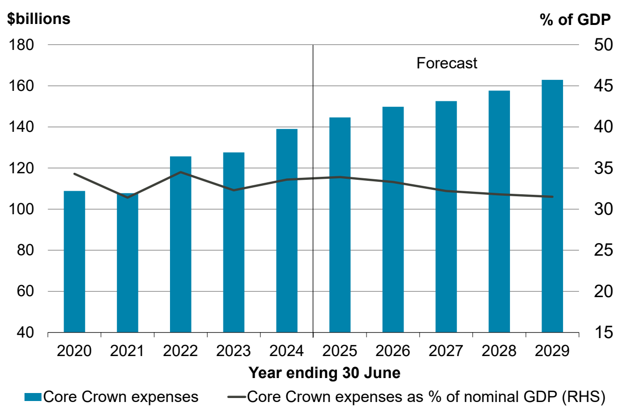
SOE expenses are forecast to increase by $2.2 billion over the forecast period, although this is more than offset by higher revenue on sales of goods and services.

***…with core Crown expenses driving most of this trend***

Core Crown expenses are expected to increase in nominal terms across the forecast period. As a percentage of GDP, forecast core Crown expenses initially increase before starting to decline after 2025/26 (Figure 2.2).

Core Crown expenses grow from $139.0 billion in 2023/24 to $162.9 billion by 2028/29 (Table 2.3). The growth in core Crown expenses is driven by three key factors – increases in benefit expenses, increases in finance costs and forecast new spending.

***Figure 2.2*** – Core Crown expenses




Source: The Treasury

The largest increases in benefits expenses are in New Zealand superannuation payments and job seeker support payments, which increase notably in 2024/25 before flattening over the remainder of the forecast period.

The increase in finance costs is $3.2 billion (35.4%) between 2023/24 and 2028/29. This is largely a result of the additional borrowings required over the forecast period to fund the forecast cash deficits.

The remaining increases in expenses come from spending set aside for future Budgets and the impact from Budget 2024 decisions.

***Table 2.3*** – Increase in core Crown expenses from 2023/24 to 2028/29

| **Year ending 30 June**<br>**$billions** | |
|---|---|
| **Core Crown expenses – 2023/24** | **139.0** |
| **Movement in core Crown expenses** | |
| New Zealand superannuation | 7.2 |
| Other benefit expenses | 3.3 |
| Finance costs | 3.2 |
| Net Budget 2024 expenses | 1.7 |
| Forecast new spending | 9.6 |
| Other | (1.1) |
| **Total increase** | **23.9** |
| **Core Crown expenses – 2028/29** | **162.9** |

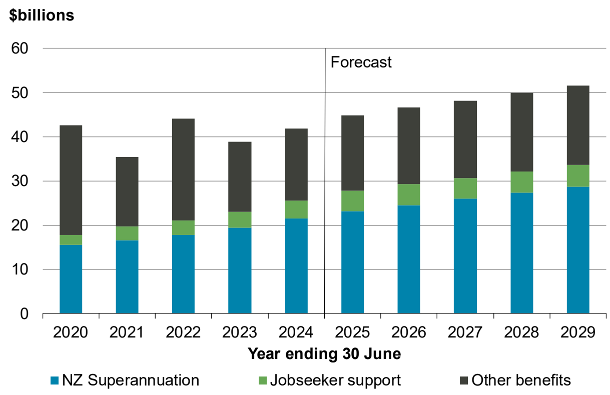
Source: The Treasury

***Increases in superannuation costs and in the short-term higher unemployment rates are a leading driver…***

New Zealand superannuation payments are forecast to increase on average by $1.4 billion per annum over the forecast period as recipient numbers increase from 899,000 in 2023/24 to 1,053,000 recipients in 2028/29 and forecast payment rates increase in line with forecast wage growth in each year.

In the near term, with weaker economic conditions, there is a 12% increase in forecast jobseeker support recipients in 2024/25 to 217,000 before reducing to 204,000 over the forecast period. As a result of this, there is a step increase in payments in 2024/25 of $0.6 billion. Over the remainder of the forecast period, the increase is much more modest, averaging around $0.2 billion per annum, with the reduction in recipient numbers not fully offsetting the annual indexation adjustment in payment rates.

***Figure 2.3*** – Transfer payments by type



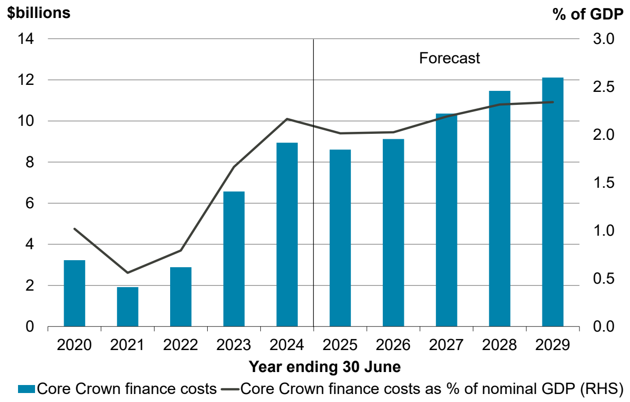

Source: The Treasury

The change in other benefit types totals around $1.7 billion over the forecast period and will mostly reflect the impact from the indexation of payment rates.

### …along with growth in finance costs…

Core Crown finance costs are expected to increase by nearly $0.6 billion per annum across the forecast period. Initially, the finance costs as a percentage of GDP are forecast to fall, before increasing, with finance costs representing 2.3% of GDP in 2028/29. Finance costs increase by 6.1% per annum, broadly following the forecast growth in net core Crown debt. The increase in finance costs is a result of increased borrowings to fund forecast deficits.

***Figure 2.4*** – Core Crown finance costs

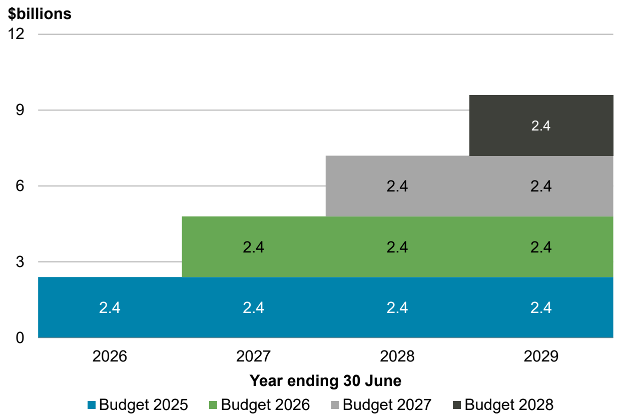



Source: The Treasury

### …and funding set aside in future Budget allowances

The Government has announced Budget operating allowances of $2.4 billion per annum for Budget 2025 through to Budget 2028. These allowances for new spending in future Budgets account for $9.6 billion of the growth in expenditure from the 2024/25 year through to the end of the forecast period (Figure 2.5).

***Figure 2.5*** – Operating allowances




Source: The Treasury

The Government has signalled that it intends to reduce core Crown expenditure as a share of GDP, and a key tool it has to do this is through running lower allowances than seen in recent times. The smaller allowances compared to recent years will require choices by the Government on the allocation of funding to maintain existing services and new policy initiatives. A large share of the Budget 2025 and Budget 2026 operating allowances has already been pre-committed to meet health sector cost pressures (Table 2.4). Of the $9.6 billion funding available from the allowances over the forecast period, currently $3.1 billion has already been pre-committed.

The fiscal forecasts assume that any additional costs in relation to Government commitments and future cost pressures such as those outlined in the Specific Fiscal Risks chapter (pages 55 to 98) will be met from the Budget operating allowances.

More details on the functional classification of core Crown expenses can be found in the core Crown expense tables on pages 137 to 141.

## Budget operating allowances

Budget allowances show how much funding the Government has available to allocate in the future to maintain existing services and fund new spending or revenue initiatives while ensuring these decisions are consistent with its fiscal strategy and broader priorities. The fiscal forecasts presented in the 2024 *Half Year Update* include the Budget operating allowances announced by the Government in the 2025 *Budget Policy Statement.* The operating allowances for Budget 2025 through to Budget 2028 are set at $2.4 billion per Budget, which is substantially lower than announced Budget packages in recent years. The lower allowances are a key lever for the Government to achieve its fiscal objectives.

*Budget allowance settings help the Government achieve its fiscal strategy…*

For forecast purposes, Budget allowances are assumed to impact operating expenditure. However, these allowances are considered as a net concept when allocated and can also be allocated to revenue initiatives. This means that the gross cost of decisions can exceed the signalled allowances if they are offset by reductions in other expenditure or by raising revenue.

The announced Budget operating allowances are expected to grow at a slower pace than the growth in the economy. The consequence of running lower allowances is the challenge of managing increased costs of maintaining current services, which are likely to be influenced by price and demand changes and funding new policies. The Government has options to help manage these challenges such as reprioritising existing spending, finding efficiencies and revenue-raising policies.

*…but savings will need to be sought to stay within the Budget 2025 allowance*

The Treasury’s fiscal forecasts assume that the Government can meet any additional costs in relation to future Government commitments and future cost pressures on existing services from Budget allowances. After pre-commitments and assumed other non-discretionary spending (given current policy settings), the Government only has on average $0.7 billion net per year available to fund all new initiatives and other cost pressures at Budget 2025 (Table 2.4) after pre committing a large part of the 2025 allowances to the health sector. It is difficult to estimate how much of the Budget 2025 operating allowance may be needed to cover cost pressures. However, in recent times, a large portion of the funding allocated at Budgets has been used to meet cost pressures faced by existing services.

While lower inflation will ease the pressure on allowances, it is likely a share of the Budget 2025 allowance will be needed to meet cost pressures. Given the funding that currently remains for Budget 2025, the Government will need to consider expenditure savings, expenditure reprioritisation and revenue-raising policy changes to stay within the signalled Budget allowance.

***Table 2.4 –*** Future Budget operating allowances

| Year ending 30 June<br>$millions (average per annum) | Budget 2025 | Budget 2026 | Budget 2027 | Budget 2028 |
|---|---|---|---|---|
| **Announced Budget operating allowance** | **2,400** | **2,400** | **2,400** | **2,400** |
| Pre-commitments | 1,595 | 1,370 | - | - |
| Non-discretionary spending | 98 | - | - | - |
| **Remaining unallocated future operating allowances** | **707** | **1,030** | **2,400** | **2,400** |

Source: The Treasury

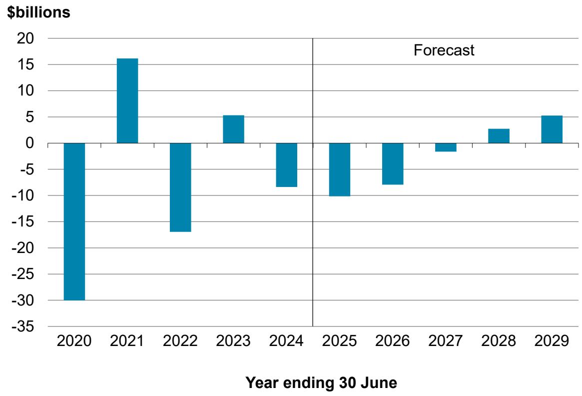
## Operating Balance

***The operating balance is expected to be in deficit in the near term…***

In the first three years of the forecast period, the net gains from the valuation of assets and liabilities are not expected to be sufficient to cover the differences between total revenue and total expenses. As a result, an operating balance deficit of $10.2 billion is forecast in 2024/25, which reduces to a deficit of $1.6 billion in 2026/27. In 2024/25, the expected gains and losses represent:

- $9.5 billion net gains on financial instruments reflecting the expected returns on the large investment fund portfolios of ACC and the NZ Super Fund, which have performed strongly so far in the current year.
- $2.5 billion net losses on non-financial instruments predominantly reflecting valuation loss on the NZ ETS liability ($1.5 billion) and the ACC outstanding claims liability ($0.9 billion).

***Figure 2.6*** – Operating balance




Source: The Treasury

The forecast loss on the NZ ETS liability in the current year reflects the increase in market price of New Zealand Units (NZUs) since 30 June 2024 (from $50.50 to $62.15 at 30 September 2024), which has resulted in an increase in the value of the liability. The forecast loss on the ACC outstanding claims liability reflects a decrease in the effective single discount rate from 4.97% as at 30 June 2024 to 4.81% at 30 September 2024, partly offset by increased inflation assumptions.

Subsequent to 2024/25, net gains trend upwards from $6.1 billion in 2025/26 to $7.5 billion in 2028/29, largely reflecting the growth expected in the investment portfolios managed by ACC and the NZ Super Fund. The gap between total revenue and total expenses gets smaller, which, when combined with the forecasts for net gains, sees the operating balance deficit narrow in the 2025/26 and 2026/27 years.

***…before returning to surplus in 2027/28***

Total expenses are expected to exceed total revenue across the entire forecast period, by 2027/28, the net valuation gains expected to be generated are enough to cover this difference. As a result, the operating balance returns to surplus from 2027/28 reflecting an increasing revenue growth rate across the forecast period compared to a slightly declining forecast expenditure growth rate. The operating balance returns to surplus in 2027/28 at $2.7 billion with expected valuation net gains of $7.0 billion contributing to offset the gap between revenue and expenditure. The operating balance by the end of the forecast period is expected to reach $5.3 billion.

## Government Fiscal Indicators

The Government focuses on specific headline fiscal indicators to measure and communicate its objectives and to ensure its fiscal policy decisions are sustainable. OBEGALx and net core Crown debt are the headline fiscal indicators used by the Government in setting its fiscal objectives.

While OBEGALx and net core Crown debt are not indicators prescribed under generally accepted accounting practice (GAAP), both indicators provide greater insight into the activities the Government has more influence over. Therefore, they play an important role in the accountability of how the Government is managing finances and informing decisions to ensure the Government achieves its fiscal objectives.

### *The Government has made changes to its fiscal strategy*

As set out in the 2025 *Budget Policy Statement,* the Government has decided to use OBEGALx (refer to the box on pages 36 to 37) to express its short-term operating balance intention. Its intended date for returning to an OBEGALx surplus is 2027/28. This is effectively a one-year delay in returning to surplus, considering the change in headline indicator from OBEGAL to OBEGALx.

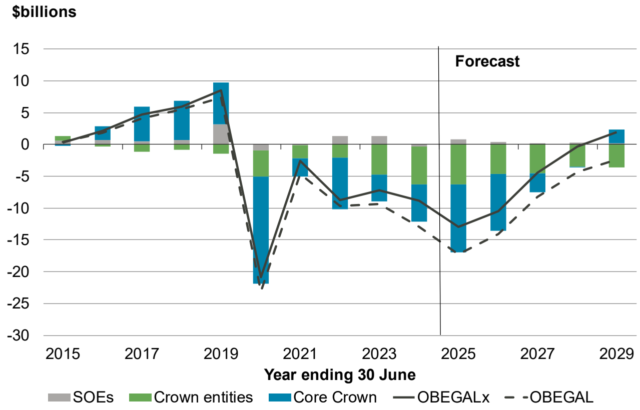
### *OBEGAL remains in deficit across the forecast period…*

In the current year, the OBEGAL deficit is expected to increase to $17.3 billion, about $4.5 billion greater than the deficit recorded in 2023/24. The weaker result in the current year is underpinned by core Crown tax revenue remaining static while core Crown expenses are forecast to be $5.6 billion higher than last year. The OBEGAL deficit starts to decline across the rest of the forecast period but is not expected to return to surplus.

As shown in Figure 2.7, much of the improvement in OBEGAL over the forecast period is driven by the core Crown. The trend in the core Crown segment beyond the current year reflects stable growth in tax revenue while core Crown expense growth remains modest (Figure 2.8), leading to core Crown expenses starting to decline as a percentage of GDP.

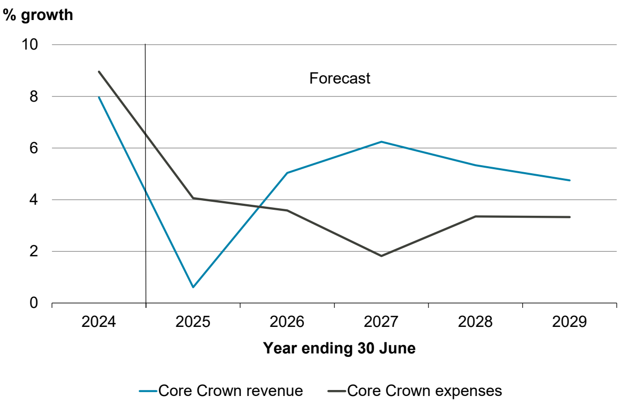
The expected improvement in the core Crown segment is not enough to offset the deficits expected by Crown entities over the forecast period. Crown entities are expected to contribute

***Figure 2.7*** – Components of OBEGALx by segment




Source: The Treasury

***Figure 2.8*** – Growth in core Crown revenue and core Crown expenses




Source: The Treasury

to an OBEGAL deficit across the forecast period, averaging $4.5 billion per year. These results have been largely driven by ACC, which is forecasting an average OBEGAL deficit of $4.0 billion per annum. In addition, Health New Zealand contributes a deficit of $1.1 billion in the current year and $0.2 billion next year before returning to a breakeven point as it works through improving its financial performance through its reset plan.

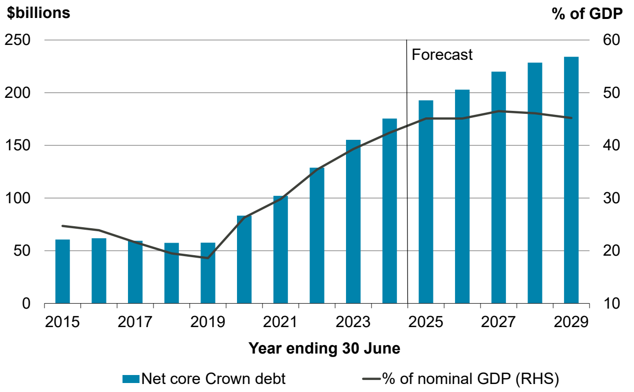
The SOE segment is expected to contribute small OBEGAL surpluses throughout the forecast period.

***…but when looking through the contribution from ACC, a surplus is expected in 2028/29***

Removing the revenue and expenses of ACC that contribute to the OBEGAL deficit results in an OBEGALx track that is stronger on average by around $4.0 billion per annum (Figure 2.7). The trend in OBEGALx over the forecast period is very similar to OBEGAL with an initial weakening expected in the current year before recovering thereafter. The OBEGALx deficit is expected to narrow to $0.3 billion in 2027/28 and returns to a surplus of $1.9 billion in 2028/29.

***Net core Crown debt increases in the near term but then starts to fall as a percentage of GDP***

***Figure 2.9*** – Net core Crown debt




Source: The Treasury

In nominal terms, net core Crown debt increases through the forecast period (Figure 2.9). However, as a percentage of GDP, net core Crown debt is forecast to initially rise in the near term and peak at 46.5% of GDP in 2026/27 before declining to 45.2% of GDP by the end of the forecast period.

From 2023/24 to 2028/29, net core Crown debt is forecast to increase by around $58.7 billion. A significant lift (an increase of $17.3 billion) in net core Crown debt is expected in the 2024/25 year largely reflecting the trend in core Crown tax revenue and core Crown expenses. Beyond the current year, more modest increases are expected across the rest of the forecast period.

The increase in net core Crown debt predominantly reflects the additional funding required to meet the residual cash deficit – a cash deficit of $16.6 billion for 2024/25 and an average deficit of $10.1 billion per annum thereafter.

Refer to page 41 for discussion on the residual cash forecast.

Other indicators such as the cyclically adjusted balance and structural balance are also useful when analysing the fiscal sustainability of the Government's fiscal policy settings. These are discussed further in the box on pages 51 to 52 alongside the total fiscal impulse, which illustrates the effect of fiscal policy on aggregate demand.

## Change to the Government's headline operating indicator

As signalled in the 2024 *Budget Update*, the Treasury undertook a review of fiscal operating indicators. This box discusses the outcome of this review.

### *Background to the review*

Under the Public Finance Act (1989), the Government is required to prepare financial statements and forecast financial statements in accordance with GAAP. As part of communicating its fiscal strategy, the Government must report a number of GAAP fiscal measures such as the operating balance and net worth. In addition, the Government can choose to accompany the GAAP fiscal measures with non-GAAP fiscal indicators to help communicate progress towards its fiscal strategy. It is important to look at the suite of fiscal indicators reported as no single indicator can provide a comprehensive view of the financial position and performance of the Government.

Since 2008, successive governments have used the operating balance before gains and losses (OBEGAL) as the headline operating indicator to communicate how they are performing against its fiscal strategy. By extracting a number of items prone to short-term market fluctuations from the operating balance, OBEGAL becomes a fiscal indicator that more usefully enables assessments and comparisons of actual results against the short-term fiscal intentions. It is important to note that OBEGAL does not look through all volatility or only include controllable items (eg, policy settings). One of the challenges of using OBEGAL for measuring progress against the Government's short-term intentions is when the Government takes a more long-term funding policy strategy such as the case with ACC. In recent years, ACC has contributed to OBEGAL deficits, and this trend is expected to continue through the forecast period (around $4.0 billion per annum). Although ACC is expected to have an adverse impact on OBEGAL, the nature of these deficits has limited implications for the fiscal sustainability of the Government's finances as set out below.

### *The Government has decided to adopt a new headline operating indicator*

Following the Treasury's review of fiscal operating indicators, the Government has decided to adopt a new headline operating indicator for fiscal strategy purposes that looks through the revenue and expenses of ACC. Going forward, the Government intends to use the operating balance before gains and losses excluding ACC revenue and expenses (OBEGALx) when setting its four-year fiscal intentions and 15-year fiscal objectives. OBEGALx represents the difference between the revenue and expenses (before gains and losses) at a whole-of-government level *excluding* the ACC revenue and expenses.

The Government's decision to exclude ACC revenue and expenses is on the following basis:

- ACC is a long-term scheme that was set up for the most part to be fully funded. Therefore, the appropriate timeframe for considering ACCs financial sustainability is the long term. ACC deficits in any particular year or even over a period of time do not justify an immediate fiscal policy response.
- A portion of ACC's operations from investing activities is included in gains and losses, which are excluded from OBEGAL. This means that ACC may have investment returns that offset at least partially its OBEGAL surplus/deficit. For example, in 2024/25 this is forecast to be $2.6 billion.
- The prominence of ACC in OBEGAL risks motivating undesirable fiscal policy decisions such as cuts to core Crown spending to offset deficits elsewhere that may not be indicative of sustainability issues.

Further discussion on the Government's decision to use OBEGALx for fiscal policy purposes can be found in the 2025 *Budget Policy Statement*. The Treasury will continue to report the total Crown OBEGAL (that is, including ACC) in all its updates.

***Table 2.5*** – Reconciliation between OBEGAL and OBEGALx

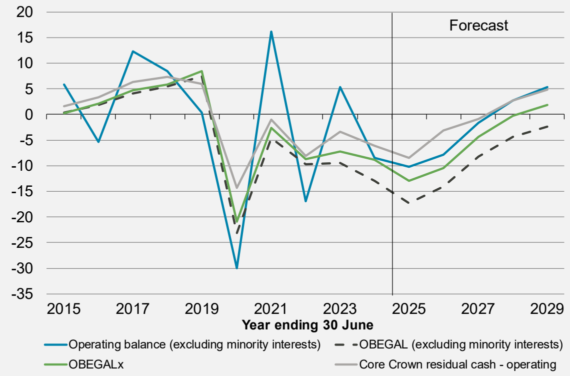
| **Year ending 30 June<br>$billions** | **2024<br>Actual** | **2025<br>Forecast** | **2026<br>Forecast** | **2027<br>Forecast** | **2028<br>Forecast** | **2029<br>Forecast** |
|---|---|---|---|---|---|---|
| **OBEGAL** | (12.9) | (17.3) | (14.1) | (8.2) | (4.3) | (2.4) |
| Remove ACC revenue | (7.9) | (8.6) | (9.0) | (9.7) | (10.4) | (11.1) |
| Remove ACC expenses | 12.0 | 13.0 | 12.6 | 13.5 | 14.4 | 15.4 |
| **OBEGALx** | **(8.8)** | **(12.9)** | **(10.5)** | **(4.4)** | **(0.3)** | **1.9** |

### *A suite of indicators offers different insights into the performance of the Government*

Fiscal indicators enable the Government to make informed decisions and to be held accountable for those decisions. No single fiscal indicator can provide a comprehensive picture of a government's performance and fiscal position on its own.

The Treasury will continue to publish a suite of fiscal operating indicators within the *Economic and Fiscal Update* documents and the *Financial Statements of the Government*, which give different insights into the financial performance of the Government:

***Figure 2.10*** – Operating indicators




Source: The Treasury

- The operating balance is the most comprehensive operating indicator reported as it represents revenue, expenses and valuation gains/losses on financial instruments (some of which are held to generate financial returns) and non-financial instruments. The measure is prescribed under independent accounting standards so is the indicator most comparable with other reporting entities. However, it is subject to short-term market volatility and revaluations of long-term liabilities so has limitations in assessing the fiscal sustainability of the Government's performance in the near term.

- OBEGAL removes the volatility seen in the operating balance from short-term market fluctuations reported as gains and losses. It is a useful measure to reflect the underlying stewardship of the Government.

- As well as removing the gains and losses from short-term market fluctuations, OBEGALx also looks through the revenue and expenses of ACC. It provides insights on how near-term fiscal policy decisions impact the financial performance of the Government.

- Net core Crown operating cash flows are a useful indicator to show whether the cash being raised by the Government in any given year is sufficient to cover its day-to-day cash payments. Net core Crown operating cash flows show whether the Government needs to borrow to fund its operating cash payments or is getting enough cash to cover its capital investments partly or fully.

All the operating indicators broadly follow the same trend over the forecast period, as illustrated in Figure 2.10.

# Fiscal Resilience

Fiscal resilience is the ability of the Government's public finances to absorb a shock and to adapt settings for welfare, health, pension and other policies to maintain and improve wellbeing following a shock. It refers both to the Government's capacity to withstand or survive a shock such as a war, pandemic, global credit crunch or natural disaster and also whether it can thrive in the aftermath. There are a number of fiscal indicators that help determine whether the Government's fiscal position is resilient, which are discussed in more detail in this section.

## Net Worth

Net worth is the difference between total Crown assets (what the Government owns) and total Crown liabilities (what the Government owes). This difference primarily consists of the accumulation of operating surpluses and deficits (referred to as taxpayers' funds) and uplifts in the value of physical assets from revaluations (referred to as PPE revaluation reserve).

In nominal terms, net worth is expected to decline over the initial years of the forecast period from $191.0 billion in 2023/24 to $168.1 billion in 2026/27 before increasing to $176.2 billion in 2028/29 reflecting the accumulated forecast operating balance deficit of $9.6 billion over the forecast period. As a share of GDP, net worth falls from 46.2% in 2023/24 to 34.0% in 2028/29. As a share of GDP, net worth declines due to the net operating balance deficits over the forecast period and the growth in nominal GDP over the forecast period.

A breakdown of net worth is provided in Table 2.6.

***Table 2.6*** – Breakdown of net worth

| Year ending 30 June<br>$billions | 2024<br>Actual | 2025<br>Forecast | 2026<br>Forecast | 2027<br>Forecast | 2028<br>Forecast | 2029<br>Forecast |
|---|---|---|---|---|---|---|
| Taxpayers' funds | 0.3 | (9.9) | (17.9) | (19.5) | (16.8) | (11.6) |
| PPE revaluation reserve | 181.2 | 181.0 | 181.0 | 181.0 | 181.0 | 181.0 |
| Other reserves | 0.3 | (2.9) | (2.8) | (2.7) | (2.6) | (2.5) |
| **Total net worth attributable to the Crown** | **181.8** | **168.2** | **160.3** | **158.8** | **161.6** | **166.9** |
| Net worth attributable to minority interest | 9.2 | 9.3 | 9.2 | 9.3 | 9.4 | 9.3 |
| **Total net worth** | **191.0** | **177.5** | **169.5** | **168.1** | **171.0** | **176.2** |
| As a % of GDP | 46.2 | 41.5 | 37.6 | 35.5 | 34.5 | 34.0 |

Source: The Treasury

## Total Crown Balance Sheet

***Assets and liabilities are both forecast to increase over the forecast period although liabilities increase at a higher rate…***

Total assets are forecast to increase by $100.0 billion over the forecast period reaching $670.8 billion in 2028/29. Total liabilities are forecast to increase by $114.8 billion rising to $494.6 billion by the last year of the forecast period (Table 2.7).

***Table 2.7*** – Composition of the total Crown balance sheet

| **Year ending 30 June $billions** | **2024 Actual** | **2025 Forecast** | **2026 Forecast** | **2027 Forecast** | **2028 Forecast** | **2029 Forecast** |
|---|---|---|---|---|---|---|
| PPE | 283.8 | 293.1 | 300.8 | 307.8 | 311.5 | 313.5 |
| Financial assets | 257.1 | 264.4 | 277.8 | 293.0 | 303.6 | 314.3 |
| Other assets | 29.9 | 30.8 | 32.4 | 35.6 | 39.2 | 43.0 |
| **Total assets** | **570.8** | **588.3** | **611.0** | **636.4** | **654.3** | **670.8** |
| Borrowings | 250.9 | 273.5 | 302.3 | 326.3 | 338.9 | 346.5 |
| Insurance liabilities | 66.6 | 71.4 | 74.5 | 77.9 | 81.4 | 85.5 |
| Other liabilities | 62.3 | 65.9 | 64.7 | 64.1 | 63.0 | 62.6 |
| **Total liabilities** | **379.8** | **410.8** | **441.5** | **468.3** | **483.3** | **494.6** |
| **Total net worth** | **191.0** | **177.5** | **169.5** | **168.1** | **171.0** | **176.2** |

Source: The Treasury

***…with financial assets driving most of the increase in assets…***

Financial assets are forecast to increase by $57.2 billion by 2028/29. The following areas contribute to most of this growth:

- The investment portfolios of the NZ Super Fund and ACC contribute $38.8 billion to the overall growth in financial assets, which includes growth from expected investment returns and additional investments funded from the Crown's contribution to the NZ Super Fund ($1.7 billion).
- Kiwi Group loans and advances are forecast to increase by $16.5 billion primarily because of expected growth in mortgage lending, which, combined with its increase in marketable securities ($2.8 billion), results in a corresponding impact on borrowings, as discussed on page 40.
- Reserve Bank of New Zealand (Reserve Bank) FLP advances are forecast to decline with the outstanding balance at 2023/24 of $16.5 billion expected to be fully repaid by 2025/26.
- A large portion of the remaining forecast increase in financial assets relates to the movements in marketable securities owing to the management of financing requirements and the Reserve Bank's managing down of its portfolio of bonds purchased under its Large Scale Asset Purchase (LSAP) programme.

***…along with growth in property, plant and equipment…***

Property, plant and equipment (PPE) assets are expected to increase by $29.8 billion by 2028/29. This rise is largely due to additions of $77.4 billion, which are partly offset by depreciation expenses over the forecast period that total $43.7 billion.

The largest growth in PPE is attributable to buildings, which are forecast to increase by $13.0 billion over the forecast period mainly driven by growth in assets held by the education, health and housing sectors. The state highways asset category is forecast to increase by $10.4 billion by 2028/29 and electricity-related assets increase by $5.6 billion over the same period.

***…while funding set aside for future capital investments contributes to the remainder of the increase in assets***

In addition to the above, the forecast for new capital spending is expected to increase assets by $14.9 billion by 2028/29. This comprises funding set aside to allocate in future Budgets and funding agreed in previous Budgets for specific projects that has not yet been appropriated into an entity's baseline because further work is required prior to this occurring (ie, unallocated capital contingencies).

***Total borrowings are expected to increase largely to fund Government activity…***

Total borrowings are forecast to increase by $95.6 billion from $250.9 billion in 2023/24 to reach $346.5 billion by 2028/29. Government bonds are expected to increase by $96.2 billion by the end of the forecast period. Government bond issuances are largely reflective of the borrowing required to meet any additional cash requirements to fund operating and capital expenditure of the Government that cannot be covered by revenue (such as tax revenue). The level of government bonds is also impacted by the winding down of the Reserve Bank's LSAP programme, which results in a switch in liabilities from settlement deposits to government bonds.

Kiwi Group borrowings (eg, deposits and debt securities) are forecast to increase by $18.5 billion, which is more than offset by increases in Kiwi Group advances and marketable securities (as discussed on page 39).

***…while the Government's insurance liabilities also increase***

Insurance liabilities are forecast to increase by $19.0 billion to reach $85.5 billion by 2028/29. The ACC insurance liability makes up the vast majority of this balance and is forecast to grow by $19.7 billion over the forecast period. The ACC insurance liability is an estimate of the present-day value of the amount ACC would need to pay out to meet future compensation and rehabilitation costs of injuries that have already occurred or that are expected to occur over the forecast period. The ACC insurance liability is expected to grow by an average of $3.9 billion per year over the forecast period with the increases largely reflecting growth in claims volumes, increases in rehabilitation costs and economic factors.

# Crown Funding and Financing

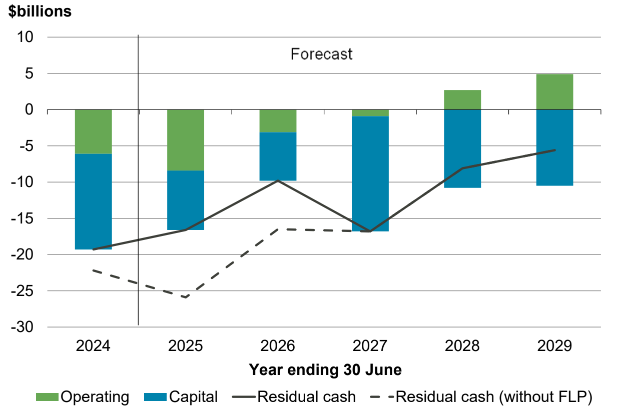
This section looks at the funding required by the Crown to deliver on its fiscal policy decisions and how these will be funded. Core Crown cash flows information provides useful insights into the funding requirements of the Crown. Residual cash represents the operating and capital cash flows of the Crown and shows whether there is a cash shortfall that needs to be funded or cash surplus that can be used to invest or reduce debt.

## Residual Cash

***Residual cash deficits are expected to improve over the forecast period…***

Core Crown residual cash is expected to improve but remain in deficit for the forecast period (Figure 2.11). Net core Crown capital cash flows are the main driver of the deficit position (with an accumulated cash deficit of $52.1 billion across the forecast period). Adding to this is an operating accumulated cash deficit of $4.9 billion. As a result, the total accumulated cash deficit across the forecast period is $57.0 billion with the cash shortfall largely being funded through additional borrowings and using financial assets.

***Figure 2.11*** – Core Crown residual cash




Source: The Treasury

Similar to the other operating indicators discussed, net core Crown operating cash flows improve across the forecast period as the economy grows and more taxes are collected, and they outpace the forecast growth in spending. As a result, the net core Crown operating cash flows move into a surplus position from 2027/28. However, these surpluses are not enough to cover the forecast capital investments in these years, which means residual cash remains in deficit across the entire forecast period.

The residual cash deficit is expected to recover in the near term reducing to $9.9 billion in 2025/26 compared to a deficit of $19.3 billion in 2023/24. A large part of this improvement is primarily owing to the repayments from the FLP. With all the repayments received by the 2025/26 year, the residual cash deficit widens to $16.8 billion in 2026/27 before narrowing again thereafter.

***…with most of the total cash deficit attributable to the Government's forecast capital investment***

Core Crown residual cash includes net capital spending of $24.8 billion on investments mainly into Crown entities as well as $17.1 billion on investments in physical assets. The remaining net capital spending comprises the forecast for future new capital spending, including capital allowances and tagged contingencies.

Contributions to the NZ Super Fund are forecast to reduce over the forecast period as a combination of the returns forecast and forecast size of the economy reduces the funding requirement as set out in the New Zealand Superannuation and Retirement Income Act 2001.

A breakdown of net capital expenditure that has an impact on core Crown residual cash can be found on page 134 within the Forecast Financial Statements.

***The cash shortfall will primarily be met by the Government's bond programme…***

The Government borrowing programme includes the issuance of both government bonds (NZGB) and short-term borrowings (Treasury Bills and Euro-Commercial Paper). Overall, the programme will provide net funds of $59.5 billion (Table 2.8) to help cover the residual cash deficits and maintain the liquidity buffer. The forecast increases to NZGBs, largely to meet the Crown's funding requirements, is the main driver of the increases in gross debt and finance costs over the forecast period.

Consistent with the profile of core Crown residual cash, net government bond issuance is predominantly weighted towards the early part of the forecast period.

***Table 2.8*** – Net issuance of market government bonds and short-term borrowing[1]

| **Year ending 30 June<br>$billions** | **2025<br>Forecast** | **2026<br>Forecast** | **2027<br>Forecast** | **2028<br>Forecast** | **2029<br>Forecast** | **Total** |
|---|---|---|---|---|---|---|
| Face value of market government bonds issued | 40.0 | 40.0 | 38.0 | 28.0 | 22.0 | **168.0** |
| **Debt programme cash flows** | | | | | | |
| Cash proceeds from issue of market government bonds | 39.2 | 37.9 | 35.8 | 26.6 | 21.0 | **160.5** |
| Repayment of market government bonds | (21.2) | (17.2) | (22.5) | (16.0) | (18.5) | **(95.4)** |
| Net issue/(repayment) of short-term borrowings | 1.4 | - | (2.0) | (5.0) | - | **(5.6)** |
| **Net debt programme cash flows** | **19.4** | **20.7** | **11.3** | **5.6** | **2.5** | **59.5** |

1 This table only reflects the transactions forecast by New Zealand Debt Management. It is not consolidated with other entities within the Crown.

More information on the bond programme can be found at https://debtmanagement.treasury.govt.nz/investor-resources/media-statements

Source: The Treasury

Residual cash flows capture the repayment of funding for lending loans issued by the Reserve Bank.

***…most of the accumulated residual cash deficit flows through to the debt indicators***

The residual cash deficit flows through to the net core Crown debt indicator (page 35), and as it is predominantly funded by borrowings, it will also flow through to the gross debt indicator. Overall, gross debt is expected to increase from $176.0 billion in 2023/24 to $269.5 billion by 2028/29. In addition to the change in the bond programme, the managing down from the Reserves Bank's LSAP programme contributes most of the remaining increase in gross debt.

# Comparison to the *Budget Update*

***The fiscal outlook is weaker compared to the* Budget Update*…***

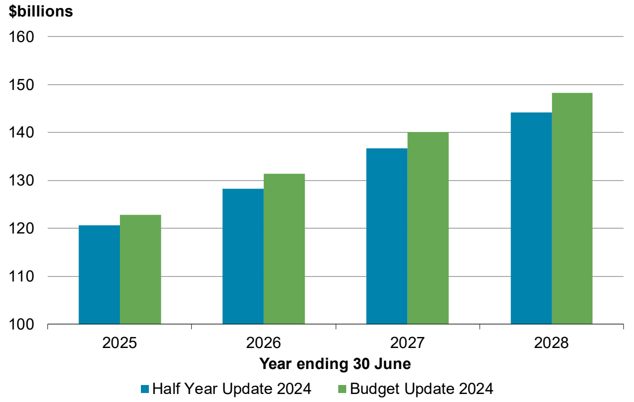
The fiscal outlook for most of the Government's headline indicators is weaker compared to the *Budget Update*. The key factor influencing the weaker outlook is slower economic activity and a deterioration in recent tax outturns, which have reduced the forecast for tax revenue.

***…largely reflective of economic conditions reducing tax revenue forecasts…***

Core Crown tax revenue has been revised down since the *Budget Update* by $13.0 billion in total over the forecast period (Table 2.9). Core Crown tax revenue is forecast to be lower in every year of the forecast period reflecting the weaker economic outlook and the impact of weaker tax outturn for some tax types. The largest revisions were across GST, source deductions and business income tax revenue.

The reduction in the GST forecast is mostly driven by a lower outlook for private consumption that reduces the forecast by $2.3 billion over the forecast period.

***Figure 2.12*** – Core Crown tax revenue compared to the *Budget Update*




Source: The Treasury

Source deductions are forecast to be $5.0 billion lower over the forecast period compared to the *Budget Update*. This is mostly owing to a weaker wage and employment forecast.

Net other persons and corporate taxes are $1.1 billion and $0.9 billion lower respectively over the forecast period compared to the *Budget Update*. This reflects further weakness in recent tax data outturns and a weaker operating surplus forecast reducing company profits. Some of the weakness in these taxes is partially offset by stronger than expected portfolio investment entity (PIE) tax returns in 2024 with some of this strength in PIE taxes forecast to persist throughout the forecast period.

***Table 2.9*** – Movements in core Crown tax revenue by major tax type

| Year ending 30 June<br>$billions | 2025<br>Forecast | 2026<br>Forecast | 2027<br>Forecast | 2028<br>Forecast | Total<br>change |
|---|---|---|---|---|---|
| **Core Crown tax revenue – 2024 *Budget Update*** | 122.9 | 131.4 | 140.2 | 148.2 | |
| **Movement in core Crown tax owing to** | | | | | |
| Goods and services tax (GST) | (1.7) | (1.3) | (1.4) | (1.4) | (5.8) |
| Source deductions | (0.3) | (1.5) | (1.6) | (1.6) | (5.0) |
| Net other persons tax | (0.2) | 0.1 | (0.5) | (0.5) | (1.1) |
| Corporate tax | (0.5) | (0.1) | 0.1 | (0.4) | (0.9) |
| Resident withholding tax (RWT) on interest | 0.6 | 0.1 | 0.2 | 0.1 | 1.0 |
| All other taxes | (0.2) | (0.4) | (0.3) | (0.3) | (1.2) |
| Total change | **(2.3)** | **(3.1)** | **(3.5)** | **(4.1)** | **(13.0)** |
| **Core Crown tax revenue – 2024 *Half Year Update*** | **120.6** | **128.3** | **136.7** | **144.1** | |

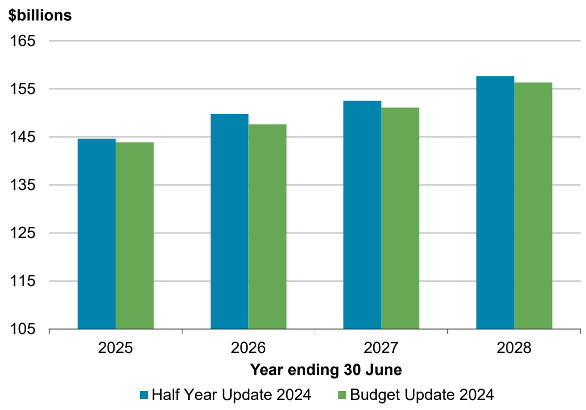
Source: The Treasury

### *…and economic conditions have increased some core Crown expenses…*

Core Crown expenses are on average $1.4 billion per annum higher than forecast at the *Budget Update* (Figure 2.13) owing to a combination of economic factors and other changes in expenditure.

