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BUDGET
2025

Budget Policy Statement

Hon Nicola Willis
Minister of Finance

17 December 2024

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New Zealand Government

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Budget Policy Statement

The Public Finance Act 1989 (PFA) requires the Minister of Finance to present a budget policy statement to the House of Representatives each year that sets out:

- the goals and objectives that will guide the Government's decisions in the forthcoming Budget, and
- the Government's short-term fiscal intentions, long-term fiscal objectives, and strategy for managing expenditure, assets and liabilities, if these have changed from those stated in the most recent fiscal strategy report.

This Budget Policy Statement (BPS) looks ahead to Budget 2025. It is released alongside, and draws on, the 2024 Half Year Economic and Fiscal Update (HYEFU).

Goals and priorities

The Government's overarching goals for its term of office are to:

- Build a stronger, more productive economy that lifts real incomes and increases opportunities for New Zealanders.
- Deliver more efficient, effective and responsive public services to all who need and use them – in particular, to restore law and order and improve health outcomes and educational achievement.
- Get the Government's books back in order and restore discipline to public spending.

These goals will guide the Government's Budget decisions. They are also the Government's wellbeing objectives, as achieving them is the most important contribution the Government can make to the long-term social, economic, environmental and cultural wellbeing of New Zealanders.

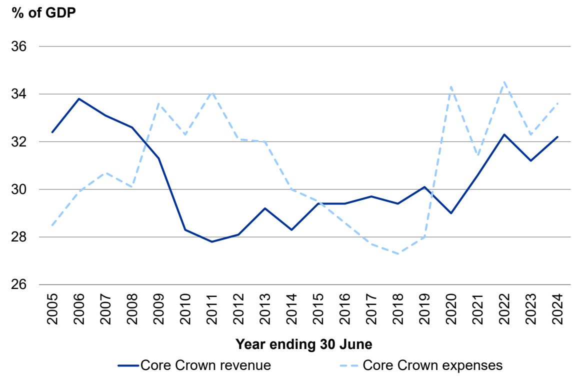
The Government has identified the following policy areas it will focus on in Budget 2025:

- Lifting economic growth through measures to address New Zealand's long-term productivity challenges.
- Implementing a social investment approach to drive better results from the Government's investment in social services and thereby improve life outcomes for people with high needs.
- Keeping tight control of government spending while funding a limited number of high-priority Government policy commitments and cost pressures that cannot be met from reprioritisation.
- Developing a sustainable pipeline of long-term infrastructure investments.

Fiscal strategy

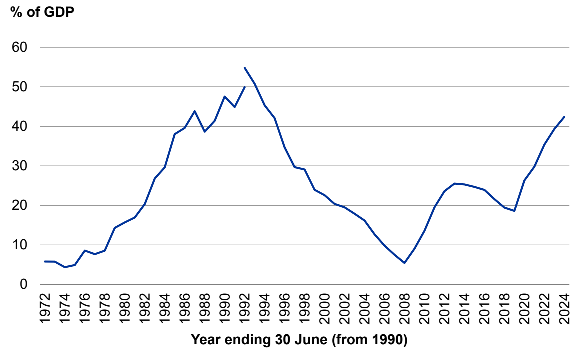
New Zealand's fiscal position has deteriorated over the past six years. Core Crown expenses have risen faster than core Crown revenue (Figure 1). The operating balance before gains and losses (OBEGAL) has been in deficit since 2019/20. Net core Crown debt has risen sharply from below 20 per cent of GDP to around 42 per cent in 2023/24 (Figure 2).

***Figure 1** – Core Crown revenue and expenses*



Source: The Treasury

***Figure 2** – Net core Crown debt*



* The measure of net core Crown debt adopted in 2009 is restated back to 1992. The earlier measure for the period before 1992 included advances.

Source: The Treasury

The fiscal deterioration is due to several factors, including:

- large discretionary spending increases in previous Budgets (e.g. Budget 2022 committed an additional $9.5 billion each year, on average, in net new operating spending)
- the COVID-19 pandemic and other one-off events
- increased New Zealand Superannuation costs
- the impact on tax revenue from a protracted economic recession, and
- greater finance costs from higher debt and higher interest rates.

After stripping out large one-off expenses and adjusting for the economic cycle, the Treasury estimates a structural operating deficit of around 2.7 per cent of GDP in the current financial year. A structural deficit, by definition, will not resolve itself as the economy picks up – it requires a commitment to fiscal consolidation.

