TE TAI ŌHANGA
THE TREASURY

Half Year Economic and Fiscal Update 2025

16 December 2025

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An introduction to the *Half Year Economic and Fiscal Update*

As the government's lead economic and financial adviser, the Public Finance Act 1989 requires the Treasury to produce a range of stewardship documents:

- Some as part of an annual cycle: twice-yearly Economic and Fiscal Updates, and monthly and annual Financial Statements of the Government.
- Some are every three or four years: Pre-election Economic and Fiscal Update, Long-term Fiscal Statement, Investment Statement, Wellbeing Report, as well as the Long-term Insights Briefing required by the Public Service Act 2020.

The *Half Year Economic and Fiscal Update* is part of the annual cycle of stewardship documents. This update primarily outlines what the Treasury observes in our current economic climate and what we might see in the future. Our observations of the economy, alongside the Government's fiscal policy decisions are used to inform our view on the Government's financial performance and financial position over the current year and next four years (our forecast period). We also consider the risks we may face that could alter the economic and fiscal outlook over the forecast period.

This gives an indication of what the economy and the Government's fiscal outlook is most likely to do for accountability purposes and inform decision-making.

Internet

The URL for this document on the Treasury's website at December 2025 is
https://treasury.govt.nz/publications/efu/half-year-economic-and-fiscal-update-2025

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Statement of Responsibility

I, the Secretary to the Treasury, confirm that the Treasury has supplied the Minister of Finance with this *Half Year Economic and Fiscal Update* that:

- incorporates the fiscal and economic implications of:
  - all policy decisions with material economic or fiscal implications made by the Government before 25 November 2025, and which have been communicated to me by the Minister of Finance, and
  - all other circumstances with material economic or fiscal implications of which the Minister of Finance was aware before 25 November 2025 and which have been communicated to me by the Minister of Finance
- does not incorporate any decisions, circumstances, or statements that the Minister of Finance has determined under section 26V of the Public Finance Act 1989 should not be incorporated in this *Half Year Economic and Fiscal Update*.

The Treasury has prepared this *Half Year Economic and Fiscal Update* using its best professional judgements and on the basis of the economic and fiscal information available to it before 25 November 2025.

Iain Rennie CNZM
Secretary to the Treasury

9 December 2025

I, the Minister of Finance have communicated to the Secretary to the Treasury:

- all policy decisions with material economic or fiscal implications made by the Government before 25 November 2025, and

- all other circumstances with material economic or fiscal implications of which I was aware before 25 November 2025.

I accepted responsibility for:

- the integrity of the disclosures contained in this *Half Year Economic and Fiscal Update*

- the consistency of the information in this *Half Year Economic and Fiscal Update* with the requirements of Part 2 of the Public Finance Act 1989, and

- the omission from this *Half Year Economic and Fiscal Update* of any decision, circumstance or statement under section 26V of the Public Finance Act 1989.

Hon Nicola Willis
Minister of Finance

9 December 2025

Executive Summary

The economy has been slow to recover from a deep cyclical downturn…

Economic activity has been supressed by a period of high interest rates required to bring inflation back within the Reserve Bank's 1-3% per annum target band. Uncertainty around global trade policy has exacerbated the lasting impact of high interest rates and has dampened consumer spending, business profitability and investment activity.

Economic activity was flat overall in the first half of 2025 and indicators suggest conditions remained subdued over the September quarter. Consumer spending is growing but continued weakness in investment and, more recently, exports of services has delayed the recovery. The South Island and the rural economy have been relatively strong, driven by favourable conditions for primary production and export prices, but confidence and activity have been weaker in urban areas, including Auckland and Wellington.

In the labour market, sluggish demand has led to higher unemployment and slower wage growth. The unemployment rate is expected to peak at 5.5% in the December 2025 and March 2026 quarters. Net migration has been weak at just over 10,000 people in 2024/25, which is roughly one-quarter of the Treasury's medium-term forecast assumption of 40,000 people per annum.

…but the emerging economic recovery is set to gather momentum

With medium-term inflationary pressures contained, monetary policy stimulus is expected to underpin a cyclical recovery – initially over the second half of 2025 and then more strongly in 2026. Economic data have been volatile, but improved consumer spending gives some confidence that the recovery is underway, with increased business and residential investment expected to follow. Real GDP is expected to increase by 1.7% in 2025/26, rising to 3.4% in 2026/27, and returning to around 2.5% for the remainder of the forecast period.

Despite weak trading partner growth, strong demand for New Zealand's agricultural exports, along with easing tradables inflation, are forecast to improve business profitability and household spending. Residential investment is forecast to gain momentum, supported by lower interest rates, rising house prices and higher net migration. This is expected to support broad-based and sustained economic growth over the forecast period.

The labour market is showing signs that it is approaching a turning point. Recent falls in employment and hours worked have now stabilised and are expected to increase in the coming quarters. Unemployment is forecast to fall across the forecast period toward 4.3%.

A widening fiscal deficit is expected in 2025/26, driven in part by the weak economy…

The Financial Statements of the Government for 2024/25 came in stronger than forecast at the *Budget Economic and Fiscal Update 2025* (*Budget Update*). However, most of the drivers of the improvement were temporary.

The operating balance before gains and losses excluding ACC (OBEGALx) is forecast to deteriorate to a deficit of $13.9 billion in 2025/26. As a share of GDP, it falls from -2.1% in 2024/25 to -3.0% in 2025/26. This will be the largest OBEGALx deficit as a share of GDP since the 2019/20 year.

Core Crown tax revenue is forecast to decline as a share of GDP, from 27.9% in 2024/25 to 27.3% in 2025/26. We estimate around half of this decline is a result of the economic cycle and roughly one half is due to policy changes, in particular the impact of Investment Boost. Conversely, core Crown expenses are forecast to rise slightly, from 32.5% to 32.8% of GDP, due to a range of cyclical, structural and one-off factors. These include higher unemployment benefits, increased superannuation payments, Budget decisions, the rephasing of expenditure and one-off impairments.

Our estimate of the cyclically adjusted OBEGALx in 2025/26 is -1.9% of GDP. This is the part of the deficit that will not resolve as the economy recovers. It suggests that only approximately one-third of the OBEGALx deficit will close as a direct result of the economic recovery. Correcting the other two-thirds is primarily delivered by actions to limit expenditure growth and improve Crown entity performance.

…and OBEGALx is forecast to return to surplus in 2029/30…

We forecast OBEGALx to return to surplus in 2029/30 as a result of a rise in core Crown tax revenue as a share of GDP, a reduction in core Crown expenses as a share of GDP and improved Crown entity performance over the forecast period.

- Core Crown tax revenue is forecast to rise as a share of GDP, from 27.3% in 2025/26 to 28.4% in 2029/30. This is largely driven by an improvement in the economy and the effect of wage growth moving people into higher tax bands.

- Core Crown expenses are forecast to fall as a share of GDP, from 32.8% in 2025/26 to 30.5% in 2029/30. This is largely driven by the Government's $2.4 billion operating allowances for new net expenditure per Budget. These allowances constrain the rate of expenditure growth below nominal GDP growth.

- The aggregate OBEGAL deficits of Crown entities (excluding ACC) are forecast to improve from a deficit of 0.9% of GDP in 2025/26 to a surplus of 0.1% of GDP, largely due to improvements in Kāinga Ora and Health New Zealand.

In 2018/19, the last full fiscal year before COVID-19, core Crown expenses were 28.0% of GDP. In 2029/30 core Crown expenses are forecast to be 30.5% of GDP, an increase of 2.5% of GDP since 2018/19. Over this period, finance costs and superannuation will have risen by 2.2% of GDP. This means that, in aggregate, in 2029/30, all other core Crown expenditure will have almost returned to the pre-COVID-19 level as a share of GDP.

…with larger deficits driving an increase in net core Crown debt to GDP and a decline in net worth to GDP

Net core Crown debt is forecast to increase as a share of GDP until it reaches 46.9% in 2027/28, due to additional borrowings to finance operating deficits and investments. It is then forecast to decline by the end of the forecast period. This forecast assumes capital allowances for new investments of $3.5 billion per Budget. As set out in the *Investment Statement 2025*, managing new investment within these allowances will require effective management of the Crown balance sheet.

Operating balance deficits are the main drivers of the deterioration in net worth attributable to the Crown, which is forecast to decline from 41.1% of GDP in 2024/25 to 32.2% of GDP in 2029/30. Once the operating balance returns to surplus, net worth attributable to the Crown as a share of GDP is forecast to stabilise.

Compared with the Budget Update, the economic recovery has been delayed, and there is a small deterioration in the fiscal forecasts

Compared with the *Budget Update*, in the near term, the economic cycle is deeper, there is greater spare capacity, and the forecast economic recovery is delayed. Real GDP growth in 2025/26 is weaker, before a stronger rebound is forecast in 2026/27. Despite this rebound, real GDP does not return to the levels previously forecast at the *Budget Update*. This reflects a decline in potential GDP resulting from lower forecasts of population, labour participation and hours worked per person.

The forecast for nominal GDP has not deteriorated by as much as it has for real GDP, due to recent higher-than-expected inflation and terms of trade. Nominal GDP is slightly weaker than at the *Budget Update* in 2025/26, but higher than previously forecast from 2026/27 onwards.

Initially, lower real economic activity reduces tax revenue, increases the number of benefit recipients, and is one of the drivers of a reduction in State-owned enterprise and Crown entity returns. By 2026/27, higher prices offset the reduction in real activity and lift nominal GDP higher than forecast at the *Budget Update*. This increases tax revenue, which is roughly back to the same level as at the *Budget Update* in the second half of the forecast period.

Higher prices support the recovery in tax revenue, but they also push up expenses, in particular benefit expenses. Benefit expenses are higher than previously forecast by over $1.0 billion per annum from 2026/27 onwards. This is due to increased costs from indexation as well as upward revisions in recipient numbers for a range of benefits, including New Zealand Superannuation. By the end of the forecast period, increased benefit expenses are the main driver of the deterioration in OBEGALx.

Other changes have adversely impacted OBEGALx over the forecast period, including changes to Emissions Trading Scheme revenue, New Zealand Superannuation Fund revenue, and to the timing of expenses.

Overall, this is a relatively small deterioration compared with previous forecast changes. However, the small OBEGALx surplus in 2028/29 forecast in the *Budget Update* has become a small deficit, and the return to OBEGALx surplus is now forecast in 2029/30. The peak in net core Crown debt is 0.9% of GDP higher than forecast in the *Budget Update*.