Benefit expenses are higher than previously forecast in the near term reflecting an increase in recipient numbers, particularly jobseeker support. However, this trend reverses by the end of the forecast period as forecast lower wage growth will result in the indexation of New Zealand Superannuation payments being smaller than previously expected.

***Figure 2.13*** – Core Crown expenses compared to the *Budget Update*




Source: The Treasury

Education costs have been revised up due to an increase in school roll projections and an increase in depreciation expenses reflecting the upward revaluation of the school property portfolio at 30 June 2024.

The finalisation of the Government Policy Statement on land transport has resulted in increased operating funding expenditure and timing changes. While this has resulted in an increase to core Crown expenses as there has been a corresponding increase in the revenue forecast by the New Zealand Transport Agency, there is a minimal impact on the headline indicators.

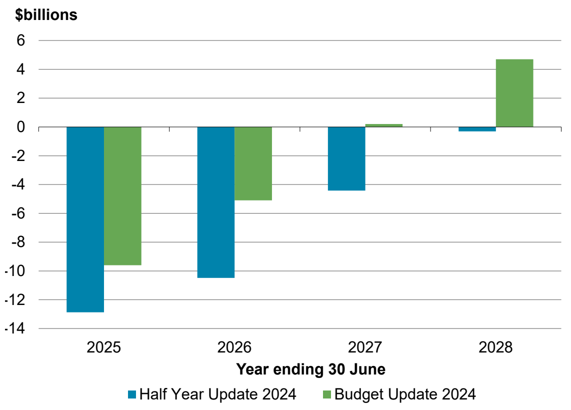
### *…which has led to higher net finance costs…*

Net finance costs have been revised up to reflect the additional funding requirements expected over the forecast period, highlighted in the higher net core Crown debt position. The increase in net finance costs from the additional funding requirements has been partially offset by a lower interest rate track compared to the *Budget Update*.

### *…resulting in all operating indicators being weaker over the forecast period*

OBEGALx is expected to be weaker across all years of the forecast period, particularly in 2024/25, and is forecast to return to surplus in 2028/29, two years later than previously forecast (Figure 2.14).

***Figure 2.14*** – OBEGALx compared to the *Budget Update*




Source: The Treasury

The change in the outlook for OBEGALx is largely driven by the changes in core Crown tax revenue and core Crown expenses mentioned previously.

Outside of the core Crown, the Crown entity segment results (excluding ACC) were weaker, particularly in the near term, reflecting updated forecasts for Health New Zealand that now expect deficits over the next two years compared to being balanced at the *Budget Update*.

The downward revisions in OBEGAL since the *Budget Update* are slightly more than OBEGALx. This reflects that the net revenue forecasts for ACC have been revised down largely due to an increase in insurance expenses reflecting the impact of more claims and lower rehabilitation performance.

***Table 2.10*** – Movements in OBEGALx since the *Budget Update*

| Year ending 30 June<br>$billions | 2025<br>Forecast | 2026<br>Forecast | 2027<br>Forecast | 2028<br>Forecast | Total<br>change |
|---|---|---|---|---|---|
| **OBEGALx – 2024 *Budget Update*** | **(9.6)** | **(5.1)** | **0.2** | **4.7** | |
| Core Crown tax revenue | (2.3) | (3.1) | (3.5) | (4.1) | (13.0) |
| Core Crown benefit expenses | (0.1) | (0.2) | (0.1) | 0.2 | (0.2) |
| Net finance costs | 0.3 | (0.4) | (0.6) | (0.9) | (1.6) |
| Expense phasing changes | (0.1) | (1.2) | (0.2) | (0.2) | (1.7) |
| Education forecasting and depreciation | (0.3) | (0.4) | (0.3) | (0.4) | (1.4) |
| Health New Zealand results | (1.1) | (0.2) | - | - | (1.3) |
| Other | 0.3 | 0.1 | 0.1 | 0.4 | 0.9 |
| **Total change** | **(3.3)** | **(5.4)** | **(4.6)** | **(5.0)** | **(18.3)** |
| **OBEGALx – 2024 *Half Year Update*** | **(12.9)** | **(10.5)** | **(4.4)** | **(0.3)** | |

Source: The Treasury

### *Residual cash deficits are higher than at the* Budget Update*…*

Overall, accumulative residual cash deficits are $22.7 billion higher compared to the *Budget Update*. Over the forecast period, net operating cash outflows have deteriorated by $25.0 billion compared to the *Budget Update* with net operating cash flows now returning to a surplus in 2027/28, a year later than previously forecast. The deterioration in residual operating cash flows broadly reflects the changes in core Crown tax revenue and core Crown expenses discussed above with the main contributing factor being tax receipts, which were $15.1 billion lower than previously forecast.

The capital cash outflows were $2.3 billion lower over the forecast period than at the *Budget Update***.** Forecast capital expenditure has increased by $1.1 billion primarily as a result of increases in Defence and Education expenditure. The impact from the decision on setting future capital allowances announced in the 2025 *Budget Policy Statement* has resulted in $2.2 billion of additional capital investments. These increases in forecast capital spending have been offset by reductions in contributions to the NZ Super Fund of $2.1 billion as the expected returns and starting position exceed prior forecasts. Additionally some previously forecast capital spending is now expected to be spent on operating in the transport sector.

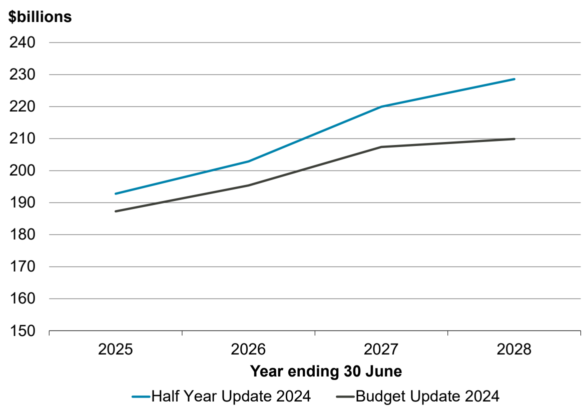
***…resulting in a higher net core Crown debt track across the forecast period***

As a percentage of GDP, net core Crown debt is expected peak two years later than previously forecast at 46.5% in 2026/27 (compared to 43.5% in 2024/25) in the *Budget Update* and then reaches 46.1% of GDP by 2027/28 (previously forecast to be 41.8% of GDP in 2027/28).

In 2024/25, net core Crown debt is expected to be around $5.6 billion higher than previously forecast with the increase reflecting a higher cash deficit and this trend continues (Figure 2.15).

By 2027/28, net core Crown debt is expected to be higher than the previous forecast by $18.7 billion, largely reflecting the higher accumulated residual cash deficit (Figure 2.15). The cash shortfall is largely funded by the Government's bond programme, which has increased by $20.5 billion over the forecast period compared to the *Budget Update.*

***Figure 2.15*** – Net core Crown debt compared to the *Budget Update*




Source: The Treasury

## Changes in capital allowance

The Government has moved to an annual Budget capital allowance framework, replacing the previous rolling multi-year capital allowance (which was a four-year total funding envelope). The 2025 *Budget Policy Statement* has set the annual Budget capital allowance at $3.625 billion for Budget 2025 through to Budget 2028. This means that, over the next four Budgets, a total of $14.5 billion is available to fund new capital investments.

Due to the nature of capital projects, capital investment expenditure funded from a specific Budget allowance will be incurred across a span of several years. The Treasury has reflected this profile in the fiscal forecasts by phasing each annual capital allowance of $3.625 billion over a four-year period with most of the allocation expected to occur in the first two years. This means that, while there is $14.5 billion set aside in capital allowances in total, a portion of each allowance is assumed to be incurred outside of the forecast period. Of the total capital allowance over the next four Budgets, $10.8 billion has been forecast within the forecast period of the 2024 *Half Year Update* and the remaining $3.8 billion is assumed to be incurred outside of the forecast period. The change in the capital allowance framework has minimal impacts on the assumptions used in phasing future capital investments.

# Risks to the Fiscal Forecasts

The Treasury's fiscal forecasts are based on a number of assumptions and judgements using the best information available and our best professional judgement. As with any kind of forecast, there are risks that actual events will differ positively or negatively from expectations. This uncertainty increases as the forecast horizon extends. This section outlines the key risks to the fiscal forecasts.

***The Government is making progress towards achieving its fiscal objectives…***

The fiscal outlook shows that the Government is making progress to achieve its short-term fiscal objectives as set out in its *Budget Policy Statement* with OBEGALx nearing a return to surplus by 2027/28 and both core Crown expenses and net core Crown debt on a downward trajectory as a portion of GDP. The fiscal forecasts were finalised on 27 November 2024 based on the accounting policies, judgements and assumptions outlined on pages 100 to 102. The judgements and assumptions applied are based on the best information available at the time of preparing the fiscal forecasts. There are several events that pose a risk to the fiscal forecasts that could have favourable or unfavourable implications for the Government's short-term intentions.

***…but changes in the economy could impact the fiscal outlook positively or negatively…***

The fiscal forecasts are prepared based on underlying economic forecasts. These are critical in determining significant revenue and expense estimates. The most relevant economic indicators to the fiscal forecasts are outlined on page 102. Any variation in the forecasts of these underlying economic indicators could impact the fiscal forecasts. The forecasts for tax revenue, benefit expenses and finance costs are particularly sensitive to changes in certain economic indicators.

There are a few ways to illustrate the uncertainty regarding the assumptions and judgements made in the economic forecasts and how they could impact the fiscal forecasts. While each of these approaches provides useful insights into the uncertainty around the fiscal forecasts, each approach has limitations, particularly around the completeness of the analysis.

The Economic Outlook chapter includes a scenario that outlines the impact on the Government's key fiscal indicators if the economy was to evolve differently. The scenario considers the impact of changes in productivity, which impacts tax revenue.

Even small changes in the economic outlook can have a significant impact on the fiscal outlook. Sensitivity analysis illustrates how certain changes in key economic indicators could flow through to fiscal indicators. Table 2.11 provides a rule of thumb for the sensitivity of tax revenue to economic growth as well as how Government interest income and finance costs are affected by interest rates. For example, if nominal GDP was to grow by 1 percentage point more than forecast in each year of the forecasts, tax revenue would likely be around $7.9 billion higher than forecast in the final year of the forecast. The sensitivities are broadly symmetric and indicative and can be influenced by the composition of growth.

***Table 2.11*** – Fiscal sensitivity analysis

| **Year ending 30 June $millions** | **2025 Forecast** | **2026 Forecast** | **2027 Forecast** | **2028 Forecast** | **2029 Forecast** |
|---|---|---|---|---|---|
| **Impact on tax revenue of a 1 percentage point increase[1] in growth of** | | | | | |
| Nominal GDP | 1,255 | 2,655 | 4,250 | 6,005 | 7,910 |
| Wages and salaries | 620 | 1,280 | 2,015 | 2,840 | 3,755 |
| Taxable business profits | 235 | 565 | 965 | 1,405 | 1,890 |
| **Impact of 1% lower[1] interest rates on** | | | | | |
| Interest income[2] | (332) | (396) | (519) | (547) | (529) |
| Interest expenses[2] | (476) | (963) | (1,307) | (1,568) | (1,761) |
| Net impact on operating balance | 144 | 567 | 788 | 1,021 | 1,232 |

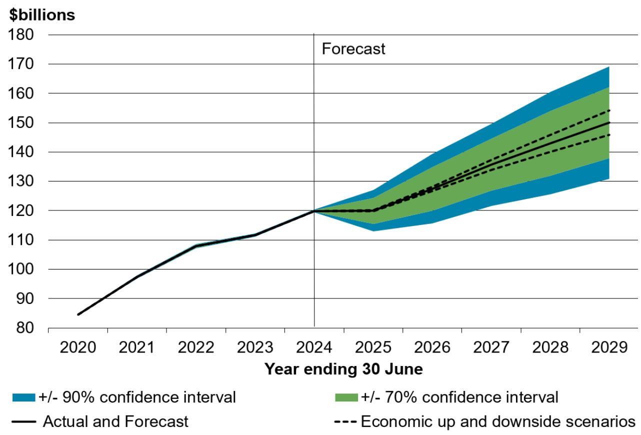
1 These sensitivities are broadly symmetrical.

2 Interest sensitivities relate to consolidated external exposures of both the Treasury (Debt Management) and the Reserve Bank.

Source: The Treasury

The use of fan charts helps to illustrate general uncertainties around the forecasts and the dispersion of outcomes that may ultimately occur. Using past deviations from historical forecasts, the Treasury is able to approximate confidence intervals for the range of possible outcomes within a specified probability range. Under constant fiscal policy settings on expenditure, the main source of uncertainty in the fiscal outlook arises from inherent uncertainty from tax revenue.

***Figure 2.16*** – Total tax revenue fan chart




Source: The Treasury

Figure 2.16 approximates the general uncertainty surrounding the total tax revenue forecast. The width of the fan increases further into the forecast period, meaning the distant future is more uncertain than the near future. The fan chart captures uncertainty due to unexpected economic developments, unexpected revenue relative to the economy and unanticipated policy changes.

The combined green and blue areas show where tax revenue is expected to be 90% of the time. At the end of the forecast period, this is within ±$19 billion per year of the central forecast. The green area reflects that there is a 70% chance that tax revenue could be up to $12 billion higher or lower than the central forecast in 2028/29.

Figure 2.16 also shows tax revenue expectations for the economic upside and downside scenarios discussed in the Economic Outlook chapter. A probability on these alternative scenarios occurring has not been estimated, it is informative to note that the resulting tax revenue outcomes sit within the 30th percentile bands in 2028/29.

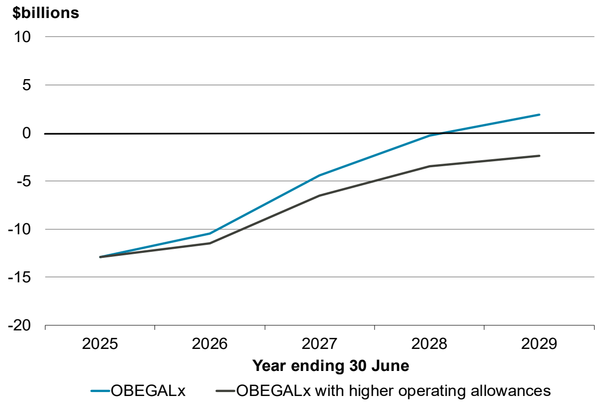
***…and so to could future Government decisions…***

The fiscal forecasts assume that most departmental expenditure stays fixed beyond the 2024/25 year. In reality, expect expenditure is expected to grow, particularly to cover the impact of inflation and wage growth on inputs used to deliver the services provided by the Government. In addition, the Government is likely to make decisions in the future to progress its policy objectives.

The Government has announced Budget operating allowances in the 2025 *Budget Policy Statement* for the next four Budgets. The fiscal forecasts assume that these allowances will be sufficient to cover the costs of maintaining existing services and introducing new services.

The *Specific Fiscal Risks* chapter outlines specific matters that could arise in the future that could have fiscal impacts that would need to be managed against Budget allowances. This includes matters where a decision has been taken but cannot be quantified yet and where a decision has not been made but is reasonably possible and any other circumstances. The chapter also includes significant contingent liabilities the Government may face in the future if certain events were to occur.

***Figure 2.17*** – Impact of higher operating allowances on OBEGALx




Source: The Treasury

There is a risk that the allowances set aside for future Budgets may not be enough to cover all costs arising from specific fiscal risks, new Government policies and future inflationary pressure. The Government does have options (such as reprioritisation of spending) to manage such risks. Figure 2.17 illustrates the sensitivity of the OBEGALx track if the Budget operating allowances for the next four Budgets were $1.0 billion per annum higher for each Budget.

***…while valuation changes influenced by markets could also impact on the Government's fiscal objectives…***

Some elements of the fiscal forecasts require judgements that are informed by market conditions such as foreign exchange rates, interest rates, share prices, carbon price and property prices. There is a high degree of uncertainty around how markets may perform in the future, which makes it challenging for forecast purposes. Therefore, it is likely the Government's actual financial position will differ from forecasts.

Market information is generally used for the valuation of assets and liabilities on the Government's balance sheet, particularly financial instruments and long-term liabilities. In most cases, the fiscal forecasts use a base month and assume no price changes into the future. Most of the direct fiscal impacts from changes in market prices are reflected as valuation gains and losses and therefore minimise any impact on the Government's headline fiscal indicators. However, there are indirect impacts from valuations that could have an impact in the future. For example, an increase or decrease in the valuation of PPE leads to changes in depreciation expenses going forward, while changes in discount rates used to value long-term liabilities could result in a larger or smaller interest unwind recognised in the future.

The *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2024* (https://www.treasury.govt.nz/publications/year-end/financial-statements-2024) provide useful insights on the sensitivity to the value of a number of assets and liabilities to changes in market price assumptions.

***…as could adverse events***

The costs of future individual natural disasters, individual events resulting in climate change and other major events (eg, biosecurity incursions, pandemics, financial markets crisis and geopolitical events) could significantly impact on the fiscal results in the future. In general, these events would most likely impact on the economy and therefore flow through to the forecast for tax revenue, and the Government may decide to introduce financial measures to support to New Zealanders through such events.

# Other Fiscal Information

The section includes boxes on some other fiscal indicators prepared by the Treasury and tax revenue forecasting performance for the year ended 30 June 2024 compared to the forecasts prepared at the 2023 *Half Year Update*. Further analysis of the 30 June 2024 results (including tax revenue) compared to the most recent Budget and original Budget is included within the *2024 Financial Statements of Government*.

## Cyclically adjusted balance, structural balance and total fiscal impulse[6]

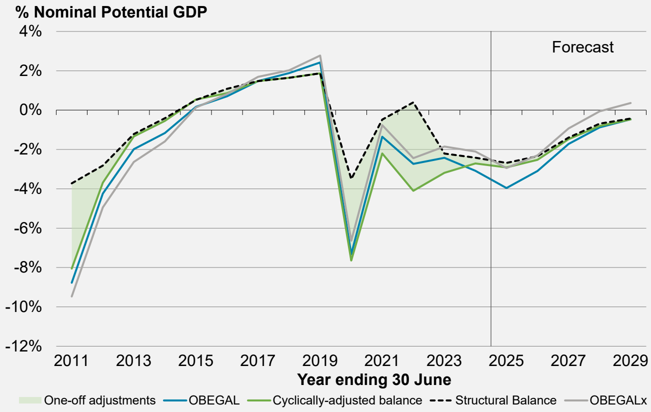
### Cyclically adjusted balance and structural balance

The cyclically adjusted balance (CAB) and the structural balance are additional indicators that can be used to understand the Government's fiscal position. Both indicators are derived from OBEGAL and are designed to identify the underlying trends:

- The CAB shows what OBEGAL would be in the absence of fluctuations in expenses and tax revenue that happen automatically over the economic cycle (known as automatic stabilisers).
- The structural balance helps to show the underlying fiscal position by adjusting the CAB for significant one-off expenditure items such as those associated with the North Island weather events.[7]

Figure 2.18 shows the updated forecasts for all four indicators – OBEGAL, OBEGALx, the CAB, and the structural balance. All four of these measures are currently in deficit, which illustrates the structural nature of the current deficits in the OBEGAL measures (ie, that the deficits are not fully attributable to slowing economic activity or one-off spending increases).

***Figure 2.18*** – OBEGAL, OBEGALx, CAB and structural balance




Source: The Treasury

Both the CAB and structural balance deficits are forecast to gradually improve from 2025/26 through to the end of the forecast period in line with the forecast for OBEGAL and OBEGALx. The CAB and structural balance do not return to surplus until the early years of the projection period, compared to a forecast return in 2027/28 at the *Budget Update*. Basing both the CAB and the structural balance on OBEGALx instead of OBEGAL would lead to an improvement in both indicators across the entire forecast period and lead to both reaching surplus in 2027/28. As discussed earlier, the weaker outlook is driven by both higher expenditure and lower revenue than forecast at the *Budget Update*.

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6 Refer to this guide for more detail on the methodology behind calculating the CAB, the structural balance and the total fiscal impulse: https://www.treasury.govt.nz/publications/guide/methodologies-cyclically-adjusted-structural-balance-fiscal-impulse

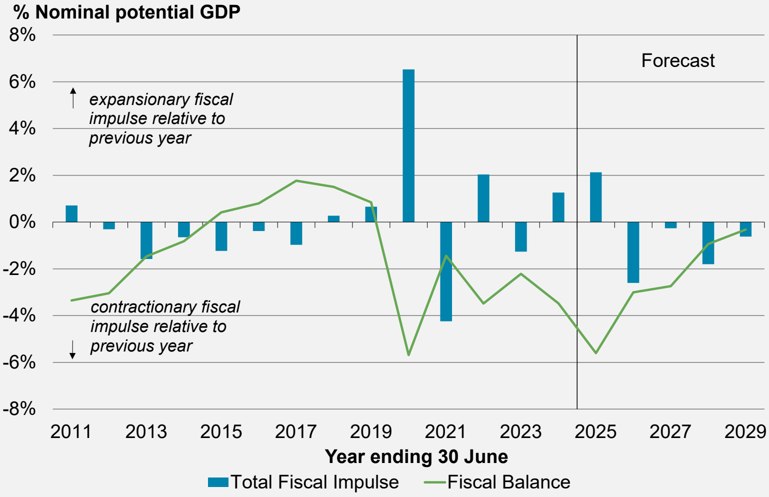
7 Aside from the North Island weather events, the one-off adjustments in the forecast period primarily relate to ongoing COVID-19 operating expenditure. Of the COVID-19 operating expenditure, around half of this relates to the Housing Acceleration Fund.

## Total fiscal impulse

The total fiscal impulse (TFI) is a measure of the *change* in the Government's fiscal contribution to aggregate demand from one year relative to the next. It is based on a comprehensive measure of fiscal outlays and revenues, including their structural, discretionary, and automatic components such as finance costs, but adjusted for some items that do not directly affect aggregate demand.[8] The TFI is based on a *cash* measure of core Crown and Crown entity spending and revenue flows and therefore differs from the OBEGAL measures, the CAB and the structural balance, which are all *accrual* based.

The value of the TFI in any given year does not estimate the overall contribution of fiscal policy to the business cycle (ie, whether fiscal policy is expansionary or contractionary in an absolute sense). Instead, the TFI measures whether fiscal policy is easing or tightening compared to the previous year. The TFI also does not provide a full picture of the economic impact of fiscal policy, which will also depend on the composition of Government revenue and expenses, as well as the ability for the economy to absorb new spending.

***Figure 2.19*** – Total fiscal impulse and fiscal balance[9]




Source: The Treasury

The TFI is forecast to be positive (stimulatory) in 2024/25 as the fiscal balance deficit peaks and negative (contractionary) in every other year of the forecast period as expenditure growth slows and returning economic activity drives a recovery in tax revenue. The profile of the TFI is very similar to what was forecast at the *Budget Update.* However, the positive TFI in 2024/25 is +2.1%, compared to +0.3% for the same period in the *Budget Update*. This increase relative to the *Budget Update* is driven by the weaker forecast for revenue in 2024/25 owing to the weaker economic outlook and higher personnel and operating costs in 2024/25[10]. The TFI is forecast to be contractionary in all other years averaging -0.6% over the entire forecast period, the same average contraction as in the *Budget Update*.

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8 The total fiscal impulse is not cyclically adjusted as discussed in this guide: https://www.treasury.govt.nz/publications/guide/methodologies-cyclically-adjusted-structural-balance-fiscal-impulse

9 Note that we have adjusted for the Matariki holiday falling on 28 June 2024, when taxes are due, by shifting $2.47 billion in tax receipts from the 2025 fiscal year to the 2024 fiscal year to better reflect the economic impact.

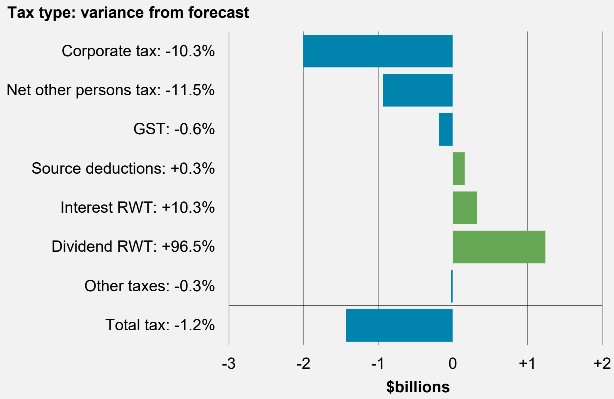
10 This increase in personnel and operating costs partly reflects expenses that have been rephased from 2023/24 into 2024/25 due to underspends by government agencies. As the fiscal impulse is a measure of the change in the fiscal balance from one year to the next, expense transfers effectively impact on the fiscal impulse twice by reducing spending in 2023/24 and by increasing spending in 2024/25.

### Tax forecasting performance

As part of its ongoing drive to improve forecast performance, the Treasury will henceforth publish analysis of recent variances between actual and forecast tax revenue. Being transparent on forecast performance will help the Treasury to understand why actuals differ from forecast, which should lead to more accurate forecasts in the future. The commentary below compares the latest annual tax revenue outcome with the 2023 Half Year Update forecast.

Core Crown tax revenue for the 12 months to June 2024 was \$1.4 billion (1.2%) below the 2023 *Half Year Update* forecast after adjusting for policy changes announced after the 2023 *Half Year Update* was finalised. The variance from forecast was spread across the major tax types as shown in Figure 2.20.

***Figure 2.20*** – Core Crown tax revenue, 12 months to June 2024 vs 2023 *Half Year Update* forecast




Source: The Treasury

Nominal GDP for the year to June 2024 was \$6.6 billion (1.6%) lower than the 2023 *Half Year Update* forecast. This accounts for around -\$1.9 billion of the -\$1.4 billion variance on total core Crown tax revenue and was mainly evident in the corporate tax and other persons tax variances.

There were many positive and negative tax-specific factors that, on a net basis, accounted for the remaining +\$0.5 billion. The largest positive factors were the higher-than-expected RWT on dividends (+\$1.2 billion) and PIE tax revenue (+\$0.8 billion).

Revenue forecasting will always be a difficult task in an uncertain world. In 2023/24 the Treasury undertook a review of its revenue forecasting performance, processes, and methods[11]. A key recommendation made by the review is to regularly publish and analyse forecast errors, as an incentive to improve forecast performance.

11 https://www.treasury.govt.nz/sites/default/files/2024-06/final-panel-report-review-nz-treasury-revenue-forecasting.pdf

# 3

# Specific Fiscal Risks

The Treasury's fiscal forecasts are based on a number of assumptions and key judgements using the best information available and our best professional judgement. As with any kind of forecast, there is a risk that actual events will differ from expectations.

The Economic Outlook and Fiscal Outlook chapters highlight broad risks to the forecasts such as changes to economic assumptions, forecasting risks relating to revenue or variations in the returns from, and valuation of, the Government's investments. This chapter outlines the specific risks that could affect the fiscal forecasts. These are reflected in the statement of specific fiscal risks and the statement of contingent liabilities and contingent assets.

***The statement of specific fiscal risks seeks to provide transparency of risks that could affect the fiscal forecasts***

The statement of specific fiscal risks sets out all Government decisions and other circumstances known to the Treasury whose fiscal implications may have a material effect on the fiscal and economic outlook, but are not certain enough on the outcome, timing or quantum to include in the forecasts.

This section of the chapter covers:

- the requirements and criteria for disclosing specific fiscal risks and how these interact with the fiscal forecasts
- the key judgements applied by the Treasury in assessing whether a risk is a specific fiscal risk
- a statement of specific fiscal risks of the Government
- narrative summaries of all specific fiscal risks
- a table of risks that have been removed from the statement of specific fiscal risks since the *Budget Update 2024*.

A key principle guiding the disclosure of risks is transparency. This means that material risks are disclosed in this section, regardless of whether they can be managed through existing funding sources (such as through prioritisation of funding already available to departments). This ensures a prudent approach to the disclosure of risks, to improve transparency and to avoid prejudging future decisions by governments about what may or may not be funded from allowances.

The risks disclosed in this chapter reflect those that are known at the date of the finalisation of the fiscal forecasts on 27 November 2024. Although the process for preparing the statement of specific fiscal risks involves several entities, including government departments, the Treasury and the Minister of Finance, it is still possible that not every specific risk is identified in the statement of specific fiscal risks.

### *The Public Finance Act 1989 sets out the requirements for specific fiscal risks*

The fiscal forecasts in this *Half Year Update* incorporate – to the fullest extent possible – the fiscal implications of all Government decisions and other circumstances if the criteria set out in the table below are satisfied.

| Fiscal forecasts | Specific fiscal risks[12] |
|---|---|
| Matters are incorporated into the fiscal forecasts when:<br>• the matter can be quantified for particular years with reasonable certainty, and<br>• a decision has been taken, or<br>• a decision has not yet been taken but is reasonably probable[13] that the matter will be approved or the situation will occur. | Matters are disclosed as specific fiscal risks if the likely impact is $100 million or more over the forecast period and either:<br>• a decision has not yet been taken but it is reasonably possible[14] (but not probable) that the matter will be approved or the situation will occur, or<br>• it is reasonably probable or possible that the matter will be approved or the situation will occur, but the matter cannot be quantified for, or assigned to, particular years with reasonable certainty. |

As outlined in the table, if the fiscal implications of government decisions and other circumstances cannot be quantified for particular years with reasonable certainty, or the outcome is still unclear, those government decisions and other circumstances are disclosed in the statement of specific fiscal risks included in this chapter, as required by sections 26Q(3)(b) and 26U of the Public Finance Act 1989.

### *Judgements are applied in assessing whether a risk is a specific fiscal risk*

In order to implement the criteria outlined above, judgement is required to determine whether a Government decision or other circumstance meets the definition of a specific fiscal risk. The Treasury has applied the principles outlined on page 83 when assessing whether a decision or other circumstance meets the definition of a specific fiscal risk.

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12 These are the rules used to determine what is and is not a fiscal risk for the purposes of section 26Q(3)(b)(ii) of the Public Finance Act 1989.

13 For these purposes, 'reasonably probable' is taken to mean that the matter is more likely than not to be approved within the forecast period (ie, there is a greater than 50% chance of the matter occurring or being approved).

14 For these purposes, 'reasonably possible' is taken to mean that the matter might be approved within the forecast period (ie, there is a 20% to 50% chance of the matter occurring or being approved).

### *Exceptions to disclosing specific fiscal risks*

Section 26V of the Public Finance Act 1989 provides that the requirements to disclose government decisions or other circumstances in an economic and fiscal update (including in forecast financial statements and the statement of specific fiscal risks) do not apply where the Minister of Finance determines that to incorporate the decision or circumstance is likely to:

- prejudice the substantial economic interests, security or defence of New Zealand
- prejudice the international relations of the Government
- compromise the Government in a material way in negotiation, litigation, or commercial activity
- result in a material loss of value to the Government.

In addition, the Minister must also determine that there is no reasonable or prudent way the Government can avoid this prejudice, compromise, or material loss through incorporation in this *Half Year Update*.

Two new specific fiscal risks have been withheld under section 26V. Disclosure of these risks would compromise the Government in a material way in negotiation, litigation, or commercial activity.

### *Risks have been categorised by risk type in the statement of specific fiscal risks*

The risks in the statement of specific fiscal risks have been broadly classified into one of eight risk categories aligned to the underlying risk driver. The purpose of categorising risks is to provide an understanding of different types of fiscal risks and the potential aggregate impact of these on the fiscal forecasts.

Some risks may include aspects that include multiple risk drivers – in this case, the risk is categorised based on the most significant driver. A description of each risk type is provided under the relevant category from page 61 onwards.

Three changes have been made to the risk categories since the previous *Budget Update*.

- The category Achieving future savings has been retitled Achieving future savings and spending constraint. The new title and definition for this category allows the inclusion of risks relating to a broader range of plans or processes that are not aimed at savings but at managing within allocated budgets or fiscal sustainability.
- The category Rising demand and changing expectations on services has been retitled Changing demand and expectations on services. This new title better reflects both the upside and downside impacts of the risks contained within this category.
- The category Future demand is uncertain has been expired, as the category Changing demand and expectations on services captures the same underlying risk.

The status of the risks relative to the previous *Budget Update* is also provided. New risks are those identified or disclosed for the first time in this *Half Year Update*, while changed risks are those where there is a significant change in the nature or substance of the risk. Unchanged risks are those where there is no change to the nature or substance of the risk, even if the size of the risk has changed. This includes risks that have updated narratives because of wording changes for clarity or that have been amended to reflect present circumstances. These changes do not reflect a change in the underlying risk.

# Statement of Specific Fiscal Risks

| Status | Title | Portfolio | Page reference |
|---|---|---|---|
| **Commitment or announced intent that may have fiscal implications** | | | |
| New risk | Response to the Report of the Government Inquiry into the Response to the North Island Severe Weather Events | Emergency Management and Recovery | 61 |
| Changed risk | Transport Project Funding | Transport | 61 |
| Unchanged risks | Achieving New Zealand's International and Domestic Climate Change Targets | Climate Change | 62 |
| | Cook Strait Resilience | Finance | 62 |
| | Going for Housing Growth – Incentives for Communities and Councils to Support Growth | Housing | 62 |
| | Transition and Ongoing Viability of the Vocational Education System | Tertiary Education and Skills | 63 |
| | Adaptation Policy Changes | Cross-portfolio | 63 |
| | Carbon Neutral Government Programme | Cross-portfolio | 63 |
| | Commitments Under the Coalition Agreements | Cross-portfolio | 63 |
| | Establishment of a New Medical School | Cross-portfolio | 63 |
| | Safeguarding New Zealand's Defence and Security Interests | Cross-portfolio | 64 |
| | The Government's Approach to the Smokefree Aotearoa 2025 Goal | Cross-portfolio | 64 |
| | Youth Justice Cost Pressures | Cross-portfolio | 64 |
| **Time-limited funding** | | | |
| Unchanged risks | Ka Ora, Ka Ako \| Healthy School Lunches Programme | Education | 65 |
| | Time-limited International Climate Financing Funding: Unfunded 2026 to 2030 Commitment Period | Foreign Affairs | 65 |
| | Police Cost Pressure Funding | Police | 65 |
| | Te Pae Tawhiti Programme | Social Development and Employment | 65 |
| | Tertiary Tuition and Training Funding Baseline Pressure | Tertiary Education and Skills | 66 |
| | Rail Network Investment Programme | Transport | 66 |
| | New Zealand Screen Production Rebate | Cross-portfolio | 66 |
| **Achieving future savings and spending constraint**[15] | | | |
| New risk | Health New Zealand Operating Deficit | Health | 67 |
| Unchanged risks | Kāinga Ora – Homes and Communities Operating Expenditure Forecast Reductions and Future Operating Model | Housing | 67 |
| | Delivering Baseline Savings | Cross-portfolio | 67 |

15 At BEFU 2024, this category was titled *Achieving future savings.*

| Status | Title | Portfolio | Page reference |
|---|---|---|---|
| **Capital cost escalation** | | | |
| Changed risks | Scott Base Redevelopment Project | Foreign Affairs | 68 |
| | Roads of Regional Significance | Transport | 68 |
| Unchanged risk | Other Capital Cost Pressures | Cross-portfolio | 68 |
| **Potential fiscal implications of reviews or litigation** | | | |
| Changed risk | Responding to the Royal Commission of Inquiry into Abuse in Care – Redress System Claims Processes for Survivors | Cross-portfolio | 69 |
| Unchanged risks | Impacts of Changes to Accident Compensation Policy Settings | ACC | 69 |
| | Disability Support Services – High and Complex Framework | Disability Issues | 69 |
| | Independent Review of the Ministry of Education's School Property Function | Education | 70 |
| | Work Programme Supporting Māori-medium Education and Growing Kaupapa Māori Education – Potential Impact of Wai 1718 | Education | 70 |
| | Metropolitan Rail Networks | Transport | 70 |
| | Treaty Settlement Forecasts | Treaty of Waitangi Negotiations | 70 |
| | Pay Equity Claims | Cross-portfolio | 70 |
| **Changing demand and expectations on services**[16] | | | |
| New risk | Civil Registration Replacement | Internal Affairs | 71 |
| Changed risk | Support for the National Land Transport Fund | Transport | 71 |
| Unchanged risks | ACC Levies | ACC | 72 |
| | Enabling Communities and Iwi to Help Children | Children | 72 |
| | Increasing Prison Population | Corrections | 72 |
| | Transforming and Sustaining Disability Support Services for New Zealanders | Disability Issues | 72 |
| | Learning Support | Education | 73 |
| | Health Capital Pressure and Investment Planning | Health | 73 |
| | Financial Challenges Across Universities | Tertiary Education and Skills | 73 |
| | Wānanga Funding and the Crown's Te Tiriti Obligations to Wānanga | Tertiary Education and Skills | 74 |
| | Wānanga Legislative Framework – Te Wānanga o Aotearoa and Te Whare Wānanga o Awanuiārangi | Tertiary Education and Skills | 74 |

[16] At BEFU 2024, this category was titled *Rising demand and changing expectations on services.*

| Status | Title | Portfolio | Page reference |
|---|---|---|---|
| | Government Targets | Cross-portfolio | 74 |
| | Non-government Providers Receiving Funding from the Government | Cross-portfolio | 74 |
| | Services Funded by Third Parties | Cross-Portfolio | 74 |
| **Forecast dependent on a status quo that is uncertain** | | | |
| New risks | Te Pae Christchurch Convention Centre Write-down Costs | Finance | 75 |
| | Forecast Operating and Capital Spending in the National Land Transport Programme | Transport | 75 |
| Unchanged risks | Chateau Tongariro Hotel | Conservation | 75 |
| | Aquaculture Settlements | Oceans and Fisheries | 76 |
| | Regional Infrastructure Fund | Regional Development | 76 |
| | International Tax | Revenue | 76 |
| | Potential Tax and Social Policy Changes | Revenue | 76 |
| | Auckland City Rail Link Ownership Issues | Transport | 77 |
| | Relativity Clause | Treaty of Waitangi Negotiations | 77 |
| | Adverse Weather Events | Cross-portfolio | 77 |
| | Public Sector Employment Agreements | Cross-portfolio | 77 |
| **Forecast risk** | | | |
| New risks | Costs Associated with the Sinking of the HMNZS Manawanui | Defence | 78 |
| | Veterans' Disability Entitlements Liability | Veterans' Affairs | 78 |
| Unchanged risks | Non-Earners' Account | ACC | 78 |
| | Emissions Trading Scheme – Variations Arising from Unit Auctions Failing to Clear | Climate Change | 79 |
| | Emissions Trading Scheme – Variations in Revenue and Expenses | Climate Change | 79 |
| | Alternative Monetary Policy Tools | Finance | 79 |
| | Natural Hazards Commission | Finance | 80 |
| | Realising Sales of Land and Dwellings – Kāinga Ora | Housing | 80 |
| | Information and Communications Technology Operating and Capital Pressures | Cross-portfolio | 80 |
| | Maintenance for Government-owned Buildings | Cross-portfolio | 80 |
| | Other Operating Cost Pressures | Cross-portfolio | 81 |

# Commitment or Announced Intent that may have Fiscal Implications

The following section outlines risks where the Government has publicly committed to taking a future decision, or announced an intent to do so, and this may have fiscal implications (eg, require funding that has not yet been allocated or increase revenue if progressed). The Government generally still has choice about whether to progress with a decision but the Government commitment or announced intent means it is reasonably possible it will be approved.

## New Risks

### Emergency Management and Recovery

***Response to the Report of the Government Inquiry into the Response to the North Island Severe Weather Events (Expenses and Capital)***

On 10 October 2024 the Government released its response to the Report of the Government Inquiry into the Response to the North Island Severe Weather Events, agreeing to its 14 headline recommendations. The level of new funding required to implement the recommendations will be subject to future decisions.

## Changed Risks

### Transport

***Transport Project Funding (Revenue, Expenses and Capital)***

The Government has signalled transport investments additional to what has already been supported through the Government Policy Statement (GPS) on land transport 2024. These investments are largely unfunded, and some of these may fall outside the scope of the National Land Transport Fund (NLTF) or are only expected to be partially funded by the NLTF. Where some funding has been provided through the NLTF, this has only been committed for the first three years that the GPS and the latest National Land Transport Programme covers (2024/25 to 2026/27), but additional investment will likely be required to complete these projects, as work will extend beyond 2026/27.

If the Government chooses to progress these investments, additional Crown funding, increases to land transport revenue, or new revenue sources may be required. Additional investment priorities include the Roads of National Significance programme, the Auckland – Waitematā Harbour Crossing (an indicative business case is under development), Better Public Transport, an additional Mount Victoria tunnel, residual rail projects from the former New Zealand Upgrade Programme, and the rebuild and recovery from the 2023 North Island Severe Weather Events. Many of these costs fall outside the forecast period.

There are additional pressures on existing transport projects, such as City Rail Link that may result in increased cost escalation.

## Unchanged Risks

### Climate Change

#### *Achieving New Zealand's International and Domestic Climate Change Targets (Expenses and Capital)*

The Climate Change Response (Zero Carbon) Amendment Act 2019 sets domestic greenhouse gas targets for New Zealand. It also requires the Government to set and achieve emissions budgets, with the first three emissions budgets covering 2022 to 2035. The Government is set to release its second emissions reduction plan in December 2024, which will outline policies and strategies to achieve these emissions budgets. Some of these policies will be funded through existing baselines. If policies require funding from the Government, decisions will be needed about whether this can be funded through existing baselines or if additional funding will be required.

New Zealand also has international obligations under the Paris Agreement, including relating to our first Nationally Determined Contribution (NDC1), which covers 2021 to 2030, and the requirement to set an NDC for the second period (2031 to 2035) in 2025. NDCs are countries' self-determined plans detailing what they will do to reduce their emissions in support of the international goal of limiting global warming to 1.5°C. Sizeable offshore abatement will be needed to meet NDC1 on top of domestic commitments. Scenarios showing the possible fiscal impact of this offshore abatement have been set out in the Climate Economic and Fiscal Assessment 2023. While the Government has choices about how it achieves NDC1, it is likely that fulfilling these commitments will involve significant costs to the Government, starting within the current fiscal forecast period. NDC2 has yet to be set but could also have fiscal implications.

### Finance

#### *Cook Strait Resilience (Expenses and Capital)*

In December 2023, the Government decided it would not provide further Crown funding for the Inter-Island Resilient Connection (iReX) project involving the purchase of new interisland ferries and the development of new terminals. KiwiRail subsequently decided to cancel the project and is negotiating a settlement. The Government is considering alternative solutions for the Interislander ferry fleet and portside infrastructure. At this stage, any future costs for the Government from proposed alternative solutions are unknown.