The Government's fiscal strategy, as set out in the Fiscal Strategy Report 2024 (FSR), is to achieve this consolidation over time, which will progressively reduce the structural deficit. The key elements of the strategy are to:

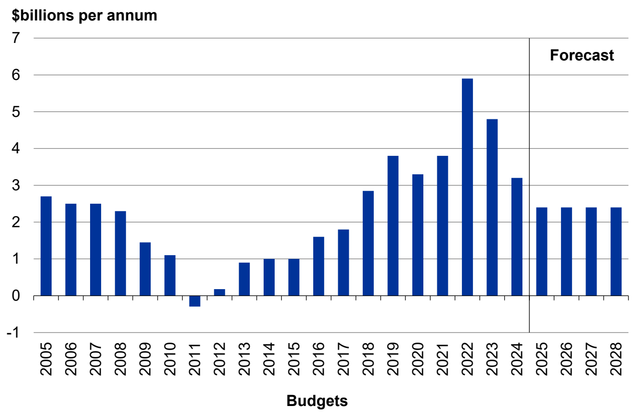
- reduce core Crown expenses towards 30 per cent of GDP over time
- return OBEGAL to surplus by 2027/28, and
- put net core Crown debt as a percentage of GDP on a downward trajectory towards 40 per cent and in the longer-term keep it below that percentage.

This fiscal strategy also states that significant changes in economic forecasts outside the Government's direct control could lead it to consider amending its short-term intentions.

Operating allowances

Spending restraint is the Government's key top-down tool to ensure its fiscal strategy is realised. In Budget 2025, this restraint has three elements. First, there will be a high bar for new initiatives in the Budget – these will be limited to the most important Government priorities. Second, savings will need to be found, beyond those already identified in the previous Budget. And third, with a small number of exceptions, government departments should expect to receive no additional funding in the Budget.

***Figure 3** – Budget operating allowances*



Source: The Treasury

Each government department is now required to prepare a Performance Plan that describes how the department will deliver outputs, and manage cost pressures, within a set baseline of funding. Performance Plans must be clear about any trade-offs and set out how risks can be managed. They are a tool that puts the focus on medium-term sustainability, rather than on annual Budget initiatives.

The operating allowances for Budgets 2025, 2026 and 2027 will remain at $2.4 billion per annum.[1] The operating allowance for Budget 2028 has also been set at $2.4 billion per annum. These are tight allowances, particularly compared to those for Budgets 2018 to 2023 (Figure 3).

[1] Operating allowances are amounts allocated in the forecasts for net new operating spending on discretionary policy initiatives in future Budgets.

As the section below on the fiscal outlook shows, maintaining tight operating allowances drives a reduction in core Crown expenses as a percentage of GDP over the forecast period, and therefore an improving operating balance.

In Budget 2024, the Government pre-committed $1.37 billion per annum against the Budget 2025 operating allowance to meet forecast demographic, volume and price pressures for frontline health services delivered by Health New Zealand. It subsequently pre-committed funding for additional medicines, including up to 26 cancer treatments. After pre-commitments, and some non-discretionary forecast items, there is currently around $700 million per annum remaining in the operating allowance for Budget 2025.

Managing within that remaining allowance will be challenging. It is important to remember, however, that operating allowances are a net concept – they include spending, savings and revenue initiatives within a single envelope. For example, the Budget 2024 allowance accommodated $9.1 billion of spending and tax relief, together with $5.9 billion of savings and revenue raising, netting out to $3.2 billion of new operating spending on average per annum.

Capital allowances

The FSR identified issues with, and stated there would be a review of, the capital allowance framework.[2] Box 1 sets out the Government's decisions following this review.

Box 1 – Review of the capital allowance framework

In 2019, the previous Government moved from a capital allowance for each future Budget, to a rolling multi-year capital allowance (MYCA) covering all four Budgets in the forecast period. The aim of the MYCA was to have more flexibility to move funding forward or back between Budgets, while staying within an envelope of funding. This was expected to support a longer-term view of capital investment.