Compared to the *Budget Update,* the New Zealand Government Bond programme has increased by NZ$3.0 billion over the forecast period to fund the cash impact related to the weaker OBEGALx, partially offset by reduced financial asset holdings.

Risks to the forecasts are evenly balanced

Economic and fiscal forecasts are subject to high degrees of uncertainty. Analysis of historic forecast errors suggests a 50% chance that the operating balance before gains and losses (OBEGAL) will be more than $7.7 billion higher or lower than we forecast in 2029/30. We anticipate similar levels of uncertainty for OBEGALx.

At the *Budget Update*, we considered the risks to be skewed towards weaker outcomes. Our current view is that risks are evenly balanced. In particular, the negative impact of global trade policies on New Zealand appears more limited than it could have been. The Risks to the Forecasts chapter illustrates the scale of this uncertainty, including economic scenarios to show the impact of either a stronger or weaker economic cycle and productivity growth.

Table 1 – Key economic and fiscal indicators

Years ending 30 June	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Real production GDP (annual average % change)	(1.1)	1.7	3.4	2.6	2.5	2.5
Unemployment rate (June quarter)	5.2	5.3	4.8	4.6	4.5	4.3
CPI inflation (annual % change)	2.7	2.4	2.2	2.1	2.0	2.0
Current account balance (annual, % of GDP)	(3.7)	(2.8)	(2.8)	(2.7)	(2.6)	(2.6)
OBEGALx ($billions)	(9.3)	(13.9)	(10.4)	(5.1)	(0.9)	2.3
% of GDP	(2.1)	(3.0)	(2.2)	(1.0)	(0.2)	0.4
Net core Crown debt ($billions)	182.2	197.0	220.6	235.7	246.8	253.9
% of GDP	41.8	43.3	46.0	46.9	46.9	46.1
Net worth attributable to the Crown ($billions)	179.3	172.7	166.0	165.2	169.4	177.3
% of GDP	41.1	38.0	34.7	32.9	32.2	32.2

Sources: Stats NZ, the Treasury

Finalisation dates for the *Half Year Economic and Fiscal Update*

Economic forecasts – 28 October 2025

Tax revenue forecasts – 6 November 2025

Fiscal forecasts – 25 November 2025

Statement of specific fiscal risks – 25 November 2025

Text finalised – 9 December 2025

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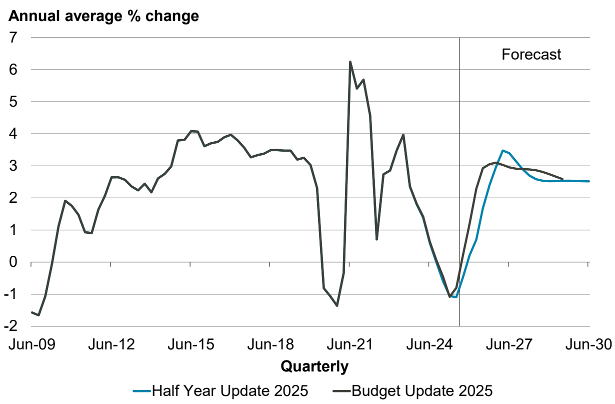
Economic Outlook

The economy is emerging from a deep cyclical downturn…

June quarter GDP confirmed that the economy was flat overall in the first half of 2025. Domestic demand remains subdued following a monetary policy-induced slowdown to curb multi-decade high inflation. Following the volatility of the past few quarters, real GDP growth is expected to have resumed from the September 2025 quarter, with growth expected to accelerate into 2026.

Economic activity has been uneven across different regions and industries. In general, rural-facing regions and industries have performed more strongly, reflecting favourable conditions for primary production and high export prices. Confidence has been more downbeat in urban areas including Auckland and Wellington.

Figure 1.1 – Real production GDP growth



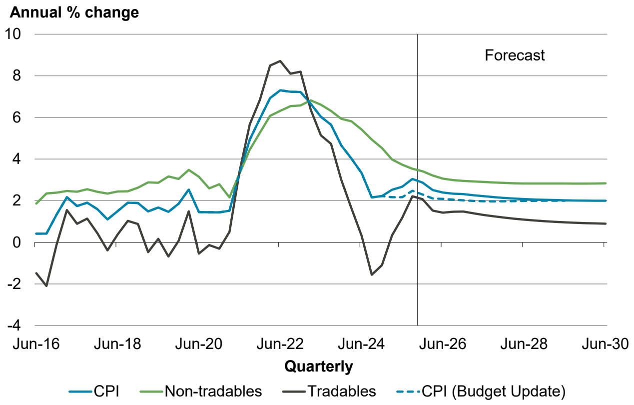
Sources: Stats NZ, the Treasury

The recovery in economic activity is initially more gradual than forecast in the *Budget Economic and Fiscal Update 2025 (Budget Update),* reflecting the sharp loss of momentum in the June quarter (Figure 1.1). Household consumption increased but investment remained weak. A fall in export volumes contributed to most of the unexpected weakness in the June quarter, although outturns have been volatile. While goods exports are forecast to recover over the second half of 2025, growth in services exports are expected to remain slow as tourist arrival numbers have largely plateaued over 2025.

Contained inflation allows for stimulatory monetary policy

Annual consumers price index (CPI) inflation increased to 3.0% in the September 2025 quarter, due in large part to elevated food prices and council property rates. However, the rate of increase in prices of discretionary goods and services continues to fall, consistent with weak domestic demand and spare capacity in the economy. Overall inflation is expected to be slightly more persistent than forecast in the *Budget Update*, but eases towards the target midpoint of 2% throughout 2026 (Figure 1.2).

Figure 1.2 – CPI inflation



Sources: Stats NZ, the Treasury

Tradable inflation remains elevated in part due to food items affected by recent strength in export commodity prices such as dairy, meat and fruit. With export prices levelling off, food price inflation is expected to ease.

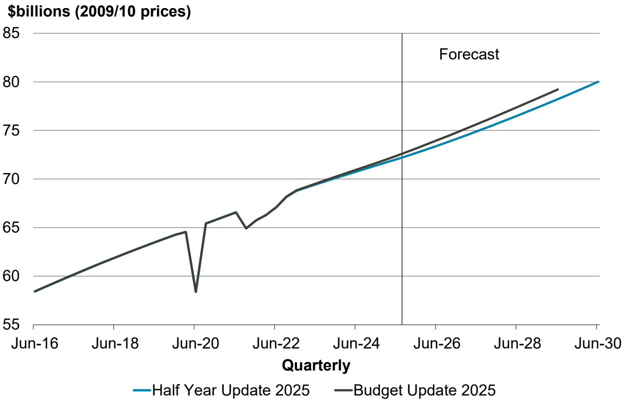
Non-tradable inflation continues to ease but remains elevated despite sizeable spare capacity in the economy. This is largely due to recent pressure in the central and local government fees and charges group, which together comprise about 11% of the CPI. Annual inflation in this group was at a multi-decade high close to 11%, but in the September quarter eased to just over 8%. Council rates make up just over a third of this group, and in recent years have recorded double-digit percentage increases. Electricity prices form another third of this group and have experienced elevated inflation mainly due to an increase in transmission charges earlier this year.

Contained inflation from a deeper economic cycle has enabled interest rates to fall faster and by more than expected by the Reserve Bank earlier in the year. We anticipate the 90-day rate will ease further to around 2% during 2026, depending on the pace of economic recovery and persistence of non-tradables inflation.

Potential growth is slower

Most of the weaker outturns over the first half of 2025 are assessed to reflect a deeper economic cycle, although some of the recent weakness represents slower underlying or potential growth (Figure 1.3).

Figure 1.3 – Potential output



Source: The Treasury

One factor that contributes to weaker potential growth is the aggregate amount of labour available to employers. Since the *Budget Update*, estimates of New Zealand's population have been reduced by around 50,000 people as Stats NZ incorporated information from the latest Census that showed a smaller population than previously estimated. A smaller population combined with workers on average each working fewer hours and lower labour force participation suggest weaker labour input growth than previously thought.

All else equal, lower potential growth represents a slower growth rate that the economy can sustain without adding to inflationary pressures. How quickly labour and capital can be deployed as the pace of activity increases remains an important judgement. In some sectors – like residential construction where the sector has shrunk and workers have left, in some cases abroad – expansion may be more constrained. However, our general view is that the supply-side will expand, with increased investment and employment, in response to stronger demand.

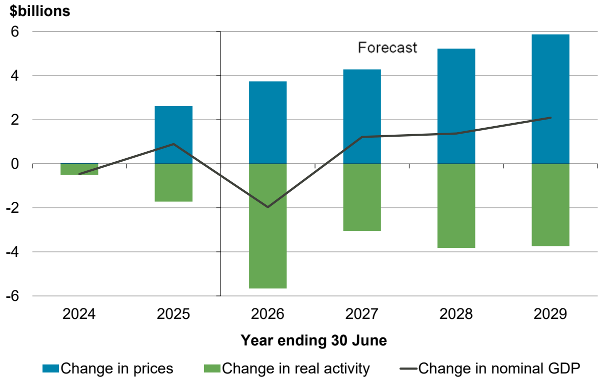
Nominal incomes will lift over the medium term

Near-term cyclical weakness in the economy is expected to abate as stimulatory monetary policy takes hold and spare capacity is used up. Growth in real GDP accelerates from 1.7% in 2025/26 to 3.4% in 2026/27. As spare capacity is used up, modest productivity growth drags on the pace of expansion and growth slows to 2.5% by the end of the forecast period.

In addition to the growth in real activity, nominal income growth is supported by an elevated near-term path for prices. Annual CPI inflation is forecast to increase by 2.4% in the June 2026 year before returning to the midpoint thereafter. Recent strength in the terms of trade is expected to continue into the start of 2026 before levelling off. By the end of the forecast period, annual nominal GDP reaches $551 billion.

While real GDP was weaker than forecast in the *Budget Update*, nominal GDP for the year to June 2025 came in slightly stronger reflecting higher overall prices in the economy. The slower recovery in real economic activity results in a lower forecast for nominal GDP in the year to June 2026 that is only partly offset by higher prices. From 2027, the impact of higher prices dominates the impact of lower real activity with forecasts of nominal GDP $2.1 billion (0.4%) higher in the year to June 2029 than forecast in the *Budget Update*, despite lower real activity (Figure 1.4).