### Housing

#### *Going for Housing Growth – Incentives for Communities and Councils to Support Growth (Revenue and Expenses)*

The Government has agreed to progress work on the Going for Housing Growth package. This includes Incentives for communities and councils to support growth. The nature of incentives has not been determined, as advice on this is still under development.

At the *Budget Update* 2024, this risk was titled *Going for Housing Growth – Financially Incentivising Local Government to Increase Housing Supply*

## Tertiary Education and Skills

### *Transition and Ongoing Viability of the Vocational Education System (Expenses)*

The Government has agreed to disestablish Te Pūkenga | New Zealand Institute of Skills and Technology and restore regional decision making for institutes of technology and polytechnics (ITPs). Ongoing funding may be required to support the viability of re-established ITPs. Upcoming decisions will determine the design of the new system, and the configuration of the new system will likely influence any quantum of additional funding (beyond what has been provided) to support ITPs' financial viability.

## Cross-portfolio

### *Adaptation Policy Changes (Expenses and Capital)*

In August 2022, the previous Government published New Zealand's first National Adaptation Plan (NAP) to respond to climate change-related risks as required by the Climate Change Response (Zero Carbon) Amendment Act 2019. Since the NAP was published, the current Government has publicly signalled its intent to develop a climate adaptation framework. As this work proceeds, the resulting policy decisions could result in new actions, additional or separate to the NAP, that impact on the fiscal forecasts.

### *Carbon Neutral Government Programme (Expenses and Capital)*

As part of its contribution to achieving New Zealand's climate change targets, the previous Government established the Carbon Neutral Government Programme (CNGP), supported by the State Sector Decarbonisation Fund. Work is underway on the development of pricing and investment options whereby CNGP organisations would pay for their emissions. Two key fiscal risks exist: the funding need for emissions reductions may exceed allocations from the State Sector Decarbonisation Fund and agency budgets, and the cost of offsetting remaining emissions may exceed what CNGP participating agencies can afford.

### *Commitments Under the Coalition Agreements (Expenses and Capital)*

The Coalition agreements between National and ACT and National and New Zealand First outline commitments that may have fiscal impacts. Most of these commitments have been funded by the Government and reflected in the fiscal forecasts. There are some commitments that are yet to be progressed and funded by the Government that may have fiscal impacts, such as future funding for the Social Investment Fund and training more doctors.

### *Establishment of a New Medical School (Expenses and Capital)*

As part of the Government's 100-day plan, the Ministry of Health and the University of Waikato signed a memorandum of understanding as a first phase towards establishing a new medical school. The Ministry has commissioned an independent cost-benefit analysis and business case for the proposal to be completed in 2024/25. If progressed, the establishment of a new medical school has operating and capital fiscal impacts to the Crown.

***Safeguarding New Zealand's Defence and Security Interests (Expenses and Capital)***

The Government is continuing to undertake a Defence Policy Review, and an updated Defence Capability Plan will provide investment options to Government. The outcome of this and other security policy work may have implications for the level of spending across defence and security portfolios. The quantum and timing of spending will be dependent on the approval of future business cases and Budget decisions.

***The Government's Approach to the Smokefree Aotearoa 2025 Goal (Revenue)***

The Government has signalled continued commitment to the Smokefree Aotearoa 2025 goal that by 2025 fewer than 5% of New Zealanders will be smokers. The New Zealand Health Survey indicates that 6.9% of New Zealanders were daily smokers in 2023/24. The introduction of further policies to reduce smoking would reduce tobacco excise revenue across the forecast period. In addition, any initiatives to achieve these goals may have additional costs to the Government. Through its Coalition agreements, the Government has also committed to taxing smoked tobacco only and reforming the regulation of vaping, smokeless tobacco, and oral nicotine products. Increasing the range of nicotine products available and changing the excise treatment of non-smoked tobacco products would have uncertain implications for tobacco excise revenue.

***Youth Justice Cost Pressures (Expenses)***

Changes to youth justice policy settings may result in an increase in young people designated as youth offenders through the youth justice system. This would also contribute to increases in costs associated with the Youth Court and a need for investment in youth justice residences. It is too early in the development of updated policy settings to determine what these costs may be.

# Time-limited Funding

The following section outlines risks associated with programmes that have time-limited funding that decreases or ceases at some point in the forecast period and may potentially be extended. Time-limited funding often relates to pilot programmes or to programmes under review.

## Unchanged Risks

### Education

***Ka Ora, Ka Ako | Healthy School Lunches Programme (Expenses and Capital)***

An additional $478 million was provided through Budget 2024 to fund the Ka Ora, Ka Ako | Healthy School Lunches Programme until the end of the 2026 school year. If the Government confirms a continuation or expansion of the programme thereafter, additional ongoing funding beyond that currently provided for will be required.

This time-limited funding ceases during 2026/27.

### Foreign Affairs

***Time-limited International Climate Financing Funding: Unfunded 2026 to 2030 Commitment Period (Expenses)***

New Zealand's international climate finance commitment is $1.3 billion over the four-year period from 2022 to 2025. While the timing and quantum of New Zealand's next international climate finance commitment for the period 2026 to 2030 are unknown, making a commitment at a similar level to the 2022 to 2025 commitment may require more than provided for in the fiscal forecasts.

Time limited funding for New Zealand's current international climate finance commitment ceases during 2025/26.

### Police

***Police Cost Pressure Funding (Expenses)***

New Zealand Police received $120 million in Budget 2024 to fund critical cost pressures in 2024/25. The funding is temporary in nature as New Zealand Police are expected to implement measures and identify opportunities across its operating model and roles and functions to manage costs and improve its financial sustainability. There is a risk New Zealand Police will require further funding beyond 2024/25 if sufficient savings cannot be realised in the future.

This time-limited funding ceases after 2024/25.

### Social Development and Employment

***Te Pae Tawhiti Programme (Expenses and Capital)***

The forecasts include $183 million in funding for the first two years of the Ministry of Social Development's Te Pae Tawhiti transformation programme. The programme is expected to be delivered over nine years through three horizons of three years each and will transform how the Ministry operates. Given that the programme is now under way, to either achieve expected outcomes or close the programme would require additional commitment of funding. If the transformation programme does not continue, further investment may be required to replace some of the Ministry's systems. Additionally, the programme may have consequential impacts on the ongoing cost of the Ministry's services.

This time-limited funding ceases after 2024/25.

At the *Budget Update* 2024 this risk was titled *Te Pae Tawhiti Programme – Horizon One Year 3 and Horizon Two*.

### Tertiary Education and Skills

#### *Tertiary Tuition and Training Funding Baseline Pressure (Expenses)*

In June 2023, the previous Government announced a time limited increase to tuition and training subsidies for 2024 and 2025 of $128 million, to support tertiary education providers experiencing reduced revenue from a reduction in enrolments. In addition, demand for tertiary education and training is currently expected to exceed the volume able to be funded by current baselines after 2025. The Ministry of Education's current forecasts of potential demand in 2026 and subsequent years exceeds the volume able to be funded. The expiry of the time-limited funding will add to the drop-off in baseline funding after 2025.

The time-limited funding component of this risk ceases during 2025/26.

### Transport

#### *Rail Network Investment Programme (Revenue, Expenses and Capital)*

The Rail Network Investment Programme (RNIP) is a 10-year programme of planned network maintenance, management, renewal and improvement works on the national rail network. The RNIP is funded to 2025/26 and partially funded beyond this point. $338.6 million has been provided by the crown for the 2025/26 financial year. Completing all works will require further funding (from the Crown and the National Land Transport Fund).

This time-limited funding ceases after 2025/26

### Cross-portfolio

#### *New Zealand Screen Production Rebate (Expenses)*

The New Zealand Screen Production Rebate is an uncapped, on-demand grant that incentivises production work (from both domestic and international studios) in New Zealand by offering a rebate on qualifying expenditure. Funding was provided for 2024/25 and 2025/26 at Budget 2024. However, further funding across the forecast period will likely be needed to meet expected costs. The fiscal forecasts include an estimate of likely costs beyond 2025/26 based on expected production. However due to the uncapped and on-demand nature of the rebates, there remains a risk that costs could vary from what has been included in the forecasts.

This time-limited funding ceases after 2025/26.

# Achieving Future Savings and Spending Constraint

The following section outlines risks related to achieving future savings or the implementation of plans to constrain spending. As savings or spending tracks reflected in the fiscal forecasts require future actions to deliver, there is a risk that actual expenditure or revenue will differ from the forecasts. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).

## New Risks

### Health

***Health New Zealand Operating Deficit (Expenses)***

Health New Zealand has recorded a significant operating deficit in the 2023/24 year and is forecast to continue to run a large operating deficit through the current year. Beyond the current year the fiscal forecasts assume the delivery of the Health New Zealand Reset Plan which includes a plan to return Health New Zealand to its budgeted funding level. There is a risk that delivery of the Health New Zealand Reset Plan is slower or faster than forecast, which would impact the Government's operating balance. In addition, there is a risk that the Crown may be required to provide further funding to support Health New Zealand if the outcomes of the Health New Zealand Reset Plan fail to materialise.

## Unchanged Risks

### Housing

***Kāinga Ora – Homes and Communities Operating Expenditure Forecast Reductions and Future Operating Model (Expenses)***

The fiscal forecasts reflect operating expenditure reductions identified by Kāinga Ora – Homes and Communities. There is a risk that the expenditure reductions such as those associated with anticipated reductions in personnel and maintenance expenditure as part of Kāinga Ora's transformation programme do not eventuate.

### Cross-portfolio

***Delivering Baseline Savings (Expenses)***

Budget 2024 provided significant savings across the wider public sector, including permanent reductions to departmental baselines. Delivering these baseline savings requires significant organisational change across the public sector, as well as changes to programmes that may take longer than anticipated to implement and/or may not eventuate. There is a risk that the fiscal impact of the baseline savings will be different from what has been reflected in the fiscal forecasts.

# Capital Cost Escalation

The following section outlines risks where there are indications that a capital project or programme may differ from the funding allocated. There may be choices for the Government to manage the cost escalation and scope of the project or programme.

## Changed Risks

### Foreign Affairs

***Scott Base Redevelopment Project (Expenses and Capital)***

The Scott Base Redevelopment Project is replacing New Zealand's existing facilities in Antarctica. In 2023 it was determined that the original design and specifications for the projects could not be delivered within the approved budget. The Government has indicated that the costs of the project need to be met within the existing budget. Since Budget 2024, Antarctica New Zealand has begun a re-design process to deliver the project within budget and is working towards a revised business case for approval by the Government. In addition, the inherently risky operating environment for the project creates additional financial risk for the project.

### Transport

***Roads of Regional Significance (Expenses and Capital)***

The Government Policy Statement (GPS) on land transport sets out a series of strategically important projects for New Zealand's transport system called Roads of Regional Significance. Although referenced in the GPS, these projects are funded outside the National Land Transport Fund. With a significant level of planning still required for many projects, there is a risk that further funding is required to complete these projects.

At the *Budget Update* 2024 this risk was titled New Zealand Upgrade Programme. This risk has been renamed as many of the projects that were part of the New Zealand Upgrade Programme are now part of the Roads of Regional Significance programme.

## Unchanged Risks

### Cross-portfolio

***Other Capital Cost Pressures (Capital)***

Agencies are likely to face capital expenditure pressures related to replacing ageing infrastructure and other capital requirements driven by demand pressures. These pressures are risks to the fiscal forecasts to the extent that they cannot be managed through agencies' existing balance sheets and baselines, through new capital spending set aside in forecasts from the capital allowance or through other funding mechanisms.

# Potential Fiscal Implications of Reviews or Litigation

The following section outlines risks where there are reviews of policy settings (both those initiated by the Government or external to the Government) or litigation that may require a fiscal response from the Government. This includes independent reviews, Royal Commissions or Court decisions.

## Changed Risks

### Cross-portfolio

***Responding to the Royal Commission of Inquiry into Abuse in Care – Redress System Claims Processes for Survivors (Expenses)***

The Royal Commission of Inquiry into Abuse in Care tabled their final report in Parliament in July 2024 which recommended the establishment of a new single, holistic redress system for survivors of abuse in care, to replace the existing historical claims processes. On 12 November, in the National Apology to Abuse in Care survivors, the Prime Minister announced the Government's intention to have a new single redress system operating in 2025. The Prime Minister also announced other measures already completed or underway to respond to the Royal Commission of Inquiry's recommendations. The Government is still developing the response to the full set of recommendations. As such, the fiscal impact of a new redress system and other recommendations remain uncertain.

At the *Budget Update* 2024, this risk was titled *Royal Commission Independent Redress System Claims for Survivors of Abuse in Care.*

## Unchanged Risks

### ACC

***Impacts of Changes to Accident Compensation Policy Settings (Expenses)***

Accident Compensation scheme boundaries and entitlements are subject to evolution through regulatory and legislative changes. From time to time, Court decisions can also expand the application of the scheme, which can also have significant fiscal impacts. Changes to scheme boundaries and entitlements could necessitate additional Crown funding. The extent of the additional funding could put pressure on ACC's funding policy and/or the goal to reach a funding ratio target of 100% (assets to liabilities) over a 10-year funding horizon.

### Disability Issues

***Disability Support Services – High and Complex Framework (Expenses and Capital)***

In 2021 the Ombudsman raised concerns with the operation of the High and Complex Framework, which provides services for people with intellectual disabilities who need secure or supervised care. The Government is considering its response, which could involve additional investment to increase the capacity of the system.

## Education

### *Independent Review of the Ministry of Education's School Property Function (Expenses and Capital)*

The Government is currently responding to the Ministerial Inquiry into School Property. Upcoming Government decisions may have operating and capital fiscal impacts to the Crown that may require increased investment.

### *Work Programme Supporting Māori-medium Education and Growing Kaupapa Māori Education – Potential Impact of Wai 1718 (Expenses and Capital)*

In December 2022, the Waitangi Tribunal granted Te Rūnanga Nui o ngā Kura Kaupapa Māori an urgent Tribunal hearing (Wai 1718 claim) to consider its claim into Crown policies, acts and omissions in relation to kura kaupapa Māori and the prejudicial impact of the Government's Tomorrow's Schools reform. The outcomes of this claim may lead to proposals for additional funding to support Māori-medium and kaupapa Māori education.

## Transport

### *Metropolitan Rail Networks (Expenses and Capital)*

There are cost pressures associated with the maintenance, renewal and upgrade of the Auckland and Wellington metropolitan rail networks. The Ministry of Transport is undertaking a review of the Metropolitan Rail Operating Model, which, among other things, will advise on the appropriate distribution of costs between Auckland Transport, Greater Wellington Regional Council, the National Land Transport Fund (administered by the New Zealand Transport Agency), KiwiRail and the Crown.

## Treaty of Waitangi Negotiations

### *Treaty Settlement Forecasts (Expenses)*

The fiscal forecasts include provision for the cost of future Treaty settlements. Given that settlements are finalised through negotiations, there is a risk that the timing and amount of the settlements could be different from the profile included in the fiscal forecasts.

## Cross-portfolio

### *Pay Equity Claims (Expenses)*

A number of claims have been raised and some settled under the 2020 pay equity amendments to the Equal Pay Act 1972 providing for pay equity (equal pay for work of equal value). The forecasts include an estimate of the expected cost to settle current and future claims both in the public and funded sectors. However, there is a risk that the costs may differ depending on the number of further claims that are raised, the outcomes reached from applying the pay equity principles to each particular claim and any funding decisions.

# Changing Demand and Expectations on Services

The following section outlines risks where there is changing demand for a service or good, or changed expectations on the level of service, that may increase or decrease costs beyond the funding allocated. This may be driven by changes in policy or through external factors such as technological advances or behavioural change. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).

## New Risks

### Internal Affairs

***Civil Registration Replacement (Expenses and Capital)***

The Department of Internal Affairs' civil registration system is reaching the end of its useful life. Following the termination of the civil registration system replacement vendor contract on 1 December 2023, the Department returned unspent funding. Therefore, the delivery of any future replacement is currently unfunded.

## Changed Risks

### Transport

***Support for the National Land Transport Fund (Revenue, Expenses and Capital)***

There is a risk that fuel excise duty (FED) and/or road user charges (RUC) will need to be increased, or additional Government funding (loan and/or a grant) will be required, to manage pressures on the National Land Transport Fund (NLTF). This relates both to the medium-term sustainability of the NLTF and to specific project pressures in the National Land Transport Programme period 2024 to 2027.

The Government has also signalled in the Government Policy Statement on land transport that it intends to reform the land transport revenue system, including requiring all road vehicles to move from FED to RUC, introduce time-of-use charging in congested parts of the road network, and increase the use of tolling. The fiscal implications of these reforms are uncertain.

## Unchanged Risks

### ACC

#### *ACC Levies (Revenue and Expenses)*

ACC levies are set by the Government and reflected in the forecasts. Revenue from the levies set for these accounts may be more or less than that required to cover the cost of claims. If factors such as claims experience, ACC performance, and economic assumptions (particularly discount rates and unemployment rates) differ from the forecasts, ACC's levy revenue, claims costs and liability may also differ from the forecasts. Any variance will have a corresponding impact on the operating balance. Beyond the rates set by Cabinet on the tri-annual basis, ACC levy rates are assumed to follow ACC's Gazetted Funding Policy Statement. Practically, this means levies beyond the 2027/28 period are assumed to increase at the 5% per annum cap on ACC's recommendations. If this is not agreed by Cabinet, there would be revenue impacts.

### Children

#### *Enabling Communities and Iwi to Help Children (Expenses)*

Changes to the way Oranga Tamariki partners with Māori and other community organisations will have operational and fiscal implications beyond what is in the fiscal forecasts. Further funding may be required for initiatives aimed at building capacity and local solutions with iwi and other community groups.

### Corrections

#### *Increasing Prison Population (Expenses and Capital)*

There has been a significant increase in the prison population since April 2023. Recent and planned justice policy changes, including changes to sentencing legislation, are likely to further increase the prison population. While funding has been provided in Budget 2024 to address the immediate impact, there remains a risk that further funding is needed if the increase in prison numbers is higher than allowed for in the fiscal forecasts. This creates an additional cost pressure relating to reconditioning retired capacity within the existing prison network, maintaining safe staffing ratios, prisoner upkeep and potential capital costs to enable additional capacity.

### Disability Issues

#### *Transforming and Sustaining Disability Support Services for New Zealanders (Expenses)*

Disability Support Services are likely to face significant operating pressures to maintain the delivery of existing services. The main drivers are: volume (both a growing number of people accessing support and increased level of support for existing clients) and price (largely comprising wage and inflationary pressures on non-Government providers).

## Education

### *Learning Support (Expenses and Capital)*

The Ministry of Education faces several pressures relating to learning support that may not be able to be met within existing baselines, including workforce and inflationary pressures. Additionally, a number of reviews have led to proposals for additional and expanded learning support, which may require additional funding. This includes work addressing workforce pressures and vacancies within the existing learning support workforce, and work to meet the different needs of all students.

## Health

### *Health Capital Pressure and Investment Planning (Expenses and Capital)*

The health infrastructure portfolio faces a number of risks resulting from increasing demand on health services, and capital cost pressures. Of the existing programmes of work in the health infrastructure portfolio, the following represent the largest risks:

- **Health infrastructure investment pipeline:** Health infrastructure has a significant pipeline of investment to support future service delivery need. A growing demand for health services has created a significant demand for future investment to address ageing infrastructure and support increased capacity. Health New Zealand has developed a draft Infrastructure Investment Plan, which outlines investment needs and priorities over the next 10 years. The draft Infrastructure Investment Plan is currently being considered. Decisions on the level of investment will inform demands for future funding.

- **New Dunedin Hospital:** There remain significant financial pressures on the New Dunedin Hospital Project. This has been driven by construction sector inflation, scope changes, and the relative isolated location of the project coupled with a small contractor base with sufficient experience and capacity from which to draw.

- **Regional Hospital Redevelopment Programme (RHRP):** The key risks in the RHRP are Whangārei and Nelson Hospitals (with others to be considered as part of the Infrastructure Investment Plan). These developments are in the early design phase and as such the costs remain uncertain.

- **Remediation of existing assets:** Some existing health sector infrastructure is in poor condition. At times Health New Zealand has to undertake expensive remedial works on existing assets. The timing and quantum of these remedial works may have impacts on the fiscal forecasts.

## Tertiary Education and Skills

### *Financial Challenges Across Universities (Capital)*

There are heightened financial pressures facing New Zealand's university sector. While there is not a present risk in the financial viability of any university, there are risks for several universities that could materialise within the forecast period. If universities are unable to adequately manage these risks, they may seek support from Government to ensure their financial stability and viability in the future.

***Wānanga Funding and the Crown's Te Tiriti Obligations to Wānanga (Expenses)***

The Ministry of Education (through its work programme Te Hono Wānanga) is responding to concerns raised by wānanga around its education funding policies in the context of the Crown's Treaty of Waitangi obligations. Te Hono Wānanga may lead to changes to the funding of wānanga and potentially other providers of mātauranga Māori across the tertiary system.

***Wānanga Legislative Framework – Te Wānanga o Aotearoa and Te Whare Wānanga o Awanuiārangi (Expenses)***

On 19 December 2022, the Education and Training Act was amended to establish a wānanga enabling framework. This grants wānanga the ability to become independent statutory entities. If they were to do so, this could have financial implications as the wānanga would no longer be an asset on the Government's balance sheet.

## Cross-portfolio

***Government Targets (Expenses and Capital)***

The Government has set nine targets to focus the public sector on improved results in areas that include health, education, law and order, work, housing and the environment. Public sector agencies have developed delivery plans that set out actions to meet these targets. Depending on the extent to which funding is required to meet the targets and whether existing resources are reprioritised to meet those costs, there could be a fiscal cost above current baselines.

***Non-government Providers Receiving Funding from the Government (Expenses)***

The Government is facing ongoing pressure from non-government providers of Crown-funded services to fund a greater proportion of their costs or to fund cost pressures. This includes providers in the health, disability, welfare, justice and child protection sectors.

***Services Funded by Third Parties (Expenses)***

A wide range of government services are funded through third-party fees and charges. Demand for these services can vary, with a direct effect on revenue received. If revenue collected is lower than the total costs of providing the service, there is a risk that the Government may need to provide additional funding or that changes will be required to the way government services are delivered, which could result in costs to the Government.

# Forecast Dependent on a Status Quo that is Uncertain

The following section outlines risks where the forecast is based on the status quo but an uncertain future decision or event could materially affect the forecast approach. The change in the status quo may be a decision the Government controls or an external event outside of the control of the Government.

## New Risks

### Finance

***Te Pae Christchurch Convention Centre Write-down Costs (Expenses)***

As part of the Greater Christchurch Recovery Plan, the Government entered into a Global Settlement Agreement with the Christchurch City Council. That agreement included a commitment that the parties continue to engage on future ownership of the Te Pae Convention Centre. Any future transfer of Te Pae could result in the write-down of the cost of the asset, which has been captured in the fiscal forecasts. However, the timing of actual transfer is uncertain, so it may differ to what has been reflected in the fiscal forecasts.

### Transport

***Forecast Operating and Capital Spending in the National Land Transport Programme (Expenses and Capital)***

Operating and capital expenditure is incurred on projects under the National Land Transport Programme (NLTP). The forecast split between operating and capital expenditure is based on best estimates at the time of the forecasts, but there is inherent uncertainty particularly given the nature of the projects under the NLTP, the impact of delays and rescheduling of projects across the forecast period, and potential changes in the accounting treatment of projects as they are completed.

## Unchanged Risks

### Conservation

***Chateau Tongariro Hotel (Expenses and Capital)***

The lease for the Chateau Tongariro Hotel was terminated on 9 March 2023. Following termination, responsibility for the building and all improvements on the land was moved to the Crown. Options are being investigated for the future of the Chateau and surrounding facilities, including demolition, but at this stage, there is uncertainty around any future fiscal implications for the Crown.

## Oceans and Fisheries

### *Aquaculture Settlements (Expenses)*

Fisheries New Zealand delivers the Government's aquaculture settlement obligations under the Māori Commercial Aquaculture Claims Settlement Act 2004. The settlement of quantified obligations is funded within current appropriations and included in fiscal forecasts. However, due to uncertainties related to unquantified future settlements and from aquaculture industry growth, there may be additional liabilities over the forecast period that are not included in fiscal forecasts.

## Regional Development

### *Regional Infrastructure Fund (Expenses and Capital)*

The Government has agreed to establish a Regional Infrastructure Fund (RIF) of $1.2 billion over a three-year period. Funding has been allocated as $100 million operating and $300 million capital for each of the three years. There is a risk the current operating and capital split may need to change in the future to achieve the objectives of the RIF. The Government has several capital funding mechanisms available to provide funding in accordance with the current allocation such as loans and equity investment. However, these mechanisms may have consequential operating impacts that are currently not reflected in the forecasts.

## Revenue

### *International Tax (Revenue)*

In light of delays and uncertainty around the final design of the Organisation for Economic Co-operation and Development (OECD) approach to taxing digital services, the previous Government introduced legislation to impose a digital services tax (DST) as a backstop solution in case the OECD approach did not make sufficient progress. This Bill remains on the Order Paper. The forecasts currently account for a 1 January 2026 implementation and include revenue of $479 million over the forecast period in relation to the DST with an additional $146 million per annum expected beyond the forecast period. If the OECD solution is agreed and adopted, this would change the timing or amount of revenue.

### *Potential Tax and Social Policy Changes (Revenue and Expenses)*

The Public Finance Act 1989 requires the Government to set a Revenue Strategy, which was released as part of Budget 2024. The Revenue Strategy helps to inform the development of priorities for the Government's Tax and Social Policy Work Programme. The work programme, which was released on 13 November 2024, has projects that could have negative and positive fiscal impacts. Therefore, general tax policy settings and their collective fiscal implications are subject to change.

## Transport

### *Auckland City Rail Link Ownership Issues (Expenses and Capital)*

The Government committed to fund 50% of the costs associated with the build of the City Rail Link project. Auckland Council has also committed to fund 50% of the project. Both the Crown and Auckland Council have treated the investment for the City Rail Link project as a net asset on the balance sheet. With the assets expected to be transferred to Auckland Transport and KiwiRail in late 2025, the assets developed from the project will be split and there is a risk the value of the assets received by the Crown may differ to what is assumed in the forecasts, which could have a positive or adverse impact on the operating balance.

## Treaty of Waitangi Negotiations

### *Relativity Clause (Expenses)*

The Deeds of Settlement negotiated with Waikato-Tainui and Ngāi Tahu include a relativity mechanism. Now that the total redress amount for all historical Treaty settlements exceeds $1.0 billion in 1994 present-value terms, the mechanism provides that the Crown is liable to make payments to maintain the real value of the Ngāi Tahu and Waikato-Tainui settlements as a proportion of all Treaty settlements. The agreed relativity proportions are 17% for Waikato-Tainui and 16.1% for Ngāi Tahu. There is a risk that the timing and amount of the expense for the relativity payments may differ from the fiscal forecasts. There is also uncertainty on how various disputes concerning the interpretation of the mechanism will be resolved.

## Cross-portfolio

### *Adverse Weather Events (Expenses and Capital)*

There is an increasing risk that, in responding to the increased frequency of adverse weather events, the Government will incur additional costs across a range of portfolios. These include but are not limited to the National Emergency Management Agency and the New Zealand Transport Agency (essential infrastructure recovery), Natural Hazards Commission (Natural Disaster Fund guarantee), Housing (temporary accommodation) and Social Development and Employment (emergency benefits, rural support payments and grants). The likelihood, timing and fiscal impact are uncertain.

### *Public Sector Employment Agreements (Expenses)*

All collective agreements in the public sector are due to be renegotiated over the forecast period. As well as direct fiscal implications for the employers of workforces covered by any changes to remuneration, the renegotiation of agreements can have flow-on effects for remuneration for other employers across the sector.

# Forecast Risk

The following section outlines risks where revenue, expenditure, assets or liabilities are inherently uncertain in the fiscal forecasts. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).

## New Risks

### Defence

***Costs Associated with the Sinking of the HMNZS Manawanui (Expenses and Capital)***

The sinking of the HMNZS Manawanui has resulted in the value of the asset being written off in the current year. There is also expected to be further costs in relation to the response to the event (for example, clean-up of the wreck), which at this stage are unclear.

### Veterans' Affairs

***Veterans' Disability Entitlements Liability (Expenses)***

The fiscal forecasts include an estimate for the impacts on the Veterans' disability entitlement liability following the recent decision by the Veterans' Entitlement Appeal Board. Given the high level of uncertainty around the impact of this decision, there is a risk the actual fiscal impact will differ to the amounts assumed in the fiscal forecasts.

## Unchanged Risks

### ACC

***Non-Earners' Account (Expenses)***

The amount of funding provided by the core Crown (and included in the fiscal forecasts) for the Non-Earners' Account may be more or less than is required to cover the cost of future claims. If factors such as claims experience, ACC performance, and economic assumptions (particularly discount rates) turn out differently from what has been forecast, any such variance will have a corresponding fiscal impact.

## Climate Change

### *Emissions Trading Scheme – Variations Arising from Unit Auctions Failing to Clear (Revenue)*

New Zealand's Emissions Trading Scheme (ETS) involves auctioning a certain volume of New Zealand Units (units) each calendar year. One unit represents one metric tonne of carbon dioxide equivalent. ETS auctions contain two reserve prices that, if not met, can prevent units from being sold:

- Auction price floor: Units will not sell if the final clearing price at auction does not meet the auction price floor, which is set by the Government and published in advance.
- Confidential reserve price: Units may also not sell if the final clearing price is significantly lower than prevailing prices in the secondary market (where ETS participants on-sell units to one another).

If auctions are cancelled (if either of these thresholds are not met) or only partially clear (due to insufficient bids), some units will remain unsold. These unsold units are rolled over to remaining auctions in the same calendar year. If fewer units are sold in a given fiscal year than assumed in the forecasts, this results in lower cash proceeds, higher net core Crown debt and a lower ETS liability.

### *Emissions Trading Scheme – Variations in Revenue and Expenses (Revenue and Expenses)*

The Emissions Trading Scheme (ETS) earns revenue and incurs expenses for the Crown, both of which are uncertain. The uncertainty is largely owing to the future market price of New Zealand Units and the responses of participants. As a result of these factors, actual revenue and expenses may vary from the fiscal forecasts, which for both revenue and expenses assume a carbon price value based on the prevailing market price. In addition, any government decisions to update the ETS price and unit supply settings could affect ETS cash proceeds from auctions.

## Finance

### *Alternative Monetary Policy Tools (Expenses)*

There is a risk that the fiscal impacts of the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme may differ from that assumed in the fiscal forecasts. This includes the LSAP indemnity provided for interest rate changes. The indemnity transfers the interest rate risk under the programme from the Reserve Bank to the Treasury, meaning that there will be no net impact on the Government's balance sheet but there may be changes to the Treasury's expenses in the future. Any additional use of Alternative Monetary Policy tools in response to future shocks could impact key fiscal indicators.

### *Natural Hazards Commission (Expenses)*

The Natural Hazards Commission (NHC) engages independent professional actuaries to undertake half-yearly valuations of the total NHC liability to the Government. This includes estimates for yet-to-settle claims (including those in litigation), claims not yet received for events that have occurred and the possibility that some previously resolved claims may reopen. An estimate is also made for the associated claims handling expenses that may be incurred in resolving claims. These estimates and their expected settlement profiles are included in the fiscal forecasts.

There is the possibility the NHC's remaining expenditure for the Canterbury earthquakes will be higher or lower than forecast. Risks include litigation and the level of future reopened claims. It is not possible at this stage to fully quantify the potential financial impact or the timing of these risks owing to the uncertainty associated with them, and variance from what is in the fiscal forecasts could be material.

At the *Budget Update* 2024 this risk was titled *Earthquake Commission.*

## Housing

### *Realising Sales of Land and Dwellings – Kāinga Ora (Expenses and Capital)*

There is a risk that costs and revenues differ from forecast expectations for the Kāinga Ora Land Programme and super lots in the Large-Scale Projects. There is a risk that divestments do not crystallise to the carrying value in the Crown accounts, which will adversely impact the operating balance.

At the *Budget Update* 2024, this risk was titled *Large-scale Housing and Urban Development Projects*.

## Cross-portfolio

### *Information and Communications Technology Operating and Capital Pressures (Expenses and Capital)*

A number of agencies are planning significant digital transformation programmes to replace ageing information and communications technology (ICT) assets and capability that are no longer fit for purpose. It is likely that the resourcing required to deliver the level of transformation being planned will exceed what is available in agencies' baselines and balance sheets.

In addition, recent changes in the accounting treatment for costs relating to software as a service (SaaS) arrangements mean these may now be recognised as operating expenditure. Therefore, there may be a risk that the actual operating and capital expenditure of SaaS arrangements may differ to the split assumed in the fiscal forecasts, and capital-to-operating swaps may be required to reflect this.

### *Maintenance for Government-owned Buildings (Expenses and Capital)*

There is a possibility that the Government will incur costs when maintenance is required for the buildings it owns beyond costs already included within baseline funding. Examples include earthquake strengthening for some of the buildings that do not meet modern building standards and maintenance for buildings with weather-tightness issues. The likelihood, timing and fiscal impact of any repairs are uncertain.

### *Other Operating Cost Pressures (Expenses)*

As in previous years, agencies are likely to face operating expenditure pressures in the future as a result of changes in the demand for and price of the services they provide or because some of their funding is time-limited. The majority of spending by agencies is not automatically adjusted for increases driven by demand or price pressures. These pressures, which are most significant in the education and health sectors, are risks to the fiscal forecasts to the extent that they cannot be managed through reprioritisation or new spending set aside in the forecasts. The Government's stated intention is that all pressures will be managed through these mechanisms.

# Risks Removed Since the *Budget Update*

The following table outlines risks that were published in the *Budget Update* but are no longer disclosed as specific fiscal risks because they are provided for in the forecasts, are adequately captured by existing risks or no longer meet the materiality threshold for publication.

| Portfolio name | Risk title | Reason for expiry |
|---|---|---|
| Climate Change | Emissions Trading Scheme – Abatement Obligations Arising from Price Ceiling Being Exceeded | This risk is being expired because the cost containment reserve price has increased relative to the market price for NZUs, reducing the likelihood of the reserve being met. |
| Finance | Infrastructure Funding and Financing | This risk is expired as the accounting policy of the Infrastructure Funding and Financing levy has been agreed, resolving the uncertainty. |
| | Project iReX Wind-down Costs | The risk is expired because the Crown has recorded an expense for the estimated costs associated with the wind-down of Project iReX, and therefore the remaining risk is below the materiality threshold. |
| Housing | Transitional Housing – Exiting Motels | This risk is expired as it is now below the materiality threshold due to Government policy decisions on transitional housing. |
| Tourism | Proposed Changes to the International Visitor Levy | This risk has expired as the Government has now taken decisions on increases to the International Visitor Levy. |
| Transport | Transport Local Government Share | This risk is expired as the Government Policy Statement on land transport and the National Land Transport Programme have been finalised. |
| Cross-portfolio | Forecast Savings from Housing Policy Changes | This risk is expired as updated forecasts of emergency housing grants are lower than expected and the risk is no longer material. |

# Principles Applied when Assessing Specific Fiscal Risks

| Risk type | Principles | Examples of how the principle has been applied |
|---|---|---|
| Risks associated with assumptions used in the forecast for revenue and expenses and valuation of assets and liabilities (eg, discount rates, cash flow assumptions, economic conditions) | The forecasts for some revenue and expense items and the valuation of some assets and liabilities included in the fiscal forecasts can be subject to significant assumptions. These assumptions may change in the future and impact on the fiscal position.<br><br>However, revenue, expenses, assets and liabilities are measured or valued at a point in time using the best available information and accepted forecasting and valuation techniques and assumptions, which means they are quantified in the fiscal forecasts for particular years with reasonable certainty.<br><br>Significant assumptions are disclosed in the fiscal forecasts as required by generally accepted accounting practice (GAAP), and the Financial Statements of the Government provide further disclosures around the sensitivity of changes in key assumptions to the measurement and valuation of revenue, expenses, assets and liabilities.<br><br>Where there is a government decision or other circumstance that creates uncertainty for the measurement or valuation of revenue, expenses, assets or liabilities (such as a review of policy settings or impending Court decisions that may impact assumptions used), these may be disclosed as a specific fiscal risk. | Specific fiscal risks are not included for most revenue or expenses items or for assets or liabilities that are subject to valuation techniques that require significant assumptions, for example:<br>• tax revenue<br>• student loans<br>• revalued property, plant and equipment.<br><br>While the valuation of the ACC claims liability in general is not included as a specific fiscal risk, risks to the liability arising from changes to the scheme's policy settings from Court decisions is disclosed as a specific fiscal risk. |
| Risks associated with a future event outside of the Government's control | Judgement is applied as to whether the future event is reasonably possible within the forecast period.<br><br>Reasonably possible is assessed as being in the range of 20% to 50% likely.<br><br>Judgement is informed by factors such as how often similar events have happened in the past.<br><br>If it is not reasonably possible that the event will happen within the forecast period, it is not a specific fiscal risk. | A specific fiscal risk has been included for the increased risk of adverse weather events as it is reasonably possible that such an event will occur within the forecast period. Recent history shows that such events occur at least once every four years.<br><br>Specific fiscal risks have not been included for other major national disasters (eg, earthquakes, volcanic eruptions, tsunamis) or events such as future biosecurity incursions or pandemics. While similar events have happened recently (the Christchurch and Kaikōura earthquakes, Mycoplasma bovis, COVID-19) and required a significant fiscal response from the Government, experience suggests that these events occur individually with such variable frequency, intensity and impact as to place them outside the bounds for specific fiscal risks (ie, less than 20% likely in the forecast period). Such fiscal shocks are considered a general fiscal risk rather than a specific fiscal risk. |

| Risk type | Principles | Examples of how the principle has been applied |
|---|---|---|
| Risks associated with policy work and reviews | Policy work is ongoing across the public sector, much of which, if agreed to and implemented, will result in material fiscal impacts. In addition, there are several reviews under way of policy settings, sectors and individual organisations in the public sector.<br><br>In general, ongoing policy work or reviews are not disclosed as specific fiscal risks as it is not reasonably possible that there will be fiscal implications until the Government takes decisions on the policy or responds to review findings. However, where policy work or reviews have been publicly announced by the Government or are being consulted on, this increases the likelihood the policy will be progressed or there are expectations of a fiscal response to reviews, which may result in a specific fiscal risk.<br><br>Additionally for reviews, judgement is required based on the terms of reference and objectives of each review. | A specific fiscal risk for the Going for Housing Growth policy has been included, even though the policy is still being developed. This is because the Government has committed to the programme and indicated publicly it will include incentivising councils for increased production of housing, which may have material fiscal impacts.<br><br>A specific fiscal risk has not been included for the Science System Advisory Group. While the Group's topics of focus include funding, this relates to how funding is prioritised across the system and the effectiveness of funding mechanisms rather than the overall quantum of government funding. |
| Risks to the fiscal forecasts from changes in accounting policy | As explained on page 100 the forecast financial statements are prepared in accordance with the accounting policies that are expected to be used in the comparable audited actual Financial Statements of the Government.<br><br>Changes to accounting policies can arise from new accounting standards issued by standard setters, new interpretations of existing standards or evolving application of policies (particularly where there are unique or novel transactions or balances). Future changes to accounting policies may have significant implications for the fiscal forecasts.<br><br>Generally, a specific fiscal risk is not included for future accounting policy changes. Until applied these are subject to changes and amendments. Where a detailed impact assessment of a policy change has been completed, it is reasonably possible that the change will occur in the forecast period and material fiscal impacts are reasonably possible, a specific fiscal risk may be disclosed. | The Information and Communications Technology Operating and Capital Pressures risk explains that changes in the accounting treatment for costs relating to software as a service arrangements means expenditure that was previously expected to be capital may be operating. This is reflected as a specific fiscal risk as a detailed impact assessment of the accounting interpretation that led to the change in treatment has been completed and further material fiscal impacts are reasonably possible.<br><br>The new accounting standard PBE IFRS 17 Insurance Contracts will come into effect in 2026/27. Depending on interpretation issues currently under discussion, transition to the new standard could impact net worth with subsequent impacts on operating flows in forecast years following adoption. As these interpretation issues have not been resolved, a specific fiscal risk is not included for this accounting policy change. |
| Risks aggregated into a cross-portfolio risk | Generally, cross-portfolio risks are a single risk that can affect more than one portfolio. In some instances, several risks at an individual portfolio level can be aggregated into a cross-portfolio risk.<br><br>A high bar is applied as to whether individual risks are aggregated into a cross-portfolio risk. The underlying nature and driver of the risks must be the same, and there must be no loss of information from aggregating risks. If there is doubt, risks are individually disclosed as specific fiscal risks by portfolio. | A cross-portfolio risk is included for pay equity claims as the driver of the risk (the requirements of the Equal Pay Act 1972) is the same across portfolios and there is no loss of information from aggregating these risks. |

| Risk type | Principles | Examples of how the principle has been applied |
|---|---|---|
| Risks associated with contingent liabilities and contingent assets | Contingent liabilities and contingent assets are disclosed separately to specific fiscal risks in this chapter. This typically covers risks associated with guarantees and indemnities, uncalled capital, and legal disputes and claims.<br><br>There is a link between specific fiscal risk disclosures and the contingent liabilities and contingent assets disclosure. However, in general, contingent liabilities and contingent assets are not also disclosed as specific fiscal risks. | Guarantees, indemnities and uncalled capital are not disclosed as specific fiscal risks as they are separately disclosed in the statement of contingent liabilities and contingent assets.<br><br>Individual legal disputes and claims disclosed as contingent liabilities or contingent assets are not disclosed as specific fiscal risks unless the claim could change the scope of policies included in the fiscal forecasts. For example, an individual claim against ACC would not be included as a specific fiscal risk. However, a claim that could significantly change the scope of the scheme overall could be. |

# Contingent Liabilities and Contingent Assets

Contingent liabilities are costs that the Government will have to face if a particular event occurs; or they are present liabilities that are unable to be measured with sufficient reliability to be recorded in the fiscal forecasts (unquantifiable liabilities).

Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims and uncalled capital. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks, and they can vary greatly in magnitude and likelihood of realisation.

In general, if a contingent liability were realised, or the amount becomes sufficiently reliable to record as a liability, it would reduce the operating balance and net worth and for contingencies within the core Crown, increase net core Crown debt. However, in the case of some contingencies (eg, uncalled capital) the negative impact would be restricted to net core Crown debt.

Contingent assets are possible assets that have arisen from past events but the amount of the asset, or whether it will eventuate, will not be confirmed until a particular event occurs.

Only contingent liabilities and contingent assets involving amounts of over $100 million are separately disclosed in this chapter. Quantifiable contingencies of less than $100 million are aggregated in the 'other quantifiable' total.