However, the rolling forward of the MYCA's four-year funding envelope each year created the opportunity to make large annual increases to the MYCA and immediately commit them. In Budget 2023, for example, the previous Government topped up the MYCA by $17.6 billion and committed $17.4 billion in that Budget alone, leaving only $3.1 billion in the MYCA to cover new capital investments in the following three Budgets. This practice made the MYCA ineffective at supporting multi-year trade-offs and reduced the credibility of previously stated capital investment intentions.

The Government has decided to discontinue the MYCA framework. It will set capital allowances for each Budget in the forecast period, with flexibility to vary them in response to anticipated investment proposals, within the constraints provided by the fiscal strategy. Single-Budget capital allowances will be easier to understand and communicate.

2 Capital allowances are amounts allocated in the forecasts for net new capital investment (above and beyond capital investment funded from agencies' existing balance sheets and baselines).

Capital investment requirements can be large, uneven and sometimes unexpected. In some Budgets, the Government's new capital expenditure will be greater than the set capital allowance and in others it will be less. This flexibility makes the capital allowances a looser constraint than the operating allowances, and multi-year trade-offs can still be made. The capital allowance is an indication of future capital expenditure, but the ultimate financial constraint is the fiscal strategy, and particularly the Government's intention to reduce net debt as a percentage of GDP.

Capital expenditure is also constrained by the operating allowances, as capital projects typically have operating costs such as depreciation and maintenance.

As a transitional measure, in moving from the MYCA to single-Budget allowances, the Government has set the capital allowances for each of the next four Budgets at $3.625 billion, as this is the equivalent of topping up the existing MYCA by $7 billion (as anticipated in the FSR's fiscal projections) and dividing the total evenly over four Budgets. Compared to the 2024 Budget Economic and Fiscal Update (BEFU), this results in slightly higher capital allowances for Budgets 2025 to 2027.

Through the Budget 2025 capital initiatives process, more information about the capital needs and opportunities of government agencies will be provided to Ministers. The size of the capital allowances will therefore be reconsidered next year in the Budget.

The operating balance indicator

Over time, governments in New Zealand have used a variety of indicators to communicate their short-term operating balance intentions – the total Crown operating balance, OBERAC (operating balance excluding revaluations and accounting policy changes), OBEGAL excluding New Zealand Superannuation Fund retained revenue and, since December 2008, OBEGAL.

OBEGAL is a total Crown measure. It is the difference between the revenue and expenses (before gains and losses) of not just the core Crown,[3] but also Crown entities and State-owned enterprises, over which the Government exerts less direct control in the short-term. In recent years, Crown entity deficits have grown in prominence. In 2023/24, Crown entities collectively contributed $6 billion, or close to half, of the total OBEGAL deficit of $12.9 billion.

The FSR stated there would be a review of operating balance indicators. It identified that having Crown entity deficits in OBEGAL risks undesirable fiscal policy responses, as some entities, like the Accident Compensation Corporation (ACC), are set up to be self-funded and aim to be financially sustainable over the long run, even when running large deficits in particular years. Box 2 sets out the Government's decisions following this review.

3 A reporting segment consisting of the Crown, departments, Offices of Parliament, the NZ Super Fund and the Reserve Bank.

Box 2 – Review of operating indicators

The Government has decided that its key short-term fiscal intention for the operating balance will "look through" the results of ACC. Having ACC in the headline operating indicator gives too much weight to the point-in-time position of a self-sustaining, long-term insurance scheme, which should have no impact on tax and spending decisions elsewhere in government. ACC is a long-term scheme set up, for the most part, to be fully funded, supported by its current asset base of around $50 billion. The appropriate time frame for considering its financial sustainability is the long term, not the next four years. There are no risks to ACC's financial condition significant enough to affect its ability to pay claims over the short to medium term.

There are several reasons ACC can be running a deficit before gains and losses. First, a significant portion of ACC's investment revenue – which reduces the amount required from levies – is from changes in the value of its assets, and is therefore excluded from the OBEGAL measure. On this basis alone, it is likely that, on average, forecasts would show an ACC deficit before gains and losses each year. Second, if accounts are more than fully funded (as the Motor Vehicle and Work Accounts currently are), ACC's funding policy requires that levies be set lower than the cost of new claims, to reduce the accounts over time towards a 100 per cent funding ratio. Third, for a variety of reasons, levies may not be sufficient in a particular year to cover the cost of new claims. In this case, any concerns about financial sustainability can be addressed by improving long-term scheme performance or through future levy decisions.