Figure 1.4 – Changes to nominal GDP forecasts relative to the *Budget Update*



Sources: Stats NZ, the Treasury

The change in composition of nominal income growth has implications for our tax forecasts

Nominal labour incomes and business profits, alongside household consumption, are the main bases for the largest taxes. Growth in these tax bases drives growth in personal and corporate income taxes and GST. This means that tax revenue growth may differ from total nominal income growth, depending on the underlying composition of income.

Initially, the slower pace of nominal GDP growth lowers tax revenue relative to the *Budget Update*, before growth in the underlying tax bases accelerates and tax revenue recovers to a similar level by 2028/29. Forecast growth in nominal business profits mirrors the shape of total nominal GDP with slower growth than the *Budget Update* in 2025/26, but faster growth thereafter as real activity picks up. These changes in the profile of business profit growth are reflected in our updated forecasts for net other persons and corporate taxes.

Changes in the forecast growth of the other main tax bases have some offsetting effects. Compensation of employees, the total amount of wages and salaries paid to employees, grows at a slower rate than in the *Budget Update* because weaker employment growth and hours worked is only partly offset by higher nominal wages. This results in a weaker forecast for source deductions, which is the largest tax type accounting for over 40% of core Crown tax revenue. However, stronger growth in household consumption and higher inflation provides a partial offset by lifting GST relative to the *Budget Update*. Further details on the tax forecasts are outlined in the Fiscal Outlook chapter.

Recent developments and implications for the forecasts

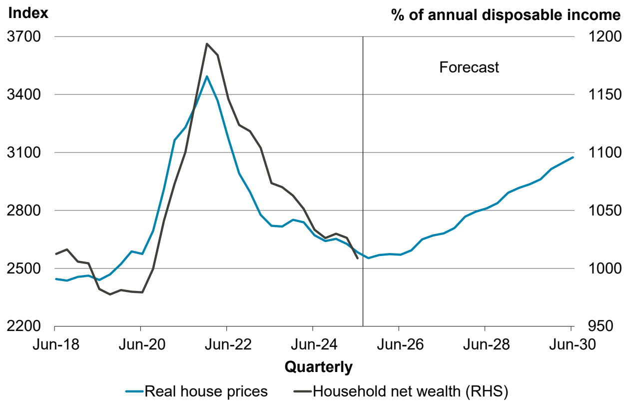
The economic forecasts were finalised on 28 October. Since then, additional information has become available that may have implications for the outlook.

- The September 2025 quarter labour market data released at the start of November showed some weakness but also signs of stabilisation. Employment was flat, similar to the 0.1% fall that was forecast, and earlier quarters were revised down slightly. The unemployment rate increased slightly to 5.3%, again close to the 5.4% forecast. Hourly wage growth of 0.2% (seasonally adjusted) was below the 0.6% forecast.
- US tariffs on a range of food imports imposed earlier in the year, including New Zealand beef and kiwifruit, were cancelled from 13 November. We expect the lower tariffs will help sustain demand in these markets, which recorded revenues of around $2 billion for beef and $300 million for kiwifruit over the 12 months to October 2025.
- The Reserve Bank published its November Monetary Policy Statement on 26 November. The Bank's Monetary Policy Committee lowered the Official Cash Rate (OCR) by 25 basis points to 2.25%. This move was widely anticipated and in line with our expectation. Our forecast for the 90-day rate implies another cut to the OCR next year, but current market pricing and an improvement in some economic indicators suggest a lower likelihood of this occurring.
- While the economy was flat on average over the first half of the year, this was the result of a 0.9% increase in real GDP in the March 2025 quarter offset by a similar decline in the following quarter. Over the past year quarterly growth has fallen in the wide range of -1.1% to 0.9%. This volatility represents a mix of varied economic performance over time and data volatility – both of which make future forecasts more difficult.
- We expect that the economy has grown over the second half of 2025, albeit at a modest pace in the September quarter at 0.4% reflecting the combination of a relatively flat economy and some degree of statistical bounce back from the June quarter.
- Economic data is subject to revision. Quarterly GDP data released in December each year tends to be subject to the largest revisions reflecting the incorporation of the latest annual GDP data. On 25 November, Stats NZ released annual GDP data through to the year ended March 2024. Annual data for the March years through to 2024 suggest that revisions to nominal expenditure GDP will be relatively small this year, although nominal income GDP will likely be revised higher by a little under $2 billion (approximately 0.4%) in the year to March 2024. Stats NZ has also indicated that the extent of decline in real production GDP in the year to March 2025 will be slightly less pronounced (by around 0.2 percentage points) than the 1.1% decline in the latest published GDP statistics. These relatively modest changes will be incorporated in the *Budget Update 2026* forecasts.

Household spending is slowly picking up

Households are cautious amid budget pressures, a soft labour market and a subdued housing market. Consumer confidence about current conditions is low but there is relative optimism about the future. Solid growth in September quarter retail sales suggests that spending has continued to recover over the second half of the year.

Figure 1.5 – Household wealth and house prices



Sources: Stats NZ, the Treasury, Core Logic

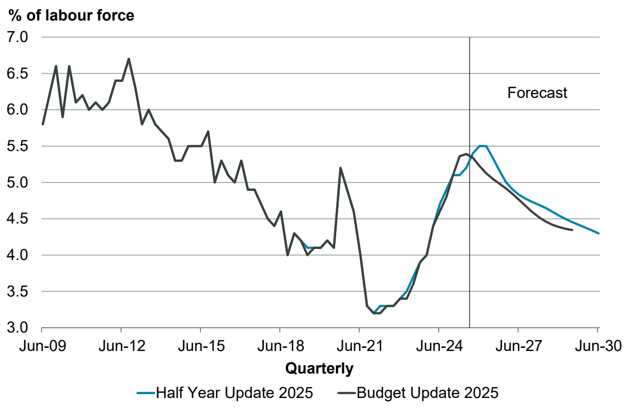
Household wealth has fallen, reflecting the decline in house prices from their 2022 highs. Household net wealth is now around 10 times annual disposable income on average, from around 12 times at the 2021 peak (Figure 1.5). The housing market response to falling interest rates has been modest to date, largely reflecting high numbers of houses for sale relative to buyer demand. Anticipation of further declines in mortgage rates and low net migration inflows have also constrained the housing market. Not all regions have faced the same housing downturn, however, with prices in the South Island around their 2022 peaks. As interest rates and net migration near their cycle lows, the housing market is expected to pick up across the forecast period and will support an increase in household wealth.

Household consumption is expected to grow at a slow pace over the second half of 2025, before accelerating over 2026 as the labour market turns, house price growth resumes and net migration picks up. Across the forecast period, real private consumption is around 0.8% of GDP higher than the *Budget Update*, as a result of higher terms of trade and investment incomes.

Labour market weakness to turn in 2026

Demand for labour is approaching a turning point. Employment stabilised in the September quarter following four consecutive quarterly falls, although there are 45,000 fewer people in jobs relative to the peak in late 2023. Hours worked also picked up in the September quarter, following a sharp fall over the past year as employers adjusted to soft demand. Both employment and hours worked are forecast to increase from here, with firms expected to ramp up hiring as the recovery takes hold.

Figure 1.6 – Unemployment rate



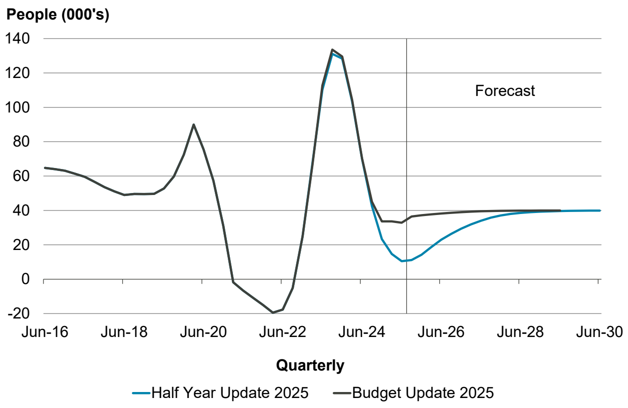
Sources: Stats NZ, the Treasury

The unemployment rate has increased as the economy has weakened, but a falling labour force participation rate has limited the rise in unemployment as many discouraged workers have exited the labour force. The unemployment rate tends to lag real economic activity and is forecast to peak at 5.5% over the December 2025 and March 2026 quarters, before easing towards 4.3% by the end of the forecast period (Figure 1.6). As the labour market turns, previously discouraged workers are expected to re-enter the labour force and increase labour market participation.

Wage pressures continue to ease in line with spare capacity in the labour market and lower inflation. Nominal wages grew 3.9% in the year to September 2025, with growth forecast to ease to 2.6% in June 2026 before lifting to 3.0% by the end of the forecast period.

Net migration inflows have been much weaker than forecast at the *Budget Update,* which is a reason why economic activity has been weaker than forecast to date. High migrant outflows to date largely reflect the relative strength of the Australian labour market. Migrant outflows are expected to ease as the cyclical divergence in the Australian and New Zealand labour markets closes. Recent monthly data points to a gradual increase in net migrant inflows that we assume will continue until it reaches our medium-term assumption of 40,000 people per year (Figure 1.7). Higher net migration will support aggregate consumption and housing market activity across the forecast period.

Figure 1.7 – Annual net migration

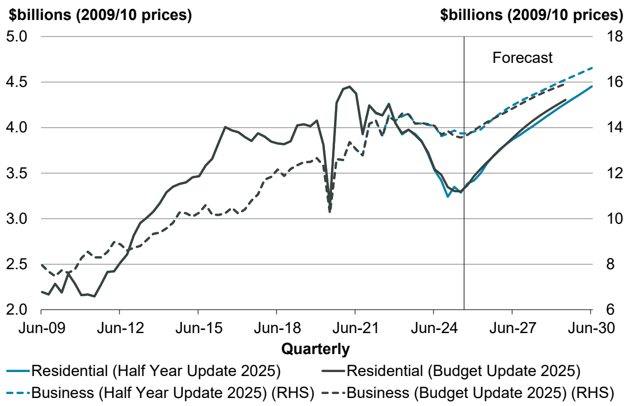


Sources: Stats NZ, the Treasury

Residential investment will lift as the housing market recovers

Residential investment activity has weakened as high interest rates, elevated levels of existing houses for sale and lower house prices have contained demand for new builds. Residential investment is expected to recover from the second half of 2025 as net migration gradually picks up, lower interest rates continue to filter through the economy and house prices pick up.

Figure 1.8 – Residential and business investment



Sources: Stats NZ, the Treasury

Business outlook to improve as demand returns

Businesses continue to face tough conditions due to weak domestic demand and global uncertainty. While surveys and our business talks highlight low trading activity, confidence and optimism for the outlook has increased, setting the scene for growth towards the end of the year and into 2026.