Some contingencies of the Crown are not able to be quantified. We have disclosed unquantifiable contingent liabilities and unquantifiable contingent assets that potentially could have an impact in excess of $20 million and are not expected to be remote.[17]

The contingencies have been stated as at 31 October 2024, being the latest set of published financial statements of Government.

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[17] 'Remote' is defined as being an item with less than a 10% chance of occurring.

# Statement of Contingent Liabilities and Contingent Assets

## Quantifiable contingent liabilities

| | Status[18] | 31 October 2024 ($millions) | 30 June 2024 ($millions) |
|---|---|---|---|
| **Uncalled capital** | | | |
| Asian Development Bank | Unchanged | 3,457 | 3,350 |
| International Bank for Reconstruction and Development | Unchanged | 2,111 | 2,080 |
| International Monetary Fund – promissory notes | Unchanged | 2,097 | 2,037 |
| International Monetary Fund – arrangements to borrow | Unchanged | 1,518 | 1,471 |
| Asian Infrastructure Investment Bank | Unchanged | 618 | 609 |
| Other uncalled capital | | 32 | 33 |
| | | **9,833** | **9,580** |
| **Guarantees and indemnities** | | | |
| New Zealand Export Credit Office guarantees | Unchanged | 158 | 176 |
| Other guarantees and indemnities | | 104 | 103 |
| | | **262** | **279** |
| **Legal proceedings and disputes** | | | |
| Kāinga Ora – Commerce Act litigation | Changed | 305 | - |
| New Zealand Transport Authority – contractual disputes | Unchanged | 227 | 220 |
| Other legal proceedings and disputes | | 221 | 220 |
| | | **753** | **440** |
| **Other quantifiable contingent liabilities** | | | |
| Unclaimed monies | Unchanged | 529 | 511 |
| Stafford litigation | Changed | 500 | - |
| Waitangi Tribunal – binding recommendations | Unchanged | 220 | 220 |
| Air New Zealand partnership agreement | Unchanged | 202 | 157 |
| Clean Car Standard credits | Unchanged | 193 | 193 |
| Other quantifiable contingent liabilities | | 48 | 48 |
| | | **1,692** | **1,129** |
| **Total quantifiable contingent liabilities** | | **12,540** | **11,428** |

18 Status of contingent liabilities or assets when compared with the *Financial Statements of the Government* published on 10 October 2024, (based on the nature of the contingency, not the dollar value of contingencies which are regularly updated).

## Quantifiable contingent assets

| | 31 October 2024 ($millions) | 30 June 2024 ($millions) |
|---|---|---|
| Other contingent assets | 171 | 170 |
| **Total quantifiable contingent assets** | **171** | **170** |

## Unquantifiable contingent liabilities

| **Indemnities** | **Status** |
|---|---|
| Contact Energy Limited | Unchanged |
| Genesis Energy | Unchanged |
| Justices of the Peace, Community Magistrates and Disputes Tribunal Referees | Unchanged |
| Maui Partners | Unchanged |
| Natural Hazards Commission Toka Tū Ake (formerly Earthquake Commission) | Unchanged |
| New Zealand Aluminium Smelters Limited and Rio Tinto Aluminium Limited (formerly Comalco) | Unchanged |
| New Zealand Local Authorities | Unchanged |
| New Zealand Railways Corporation | Unchanged |
| Reserve Bank | Unchanged |
| Southern Response Earthquake Services Limited | Unchanged |
| Synfuels–Waitara Outfall indemnity | Unchanged |
| Westpac New Zealand Limited | Unchanged |
| **Legal proceedings and disputes** | |
| Accident Compensation Corporation (ACC) litigations | Unchanged |
| Department of Corrections – contractual disputes | Unchanged |
| Legal aid – Court of Appeal judgment | New |
| Ministry of Health – New Zealand College of Midwives class action | Unchanged |
| Ministry of Transport – Public Works Act claims | Unchanged |
| New Zealand Transport Agency – contractual disputes | Unchanged |
| Treaty of Waitangi claims | Unchanged |
| Whaikaha – Ministry of Disabled People Disability Support Services – employment obligations | Unchanged |
| **Other unquantifiable contingent liabilities** | |
| Aquaculture settlements | Unchanged |
| Criminal Proceeds (Recovery) Act 2009 | Unchanged |
| Environmental liabilities | Unchanged |
| Ministry for Primary Industries – Biosecurity Act compensation | Unchanged |
| North Island Weather Events – Category 2 Risk Mitigation Projects and Regional Transport Projects | Unchanged |
| Pay equity claims | Unchanged |
| Treaty of Waitangi claims – settlement relativity payments | Unchanged |

## Description of Quantifiable Contingent Liabilities

***Uncalled capital***

As part of the Crown's commitment to a multilateral approach to ensure global financial and economic stability, New Zealand, as a member country of the organisations listed on page 87, contributes capital by subscribing to shares in certain institutions. The capital (when called) is typically used to raise additional funding for loans to member countries or in the case of the quota contributions to directly finance lending to members. For New Zealand and other donor countries, capital contributions comprise both 'paid-in' capital and 'callable capital or promissory notes.

The Crown's uncalled capital subscriptions over $100 million are listed on page 87.

***Guarantees and indemnities***

Guarantees are legally binding promises made by the Crown to assume responsibility for a debt, or the performance of an obligation, of another party, should that party default. Guarantees generally relate to the payment of money but may require the performance of services.

Indemnities are legally binding promises where the Crown undertakes to accept the risk of loss or damage that another party may suffer and to hold the other party harmless against loss caused by a specific stated event.

*New Zealand Export Credit Office guarantees*

The New Zealand Export Credit Office provides a range of guarantee products to assist New Zealand exporters to manage risk and capitalise on trade opportunities around the globe. The obligations to third parties are guaranteed by the Crown and are intended to extend the capacity of facilities in the private sector.

***Legal proceedings and disputes***

The amounts under quantifiable contingent liabilities for legal proceedings and disputes are shown exclusive of any interest and costs that may be claimed if these cases have an adverse outcome. The amount shown is the maximum potential cost, it does not represent either an admission that the claim is valid or an estimation of the possible amount of any award.

*Kāinga Ora – Commerce Act litigation*

Winton Land Limited and its subsidiary Sunfield Developments Limited ('Winton') have filed a claim in the High Court alleging that Kāinga Ora has breached section 36 of the Commerce Act 1986 in relation to its urban development functions, causing loss and damage to Winton. Winton seeks damages, including at least $138.5 million in relation to its proposed Sunfield development, at least $10.7 million in relation to Ferncliffe Farms and at least $155.7 million in relation to an alleged lost development opportunity in a currently undisclosed location. Kāinga Ora denies the claim and is defending the claim. An eight week High Court hearing is set to commence on 1 September 2025.

*New Zealand Transport Agency (NZTA) – contractual disputes*

NZTA has a number of roading claims outstanding comprising current and estimated future elements, totalling $227 million. The most material of these relates to Pūhoi to Warkworth where the claim has moved to binding arbitration, with a decision expected to be completed in 2026 unless agreement is reached sooner. The $227 million is net of payments NZTA has made on account.

***Other quantifiable contingent liabilities***

*Unclaimed monies*

Under the Unclaimed Money Act 1971, any holders (eg, financial institutions, insurance companies etc) or any elective holders pass on money not claimed after five years to the Commissioner of Inland Revenue. The funds are repaid to the entitled owner on proof of identity.

*Stafford litigation*

Crown Law is acting for the Attorney-General on behalf of the Crown in right of New Zealand in Stafford v Attorney-General (CIV-2010-485-181), in which it was claimed that the Crown breached trust, fiduciary and other equitable obligations relating to land transactions in the top of the South Island in the 1840s. The plaintiff sought the return of land they say the Crown holds on trust for the successors of the original owners and compensation, or other relief, for alleged breach of trust, fiduciary, and other equitable obligations. This extended to land currently owned by a number of Crown entities and a State-Owned Enterprise (SOE). In October 2024, the High Court delivered an interim judgment where the Court upheld some of Mr Stafford's claims in trust and for breach of fiduciary obligations.

The Court has found that land owned by the Crown entities and SOE is not subject to the trust. The Court has developed a methodology to establish the quantum in its final judgment and requires parties to provide evidence to the Court.

The Crown's liability is therefore yet to be fixed, but it is not likely to be more than $500 million.

*Waitangi Tribunal - binding recommendations*

In September 2021, the Waitangi Tribunal issued interim recommendations under section 8A of the Treaty of Waitangi Act 1975 in relation to the transfer of 7,676 hectares of the Mangatū Crown Forest licensed land to a trust comprising Te Aitanga a Māhaki, Ngā Uri o Tamanui and Te Whānau a Kai. Should the recommendation become final, compensation will be payable to the recipients under Schedule 1 to the Crown Forest Assets Act 1989. A stay of the Tribunal's interim recommendations was granted in December 2021 to allow for judicial review proceedings. The February 2023 High Court decision on this matter was appealed to the Court of Appeal by claimants and a hearing was held in July 2024 with a decision pending.

*Air New Zealand partnership agreement*

The Air New Zealand Group has a partnership agreement with Pratt and Whitney in relation to the Christchurch Engine Centre (CEC), holding a 49% interest. By the nature of the agreement, joint and several liabilities exist between the two parties. The contingent liability represents Air New Zealand's share of CEC's liabilities.

*Clean Car Standard credits*

The Clean Car Standard (CCS) scheme became effective from 1 January 2023. Cars that are imported with a carbon dioxide (CO2) level above the CCS standard pay a charge, while cars that are imported with a CO2 level below the CCS standard receive a credit. This credit can be either used by importers to offset a current charge, kept to offset future charges, or sold to another importer. Once issued, credits last for three years and do not involve the Crown making any payments. As at 31 October 2024 there were charges of $104 million and credits of $297 million, resulting in a surplus credit position of $193 million that could be used by importers to offset their future charges.

The credits issued are considered a liability to the Crown as they can be used to offset future charges. However, as there is significant uncertainty on how the credits may be used, this liability is classified as a contingent liability. As the CCS scheme matures and more information is gathered on import trends under this scheme, this liability may be able to be measured in the future.

## Description of Unquantifiable Contingent Liabilities

This part of the statement provides details of the contingent liabilities of the Government which are not quantified, excluding those that are considered remote, reported by the following categories: *Indemnities, Legal proceedings and disputes, and Other unquantifiable contingent liabilities*.

The indemnities and claims that are disclosed individually, while they cannot be quantified, have the potential to exceed $20 million in costs and are not considered to be remote.

***Indemnities***

Indemnities are legally binding promises where the indemnifier undertakes to accept the risk of loss or damage that another party may suffer and to hold the other party harmless against loss caused by a specific stated event.

A number of these indemnities are provided to organisations within the Crown's control to protect them against specified losses. If these indemnities were to crystallise, the Crown would compensate the individual entity for the loss and there would likely be an adverse impact on core Crown expenses and net core Crown debt. The total operating balance and net worth would, however, not be impacted by the indemnity itself, but rather by the specified losses incurred by the indemnified organisations.

| Party indemnified | Instrument of indemnification | Actions indemnified |
|---|---|---|
| Contact Energy Limited | The Crown and Contact Energy Limited signed a number of documents to settle in full Contact's outstanding land rights and geothermal asset rights at Wairakei | The documents contain two reciprocal indemnities between the Crown and Contact Energy Limited to address the risk of certain losses to the respective parties' assets arising from the negligence or fault of the other party. |
| Genesis Energy | Genesis acquisition of Tekapo A and B Power Stations | Indemnity against any damage to the bed of lakes and rivers subject to operating easements. Current indemnity follows from original indemnity granted by the Crown to ECNZ in 1993, and to Meridian, Mercury Energy and Contact in 2004. |
| Justices of the Peace, Community Magistrates and Disputes Tribunal Referees | Section 50 of the District Court Act 2016, section 4F of the Justices of the Peace Act 1957 and section 58 of the Disputes Tribunal Act 1988 | Damages or costs awarded against them as a result of exceeding their jurisdiction, provided a High Court Judge certifies that they have exceeded their jurisdiction in good faith and ought to be indemnified. |
| Maui Partners | Confidentiality agreements with Maui Partners in relation to the provision of gas reserves information | Any losses arising from a breach of the deed. |

| Party indemnified | Instrument of indemnification | Actions indemnified |
|---|---|---|
| Natural Hazards Commission Toka Tū Ake (formerly Earthquake Commission) | Section 112 of the Natural Hazards Insurance Act 2023 | As set out in the Natural Hazards Insurance Act 2023 the Government shall fund (by means of loan or grant) any deficiency in Natural Hazards Commission Toka Tū Ake's assets held in the Natural Disaster Fund to cover its financial liabilities on such terms and conditions that the Minister determines.<br>As the contingency has no end date, it is not possible to quantify the value of commitments that may arise from past or future hazard events which are covered by the Natural Hazards Insurance Act 2023. |
| New Zealand Aluminium Smelters Limited and Rio Tinto Aluminium Limited (formerly Comalco) | The Minister of Finance signed indemnities in November 2003 and February 2004 in respect of aluminium dross currently stored at another site in Invercargill | Costs incurred in removing the dross and disposing of it at another site if required to do so by an appropriate authority. |
| New Zealand Local Authorities | Section 39 of the Civil Defence Emergency Management Act 2002 – National Civil Defence Emergency Management Plan | The Guide to the National Civil Defence Emergency Management Plan ('the Guide') states that, with the approval of the Minister, local authorities will be reimbursed, in whole or in part, for certain types of response and recovery costs incurred as a result of a local or national emergency. The Guide is approved and issued by the Director of Civil Defence Emergency Management. |
| New Zealand Railways Corporation (NZRC) | Section 10 of the Finance Act 1990 | All loan and swap obligations of the NZRC. This includes such loans or swaps entered by NZRC on or prior to 31 December 2012 and vested in KiwiRail Holdings Limited Vesting Order 2012. |
| Reserve Bank | A letter of indemnity provided by the Crown to the Reserve Bank to cover losses arising from the large-scale asset purchases of New Zealand domestic government bonds | The Crown agreed to indemnify the Reserve Bank in respect of losses which the Reserve Bank incurs in respect of indemnified bonds under the Large-Scale Asset Purchase programme.<br>The Crown may terminate its obligations under this letter of indemnity at any time after 31 August 2022 (termination date) by giving one day's notice to the Reserve Bank. Otherwise, obligations under this letter of indemnity may be terminated by agreement between the Crown and the Reserve Bank if they both believe the programme is no longer needed as a monetary policy tool.<br>Termination of this indemnity will not release the Crown from any liability in respect of Losses occurring after the termination date in respect of the indemnified bonds.<br>Indemnified Bonds means all New Zealand domestic government bonds, and Local Government Funding Agency (LGFA) bonds purchased by the Reserve Bank under the programme prior to the termination date and any New Zealand domestic government bonds up to the cap. |

| Party indemnified | Instrument of indemnification | Actions indemnified |
|---|---|---|
| | | As at August 2020 cap means 60% of the face value of all New Zealand government nominal bonds on issue on the date of purchase; 30% of the face value of New Zealand government inflation-indexed bonds on issue on the date of purchase; and 30% of the face value of all LGFA bonds on issue on the date of purchase of any LGFA bonds, or such amount agreed between the Minister and the Reserve Bank from time to time.<br>The Crown terminated this indemnity on 4 September 2023. However, this does not terminate the obligations that have already accrued under that indemnity (including future liability for indemnified bonds purchased before the indemnity was terminated).<br>The Crown and the Reserve Bank have entered into a new indemnity that would cover losses incurred on future purchases of New Zealand Government Bonds and LGFA bonds up to a limit of $5 billion. Losses means interest risk losses and LGFA credit risk losses. |
| Southern Response Earthquake Services Limited (SRES) | Deed of indemnity | SRES continues to settle the claims of AMI residual policy holders for Canterbury earthquake damage that occurred before 5 April 2012. The Minister of Finance has provided SRES with a deed of indemnity to ensure that SRES can access sufficient resources to operate and discharge its contractual obligations. |
| Synfuels-Waitara Outfall Indemnity | 1990 sale of the Synfuels plant and operations to New Zealand Liquid Fuels Investment Limited (NZLFI) | The Crown transferred to NZLFI the benefit and obligation of a deed of indemnity between the Crown and Borthwick-CWS Limited (and subsequent owners) in respect of the Waitara effluent transfer line that was laid across the Waitara meat processing plant site. The Crown has the benefit of a counter indemnity from NZLFI, which has since been transferred to Methanex Motunui Limited. |
| Westpac New Zealand Limited | Letter of Indemnity relating to the agreement for supply of transactional banking services to the Crown | The Crown Transactional Banking Services Agreement with Westpac New Zealand Limited (WNZL) and Westpac Banking Corporation (WBC) was entered into on 28 June 2023. The Crown has indemnified WNZL against certain costs, damages, and losses resulting from third party claims against WNZL or WBC regarding:<br>• unauthorised, forged, or fraudulent payment instructions<br>• unauthorised or incorrect direct debit instructions, or<br>• letters of credit issued by WNZL in favour of a third party as part of providing transactional banking services to the Crown. |

***Legal proceedings and disputes***

There are numerous legal actions that have been brought against the Government. However, in the majority of these actions it is considered a remote possibility that the Government would lose the case, or if the Government were to lose it would be unlikely to have greater than a $20 million impact. Based on these factors, not all legal actions are individually disclosed. The claims that are disclosed individually, while they cannot be quantified, have the potential to exceed $20 million in costs.

*Accident Compensation Corporation (ACC) litigations*

Litigation involving ACC arises mainly from challenges to operational decisions made by ACC through the statutory review and appeal process, but also occasionally includes general civil proceedings such as judicial review applications. The majority of appeals are able to be managed on a case-by-case basis, depending on the merits of the issue in dispute, and without wider scheme management impact.

There is currently one proceeding of note that ACC is still a party to. Only when this matter has been fully resolved will it be possible to make a meaningful assessment of the financial impact of the outcome. The range of potential outcomes is wide and could have a material effect on the financial statements of ACC.

*Department of Corrections – contractual disputes*

In August 2022, the Department of Corrections received a claim from the main contractor on the Waikeria Prison Development PPP for compensation for time and productivity losses incurred between October 2020 and August 2022 due to the COVID-19 pandemic. The claim also included amounts from its construction sub-contractor. The components of the claim were the subject of an independent determination by an independent reviewer who has largely dismissed relief sought by the contractor. The contractor has advised Corrections that they expect to receive a revised claim from its sub-contractor later this year.

In April 2023 Corrections, the contractor and the construction sub-contractor entered into a Project Support Agreement (PSA) which looks to settle certain matters between the parties. However, the sub-contractor's own account claim in relation to COVID-19 is largely carved out, with one important exception. Neither the contractor nor the construction sub-contractor are able to "double count" in respect of relief available under the PSA and amounts claimed in any subsequent dispute resolution process noting that a substantial proportion of the COVID-19 claim relates to issues associated with sub-contractors and that many of these are met through the PSA payments.

On 26 July 2024 Corrections received an updated "open" claim from the main contractor which is currently being assessed. Claim discussions are ongoing with uncertainties to be resolved before an agreement could be reached. At this stage, it is not possible to reliably estimate the claim.

*Legal aid – Court of Appeal judgment*

*Legal Services Commissioner v Fawcett*, currently in front of the Court of Appeal, seeks a decision on what constitutes "legal services" under the Legal Services Act 2011. The Court of Appeal decision has the potential to set a precedent that lawyers' administrative activities can fall within scope of legal aid, increasing.

*Ministry of Health – New Zealand College of Midwives class action*

In August 2022, the New Zealand College of Midwives filed class action proceeding against the Ministry of Health on behalf of self-employed midwives over contractual issues. The High Court hearing was completed on 13 September 2024. Given the six-week length of the hearing, the decision is not expected for many months.

*Ministry of Transport – Public Works Act claims*

As of 31 October 2024, there is one claim before the Land Valuation Tribunal or Courts where City Rail Link Limited is either directly or indirectly involved as a party. This case relates to compensation payable under sections 60 and 62 of the Public Works Act 1981 in relation to land acquired for the City Rail Link. City Rail Link Limited continues to assess the compensation payable to those landowners to resolve outstanding claims. However, it is not possible to reliably estimate the obligations of City Rail Link Limited or accurately predict whether any compensation offer will be acceptable to the landowner, each property owner being entitled to have compensation determined by the Land Valuation Tribunal.

*New Zealand Transport Agency (NZTA) – contractual disputes*

In addition to the quantifiable legal disputes (refer page 90) on 25 September 2023, NZTA received a claim for cost and delay from the Transmission Gully PPP builder, relating to COVID-19 and a number of other matters. NZTA's position remains that there are strong defences to the claims and has made counter claims against both the PPP builder and contractor, and, in particular, that there is substantial work required on the road to meet the contractual conditions of the PPP agreement.

*Treaty of Waitangi claims*

Under the Treaty of Waitangi Act 1975, any Māori may lodge certain claims relating to land or actions counter to the principles of the Treaty with the Waitangi Tribunal. Where the Tribunal finds a claim is well founded, it may recommend to the Crown that action be taken to compensate those affected. The Tribunal can make recommendations that are binding on the Government with respect to land that has been transferred by the Government to an SOE, university, wānanga or Te Pūkenga New Zealand Institute of Skills and Technology or is subject to the Crown Forest Assets Act 1989.

On occasion, Māori claimants pursue the resolution of particular claims through higher Courts. Failure to successfully defend such actions may result in a liability for historical Treaty grievances in excess of that currently anticipated.

*Whaikaha – Ministry of Disabled People – Disability Support Services – employment obligations*

The Crown has an unquantifiable contingent liability related to Disability Support Services and employment obligations. This liability relates to people who are employed to care for their disabled family members (referred to as paid family carers) under the Individualised Funding policy and the earlier Funded Family Care scheme operated by the Ministry of Health. In 2021 the Employment Court found that two family carers were employees of the Ministry of Health (with relevant services transferred to Whaikaha – Ministry of Disabled People in July 2022). As a consequence, Whaikaha was at risk of being found to be the employer of other family carers.

The Crown was largely successful in overturning the Employment Court decisions in the Court of Appeal. It was decided that under the current framework, there was no employment relationship between the family carers and Whaikaha. The Court of Appeal found there was an employment relationship with one family carer for a brief period under the Funded Family Care scheme which was disestablished in 2020.

Both family carers have applied for leave to appeal the decision in the Supreme Court. The Crown has opposed both applications and is waiting for timetabling from the Court on when the leave applications will be considered. If leave to appeal is granted and the appeal is allowed, aspects of the Court of Appeal decision may be overturned.

Additionally, there are 21 matters currently before the Employment Relations Authority and the Employment Court. These are paused until the Supreme Court makes a decision about the application to appeal. The matters vary but most are seeking declaration of employment, backpay of wages, and compensation for hurt and humiliation.

***Other unquantifiable contingent liabilities***

*Aquaculture settlements*

Under the Māori Commercial Aquaculture Claims Settlement Act 2004 the Crown is obligated to provide regional iwi with 20% of future aquaculture growth. This settlement is ongoing and includes prospective settlement. As aquaculture in New Zealand grows, settlement obligations arise. Iwi may choose to accept settlement as either cash, marine rights, or a combination of these following the negotiation process. The amount and timing of settlements are therefore uncertain, as they are dependent on sector growth, as well as the preferred nature of settlement. This results in challenges in reliably estimating the Crown’s potential obligations.

*Criminal Proceeds (Recovery) Act 2009*

The Ministry of Justice is responsible for administering the Criminal Proceeds (Recovery) Act 2009. The Act requires the Crown to give an undertaking as to damages or costs in relation to asset restraining orders. In the event that the Crown is found liable, payment may be required.

*Environmental liabilities*

Under common law and various statutes, the Government may have a responsibility to remedy adverse effects on the environment arising from Government activities. Entities managing significant government properties have implemented systems to identify, monitor and assess potential contaminated sites.

In accordance with NZ GAAP, any contaminated sites for which costs can be reliably measured have been included in the statement of financial position as provisions. Where costs cannot be reliably measured, they are disclosed as an unquantified contingent liability.

*Ministry for Primary Industries – Biosecurity Act compensation*

Under section 162A of the Biosecurity Act 1993, compensation may be payable as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where there are verifiable losses as a result of the damage or destruction of a person’s property, or restrictions on the movement of a person’s goods. The Ministry for Primary Industries has been notified that compensation will be sought for incursions including the Mycoplasma bovis outbreak, but the amount remains unquantified. This is due to the Ministry for Primary Industries being unable to reliably estimate the period of time that losses will be incurred as a result of its actions under the Biosecurity Act 1993.

*North Island Weather Events – Category 2 Risk Mitigation Projects and Regional Transport Projects*

The Crown entered into agreements with some local authorities to help fund Category 2 Risk Mitigation and Regional Transport Projects following the North Island weather events in 2023. Funding in respect of the Category 2 Risk Mitigation Projects will be released subject to the milestones and conditions provided for in the applicable project funding agreement.

Any liability is contingent on local authorities submitting project proposals that meet the requirements for co-funding. At this stage the value of project proposals that will meet the requirements for co-funding is not known. The demand for the funding will be influenced by the local authority's ability to fund their share of projects.

The fiscal forecasts include the projected utilisation of the Category 2 Risk Mitigation and Regional Transport Projects funding.

*Pay equity claims* – See page 70

*Treaty of Waitangi claims* – settlement relativity payments – See page 77

*Veterans’ disability entitlement liability* – See page 78

# 4

# Forecast Financial Statements

These forecasts have been prepared in accordance with the Public Finance Act 1989.

They are based on the accounting policies and assumptions that follow. As with all such assumptions, there is a degree of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends. There are risks to the fiscal forecasts which are discussed further in the Fiscal Outlook and Specific Fiscal Risks chapters.

These forecasts have been prepared in accordance with the Statement of Responsibility and reflect the judgements and information known at the time they were prepared. The forecast financial statements reflect all government decisions and circumstances communicated up to 27 November 2024, where these can be reliably measured.

The key assumptions that underpin the preparation of the Forecast Financial Statements are outlined on pages 100 to 102.

# Statement of Accounting Policies, Judgements and Assumptions

## Significant Accounting Policies

The Forecast Financial Statements have been prepared in accordance with the accounting policies that are expected to be used in the comparable audited actual Financial Statements of the Government. They comply with generally accepted accounting practice (GAAP) as required by the Public Finance Act 1989 and have been prepared in accordance with *Public Benefit Entity Financial Reporting Standard 42: Prospective Financial Statements*.

The Forecasts Financial Statements use the accrual basis of accounting unless otherwise specified (for example, the Statement of Cash Flows). Forecasts have been prepared for the consolidated Financial Statements of the Government reporting entity, which includes all entities controlled by the Government (as defined by applicable financial reporting standards).

The Forecast Financial Statements reflect the accounting standards in place in the year that they are prepared. Adoption of new accounting standards in future financial years are consequently not reflected in these Forecast Financial Statements. For example, the public sector modified version of PBE IFRS 17 Insurance Contracts was issued in 2023 (to supersede PBE IFRS 4 Insurance Contracts) and is effective for reporting periods beginning on or after 1 January 2026. A detailed assessment of this standard has not been performed and therefore, the impact of the standard on the Forecast Financial Statements has not yet been determined.

Where accounting standards are to be adopted within the fiscal forecasts period, this has been signalled in the note disclosures where impacts may be significant. The specific accounting policies are included on the Treasury's website at https://www.treasury.govt.nz/information-and-services/state-sector-leadership/guidance/reporting-financial/accounting-policies.

## Forecast Policies

The Forecast Financial Statements have been prepared on the basis of the Treasury's best professional judgement. Actual financial results for the periods covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these Forecast Financial Statements and the actual reported results in future years are set out in the Fiscal Outlook chapter on pages 47 to 50.

## Key Judgements and Assumptions

The fiscal forecasts are based on assumptions and judgements developed from the best information available at the time they were prepared. Actual events are likely to differ from these assumptions and judgements, while uncertainty around the forecast assumptions and judgements increases over the forecast period.

The following key judgements and assumptions supporting the fiscal forecasts were made:

- To calculate income tax revenue across the forecast period, firms' net operating surplus forecasts on a System of National Accounts basis are used to create tax-year forecasts of total income tax for both net other persons tax and corporate tax, which are then converted into fiscal years (to 30 June). For the five-year forecast period to 2028/29, the annual operating surplus growth forecasts range from 3.7% to 12.1%.

- Tax forecasts are based on the economic forecasts completed on 8 November 2024.

- The cost of commitments not explicitly included in the fiscal forecasts (or variations to the estimates included in the fiscal forecasts) are assumed to be met from within the Budget operating allowances and the Budget capital allowances, which are included in the fiscal forecasts.

- Departments continue to spend less than the upper limits of approved spending (referred to as appropriations). A top-down adjustment is made to compensate for this. The adjustment is higher at the start of the forecast period, as departments' appropriations (and therefore expenses) tend to be higher in these years, reflecting the flexibility departments have in transferring expenses into these years.

- Forecast returns on the investment portfolios managed by the Accident Compensation Corporation (ACC) and the NZS Fund are based on their expectations of long-term benchmark rates of return for their respective portfolios.

- No revaluations of property, plant and equipment are projected beyond the current year. Only revaluations that have already been completed are included in these forecasts.

- Significant valuations (eg, the student loans portfolio, the ACC claims liability and the Government Superannuation Fund retirement liability) are based on underlying assumptions (eg, discount rates, salary increases and inflation) made at the time the valuations were prepared.

- Contributions to the NZS Fund over the forecast period, which are assumed to be derived from the legislative formula, are outlined in Note 11: NZ Superannuation Fund. Over the forecast years, all NZS Fund variables (apart from the capital contributions) are based on those provided by the NZS Fund. For more information, refer to the Treasury website for the NZS Fund model.

## Key Economic Assumptions used in the Forecast Financial Statements

In addition to the outlined key judgements and assumptions, the Forecast Financial Statements are prepared on the basis of underlying economic forecasts. Such forecasts are critical for determining revenue and expense estimates.

For example:

- a nominal GDP forecast is needed to forecast tax revenue
- a forecast of average weekly earnings and CPI is needed, because social assistance benefits are generally indexed to wage growth or inflation
- forecasts of interest rates are needed to forecast finance costs, interest income and discount rates.

Below is a summary of the key economic forecasts that are particularly relevant to the forecast financial statements.

***Table 4.1*** – Key economic assumptions for fiscal forecasts

| Year ending 30 June | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Real GDP[1] (ann avg % chg) | -0.2 | 0.5 | 3.3 | 2.9 | 2.6 | 2.4 |
| Nominal GDP[2] ($b) | 413.3 | 427.3 | 450.4 | 473.2 | 495.4 | 517.7 |
| CPI (ann avg % chg) | 4.4 | 1.9 | 2.1 | 2.0 | 2.0 | 2.0 |
| Govt 10-year bonds (ann avg, %) | 4.9 | 4.4 | 4.3 | 4.1 | 4.0 | 4.0 |
| 5-year bonds (ann avg, %) | 4.7 | 4.0 | 3.8 | 3.7 | 3.7 | 3.7 |
| 90-day bill rate (ann avg, %) | 5.7 | 4.4 | 3.2 | 2.9 | 2.9 | 2.9 |
| Unemployment rate (ann avg, %) | 4.2 | 5.2 | 5.0 | 4.6 | 4.4 | 4.3 |
| Employment (ann avg % chg) | 1.8 | -0.4 | 1.7 | 2.2 | 1.8 | 1.6 |
| Average weekly earnings (ann % chg)[3] | 5.6 | 1.8 | 2.4 | 2.8 | 2.9 | 2.8 |

Notes:
1 Production measure.
2 Expenditure measure.
3 Ordinary time.

Sources: The Treasury, Stats NZ, Reserve Bank of New Zealand

## Reporting and Forecast Period

The reporting periods for these Forecast Financial Statements are the years ended 30 June 2025 to 30 June 2029. The “Previous Budget” figures are the original forecasts to 30 June 2025 as presented in the 2024 *Budget Update* and the “2024 Actual” figures are the audited actual results for the year ended 30 June 2024 reported in the *Financial Statements of the Government for the year ended 30 June 2024*.

# Government Reporting Entity as at 27 November 2024

These Forecast Financial Statements are for the Government Reporting Entity as specified in Part 3 of the Public Finance Act 1989. This comprises Ministers of the Crown and the following entities (classified in the three institutional components used for segmental reporting). The following tables list the entities within each institutional component. Subsidiaries are consolidated by their parents and are not listed separately.

## Core Crown Segment

**Departments**

Crown Law Office

Department of Conservation

Department of Corrections

Department of Internal Affairs
(services Digital Executive Board as an interdepartmental executive board)
(hosts Ministry for Ethnic Communities as a departmental agency)

Department of the Prime Minister and Cabinet
(hosts National Emergency Management Agency as a departmental agency)

Education Review Office
(hosts Aroturuki Tamariki – Independent Children's Monitor as a departmental agency)

Government Communications Security Bureau

Inland Revenue Department

Land Information New Zealand

Ministry for Culture and Heritage

Ministry for Pacific Peoples

Ministry for Primary Industries

Ministry for Regulation

Ministry for the Environment
(services Spatial Planning Board and Climate Change Chief Executives Board as interdepartmental executive boards)

Ministry for Women

Ministry of Business, Innovation, and Employment

Ministry of Defence

Ministry of Education
(hosts Charter School Agency as a departmental agency)

Ministry of Foreign Affairs and Trade

Ministry of Health
(hosts Cancer Control Agency, as a departmental agency)

Ministry of Housing and Urban Development

Ministry of Justice
(hosts Te Arawhiti – Office for Māori Crown Relations as a departmental agency)
(services Executive Board for the Elimination of Family Violence and Sexual Violence as an interdepartmental executive board)

Ministry of Māori Development – Te Puni Kōkiri

Ministry of Social Development
(hosts Ministry for Disabled People as a departmental agency)

Ministry of Transport

New Zealand Customs Service
(services Border Executive Board as an interdepartmental executive board)

New Zealand Defence Force

New Zealand Police

New Zealand Security Intelligence Service

Office of the Clerk of the House of Representatives

Oranga Tamariki – Ministry for Children

Parliamentary Counsel Office

Parliamentary Service

Public Service Commission

Serious Fraud Office

Social Investment Agency

Statistics New Zealand

The Treasury

**Others**

New Zealand Superannuation Fund

Reserve Bank of New Zealand

**Offices of Parliament**

Controller and Auditor-General

Office of the Ombudsman

Parliamentary Commissioner for the Environment

## State-owned Enterprises Segment

**State-owned Enterprises**

Airways Corporation of New Zealand Limited

Animal Control Products Limited

AsureQuality Limited

Electricity Corporation of New Zealand Limited

KiwiRail Holdings Limited

Kordia Group Limited

Landcorp Farming Limited

Meteorological Service of New Zealand Limited

New Zealand Post Limited

New Zealand Railways Corporation

Quotable Value Limited

Transpower New Zealand Limited

**Mixed ownership model companies (Public Finance Act Schedule 5)**

Genesis Energy Limited

Mercury NZ Limited

Meridian Energy Limited

**Other**

Air New Zealand Limited

## Crown Entities Segment

**Crown Entities**

Accident Compensation Corporation

Accreditation Council

Arts Council of New Zealand Toi Aotearoa

Auckland Light Rail Limited

Broadcasting Commission

Broadcasting Standards Authority

Callaghan Innovation

Children and Young People's Commission

Civil Aviation Authority of New Zealand

Climate Change Commission

Commerce Commission

Criminal Cases Review Commission

Crown Irrigation Investments Limited

Crown Research Institutes (7)

Education New Zealand

Electoral Commission

Electricity Authority

Energy Efficiency and Conservation Authority

Environmental Protection Authority

External Reporting Board

Financial Markets Authority

Fire and Emergency New Zealand

Government Superannuation Fund Authority

Guardians of New Zealand Superannuation

Health and Disability Commissioner

Health New Zealand

Health Quality and Safety Commission

Health Research Council of New Zealand

Heritage New Zealand Pouhere Taonga

Human Rights Commission

Independent Police Conduct Authority

Integrity Sport and Recreation Commission (previously Drug Free Sport NZ)

Kāinga Ora – Homes and Communities

Law Commission

Maritime New Zealand

Mental Health and Wellbeing Commission

Museum of New Zealand Te Papa Tongarewa Board

New Zealand Antarctic Institute

New Zealand Artificial Limb Service

New Zealand Blood and Organ Service

New Zealand Film Commission

New Zealand Growth Capital Partners Limited

New Zealand Infrastructure Commission/ Te Waihanga

New Zealand Lotteries Commission

New Zealand Qualifications Authority

New Zealand Symphony Orchestra

New Zealand Tourism Board

New Zealand Trade and Enterprise

New Zealand Transport Agency

New Zealand Walking Access Commission

Office of Film and Literature Classification

Pharmaceutical Management Agency

Privacy Commissioner

Public Trust

Radio New Zealand Limited

Real Estate Agents Authority

Retirement Commissioner

School Boards of Trustees (2,425)

Social Workers Registration Board

Sport and Recreation New Zealand

Takeovers Panel

Taumata Arowai – the Water Services Regulator

Te Pūkenga – New Zealand Institute of Skills and Technology

Te Reo Whakapuaki Irirangi (Māori Broadcasting Funding Agency)

Te Taura Whiri i te Reo Māori (Māori Language Commission)

Television New Zealand Limited

Tertiary Education Commission

Toka Tū Ake – Natural Hazards Commission (previously Earthquake Commission)

Transport Accident Investigation Commission

WorkSafe New Zealand

## Crown Entities Segment (continued)

**Organisations listed in Schedule 4 of the Public Finance Act 1989**

Agricultural and Marketing Research and Development Trust

Asia New Zealand Foundation

Fish and Game Councils (12)

Game Animal Council

Māori Trustee

National Pacific Radio Trust

New Zealand Fish and Game Council

New Zealand Game Bird Habitat Trust Board

New Zealand Government Property Corporation

New Zealand Lottery Grants Board

Ngāi Tahu Ancillary Claims Trust

Pacific Co-operation Foundation

Pacific Island Business Development Trust

Reserves Boards (20)

**Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)**

Crown Infrastructure Partners Limited

Crown Regional Holdings Limited

Education Payroll Limited

Kiwi Group Capital Limited

New Zealand Green Investment Finance Limited

Ngāpuhi Investment Fund Limited

Predator Free 2050 Limited

Rau Paenga Limited

Research and Education Advanced Network New Zealand Limited

Southern Response Earthquake Services Limited

Tāmaki Redevelopment Company Limited

The Network for Learning Limited

**Legal entities created by Treaty of Waitangi settlement Acts (Public Finance Act Schedule 6)**

Te Urewera

**Others**

Elevate NZ Venture Fund

## Other entities not fully consolidated into the Forecast Financial Statements of the Government with only the Crown's interest in them being included.

**Crown entities**

Tertiary Education Institutions (10)

(8 Universities and 2 Wānanga)

**Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)**

City Rail Link Limited

# Forecast Statement of Financial Performance

## for the years ending 30 June

| | *Note* | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| Taxation revenue | 1 | 119,900 | 122,154 | 119,964 | 127,440 | 135,702 | 143,040 | 150,032 |
| Other sovereign revenue | 1 | 9,426 | 10,667 | 10,765 | 11,224 | 11,744 | 12,283 | 12,833 |
| **Total Revenue Levied through the Crown's Sovereign Power** | | **129,326** | **132,821** | **130,729** | **138,664** | **147,446** | **155,323** | **162,865** |
| Sales of goods and services | | 25,135 | 24,420 | 26,387 | 26,886 | 27,637 | 29,320 | 29,887 |
| Interest revenue | 2 | 7,120 | 5,846 | 6,279 | 5,528 | 5,827 | 6,154 | 6,466 |
| Other revenue | | 5,766 | 4,956 | 5,933 | 5,888 | 5,968 | 5,954 | 6,163 |
| **Total revenue earned through the Crown's operations** | | **38,021** | **35,222** | **38,599** | **38,302** | **39,432** | **41,428** | **42,516** |
| **Total revenue (excluding gains)** | | **167,347** | **168,043** | **169,328** | **176,966** | **186,878** | **196,751** | **205,381** |
| **Expenses** | | | | | | | | |
| Transfer payments and subsidies | 3 | 41,937 | 44,716 | 44,902 | 46,675 | 48,112 | 49,961 | 51,563 |
| Personnel expenses | | 39,083 | 37,895 | 39,724 | 39,868 | 40,724 | 41,680 | 42,536 |
| Depreciation | | 7,621 | 7,882 | 8,143 | 8,479 | 8,782 | 9,084 | 9,235 |
| Other operating expenses | 4 | 70,620 | 69,143 | 72,132 | 70,173 | 68,516 | 66,843 | 66,765 |
| Finance costs | 2 | 10,374 | 10,166 | 10,226 | 10,844 | 12,120 | 13,259 | 14,058 |
| Insurance expenses | 5 | 10,426 | 10,215 | 11,115 | 10,595 | 11,341 | 12,203 | 13,129 |
| Forecast new operating spending | 6 | - | 3,796 | 2,656 | 4,785 | 5,503 | 7,943 | 10,423 |
| Top-down operating expense adjustment | 6 | - | (2,800) | (2,500) | (700) | (500) | (400) | (400) |
| **Total expenses (excluding losses)** | | **180,061** | **181,013** | **186,398** | **190,719** | **194,598** | **200,573** | **207,309** |
| **Gains/(losses)** | | | | | | | | |
| Net gains/(losses) on financial instruments | 2 | 11,410 | 6,305 | 9,485 | 6,095 | 6,470 | 6,951 | 7,477 |
| Net gains/(losses) on non-financial instruments | 7 | (6,743) | - | (2,500) | - | - | - | - |
| **Total gains/(losses) (including minority interests)** | | **4,667** | **6,305** | **6,985** | **6,095** | **6,470** | **6,951** | **7,477** |
| Net surplus/(deficit) from associates and joint ventures | | 120 | 48 | 160 | 88 | 117 | 152 | 215 |
| Less minority interests' share of operating balance | | (438) | (530) | (236) | (372) | (497) | (552) | (500) |
| **Operating balance (excluding minority interests)** | | **(8,365)** | **(7,147)** | **(10,161)** | **(7,942)** | **(1,630)** | **2,729** | **5,264** |
| Minority interests' share of operating balance | | 438 | 530 | 236 | 372 | 497 | 552 | 500 |
| **Operating balance (including minority interests)** | | **(7,927)** | **(6,617)** | **(9,925)** | **(7,570)** | **(1,133)** | **3,281** | **5,764** |

*The accompanying notes and accounting policies are an integral part of these Statements.*

# Forecast Statement of Comprehensive Revenue and Expense

## for the years ending 30 June

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Operating Balance (including minority interests)** | **(7,927)** | **(6,617)** | **(9,925)** | **(7,570)** | **(1,133)** | **3,281** | **5,764** |
| **Other comprehensive revenue and expense** | | | | | | | |
| Revaluation of physical assets | 8,260 | - | - | - | - | - | - |
| Revaluation of defined benefit retirement plan schemes | 455 | 20 | (107) | 106 | 105 | 86 | 67 |
| Net revaluations of veterans' disability entitlements[1] | (247) | - | (3,216) | - | - | - | - |
| Transfers into/(out of) cash flow hedge reserve | (418) | (28) | 87 | (15) | 10 | (9) | (16) |
| Transfers into/(out of) reserves | (6) | - | (85) | - | - | - | - |
| (Gains)/losses transferred to the statement of financial performance | (70) | - | (12) | - | - | - | - |
| Foreign currency translation differences on foreign operations | 1 | - | 1 | - | - | - | - |
| Other movements | 26 | (114) | (72) | (38) | (30) | (32) | (41) |
| **Total other comprehensive revenue and expense** | **8,001** | **(122)** | **(3,404)** | **53** | **85** | **45** | **10** |
| **Total comprehensive revenue and expense** | **74** | **(6,739)** | **(13,329)** | **(7,517)** | **(1,048)** | **3,326** | **5,774** |
| **Attributable to:** | | | | | | | |
| - minority interests | 1,770 | 527 | 255 | 361 | 495 | 545 | 490 |
| - the Crown | (1,696) | (7,266) | (13,584) | (7,878) | (1,543) | 2,781 | 5,284 |
| **Total comprehensive revenue and expense** | **74** | **(6,739)** | **(13,329)** | **(7,517)** | **(1,048)** | **3,326** | **5,774** |

1. This includes an estimate for the impacts on the Veterans' disability entitlement liability following the recent decision by the Veterans' Entitlement Appeal Board.