These considerations have previously been relevant but were of less concern when ACC's results were modest compared to total OBEGAL. ACC's deficit is now significant, as well as volatile. Over the last three years, ACC's deficit before gains and losses rose from $1.0 billion in 2021/22 and $2.2 billion in 2022/23 to $4.1 billion in 2023/24. Its deficit is forecast to average around $4 billion per annum over the forecast period.

This prominence in OBEGAL creates incentives for undesirable, and unnecessary, short-term policy responses. Ministers approve ACC levies and should not be tempted to set levies at higher rates than justified by the scheme's funding policy, simply to improve OBEGAL. Similarly, Ministers should not contemplate raising taxes or reducing spending, either of which would have an enduring impact, to compensate for ACC deficits in pursuit of a short-term OBEGAL intention. In future, ACC may run a surplus and, following the same logic, this should not be a license to reduce taxes, ramp up government spending, or set levies at lower rates than are justified by the funding policy.

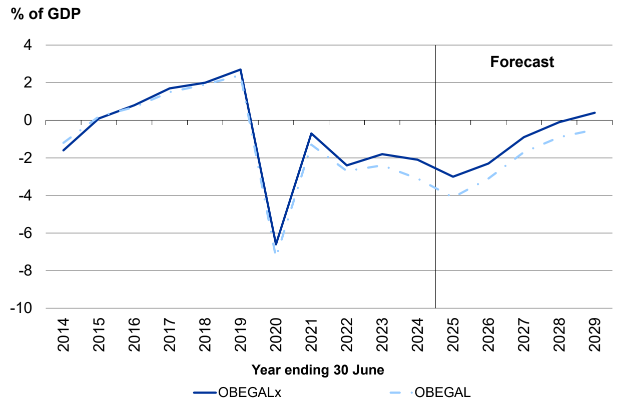
In setting its short-term fiscal intentions, the Government will therefore use a new measure of OBEGAL excluding ACC revenue and expenses – "OBEGALx". The review found that no other government entities could at present be considered self-funding in the same way as ACC.

The change described in Box 2 does not diminish the Government's focus on ACC. That focus will be on ACC's long-term performance and future levy track, not on its impact on OBEGAL in any particular year.

Government funding for the Non-Earners' and Treatment Injury Accounts will be captured in OBEGALx as this funding is included in core Crown expenses.

The Treasury will continue to report OBEGAL (that is, including ACC) in its economic and fiscal updates.

***Figure 4** – OBEGALx and OBEGAL*



Source: The Treasury

Outturns and forecasts for OBEGAL and OBEGALx are shown in Figure 4, which illustrates the growing prominence of ACC in recent years.

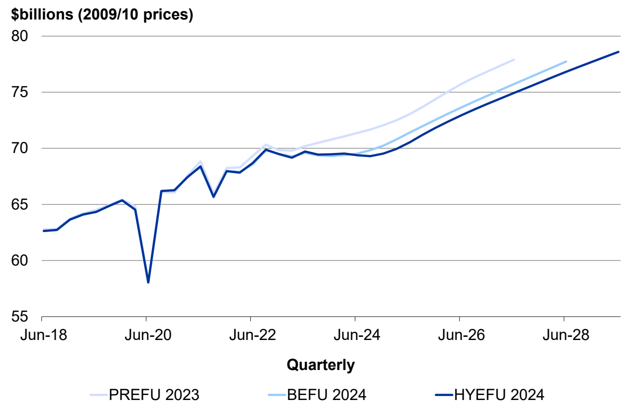
Economic outlook

The New Zealand economy is emerging from a protracted recession. Tight monetary policy was implemented to bring down inflation that peaked at 7.3 per cent in 2022. High interest rates constrained demand and, as a result, economic growth has been low, or negative, in successive quarters. Since the September quarter of 2022, per capita GDP has fallen 4.6 per cent, making the current downturn a deeper per-capita recession than the global financial crisis.

A turning point has been reached. Annual Inflation is back in the target band, and close to the 2 per cent midpoint. The Reserve Bank has begun reducing interest rates, with the Official Cash Rate down 125 basis points since August. As interest rates fall, household spending and business activity is expected to lift. The HYEFU forecasts show an economic recovery, with growth strengthening over the next year and beyond, and unemployment declining from mid-2025.

