



**BUDGET
2025**

Child Poverty Report

**Hon Nicola Willis
Minister of Finance**

22 May 2025

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Te Kāwanatanga o Aotearoa
New Zealand Government



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Permanent URL: treasury.govt.nz/publications/child-poverty-report/child-poverty-report-2025

Budget 2025 website URL: budget.govt.nz/budget/2025/child-poverty-report

Child Poverty Report 2025

Te Pōharatanga Tamariki

Introduction

Under section 15EA of the Public Finance Act 1989, the Minister of Finance is required to present to the House on Budget Day a report on child poverty that:

- discusses any progress made, in the most recent completed financial year, in reducing child poverty consistent with the targets under the Child Poverty Reduction Act 2018, and
- indicates whether and, if so, to what extent, measures in or related to the Budget will affect child poverty.

How child poverty is measured

The Child Poverty Reduction Act 2018 specifies three primary measures of child poverty for which governments must set long-term (ten-year) and intermediate (three-year) targets.¹ These three primary measures are material hardship, the after-housing-costs (fixed-line) measure and the before-housing-costs (moving-line) measure. Targets for each measure, as set by successive governments, are as follows.

Primary measure	This measures child poverty by looking at...	Second intermediate targets (2023/24)	Third intermediate targets (2026/27)	Ten-year targets (2027/28)
Material hardship	...the proportion of children living in households lacking six or more items on the material hardship index	9.0%	11.0%	6.0%
The after-housing-costs fixed-line measure (AHC50)	...the proportion of children living in households with incomes that are less than half the median income in 2017/18, after paying for housing costs (e.g. rent) and adjusting for inflation	15.0%	14.0%	10.0%
The before-housing-costs moving-line measure (BHC50)	...the proportion of children living in households with incomes before housing costs that are less than half the median income for the financial year	10.0%	12.0%	5.0%

¹ More information on each of the measures and targets can be found at www.msd.govt.nz/about-msd-and-our-work/child-wellbeing-and-poverty-reduction/child-poverty-reduction-measures-targets.html. A fourth primary measure, persistent poverty, is required from 2025/26 onwards.

Progress in the last financial year

Child poverty statistics for the most recently completed financial year, 2023/24, were released by the Government Statistician in February 2025.² The statistics are calculated from survey data and are therefore subject to uncertainty. This uncertainty is important when looking at year-on-year changes. None of the reported increases in child poverty rates between 2022/23 and 2023/24, as set out below, are statistically significant.

Primary measure	2017/18	2022/23	2023/24	Change between 2022/23 and 2023/24
Material hardship	13.3%	12.5%	13.4%	0.9 percentage point increase*
AHC50	22.8%	17.7%	17.7%	no change
BHC50	16.5%	12.2%	12.7%	0.5 percentage point increase*

*not statistically significant

The intermediate targets for 2023/24 were not met, reflecting – at least in part – the impact of high inflation at that time on the cost of living.

The Government’s approach to child poverty

The Government’s focus is on changing the circumstances that trap people in poverty, by providing them with opportunities to make changes and choices. It therefore aims to address the long-term drivers of child poverty to achieve reductions in poverty rates. Reducing child material hardship is a particular focus and is a priority in the Government’s Child and Youth Strategy.

A key driver of child poverty is living in a benefit-dependent home. The Government is committed to supporting parents who are receiving a benefit into work, including as part of the target to reduce the number of Jobseeker Support recipients by 50,000 over the next six years. An important element of this is making work pay. Budget 2024 introduced FamilyBoost and a significant increase in the in-work tax credit. Budget 2025 increases the income threshold at which the family tax credit and in-work tax credit start abating, meaning low- to middle-income working families get more financial support each fortnight. The Government will continue to focus on factors in childhood that increase the risk of long-term disadvantage, including school attendance and achievement, avoidable hospitalisations, and housing affordability.

The principles of social investment – intervening earlier and more effectively – will guide decisions on where to invest and what to do differently to improve outcomes for New Zealand’s children and young people.

A stronger economy helps facilitate all these measures – both directly, by providing more opportunities and higher incomes, and indirectly, through the Government’s ability to fund high-quality public services and programmes.

² More information on the child poverty statistics for the year ended June 2024 can be found on the Stats NZ website: www.stats.govt.nz/information-releases/child-poverty-statistics-year-ended-june-2024/.

Budget 2025 initiatives

Through Budget 2025, the Government is investing in initiatives that support families and whānau with children in poverty. The measures outlined below will have an impact on the incomes of eligible households and can be modelled for their effect on child poverty measures.

- Working for Families will be better targeted to low- and middle-income families with children. The family income threshold for Working for Families will be raised to \$44,900 a year and the abatement rate will increase slightly to 27.5 per cent. Almost all families who receive Working for Families, and have incomes above the old threshold of \$42,700, will receive more financial support each fortnight from the family tax credit and/or the in-work tax credit. The cost of these changes will be met by income testing the first year of Best Start in the same way the second and third years are currently tested, with payments reducing for families with annual income over \$79,000.
- Outdated Accommodation Supplement boundaries will be adjusted in fast-growing parts of the country, to give around 4,000 people increased payments that better reflect their housing costs. At the same time, the minimum amount homeowners (excluding those receiving New Zealand Superannuation, a Veteran's Pension or a Supported Living Payment) must pay towards their weekly housing costs, before receiving Accommodation Supplement, is being increased, to acknowledge the different circumstances of those who own their homes and those who rent.