The agricultural sector has benefitted from high commodity prices, which have supported activity in rural areas. Conditions remain favourable for the sector and surveys show confidence is high. The agricultural sector will continue to lead the recovery before returning consumer demand sees a more broad-based recovery across sectors from 2026. Retail and service sector firms expect better times are on the horizon, and a further pickup in household spending will see activity in these sectors increase.

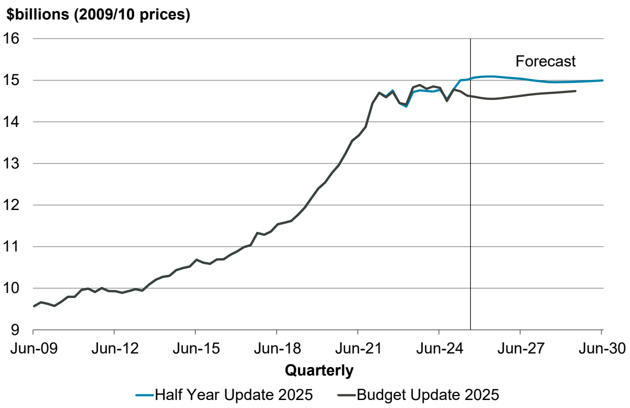
Business investment has been weak due to weak domestic conditions and global uncertainty. As firms gain confidence, investment will pick up. Investment is also supported by the Government's Investment Boost policy. Our assumptions regarding its impact on investment and overall activity remain unchanged since the *Budget Update,* with real GDP expected to increase by up to 0.4% over the forecast period as a result of Investment Boost.

Business investment is expected to increase in 2026, as businesses are expected to initially prioritise firming up balance sheets after a prolonged period of squeezed profitability and high spare capacity (Figure 1.8). Lower interest rates and lower import prices will provide further impetus for businesses to resume delayed investment plans next year.

Flat government consumption reflects the ongoing fiscal consolidation

Real government consumption is broadly flat across the forecast period, reflecting the Government's fiscal consolidation plans (Figure 1.9). As a proportion of the overall economy, government consumption falls across the forecast period to levels consistent with government spending pre-COVID-19. Relative to the *Budget Update*, the higher level of government consumption reflects outturns in the GDP statistics, which are assumed to persist. This contrasts with fiscal expenses that came in below forecast in the 2024/25 year.

Figure 1.9 – Government consumption



Sources: Stats NZ, the Treasury

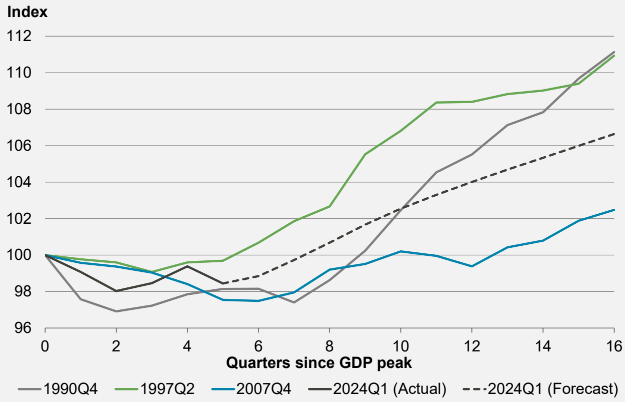
For the purpose of economic forecasting, Treasury practice is to include future Budget allowances in forecasts of government consumption. Once Budget decisions are taken at each Budget, we update our assumptions for government consumption in the economic forecasts to reflect these decisions as well as the flow on impacts to other parts of the economy. For example, if part of the allowance is used to reduce taxes paid by households or increase transfer payments to households then this will lower our forecast of government consumption (as this does not include such payments) but boost household incomes and private consumption. Alternatively, if the Government were to raise additional sources of revenue, then higher levels of government consumption may be possible for a given allowance, although there would be impacts on those sectors from which the revenue was raised.

Business cycle comparison

The New Zealand economy has been slow to emerge from the sharp contraction in activity in mid-2024. Economic activity has been uneven across sectors, albeit less volatile than in the years during and immediately following the COVID-19 pandemic. Adverse weather events, the Russian invasion of Ukraine, tensions in the Middle East, financial market volatility, and trade policy uncertainty have weighed on New Zealand's recovery since the pandemic.

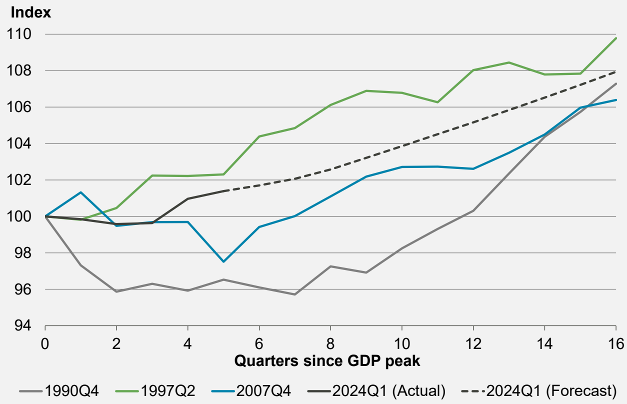
Overall activity has fallen more quickly than it did following the Global Financial Crisis (GFC) in the late 2000s, although activity is expected to recover more quickly than it did after either the GFC or the recession in the early 1990s (Figure 1.10). One of the features of the cyclical slowdown is the fall in per capita consumption, which started declining well before the mid-2024 recession. Per capita GDP fell 5.0% from its peak in 2022, compared with a fall of 3.9% over the 2008 to 2009 period. Meanwhile, private consumption began picking up in 2025 and is anticipated to continue growing over the forecast period (Figure 1.11). Falls in both business and residential investment also predates the mid-2024 contraction in activity as interest rates rose quickly to dampen demand in response to record high inflation post-COVID-19.

Figure 1.10 – Real GDP



Sources: Stats NZ, the Treasury

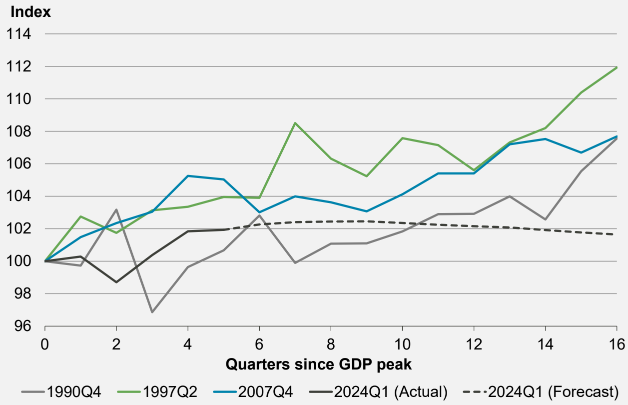
Figure 1.11 – Real private consumption



Sources: Stats NZ, the Treasury

Another feature of this cycle is reflected in government consumption. Figure 1.12 shows a comparison of government consumption across different economic cycles. We expect government consumption on average to be similar to that seen after the 1990 recession and not as strong as it was following the GFC in 2008 and the Asian financial crisis in 1997.

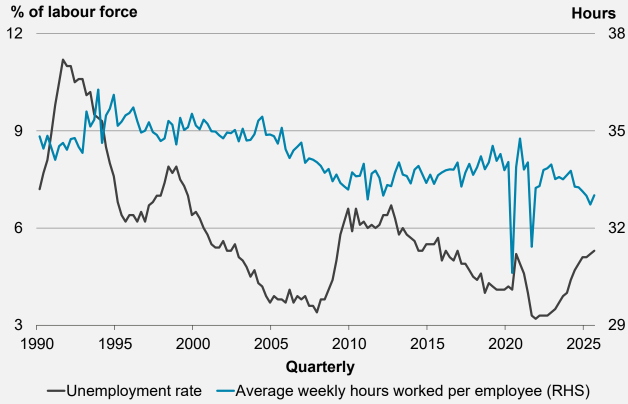
Figure 1.12 – Real government consumption



Source: Stats NZ, the Treasury

The labour market has also been affected by cyclical weakness and reflects the amount of spare capacity in the economy. Compared to earlier downturns, the unemployment rate has lifted from record lows, albeit by less than the GFC. With the exception of the Asian financial crisis, the increase in the unemployment rate has been smaller and slower than previous slowdowns (Figure 1.13). Another feature of the current cycle is the large adjustment in labour supply. Population growth has slowed following record-high net migration in 2023, and the participation rate has fallen.

Figure 1.13 – Unemployment rate and hours worked



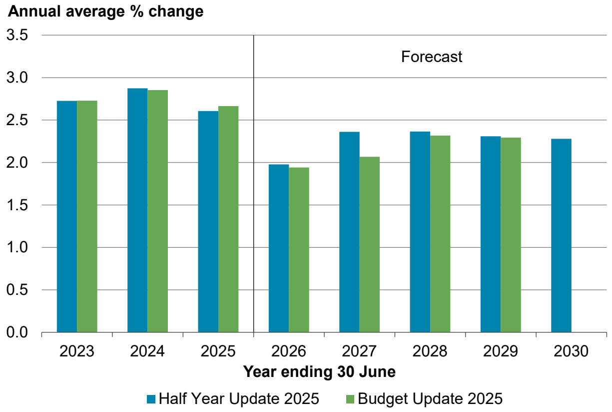
Sources: Stats NZ, the Treasury

Labour force survey data shows that businesses have adjusted to weaker demand in the current cycle by reducing work hours rather than employment, in contrast to the GFC (Figure 1.13). In part this reflects the prolonged labour shortage some businesses in several sectors experienced during the border closure over the COVID-19 period. The unemployment rate is expected to rise 2.3 percentage points from a low of 3.2% in the December 2021 quarter to 5.5%, compared with a 3.2 percentage point increase during the GFC. Despite a small increase in the unemployment rate in the September quarter, a positive sign of a turnaround was an increase in hours worked, as outlined in the box above, discussing recent developments.

Global economy more settled than assumed at the Budget Update

The global outlook is not as weak as assumed at the *Budget Update*, with the impacts of US tariffs introduced earlier in the year not as negative as assumed. Trading partner growth has slowed as the past impacts of high interest rates and increases in US tariffs flow through (Figure 1.14), but conditions remain supportive for New Zealand's exports and the terms of trade.