The Treasury's forecasts have long anticipated this recovery. However, the outlook – while remaining positive – has typically become weaker with each new set of forecasts. Figure 5 shows recent changes in real GDP forecasts.

***Figure 5** – Real GDP forecast changes*



Sources: Stats NZ, the Treasury

There are two key reasons economic forecasts have deteriorated, and these are independent of government policy. One is a better understanding of the present downturn, which started earlier, was deeper, and has persisted for longer, than was previously understood or expected. The other is the Treasury's evolving assessment of productivity trends.

With the benefit of hindsight, earlier economic forecasts attributed too much weight to an apparent pickup in productivity during the COVID-19 pandemic, which did not persist. Earlier forecasts were too optimistic about future economic growth, and that optimism has been unwound over successive updates, including the HYEFU.

The economic outlook is therefore weaker than in the BEFU. Across the four years to June 2028, forecasts of nominal GDP are a cumulative $20 billion (just over 1 per cent) lower than in the BEFU (Table 1). Nominal GDP is the single biggest driver of tax revenue. Weaker GDP forecasts contribute to tax revenue being cumulatively around $13 billion lower over the period to June 2028, compared to the BEFU. Tax revenue forecasts flow through to the fiscal outlook, as tax revenue is by far the Government's largest source of revenue.

***Table 1** – Changes in nominal GDP and core Crown tax revenue forecasts*

Year ending 30 June $billions	2025	2026	2027	2028	2029
Nominal GDP					
HYEFU 2024	427.3	450.4	473.2	495.4	517.7
BEFU 2024	430.6	454.5	478.5	502.5	
Change	-3.3	-4.1	-5.3	-7.1	
Tax revenue					
HYEFU 2024	120.6	128.3	136.7	144.1	151.2
BEFU 2024	122.9	131.4	140.2	148.2	
Change	-2.3	-3.1	-3.5	-4.1	

Source: The Treasury

Growth strategy

The economic forecasts describe a cyclical upturn, but the Government's ambitions extend beyond that. It is taking a range of actions in five interrelated areas to drive productivity growth. Many of these changes will have an impact in the medium term rather than straight away. But it is important to work now to create conditions for future growth.

First, the Government recognises that a skilled workforce is the foundation of a productive economy. The Government is focused on delivering a knowledge-rich curriculum, making better use of assessment, improving teacher training, raising attendance, strengthening learning support, and ensuring the education system is informed by strong data and evidence. Parents will also have greater choice over their children's education with new charter schools opening from 2025.

Second, the Government is working to improve complex regulatory systems such as resource management. The new Ministry for Regulation is undertaking targeted reviews of existing regulations and promoting effective stewardship of regulatory systems to ensure they are fit-for-purpose. Good regulation should improve competition, which boosts productivity, and the Government is aiming to develop "best in class" competition policy.

Third, innovation – both home-grown and from offshore – is critical to improving productivity. The Government is creating regulatory certainty to encourage investment in developing areas like gene technology. Work is also underway to ensure effective collaboration across public and private participants in the science system, ensuring a strong focus on research with commercial value.

Fourth, having strong and resilient international connections supports the flow of goods, services, capital and ideas between countries. The Government is working to expand access to new markets and remove trade barriers, and has recently concluded free trade agreements with the United Arab Emirates and Gulf Cooperation Council. Work is also underway to liberalise foreign direct investment settings to remove unnecessary barriers to the inward flow of capital.

Finally, investment in quality infrastructure supports productivity and provides essential services. The Government is developing innovative approaches to support greater investment in infrastructure, including value capture tools and partnering with the private sector. It is taking action to end New Zealand's housing crisis through its Going for Housing Growth policy, which involves a comprehensive programme to free up land for development inside and at the edge of cities, remove unnecessary planning barriers, and improve the way infrastructure is funded and financed.

Fiscal outlook

The HYEFU fiscal forecasts are summarised in Table 2. These show core Crown expenses declining as a percentage of GDP over the forecast period, reaching 31.5 per cent by 2028/29. Tight operating allowances contribute significantly to this decline. The operating balance also improves over the forecast period, under both the OBEGALx and OBEGAL measures. A small OBEGALx deficit of $304 million is forecast in 2027/28, followed by a $1.9 billion surplus in 2028/29. OBEGAL does not return to surplus in the forecast period, showing a small deficit in 2028/29.

