Budget 2022

At a glance

Budget summary

Budget 2022 is one of few surprises, with the Government's clear focus on addressing the short-term impacts of the rising cost of living, while continuing to push forward with its key priorities related to climate and the health sector reform. Treasury forecasts provide the context for the cost of living focus – highlighting the current economic uncertainty, with GDP growth forecast to reach a low of 0.7% in 2024 and inflation set to peak at 6.7% in 2022 before steadily decreasing.

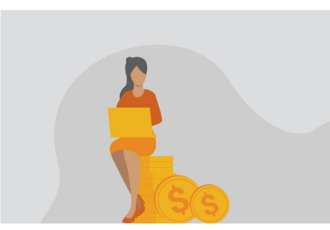
The Government has focused on supporting low-to-moderate income New Zealanders to address short-term cost of living pressures, including the introduction of a temporary new cost of living payment of $350 to be paid over a three month period, and continued Fuel Excise Duty (FED) and Road User Charges (RUC) cuts for an additional two months. These measures are targeted at the short-term, aligned with the expected peak in inflation growth in 2022, however as the cost of living pressures continue the Government may come under pressure to continue these measures.

Alongside this, the Government continues to invest to deliver on its priorities including significant investment in the health sector to support the transition to Health New Zealand.

Key spending areas

Climate Change

- $4.5 billion to deliver the Climate Emergency Response Fund, confirming the pre-Budget announcement. This investment is focused on transport, energy and industry, agriculture and forestry sectors.

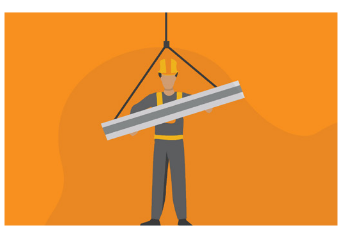


Small Businesses

- $100 million for the Business Growth Fund, for Crown investment in businesses as a minority shareholder alongside private banks
- Continuation of the existing Innovation Programme for Tourism Recovery with an additional $54.2 million
- $110 million for the Regional Strategic Partnership Fund, for projects to be jointly agreed with regions

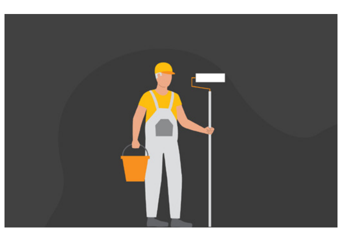
Healthcare

- Annual funding boost for Health New Zealand of $1.8 billion in year one, followed by $1.3 billion in years two and three, addressing cost pressures and supporting transition from the DHB model
- Pharmac's medicines budget is increased by a total of $191 million over the next two years
- $168 million for the Māori Health Authority as part of wider investment to enable health sector reform



Infrastructure

- $349 million for rolling stock and rail network investment, as part of a continuation of restoration of the national rail network to improve resilience
- $1.3 billion to modernise hospitals in Whangarei, Nelson and Hamilton
- $777 million investment in school infrastructure

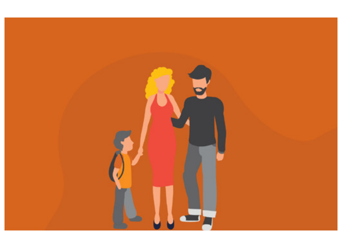


Housing Access and Affordability

- $148 million to adjust the First Home Loan and First Home Grant settings, increasing eligibility of the schemes
- $221 million for the Affordable Housing Fund, focused on the development of homes for low-to-moderate income families and whānau
- $355 million for changes to the emergency housing system, to reset and redesign the emergency housing system

Māori Economy

- $66 million funding to continue the Māori Trades and Training Fund, to build on support for Māori entities delivering training and employment for Māori
- $10 million into Te Ringa Hāpai Whenua Fund
- $35 million to develop tikanga-based approaches to farm management practices



Wellbeing

- Reform of Child Support rules – allowing access to child support payments for sole-parent beneficiaries. Resulting in an estimated median gain of $24 per week for 41,550 sole parent families
- $100 million to establish the Ministry for Disabled People

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Economic growth

New Zealand's real GDP growth is expected to peak at 4.2% by 2023, followed by a period of slower growth as a result of economic headwinds, including rising interest rates. GDP growth is forecast to reach a low of 0.7% in 2024, before increasing to 2.5% by 2026.

Inflation

Inflation is expected to peak this year at 6.7%, and then to steadily fall to 2.2% by 2026. House prices are expected to decrease by 2.5%, and then remain unchanged. The employment outlook remains positive in the short-term, with unemployment anticipated to drop to 3.1% this year. However, it will then slowly increase over the following four-year period to 4.7%.

Fiscal position

Net core Crown debt is expected to peak at 19.9% of GDP in 2024 ($84.6 billion), followed by a gradual decrease. Crown expenses remain high and steadily increase over the four-year period, reaching $138.2 billion in 2025/26. Government is expected to return to operating surplus in 2024/25.

Core Crown Revenue and Expenses (2022)

$103.2 billion total taxation revenue

- **$50.7bn Individual tax**
- **$17.3bn Corporate tax**
- **$1.7bn Other direct income tax**
- **$26.3bn GST**
- **$7.2bn Other indirect taxation**

$128.4 billion expenditure

- **$5.8bn Core government services**
- **$18.3bn Education**
- **$2.8bn Environmental protection**
- **$30bn Health**
- **$2.7bn Housing**
- **$43.4bn Social security and welfare**
- **$25.4bn Additional expenses**

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