# Forecast Statement of Changes in Net Worth

## for the years ending 30 June

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Opening net worth** | 191,472 | 189,233 | 191,049 | 177,492 | 169,538 | 168,130 | 170,955 |
| Operating balance (including minority interests) | (7,927) | (6,617) | (9,925) | (7,570) | (1,133) | 3,281 | 5,764 |
| Net revaluations of physical assets | 8,260 | - | - | - | - | - | - |
| Net revaluations of defined benefit retirement plan schemes | 455 | 20 | (107) | 106 | 105 | 86 | 67 |
| Net revaluations of veterans' disability entitlements | (247) | - | (3,216) | - | - | - | - |
| Transfers into/(out of) cash flow hedge reserve | (418) | (28) | 87 | (15) | 10 | (9) | (16) |
| Transfers into/(out of) reserves | (6) | - | (85) | - | - | - | - |
| (Gains)/losses transferred to the Statement of Financial Performance | (70) | - | (12) | - | - | - | - |
| Foreign currency translation differences on foreign operations | 1 | - | 1 | - | - | - | - |
| Other movements | 26 | (114) | (72) | (38) | (30) | (32) | (41) |
| **Comprehensive income** | **74** | **(6,739)** | **(13,329)** | **(7,517)** | **(1,048)** | **3,326** | **5,774** |
| Increase in minority interest from equity issues | 77 | 34 | 341 | 101 | 228 | 135 | 139 |
| Transactions with minority interests | (574) | (572) | (569) | (538) | (588) | (636) | (675) |
| **Closing net worth** | **191,049** | **181,956** | **177,492** | **169,538** | **168,130** | **170,955** | **176,193** |

*The accompanying notes and accounting policies are an integral part of these Statements.*

# Forecast Statement of Cash Flows

## for the years ending 30 June

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Cash Flows from Operations** | | | | | | | |
| **Cash was provided from** | | | | | | | |
| Taxation receipts | 116,042 | 125,598 | 120,351 | 126,338 | 134,089 | 141,501 | 148,406 |
| Other sovereign receipts | 7,484 | 8,552 | 8,014 | 8,640 | 9,212 | 9,820 | 10,316 |
| Sales of goods and services | 24,359 | 24,174 | 26,931 | 26,976 | 27,810 | 29,349 | 29,954 |
| Interest receipts | 5,283 | 5,167 | 5,651 | 4,953 | 4,143 | 4,108 | 4,289 |
| Other operating receipts | 6,535 | 4,997 | 6,747 | 6,708 | 6,777 | 7,035 | 7,077 |
| **Total cash provided from operations** | **159,703** | **168,488** | **167,694** | **173,615** | **182,031** | **191,813** | **200,042** |
| **Cash was disbursed to** | | | | | | | |
| Transfer payments and subsidies | 42,335 | 45,781 | 46,309 | 47,196 | 48,817 | 50,430 | 52,185 |
| Personnel and operating payments | 111,095 | 111,287 | 120,881 | 114,642 | 115,178 | 114,839 | 115,320 |
| Interest payments | 8,579 | 8,630 | 8,597 | 9,048 | 10,329 | 10,923 | 12,036 |
| Forecast new operating spending | - | 3,796 | 2,656 | 4,785 | 5,503 | 7,943 | 10,423 |
| Top-down operating expense adjustment | - | (2,800) | (2,500) | (700) | (500) | (400) | (400) |
| **Total cash disbursed to operations** | **162,009** | **166,694** | **175,943** | **174,971** | **179,327** | **183,735** | **189,564** |
| **Net cash flows from operations** | **(2,306)** | **1,794** | **(8,249)** | **(1,356)** | **2,704** | **8,078** | **10,478** |
| **Cash Flows from Investing Activities** | | | | | | | |
| **Cash was provided from/(disbursed to)** | | | | | | | |
| Net (purchase)/sale of physical assets | (16,948) | (18,156) | (17,131) | (16,298) | (16,534) | (12,971) | (11,479) |
| Net (purchase)/sale of shares and other securities | (10,232) | (7,434) | (4,775) | (10,256) | (328) | 1,743 | 2,983 |
| Net (purchase)/sale of intangible assets | (860) | (903) | (934) | (679) | (609) | (590) | (617) |
| Net (issue)/repayment of advances | 151 | 5,102 | 5,500 | 2,643 | (3,980) | (4,065) | (3,816) |
| Net acquisition of investments in associates | (397) | (467) | (497) | (261) | (130) | (143) | (51) |
| Forecast new capital spending | - | (2,094) | (1,110) | (2,916) | (3,518) | (3,604) | (3,732) |
| Top-down capital adjustment | - | 1,550 | 1,300 | 900 | 500 | 200 | 100 |
| **Net cash flows from investing activities** | **(28,286)** | **(22,402)** | **(17,647)** | **(26,867)** | **(24,599)** | **(19,430)** | **(16,612)** |
| **Net cash flows from operating and investing activities** | **(30,592)** | **(20,608)** | **(25,896)** | **(28,223)** | **(21,895)** | **(11,352)** | **(6,134)** |
| **Cash Flows from Financing Activities** | | | | | | | |
| **Cash was provided from/(disbursed to)** | | | | | | | |
| Net Issue/(repayment) of circulating currency | (24) | 91 | (4) | 90 | 91 | 92 | 92 |
| Net issue/(repayment) of government bonds[1] | 26,422 | 27,369 | 28,737 | 27,362 | 24,705 | 10,696 | 2,512 |
| Net issue/(repayment) of foreign-currency borrowings | 651 | 1,221 | 82 | (999) | 551 | 141 | (86) |
| Net issue/(repayment) of other New Zealand dollar borrowings | 1,515 | (9,241) | (3,355) | 1,719 | (2,044) | 434 | 4,274 |
| Net issue/(purchase) of equity | - | - | 250 | - | 100 | - | - |
| Dividends paid to minority interests[2] | (505) | (502) | (449) | (467) | (492) | (537) | (576) |
| **Net cash flows from financing activities** | **28,059** | **18,938** | **25,261** | **27,705** | **22,911** | **10,826** | **6,216** |
| **Net movement in cash** | **(2,533)** | **(1,670)** | **(635)** | **(518)** | **1,016** | **(526)** | **82** |
| Opening cash balance | 18,791 | 21,040 | 16,212 | 15,668 | 15,151 | 16,167 | 15,640 |
| Foreign-exchange gains/(losses) on opening cash | (46) | - | 91 | 1 | - | (1) | - |
| **Closing cash balance** | **16,212** | **19,370** | **15,668** | **15,151** | **16,167** | **15,640** | **15,722** |

1. Further information on the issue and repayments of government bonds is available in the core Crown residual cash summary included in the attached Fiscal Indicator Analysis section.
2. Excludes transactions with ACC and NZS Fund.

*The accompanying notes and accounting policies are an integral part of these Statements.*

# Forecast Statement of Cash Flows (continued)

## for the years ending 30 June

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Reconciliation Between the Net Cash Flows from Operations and the Operating Balance** | | | | | | | |
| **Net Cash Flows from Operations** | **(2,306)** | **1,794** | **(8,249)** | **(1,356)** | **2,704** | **8,078** | **10,478** |
| *Items included in the operating balance but not in net cash flows from operations* | | | | | | | |
| **Gains/(losses) and Other Interests** | | | | | | | |
| Net gains/(losses) on financial instruments | 11,410 | 6,305 | 9,485 | 6,095 | 6,470 | 6,951 | 7,477 |
| Net gains/(losses) on non-financial instruments | (6,743) | - | (2,500) | - | - | - | - |
| Net surplus/(deficit) from associates and joint ventures | 120 | 48 | 160 | 88 | 117 | 152 | 215 |
| **Total gains/(losses) and other interests** | **4,787** | **6,353** | **7,145** | **6,183** | **6,587** | **7,103** | **7,692** |
| **Other Non-cash Items in Operating Balance** | | | | | | | |
| Depreciation | (7,621) | (7,882) | (8,143) | (8,479) | (8,782) | (9,084) | (9,235) |
| Amortisation and net impairment of non-financial assets | (1,195) | (1,790) | (862) | (1,714) | (871) | (858) | (859) |
| Cost of concessionary lending | (719) | (756) | (630) | (640) | (678) | (695) | (707) |
| Impairment of financial assets (excluding receivables) | (123) | 67 | 49 | 41 | 31 | (11) | (10) |
| Change in accumulating insurance expenses | (3,838) | (3,095) | (3,972) | (3,108) | (3,328) | (3,583) | (4,109) |
| Change in NZ ETS liability | 614 | 1,507 | 1,352 | 1,146 | 909 | 750 | 682 |
| Change in accumulating pension expenses | 61 | (46) | (46) | (48) | (46) | (44) | (43) |
| **Total other non-cash items in operating balance** | **(12,821)** | **(11,995)** | **(12,252)** | **(12,802)** | **(12,765)** | **(13,525)** | **(14,281)** |
| **Working Capital and Other Movements** | | | | | | | |
| Increase/(decrease) in receivables | 3,305 | (4,624) | (941) | 1,528 | 1,912 | 1,616 | 1,822 |
| Increase/(decrease) in accrued interest | 211 | (925) | (1,075) | (1,328) | (207) | (404) | 4 |
| Increase/(decrease) in inventories | (180) | 504 | 348 | 212 | 46 | (32) | (27) |
| Increase/(decrease) in prepayments | 305 | 225 | 235 | 19 | 20 | (12) | (24) |
| Decrease/(increase) in deferred revenue | 158 | (7) | (6) | (30) | (100) | (33) | (76) |
| Decrease/(increase) in payables/provisions | (1,386) | 2,058 | 4,870 | 4 | 670 | 490 | 176 |
| **Total working capital and other movements** | **2,413** | **(2,769)** | **3,431** | **405** | **2,341** | **1,625** | **1,875** |
| **Operating balance (including minority** | **(7,927)** | **(6,617)** | **(9,925)** | **(7,570)** | **(1,133)** | **3,281** | **5,764** |

*The accompanying notes and accounting policies are an integral part of these Statements.*

# Forecast Statement of Financial Position

## as at 30 June

| | Note | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 8 | 16,212 | 19,370 | 15,668 | 15,151 | 16,167 | 15,640 | 15,722 |
| Receivables | 8 | 37,232 | 31,865 | 36,485 | 37,813 | 39,751 | 41,393 | 43,215 |
| Marketable securities, deposits and derivatives in gain | 8 | 73,646 | 85,292 | 80,804 | 94,997 | 99,091 | 100,300 | 101,248 |
| Share investments | 8 | 53,495 | 54,166 | 60,811 | 61,829 | 64,681 | 67,504 | 70,224 |
| Advances | 8 | 69,378 | 62,496 | 62,943 | 59,264 | 62,965 | 66,777 | 70,114 |
| Investments in controlled enterprises | 8 | 7,174 | 9,315 | 7,734 | 8,722 | 10,338 | 12,005 | 13,768 |
| Inventory | | 2,861 | 3,616 | 3,209 | 3,421 | 3,467 | 3,435 | 3,408 |
| Other assets | | 5,045 | 4,699 | 4,892 | 4,861 | 4,886 | 4,887 | 4,878 |
| Property, plant and equipment | 10 | 283,790 | 288,872 | 293,144 | 300,821 | 307,844 | 311,468 | 313,545 |
| Equity accounted investments[1] | | 17,951 | 17,109 | 18,593 | 18,105 | 18,358 | 18,655 | 18,906 |
| Intangible assets and goodwill | | 4,084 | 3,982 | 4,286 | 4,166 | 4,056 | 3,972 | 3,923 |
| Forecast for new capital spending | 6 | - | 2,094 | 1,110 | 4,026 | 7,544 | 11,148 | 14,878 |
| Top-down capital adjustment | | - | (2,550) | (1,300) | (2,200) | (2,700) | (2,900) | (3,000) |
| **Total assets** | | **570,868** | **580,326** | **588,379** | **610,976** | **636,448** | **654,284** | **670,829** |
| **Liabilities** | | | | | | | | |
| Issued currency | | 8,977 | 9,222 | 8,973 | 9,063 | 9,153 | 9,245 | 9,337 |
| Payables | 12 | 19,863 | 18,513 | 23,634 | 23,468 | 24,930 | 24,905 | 25,360 |
| Deferred revenue | | 3,453 | 3,407 | 3,459 | 3,489 | 3,588 | 3,622 | 3,697 |
| Borrowings | 16 | 250,943 | 278,882 | 273,514 | 302,274 | 326,264 | 338,883 | 346,523 |
| New Zealand Emissions Trading Scheme | 15 | 6,626 | 6,600 | 7,094 | 6,304 | 5,700 | 5,198 | 4,706 |
| Insurance liabilities | 5 | 66,575 | 62,755 | 71,417 | 74,524 | 77,852 | 81,435 | 85,544 |
| Retirement plan liabilities | 13 | 7,337 | 7,082 | 7,133 | 6,636 | 6,128 | 5,646 | 5,189 |
| Provisions | 14 | 16,045 | 11,909 | 15,663 | 15,680 | 14,703 | 14,395 | 14,280 |
| **Total liabilities** | | **379,819** | **398,370** | **410,887** | **441,438** | **468,318** | **483,329** | **494,636** |
| **Total assets less total liabilities** | | **191,049** | **181,956** | **177,492** | **169,538** | **168,130** | **170,955** | **176,193** |
| **Net Worth** | | | | | | | | |
| Taxpayers' funds | | 300 | (1,726) | (9,900) | (17,872) | (19,527) | (16,827) | (11,601) |
| Property, plant and equipment revaluation reserve | | 181,176 | 174,430 | 181,046 | 181,046 | 181,047 | 181,047 | 181,048 |
| Defined benefit plan revaluation reserve | | 864 | 807 | 757 | 863 | 968 | 1,054 | 1,121 |
| Veterans' disability entitlements reserve | | (640) | (392) | (3,856) | (3,856) | (3,856) | (3,856) | (3,856) |
| Other reserves | | 118 | 477 | 187 | 175 | 181 | 176 | 166 |
| **Total net worth attributable to the Crown** | | **181,818** | **173,596** | **168,234** | **160,356** | **158,813** | **161,594** | **166,878** |
| Net worth attributable to minority interests | | 9,231 | 8,360 | 9,258 | 9,182 | 9,317 | 9,361 | 9,315 |
| **Total net worth** | 17 | **191,049** | **181,956** | **177,492** | **169,538** | **168,130** | **170,955** | **176,193** |

1. Equity accounted investments include Universities, Wānanga and City Rail Link Limited.

*The accompanying notes and accounting policies are an integral part of these Statements.*

## Statement of Actual Commitments

| | As at 31 October 2024 $m | As at 30 June 2024 $m |
|---|---|---|
| **Capital Commitments** | | |
| State highways | 2,512 | 2,512 |
| Specialist military equipment | 446 | 411 |
| Land and buildings | 7,798 | 7,547 |
| Other property, plant and equipment | 4,991 | 5,098 |
| Other capital commitments | 995 | 1,118 |
| Universities and Wānanga | 412 | 412 |
| **Total capital commitments** | **17,154** | **17,098** |
| **Operating Commitments** | | |
| Non-cancellable accommodation leases | 6,198 | 6,092 |
| Other non-cancellable leases | 4,890 | 4,952 |
| Universities and Wānanga | 1,332 | 1,332 |
| **Total operating commitments** | **12,420** | **12,376** |
| **Total commitments** | **29,574** | **29,474** |
| **Total Commitments by Segment** | | |
| Core Crown | 11,535 | 11,281 |
| Crown entities | 11,147 | 11,166 |
| State-owned Enterprises | 7,491 | 7,543 |
| Inter-segment eliminations | (599) | (516) |
| **Total commitments** | **29,574** | **29,474** |

## Statement of Actual Contingent Liabilities and Assets

| | As at 31 October 2024 $m | As at 30 June 2024 $m |
|---|---|---|
| **Quantifiable Contingent Liabilities** | | |
| Uncalled capital | 9,833 | 9,580 |
| Guarantees and indemnities | 262 | 279 |
| Legal proceedings and disputes | 753 | 440 |
| Other contingent liabilities | 1,692 | 1,129 |
| **Total quantifiable contingent liabilities** | **12,540** | **11,428** |
| **Total Quantifiable Contingent Liabilities by Segment** | | |
| Core Crown | 12,698 | 11,942 |
| Crown entities | 558 | 246 |
| State-owned Enterprises | 234 | 190 |
| Inter-segment eliminations | (950) | (950) |
| **Total quantifiable contingent liabilities** | **12,540** | **11,428** |
| **Quantifiable Contingent Assets by Segment** | | |
| Core Crown | 57 | 56 |
| Crown entities | 34 | 34 |
| State-owned Enterprises | 80 | 80 |
| **Total quantifiable contingent assets** | **171** | **170** |

More information on contingent liabilities (quantified and unquantified) is outlined in the Specific Fiscal Risks chapter.

*The accompanying notes and accounting policies are an integral part of these Statements.*

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 1: Sovereign Revenue (Accrual)** | | | | | | | |
| **Taxation Revenue (accrual)** | | | | | | | |
| **Individuals** | | | | | | | |
| Source deductions | 52,283 | 53,546 | 53,214 | 55,019 | 57,957 | 61,158 | 64,435 |
| Other persons | 9,866 | 10,541 | 10,375 | 11,783 | 12,265 | 13,168 | 13,918 |
| Refunds | (2,655) | (2,766) | (2,821) | (2,962) | (3,171) | (3,327) | (3,507) |
| Fringe benefit tax | 838 | 837 | 907 | 908 | 929 | 962 | 995 |
| **Total individuals** | **60,332** | **62,158** | **61,675** | **64,748** | **67,980** | **71,961** | **75,841** |
| **Corporate Tax** | | | | | | | |
| Gross companies tax | 16,940 | 17,623 | 17,318 | 20,104 | 23,101 | 24,504 | 25,769 |
| Refunds | (738) | (718) | (935) | (872) | (905) | (914) | (926) |
| Non-resident withholding tax | 707 | 695 | 746 | 693 | 707 | 737 | 769 |
| **Total corporate tax** | **16,909** | **17,600** | **17,129** | **19,925** | **22,903** | **24,327** | **25,612** |
| **Other Direct Income Tax** | | | | | | | |
| Resident w/holding tax on interest income | 3,473 | 3,198 | 3,822 | 3,068 | 2,681 | 2,328 | 2,129 |
| Resident w/holding tax on dividend income | 2,521 | 1,000 | 879 | 1,098 | 1,112 | 1,214 | 1,281 |
| **Total other direct income tax** | **5,994** | **4,198** | **4,701** | **4,166** | **3,793** | **3,542** | **3,410** |
| **Total direct income tax** | **83,235** | **83,956** | **83,505** | **88,839** | **94,676** | **99,830** | **104,863** |
| **Goods and Services Tax** | | | | | | | |
| Gross goods and services tax | 47,446 | 49,407 | 48,153 | 51,626 | 54,683 | 57,423 | 59,991 |
| Refunds | (18,168) | (18,939) | (19,351) | (20,976) | (22,269) | (23,393) | (24,457) |
| **Total goods and services tax** | **29,278** | **30,468** | **28,802** | **30,650** | **32,414** | **34,030** | **35,534** |
| **Other Indirect Taxation** | | | | | | | |
| Road and track user charges | 1,839 | 2,100 | 2,057 | 2,222 | 2,472 | 2,842 | 3,134 |
| Alcohol excise – domestic production | 808 | 867 | 843 | 861 | 896 | 933 | 971 |
| Petroleum fuels excise | 2,002 | 1,889 | 1,885 | 1,906 | 2,063 | 2,288 | 2,415 |
| Alcohol excise – imports[1] | 431 | 532 | 495 | 528 | 549 | 572 | 595 |
| Tobacco excise – imports[1] | 1,473 | 1,506 | 1,459 | 1,397 | 1,338 | 1,301 | 1,273 |
| Other customs duty | 180 | 94 | 121 | 116 | 113 | 131 | 138 |
| Gaming duties | 252 | 306 | 301 | 307 | 316 | 324 | 333 |
| Motor vehicle fees | 232 | 302 | 312 | 464 | 537 | 531 | 525 |
| Approved issuer levy and cheque duty | 149 | 112 | 162 | 128 | 112 | 97 | 83 |
| Digital services tax | - | - | - | - | 194 | 139 | 146 |
| Energy resources levies | 21 | 22 | 22 | 22 | 22 | 22 | 22 |
| **Total other indirect taxation** | **7,387** | **7,730** | **7,657** | **7,951** | **8,612** | **9,180** | **9,635** |
| **Total indirect taxation** | **36,665** | **38,198** | **36,459** | **38,601** | **41,026** | **43,210** | **45,169** |
| **Total taxation revenue** | **119,900** | **122,154** | **119,964** | **127,440** | **135,702** | **143,040** | **150,032** |
| **Other Sovereign Revenue (accrual)** | | | | | | | |
| ACC levies | 4,145 | 4,437 | 4,362 | 4,742 | 5,219 | 5,691 | 6,193 |
| Emissions trading revenue | 1,690 | 2,730 | 2,634 | 2,401 | 2,316 | 2,281 | 2,265 |
| Fire and Emergency levies | 712 | 826 | 826 | 858 | 907 | 937 | 969 |
| EQC levies | 853 | 904 | 921 | 942 | 956 | 970 | 985 |
| Clean vehicle discount | 103 | 151 | - | - | - | - | - |
| Child support and working for families penalties | 246 | 174 | 235 | 222 | 222 | 223 | 223 |
| Court fines | 125 | 118 | 118 | 119 | 120 | 120 | 120 |
| Other miscellaneous items | 1,552 | 1,327 | 1,669 | 1,940 | 2,004 | 2,061 | 2,078 |
| **Total other sovereign revenue** | **9,426** | **10,667** | **10,765** | **11,224** | **11,744** | **12,283** | **12,833** |
| **Total sovereign revenue** | **129,326** | **132,821** | **130,729** | **138,664** | **147,446** | **155,323** | **162,865** |

1. Customs excise-equivalent duty.

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 1 (continued): Sovereign Receipts (Cash)** | | | | | | | |
| **Taxation Receipts (cash)** | | | | | | | |
| **Individuals** | | | | | | | |
| Source deductions | 51,683 | 53,374 | 53,050 | 54,724 | 57,645 | 60,829 | 64,087 |
| Other persons | 10,269 | 11,285 | 10,484 | 11,676 | 12,525 | 13,263 | 13,925 |
| Refunds | (3,176) | (3,251) | (3,339) | (3,757) | (3,787) | (3,923) | (4,037) |
| Fringe benefit tax | 822 | 837 | 907 | 908 | 929 | 961 | 994 |
| **Total individuals** | **59,598** | **62,245** | **61,102** | **63,551** | **67,312** | **71,130** | **74,969** |
| **Corporate Tax** | | | | | | | |
| Gross companies tax | 17,849 | 18,325 | 18,577 | 21,091 | 23,328 | 25,093 | 26,440 |
| Refunds | (2,098) | (1,563) | (2,108) | (1,286) | (1,521) | (1,718) | (1,867) |
| Non-resident withholding tax | 706 | 695 | 746 | 693 | 707 | 737 | 769 |
| **Total corporate tax** | **16,457** | **17,457** | **17,215** | **20,498** | **22,514** | **24,112** | **25,342** |
| **Other Direct Income Tax** | | | | | | | |
| Resident w/holding tax on interest income | 3,440 | 3,198 | 3,822 | 3,068 | 2,681 | 2,328 | 2,129 |
| Resident w/holding tax on dividend income | 2,542 | 1,000 | 879 | 1,098 | 1,112 | 1,214 | 1,281 |
| **Total other direct income tax** | **5,982** | **4,198** | **4,701** | **4,166** | **3,793** | **3,542** | **3,410** |
| **Total direct income tax** | **82,037** | **83,900** | **83,018** | **88,215** | **93,619** | **98,784** | **103,721** |
| **Goods and Services Tax** | | | | | | | |
| Gross goods and services tax | 44,350 | 52,648 | 48,655 | 50,795 | 53,845 | 56,597 | 59,163 |
| Refunds | (17,624) | (18,679) | (18,991) | (20,616) | (21,909) | (23,033) | (24,097) |
| **Total goods and services tax** | **26,726** | **33,969** | **29,664** | **30,179** | **31,936** | **33,564** | **35,066** |
| **Other Indirect Taxation** | | | | | | | |
| Road and track user charges | 1,822 | 2,100 | 2,057 | 2,222 | 2,472 | 2,842 | 3,134 |
| Alcohol excise – domestic production | 799 | 867 | 843 | 861 | 896 | 933 | 971 |
| Customs duty | 3,984 | 4,020 | 3,972 | 3,940 | 4,050 | 4,268 | 4,408 |
| Gaming duties | 253 | 306 | 301 | 307 | 316 | 324 | 333 |
| Motor vehicle fees | 264 | 302 | 312 | 464 | 537 | 531 | 525 |
| Approved issuer levy and cheque duty | 136 | 112 | 162 | 128 | 112 | 97 | 83 |
| Digital services tax | - | - | - | - | 129 | 136 | 143 |
| Energy resources levies | 21 | 22 | 22 | 22 | 22 | 22 | 22 |
| **Total other indirect taxation** | **7,279** | **7,729** | **7,669** | **7,944** | **8,534** | **9,153** | **9,619** |
| **Total indirect taxation** | **34,005** | **41,698** | **37,333** | **38,123** | **40,470** | **42,717** | **44,685** |
| **Total taxation receipts** | **116,042** | **125,598** | **120,351** | **126,338** | **134,089** | **141,501** | **148,406** |
| **Other Sovereign Receipts (cash)** | | | | | | | |
| ACC levies | 4,075 | 4,330 | 4,172 | 4,623 | 5,088 | 5,559 | 6,052 |
| Emissions trading receipts | 210 | 785 | 288 | 356 | 305 | 248 | 190 |
| Fire and Emergency levies | 705 | 772 | 802 | 851 | 818 | 931 | 963 |
| EQC levies | 871 | 911 | 943 | 948 | 962 | 978 | 992 |
| Clean vehicle discount | 103 | 151 | - | - | - | - | - |
| Child support and working for families penalties | 196 | 153 | 210 | 209 | 206 | 204 | 202 |
| Court fines | 137 | 118 | 118 | 119 | 120 | 120 | 120 |
| Other miscellaneous items | 1,187 | 1,332 | 1,481 | 1,534 | 1,713 | 1,780 | 1,797 |
| **Total other sovereign receipts** | **7,484** | **8,552** | **8,014** | **8,640** | **9,212** | **9,820** | **10,316** |
| **Total sovereign receipts** | **123,526** | **134,150** | **128,365** | **134,978** | **143,301** | **151,321** | **158,722** |

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 2: Investment Revenue/(Expenditure)** | | | | | | | |
| **Interest Revenue** | **7,120** | **5,846** | **6,279** | **5,528** | **5,827** | **6,154** | **6,466** |
| **Interest Expenses** | | | | | | | |
| Interest on financial liabilities | 9,747 | 9,634 | 9,639 | 10,285 | 11,585 | 12,717 | 13,511 |
| Interest unwind on provisions | 627 | 532 | 587 | 559 | 535 | 542 | 547 |
| **Total interest expenses** | **10,374** | **10,166** | **10,226** | **10,844** | **12,120** | **13,259** | **14,058** |
| **Net interest revenue/(expense)** | **(3,254)** | **(4,320)** | **(3,947)** | **(5,316)** | **(6,293)** | **(7,105)** | **(7,592)** |
| Dividend revenue | 1,430 | 1,356 | 1,819 | 1,571 | 1,625 | 1,698 | 1,766 |
| Net gains/(losses) on financial instruments | 11,410 | 6,305 | 9,485 | 6,095 | 6,470 | 6,951 | 7,477 |
| **Total investment revenue/(expenditure)** | **9,586** | **3,341** | **7,357** | **2,350** | **1,802** | **1,544** | **1,651** |
| **NOTE 3: Transfer Payments and Subsidies** | | | | | | | |
| New Zealand superannuation | 21,574 | 23,194 | 23,160 | 24,522 | 25,954 | 27,336 | 28,769 |
| Family tax credit | 2,297 | 2,316 | 2,407 | 2,342 | 2,368 | 2,507 | 2,445 |
| Jobseeker support and emergency benefit | 4,062 | 4,435 | 4,695 | 4,844 | 4,742 | 4,770 | 4,819 |
| Accommodation assistance | 2,411 | 2,495 | 2,332 | 2,376 | 2,345 | 2,360 | 2,374 |
| Supported living payment | 2,530 | 2,661 | 2,701 | 2,824 | 2,927 | 3,030 | 3,111 |
| Sole parent support | 2,097 | 2,245 | 2,262 | 2,290 | 2,243 | 2,215 | 2,195 |
| KiwiSaver subsidies | 1,014 | 1,104 | 1,052 | 1,093 | 1,136 | 1,182 | 1,231 |
| International Development Cooperation | 1,202 | 1,103 | 1,116 | 953 | 853 | 853 | 853 |
| Other working for families tax credits | 448 | 594 | 574 | 579 | 574 | 588 | 564 |
| Student allowances | 526 | 579 | 587 | 625 | 623 | 615 | 608 |
| Winter energy payment | 537 | 555 | 560 | 571 | 577 | 585 | 595 |
| Disability assistance | 464 | 496 | 494 | 514 | 531 | 548 | 561 |
| Hardship assistance | 667 | 751 | 765 | 821 | 836 | 874 | 906 |
| Orphan's/unsupported child's benefit | 384 | 405 | 405 | 416 | 427 | 437 | 443 |
| Best start tax credit | 336 | 339 | 346 | 340 | 341 | 357 | 348 |
| Income related rent subsidy | 189 | 133 | 122 | 133 | 134 | 136 | 142 |
| Other social assistance benefits | 1,198 | 1,311 | 1,324 | 1,432 | 1,501 | 1,568 | 1,599 |
| **Total transfer payments and subsidies** | **41,937** | **44,716** | **44,902** | **46,675** | **48,112** | **49,961** | **51,563** |
| **NOTE 4: Other Operating Expenses** | | | | | | | |
| Grants and subsidies | 12,155 | 11,940 | 12,655 | 11,440 | 11,169 | 10,019 | 10,337 |
| Repairs and maintenance | 3,144 | 3,092 | 3,615 | 3,619 | 3,446 | 3,235 | 3,555 |
| Rental and leasing costs | 1,844 | 1,691 | 1,930 | 1,916 | 1,907 | 1,919 | 1,923 |
| Amortisation and impairment of non-financial assets | 1,195 | 1,790 | 862 | 1,714 | 871 | 858 | 859 |
| Impairment of financial assets | 2,719 | 1,777 | 1,797 | 1,299 | 1,311 | 1,356 | 1,357 |
| Cost of concessionary lending | 719 | 756 | 630 | 640 | 678 | 695 | 707 |
| Lottery prize payments | 919 | 789 | 798 | 853 | 917 | 955 | 994 |
| Inventory expenses and clinical supplies | 3,071 | 3,169 | 2,969 | 3,081 | 3,254 | 3,339 | 3,471 |
| Other operating expenses | 44,854 | 44,139 | 46,876 | 45,611 | 44,963 | 44,467 | 43,562 |
| **Total other operating expenses** | **70,620** | **69,143** | **72,132** | **70,173** | **68,516** | **66,843** | **66,765** |

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 5: Insurance** | | | | | | | |
| ***Insurance expense by entity*** | | | | | | | |
| ACC | 9,772 | 9,680 | 10,610 | 9,994 | 10,705 | 11,534 | 12,382 |
| EQC | 578 | 454 | 475 | 570 | 601 | 628 | 703 |
| Other (incl. inter-segment eliminations) | 76 | 81 | 30 | 31 | 35 | 41 | 44 |
| **Total insurance expenses** | **10,426** | **10,215** | **11,115** | **10,595** | **11,341** | **12,203** | **13,129** |
| ***Insurance liability by entity*** | | | | | | | |
| ACC | 65,049 | 61,776 | 70,201 | 73,457 | 76,907 | 80,681 | 84,775 |
| EQC | 1,301 | 860 | 1,017 | 892 | 784 | 594 | 603 |
| Other (incl. inter-segment eliminations) | 225 | 119 | 199 | 175 | 161 | 160 | 166 |
| **Total insurance liabilities** | **66,575** | **62,755** | **71,417** | **74,524** | **77,852** | **81,435** | **85,544** |

**ACC liability**

**Calculation information**

ACC prepared an actuarial estimate of the ACC outstanding claims liability as at 30 June 2024. This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected future administrative expenses of managing these claims. The estimate also includes a risk margin to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments. The assumptions underpinning this valuation form the basis of the five-year forecast of the outstanding claims liability.

The key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI), Average Weekly Earnings (AWE) and the discount rate. Discount rates were derived from the yield curve for New Zealand Government bonds. For these forecast statements, the claims liability has been updated for the latest discount rates as at 30 September 2024. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 4.81% and allows for a long-term discount rate of 4.30% beyond 41 years.

Other key variables in each valuation are the forecast increases in claim costs over and above the economic variables above, and the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

**Presentation approach**

ACC has a portfolio of assets that offset the claims liability. The assets below (less cross-holdings of NZ Government stock) are included as assets in the Statement of Financial Position.

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Gross ACC Liability** | | | | | | | |
| Opening gross liability | 55,664 | 58,240 | 65,049 | 70,201 | 73,457 | 76,907 | 80,681 |
| Net change | 9,385 | 3,536 | 5,152 | 3,256 | 3,450 | 3,774 | 4,094 |
| Closing gross liability | **65,049** | **61,776** | **70,201** | **73,457** | **76,907** | **80,681** | **84,775** |
| **Less Net Assets Available to ACC** | | | | | | | |
| Opening net asset value | 50,536 | 52,643 | 52,682 | 55,086 | 55,537 | 56,036 | 56,699 |
| Net change | 2,146 | 1,397 | 2,404 | 451 | 499 | 663 | 861 |
| Closing net asset value | **52,682** | **54,040** | **55,086** | **55,537** | **56,036** | **56,699** | **57,560** |
| **Net ACC Reserves (Net Liability)** | | | | | | | |
| Opening reserves position | (5,128) | (5,597) | (12,367) | (15,115) | (17,920) | (20,871) | (23,982) |
| Net change | (7,239) | (2,139) | (2,748) | (2,805) | (2,951) | (3,111) | (3,233) |
| Closing reserves position (net liability)/net asset | **(12,367)** | **(7,736)** | **(15,115)** | **(17,920)** | **(20,871)** | **(23,982)** | **(27,215)** |
| **Net Change in ACC Reserves** | | | | | | | |
| Revenue | 7,929 | 8,267 | 8,623 | 9,007 | 9,676 | 10,362 | 11,098 |
| Expenses | (12,010) | (12,017) | (13,072) | (12,630) | (13,445) | (14,406) | (15,378) |
| Valuation changes | (3,158) | 1,611 | 1,701 | 818 | 818 | 933 | 1,047 |
| Net change | **(7,239)** | **(2,139)** | **(2,748)** | **(2,805)** | **(2,951)** | **(3,111)** | **(3,233)** |

# Notes to the Forecast Financial Statements

| | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|
| **NOTE 6: Forecast New Spending and Top-down Adjustments** | | | | | |
| **Forecast New Operating Spending** | | | | | |
| Unallocated operating contingencies | 2,656 | 4,002 | 3,854 | 3,894 | 3,974 |
| Budget operating allowance for Budget 2025 | - | 783 | 619 | 619 | 619 |
| Budget operating allowance for Budget 2026 | - | - | 1,030 | 1,030 | 1,030 |
| Budget operating allowance for Budget 2027 | - | - | - | 2,400 | 2,400 |
| Budget operating allowance for Budget 2028 | - | - | - | - | 2,400 |
| **Total forecast new operating spending** | **2,656** | **4,785** | **5,503** | **7,943** | **10,423** |

| | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m | Post-2029 $m | Total $m |
|---|---|---|---|---|---|---|---|
| **Forecast New Capital Spending (annual)** | | | | | | | |
| Unallocated capital contingencies | 1,110 | 1,647 | 980 | 341 | 107 | 17 | 4,202 |
| Budget capital allowance for Budget 2025 | - | 1,269 | 1,269 | 725 | 362 | - | 3,625 |
| Budget capital allowance for Budget 2026 | - | - | 1,269 | 1,269 | 724 | 363 | 3,625 |
| Budget capital allowance for Budget 2027 | - | - | - | 1,269 | 1,268 | 1,088 | 3,625 |
| Budget capital allowance for Budget 2028 | - | - | - | - | 1,269 | 2,356 | 3,625 |
| **Total forecast new capital spending** | **1,110** | **2,916** | **3,518** | **3,604** | **3,730** | **3,824** | **18,702** |
| **Forecast new capital spending (cumulative)** | **1,110** | **4,026** | **7,544** | **11,148** | **14,878** | | |

Unallocated operating and capital contingencies represents funding agreed by the Government, or likely to be agreed in the future, that have yet to be allocated to departments.

Budget operating allowances for Budgets 2025 through to Budget 2028 indicate the expected spending increases from future Budgets. Some of the operating allowances have been assumed to be pre-committed as at the forecast finalisation date of 27 November 2024, with only the unallocated portion of the allowances included within this note. Further details on pre-commitments against future Budget operating allowances can be found within the Fiscal Outlook chapter.

