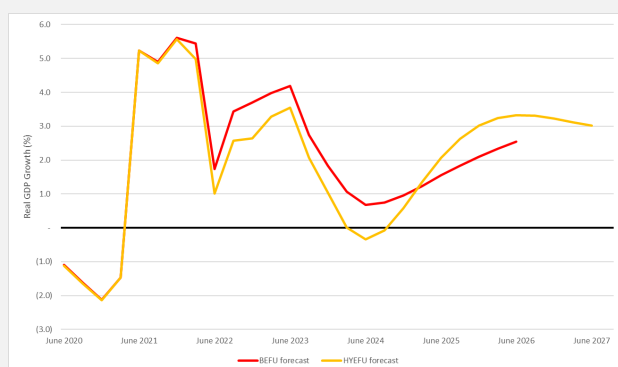




Economic update: A Snapshot

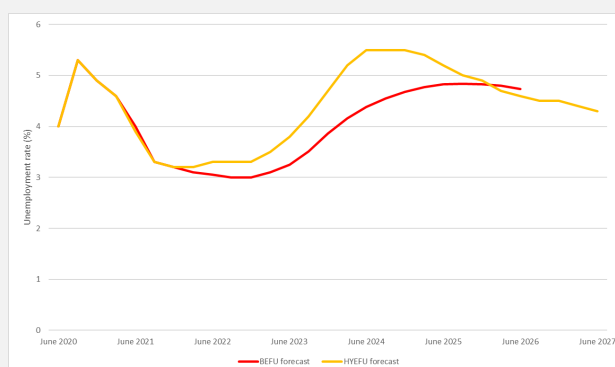
As anticipated the Treasury forecast a recession, reflecting tight monetary policy and global economic headwinds. The economy is forecast to contract in 2023, with growth expected to decline by -0.8 percent over the last three quarters. From 2024 and beyond, the economy is expected to gradually recover to around 3% per annum growth.

GDP forecast (annual average % change - seasonally adjusted)



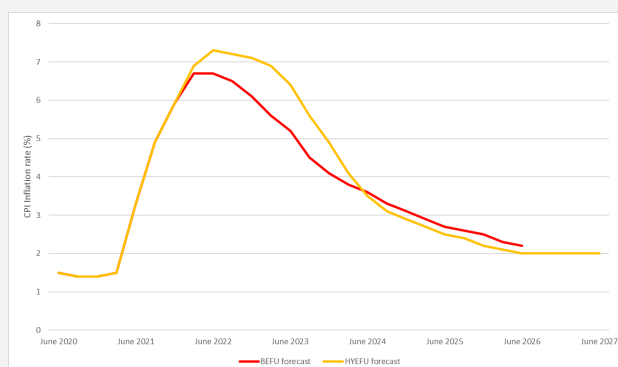
The economic growth outlook reflects the expected slowdown in global growth and the impact of tighter monetary policy. The economy is expected to slow though 2023 and gradually recover in 2024. The slowdown occurs across both consumption and investment.

Unemployment (% , seasonally adjusted)



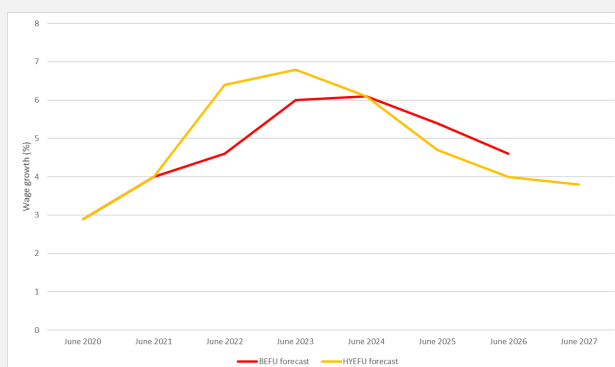
The slowdown in growth occurs against a background of a very tight labour market, with historically low unemployment. The unemployment rate is expected to increase from a low of 3.3% to a high of 5.5% in mid-2024 and then decline to around 4%, it remains low by historical standards. Even with the economic slowdown the labour market will remain tight in many sectors and wage pressures continue.

Inflation (annual % change)



Inflation pressures are expected to ease gradually from a high of 7.2% in September 2022 to slowly decline below 3% later in 2024. Inflation pressure will continue for business and households for the next two years.

Wage growth (average ordinary-time, annual % change)



Wage growth is expected to peak this year. Wage growth is expected to remain high over the next two years, at over 6%. Real wage growth is also expected to remain positive at 2% per year.

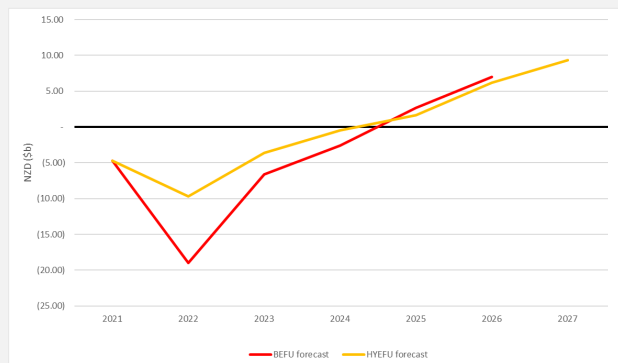
Housing market

The forecasts anticipate house prices will fall by 15% between now and the end of 2024. This is a much weaker outlook for house prices than in Budget 2022 forecasts, reflecting higher interest rates.