Figure 1.14 – Trading partner growth



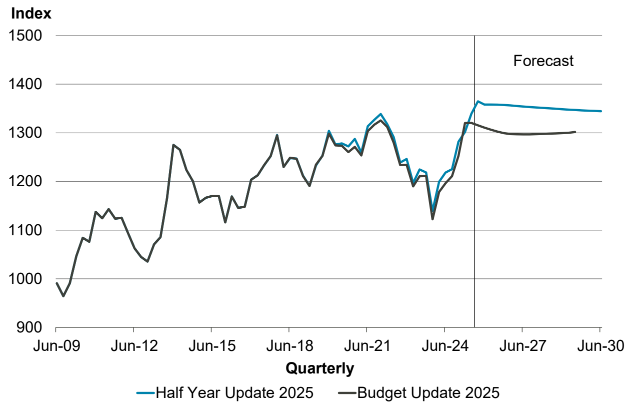
Sources: Haver Analytics, the Treasury

Not only have tariff effects been more muted, but other forces have emerged to support global growth. In the US, lower interest rates and buoyant equity markets have supported household spending and business investment, and optimism surrounding the productivity benefits of artificial intelligence has led to increased investment. Despite higher US tariffs, China's exports have grown strongly with trade flows redirected from the US to Asia and Europe, alongside increased fiscal policy support.

The terms of trade are forecast to remain high

The terms of trade are stronger than forecast at the *Budget Update*, mostly reflecting unexpected falls in import prices. We assume import prices remain at their lower level as trading partner inflation eases. Combined with broadly steady export prices the terms of trade are assumed to remain higher relative to the *Budget Update* across the forecast period (Figure 1.15).

Figure 1.15 – Terms of trade (goods)



Sources: Stats NZ, the Treasury

The New Zealand dollar has weakened against most trading-partner currencies over 2025 against a backdrop of lower domestic interest rates and a weak economy. The New Zealand dollar trade weighted index (TWI) currently sits at 66.9 at the time of writing and is forecast to gradually increase to 70.0 by the end of the forecast period.

Export volumes to grow and the current account deficit to narrow

Export volumes declined over the first half of 2025, largely reflecting a pull-back in services exports following strong growth over 2024. Services export volumes are forecast to grow at a slower pace than at the *Budget Update*, reflecting soft growth in tourist arrivals over 2025 and ongoing sluggish growth in Chinese travel. Goods exports fell sharply in the June quarter, following a strong lift in the previous quarter. The recent quarter-to-quarter volatility in goods export volumes is not unusual and conditions remain favourable for primary exporters.

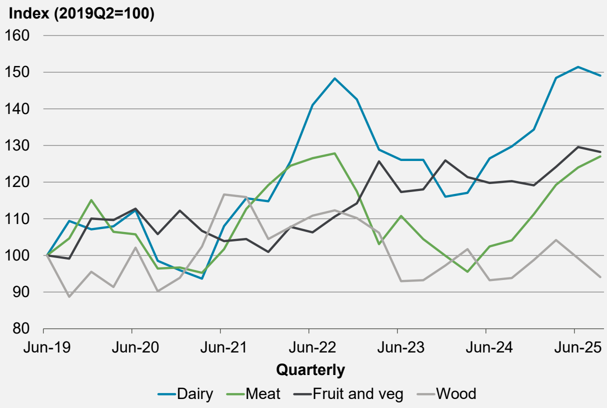
New Zealand's external balances are more sustainable than previously thought, following recent upward revisions to investment income inflows and downward adjustments to low-value imports. The current account deficit, which reflects the financial implications of New Zealand's transactions with the rest of the world, is forecast to narrow from 3.7% of GDP in the June 2025 quarter to 2.6% by the end of the forecast period.

New Zealand's terms of trade and the domestic economy

Export prices have been at record high levels this year, reflecting steady demand and tight global supplies. Meanwhile, import prices have softened, led by lower oil prices. As a result, the terms of trade – the ratio of export prices to import prices – have climbed to new highs representing gains in the purchasing power of New Zealand households and businesses.

As a small open economy, the external sector plays a key role in New Zealand's economic growth and development. Changes in the terms of trade can have substantial effects on the economy, either directly by increasing or decreasing the profitability of exporters or indirectly by influencing inflation rates, both of which will have implications for tax revenue. Businesses and households experience differing levels of exposure to global price fluctuations, with export industries, often concentrated in rural areas, typically feeling the effects first before they spread to other parts of the economy.

Figure 1.16 – Export prices (NZD)



Source: Stats NZ

Export prices have been strong across the dairy, meat and horticultural industries, which made up around half of New Zealand exports in the past year. Price movements for other major exports, including forestry, were relatively subdued (Figure 1.16).

The direct impact of higher export prices is evident in record high returns to dairy farmers, and in regional spending and confidence indicators. Shareholders in dairy company Fonterra are also anticipating the sale of its global consumer businesses will deliver a substantial capital return.

However, these gains follow some leaner times when many primary producers experienced losses. Meanwhile, timely indicators point to lower dairy returns this season. Our business contacts we spoke to in October considered the major driver of farm investment decisions of the year ahead to be building balance sheet strength.

On the other side of the ledger, import prices have trended down from their 2022 peak, as ample global oil supplies have led to lower fuel prices, and prices of other goods have broadly stabilised. Together, higher export prices and lower import prices led to a record high goods terms of trade for the June quarter, which has since eased back slightly. The forecasts assume that the higher terms of trade will be sustained with both import and export prices increasing in-line with foreign inflation.

Over the medium term, strength in the terms of trade supports GDP growth through increases in private investment and consumption. However, the gains in output are expected to be larger for domestically oriented sectors than for exporters.

The distribution of gains is driven by our expectation that higher real incomes will allow households and businesses to increase spending on domestically focused services eg, housing and health. Over time, household consumption accounts for a larger share of spending in the economy, leaving a smaller export share. At the end of the forecast period, the household consumption share of GDP is 0.8 percentage points higher than in the *Budget Update*.

Key economic forecast judgements and assumptions

In addition to the judgements and assumptions included in the text, these forecasts include the following assumptions:

- Annual net migration inflows are assumed to gradually increase from around 11,000 currently to approximately 40,000 in the final year of the forecasts.
- The New Zealand dollar trade-weighted index (TWI) is assumed to appreciate from 66.8 in the December 2025 quarter to 70 by June 2030.
- West Texas Intermediate oil prices are assumed to rise from US$58 per barrel in the December 2025 quarter to $US70.7 per barrel in June 2030.
- The non-accelerating inflation rate of unemployment is assumed to be 4.25% in the long-run.
- The neutral 90-day interest rate is assumed to be 2.75%.

Table 1 – Economic forecasts

Year ending 30 June Annual average % change	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Private consumption	0.6	2.0	2.4	2.6	2.7	2.8
Public consumption	0.6	1.7	-0.2	-0.5	-0.2	0.2
Total consumption	**0.6**	**1.9**	**1.8**	**1.9**	**2.1**	**2.2**
Residential investment	-11.5	4.6	8.9	5.4	5.0	4.5
Business investment[1]	-2.8	1.2	5.7	4.4	3.6	3.2
Total investment	**-4.6**	**1.9**	**6.4**	**4.6**	**3.9**	**3.5**
Stock change[2]	0.0	0.4	0.4	0.0	0.0	0.0
Gross national expenditure	**-0.7**	**2.4**	**3.4**	**2.5**	**2.5**	**2.5**
Exports	3.0	2.2	3.3	2.5	2.5	2.5
Imports	1.8	2.6	3.1	2.2	2.2	2.4
GDP (expenditure measure)	**-0.6**	**2.0**	**3.5**	**2.6**	**2.6**	**2.5**
GDP (production measure)	**-1.1**	**1.7**	**3.4**	**2.6**	**2.5**	**2.5**
Real GDP per capita	-2.1	0.9	2.3	1.4	1.3	1.3
Nominal GDP (expenditure measure)	3.8	4.2	5.4	4.9	4.8	4.7
GDP deflator	4.4	2.2	1.8	2.1	2.2	2.1
Potential GDP	1.8	1.9	2.0	2.1	2.2	2.3
Output gap (% of potential, June quarter)[3]	-3.0	-1.8	-0.9	-0.5	-0.2	0.0
Employment	-0.8	0.5	2.5	2.0	1.7	1.6
Unemployment rate[4]	5.2	5.3	4.8	4.6	4.5	4.3
Participation rate[5]	70.5	70.9	71.3	71.5	71.6	71.7
Hourly wages (annual % change)[6]	4.5	2.6	2.6	2.9	2.9	3.0
CPI inflation (annual % change)	2.7	2.4	2.2	2.1	2.0	2.0
Terms of trade (goods)[7]	7.8	5.6	-0.3	-0.3	-0.3	-0.2
House prices (annual % change)[8]	-0.7	1.9	6.6	7.0	6.6	6.8
Current account balance (annual)						
$billions	-16.3	-12.7	-13.3	-13.6	-13.9	-14.4
% of GDP	-3.7	-2.8	-2.8	-2.7	-2.6	-2.6
Net international investment position (% of GDP)	-46.8	-46.9	-46.5	-46.2	-46.0	-45.7
Exchange rate (TWI)[9]	69.1	67.2	68.2	69.0	69.5	70.0
90-day bank bill rate[10]	3.4	2.1	2.0	2.1	2.3	2.5
10-year bond rate[10]	4.6	4.0	4.0	4.1	4.2	4.3
Population growth	1.0	0.8	1.0	1.2	1.2	1.2
Net migration (4-quarter sum, 000s)	10.5	23.0	34.0	38.6	39.7	39.9

Notes:
1 Business investment is non-residential public and private investment.
2 Contribution to GDP growth.
3 Percentage difference between actual real GDP and potential real GDP.
4 Percent of the labour force, June quarter, seasonally adjusted.
5 Percent of working-age population, June quarter, seasonally adjusted.
6 Quarterly Employment Survey (QES), average ordinary time hourly earnings.
7 System of National Accounts.
8 CoreLogic Quarterly House Price Index.
9 Trade-weighted index (TWI), average for the June quarter.
10 Average for the June quarter.

2

Fiscal Outlook

The *Financial Statements of the Government of New Zealand for the year ended 30 June 2025* reported that most indicators came in stronger than forecast at the *Budget Economic and Fiscal Update* 2025 (*Budget Update)*, with the operating balance before gains and losses excluding ACC (OBEGALx) deficit smaller by $0.9 billion and net core Crown debt lower by $3.5 billion.