Table 2 *– Key fiscal indicators from the HYEFU*

Year ending 30 June	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
$billions						
Core Crown tax revenue	120.6	120.6	128.3	136.7	144.1	151.2
Core Crown revenue	133.2	134.0	140.8	149.6	157.6	165.0
Core Crown expenses	139.0	144.6	149.8	152.6	157.7	162.9
OBEGALx	(8.8)	(12.9)	(10.5)	(4.4)	(0.3)	1.9
OBEGAL	(12.9)	(17.3)	(14.1)	(8.2)	(4.3)	(2.4)
Net core Crown debt	175.5	192.8	202.9	220.0	228.6	234.1
Net worth	191.0	177.5	169.5	168.1	171.0	176.2

Year ending 30 June	2024 Actual	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
% of GDP						
Core Crown tax revenue	29.2	28.2	28.5	28.9	29.1	29.2
Core Crown revenue	32.2	31.4	31.3	31.6	31.8	31.9
Core Crown expenses	33.6	33.9	33.3	32.2	31.8	31.5
OBEGALx	(2.1)	(3.0)	(2.3)	(0.9)	(0.1)	0.4
OBEGAL	(3.1)	(4.1)	(3.1)	(1.7)	(0.9)	(0.5)
Net core Crown debt	42.4	45.1	45.1	46.5	46.1	45.2
Net worth	46.2	41.5	37.6	35.5	34.5	34.0

Source: The Treasury

The recovery in the fiscal outlook shown in Table 2 is slower than that presented in the BEFU. This slower forecast recovery is almost entirely driven by revisions to revenue and expense forecasts, rather than discretionary fiscal decisions.

This is illustrated in Table 3, which details the changes in the OBEGALx forecast track between the BEFU and the HYEFU. Relatively few fiscal decisions have been made since Budget 2024, outside those managed within existing allowances and contingencies.
The most significant discretionary decision the Government has taken since the Budget with new (i.e. previously unaccounted for) fiscal implications is to increase future capital allowances, as discussed above. This contributes to, although is only one of the factors behind, the “net finance costs” line in Table 3. “Expense phasing changes” reflect expenses previously forecast to be incurred in 2023/24 being rolled forward, and the City Rail Link asset allocation between Auckland Council and the Crown being reforecast from 2024/25 into 2025/26.

Table 3 *– Changes in fiscal forecasts between the BEFU and the HYEFU 2024*

Year ending 30 June $billions	2025	2026	2027	2028
OBEGALx – 2024 *BEFU*	**(9.6)**	**(5.1)**	**0.2**	**4.7**
Core Crown tax revenue	(2.3)	(3.1)	(3.5)	(4.1)
Core Crown benefit expenses	(0.1)	(0.2)	(0.1)	0.2
Net finance costs	0.3	(0.4)	(0.6)	(0.9)
Expense phasing changes	(0.1)	(1.2)	(0.2)	(0.2)
Education forecasting and depreciation expenses	(0.3)	(0.4)	(0.3)	(0.4)
Health NZ results	(1.1)	(0.2)	-	-
Other	0.3	0.1	0.1	0.4
Total movement	**(3.3)**	**(5.4)**	**(4.6)**	**(5.0)**
OBEGALx – 2024 *HYEFU*	**(12.9)**	**(10.5)**	**(4.4)**	**(0.3)**

Source: The Treasury

In the HYEFU forecasts, the track for net core Crown debt as a percentage of GDP follows a similar pattern to the BEFU, increasing slightly before beginning to reduce after 2026/27. Net core Crown debt is expected to peak at 46.5 per cent of GDP in 2026/27 (Table 2), around 3 percentage points higher than expected at the BEFU, and thereafter decline to 45.2 per cent of GDP at the end of the forecast period. The higher track for net core Crown debt as a percentage of GDP, compared to the BEFU, reflects both a nominal increase in debt from additional funding requirements and a forecast smaller economy.

Short-term intentions and long-term objectives

Given the downward revisions to the fiscal outlook – particularly to the operating balance track – the Government had a choice to either:

- reduce future operating allowances below $2.4 billion to improve the fiscal forecasts, or
- stick to existing operating allowances and accept some impact on the short-term intentions.

