

# Budget 23 Summary at a glance

**Budget 2023 delivers more significant new spending than pre-Budget messaging suggested, with an emphasis on addressing cost of living pressures, continuing to enable the cyclone response and recovery, and investing to support economic growth (with a focus on science and technology). Tax also featured, with the trustee tax rate aligned to the top personal tax rate at 39%.**

This spending is taking place in an economic and fiscal environment that continues to be challenging. However the Treasury's forecasts released today show some

signs of this easing over the period. A recession is no longer forecast, with the slowdown in growth expected to reach a low of 1% in the June 2024 year. The easing of inflation is also expected to continue, dropping to within the Reserve Bank's target band of 1-3% by late-2024.

The operating balance is forecast to return to surplus by 2025/26, a year later than previously forecast due to the spending decisions announced today. Alongside this, net debt is expected to peak at 22% of GDP in 2023/24, higher than the previously forecast peak of 19.9%.

## Cost of living pressures

**Budget 2023 delivers just over \$2.5bn operating expenditure over the forecast period to address cost of living pressures:**

### \$1.2bn

to extend 20 hours free early childhood care to include two-year-olds, providing saving of up to \$133.20 a week for parents.

### \$619m

to remove \$5 prescription co-payments.

### \$327m

for free public transport for children under 13 and permanent half-price fares for under 25s.

### \$403m

to expand the Warmer Kiwi Homes Programme to lower household energy bills.

## Science and technology

**Budget 2023 provides significant investment in science and technology to support economic growth:**

### \$160m

operating expenditure to provide a 20% rebate for video game developers.

### \$400m

capital investment and \$51m operating expenditure to develop three scientific research centres.

### \$38m

operating expenditure to build international research partnerships.

### \$75m

operating expenditure to support ongoing industry transformation.

## Tax

### \$1.1bn

of revenue will be generated over the forecast period by increasing the trustee tax rate from 33% to 39%, to bring it in line with the top personal income tax rate.

# Budget **23** Summary at a glance

## Cyclone response

Aligned with pre-announcements, Budget 2023 confirms an additional \$1bn to support the ongoing cyclone recovery:

### \$609m

operating expenditure and \$195m capital infrastructure investment in affected regions.

### \$130m

operating expenditure for ongoing business and community support.

### \$120m

operating expenditure to improve future flood resilience, including a \$100m fund for councils.

## Housing

### \$3.1bn

capital investment and \$465m operating expenditure to deliver 3,000 additional public housing places.

## Infrastructure resilience

### \$6bn

initial funding for a National Resilience Plan focused on protecting against severe and unpredictable weather events.

### \$100m

for a new infrastructure delivery agency – Rau Paenga – repurposing the former Christchurch rebuild agency, to help Government organisations deliver infrastructure projects.

## Education

### \$3.6bn

operating expenditure and \$1.3bn capital investment in education, including \$1bn for contributions to early childhood education, school and tertiary providers' operating costs; keeping students in school; extending the Apprenticeship Boost Programme; and new classrooms and schools for 6,600 additional student places.

# Budget **23** Summary at a glance

## GDP forecast

Treasury is no longer forecasting a recession. A more moderate slowdown in growth is expected – reaching a low of 1% in the June 2024 year, and then increasing to an average of 2.7% for the remainder of the forecast period.

## Inflation

Easing of inflation is expected to continue, falling to 4.5% by the end of 2023, and dropping to the Reserve Bank's target band of 1-3% by late-2024.

## Unemployment

The unemployment rate is projected to peak at 5.3% by late 2024, before falling back to 4.8% by the end of the forecast period.

## Wage growth

Annual wage growth is expected to fall from 7.3% in early 2023 to 4.2% by 2027.

## Operating balance

The operating balance is forecast to return to surplus by 2025/26, a year later than previously forecast.

## Net Crown debt

Net debt is forecast to peak at 22% of GDP in 2023/24 – an increase of around 2% on previous forecasts – and reduce over the forecast period to 18.4% in 2026/27.