This has meant that our forecasts for this *Half Year Economic and Fiscal Update (Half Year Update)* start from a stronger position. However as most of the drivers of this improvement were temporary in nature (ie, due to timing or being one-off) they are expected to have minimal impacts in future years. The key fiscal indicators for the *Half Year Update* are outlined in Table 2.1.

Table 2.1 – Key fiscal indicators

Year ending 30 June $billions	**2025 Actual**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**
Core Crown revenue	134.4	136.9	144.8	153.2	161.8	170.6
Core Crown tax revenue	121.7	124.2	132.2	140.2	148.4	156.6
Core Crown expenses	141.7	149.0	153.5	157.6	162.6	167.9
OBEGALx	(9.3)	(13.9)	(10.4)	(5.1)	(0.9)	2.3
Operating balance	(4.4)	(6.5)	(6.8)	(0.8)	4.2	7.8
Core Crown residual cash	(6.0)	(14.8)	(23.2)	(14.3)	(10.7)	(6.6)
Net core Crown debt	182.2	197.0	220.6	235.7	246.8	253.9
Net worth attributable to the Crown	179.3	172.7	166.0	165.2	169.4	177.3
% of GDP						
Core Crown revenue	30.8	30.1	30.2	30.5	30.8	31.0
Core Crown tax revenue	27.9	27.3	27.6	27.9	28.2	28.4
Core Crown expenses	32.5	32.8	32.0	31.4	30.9	30.5
OBEGALx	(2.1)	(3.0)	(2.2)	(1.0)	(0.2)	0.4
Operating balance	(1.0)	(1.4)	(1.4)	(0.2)	0.8	1.4
Core Crown residual cash	(1.4)	(3.3)	(4.8)	(2.8)	(2.0)	(1.2)
Net core Crown debt	41.8	43.3	46.0	46.9	46.9	46.1
Net worth attributable to the Crown	41.1	38.0	34.7	32.9	32.2	32.2

Source: The Treasury

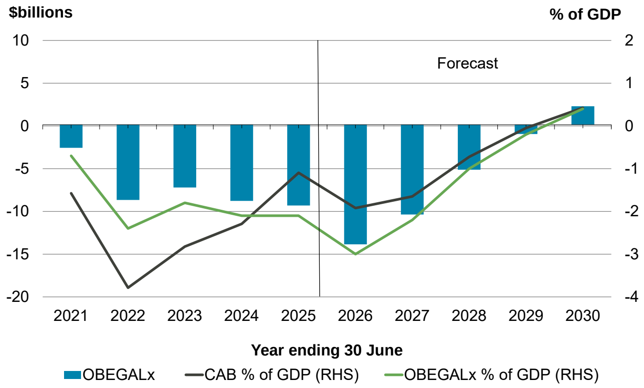
Government's Fiscal Performance

Deficits stay elevated in the near term but then start to recover…

Over the last few years, the Government has been running OBEGALx deficits of around 2% of GDP. These results have been underpinned by expense growth outpacing revenue growth which is reflective of soft economic activity and the fiscal impact of policy settings eg, indexation of main benefit types.

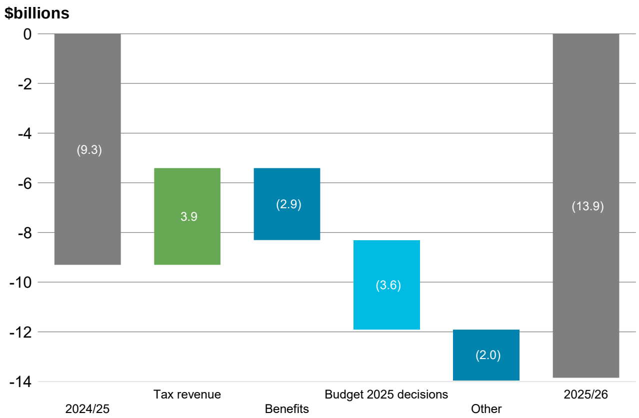
This trend is expected to continue in the current year. The slower recovery in the main tax types translates through to core Crown tax revenue declining as a share of GDP. In contrast, core Crown expenses as a share of GDP rise slightly, owing to a combination of factors (refer page 29). This sees the OBEGALx deficit widening in the current year to $13.9 billion – or 3% of GDP (Figure 2.2). In part, the fiscal deterioration expected in the current year reflects the economic cycle. Adjusting the OBEGALx deficit for the impact of the economic cycle shows that the deficit would be smaller (Figure 2.1). This suggests that roughly one-third of the OBEGALx deficit is caused by the economic cycle and the rest is structural in nature.

Figure 2.1 – OBEGALx and cyclically adjusted balance (CAB)



Source: The Treasury

Figure 2.2 – OBEGALx changes between 2024/25 to 2025/26



Source: The Treasury

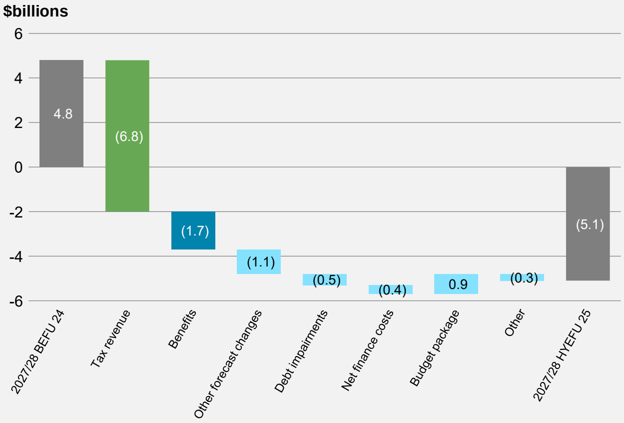
Beyond the current year, OBEGALx deficits are forecast to gradually improve year-on-year and returns to a surplus of $2.3 billion by 2029/30. This recovery is supported by the expected pickup in economic growth leading to steady growth in core Crown revenue, while more modest growth in core Crown expenses is expected from smaller Budget operating allowances. The cyclically adjusted balance follows a similar trend and by the end of the forecast both indicators are broadly the same, as the economic cycle unwinds.

Path to surplus

Forecast updates since Budget 2024 have seen the return to surplus year pushed out…

At the *Budget Economic and Fiscal Update 2024 (Budget Update 2024)*, the Treasury was forecasting an OBEGALx surplus of $4.8 billion in 2027/28. Since that forecast update there have been subsequent downward revisions to OBEGALx and we are now forecasting an OBEGALx deficit of $5.1 billion in this *Half Year Update* (Figure 2.3).

Figure 2.3 – OBEGALx change for 2027/28 from *Budget Update 2024*



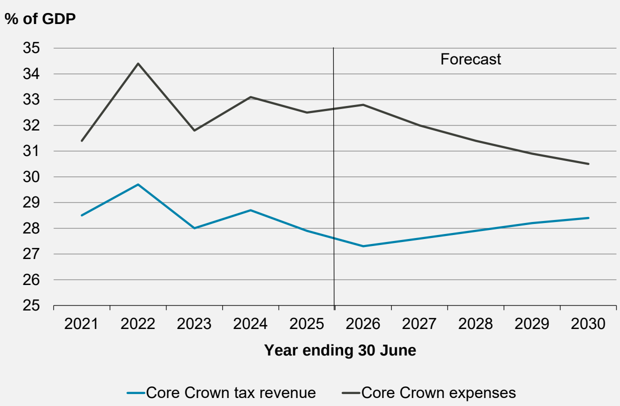
Source: The Treasury

A significant part of the downgrade reflects softer economic activity which has seen tax revenue forecasts being revised down and benefit expense forecasts being revised up. It is possible revisions in the future could be smaller as we reach the bottom of this economic cycle. Forecast changes in education due to demographic changes, capital to operating swaps in transport and New Zealand Emission Unit (NZU) price changes have also contributed to the revisions. The Budget 2025 operating package came in lower than signalled at Budget 2024, which has helped offset some of the downward revisions to OBEGALx in the 2027/28 year.

…a surplus is forecast to be achieved by the 2029/30 year

Although the forecasts for OBEGALx have been revised down in recent updates, we still expect a surplus to be achieved by the end of the forecast period.

Figure 2.4 – Core Crown tax revenue and core Crown expenses



Source: The Treasury

The recovery in OBEGALx is underpinned by a lift in tax revenue as the economy grows and core Crown expenses are constrained (Figure 2.4).

By the end of the forecast period, core Crown expenses as a share of GDP are expected to fall by 2.3% from the 2025/26 year. This is largely expected to be achieved by running tight operating allowances and in part from the economic recovery.

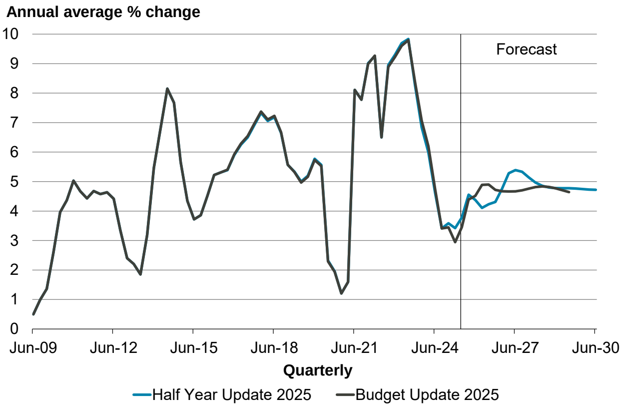
Most functional spending areas of the core Crown have increased as a share of GDP since 2018, with the most notable increase relating to spending on social, security and welfare, health and finance costs.

Beyond the 2025/26 year most expenses are not forecast to grow in nominal terms, with some exceptions such as benefit expenses and finance costs. It is expected that finance costs and the portion of benefit expenses relating to New Zealand Superannuation will grow as a share of GDP over the forecast period. It is assumed any future increases in most other expenses will be funded from the Budget operating allowances. The current allowance settings will result in the aggregate of these expenses falling as a share of GDP. However, the Government have choices around the allocation of this funding meaning it is unclear what the implications will be across individual functional spending areas.

…supported by growth in tax revenue as economic activity picks up…

As a percentage of GDP, core Crown tax revenue is expected to increase over the forecast period from 27.3% in the current year to 28.4% by 2029/30. Nominal GDP growth picks up throughout the forecast period from $436.0 billion at the 2024/25 year, to exceed $551.1 billion by 2029/30. In the 2025/26 year nominal GDP is forecast to grow by 4.2%, before accelerating to an average of around 4.9% thereafter. The growth in nominal GDP contributes to an increase in core Crown tax revenue over the forecast period. The lift in core Crown tax revenue comes from higher labour income, consumption and business profits.