The Government has chosen the latter. As stated in the FSR, the Government has a deliberate, medium-term approach to fiscal consolidation and will not over-react to movements up or down in the forecasts. The alternative approach – a more severe, short-term consolidation, driven off very low allowances – comes with risks: that spending reductions, over and above those being considered for Budget 2025, could impact front-line public services; or that significant revenue increases could constrain growth, especially as the economy comes out of recession. Nonetheless, the Government will continue to look at its options during the lead-up to Budget 2025 and consider whether updated forecasts next year warrant any further action.

As discussed above, the Government has decided to express a new short-term operating balance intention in terms of OBEGALx (that is, excluding ACC). Had it done so before Budget 2024, the BEFU forecasts would have shown a $166 million OBEGALx surplus in 2026/27. Given the changes in fiscal forecasts set out in Table 3 above, it is unlikely a 2026/27 OBEGALx surplus can be met. The intended date for returning to an OBEGALx surplus has therefore been set at 2027/28. This is effectively a one-year delay in returning to surplus, considering the change in indicator from OBEGAL to OBEGALx.

This one-year delay in returning to surplus is consistent with the statement in the FSR that a significant decline in forecast revenue due to factors outside the direct control of the Government, could lead to amending the short-term intentions.

The Government's new short-term intention for OBEGALx is also accompanied by a short-term intention for the balance between total operating expenses and total operating revenues, as required by the PFA.

The full set of short-term fiscal intentions is set out in Table 4.

Table 4 – *The Government's short-term fiscal intentions for the next four financial years*

	Budget Policy Statement 2025	Fiscal Strategy Report 2024
Debt	Maintain total debt at prudent levels. Put net core Crown debt as a percentage of GDP on a downward trajectory towards 40 per cent.	Maintain total debt at prudent levels. Put net core Crown debt as a percentage of GDP on a downward trajectory towards 40 per cent.
Operating balance	Bring total operating expenses and total operating revenues into balance. Return the operating balance (before gains and losses, excluding ACC) to surplus by 2027/28. Ensure consistency with the short-term intention for debt.	Return the operating balance (before gains and losses) to surplus by 2027/28. Ensure consistency with the short-term intention for debt.
Expenses	Reduce core Crown expenses as a percentage of GDP. Ensure expenses are consistent with the operating balance intention.	Reduce core Crown expenses as a percentage of GDP. Ensure expenses are consistent with the operating balance intention.
Revenue	Ensure revenue is consistent with the operating balance intention.	Ensure revenue is consistent with the operating balance intention.
Net worth	Maintain net worth at around 40 per cent of GDP.	Maintain net worth at around 40 per cent of GDP.

Consistent with the FSR, the following circumstances could lead the Government to consider amending the short-term intentions:

- a significant decline in forecast revenue due to factors outside of the direct control of the Government
- a significant economic shock, arising for example from a natural disaster, that necessitates an increase in spending, or
- a material likelihood of constraints on the ability of monetary policy to stabilise the economy.

The Government's long-term fiscal objectives are unchanged from those in the FSR (Table 5).

Table 5 – *The Government's long-term fiscal objectives for the next 15 financial years*

Debt	Maintain total debt at prudent levels. Once net core Crown debt is below 40 per cent of GDP, maintain it within a range of 20 per cent to 40 per cent of GDP, subject to economic shocks.
Operating balance	Maintain operating surpluses sufficient to ensure consistency with the debt objective. This will ensure that, on average, over a reasonable period of time, operating expenses are funded from operating revenues and not from debt.
Expenses	Control growth in government spending so that, over time, core Crown expenses reduce towards 30 per cent of GDP.
Revenue	Ensure the level of operating revenues is consistent with the operating balance objective and supports long-term productive economic growth.
Net worth	Ensure net worth remains at a level sufficient to act as a buffer to economic shocks.

The amended operating balance short-term intentions in Table 4 accord with the principles of responsible fiscal management in the PFA. For example, because they target a return to surplus, the new intentions accord with the principle to ensure that, on average, over a reasonable period of time, total operating expenses do not exceed total operating revenues and therefore maintain debt at prudent levels. The amended short-term intentions accord with the Government's long-term objectives in Table 5 because they are targeting a return to surplus which will, in turn, support the debt and net worth objectives.

Budget 2025 accords with the short-term intentions outlined in Table 4, as maintaining tight operating allowances supports returning the operating position to surplus, reducing core Crown expenses as a percentage of GDP, and putting net core Crown debt on a downward trajectory.