Other Budget 2025 initiatives that could impact on child poverty or wellbeing, but are unable to be modelled, include:

- reducing family medical costs and ensuring better access to long-term medications, by increasing the prescribing duration limit from three months to twelve months
- improving early intervention support and resources for children with additional learning needs
- extending funding for community providers to source and distribute food through food hubs and foodbanks, and extending funding for KidsCan and KickStart Breakfast
- establishing the Social Investment Fund to purchase better outcomes for vulnerable New Zealanders, using strong data and evidence
- funding initiatives that will support parents to meet their children's learning and development needs in their first 2,000 days, and
- reprioritising funding to deliver additional social housing places and affordable rentals, including additional affordable homes for whānau Māori, over the next four years.

Child poverty forecasts

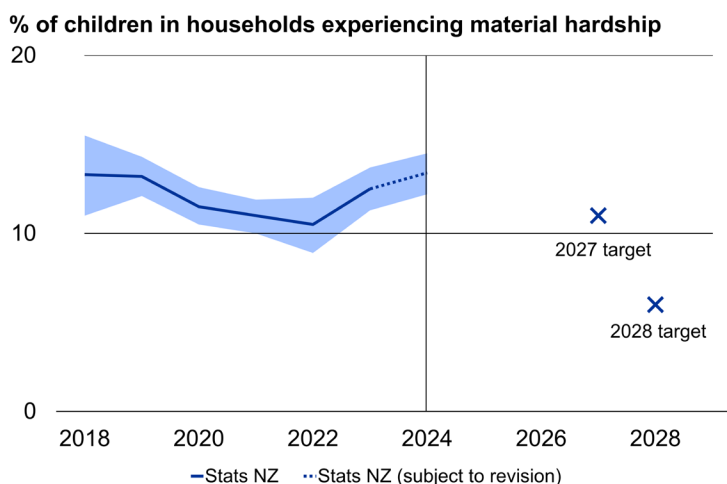
The Treasury forecasts future levels of child poverty on the AHC50 and BHC50 measures, based on economic forecasts and changes in key income-support measures. This modelling involves considerable uncertainty, so future child poverty rates are expressed as a range. The Treasury's model is unable to forecast material hardship.

The latest forecasts and historical figures are shown below. Tax and transfer measures in Budget 2025 are expected to have a very slightly positive impact on child poverty rates in 2026/27 and 2027/28, on both the AHC50 and BHC50 measures, and a very slightly negative impact in 2028/29 on the AHC50 measure only, although none of these differences are statistically significant.

Material hardship

How many households do not have access to the essential items for living?

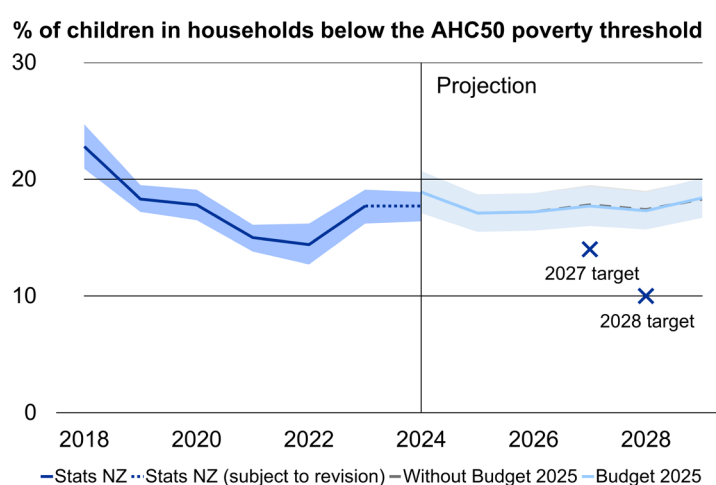
The Treasury's model cannot estimate material hardship.



After-housing-costs, fixed-line measure (AHC50³)

How many households have very low incomes relative to previous years, after considering housing costs and increases to the cost of living?

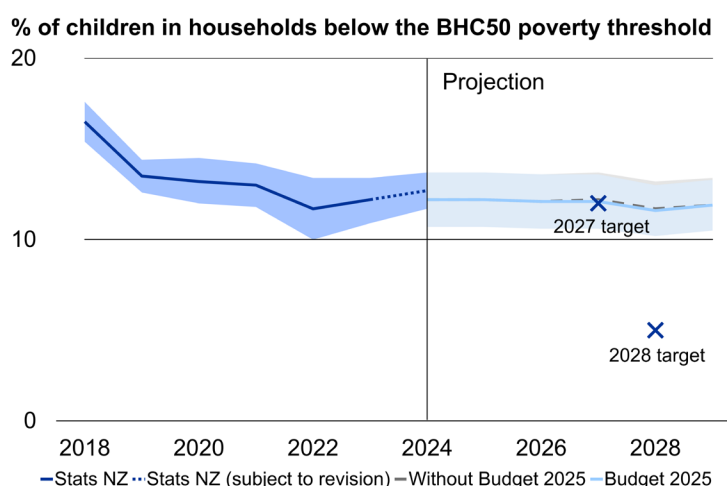
2029
Projection 18.4 per cent
Margin of error ± 1.7
 (percentage points)



Before-housing-costs, moving-line measure (BHC50³)

How many households have much lower incomes than middle-income households?

2029
Projection 11.9 per cent
Margin of error ± 1.4
 (percentage points)



³ There is a discontinuity between Treasury modelling and Stats NZ's most recently reported child poverty statistics for 2024, because the 2024 statistics need to be revised next year to include updated Working for Families data, in line with standard practice.