Figure 2.5 – Nominal GDP growth



Source: The Treasury

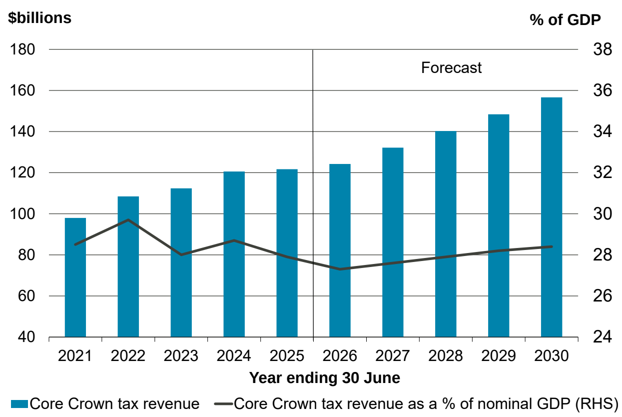
After weak growth in recent years, higher commodity prices and improving domestic demand are set to lift net operating surplus, which includes business profits. This lift in business profits eventually flows through to both corporate tax and other persons tax, with both taxes forecast to grow by 12.0% in the 2026/27 year, before growth moderates back towards 6.0% by the end of the forecast period.

In part, the recovery in business tax revenue is driven by an improvement in domestic demand, with household consumption set to accelerate throughout the forecast period. This improvement in household consumption flows through to GST, which grows by an average of 5.5% per annum across the forecast period.

The labour market is somewhat slower to recover, with near-term weakness giving way to a gradual lift in employment throughout 2026. Growing employment, paired with higher nominal wages, results in a lift in source deductions by an average of 5.0% per annum across the forecast period.

Overall, core Crown tax revenue is forecast to increase by $34.9 billion over the forecast period to $156.6 billion by 2029/30 (Figure 2.6). Tax revenue in 2025/26 is forecast to grow relatively slowly (2.1%) compared to the average over the remainder of the forecast period (6.0% per annum). The slow growth in the current year reflects policy changes and lower interest rates, which partly offset growth from nominal GDP.

Figure 2.6 – Core Crown tax revenue



Source: The Treasury

While core Crown tax revenue was $0.8 billion above forecast at 30 June 2025, this strength has not persisted into the current year. The strong June outturn was underpinned by stronger-than-forecast provisional tax revenue for other persons and corporate taxes, whereas most other tax types were below forecast. Strength in provisional tax appears to be unwinding in the latest tax outturns, resulting in a lower starting point for our tax forecasts.

While taxes are forecast to increase in 2025/26, some taxes are forecast to decrease, including:

- corporate tax, where the Investment Boost policy from the *Budget Update* is estimated to reduce the forecast revenue by $1.5 billion
- resident withholding tax (RWT) on interest, which is decreasing in line with deposit interest rates, and
- net other persons tax, which experienced a surge in terminal tax revenue in 2024/25 that is not expected to be repeated in 2025/26.

From 2026/27 onwards, total core Crown tax revenue is forecast to grow at an average rate of around 6.0% per annum.

Table 2.2 – Movements in core Crown tax revenue by major tax type

Year ending 30 June $billions	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	Total change
Movement in core Crown tax revenue owing to:						
Source deductions	2.1	2.8	2.9	3.4	3.5	**14.7**
Goods and services tax (GST)	1.4	2.0	1.9	1.8	1.9	**9.0**
Corporate tax	(0.6)	2.1	2.3	1.7	1.4	**6.9**
Net other persons tax	(0.4)	1.0	0.7	0.6	0.6	**2.5**
Motor vehicle fees and road user charges	0.2	0.3	0.4	0.3	0.3	**1.5**
Customs and excise duties	-	0.2	0.2	0.2	0.1	**0.7**
Resident withholding tax on dividends	0.2	0.1	0.1	0.1	0.1	**0.6**
Resident withholding tax on interest	(0.5)	(0.5)	(0.5)	0.1	0.2	**(1.2)**
Other taxes	0.1	-	-	-	0.1	**0.2**
Total movement in core Crown tax revenue	**2.5**	**8.0**	**8.0**	**8.2**	**8.2**	**34.9**
Plus previous year	121.7	124.2	132.2	140.2	148.4	
Core Crown tax revenue	**124.2**	**132.2**	**140.2**	**148.4**	**156.6**	
As a % of GDP	27.3	27.6	27.9	28.2	28.4	

Source: The Treasury

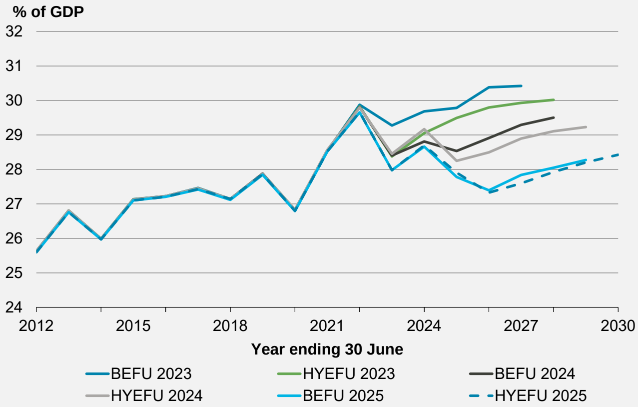
Tax-to-GDP ratio

The tax-to-GDP ratio shows the average tax take for each dollar of income. This ratio can be influenced by several factors, including changes to:

- the composition of GDP, which will flow through to different splits of income and consumption – this will affect revenue because different tax rates apply depending on the form of income (eg, labour or capital) or expenditure
- administrative and tax policy settings, which can raise or lower the effective tax rate on income
- historical GDP outturns, which will change our view of how much tax was collected historically for each dollar of income
- our revenue forecasts, independent of the economy or policy changes – this may be informed by changing trends in tax returns, from intelligence gathered from Inland Revenue or directly from businesses.

Figure 2.7 shows that the Treasury's forecast tax as a percentage of GDP has been falling over successive forecasting rounds due to the reasons outlined above. However, the change in the tax-to-GDP ratio since the *Budget Update* is smaller than the changes seen between other recent rounds, with a decrease of only 0.1 to 0.2 percentage points across the forecast period. In contrast, reductions in the ratio have been as high as 1.1 percentage points between the other recent rounds shown in Figure 2.7.

Figure 2.7 – Core Crown tax-to-GDP ratio



Source: The Treasury

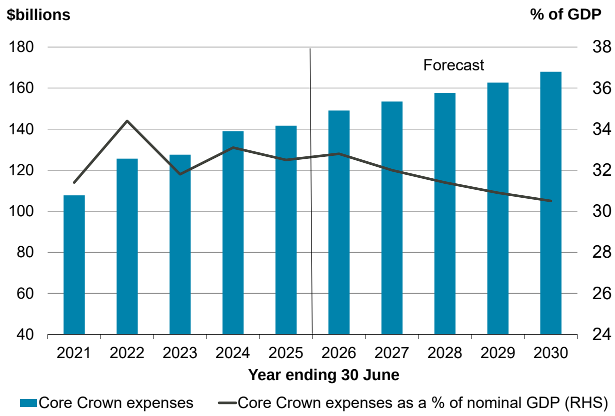
The slight reduction in the tax-to-GDP ratio compared to the *Budget Update* is primarily a result of changes to our economic forecasts. The weaker forecast for compensation of employees results in weaker source deductions. This is only partly offset by stronger household consumption and GST forecasts, which are being supported by higher forecast inflation and a higher starting point. Even a small reduction in the tax-to-GDP ratio can result in significant changes in core Crown tax revenue, which has decreased by $1.7 billion over the forecast period compared to the *Budget Update.*

…and expenditure constraint…

Core Crown expenses are expected to initially increase to 32.8% of GDP in the current year but then start to fall reaching 30.5% of GDP by 2029/30. In nominal terms across the forecast period core Crown expenses increase by $26.3 billion (or 16.5%) from $141.7 billion in 2024/25 to $167.9 billion by 2029/30 (Figure 2.8). Year-on-year growth averages $5.3 billion but peaks in the 2025/26 year, with a forecast uplift of $7.4 billion from 2024/25.

The key drivers of the uplift in core Crown expenses in the current year are outlined in Table (2.3).

Figure 2.8 – Core Crown expenses



Source: The Treasury

Table 2.3 – Increase in core Crown expenses between 2024/25 and 2025/26

Year ending 30 June **$billions**	
Core Crown expenses – 2024/25	**141.7**
Movement in core Crown expenses	
Budget 2025 spending decisions	2.2
New Zealand Superannuation	1.6
Other benefit payments	1.3
City Rail Link divestment expenses	0.7
Other	1.5
Total increase	**7.3**
Core Crown expenses – 2025/26	**149.0**

Source: The Treasury

- Forecast benefit payments (excluding the impact of Budget decisions) increase expenses by $2.9 billion. New Zealand Superannuation (NZ Super) contributes $1.6 billion, reflecting a combination of an increase in the number of recipients and indexation of payments.

  Most other main benefit types have also increased due to indexation, with some – such as Jobseeker Support and Sole Parent Support – also impacted by an increase in recipient numbers reflective of the impact of economic conditions on the labour market.

- Spending decisions from Budget 2025 are expected to lift core Crown expenses by $2.2 billion, with the majority of this going towards the health sector. While the overall Budget 2025 operating package was on average $1.3 billion per annum, the profile of decisions can result in different year on year impacts. Some significant savings (ie, pay equity) from the previous financial year flowed through to reduce core Crown expense, while from 2025/26 these savings have been used to fund the expenditure from new spending initiatives.

- A one-off impairment expense is expected to be recognised in 2025/26 in relation to the ownership intentions of the City Rail Link.

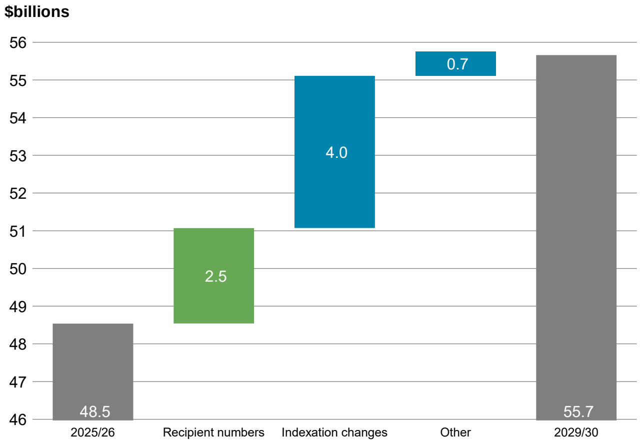
- Most of the remaining increase will be driven by funding set aside at previous Budgets in tagged contingencies that are yet to be drawn down, and by the impact of expense rephasing – particularly the shifting of unspent funding at 30 June 2025 into the current year.