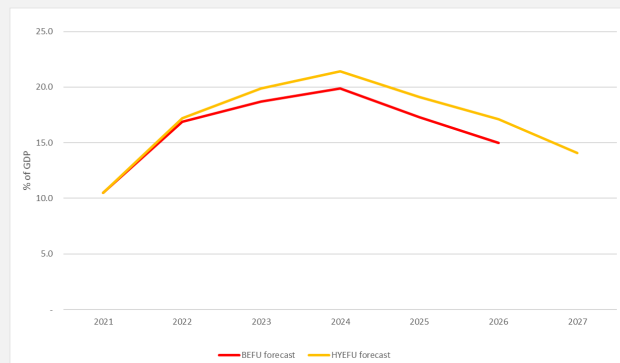
Fiscal Update: A Snapshot

OBEGAL (Operating balance before gains and losses)



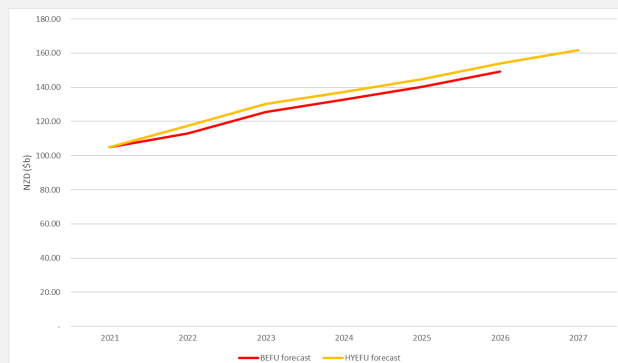
The Government accounts are expected to return to surplus from 2024/25. Surpluses are expected to increase as revenue continues to outpace expenses.

Net core Crown debt (% GDP)



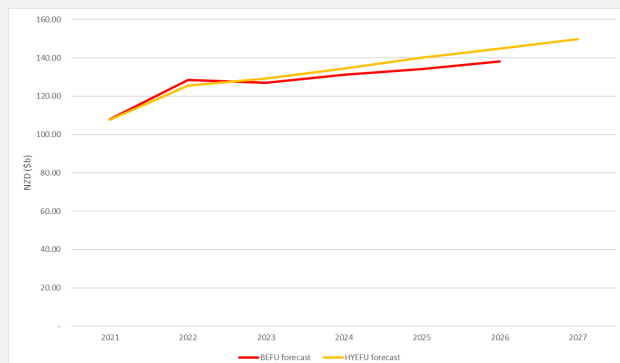
Net debt is forecast to peak at 21.4% of GDP in 2023/24, declining to 14.1% of GDP in 2026/27.

Core Crown revenue



Revenue is forecast to continue to grow as the nominal economy grows. Total revenue is expected to increase by \$40.7 billion between 2021/22 and 2026/27. Tax revenue, as a percentage of GDP, remains around 30% across the next four years.

Core Crown expenses



Expenses increase by \$24.2 billion over the next four years. Finance costs will almost double from 2.9% 2021/22 to 5.7% 2022/23. Other drivers of expenses include increased NZ superannuation and benefits that are indexed.

Appendix: Key Economic and Fiscal Indicators



Key Economic Performance Indicators (for the years ended June 30)

	2021	2022	2023	2024	2025	2026	2027
Real Production GDP (annual average % change)							
BEFU forecast	5.3	1.7	4.2	0.7	1.6	2.5	
HYEFU forecast	5.3	1.0	3.5	(0.3)	2.1	3.3	3.0
Unemployment rate (% , seasonally adjusted)							
BEFU forecast	4.0	3.1	3.3	4.4	4.8	4.7	
HYEFU forecast	4.0	3.3	3.8	5.5	5.2	4.6	4.3
CPI inflation (annual % change)							
BEFU forecast	3.3	6.7	5.2	3.6	2.7	2.2	
HYEFU forecast	3.3	7.3	6.4	3.5	2.5	2.0	2.0
Wage growth (average ordinary-time, annual % change)							
BEFU forecast	4.0	4.6	6.0	6.1	5.4	4.6	
HYEFU forecast	4.0	6.4	6.8	6.1	4.7	4.0	3.8

Key Fiscal Position Indicators (for the years ended June 30)

	2021	2022	2023	2024	2025	2026	2027
OBEGAL (\$b)							
BEFU forecast	(4.70)	(18.98)	(6.63)	(2.59)	2.65	6.98	
HYEFU forecast	(4.70)	(9.69)	(3.63)	(0.46)	1.66	6.22	9.34
Net core Crown debt (% GDP)							
BEFU forecast	29.8	36.9	40.8	41.2	37.5	31.9	
HYEFU forecast	29.8	35.9	39.2	41.8	38.1	35.2	32.2
Core Crown revenue (\$b)							
BEFU forecast	104.97	112.91	125.70	132.76	140.25	149.24	
HYEFU forecast	104.97	117.52	130.19	137.33	144.67	154.06	161.84
Core Crown expenses (\$b)							
BEFU forecast	107.90	128.44	127.05	131.13	134.09	138.22	
HYEFU forecast	107.76	125.64	129.33	134.53	140.08	144.86	149.80