Budget capital allowances for Budget 2025 through to Budget 2028 have been set at $3.625 billion for future capital investments.

| | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|
| **Top-down Adjustments** | | | | | |
| Top-down operating expense adjustment | (2,500) | (700) | (500) | (400) | (400) |
| Top-down capital adjustment (cumulative) | (1,300) | (2,200) | (2,700) | (2,900) | (3,000) |

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 7: Net Gains and Losses on Non-Financial Instruments** | | | | | | | |
| Actuarial gains/(losses) on ACC outstanding claims | (5,227) | - | (870) | - | - | - | - |
| Gains/(losses) on the Emissions Trading Scheme | (1,170) | - | (1,532) | - | - | - | - |
| Other | (346) | - | (98) | - | - | - | - |
| **Net gains/(losses) on non-financial instruments** | **(6,743)** | **-** | **(2,500)** | **-** | **-** | **-** | **-** |
| **NOTE 8: Financial Assets (including receivables)** | | | | | | | |
| Cash and cash equivalents | 16,212 | 19,370 | 15,668 | 15,151 | 16,167 | 15,640 | 15,722 |
| Tax receivables | 22,413 | 18,347 | 20,892 | 21,389 | 22,397 | 23,317 | 24,299 |
| Trade and other receivables | 14,819 | 13,518 | 15,593 | 16,424 | 17,354 | 18,076 | 18,916 |
| Student loans (refer to note 9) | 9,596 | 9,562 | 9,648 | 9,572 | 9,456 | 9,314 | 9,153 |
| Kiwi Group loans and advances | 32,487 | 35,781 | 35,570 | 38,896 | 42,410 | 46,361 | 50,038 |
| Long-term deposits | 7,714 | 8,044 | 6,578 | 6,276 | 6,798 | 7,299 | 7,537 |
| IMF financial assets | 5,522 | 5,521 | 5,334 | 5,334 | 5,334 | 5,334 | 5,334 |
| FLP advances | 16,466 | 7,330 | 7,299 | - | - | - | - |
| Other advances | 10,829 | 9,823 | 10,426 | 10,796 | 11,099 | 11,102 | 10,923 |
| Share investments | 53,495 | 54,166 | 60,811 | 61,829 | 64,681 | 67,504 | 70,224 |
| Investments in controlled enterprises | 7,174 | 9,315 | 7,734 | 8,722 | 10,338 | 12,005 | 13,768 |
| Derivatives in gain | 5,967 | 5,825 | 7,924 | 7,434 | 7,101 | 6,908 | 6,838 |
| Other marketable securities | 54,443 | 65,902 | 60,968 | 75,953 | 79,858 | 80,759 | 81,539 |
| **Total financial assets (including receivables)** | **257,137** | **262,504** | **264,445** | **277,776** | **292,993** | **303,619** | **314,291** |
| **Financial Assets by Segment** | | | | | | | |
| The Treasury | 54,092 | 46,669 | 48,700 | 52,959 | 50,347 | 50,286 | 50,402 |
| Reserve Bank of New Zealand | 53,925 | 58,717 | 46,460 | 41,859 | 37,436 | 37,826 | 38,168 |
| NZS Fund | 79,058 | 81,776 | 88,975 | 92,022 | 98,537 | 103,737 | 109,681 |
| Other core Crown | 44,027 | 36,354 | 41,107 | 39,799 | 41,137 | 43,313 | 45,017 |
| Intra-segment eliminations | (47,563) | (31,425) | (33,560) | (23,723) | (12,092) | (13,244) | (14,293) |
| **Total core Crown segment** | **183,539** | **192,091** | **191,682** | **202,916** | **215,365** | **221,918** | **228,975** |
| ACC | 53,385 | 55,203 | 59,053 | 59,483 | 59,999 | 60,679 | 61,556 |
| EQC | 655 | 584 | 746 | 891 | 1,046 | 1,120 | 1,337 |
| Kiwi Group loans and advances | 32,487 | 35,781 | 35,570 | 38,896 | 42,410 | 46,361 | 50,038 |
| Other Crown entities | 22,929 | 22,276 | 22,058 | 22,782 | 24,405 | 25,565 | 26,992 |
| Intra-segment eliminations | (5,092) | (5,148) | (4,841) | (4,968) | (5,126) | (5,374) | (5,636) |
| **Total Crown entities segment** | **104,364** | **108,696** | **112,586** | **117,084** | **122,734** | **128,351** | **134,287** |
| **Total State-owned Enterprises segment** | **7,398** | **6,238** | **6,417** | **5,750** | **5,877** | **6,215** | **6,232** |
| Inter-segment eliminations | (38,164) | (44,521) | (46,240) | (47,974) | (50,983) | (52,865) | (55,203) |
| **Total financial assets (including receivables)** | **257,137** | **262,504** | **264,445** | **277,776** | **292,993** | **303,619** | **314,291** |
| **NOTE 9: Student Loans** | | | | | | | |
| Nominal value (including accrued interest) | 15,868 | 15,916 | 16,188 | 16,520 | 16,844 | 17,151 | 17,462 |
| **Opening book value** | 9,373 | 9,695 | 9,596 | 9,648 | 9,572 | 9,456 | 9,314 |
| Net new lending (including fees) | 1,348 | 1,626 | 1,692 | 1,784 | 1,820 | 1,874 | 1,940 |
| Less initial write-down to fair value | (544) | (633) | (588) | (617) | (631) | (648) | (683) |
| Repayments made during the year | (1,598) | (1,729) | (1,606) | (1,638) | (1,697) | (1,754) | (1,795) |
| Interest unwind | 634 | 575 | 528 | 408 | 416 | 443 | 465 |
| Unwind of administration costs | 28 | 28 | 26 | 24 | 24 | 25 | 25 |
| Final-year fees free payments | - | - | - | (37) | (48) | (82) | (113) |
| Experience/actuarial adjustments: | | | | | | | |
| - Expected repayment adjustments | 275 | - | - | - | - | - | - |
| - Discount rate adjustments | 80 | - | - | - | - | - | - |
| **Closing book value** | **9,596** | **9,562** | **9,648** | **9,572** | **9,456** | **9,314** | **9,153** |

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 10: Property, Plant and Equipment** | | | | | | | |
| **Net Carrying Value**[1] | | | | | | | |
| ***By class of asset*** | | | | | | | |
| Land | 80,881 | 81,149 | 81,732 | 81,313 | 80,228 | 79,692 | 79,059 |
| Buildings | 74,968 | 79,475 | 79,074 | 82,381 | 84,994 | 86,899 | 88,015 |
| State highways | 62,333 | 63,262 | 64,553 | 66,677 | 70,416 | 71,464 | 72,714 |
| Electricity generation assets | 23,628 | 19,876 | 23,568 | 24,311 | 25,028 | 25,760 | 26,007 |
| Electricity distribution network (cost) | 4,650 | 4,688 | 4,805 | 5,347 | 6,101 | 6,978 | 7,874 |
| Aircraft (excluding military) | 5,055 | 5,781 | 5,262 | 5,965 | 6,522 | 6,569 | 6,486 |
| Specialist military equipment | 5,699 | 6,260 | 6,129 | 6,292 | 6,213 | 6,126 | 5,934 |
| Specified cultural and heritage assets | 3,238 | 3,168 | 3,232 | 3,237 | 3,251 | 3,264 | 3,277 |
| Rail network | 14,523 | 15,746 | 14,918 | 15,294 | 15,121 | 15,014 | 14,859 |
| Other plant and equipment (cost) | 8,815 | 9,467 | 9,871 | 10,004 | 9,970 | 9,702 | 9,320 |
| **Total property, plant and equipment** | **283,790** | **288,872** | **293,144** | **300,821** | **307,844** | **311,468** | **313,545** |
| ***Land breakdown by usage*** | | | | | | | |
| Housing | 29,143 | 29,912 | 29,581 | 29,133 | 28,616 | 28,086 | 27,545 |
| State highway corridor land | 22,973 | 22,805 | 22,976 | 22,913 | 22,754 | 22,498 | 22,323 |
| Conservation estate | 9,054 | 8,328 | 9,035 | 9,040 | 9,045 | 9,050 | 9,055 |
| Rail network | 4,290 | 4,388 | 4,385 | 4,406 | 4,420 | 4,429 | 4,429 |
| Schools | 6,748 | 6,369 | 6,780 | 6,785 | 6,791 | 6,796 | 6,801 |
| Commercial (SOEs) excluding Rail | 1,477 | 1,735 | 1,506 | 1,519 | 1,531 | 1,671 | 1,685 |
| Other | 7,196 | 7,612 | 7,469 | 7,517 | 7,071 | 7,162 | 7,221 |
| **Total land** | **80,881** | **81,149** | **81,732** | **81,313** | **80,228** | **79,692** | **79,059** |
| ***Schedule of Movements*** | | | | | | | |
| **Cost or Valuation** | | | | | | | |
| Opening balance | 287,777 | 307,062 | 306,631 | 324,008 | 340,082 | 355,802 | 368,400 |
| Additions[2] | 17,866 | 18,073 | 17,494 | 16,797 | 17,031 | 13,753 | 12,350 |
| Disposals | (1,397) | (627) | (77) | (714) | (1,299) | (1,055) | (1,188) |
| Net revaluations | 2,792 | - | - | - | - | - | - |
| Other | (407) | (15) | (40) | (9) | (12) | (100) | - |
| **Total cost or valuation** | **306,631** | **324,493** | **324,008** | **340,082** | **355,802** | **368,400** | **379,562** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| Opening balance | 20,387 | 27,954 | 22,841 | 30,864 | 39,261 | 47,958 | 56,932 |
| Eliminated on disposal | (709) | (209) | (89) | (76) | (85) | (110) | (149) |
| Eliminated on revaluation | (4,775) | - | - | - | - | - | - |
| Impairment losses charged to operating balance | 82 | - | - | - | - | - | - |
| Depreciation expense | 7,621 | 7,882 | 8,143 | 8,479 | 8,782 | 9,084 | 9,235 |
| Other | 235 | (6) | (31) | (6) | - | - | (1) |
| **Total accumulated depreciation and impairment** | **22,841** | **35,621** | **30,864** | **39,261** | **47,958** | **56,932** | **66,017** |
| **Total property, plant and equipment** | **283,790** | **288,872** | **293,144** | **300,821** | **307,844** | **311,468** | **313,545** |

1. Using a revaluation methodology unless otherwise stated.
2. Additions do not include any purchases which may result from the allocation of the forecast for new capital spending (separately disclosed in the Statement of Financial Position).

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 11: NZ Superannuation Fund** | | | | | | | |
| Revenue | 1,659 | 1,571 | 1,733 | 1,627 | 1,700 | 1,801 | 1,900 |
| Less current tax expense | 1,290 | 1,337 | 2,263 | 1,532 | 1,638 | 1,755 | 1,873 |
| Less other expenses | 189 | 299 | 269 | 310 | 331 | 352 | 375 |
| Add gains/(losses) | 8,352 | 4,371 | 7,516 | 5,127 | 5,519 | 5,929 | 6,349 |
| **Operating balance** | **8,532** | **4,306** | **6,717** | **4,912** | **5,250** | **5,623** | **6,001** |
| Opening net worth | 64,673 | 72,727 | 74,819 | 82,415 | 87,516 | 92,962 | 98,808 |
| Gross contribution from the Crown | 1,614 | 879 | 879 | 189 | 196 | 223 | 224 |
| Operating balance | 8,532 | 4,306 | 6,717 | 4,912 | 5,250 | 5,623 | 6,001 |
| **Closing net worth** | **74,819** | **77,912** | **82,415** | **87,516** | **92,962** | **98,808** | **105,033** |
| ***Comprising:*** | | | | | | | |
| Financial assets | 79,058 | 81,776 | 88,975 | 92,022 | 98,537 | 103,737 | 109,681 |
| Financial liabilities | (4,235) | (3,774) | (6,517) | (4,439) | (5,530) | (4,877) | (4,589) |
| Net other assets | (4) | (90) | (43) | (67) | (45) | (52) | (59) |
| **Closing net worth** | **74,819** | **77,912** | **82,415** | **87,516** | **92,962** | **98,808** | **105,033** |
| **NOTE 12: Payables** | | | | | | | |
| Accounts payable | 13,213 | 12,400 | 16,581 | 16,015 | 17,075 | 16,645 | 16,705 |
| Taxes repayable | 6,650 | 6,113 | 7,053 | 7,453 | 7,855 | 8,260 | 8,655 |
| **Total payables** | **19,863** | **18,513** | **23,634** | **23,468** | **24,930** | **24,905** | **25,360** |

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 13: Retirement Plan Liabilities** | | | | | | | |
| Government Superannuation Fund | 7,335 | 7,076 | 7,130 | 6,634 | 6,125 | 5,643 | 5,186 |
| Other funds | 2 | 6 | 3 | 2 | 3 | 3 | 3 |
| **Total retirement plan liabilities** | **7,337** | **7,082** | **7,133** | **6,636** | **6,128** | **5,646** | **5,189** |

**Government Superannuation Fund**

The net liability of the Government Superannuation Fund (GSF) was calculated by GSF's actuary as at 30 September 2024. The liability arises from closed schemes for past and present public sector employees as set out in the Government Superannuation Fund Act 1956. A Projected Unit Credit method was used to calculate the liability as at 30 September 2024, based on membership data as at 30 June 2024. The funding method requires the benefits payable from GSF in respect of past service to be calculated and then discounted back to the valuation date. For these Forecast Financial Statements, the net GSF liability was updated for the discount rates derived from the market yield curve for New Zealand Government bonds as at 30 September 2024.

Other principal long-term financial assumptions were an inflation rate, as measured by the Consumers Price Index (CPI), with rates initially 1.89% and then increasing to 1.99% after 5 years and remaining there for 26 years, and then increasing to 2.0% after 31 years. In addition, an annual salary growth rate, before any promotional effects, of 2.5% (2.5% at 30 June 2024).

The net GSF liability is expected to reduce by $205 million over the twelve month period to 30 June 2025. This is mainly due to contributions made by the Crown, as well as gains arising on the liability due to decreases in the discount rate assumptions and gains on assets due to postive investment experience.

The expected decrease in the GSF liability of $162 million includes an actuarial gain (which decreases the liability) as at 30 June 2025, of $197 million, owing to changes in the CPI rates ($123 million) and the movements in the discount rates ($320 million).

The changes in the forecast net GSF liability from 2024/25 onwards reflect the net of the expected current service cost, interest cost, investment returns and contributions.

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **GSF Liability** | | | | | | | |
| Opening GSF liability | 13,183 | 12,645 | 12,830 | 12,668 | 12,088 | 11,494 | 10,925 |
| Net projected change | (353) | (401) | (162) | (580) | (594) | (569) | (545) |
| Closing GSF liability | **12,830** | **12,244** | **12,668** | **12,088** | **11,494** | **10,925** | **10,380** |
| **Less Net Assets Available to GSF** | | | | | | | |
| Opening net asset value | 5,145 | 5,239 | 5,495 | 5,538 | 5,454 | 5,369 | 5,282 |
| Investment valuation changes | 667 | 266 | 372 | 294 | 290 | 286 | 280 |
| Contribution and other income less benefit payments | (317) | (337) | (329) | (378) | (375) | (373) | (368) |
| Closing net asset value | **5,495** | **5,168** | **5,538** | **5,454** | **5,369** | **5,282** | **5,194** |
| **Net GSF Liability** | | | | | | | |
| Opening unfunded liability | 8,038 | 7,406 | 7,335 | 7,130 | 6,634 | 6,125 | 5,643 |
| Net projected change | (703) | (330) | (205) | (496) | (509) | (482) | (457) |
| Closing unfunded liability | **7,335** | **7,076** | **7,130** | **6,634** | **6,125** | **5,643** | **5,186** |

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 14: Provisions** | | | | | | | |
| Provision for employee entitlements | 8,795 | 5,906 | 5,926 | 5,727 | 5,480 | 5,246 | 5,246 |
| Veterans' disability entitlements | 2,912 | 2,658 | 6,127 | 6,256 | 6,321 | 6,331 | 6,275 |
| Provision for National Provident Fund guarantee | 610 | 572 | 577 | 534 | 491 | 450 | 410 |
| Other provisions | 3,728 | 2,773 | 3,033 | 3,163 | 2,411 | 2,368 | 2,349 |
| **Total provisions** | **16,045** | **11,909** | **15,663** | **15,680** | **14,703** | **14,395** | **14,280** |

**NOTE 15: New Zealand Emissions Trading Scheme**

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| Opening liability | 6,125 | 7,322 | 6,626 | 7,094 | 6,304 | 5,700 | 5,198 |
| Units sold | 210 | 785 | 288 | 356 | 305 | 248 | 190 |
| Allocated units | 834 | 1,273 | 1,279 | 1,364 | 1,467 | 1,567 | 1,636 |
| Units surrendered | (1,690) | (2,730) | (2,634) | (2,401) | (2,316) | (2,281) | (2,265) |
| (Gains)/ losses due to revaluation in NZ Units | 1,170 | - | 1,532 | - | - | - | - |
| Other movements | (23) | (50) | 3 | (109) | (60) | (36) | (53) |
| **Closing liability** | **6,626** | **6,600** | **7,094** | **6,304** | **5,700** | **5,198** | **4,706** |

The New Zealand Emissions Trading Scheme (NZ ETS) encourages emissions abatement by putting a price on emissions and rewarding carbon removal activities such as forestry. Tradeable units (NZUs) are allocated into the market through Government auctions, with cash proceeds reported from the sale of NZUs at auction. NZUs are also allocated free-of-charge to foresters for forestry removals and to certain industrial activities that are both emission-intensive and trade-exposed (industrial allocation). NZUs that are allocated free-of-charge (ie, industrial allocation and forestry removals) are expensed and a liability is recognised. NZ ETS participants must meet their emissions obligations by surrendering NZUs to the Government. Revenue from the NZ ETS and a corresponding decrease in the liability is not recognised until a participant in the scheme generates emissions or the liability to the Crown is incurred. The NZ ETS liability represents the NZUs outstanding that can be used to settle these emission obligations in the future.

The prices for NZUs used to calculate the NZ ETS liability are assumed to remain constant over the forecast period and are based on the market price at 30 September 2024 of $62.15.

**NOTE 16: Borrowings**

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Borrowings** | | | | | | | |
| Government bonds | 128,959 | 155,201 | 154,555 | 183,050 | 208,983 | 221,283 | 225,173 |
| Kiwi Group customer deposits | 27,720 | 29,805 | 29,657 | 32,329 | 34,752 | 37,665 | 40,180 |
| Settlement deposits with Reserve Bank | 37,553 | 37,500 | 28,768 | 23,884 | 19,200 | 19,200 | 19,200 |
| Derivatives in loss | 5,621 | 5,357 | 3,671 | 3,313 | 3,009 | 2,889 | 2,595 |
| Treasury bills | 5,482 | 5,801 | 5,333 | 5,889 | 5,881 | 5,875 | 5,867 |
| European Commercial Paper | 13,200 | 6,960 | 14,495 | 13,953 | 11,958 | 6,980 | 6,979 |
| Finance lease liabilities | 1,044 | 942 | 1,197 | 1,129 | 1,023 | 985 | 948 |
| Government retail stock | 158 | 162 | 164 | 164 | 164 | 164 | 164 |
| Other borrowings | 31,206 | 37,154 | 35,674 | 38,563 | 41,294 | 43,842 | 45,417 |
| **Total borrowings** | **250,943** | **278,882** | **273,514** | **302,274** | **326,264** | **338,883** | **346,523** |
| ***By guarantee*** | | | | | | | |
| Sovereign-guaranteed debt | 196,808 | 220,945 | 215,461 | 238,719 | 258,051 | 265,677 | 269,758 |
| Non sovereign-guaranteed debt | 54,135 | 57,937 | 58,053 | 63,555 | 68,213 | 73,206 | 76,765 |
| **Total borrowings** | **250,943** | **278,882** | **273,514** | **302,274** | **326,264** | **338,883** | **346,523** |

This note constitutes a Statement of Borrowings as required by the Public Finance Act 1989.

Total borrowings can be split into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities are not explicitly guaranteed by the Crown.

# Notes to the Forecast Financial Statements

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **NOTE 17: Changes in Net Worth** | | | | | | | |
| Taxpayers' funds | 300 | (1,726) | (9,900) | (17,872) | (19,527) | (16,827) | (11,601) |
| Property, plant and equipment revaluation reserve | 181,176 | 174,430 | 181,046 | 181,046 | 181,047 | 181,047 | 181,048 |
| Defined benefit plan revaluation reserve | 864 | 807 | 757 | 863 | 968 | 1,054 | 1,121 |
| Veterans' disability entitlements reserve | (640) | (392) | (3,856) | (3,856) | (3,856) | (3,856) | (3,856) |
| Intangible asset reserve | (7) | (7) | (7) | (7) | (7) | (7) | (7) |
| Cash flow hedge reserve | (30) | 271 | (7) | (13) | (7) | (12) | (22) |
| Fair value hedge reserve | 195 | 254 | 240 | 234 | 234 | 234 | 234 |
| Foreign currency translation reserve | (40) | (41) | (39) | (39) | (39) | (39) | (39) |
| Net worth attributable to minority interests | 9,231 | 8,360 | 9,258 | 9,182 | 9,317 | 9,361 | 9,315 |
| **Total net worth** | **191,049** | **181,956** | **177,492** | **169,538** | **168,130** | **170,955** | **176,193** |
| **Taxpayers' funds** | | | | | | | |
| Opening taxpayers' funds | 8,380 | 5,495 | 300 | (9,900) | (17,872) | (19,527) | (16,827) |
| Operating balance excluding minority interests | (8,365) | (7,147) | (10,161) | (7,942) | (1,630) | 2,729 | 5,264 |
| Transfers from/(to) other reserves | 264 | - | - | - | - | - | - |
| Other movements | 21 | (74) | (39) | (30) | (25) | (29) | (38) |
| **Closing taxpayers' funds** | **300** | **(1,726)** | **(9,900)** | **(17,872)** | **(19,527)** | **(16,827)** | **(11,601)** |
| **Property, Plant and Equipment Revaluation** | | | | | | | |
| Opening property, plant and equipment revaluation reserve | 174,575 | 174,432 | 181,176 | 181,046 | 181,046 | 181,047 | 181,047 |
| Net revaluations | 8,260 | - | - | - | - | - | - |
| Transfers from/(to) other reserves | (270) | (2) | (130) | - | 1 | - | 1 |
| Net revaluations attributable to minority interests | (1,389) | - | - | - | - | - | - |
| **Closing property, plant and equipment revaluation reserve** | **181,176** | **174,430** | **181,046** | **181,046** | **181,047** | **181,047** | **181,048** |
| **Net Worth Attributable to Minority Interests** | | | | | | | |
| Opening minority interest | 7,958 | 8,371 | 9,231 | 9,258 | 9,182 | 9,317 | 9,361 |
| Operating balance attributable to minority interests | 438 | 530 | 236 | 372 | 497 | 552 | 500 |
| Transactions with minority interest | (574) | (572) | (569) | (538) | (588) | (636) | (675) |
| Increase in minority interest from equity issues | 77 | 34 | 341 | 101 | 228 | 135 | 139 |
| Other (includes net revaluations) | 1,332 | (3) | 19 | (11) | (2) | (7) | (10) |
| **Closing minority interest** | **9,231** | **8,360** | **9,258** | **9,182** | **9,317** | **9,361** | **9,315** |

# Statement of Segments

| | Core Crown 2024 Actual $m | Crown entities 2024 Actual $m | State-owned Enterprises 2024 Actual $m | Inter-segment eliminations 2024 Actual $m | Total Crown 2024 Actual $m |
|---|---|---|---|---|---|
| **Statement of Financial Performance for the year ended 30 June 2024** | | | | | |
| **Revenue** | | | | | |
| Taxation revenue | 120,566 | - | - | (666) | 119,900 |
| Other sovereign revenue | 3,589 | 8,258 | - | (2,421) | 9,426 |
| Revenue from core Crown funding | - | 48,163 | 825 | (48,988) | - |
| Sales of goods and services | 1,798 | 3,135 | 21,031 | (829) | 25,135 |
| Interest revenue | 4,441 | 3,560 | 228 | (1,109) | 7,120 |
| Other revenue | 2,826 | 5,060 | 838 | (2,958) | 5,766 |
| **Total revenue (excluding gains)** | **133,220** | **68,176** | **22,922** | **(56,971)** | **167,347** |
| **Expenses** | | | | | |
| Social assistance and official development assistance | 43,265 | - | - | (1,328) | 41,937 |
| Personnel expenses | 11,260 | 24,337 | 3,546 | (60) | 39,083 |
| Other operating expenses | 75,528 | 37,496 | 18,943 | (53,726) | 78,241 |
| Interest expenses | 8,943 | 1,969 | 580 | (1,118) | 10,374 |
| Insurance expenses | 2 | 10,413 | 11 | - | 10,426 |
| **Total expenses (excluding losses)** | **138,998** | **74,215** | **23,080** | **(56,232)** | **180,061** |
| Total gains/(losses) and other items | 7,884 | (3,310) | 30 | (255) | 4,349 |
| **Operating balance** | **2,106** | **(9,349)** | **(128)** | **(994)** | **(8,365)** |
| ***Expenses by functional classification*** | | | | | |
| *Social security and welfare* | *44,589* | *11,634* | *-* | *(2,227)* | *53,996* |
| *Health* | *29,999* | *27,890* | *-* | *(28,049)* | *29,840* |
| *Education* | *20,223* | *15,346* | *-* | *(14,383)* | *21,186* |
| *Transport and communications* | *5,487* | *6,628* | *10,317* | *(5,699)* | *16,733* |
| *Other* | *29,757* | *10,748* | *12,183* | *(4,756)* | *47,932* |
| *Finance costs* | *8,943* | *1,969* | *580* | *(1,118)* | *10,374* |
| ***Total expenses (excluding losses)*** | ***138,998*** | ***74,215*** | ***23,080*** | ***(56,232)*** | ***180,061*** |
| **Statement of Financial Position as at 30 June 2024** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 9,111 | 6,952 | 1,068 | (919) | 16,212 |
| Receivables | 28,639 | 7,852 | 3,218 | (2,477) | 37,232 |
| Other financial assets | 145,789 | 89,560 | 3,112 | (34,768) | 203,693 |
| Property, plant and equipment | 67,997 | 158,068 | 57,724 | 1 | 283,790 |
| Equity accounted investments | 69,174 | 15,197 | 446 | (66,866) | 17,951 |
| Intangible assets and goodwill | 1,577 | 1,008 | 1,765 | (266) | 4,084 |
| Inventory and other assets | 4,454 | 2,292 | 1,347 | (187) | 7,906 |
| **Total assets** | **326,741** | **280,929** | **68,680** | **(105,482)** | **570,868** |
| **Liabilities** | | | | | |
| Borrowings | 216,349 | 56,470 | 11,675 | (33,551) | 250,943 |
| Other liabilities | 45,352 | 81,502 | 13,244 | (11,222) | 128,876 |
| **Total liabilities** | **261,701** | **137,972** | **24,919** | **(44,773)** | **379,819** |
| **Total assets less total liabilities** | **65,040** | **142,957** | **43,761** | **(60,709)** | **191,049** |
| **Net worth** | | | | | |
| Taxpayers' funds | 19,940 | 38,484 | 9,745 | (67,869) | 300 |
| Reserves | 45,100 | 104,227 | 24,659 | 7,532 | 181,518 |
| Net worth attributable to minority interests | - | 246 | 9,357 | (372) | 9,231 |
| **Total net worth** | **65,040** | **142,957** | **43,761** | **(60,709)** | **191,049** |

# Statement of Segments (continued)

| | Core Crown 2025 Forecast $m | Crown entities 2025 Forecast $m | State-owned Enterprises 2025 Forecast $m | Inter-segment eliminations 2025 Forecast $m | Total Crown 2025 Forecast $m |
|---|---|---|---|---|---|
| **Statement of Financial Performance for the year ended 30 June 2025** | | | | | |
| **Revenue** | | | | | |
| Taxation revenue | 120,623 | - | - | (659) | 119,964 |
| Other sovereign revenue | 4,504 | 8,838 | - | (2,577) | 10,765 |
| Revenue from core Crown funding | - | 49,277 | 794 | (50,071) | - |
| Sales of goods and services | 2,237 | 2,953 | 22,127 | (930) | 26,387 |
| Interest revenue | 3,816 | 3,874 | 104 | (1,515) | 6,279 |
| Other revenue | 2,858 | 5,670 | 1,062 | (3,657) | 5,933 |
| **Total revenue (excluding gains)** | **134,038** | **70,612** | **24,087** | **(59,409)** | **169,328** |
| **Expenses** | | | | | |
| Social assistance and official development assistance | 46,615 | - | - | (1,713) | 44,902 |
| Personnel expenses | 11,266 | 24,949 | 3,570 | (61) | 39,724 |
| Other operating expenses | 77,993 | 38,517 | 18,880 | (55,115) | 80,275 |
| Interest expenses | 8,605 | 2,349 | 596 | (1,324) | 10,226 |
| Insurance expenses | 3 | 11,100 | 12 | - | 11,115 |
| Forecast for future new spending | 2,656 | - | - | - | 2,656 |
| Top-down operating expense adjustment | (2,500) | - | - | - | (2,500) |
| **Total expenses (excluding losses)** | **144,638** | **76,915** | **23,058** | **(58,213)** | **186,398** |
| Total gains/(losses) and other items | 6,263 | 1,543 | (221) | (676) | 6,909 |
| **Operating balance** | **(4,337)** | **(4,760)** | **808** | **(1,872)** | **(10,161)** |
| ***Expenses by functional classification*** | | | | | |
| *Social security and welfare* | *47,807* | *12,608* | *-* | *(2,735)* | *57,680* |
| *Health* | *30,959* | *28,620* | *-* | *(28,686)* | *30,893* |
| *Education* | *20,942* | *16,050* | *-* | *(14,654)* | *22,338* |
| *Transport and communications* | *6,232* | *6,334* | *9,718* | *(5,990)* | *16,294* |
| *Other* | *29,937* | *10,954* | *12,744* | *(4,824)* | *48,811* |
| *Finance costs* | *8,605* | *2,349* | *596* | *(1,324)* | *10,226* |
| *Forecast for future new spending* | *2,656* | *-* | *-* | *-* | *2,656* |
| *Top-down operating expense adjustment* | *(2,500)* | *-* | *-* | *-* | *(2,500)* |
| ***Total expenses (excluding losses)*** | ***144,638*** | ***76,915*** | ***23,058*** | ***(58,213)*** | ***186,398*** |
| **Statement of Financial Position as at 30 June 2025** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 9,869 | 5,717 | 1,009 | (927) | 15,668 |
| Receivables | 27,719 | 8,430 | 2,862 | (2,526) | 36,485 |
| Other financial assets | 154,095 | 98,439 | 2,546 | (42,788) | 212,292 |
| Property, plant and equipment | 69,777 | 164,039 | 59,328 | - | 293,144 |
| Equity accounted investments | 77,228 | 15,340 | 594 | (74,569) | 18,593 |
| Intangible assets and goodwill | 1,752 | 1,078 | 1,674 | (218) | 4,286 |
| Inventory and other assets | 4,442 | 2,406 | 1,430 | (177) | 8,101 |
| Forecast for new capital spending | 1,110 | - | - | - | 1,110 |
| Top-down capital adjustment | (1,300) | - | - | - | (1,300) |
| **Total assets** | **344,692** | **295,449** | **69,443** | **(121,205)** | **588,379** |
| **Liabilities** | | | | | |
| Borrowings | 238,966 | 62,638 | 12,493 | (40,583) | 273,514 |
| Other liabilities | 48,581 | 87,169 | 12,691 | (11,068) | 137,373 |
| **Total liabilities** | **287,547** | **149,807** | **25,184** | **(51,651)** | **410,887** |
| **Total assets less total liabilities** | **57,145** | **145,642** | **44,259** | **(69,554)** | **177,492** |
| **Net worth** | | | | | |
| Taxpayers' funds | 15,415 | 40,909 | 10,492 | (76,716) | (9,900) |
| Reserves | 41,730 | 104,237 | 24,617 | 7,550 | 178,134 |
| Net worth attributable to minority interests | - | 496 | 9,150 | (388) | 9,258 |
| **Total net worth** | **57,145** | **145,642** | **44,259** | **(69,554)** | **177,492** |

# Forecast Statement of Segments (continued)

| | Core Crown 2026 Forecast $m | Crown entities 2026 Forecast $m | State-owned Enterprises 2026 Forecast $m | Inter-segment eliminations 2026 Forecast $m | Total Crown 2026 Forecast $m |
|---|---|---|---|---|---|
| **Statement of Financial Performance for the year ended 30 June 2026** | | | | | |
| **Revenue** | | | | | |
| Taxation revenue | 128,277 | - | - | (837) | 127,440 |
| Other sovereign revenue | 4,482 | 9,518 | - | (2,776) | 11,224 |
| Revenue from core Crown funding | - | 49,664 | 437 | (50,101) | - |
| Sales of goods and services | 2,254 | 3,182 | 22,435 | (985) | 26,886 |
| Interest revenue | 2,902 | 3,991 | 76 | (1,441) | 5,528 |
| Other revenue | 2,877 | 5,711 | 880 | (3,580) | 5,888 |
| **Total revenue (excluding gains)** | **140,792** | **72,066** | **23,828** | **(59,720)** | **176,966** |
| **Expenses** | | | | | |
| Social assistance and official development assistance | 48,478 | - | - | (1,803) | 46,675 |
| Personnel expenses | 11,113 | 25,195 | 3,621 | (61) | 39,868 |
| Other operating expenses | 77,020 | 38,483 | 18,715 | (55,566) | 78,652 |
| Interest expenses | 9,122 | 2,429 | 698 | (1,405) | 10,844 |
| Insurance expenses | 3 | 10,579 | 13 | - | 10,595 |
| Forecast for future new spending | 4,785 | - | - | - | 4,785 |
| Top-down operating expense adjustment | (700) | - | - | - | (700) |
| **Total expenses (excluding losses)** | **149,821** | **76,686** | **23,047** | **(58,835)** | **190,719** |
| Total gains/(losses) and other items | 5,346 | 737 | (298) | 26 | 5,811 |
| **Operating balance** | **(3,683)** | **(3,883)** | **483** | **(859)** | **(7,942)** |
| ***Expenses by functional classification*** | | | | | |
| *Social security and welfare* | *49,492* | *12,140* | *-* | *(2,969)* | *58,663* |
| *Health* | *32,208* | *29,280* | *-* | *(30,110)* | *31,378* |
| *Education* | *21,003* | *16,124* | *-* | *(14,608)* | *22,519* |
| *Transport and communications* | *5,889* | *5,683* | *10,148* | *(5,143)* | *16,577* |
| *Other* | *28,022* | *11,030* | *12,201* | *(4,600)* | *46,653* |
| *Finance costs* | *9,122* | *2,429* | *698* | *(1,405)* | *10,844* |
| *Forecast for future new spending* | *4,785* | *-* | *-* | *-* | *4,785* |
| *Top-down operating expense adjustment* | *(700)* | *-* | *-* | *-* | *(700)* |
| ***Total expenses (excluding losses)*** | ***149,821*** | ***76,686*** | ***23,047*** | ***(58,835)*** | ***190,719*** |
| **Statement of Financial Position as at 30 June 2026** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 9,809 | 5,326 | 942 | (926) | 15,151 |
| Receivables | 28,384 | 9,174 | 2,857 | (2,602) | 37,813 |
| Other financial assets | 164,723 | 102,584 | 1,951 | (44,446) | 224,812 |
| Property, plant and equipment | 70,661 | 168,064 | 62,096 | - | 300,821 |
| Equity accounted investments | 81,657 | 15,415 | 633 | (79,600) | 18,105 |
| Intangible assets and goodwill | 1,694 | 1,067 | 1,636 | (231) | 4,166 |
| Inventory and other assets | 4,493 | 2,534 | 1,432 | (177) | 8,282 |
| Forecast for new capital spending | 4,026 | - | - | - | 4,026 |
| Top-down capital adjustment | (2,200) | - | - | - | (2,200) |
| **Total assets** | **363,247** | **304,164** | **71,547** | **(127,982)** | **610,976** |
| **Liabilities** | | | | | |
| Borrowings | 262,301 | 68,225 | 13,898 | (42,150) | 302,274 |
| Other liabilities | 47,382 | 90,073 | 12,774 | (11,065) | 139,164 |
| **Total liabilities** | **309,683** | **158,298** | **26,672** | **(53,215)** | **441,438** |
| **Total assets less total liabilities** | **53,564** | **145,866** | **44,875** | **(74,767)** | **169,538** |
| **Net worth** | | | | | |
| Taxpayers' funds | 11,732 | 41,140 | 11,184 | (81,928) | (17,872) |
| Reserves | 41,832 | 104,230 | 24,621 | 7,545 | 178,228 |
| Net worth attributable to minority interests | - | 496 | 9,070 | (384) | 9,182 |
| **Total net worth** | **53,564** | **145,866** | **44,875** | **(74,767)** | **169,538** |

# Forecast Statement of Segments (continued)

| | Core Crown 2027 Forecast $m | Crown entities 2027 Forecast $m | State-owned Enterprises 2027 Forecast $m | Inter-segment eliminations 2027 Forecast $m | Total Crown 2027 Forecast $m |
|---|---|---|---|---|---|
| **Statement of Financial Performance for the year ended 30 June 2027** | | | | | |
| **Revenue** | | | | | |
| Taxation revenue | 136,666 | - | - | (964) | 135,702 |
| Other sovereign revenue | 4,468 | 10,208 | - | (2,932) | 11,744 |
| Revenue from core Crown funding | - | 50,399 | 527 | (50,926) | - |
| Sales of goods and services | 2,263 | 3,390 | 22,999 | (1,015) | 27,637 |
| Interest revenue | 3,223 | 4,046 | 75 | (1,517) | 5,827 |
| Other revenue | 2,964 | 5,896 | 301 | (3,193) | 5,968 |
| **Total revenue (excluding gains)** | **149,584** | **73,939** | **23,902** | **(60,547)** | **186,878** |
| **Expenses** | | | | | |
| Social assistance and official development assistance | 49,973 | - | - | (1,861) | 48,112 |
| Personnel expenses | 11,045 | 25,994 | 3,747 | (62) | 40,724 |
| Other operating expenses | 76,171 | 38,693 | 18,661 | (56,227) | 77,298 |
| Interest expenses | 10,358 | 2,424 | 822 | (1,484) | 12,120 |
| Insurance expenses | 3 | 11,324 | 14 | - | 11,341 |
| Forecast for future new spending | 5,503 | - | - | - | 5,503 |
| Top-down operating expense adjustment | (500) | - | - | - | (500) |
| **Total expenses (excluding losses)** | **152,553** | **78,435** | **23,244** | **(59,634)** | **194,598** |
| Total gains/(losses) and other items | 5,763 | 744 | (438) | 21 | 6,090 |
| **Operating balance** | **2,794** | **(3,752)** | **220** | **(892)** | **(1,630)** |
| ***Expenses by functional classification*** | | | | | |
| *Social security and welfare* | *50,951* | *12,938* | *-* | *(3,088)* | *60,801* |
| *Health* | *33,705* | *30,239* | *-* | *(31,632)* | *32,312* |
| *Education* | *20,843* | *16,092* | *-* | *(14,483)* | *22,452* |
| *Transport and communications* | *4,456* | *5,710* | *10,395* | *(4,518)* | *16,043* |
| *Other* | *27,237* | *11,032* | *12,027* | *(4,429)* | *45,867* |
| *Finance costs* | *10,358* | *2,424* | *822* | *(1,484)* | *12,120* |
| *Forecast for future new spending* | *5,503* | *-* | *-* | *-* | *5,503* |
| *Top-down operating expense adjustment* | *(500)* | *-* | *-* | *-* | *(500)* |
| ***Total expenses (excluding losses)*** | ***152,553*** | ***78,435*** | ***23,244*** | ***(59,634)*** | ***194,598*** |
| **Statement of Financial Position as at 30 June 2027** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 10,701 | 5,446 | 945 | (925) | 16,167 |
| Receivables | 29,654 | 9,927 | 2,827 | (2,657) | 39,751 |
| Other financial assets | 175,010 | 107,361 | 2,105 | (47,401) | 237,075 |
| Property, plant and equipment | 70,678 | 172,992 | 64,174 | - | 307,844 |
| Equity accounted investments | 88,290 | 15,503 | 692 | (86,127) | 18,358 |
| Intangible assets and goodwill | 1,607 | 1,065 | 1,602 | (218) | 4,056 |
| Inventory and other assets | 4,449 | 2,626 | 1,457 | (179) | 8,353 |
| Forecast for new capital spending | 7,544 | - | - | - | 7,544 |
| Top-down capital adjustment | (2,700) | - | - | - | (2,700) |
| **Total assets** | **385,233** | **314,920** | **73,802** | **(137,507)** | **636,448** |
| **Liabilities** | | | | | |
| Borrowings | 281,306 | 73,786 | 16,258 | (45,086) | 326,264 |
| Other liabilities | 47,463 | 92,748 | 12,787 | (10,944) | 142,054 |
| **Total liabilities** | **328,769** | **166,534** | **29,045** | **(56,030)** | **468,318** |
| **Total assets less total liabilities** | **56,464** | **148,386** | **44,757** | **(81,477)** | **168,130** |
| **Net worth** | | | | | |
| Taxpayers' funds | 14,526 | 43,558 | 11,030 | (88,641) | (19,527) |
| Reserves | 41,938 | 104,232 | 24,625 | 7,545 | 178,340 |
| Net worth attributable to minority interests | - | 596 | 9,102 | (381) | 9,317 |
| **Total net worth** | **56,464** | **148,386** | **44,757** | **(81,477)** | **168,130** |

# Forecast Statement of Segments (continued)

| | Core Crown 2028 Forecast $m | Crown entities 2028 Forecast $m | State-owned Enterprises 2028 Forecast $m | Inter-segment eliminations 2028 Forecast $m | Total Crown 2028 Forecast $m |
|---|---|---|---|---|---|
| **Statement of Financial Performance for the year ended 30 June 2028** | | | | | |
| **Revenue** | | | | | |
| Taxation revenue | 144,133 | - | - | (1,093) | 143,040 |
| Other sovereign revenue | 4,473 | 10,928 | - | (3,118) | 12,283 |
| Revenue from core Crown funding | - | 50,088 | 652 | (50,740) | - |
| Sales of goods and services | 2,345 | 3,575 | 24,443 | (1,043) | 29,320 |
| Interest revenue | 3,534 | 4,151 | 89 | (1,620) | 6,154 |
| Other revenue | 3,076 | 5,752 | 328 | (3,202) | 5,954 |
| **Total revenue (excluding gains)** | **157,561** | **74,494** | **25,512** | **(60,816)** | **196,751** |
| **Expenses** | | | | | |
| Social assistance and official development assistance | 51,830 | - | - | (1,869) | 49,961 |
| Personnel expenses | 11,101 | 26,760 | 3,880 | (61) | 41,680 |
| Other operating expenses | 75,724 | 36,652 | 19,836 | (56,285) | 75,927 |
| Interest expenses | 11,467 | 2,445 | 939 | (1,592) | 13,259 |
| Insurance expenses | 2 | 12,186 | 15 | - | 12,203 |
| Forecast for future new spending | 7,943 | - | - | - | 7,943 |
| Top-down operating expense adjustment | (400) | - | - | - | (400) |
| **Total expenses (excluding losses)** | **157,667** | **78,043** | **24,670** | **(59,807)** | **200,573** |
| Total gains/(losses) and other items | 6,155 | 943 | (498) | (49) | 6,551 |
| **Operating balance** | **6,049** | **(2,606)** | **344** | **(1,058)** | **2,729** |
| ***Expenses by functional classification*** | | | | | |
| *Social security and welfare* | *52,796* | *13,861* | *-* | *(3,164)* | *63,493* |
| *Health* | *33,859* | *30,235* | *-* | *(31,807)* | *32,287* |
| *Education* | *20,768* | *16,052* | *-* | *(14,359)* | *22,461* |
| *Transport and communications* | *4,658* | *4,703* | *10,834* | *(4,724)* | *15,471* |
| *Other* | *26,576* | *10,747* | *12,897* | *(4,161)* | *46,059* |
| *Finance costs* | *11,467* | *2,445* | *939* | *(1,592)* | *13,259* |
| *Forecast for future new spending* | *7,943* | *-* | *-* | *-* | *7,943* |
| *Top-down operating expense adjustment* | *(400)* | *-* | *-* | *-* | *(400)* |
| ***Total expenses (excluding losses)*** | ***157,667*** | ***78,043*** | ***24,670*** | ***(59,807)*** | ***200,573*** |
| **Statement of Financial Position as at 30 June 2028** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 9,862 | 5,754 | 947 | (923) | 15,640 |
| Receivables | 30,931 | 10,304 | 2,911 | (2,753) | 41,393 |
| Other financial assets | 181,126 | 112,293 | 2,357 | (49,190) | 246,586 |
| Property, plant and equipment | 70,139 | 175,479 | 65,850 | - | 311,468 |
| Equity accounted investments | 91,359 | 15,628 | 758 | (89,090) | 18,655 |
| Intangible assets and goodwill | 1,517 | 1,068 | 1,587 | (200) | 3,972 |
| Inventory and other assets | 4,207 | 2,825 | 1,468 | (178) | 8,322 |
| Forecast for new capital spending | 11,148 | - | - | - | 11,148 |
| Top-down capital adjustment | (2,900) | - | - | - | (2,900) |
| **Total assets** | **397,389** | **323,351** | **75,878** | **(142,334)** | **654,284** |
| **Liabilities** | | | | | |
| Borrowings | 288,634 | 78,578 | 18,488 | (46,817) | 338,883 |
| Other liabilities | 46,154 | 96,285 | 12,808 | (10,801) | 144,446 |
| **Total liabilities** | **334,788** | **174,863** | **31,296** | **(57,618)** | **483,329** |
| **Total assets less total liabilities** | **62,601** | **148,488** | **44,582** | **(84,716)** | **170,955** |
| **Net worth** | | | | | |
| Taxpayers' funds | 20,575 | 43,660 | 10,819 | (91,881) | (16,827) |
| Reserves | 42,026 | 104,232 | 24,621 | 7,542 | 178,421 |
| Net worth attributable to minority interests | - | 596 | 9,142 | (377) | 9,361 |
| **Total net worth** | **62,601** | **148,488** | **44,582** | **(84,716)** | **170,955** |

# Forecast Statement of Segments (continued)

| | Core Crown 2029 Forecast $m | Crown entities 2029 Forecast $m | State-owned Enterprises 2029 Forecast $m | Inter-segment eliminations 2029 Forecast $m | Total Crown 2029 Forecast $m |
|---|---|---|---|---|---|
| **Statement of Financial Performance for the year ended 30 June 2029** | | | | | |
| **Revenue** | | | | | |
| Taxation revenue | 151,234 | - | - | (1,202) | 150,032 |
| Other sovereign revenue | 4,468 | 11,689 | - | (3,324) | 12,833 |
| Revenue from core Crown funding | - | 50,473 | 610 | (51,083) | - |
| Sales of goods and services | 2,372 | 3,658 | 24,939 | (1,082) | 29,887 |
| Interest revenue | 3,706 | 4,394 | 100 | (1,734) | 6,466 |
| Other revenue | 3,262 | 5,801 | 356 | (3,256) | 6,163 |
| **Total revenue (excluding gains)** | **165,042** | **76,015** | **26,005** | **(61,681)** | **205,381** |
| **Expenses** | | | | | |
| Social assistance and official development assistance | 53,426 | - | - | (1,863) | 51,563 |
| Personnel expenses | 11,141 | 27,490 | 3,968 | (63) | 42,536 |
| Other operating expenses | 76,207 | 36,403 | 20,317 | (56,927) | 76,000 |
| Interest expenses | 12,112 | 2,622 | 1,022 | (1,698) | 14,058 |
| Insurance expenses | 3 | 13,110 | 16 | - | 13,129 |
| Forecast for future new spending | 10,423 | - | - | - | 10,423 |
| Top-down operating expense adjustment | (400) | - | - | - | (400) |
| **Total expenses (excluding losses)** | **162,912** | **79,625** | **25,323** | **(60,551)** | **207,309** |
| Total gains/(losses) and other items | 6,572 | 1,144 | (442) | (82) | 7,192 |
| **Operating balance** | **8,702** | **(2,466)** | **240** | **(1,212)** | **5,264** |
| ***Expenses by functional classification*** | | | | | |
| *Social security and welfare* | *54,386* | *14,805* | *-* | *(3,226)* | *65,965* |
| *Health* | *34,023* | *30,290* | *-* | *(32,007)* | *32,306* |
| *Education* | *20,763* | *15,936* | *-* | *(14,256)* | *22,443* |
| *Transport and communications* | *5,036* | *5,241* | *11,368* | *(5,192)* | *16,453* |
| *Other* | *26,569* | *10,731* | *12,933* | *(4,172)* | *46,061* |
| *Finance costs* | *12,112* | *2,622* | *1,022* | *(1,698)* | *14,058* |
| *Forecast for future new spending* | *10,423* | *-* | *-* | *-* | *10,423* |
| *Top-down operating expense adjustment* | *(400)* | *-* | *-* | *-* | *(400)* |
| ***Total expenses (excluding losses)*** | ***162,912*** | ***79,625*** | ***25,323*** | ***(60,551)*** | ***207,309*** |
| **Statement of Financial Position as at 30 June 2029** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 9,375 | 6,323 | 946 | (922) | 15,722 |
| Receivables | 32,147 | 10,920 | 2,945 | (2,797) | 43,215 |
| Other financial assets | 187,454 | 117,044 | 2,341 | (51,485) | 255,354 |
| Property, plant and equipment | 69,398 | 177,343 | 66,804 | - | 313,545 |
| Equity accounted investments | 93,498 | 15,796 | 810 | (91,198) | 18,906 |
| Intangible assets and goodwill | 1,415 | 1,083 | 1,626 | (201) | 3,923 |
| Inventory and other assets | 4,058 | 2,931 | 1,476 | (179) | 8,286 |
| Forecast for new capital spending | 14,878 | - | - | - | 14,878 |
| Top-down capital adjustment | (3,000) | - | - | - | (3,000) |
| **Total assets** | **409,223** | **331,440** | **76,948** | **(146,782)** | **670,829** |
| **Liabilities** | | | | | |
| Borrowings | 292,419 | 83,021 | 20,066 | (48,983) | 346,523 |
| Other liabilities | 45,434 | 100,487 | 12,833 | (10,641) | 148,113 |
| **Total liabilities** | **337,853** | **183,508** | **32,899** | **(59,624)** | **494,636** |
| **Total assets less total liabilities** | **71,370** | **147,932** | **44,049** | **(87,158)** | **176,193** |
| **Net worth** | | | | | |
| Taxpayers' funds | 29,277 | 43,104 | 10,345 | (94,327) | (11,601) |
| Reserves | 42,093 | 104,232 | 24,614 | 7,540 | 178,479 |
| Net worth attributable to minority interests | - | 596 | 9,090 | (371) | 9,315 |
| **Total net worth** | **71,370** | **147,932** | **44,049** | **(87,158)** | **176,193** |

# Fiscal Indicator Analysis

The purpose of the following fiscal indicator analysis is to provide a link between the Forecast Financial Statements (pages 107 to 129) based on GAAP, and the key fiscal indicators used to measure performance against the fiscal objectives set out in the *Fiscal Strategy Report.*

The fiscal indicator analysis comprises five statements. These statements and their key purposes are described below:

**Reconciliation between the Operating Balance, the Operating Balance before Gains and Losses and the Operating Balance before Gains and Losses excluding ACC revenue and expenses**

OBEGAL represents core Crown revenue less core Crown expenses plus surpluses from State-owned Enterprises and Crown Entities but does not include certain gains or losses from Government reporting entities. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation. In addition, OBEGALx removes the revenue and expenses of ACC which provides insights on how near-term fiscal policy decisions impact the financial performance of the Government.

**Expenses by Functional Classification**

This analysis is based on the Classification of Functions of Government as produced by the Organisation for Economic Co-operation and Development (OECD) and permits trends in government expenditure on particular functions to be examined over time.

**Core Crown Residual Cash**

The core Crown residual cash statement measures the core Crown cash surplus (or deficit), after operating and investing cash requirements are met, that is available for the Government to invest, repay debt, or, in the case of a deficit, fund in any given year. Also included is a breakdown of net capital expenditure activity.

**Debt Indicators**

The debt statement presents the calculation of both gross debt and net debt indicators.

Gross debt represents debt issued by the sovereign (core Crown) and includes Government stock held by the NZS Fund, Accident Compensation Corporation, and the Earthquake Commission. Gross debt excludes Reserve Bank settlement cash and Reserve Bank bills.

Net core Crown debt represents gross sovereign-issued debt less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

The Government's headline debt indicator is net core Crown debt.

**Reconciliation Between the Financial Statements to Key Government Fiscal Indicators**

This statement shows how key lines in the financial statements flow through to the key operating indicators used to measure performance.

# Reconciliation Between the Operating Balance, OBEGAL and OBEGALx

## for the years ending 30 June

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Operating Balance** | | | | | | | |
| Total revenue | 167,347 | 168,043 | 169,328 | 176,966 | 186,878 | 196,751 | 205,381 |
| Total expenses | 180,061 | 181,013 | 186,398 | 190,719 | 194,598 | 200,573 | 207,309 |
| Total gains/(losses) | 4,667 | 6,305 | 6,985 | 6,095 | 6,470 | 6,951 | 7,477 |
| Net surplus from associates and joint ventures | 120 | 48 | 160 | 88 | 117 | 152 | 215 |
| Less Minority interests' share of operating balance | (438) | (530) | (236) | (372) | (497) | (552) | (500) |
| **Operating balance** | **(8,365)** | **(7,147)** | **(10,161)** | **(7,942)** | **(1,630)** | **2,729** | **5,264** |
| **Reconciliation Between the Operating Balance, OBEGAL and OBEGALx** | | | | | | | |
| **Operating balance** | **(8,365)** | **(7,147)** | **(10,161)** | **(7,942)** | **(1,630)** | **2,729** | **5,264** |
| Less items excluded from OBEGAL: | | | | | | | |
| Net gains/(losses) on financial instruments | 11,410 | 6,305 | 9,485 | 6,095 | 6,470 | 6,951 | 7,477 |
| Net gains/(losses) on non-financial instruments | (6,743) | - | (2,500) | - | - | - | - |
| Minority interests share of total gains/(losses) | (298) | (128) | 11 | (22) | (25) | (26) | (27) |
| Net surplus from associates and joint ventures | 120 | 48 | 160 | 88 | 117 | 152 | 215 |
| **OBEGAL** | **(12,854)** | **(13,372)** | **(17,317)** | **(14,103)** | **(8,192)** | **(4,348)** | **(2,401)** |
| ACC net revenue | (4,081) | (3,750) | (4,449) | (3,623) | (3,769) | (4,044) | (4,280) |
| **OBEGALx** | **(8,773)** | **(9,622)** | **(12,868)** | **(10,480)** | **(4,423)** | **(304)** | **1,879** |

# Expenses by Functional Classification

## for the years ending 30 June

| | 2024<br>Actual<br>$m | 2025<br>Previous<br>Budget<br>$m | 2025<br>Forecast<br>$m | 2026<br>Forecast<br>$m | 2027<br>Forecast<br>$m | 2028<br>Forecast<br>$m | 2029<br>Forecast<br>$m |
|---|---|---|---|---|---|---|---|
| **Total Crown expenses** | | | | | | | |
| **By functional classification[1]** | | | | | | | |
| Social security and welfare | 53,996 | 56,391 | 57,680 | 58,663 | 60,801 | 63,493 | 65,965 |
| Health | 29,840 | 29,420 | 30,893 | 31,378 | 32,312 | 32,287 | 32,306 |
| Education | 21,186 | 21,755 | 22,338 | 22,519 | 22,452 | 22,461 | 22,443 |
| Core government services | 8,178 | 6,759 | 6,853 | 6,739 | 5,919 | 5,689 | 5,684 |
| Law and order | 7,072 | 7,275 | 7,449 | 7,261 | 7,163 | 7,088 | 7,055 |
| Transport and communications | 16,733 | 16,071 | 16,294 | 16,577 | 16,043 | 15,471 | 16,453 |
| Economic and industrial services | 16,008 | 14,443 | 16,783 | 15,854 | 15,625 | 16,321 | 16,446 |
| Defence | 3,125 | 3,169 | 3,149 | 3,208 | 3,223 | 3,241 | 3,223 |
| Heritage, culture and recreation | 3,608 | 3,351 | 3,325 | 3,359 | 3,401 | 3,430 | 3,490 |
| Primary services | 2,636 | 2,580 | 2,947 | 2,577 | 2,477 | 2,440 | 2,398 |
| Housing and community development | 4,789 | 5,002 | 5,158 | 4,880 | 5,073 | 4,817 | 4,667 |
| Environmental protection | 2,277 | 2,818 | 2,852 | 2,611 | 2,604 | 2,652 | 2,718 |
| GSF pension expenses | 94 | 80 | 71 | 73 | 72 | 71 | 70 |
| Other | 145 | 737 | 224 | 91 | 310 | 310 | 310 |
| Finance costs | 10,374 | 10,166 | 10,226 | 10,844 | 12,120 | 13,259 | 14,058 |
| Forecast new operating spending | - | 3,796 | 2,656 | 4,785 | 5,503 | 7,943 | 10,423 |
| Top-down operating expense adjustment | - | (2,800) | (2,500) | (700) | (500) | (400) | (400) |
| **Total Crown expenses excluding losses** | **180,061** | **181,013** | **186,398** | **190,719** | **194,598** | **200,573** | **207,309** |

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by Ministers, Departments, Offices of Parliament, the NZS Fund and the Reserve Bank, but not Crown entities and SOEs.

| | 2024<br>Actual<br>$m | 2025<br>Previous<br>Budget<br>$m | 2025<br>Forecast<br>$m | 2026<br>Forecast<br>$m | 2027<br>Forecast<br>$m | 2028<br>Forecast<br>$m | 2029<br>Forecast<br>$m |
|---|---|---|---|---|---|---|---|
| **Core Crown expenses** | | | | | | | |
| **By functional classification[1]** | | | | | | | |
| Social security and welfare | 44,589 | 47,509 | 47,807 | 49,492 | 50,951 | 52,796 | 54,386 |
| Health | 29,999 | 30,587 | 30,959 | 32,208 | 33,705 | 33,859 | 34,023 |
| Education | 20,223 | 20,538 | 20,942 | 21,003 | 20,843 | 20,768 | 20,763 |
| Core government services | 8,468 | 6,908 | 7,114 | 6,752 | 5,915 | 5,804 | 5,839 |
| Law and order | 6,527 | 6,656 | 6,857 | 6,684 | 6,632 | 6,447 | 6,435 |
| Transport and communications | 5,487 | 6,019 | 6,232 | 5,889 | 4,456 | 4,658 | 5,036 |
| Economic and industrial services | 4,010 | 3,529 | 4,146 | 3,737 | 3,706 | 3,555 | 3,554 |
| Defence | 3,163 | 3,215 | 3,196 | 3,255 | 3,270 | 3,288 | 3,271 |
| Heritage, culture and recreation | 1,504 | 1,429 | 1,529 | 1,423 | 1,372 | 1,349 | 1,348 |
| Primary services | 1,062 | 1,118 | 1,271 | 1,046 | 965 | 954 | 950 |
| Housing and community development | 2,512 | 2,531 | 2,699 | 2,371 | 2,413 | 2,168 | 2,096 |
| Environmental protection | 2,297 | 2,849 | 2,855 | 2,615 | 2,608 | 2,657 | 2,723 |
| GSF pension expenses | 69 | 50 | 46 | 48 | 46 | 44 | 43 |
| Other | 145 | 737 | 224 | 91 | 310 | 310 | 310 |
| Finance costs | 8,943 | 9,224 | 8,605 | 9,122 | 10,358 | 11,467 | 12,112 |
| Forecast new operating spending | - | 3,796 | 2,656 | 4,785 | 5,503 | 7,943 | 10,423 |
| Top-down operating expense adjustment | - | (2,800) | (2,500) | (700) | (500) | (400) | (400) |
| **Total core Crown expenses excluding losses** | **138,998** | **143,895** | **144,638** | **149,821** | **152,553** | **157,667** | **162,912** |

1. The classifications of the functions of the Government reflect current approved baselines. Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in the future.

# Core Crown Residual Cash

## for the years ending 30 June

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Core Crown Residual Cash** | | | | | | | |
| **Core Crown Cash Flows from Operations** | | | | | | | |
| Tax receipts | 116,737 | 128,929 | 122,550 | 130,269 | 136,565 | 144,212 | 151,396 |
| Other sovereign receipts | 1,790 | 2,532 | 2,068 | 2,182 | 2,300 | 2,292 | 2,246 |
| Interest receipts | 1,878 | 2,943 | 2,753 | 2,287 | 1,456 | 1,408 | 1,408 |
| Sale of goods and services and other receipts | 3,779 | 3,546 | 3,847 | 3,897 | 3,928 | 4,044 | 4,180 |
| Transfer payments and subsidies | (43,495) | (47,485) | (48,024) | (48,998) | (50,583) | (52,299) | (54,073) |
| Personnel and operating costs | (79,747) | (81,127) | (84,552) | (81,366) | (81,109) | (80,331) | (80,245) |
| Interest payments | (7,044) | (7,552) | (6,896) | (7,303) | (8,484) | (9,058) | (10,010) |
| Forecast for future new operating spending | - | (3,796) | (2,656) | (4,785) | (5,503) | (7,943) | (10,423) |
| Top-down operating expense adjustment | - | 2,800 | 2,500 | 700 | 500 | 400 | 400 |
| **Net core Crown operating cash flows** | **(6,102)** | **790** | **(8,410)** | **(3,117)** | **(930)** | **2,725** | **4,879** |
| **Core Crown Capital Cash Flows** | | | | | | | |
| Net purchase of physical assets | (4,701) | (4,388) | (4,537) | (4,133) | (3,216) | (2,649) | (2,531) |
| Net decrease/(increase) in advances | (2,533) | 4,416 | 5,205 | 4,767 | (2,900) | (1,600) | (2,119) |
| Net purchase of investments | (4,352) | (8,328) | (8,179) | (5,157) | (6,557) | (2,925) | (1,992) |
| Contribution to NZS Fund | (1,614) | (879) | (879) | (189) | (196) | (223) | (224) |
| Forecast for future new capital spending | - | (2,094) | (1,110) | (2,916) | (3,518) | (3,604) | (3,732) |
| Top-down capital adjustment | - | 1,550 | 1,300 | 900 | 500 | 200 | 100 |
| **Net core Crown capital cash flows** | **(13,200)** | **(9,723)** | **(8,200)** | **(6,728)** | **(15,887)** | **(10,801)** | **(10,498)** |
| **Residual cash (deficit)/surplus** | **(19,302)** | **(8,933)** | **(16,610)** | **(9,845)** | **(16,817)** | **(8,076)** | **(5,619)** |
| ***The residual cash (deficit)/surplus is funded or invested as follows:*** | | | | | | | |
| **Debt Programme Cash Flows** | | | | | | | |
| Market: | | | | | | | |
| Issue of government bonds | 35,077 | 35,838 | 39,191 | 37,871 | 35,771 | 26,588 | 21,010 |
| Repayment of government bonds | (18,197) | (19,192) | (21,177) | (17,214) | (22,550) | (16,032) | (18,498) |
| Net issue/(repayment) of short-term borrowing[1] | 14,157 | (5,400) | 1,444 | - | (2,000) | (5,000) | - |
| Total market debt cash flows | 31,037 | 11,246 | 19,458 | 20,657 | 11,221 | 5,556 | 2,512 |
| Non-market: | | | | | | | |
| Net issue/(repayment) of short-term borrowing | (200) | (100) | (200) | - | - | - | - |
| Total non-market debt cash flows | (200) | (100) | (200) | - | - | - | - |
| **Total debt programme cash flows** | **30,837** | **11,146** | **19,258** | **20,657** | **11,221** | **5,556** | **2,512** |
| **Other Borrowing Cash Flows** | | | | | | | |
| Net (repayment)/issue of other New Zealand dollar borrowing | 5,058 | (2,022) | 4,970 | 2,483 | 4,808 | (4,911) | (60) |
| Net (repayment)/issue of foreign currency borrowing | (10,692) | 6,238 | (1,872) | (687) | 1,937 | 4,988 | (13) |
| **Total other borrowing cash flows** | **(5,634)** | **4,216** | **3,098** | **1,796** | **6,745** | **77** | **(73)** |
| **Investing Cash Flows** | | | | | | | |
| Net sale/(purchase) of marketable securities and deposits | (8,417) | (6,434) | (5,207) | (12,686) | (1,239) | 2,340 | 3,081 |
| Net issues/(repayments) of circulating currency | (24) | 91 | (4) | 90 | 91 | 92 | 92 |
| Decrease/(increase) in cash | 2,540 | (86) | (535) | (12) | (1) | 11 | 7 |
| **Total investing cash flows** | **(5,901)** | **(6,429)** | **(5,746)** | **(12,608)** | **(1,149)** | **2,443** | **3,180** |
| **Residual cash deficit/(surplus) funding/(investing)** | **19,302** | **8,933** | **16,610** | **9,845** | **16,817** | **8,076** | **5,619** |

1. Short-term borrowing consists of Treasury Bills and may include Euro-Commercial Paper.

# Core Crown Residual Cash – Breakdown of Net Capital Expenditure Activity

## for the years ending 30 June

| | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m | 5-year Total $m |
|---|---|---|---|---|---|---|
| Education | 1,926 | 1,835 | 1,467 | 1,094 | 1,046 | **7,368** |
| Defence | 878 | 942 | 597 | 548 | 534 | **3,499** |
| Corrections | 290 | 229 | 234 | 190 | 175 | **1,118** |
| Justice | 190 | 225 | 218 | 176 | 151 | **960** |
| Social Development | 120 | 66 | 66 | 66 | 65 | **383** |
| Police | 175 | 152 | 99 | 99 | 99 | **624** |
| Internal Affairs | 122 | 54 | 54 | 54 | 54 | **338** |
| Other | 836 | 630 | 481 | 422 | 407 | **2,776** |
| **Net purchase of physical assets** | **4,537** | **4,133** | **3,216** | **2,649** | **2,531** | **17,066** |
| | | | | | | |
| Kāinga Ora | 3,820 | 1,154 | 2,082 | 1,550 | 2,027 | **10,633** |
| Waka Kotahi NZ Transport Agency | 304 | 692 | 734 | (204) | (3) | **1,523** |
| Small Business Cashflow Loan Scheme | (325) | (118) | (72) | (3) | - | **(519)** |
| Student Loans | 78 | 138 | 115 | 114 | 137 | **582** |
| Funding for Lending Programme | (9,254) | (6,711) | - | - | - | **(15,965)** |
| Other | 172 | 78 | 41 | 143 | (42) | **392** |
| **Net advances** | **(5,205)** | **(4,767)** | **2,900** | **1,600** | **2,119** | **(3,353)** |
| | | | | | | |
| Health Sector | 3,782 | 1,073 | 1,183 | 874 | 528 | **7,440** |
| Waka Kotahi NZ Transport Agency | 2,360 | 2,261 | 4,245 | 1,247 | 1,150 | **11,263** |
| KiwiRail | 667 | 854 | 263 | 122 | 61 | **1,967** |
| Housing Acceleration Fund | 428 | 205 | 341 | 370 | 135 | **1,479** |
| City Rail Link | 317 | 185 | 74 | 75 | - | **651** |
| Other | 625 | 579 | 451 | 237 | 118 | **2,010** |
| **Net investments** | **8,179** | **5,157** | **6,557** | **2,925** | **1,992** | **24,810** |
| | | | | | | |
| Future new capital spending | 1,110 | 2,916 | 3,518 | 3,604 | 3,732 | **14,880** |
| Top-down capital adjustment | (1,300) | (900) | (500) | (200) | (100) | **(3,000)** |
| Contribution to NZS Fund | 879 | 189 | 196 | 223 | 224 | **1,711** |
| **Net capital spending** | **8,200** | **6,728** | **15,887** | **10,801** | **10,498** | **52,114** |

# Debt Indicators

## as at 30 June

| | 2024 Actual $m | 2025 Previous Budget $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|---|
| **Net core Crown Debt:** | | | | | | | |
| Core Crown borrowings[1] | 216,349 | 242,744 | 238,966 | 262,301 | 281,306 | 288,634 | 292,419 |
| Core Crown unsettled purchases of securities[2] | 847 | 611 | 2,146 | 1,712 | 2,761 | 2,063 | 1,729 |
| Less NZS Fund borrowings[3] | (2,754) | (3,276) | (4,338) | (3,907) | (5,004) | (4,307) | (3,974) |
| ***Borrowings included in net core Crown debt*** | **214,442** | **240,079** | **236,774** | **260,106** | **279,063** | **286,390** | **290,174** |
| Core Crown financial assets[4] | (154,900) | (168,693) | (163,964) | (174,532) | (185,711) | (190,988) | (196,829) |
| Core Crown unsettled sales of securities[2] | (3,278) | (2,375) | (3,608) | (3,489) | (3,518) | (3,550) | (3,584) |
| Less NZS Fund financial assets | 78,812 | 81,907 | 88,727 | 91,772 | 98,350 | 103,552 | 109,497 |
| Less core Crown advances | 40,388 | 36,332 | 34,881 | 29,061 | 31,801 | 33,187 | 34,866 |
| ***Financial assets included in net core Crown debt*** | **(38,978)** | **(52,829)** | **(43,964)** | **(57,188)** | **(59,078)** | **(57,799)** | **(56,050)** |
| **Net core Crown debt** | **175,464** | **187,250** | **192,810** | **202,918** | **219,985** | **228,591** | **234,124** |
| **Net debt:** | | | | | | | |
| Net core Crown debt (as above) | 175,464 | 187,250 | 192,810 | 202,918 | 219,985 | 228,591 | 234,124 |
| Crown entity borrowings[5] | 56,470 | 64,198 | 62,638 | 68,225 | 73,786 | 78,578 | 83,021 |
| Remove Kiwi Group borrowings[6] | (33,291) | (37,188) | (36,866) | (40,444) | (44,128) | (48,166) | (51,797) |
| Add core Crown advances | (40,388) | (36,332) | (34,881) | (29,061) | (31,801) | (33,187) | (34,866) |
| **Net debt (excl. NZS Fund)** | **158,255** | **177,928** | **183,701** | **201,638** | **217,842** | **225,816** | **230,482** |
| NZS Fund borrowings[3] | 2,754 | 3,276 | 4,338 | 3,907 | 5,004 | 4,307 | 3,974 |
| NZS Fund financial assets | (78,812) | (81,907) | (88,727) | (91,772) | (98,350) | (103,552) | (109,497) |
| **Net debt** | **82,197** | **99,297** | **99,312** | **113,773** | **124,496** | **126,571** | **124,959** |
| **Gross Debt:** | | | | | | | |
| Core Crown borrowings | 216,349 | 242,744 | 238,966 | 262,301 | 281,306 | 288,634 | 292,419 |
| Core Crown unsettled purchases of securities[2] | 847 | 611 | 2,146 | 1,712 | 2,761 | 2,063 | 1,729 |
| Less NZS Fund borrowings[3] | (2,754) | (3,276) | (4,338) | (3,907) | (5,004) | (4,307) | (3,974) |
| Less Reserve Bank settlement cash[7] and Reserve Bank bills | (38,476) | (43,371) | (30,216) | (25,333) | (20,649) | (20,649) | (20,649) |
| **Gross Debt** | **175,966** | **196,708** | **206,558** | **234,773** | **258,414** | **265,741** | **269,525** |

**Notes on borrowings**

1. Core Crown borrowings represent the total debt obligations of the consolidated core Crown segment. This includes any government stock held by ACC and EQC and includes settlement deposits with the Reserve Bank.
2. Unsettled sales and purchases of securities are classified in the Statement of Financial Position as receivables and accounts payable, respectively.
3. The NZS Fund borrowings adjustment also reflects any government stock held by NZS Fund.
4. Core Crown financial assets includes any asset that is cash, deposits, share investments, advances, other marketable securities or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).
5. Crown entity borrowings represents the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
6. Kiwi Group borrowings includes Kiwi Group customer deposits as disclosed in Note 16: Borrowings and other 3rd party derivative balances.
7. Includes Reserve Bank's New Zealand dollar transactional banking services for other Central Banks and the International Monetary Fund.

# Reconciliation Between the Financial Statements and Key Government Fiscal Indicators

| Financial Results | 2024 Actual $m | 2025 Forecast $m | 2026 Forecast $m | 2027 Forecast $m | 2028 Forecast $m | 2029 Forecast $m |
|---|---|---|---|---|---|---|
| Core Crown taxation revenue... | 120,566 | 120,623 | 128,277 | 136,666 | 144,133 | 151,234 |
| ...combined with other core Crown revenue... | 12,654 | 13,415 | 12,515 | 12,918 | 13,428 | 13,808 |
| ...funds core Crown expenses... | (138,998) | (144,638) | (149,821) | (152,553) | (157,667) | (162,912) |
| ...and with SOE and CE[1] excluding ACC results... | (2,995) | (2,268) | (1,451) | (1,454) | (198) | (251) |
| ...this results in an operating balance before gains and losses excluding ACC **(OBEGALx)**... | (8,773) | (12,868) | (10,480) | (4,423) | (304) | 1,879 |
| ...adding back ACC revenue and expenses... | (4,081) | (4,449) | (3,623) | (3,769) | (4,044) | (4,280) |
| ...this results in an operating balance before gains and losses **(OBEGAL)**... | (12,854) | (17,317) | (14,103) | (8,192) | (4,348) | (2,401) |
| ...with gains/losses leading to an **operating surplus/(deficit)...** | (8,365) | (10,161) | (7,942) | (1,630) | 2,729 | 5,264 |
| ...with income in SOEs, CEs[1] and the NZS Fund retained... | 1,939 | (893) | (653) | (826) | (2,303) | (2,563) |
| ...and some items do not impact cash | 324 | 2,644 | 5,478 | 1,526 | 2,299 | 2,178 |
| This leads to an operating residual cash surplus/(deficit)... | **(6,102)** | **(8,410)** | **(3,117)** | **(930)** | **2,725** | **4,879** |
| ...used to make contributions to the NZS Fund... | (1,614) | (879) | (189) | (196) | (223) | (224) |
| ...and to use for capital expenditure... | (4,701) | (4,537) | (4,133) | (3,216) | (2,649) | (2,531) |
| ...and to make advances | (2,533) | 5,205 | 4,767 | (2,900) | (1,600) | (2,119) |
| ...and to purchase investments | (4,352) | (8,179) | (5,157) | (6,557) | (2,925) | (1,992) |
| Adjusting for forecast adjustments (top-down/new spending)... | - | 190 | (2,016) | (3,018) | (3,404) | (3,632) |
| ...results in a **borrowing requirement (cash (deficit)/surplus)** | **(19,302)** | **(16,610)** | **(9,845)** | **(16,817)** | **(8,076)** | **(5,619)** |
| Opening net core Crown debt... | 155,273 | 175,464 | 192,810 | 202,918 | 219,985 | 228,591 |
| ...when combined with the residual cash (surplus)/deficit... | 19,302 | 16,610 | 9,845 | 16,817 | 8,076 | 5,619 |
| ...and other fair value movements in financial assets and financial liabilities... | 889 | 736 | 263 | 250 | 530 | (86) |
| ...results in a closing **net core Crown debt...** | **175,464** | **192,810** | **202,918** | **219,985** | **228,591** | **234,124** |
| ...which as a % of GDP is | **42.4%** | **45.1%** | **45.1%** | **46.5%** | **46.1%** | **45.2%** |

1 State-owned enterprises (SOEs) and Crown entities (CEs).

# 5

# Core Crown Expense Tables

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Social security and welfare | 44,028 | 36,759 | 42,860 | 41,514 | 44,589 | 47,807 | 49,492 | 50,951 | 52,796 | 54,386 |
| Health | 19,891 | 22,784 | 27,781 | 28,489 | 29,999 | 30,959 | 32,208 | 33,705 | 33,859 | 34,023 |
| Education | 16,322 | 16,039 | 18,023 | 18,403 | 20,223 | 20,942 | 21,003 | 20,843 | 20,768 | 20,763 |
| Core government services | 6,083 | 5,754 | 5,720 | 6,806 | 8,468 | 7,114 | 6,752 | 5,915 | 5,804 | 5,839 |
| Law and order | 4,911 | 5,202 | 5,444 | 6,165 | 6,527 | 6,857 | 6,684 | 6,632 | 6,447 | 6,435 |
| Transport and communications | 3,179 | 5,656 | 4,657 | 5,472 | 5,487 | 6,232 | 5,889 | 4,456 | 4,658 | 5,036 |
| Economic and industrial services | 3,988 | 4,481 | 8,078 | 3,690 | 4,010 | 4,146 | 3,737 | 3,706 | 3,555 | 3,554 |
| Defence | 2,499 | 2,664 | 2,832 | 2,886 | 3,163 | 3,196 | 3,255 | 3,270 | 3,288 | 3,271 |
| Heritage, culture and recreation | 1,106 | 1,420 | 1,468 | 1,537 | 1,504 | 1,529 | 1,423 | 1,372 | 1,349 | 1,348 |
| Primary services | 961 | 1,015 | 949 | 1,156 | 1,062 | 1,271 | 1,046 | 965 | 954 | 950 |
| Housing and community development | 1,015 | 1,813 | 2,033 | 2,312 | 2,512 | 2,699 | 2,371 | 2,413 | 2,168 | 2,096 |
| Environmental protection | 1,485 | 1,906 | 2,549 | 2,381 | 2,297 | 2,855 | 2,615 | 2,608 | 2,657 | 2,723 |
| GSF pension expenses | 73 | 99 | 94 | 61 | 69 | 46 | 48 | 46 | 44 | 43 |
| Other | 63 | 254 | 269 | 133 | 145 | 224 | 91 | 310 | 310 | 310 |
| Finance costs | 3,228 | 1,918 | 2,884 | 6,569 | 8,943 | 8,605 | 9,122 | 10,358 | 11,467 | 12,112 |
| Forecast new operating spending | .. | .. | .. | .. | .. | 2,656 | 4,785 | 5,503 | 7,943 | 10,423 |
| Top-down operating expense adjustment | .. | .. | .. | .. | .. | ( 2,500) | ( 700) | ( 500) | ( 400) | ( 400) |
| **Core Crown expenses** | **108,832** | **107,764** | **125,641** | **127,574** | **138,998** | **144,638** | **149,821** | **152,553** | **157,667** | **162,912** |

The classifications of the functions of the Government reflect current approved baselines. Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in future Budgets.

Source: The Treasury

## *Table 5.1* – Social security and welfare expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Welfare benefits (see below)[1] | 41,308 | 33,671 | 39,187 | 37,576 | 40,294 | 43,544 | 45,533 | 47,089 | 48,885 | 50,437 |
| Departmental expenses | 2,062 | 2,424 | 2,747 | 2,782 | 3,013 | 2,947 | 2,682 | 2,573 | 2,590 | 2,577 |
| Social rehabilitation and compensation | 260 | 333 | 358 | 386 | 415 | 447 | 481 | 517 | 556 | 597 |
| Flexi-wage subsidy | .. | 8 | 59 | 52 | 25 | 27 | .. | .. | .. | .. |
| COVID-19 Income Relief Assistance | 15 | 182 | .. | .. | .. | .. | .. | .. | .. | .. |
| Other non-departmental expenses[1,2] | 383 | 141 | 509 | 718 | 842 | 842 | 796 | 772 | 765 | 775 |
| **Social security and welfare expenses** | **44,028** | **36,759** | **42,860** | **41,514** | **44,589** | **47,807** | **49,492** | **50,951** | **52,796** | **54,386** |

1. The '2023 Actual' has been restated to include expenses previously classified as other benefits within the welfare benefit expenses table below.
2. The '2020 Actual' other non-departmental expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

## *Table 5.2* – Welfare benefit expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| New Zealand Superannuation | 15,521 | 16,569 | 17,764 | 19,517 | 21,574 | 23,160 | 24,522 | 25,954 | 27,336 | 28,769 |
| Jobseeker Support and Emergency Benefit | 2,285 | 3,224 | 3,330 | 3,473 | 4,062 | 4,695 | 4,844 | 4,742 | 4,770 | 4,819 |
| Supported Living Payment | 1,650 | 1,826 | 2,047 | 2,311 | 2,530 | 2,701 | 2,824 | 2,927 | 3,030 | 3,111 |
| Sole Parent Support | 1,231 | 1,455 | 1,704 | 1,917 | 2,097 | 2,262 | 2,290 | 2,243 | 2,215 | 2,195 |
| Family Tax Credit | 2,189 | 2,103 | 2,017 | 2,151 | 2,297 | 2,407 | 2,342 | 2,368 | 2,507 | 2,445 |
| Other Working for Families tax credits | 641 | 585 | 519 | 476 | 448 | 574 | 579 | 574 | 588 | 564 |
| Accommodation Assistance[1] | 1,923 | 2,302 | 2,386 | 2,349 | 2,411 | 2,332 | 2,376 | 2,345 | 2,360 | 2,374 |
| Income-Related Rents | 1,071 | 1,202 | 1,323 | 1,322 | 1,517 | 1,659 | 1,880 | 1,985 | 2,004 | 2,004 |
| Disability Assistance | 395 | 409 | 412 | 431 | 464 | 494 | 514 | 531 | 548 | 561 |
| Winter Energy Payment | 669 | 812 | 513 | 519 | 537 | 560 | 571 | 577 | 585 | 595 |
| Best start | 184 | 271 | 308 | 321 | 336 | 346 | 340 | 341 | 357 | 348 |
| Orphan's/Unsupported Child's Benefit | 248 | 293 | 313 | 350 | 384 | 405 | 416 | 427 | 437 | 443 |
| Hardship Assistance | 418 | 479 | 497 | 673 | 667 | 765 | 821 | 836 | 874 | 906 |
| Paid Parental Leave | 422 | 503 | 603 | 608 | 647 | 695 | 725 | 755 | 790 | 825 |
| Childcare Assistance | 144 | 145 | 132 | 139 | 165 | 172 | 174 | 178 | 184 | 184 |
| FamilyBoost tax credit | .. | .. | .. | .. | .. | 174 | 171 | 167 | 165 | 163 |
| Veteran's Pension | 145 | 139 | 134 | 132 | 132 | 130 | 127 | 123 | 120 | 116 |
| Wage Subsidy Scheme | 12,095 | 1,197 | 4,689 | .. | 1 | .. | .. | .. | .. | .. |
| Cost of living payment | .. | .. | .. | 600 | .. | .. | .. | .. | .. | .. |
| Covid leave support | .. | .. | 471 | 273 | 13 | .. | .. | .. | .. | .. |
| Other benefits[2,3] | 77 | 157 | 25 | 14 | 12 | 13 | 17 | 16 | 15 | 15 |
| **Benefit expenses** | **41,308** | **33,671** | **39,187** | **37,576** | **40,294** | **43,544** | **45,533** | **47,089** | **48,885** | **50,437** |

1. Includes emergency housing assistance.
2. The '2021 Actual' for other benefits include costs in relation to the Government's response to COVID-19.
3. The '2023 Actual' has been restated to reclassify expenses from other benefits to other non-departmental expenses within the social security and welfare expenses table above.

Source: The Treasury

| Beneficiary numbers[1] (Thousands) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| New Zealand Superannuation | 795 | 825 | 848 | 870 | 899 | 929 | 960 | 991 | 1,022 | 1,053 |
| Jobseeker Support and Emergency Benefit | 162 | 211 | 193 | 177 | 194 | 217 | 219 | 210 | 206 | 204 |
| Supported living payment | 96 | 97 | 98 | 103 | 105 | 108 | 110 | 112 | 113 | 114 |
| Sole parent support | 61 | 66 | 70 | 73 | 76 | 79 | 78 | 75 | 72 | 70 |
| Accommodation Supplement | 318 | 364 | 353 | 347 | 358 | 378 | 382 | 373 | 371 | 372 |

1. Actual numbers have been reclassified so may differ from previous published Economic and Fiscal Update numbers.

Source: Ministry of Social Development

## *Table 5.3* – Health expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Departmental outputs | 236 | 298 | 386 | 222 | 265 | 239 | 226 | 226 | 228 | 233 |
| Purchasing of health services[1] | 15,537 | 16,837 | 17,727 | 21,363 | 23,712 | 24,749 | 26,010 | 27,337 | 27,348 | 27,367 |
| National disability support services | 1,599 | 1,659 | 1,870 | 2,062 | 2,331 | 2,624 | 2,508 | 2,518 | 2,538 | 2,538 |
| National Pharmaceuticals Purchasing[2] | 1,040 | 1,045 | 1,085 | 1,186 | 1,806 | 1,690 | 1,750 | 1,793 | 1,794 | 1,794 |
| Other non-departmental outputs | 767 | 623 | 770 | 583 | 620 | 623 | 619 | 638 | 657 | 683 |
| Health payments to ACC | 679 | 1,038 | 896 | 952 | 1,010 | 1,026 | 1,087 | 1,186 | 1,287 | 1,400 |
| National health response to COVID-19[3] | .. | 1,261 | 4,965 | 2,112 | 247 | .. | .. | .. | .. | .. |
| Other expenses | 33 | 23 | 82 | 9 | 8 | 8 | 8 | 7 | 7 | 8 |
| **Health expenses** | **19,891** | **22,784** | **27,781** | **28,489** | **29,999** | **30,959** | **32,208** | **33,705** | **33,859** | **34,023** |

1. Reforms to the NZ health system took place from 1 July 2022 with the regional DHB systems replaced by a national health system.
2. Previously included in purchasing of health services.
3. This line includes spending in relation to vaccines, managed isolation and quarantine as well as the overall COVID-19 response.

Source: The Treasury

## *Table 5.4* – Education expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Early childhood education | 2,007 | 2,132 | 2,247 | 2,355 | 2,710 | 2,926 | 2,998 | 3,019 | 3,068 | 3,115 |
| Primary and secondary schools (see below) | 7,108 | 8,230 | 8,478 | 8,616 | 9,741 | 10,120 | 10,368 | 10,231 | 10,094 | 9,987 |
| Tertiary funding (see below) | 5,621 | 3,519 | 4,804 | 4,663 | 5,014 | 5,141 | 4,986 | 4,947 | 5,005 | 5,081 |
| Departmental expenses | 1,534 | 1,656 | 1,962 | 2,188 | 2,513 | 2,483 | 2,431 | 2,447 | 2,441 | 2,422 |
| COVID-19 apprentice support | .. | 156 | 255 | 141 | 90 | 54 | 26 | 26 | 26 | 26 |
| Other education expenses[1] | 52 | 346 | 277 | 440 | 155 | 218 | 194 | 173 | 134 | 132 |
| **Education expenses** | **16,322** | **16,039** | **18,023** | **18,403** | **20,223** | **20,942** | **21,003** | **20,843** | **20,768** | **20,763** |

1. Includes training incentive allowance.

Source: The Treasury

| Number of places provided[1] | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Early childhood education | 221,971 | 225,192 | 220,742 | 224,043 | 229,465 | 233,155 | 234,893 | 237,565 | 241,261 | 245,019 |

1. Full-time equivalent based on 1,000 funded child hours per calendar year.
Historical place numbers have been revised so may differ from previous published Economic and Fiscal Update numbers.
The '2024 Actual' figures are based on the calendar year and are a combination of actual and forecast place numbers.

Source: The Ministry of Education

## *Table 5.5* – Primary and secondary schools

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary | 3,600 | 4,107 | 4,122 | 4,116 | 4,656 | 4,896 | 5,038 | 5,037 | 5,012 | 4,935 |
| Secondary | 2,683 | 3,043 | 3,135 | 3,174 | 3,617 | 3,733 | 3,864 | 3,852 | 3,869 | 3,841 |
| School transport | 208 | 216 | 210 | 235 | 255 | 256 | 256 | 256 | 256 | 256 |
| Special needs support | 515 | 641 | 658 | 673 | 765 | 790 | 810 | 828 | 821 | 819 |
| Professional development | 91 | 104 | 129 | 128 | 129 | 139 | 134 | 108 | 102 | 102 |
| Schooling improvement | 7 | 25 | 20 | 23 | 34 | 31 | 34 | 34 | 34 | 34 |
| School lunch programme | 4 | 94 | 204 | 267 | 285 | 275 | 232 | 116 | .. | .. |
| **Primary and secondary education expenses** | **7,108** | **8,230** | **8,478** | **8,616** | **9,741** | **10,120** | **10,368** | **10,231** | **10,094** | **9,987** |

Source: The Treasury

| Number of places provided[1] | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary | 530,379 | 529,859 | 520,060 | 523,982 | 529,722 | 532,084 | 528,799 | 525,095 | 518,769 | 510,494 |
| Secondary | 286,511 | 294,216 | 297,309 | 303,706 | 315,903 | 323,247 | 326,779 | 325,714 | 322,767 | 320,787 |

1. These are snapshots as at 1 July for primary year levels (years 1 to 8) and 1 March for secondary year levels (years 9 to 13). These numbers exclude home schooling. They are the number of full-time equivalent students enrolled in New Zealand schools, including State, State-integrated, Private-Fully Registered, Private-Provisionally Registered and other.

Source: The Ministry of Education

## *Table 5.6* – Tertiary funding

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Tuition[1] | 3,911 | 2,019 | 3,205 | 3,135 | 3,197 | 3,288 | 3,134 | 3,066 | 3,069 | 3,072 |
| Other tertiary funding | 637 | 698 | 755 | 729 | 688 | 678 | 558 | 558 | 555 | 556 |
| Student allowances | 567 | 590 | 556 | 525 | 526 | 587 | 625 | 623 | 615 | 608 |
| Student loans | 506 | 212 | 288 | 274 | 603 | 588 | 669 | 700 | 766 | 845 |
| **Tertiary education expenses** | **5,621** | **3,519** | **4,804** | **4,663** | **5,014** | **5,141** | **4,986** | **4,947** | **5,005** | **5,081** |

1. The '2020 Actual' includes increased funding to provide revenue certainty to tertiary education organisations for the June to December 2020 period due to the impact of COVID-19. There is a corresponding reduction in the '2021 Actual' with the timing of funding returning to normal from 2022.

Source: The Treasury

| Number of places provided[1] | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Actual delivered and estimated funded places | 214,172 | 234,350 | 219,862 | 265,152 | 273,300 | 268,600 | 260,300 | 259,900 | 259,100 | 259,100 |

1. Tertiary places are the number of equivalent full time (EFT) students in: student achievement component; adult and community education; and youth guarantee programmes. Place numbers are based on calendar years rather than fiscal years. Note that historical place numbers have been revised so may differ from previous published Economic and Fiscal Update numbers. The forecast number of places provided is based on the number of places that can be funded under the current funding and not a forecast based on demand. From 2023, places include Industry Training Funding.

Source: Tertiary Education Commission

## *Table 5.7* – Core government services expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Departmental expenses | 2,249 | 2,271 | 2,477 | 2,736 | 2,733 | 2,958 | 2,658 | 2,552 | 2,552 | 2,567 |
| International Development Cooperation | 736 | 804 | 827 | 971 | 1,202 | 1,116 | 953 | 853 | 853 | 853 |
| Tax receivable write-down and impairments | 1,356 | 882 | 662 | 1,453 | 2,393 | 1,676 | 1,150 | 1,150 | 1,150 | 1,150 |
| Non-departmental expenses[1] | 785 | 905 | 928 | 703 | 401 | 432 | 1,049 | 707 | 644 | 686 |
| North Island weather events | .. | .. | .. | .. | 794 | 257 | 366 | 102 | 71 | 54 |
| Science expenses | 113 | 121 | 114 | 128 | 115 | 120 | 123 | 127 | 124 | 124 |
| Indemnity and guarantee expenses | 14 | 6 | 3 | 24 | 38 | 31 | 25 | 24 | 23 | 23 |
| Crown Research Institutes: COVID-19 | 45 | 45 | .. | .. | .. | .. | .. | .. | .. | .. |
| Shovel ready project funding | .. | 137 | .. | 3 | 14 | 11 | .. | .. | .. | .. |
| Other expenses[1,2] | 785 | 583 | 709 | 788 | 778 | 513 | 428 | 400 | 387 | 382 |
| **Core government service expenses** | **6,083** | **5,754** | **5,720** | **6,806** | **8,468** | **7,114** | **6,752** | **5,915** | **5,804** | **5,839** |

1. The '2023 Actual' has been restated to update sub-classifications.
2. The '2020 Actual' other expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

## ***Table 5.8*** – Law and order expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Police | 1,997 | 2,079 | 2,206 | 2,476 | 2,630 | 2,697 | 2,552 | 2,527 | 2,351 | 2,353 |
| Department of Corrections | 1,527 | 1,641 | 1,645 | 1,798 | 1,952 | 2,086 | 2,135 | 2,124 | 2,119 | 2,122 |
| Ministry of Justice | 591 | 642 | 704 | 748 | 814 | 829 | 807 | 807 | 805 | 787 |
| NZ Customs Service[1] | 201 | 182 | 200 | 190 | 197 | 242 | 247 | 248 | 248 | 248 |
| Other departments[1] | 163 | 178 | 152 | 231 | 235 | 258 | 242 | 244 | 243 | 243 |
| **Departmental expenses** | **4,479** | **4,722** | **4,907** | **5,443** | **5,828** | **6,112** | **5,983** | **5,950** | **5,766** | **5,753** |
| Non-departmental outputs | 419 | 477 | 537 | 712 | 646 | 700 | 659 | 640 | 639 | 640 |
| Other expenses | 13 | 3 | .. | 10 | 53 | 45 | 42 | 42 | 42 | 42 |
| **Law and order expenses** | **4,911** | **5,202** | **5,444** | **6,165** | **6,527** | **6,857** | **6,684** | **6,632** | **6,447** | **6,435** |

1. The '2023 Actual' has been restated to update sub-classifications.

Source: The Treasury

## ***Table 5.9*** – Transport and communication expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Departmental outputs | 70 | 73 | 82 | 124 | 105 | 120 | 107 | 81 | 81 | 81 |
| Waka Kotahi NZ Transport Agency | 2,719 | 3,122 | 2,782 | 2,212 | 3,311 | 4,068 | 4,060 | 3,949 | 4,103 | 4,597 |
| Rail funding | 3 | 13 | 310 | 567 | 745 | 1,078 | 461 | 111 | 181 | 84 |
| Funding to support the aviation and transport industries | 78 | 570 | 554 | 197 | 89 | 89 | .. | .. | .. | .. |
| North Island weather events | .. | .. | .. | 250 | 312 | 310 | 139 | .. | .. | .. |
| Funding to support Waka Kotahi NZ Transport Agency due to impact of COVID-19 | .. | 322 | 128 | 18 | 19 | 47 | .. | .. | .. | .. |
| Shovel ready project funding to Crown Infrastructure Partners | | 1,035 | .. | .. | 326 | .. | .. | .. | .. | .. |
| Transport temporary relief package[1] | | | 411 | 1,613 | .. | .. | .. | .. | .. | .. |
| Other non-departmental expenses | 145 | 169 | 200 | 395 | 317 | 304 | 176 | 218 | 205 | 185 |
| Other expenses[2] | 164 | 352 | 190 | 96 | 263 | 216 | 946 | 97 | 88 | 89 |
| **Transport and communication expenses** | **3,179** | **5,656** | **4,657** | **5,472** | **5,487** | **6,232** | **5,889** | **4,456** | **4,658** | **5,036** |

1. Largely reflects operating funding to Waka Kotahi NZ Transport Agency to account for the shortfall in revenue as a result of temporary reductions in fuel excise duty and road user charges.
2. The '2020 Actual' to '2022 Actual' for other expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

## ***Table 5.10*** – Economic and industrial services expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Departmental outputs | 561 | 633 | 626 | 695 | 762 | 776 | 777 | 782 | 788 | 788 |
| Non-departmental outputs[1,2] | 1,619 | 1,980 | 1,701 | 1,573 | 1,830 | 1,723 | 1,575 | 1,518 | 1,422 | 1,372 |
| KiwiSaver (includes HomeStart grant) | 893 | 916 | 964 | 997 | 1,014 | 1,052 | 1,093 | 1,136 | 1,182 | 1,231 |
| Initial fair value write-down on the Small Business Cashflow Scheme loans | 686 | 143 | 230 | 54 | .. | .. | .. | .. | .. | .. |
| COVID-19 Resurgence Support payments | .. | 200 | 4,019 | .. | .. | .. | .. | .. | .. | .. |
| Shovel ready project to support energy projects | .. | 24 | 14 | 13 | 9 | 11 | .. | .. | .. | .. |
| Shovel ready project funding to support regional projects | | 159 | 174 | 67 | .. | .. | .. | .. | .. | .. |
| Worker redeployment package | 19 | 50 | 6 | 1 | 1 | .. | .. | .. | .. | .. |
| Other expenses[3] | 210 | 376 | 344 | 290 | 394 | 584 | 292 | 270 | 163 | 163 |
| **Economic and industrial services expenses** | **3,988** | **4,481** | **8,078** | **3,690** | **4,010** | **4,146** | **3,737** | **3,706** | **3,555** | **3,554** |

1. Non-departmental outputs include Provincial Growth Fund expenses.
2. Non-departmental outputs include employment initiatives previously presented separately.
3. The '2020 Actual' to '2022 Actual' other expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

## ***Table 5.11*** – Defence expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| New Zealand Defence Force expenses | 2,418 | 2,531 | 2,672 | 2,754 | 3,033 | 3,033 | 3,116 | 3,118 | 3,118 | 3,118 |
| Other expenses | 81 | 133 | 160 | 132 | 130 | 163 | 139 | 152 | 170 | 153 |
| **Defence expenses** | **2,499** | **2,664** | **2,832** | **2,886** | **3,163** | **3,196** | **3,255** | **3,270** | **3,288** | **3,271** |

Source: The Treasury

## *Table 5.12* – Heritage, culture and recreation expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Departmental outputs | 326 | 379 | 374 | 449 | 473 | 493 | 533 | 533 | 510 | 508 |
| Non-departmental outputs | 627 | 884 | 809 | 837 | 871 | 825 | 842 | 791 | 791 | 791 |
| Screen Production Grants | 31 | 48 | 69 | 66 | 43 | 117 | .. | .. | .. | .. |
| COVID-19 cultural sector response | .. | 6 | 73 | 70 | 36 | 1 | .. | .. | .. | .. |
| Other expenses[1] | 122 | 103 | 143 | 115 | 81 | 93 | 48 | 48 | 48 | 49 |
| **Heritage, culture and recreation expenses** | **1,106** | **1,420** | **1,468** | **1,537** | **1,504** | **1,529** | **1,423** | **1,372** | **1,349** | **1,348** |

1. The '2020 Actual' to '2022 Actual' other expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

## *Table 5.13* – Primary services expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Departmental expenses | 727 | 691 | 724 | 788 | 775 | 847 | 825 | 780 | 781 | 779 |
| Non-departmental outputs | 89 | 178 | 106 | 149 | 131 | 133 | 110 | 91 | 77 | 75 |
| Other expenses[1] | 145 | 146 | 119 | 219 | 156 | 291 | 111 | 94 | 96 | 96 |
| **Primary services expenses** | **961** | **1,015** | **949** | **1,156** | **1,062** | **1,271** | **1,046** | **965** | **954** | **950** |

1. From '2023 Actual' onwards other expenses include aquaculture settlements, expenses associated with sustainable food and fibre futures and the North Island weather events.

Source: The Treasury

## *Table 5.14* – Housing and community development expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Departmental outputs | 220 | 237 | 255 | 259 | 286 | 305 | 300 | 251 | 256 | 262 |
| Community services | 235 | 349 | 438 | 477 | 396 | 477 | 401 | 400 | 398 | 398 |
| Housing Acceleration Fund | .. | .. | 22 | 30 | 78 | 196 | 276 | 253 | 255 | 191 |
| Transitional housing[1] | 163 | 253 | 324 | 318 | 360 | 259 | 310 | 371 | 345 | 339 |
| Water infrastructure | .. | 267 | 239 | 301 | 319 | 139 | 83 | 30 | .. | .. |
| Shovel ready project funding to support housing projects | .. | 46 | 35 | 39 | 46 | 32 | 18 | 3 | .. | .. |
| Warm up New Zealand | 47 | 99 | 62 | 34 | 1 | 98 | 83 | 83 | .. | .. |
| Other non-departmental expenses | 313 | 522 | 601 | 681 | 869 | 1,041 | 563 | 960 | 839 | 822 |
| Other expenses[2] | 37 | 40 | 57 | 173 | 157 | 152 | 337 | 62 | 75 | 84 |
| **Housing and community development expenses** | **1,015** | **1,813** | **2,033** | **2,312** | **2,512** | **2,699** | **2,371** | **2,413** | **2,168** | **2,096** |

1. Previously included in other non-departmental expenses.
2. Includes housing subsidies previously presented separately.

Source: The Treasury

## *Table 5.15* – Environmental protection expenses

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| NZ Emissions Trading Scheme[1] | 650 | 947 | 1,540 | 1,215 | 894 | 1,294 | 1,364 | 1,467 | 1,567 | 1,636 |
| Departmental outputs | 542 | 614 | 690 | 776 | 845 | 836 | 752 | 767 | 761 | 763 |
| Non-departmental outputs | 257 | 318 | 170 | 165 | 354 | 547 | 357 | 310 | 315 | 310 |
| Clean car discount | .. | .. | 128 | 203 | 116 | .. | .. | .. | .. | .. |
| Accelerating energy efficiency and fuel switching | .. | .. | .. | 2 | 42 | 110 | 123 | 49 | .. | .. |
| Other expenses[1] | 36 | 27 | 21 | 20 | 46 | 68 | 19 | 15 | 14 | 14 |
| **Environmental protection expenses** | **1,485** | **1,906** | **2,549** | **2,381** | **2,297** | **2,855** | **2,615** | **2,608** | **2,657** | **2,723** |

1. '2021 Actual' to '2023 Actual' were restated to update sub-classifications.

Source: The Treasury

## *Table 5.16* – Finance costs

| ($millions) | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest on financial liabilities | 2,971 | 1,846 | 2,796 | 6,154 | 8,329 | 8,033 | 8,581 | 9,844 | 10,951 | 11,597 |
| Interest unwind on provisions | 257 | 72 | 88 | 415 | 614 | 572 | 541 | 514 | 516 | 515 |
| **Finance costs expenses** | **3,228** | **1,918** | **2,884** | **6,569** | **8,943** | **8,605** | **9,122** | **10,358** | **11,467** | **12,112** |

Source: The Treasury

# Glossary of Terms

### *Accruals basis of accounting*

An accounting basis where revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled.

### *Appropriations*

Appropriations are legal authorities granted by Parliament to the Crown or an Office of Parliament to use public resources. Most appropriations are set out in Appropriation Acts.

### *Baselines*

The level of funding approved for any given area of spending (eg, Vote Education).

### *Consumers Price Index (CPI)*

Statistics NZ's official index to measure the rate of change in prices of goods and services purchased by households. Core or underlying inflation measures exclude or give little weight to extreme or irregular price movements.

### *Contingent assets*

Revenue that the Crown will realise if a particular uncertain event occurs, or a present asset is unable to be measured with sufficient reliability to be recorded in the financial statements (unquantified contingent assets). Contingent assets typically comprise suspensory or concessional loans with specific events that trigger repayment to the Crown and IRD pending assessments (where there is a proposed adjustment to a tax assessment).

### *Contingent liabilities*

Costs that the Crown will have to face if a particular uncertain event occurs, or present liabilities that are unable to be measured with sufficient reliability to be recorded in the financial statements (unquantified contingent liabilities). Contingent liabilities typically comprise guarantees and indemnities, legal disputes and claims, and uncalled capital.

### *Core Crown*

A reporting segment consisting of the Crown, departments, Offices of Parliament, the NZ Super Fund and the Reserve Bank. For a list of all entities included in this segment, refer to the Government Reporting Entity (pages 103 to 106).

### *Core Crown expenses*

The day-to-day spending by the core Crown (eg, public servants' salaries, welfare benefit payments, finance costs and maintaining national defence etc) that does not include capital expenditure on the construction or purchase of physical assets. This is an accrual measure of expenses and includes non-cash items such as depreciation on physical assets.

### *Core Crown residual cash*

The level of money the Government has available to repay debt or, alternatively, needs to borrow in any given year. Core Crown residual cash is alternatively termed "Cash available/(shortfall to be funded)". Core Crown residual cash is equal to net core Crown cash flow from operations excluding NZS Fund activity less core Crown capital payments (eg, purchase of assets, loans to others). Core Crown revenue

### *Core Crown revenue*

Consists primarily of tax revenue collected by the Government but also includes investment income, sales of goods and services and other revenue of the core Crown.

### *Corporate tax*

The sum of net company tax, non-resident withholding tax (NRWT) and foreign-source dividend withholding payments (FDWP).

### *Current account (balance of payments)*

The current account records the value of New Zealand's transactions with the rest of the world in goods, services, income and transfers. The current account balance is the sum of all current account credits less all current account debits. When the sum of debits is greater than the sum of credits there is a current account deficit. The current account balance is commonly expressed as a percentage of nominal GDP.

***Cyclically-adjusted balance (CAB) and structural balance***

The Treasury's CAB and structural balance indicators aim to provide a picture of fiscal sustainability by focusing on the underlying fiscal position. The CAB is an estimate of the operating balance before gains and losses (OBEGAL) adjusted for fluctuations in expenses and tax revenue that happen automatically over the economic cycle. The structural balance removes from the CAB significant expenditure or revenue associated with one-off events.

***Demographic changes***

Changes to the structure of the population such as the age, gender or ethnic composition.

***Domestic bond programme***

The amount and timing of government bonds expected to be issued or redeemed by the Treasury.

***Excise duties***

A tax levied on the domestic production of alcohol, tobacco and light petroleum products (CNG, LPG and petrol).

***Financial assets***

Any asset that is cash, an equity instrument of another entity (shares), a contractual right to receive cash or shares (taxes receivable and ACC levies) or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).

***Financial liabilities***

Any liability that is a contractual obligation to pay cash (government stock, accounts payable) or an obligation to exchange a financial asset or liability on unfavourable terms (derivatives in loss).

***Fiscal drag***

The additional personal income tax generated as an individual's average tax rate increases as their income increases.

***Forecast new capital spending***

An amount provided in the forecasts to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

***Forecast new operating spending***

An amount included in the forecasts to provide for the operating balance (revenue and expenditure) impact of policy initiatives, changes to demographics and other forecasting changes expected to occur over the forecast period.

***Gains and losses***

Gains and losses typically arise from the revaluation of assets and liabilities, such as investments in financial assets and long-term liabilities for ACC and GSF. These valuation changes are reported directly as a movement in net worth (eg, asset revaluation reserves) or indirectly through the Statement of Financial Performance.

***GDP deflator***

An index of changes in the general price level in the economy. It is calculated as the ratio of nominal GDP to real GDP.

***Generally accepted accounting practice (GAAP)***

GAAP refers to the rules and concepts used to prepare and present financial statements. GAAP is an independent set of standards and frameworks that govern the recognition, measurement and disclosure of financial elements, such as assets, liabilities, revenues and expenses.

***Gross domestic product (GDP)***

A measure of the value-added of all goods and services produced in New Zealand. Changes in GDP measure growth or contraction in economic activity or output. GDP can be measured on an expenditure, production or income basis and in either real (constant price) or nominal (current price) terms.

***Gross national expenditure (GNE)***

A measure of total expenditure on final goods and services by New Zealand residents.

***Gross sovereign-issued debt (GSID)***

Represents debt issued by the sovereign (the core Crown) and includes any government stock held by the NZ Super Fund, ACC and other Government reporting entities.

***Insurance liabilities***

The gross obligation for the future cost of claims incurred prior to balance date represented in today's dollars (present value). The net liability is the gross liability less the asset reserves held to meet those claims.

***Inter-segment eliminations***

The amounts of transactions between different segments (core Crown, Crown entities and SOEs) that are eliminated to determine the consolidated Government results.

***Labour Cost Index (LCI)***

The LCI measures changes in labour costs, including base wages, overtime, and non-wage labour-related costs such as annual leave and insurance.

***Labour force participation rate***

The percentage of the working-age population in work or actively looking for and available for work.

***Labour productivity***

Output per unit of labour input (where labour inputs might be measured as hours worked or the number of people employed).

***Loan-to-value ratio restrictions***

A loan-to-value ratio (LVR) is the value of a home loan divided by the value of the mortgaged property. The Reserve Bank first introduced LVR restrictions in October 2013 in response to rapid house price growth, placing limits on how much banks are allowed to lend to high-LVR borrowers.

***Marketable securities***

Assets held with financial institutions. These assets are held for both cash flow and investment purposes. Examples are bonds, commercial papers and debentures.

***Minority interest***

Minority interest refers to shareholders of Government reporting entities outside the Crown. Current examples include those who hold shares in the mixed ownership companies.

***Monetary conditions***

Aggregate monetary conditions measure the degree to which short-term interest rates and the exchange rate either support or restrict economic growth.

***Monetary policy***

The Reserve Bank uses monetary policy to regulate monetary conditions in New Zealand. The Reserve Bank primarily uses the Official Cash Rate (OCR) to implement monetary policy decisions. However, additional monetary policy responses can be used as well, such as the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending (FLP) programme. These measures are all designed to maintain stability in the rate of CPI inflation within a defined target range.

Tightening monetary policy means raising interest rates (such as via the OCR) in order to moderate aggregate demand pressures and reduce inflationary pressures. Easing monetary policy has the reverse effect.

***Multi-factor productivity***

Multi-factor productivity (MFP) relates a change in output to several types of inputs, typically capital and labour. MFP is often measured residually, as the change in output that cannot be accounted for by the change in combined inputs.

***National saving***

National disposable income less private and public consumption spending. Income excludes gains and losses on capital. Gross saving includes depreciation.

***Net core Crown cash flow from operations***

The cash impact of core Crown operating results. It is represented by the operating balance (before gains and losses) less retained items (eg, net surplus of SOEs, Crown entities and NZ Super Fund net revenue) less non-cash items (eg, depreciation).

***Net core Crown debt***

Net core Crown debt provides information about the sustainability of the Government's accounts and is used by some international rating agencies when determining the creditworthiness of a country. It represents GSID and other Crown borrowings less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

***Net debt***

Net debt provides information about the sustainability of the Government's accounts. Net debt represents core Crown and Crown entity borrowings (excluding Kiwi Group Capital) less core Crown financial assets (including advances). It includes the financial assets and borrowings of the NZS Fund.

***Net international investment position (NIIP)***

The net value of New Zealand's international assets and liabilities at a point in time.

***Net Worth***

Total assets less total liabilities. The change in net worth in any given year is largely driven by the operating balance and property, plant and equipment revaluations. Net worth provides a useful and comprehensive measure of how strong the Government's finances are, including its resilience to fiscal shocks such as natural disasters or significant deterioration in the global economy.

***Net worth attributable to the Crown***

Represents the Crown's share of total assets and liabilities and excludes minority interests' share of those assets and liabilities.

***New Zealand Activity Index (NZAC)***

The NZAC summarises several monthly indicators of economic activity, including consumer spending, unemployment, job vacancies, traffic volumes, electricity grid demand, business outlook, and manufacturing activity. It is intended to be interpreted as a broad measure of economic activity.

***Operating balance***

Represents OBEGAL (refer below) plus gains and less losses. The operating balance includes gains and losses not reported directly as a movement against net worth. The impact of gains and losses on the operating balance can be subject to short-term market volatility and revaluations of long-term liabilities.

***Operating balance before gains and losses (OBEGAL)***

Represents total Crown revenue less total Crown expenses excluding minority interest share. OBEGAL can provide a useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation.

***Operating balance before gains and losses excluding ACC revenue and expenses (OBEGALx)***

Represents OBEGAL (refer above) excluding the revenue and expenses of ACC.

***Output gap***

The difference between actual and potential GDP (see potential output).

***Outputs***

Outputs are the goods and services commissioned by Ministers from public, non-governmental and private sector producers. Outputs may include the supply of policy advice, enforcement of regulations (such as speed limits in transport), provision of a range of services (in health, education, etc), negotiation and management of contracts and administration of benefits.

***Potential output***

The level of output an economy can sustain without an acceleration of inflation.

***Productivity***

The amount of output (eg, GDP) per unit of input.

***Settlement cash***

This is the amount of money deposited with the Reserve Bank by registered banks. It is a liquidity mechanism used to settle wholesale obligations between registered banks and provides the basis for settling most of the retail banking transactions that occur every working day between businesses and individuals.

***Specific fiscal risks***

All government decisions or other circumstances known to the Government which may have a material impact on the fiscal and economic outlook but are not certain enough in timing or amount to include in the fiscal forecasts.

***System of National Accounts (SNA)***

A set of macroeconomic accounts, developed by the international community, to facilitate international comparisons of national economic statistics. This differs from the GAAP framework that is used for reporting by the Government in New Zealand.

***Tax revenue***

The accrual, rather than the cash measure of taxation. It is a measure of tax over a given period in time, regardless of whether or not it has actually been paid.

***Terms of trade***

The terms of trade measure the volume of imports that can be funded by a fixed volume of exports and are calculated as the ratio of the total export price index to the total import price index. New Zealand's headline terms of trade series is derived from export and import price indices from Statistics NZ's quarterly overseas trade indices. The Treasury forecasts the terms of trade on an SNA basis, using implicit export and import price indices derived from quarterly national accounts data.

***Top-down adjustment***

An adjustment to expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOE or Crown entity forecasts. In addition to department forecasts, unallocated funding (contingencies) also attract a top-down adjustment where it is considered unlikely that all of the contingencies indicatively phased to a particular year is expected to be allocated and spent in that year.

***Total borrowings***

Represents the Government's total debt obligations to external parties and can be split into sovereign-guaranteed debt and non-sovereign-guaranteed debt. Non-sovereign-guaranteed debt represents the debt obligations of SOEs and Crown entities that are not guaranteed by the Crown.

***Total Crown***

Includes the core Crown (defined above) plus Crown entities and SOEs and other entities controlled by the Government Reporting Entity as listed on pages 103 to 106.

***Total fiscal impulse***

The total fiscal impulse is a measure of the change in the Government's contribution to aggregate demand relative to the previous year. The Treasury's total fiscal impulse measure is calculated as the change in the fiscal balance as a percentage of nominal potential GDP. The fiscal balance is residual cash adjusted for some expenditure items that do not directly affect domestic demand.

### *Trade Weighted Index (TWI)*

A measure of movements in the NZ dollar against the currencies of our major trading partners. The TWI is based on 17 currencies, weighted according to each country's direct bilateral trade in goods and services with New Zealand. Together these countries account for more than 80% of New Zealand's foreign trade.

### *Underutilisation rate*

The underutilisation rate is a broad measure of untapped labour market capacity. In addition to the unemployed, it includes part-time workers who want and are able to work longer hours (the under-employed), people who want a job and are available to work but not currently looking for a job, and people who are currently unavailable but looking for a job and will be able to start working within the next month.

### *Votes*

When Parliament considers legislation relating to appropriations, the appropriations are grouped within 'Votes'. Generally, a 'Vote' will group similar or related appropriations together (eg, Vote Health includes all health-related appropriations administered by the Ministry of Health).

### *Year ended*

Graphs and tables within this document use different expressions of the timeframe. While some tables may refer to the end of the tax year (31 March), others will refer to the end of the Government's financial year (30 June). For example, unless otherwise stated references to 2024/25 or 2025 will mean the year ended 30 June.

# Time Series of Fiscal and Economic Indicators

## Fiscal Indicators

| June years | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| $millions | | | | | | | | | | | | | | | |
| **Revenue and expenses** | | | | | | | | | | | | | | | |
| Core Crown tax revenue | 66,636 | 70,445 | 75,644 | 80,224 | 86,468 | 85,102 | 97,983 | 108,458 | 112,358 | 120,566 | 120,623 | 128,277 | 136,666 | 144,133 | 151,234 |
| Core Crown revenue | 72,213 | 76,121 | 81,782 | 86,778 | 93,474 | 91,923 | 104,968 | 117,515 | 123,398 | 133,220 | 134,038 | 140,792 | 149,584 | 157,561 | 165,042 |
| Total Crown revenue | 93,805 | 97,416 | 103,422 | 109,973 | 119,142 | 116,003 | 129,335 | 141,627 | 153,011 | 167,347 | 169,328 | 176,966 | 186,878 | 196,751 | 205,381 |
| Core Crown expenses | 72,363 | 73,929 | 76,339 | 80,576 | 86,959 | 108,832 | 107,764 | 125,641 | 127,574 | 138,998 | 144,638 | 149,821 | 152,553 | 157,667 | 162,912 |
| Total Crown expenses | 93,064 | 95,137 | 99,007 | 104,014 | 111,376 | 138,916 | 133,722 | 150,956 | 161,822 | 180,061 | 186,398 | 190,719 | 194,598 | 200,573 | 207,309 |
| Operating balance (excluding minority interests) | 5,771 | (5,369) | 12,317 | 8,396 | 389 | (30,040) | 16,159 | (16,932) | 5,321 | (8,365) | (10,161) | (7,942) | (1,630) | 2,729 | 5,264 |
| **Fiscal strategy indicators** | | | | | | | | | | | | | | | |
| OBEGAL (excluding minority interests) | 414 | 1,831 | 4,069 | 5,534 | 7,429 | (23,057) | (4,560) | (9,691) | (9,446) | (12,854) | (17,317) | (14,103) | (8,192) | (4,348) | (2,401) |
| OBEGAL (excluding ACC) | 333 | 2,121 | 4,663 | 5,942 | 8,504 | (20,902) | (2,559) | (8,664) | (7,199) | (8,773) | (12,868) | (10,480) | (4,423) | (304) | 1,879 |
| Core Crown residual cash | (1,827) | (1,322) | 2,574 | 1,346 | (710) | (23,692) | (13,767) | (27,043) | (25,648) | (19,302) | (16,610) | (9,845) | (16,817) | (8,076) | (5,619) |
| Net debt | 22,825 | 23,193 | 16,249 | 11,219 | 5,432 | 35,710 | 35,921 | 61,850 | 71,367 | 82,197 | 99,312 | 113,773 | 124,496 | 126,571 | 124,959 |
| Net debt (excl. NZS Fund) | 52,131 | 53,229 | 51,548 | 50,763 | 50,822 | 79,930 | 95,188 | 117,115 | 136,268 | 158,255 | 183,701 | 201,638 | 217,842 | 225,816 | 230,482 |
| Gross debt[1] | 86,125 | 86,928 | 87,141 | 88,053 | 84,449 | 102,257 | 100,835 | 118,950 | 135,789 | 175,966 | 206,558 | 234,773 | 258,414 | 265,741 | 269,525 |
| Net core Crown debt[2] | 60,631 | 61,880 | 59,480 | 57,495 | 57,736 | 83,375 | 102,080 | 128,873 | 155,273 | 175,464 | 192,810 | 202,918 | 219,985 | 228,591 | 234,124 |
| **Statement of financial position** | | | | | | | | | | | | | | | |
| Total assets | 279,214 | 292,679 | 313,609 | 339,932 | 364,652 | 393,400 | 438,596 | 501,844 | 536,666 | 570,868 | 588,379 | 610,976 | 636,448 | 654,284 | 670,829 |
| Total liabilities | 186,978 | 197,158 | 197,137 | 204,295 | 221,313 | 277,457 | 281,403 | 327,525 | 345,194 | 379,819 | 410,887 | 441,438 | 468,318 | 483,329 | 494,636 |
| Net worth | 92,236 | 95,521 | 116,472 | 135,637 | 143,339 | 115,943 | 157,193 | 174,319 | 191,472 | 191,049 | 177,492 | 169,538 | 168,130 | 170,955 | 176,193 |
| Net worth attributable to the Crown | 86,454 | 89,366 | 110,532 | 129,644 | 136,949 | 110,320 | 151,469 | 167,036 | 183,514 | 181,818 | 168,234 | 160,356 | 158,813 | 161,594 | 166,878 |
| **Nominal expenditure GDP (revised)** | 245,650 | 258,737 | 275,564 | 295,565 | 310,281 | 317,125 | 342,788 | 363,974 | 394,887 | 413,343 | 427,252 | 450,418 | 473,163 | 495,384 | 517,713 |
| % GDP | | | | | | | | | | | | | | | |
| **Revenue and expenses** | | | | | | | | | | | | | | | |
| Core Crown tax revenue | 27.1% | 27.2% | 27.5% | 27.1% | 27.9% | 26.8% | 28.6% | 29.8% | 28.5% | 29.2% | 28.2% | 28.5% | 28.9% | 29.1% | 29.2% |
| Core Crown revenue | 29.4% | 29.4% | 29.7% | 29.4% | 30.1% | 29.0% | 30.6% | 32.3% | 31.2% | 32.2% | 31.4% | 31.3% | 31.6% | 31.8% | 31.9% |
| Total Crown revenue | 38.2% | 37.7% | 37.5% | 37.2% | 38.4% | 36.6% | 37.7% | 38.9% | 38.7% | 40.5% | 39.6% | 39.3% | 39.5% | 39.7% | 39.7% |
| Core Crown expenses | 29.5% | 28.6% | 27.7% | 27.3% | 28.0% | 34.3% | 31.4% | 34.5% | 32.3% | 33.6% | 33.9% | 33.3% | 32.2% | 31.8% | 31.5% |
| Total Crown expenses | 37.9% | 36.8% | 35.9% | 35.2% | 35.9% | 43.8% | 39.0% | 41.5% | 41.0% | 43.6% | 43.6% | 42.3% | 41.1% | 40.5% | 40.0% |
| Operating balance (excluding minority interests) | 2.3% | (2.1%) | 4.5% | 2.8% | 0.1% | (9.5%) | 4.7% | (4.7%) | 1.3% | (2.0%) | (2.4%) | (1.8%) | (0.3%) | 0.6% | 1.0% |
| **Fiscal strategy indicators** | | | | | | | | | | | | | | | |
| OBEGAL (excluding minority interests) | 0.2% | 0.7% | 1.5% | 1.9% | 2.4% | (7.3%) | (1.3%) | (2.7%) | (2.4%) | (3.1%) | (4.1%) | (3.1%) | (1.7%) | (0.9%) | (0.5%) |
| OBEGAL (excluding ACC) | 0.1% | 0.8% | 1.7% | 2.0% | 2.7% | (6.6%) | (0.7%) | (2.4%) | (1.8%) | (2.1%) | (3.0%) | (2.3%) | (0.9%) | (0.1%) | 0.4% |
| Core Crown residual cash | (0.7%) | (0.5%) | 0.9% | 0.5% | (0.2%) | (7.5%) | (4.0%) | (7.4%) | (6.5%) | (4.7%) | (3.9%) | (2.2%) | (3.6%) | (1.6%) | (1.1%) |
| Net debt | 9.3% | 9.0% | 5.9% | 3.8% | 1.8% | 11.3% | 10.5% | 17.0% | 18.1% | 19.9% | 23.2% | 25.3% | 26.3% | 25.6% | 24.1% |
| Net debt (excl. NZS Fund) | 21.2% | 20.6% | 18.7% | 17.2% | 16.4% | 25.2% | 27.8% | 32.2% | 34.5% | 38.3% | 43.0% | 44.8% | 46.0% | 45.6% | 44.5% |
| Gross debt[1] | 35.1% | 33.6% | 31.6% | 29.8% | 27.2% | 32.2% | 29.4% | 32.7% | 34.4% | 42.6% | 48.3% | 52.1% | 54.6% | 53.6% | 52.1% |
| Net core Crown debt[2] | 24.7% | 23.9% | 21.6% | 19.5% | 18.6% | 26.3% | 29.8% | 35.4% | 39.3% | 42.4% | 45.1% | 45.1% | 46.5% | 46.1% | 45.2% |
| **Statement of financial position** | | | | | | | | | | | | | | | |
| Total assets | 113.7% | 113.1% | 113.8% | 115.0% | 117.5% | 124.1% | 127.9% | 137.9% | 135.9% | 138.1% | 137.7% | 135.6% | 134.5% | 132.1% | 129.6% |
| Total liabilities | 76.1% | 76.2% | 71.5% | 69.1% | 71.3% | 87.5% | 82.1% | 90.0% | 87.4% | 91.9% | 96.2% | 98.0% | 99.0% | 97.6% | 95.5% |
| Net worth | 37.5% | 36.9% | 42.3% | 45.9% | 46.2% | 36.6% | 45.9% | 47.9% | 48.5% | 46.2% | 41.5% | 37.6% | 35.5% | 34.5% | 34.0% |
| Net worth attributable to the Crown | 35.2% | 34.5% | 40.1% | 43.9% | 44.1% | 34.8% | 44.2% | 45.9% | 46.5% | 44.0% | 39.4% | 35.6% | 33.6% | 32.6% | 32.2% |

1. Excludes Reserve Bank settlement cash and bank bills.
2. Excludes advances.

# Economic Indicators

| June Years | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Annual average % change | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Forecast | Forecast | Forecast | Forecast | Forecast |
| Private consumption | 3.6 | 4.7 | 6.3 | 4.7 | 4.1 | -1.2 | 8.0 | 1.1 | 3.1 | 0.2 | 0.2 | 1.7 | 2.6 | 2.5 | 2.4 |
| Public consumption | 3.1 | 1.1 | 2.6 | 4.1 | 3.1 | 6.6 | 7.0 | 7.9 | 0.2 | -0.2 | -0.2 | 0.5 | -0.2 | 0.2 | 0.6 |
| **TOTAL CONSUMPTION** | 3.5 | 3.8 | 5.4 | 4.6 | 3.9 | 0.6 | 7.8 | 2.7 | 2.3 | 0.1 | 0.1 | 1.4 | 1.9 | 1.9 | 2.0 |
| Residential investment | 6.3 | 10.1 | 3.9 | -1.0 | 1.4 | -4.4 | 16.5 | -5.1 | -0.3 | -5.7 | -8.4 | 7.1 | 5.9 | 3.9 | 3.0 |
| Business investment | 7.0 | 0.9 | 1.5 | 11.9 | 4.6 | -2.9 | 8.2 | 6.8 | 3.5 | -3.1 | -3.2 | 4.5 | 5.1 | 3.2 | 2.4 |
| **TOTAL INVESTMENT** | 6.8 | 3.2 | 2.1 | 8.3 | 3.8 | -3.3 | 10.2 | 3.8 | 2.6 | -3.7 | -4.4 | 5.0 | 5.3 | 3.4 | 2.6 |
| Stock change (contribution to growth) | 0.0 | -0.3 | 0.4 | 0.2 | -0.5 | -0.4 | 0.2 | 0.9 | -1.2 | -0.5 | 0.8 | 0.3 | 0.0 | 0.0 | 0.0 |
| **GROSS NATIONAL EXPENDITURE** | 4.0 | 3.3 | 5.1 | 5.7 | 3.3 | -0.7 | 8.5 | 4.0 | 1.1 | -1.3 | 0.5 | 2.2 | 2.7 | 2.3 | 2.1 |
| Exports | 6.4 | 6.3 | 0.9 | 4.0 | 3.3 | -5.3 | -10.8 | -3.1 | 11.9 | 4.9 | 3.2 | 4.4 | 2.5 | 2.3 | 2.3 |
| Imports | 6.9 | 2.1 | 6.1 | 8.6 | 2.8 | -5.7 | -4.1 | 12.1 | 2.9 | -1.2 | -1.0 | 2.1 | 2.0 | 1.6 | 1.5 |
| **EXPENDITURE ON GDP** | 3.9 | 4.3 | 3.6 | 4.5 | 3.5 | -0.7 | 6.6 | 0.6 | 3.2 | 0.2 | 0.9 | 3.2 | 2.9 | 2.5 | 2.3 |
| **GDP (production measure)** | 4.0 | 3.8 | 3.5 | 3.5 | 3.3 | -0.8 | 6.1 | 0.7 | 3.0 | -0.2 | 0.5 | 3.3 | 2.9 | 2.6 | 2.4 |
| - annual % change | 4.0 | 4.2 | 3.3 | 3.7 | 2.7 | -9.8 | 17.8 | 0.4 | 1.5 | -0.5 | 1.6 | 3.4 | 2.7 | 2.5 | 2.3 |
| Real GDP per capita | 2.1 | 1.6 | 1.3 | 1.5 | 1.5 | -2.7 | 4.8 | 0.5 | 1.9 | -2.7 | -0.6 | 2.2 | 1.7 | 1.4 | 1.2 |
| Nominal GDP (expenditure basis) | 3.7 | 5.3 | 6.5 | 7.3 | 5.0 | 2.2 | 8.1 | 6.2 | 8.5 | 4.7 | 3.4 | 5.4 | 5.0 | 4.7 | 4.5 |
| GDP deflator | -0.2 | 0.9 | 2.8 | 2.6 | 1.5 | 2.9 | 1.4 | 5.6 | 5.2 | 4.4 | 2.4 | 2.2 | 2.1 | 2.1 | 2.1 |
| Output gap (% deviation, June year average) | -0.8 | -0.3 | 0.0 | 0.6 | 1.2 | 0.7 | 1.9 | 2.5 | 1.4 | -0.8 | -2.3 | -1.2 | -0.5 | -0.2 | 0.0 |
| Employment | 3.6 | 2.7 | 5.3 | 3.6 | 1.9 | 1.6 | 0.6 | 2.7 | 2.6 | 1.8 | -0.4 | 1.7 | 2.2 | 1.8 | 1.6 |
| Unemployment (% June quarter s.a.) | 5.5 | 5.1 | 4.9 | 4.6 | 4.1 | 4.1 | 4.0 | 3.3 | 3.6 | 4.6 | 5.4 | 4.8 | 4.5 | 4.3 | 4.3 |
| Wages (average ordinary-time hourly, ann % change) | 2.5 | 2.4 | 2.5 | 2.8 | 4.0 | 2.9 | 4.0 | 6.3 | 6.9 | 5.0 | 2.9 | 2.9 | 3.0 | 2.9 | 2.8 |
| CPI inflation (ann % change) | 0.4 | 0.4 | 1.7 | 1.5 | 1.7 | 1.5 | 3.3 | 7.3 | 6.0 | 3.3 | 1.8 | 2.1 | 2.0 | 2.0 | 2.0 |
| Merchandise terms of trade (SNA basis) | -4.8 | -2.0 | 4.3 | 4.7 | -2.8 | 4.4 | -0.2 | 2.8 | -7.0 | -3.1 | 5.3 | 0.1 | 0.0 | 0.0 | -0.1 |
| House prices (ann % change) | 11.8 | 15.0 | 6.5 | 3.6 | 1.5 | 7.1 | 29.6 | 5.3 | -9.0 | 1.6 | -0.1 | 5.3 | 5.8 | 5.1 | 4.3 |
| Current account balance - $billion | -8.3 | -5.4 | -7.2 | -10.8 | -11.1 | -5.2 | -11.8 | -29.9 | -31.8 | -27.9 | -22.0 | -18.9 | -18.6 | -18.3 | -17.8 |
| Current account balance - % of GDP | -3.4 | -2.1 | -2.6 | -3.7 | -3.6 | -1.6 | -3.4 | -8.2 | -8.1 | -6.7 | -5.1 | -4.2 | -3.9 | -3.7 | -3.4 |
| TWI (June quarter) | 76.2 | 73.6 | 76.5 | 73.8 | 72.7 | 69.7 | 74.7 | 72.2 | 70.9 | 71.4 | 69.7 | 69.6 | 69.6 | 69.5 | 69.5 |
| 90-day bank bill rate (June quarter) | 3.5 | 2.4 | 2.0 | 2.0 | 1.7 | 0.3 | 0.3 | 2.2 | 5.6 | 5.6 | 3.6 | 3.0 | 2.9 | 2.9 | 2.9 |
| 10-year bond rate (June quarter) | 3.6 | 2.7 | 2.9 | 2.8 | 1.8 | 0.8 | 1.7 | 3.7 | 4.3 | 4.7 | 4.4 | 4.2 | 4.1 | 4.0 | 4.0 |