Beyond 2025/26, the nominal growth in core Crown expenses is expected to be much slower, which contributes to their fall as a percentage of GDP. The key driver for this trend is that benefit expenses are expected to grow at a slower rate than the economy, and the allowance settings are expected to constrain growth in spending across the public sector in the future.

Although core Crown expenses decline as a percentage of GDP, they are expected to increase in nominal terms. Over the remainder of the forecast period, core Crown expenses are forecast to increase by $18.9 billion, an average increase of $4.7 billion per annum.

One of the largest increases in core Crown expenses across the forecast period relates to benefits expenses, which are forecast to increase from $48.5 billion in 2025/26 to $55.7 billion 2029/30 (Figure 2.9). NZ Super payments account for most (around $6.1 billion) of this uplift. The change in other benefit types totals around $1.1 billion over the forecast period and predominately reflects the impact from the indexation of payment rates.

Figure 2.9 – Drivers of benefit expense increases



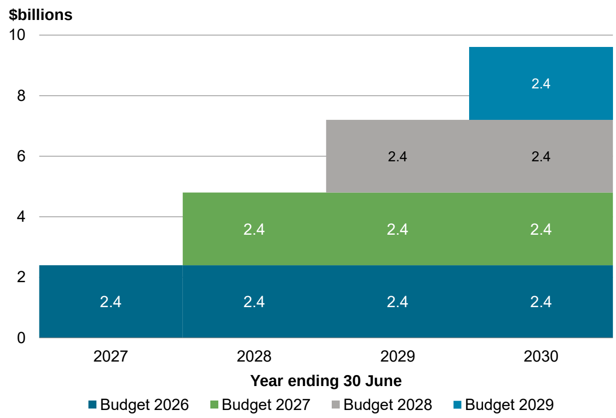
Source: The Treasury

From 2025/26, the average increase to NZ Super payments is $1.5 billion per annum – increasing from $24.8 billion in 2025/26 to $30.9 billion in 2029/30. About half the uplift each year is driven by increased recipient numbers, which are forecast to increase by around 125,000 people from 2025/26 to 2029/30 (to reach over a million people in 2027/28).

As the over-65s become a larger share of the population, the cost of NZ Super payments will continue to lift core Crown expenses and in addition is likely to create long-term fiscal pressures on other spending areas such as healthcare.

Around one third of the forecast increase in core Crown expenses reflects the impact of the Government's announced Budget operating allowances of $2.4 billion per annum for Budget 2026 through to Budget 2029. By 2030, these allowances for new spending in future Budgets will increase core Crown expenses by $9.6 billion (Figure 2.10).

Figure 2.10 – Operating allowances



Source: The Treasury

The fiscal forecasts assume that any future costs in relation to new policies or maintaining existing services, such as those outlined in the Risks to the Forecasts chapter, will be met from the Budget operating allowances, future savings or by raising revenue.

Over half of the Budget 2026 operating allowance has already been pre-committed to fund health and defence spending, leaving available on average $1 billion per year to allocate at Budget 2026.

The consequence of running smaller allowances is the challenge of managing the increased costs of maintaining current services, which are likely to be influenced by price and demand changes, and funding new policies. The Government has options to help manage this challenge, such as reprioritising existing spending, finding efficiencies, and introducing revenue-raising policies.

…while the performance of Crown entities also contributes to the recovery.

Over the forecast period, Crown entities (excluding ACC) contribute $1.9 billion towards the improvement in OBEGALx. Further analysis on historic Crown entity performance is covered in the following box.

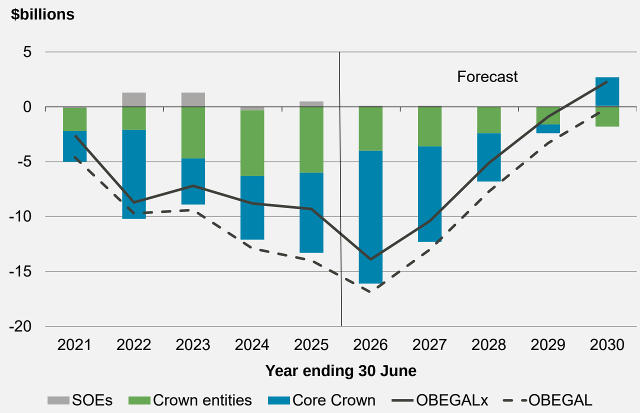
Crown entity performance and the impact on the Government's key operating indicators

OBEGALx is the Government's headline operating indicator for measuring performance against its fiscal strategy. As OBEGALx is a total Crown measure, it incorporates the results of the core Crown, Crown entity (excluding ACC) and SOE reporting segments. The purpose of this box is to explain how agencies within the Crown entity segment have impacted the Crown's operating results in recent years, and to outline their contribution to the expected recovery in the fiscal outlook over the forecast period.

In recent years, Crown entities have reported significant operating deficits…

Over the previous five years the Crown entity segment has reported operating deficits (before gains or losses) that have had a significant impact on the overall operating performance of the Government (Figure 2.11).

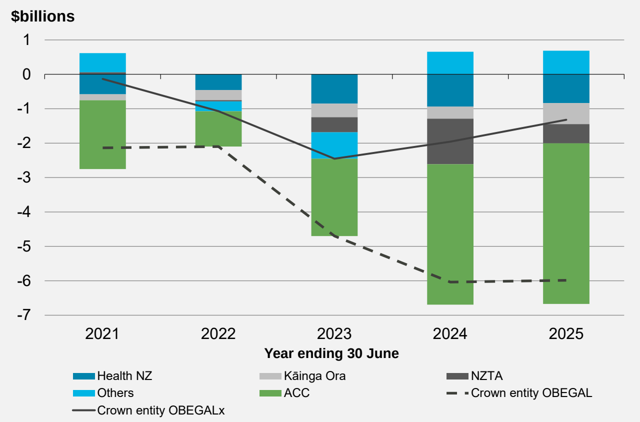
Figure 2.11 – OBEGAL and OBEGALx



Source: The Treasury

Since 2021, the Crown entity segment (excluding ACC) has reported an average annual operating deficit (before gains or losses) of $1.4 billion per year. When including the results of ACC, this average increases to $4.2 billion. It should be noted that ACC has a long-term focus, and it has a Funding Policy Statement in place to manage its sustainability. As a result, since 2021, Crown entities have contributed around 20% of the OBEGALx (which excludes ACC) deficits, or 40% of the OBEGAL deficits. Overall, the trend has been driven by a small number of large Crown entities whose operating deficits have been growing in more recent years and have therefore had a more significant impact on the total Crown results (Figure 2.12).

Figure 2.12 – Historic Crown entity deficits[1]



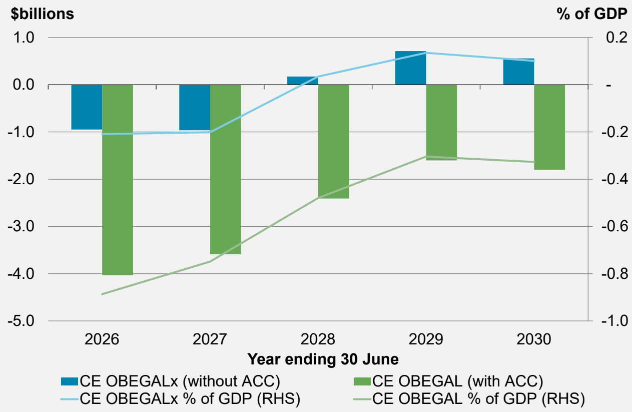
Source: The Treasury

1 Health NZ was established on 1 July 2022. The OBEGAL deficit of the District Health Boards has been used to populate the values for the 2021 and 2022 periods in Figure 2.12 when referring to Health NZ.

…however, Crown entity performance is expected to improve and contributes to the recovery in the fiscal outlook

Crown entity operating deficits are expected to reduce, and by 2027/28 the Crown entity segment (excluding ACC) is expected to return to a surplus position (Figure 2.13). When including ACC, the results are expected to improve from a forecast deficit of around $4.0 billion in 2025/26 to $1.8 billion by 2029/30. The forecast improvement in the Crown entity performance is one of the drivers in the recovery of the OBEGALx outlook over the forecast period.

Figure 2.13 – Forecast Crown entity (CE) performance



Source: The Treasury

The expected recovery is underpinned by several turnaround plans announced by the Government to improve the performance and fiscal sustainability of Crown entities such as ACC, Kāinga Ora and Health NZ.

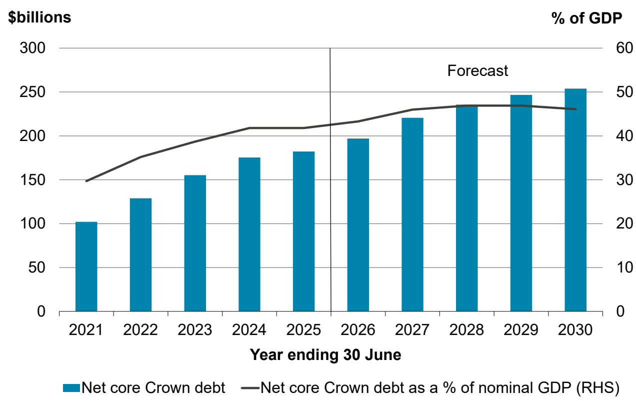
In June 2025, a new Service Agreement was signed by the ACC Board that sets ambitious targets for improvement and in February 2025 a reset plan for Kāinga Ora was announced, following an independent review of Kāinga Ora in 2024. Health NZ published an update of its Health Delivery Plan in July 2025 which sets out how they will deliver on the expectations of the Government and complete its turnaround. These plans largely centre on reducing costs, lifting performance and providing value for money.

The Treasury's fiscal forecasts are prepared on the basis of a best estimate of the most reasonably probable outcome. They therefore reflect the best estimate of the expected performance under these turnaround plans. There is a chance these turnaround plans do not deliver or overachieve on the expected savings.

Government's Debt Position

Net core Crown debt as a share of GDP initially increases but starts to fall by 2029/30 …

Figure 2.14 – Net core Crown debt



Source: The Treasury

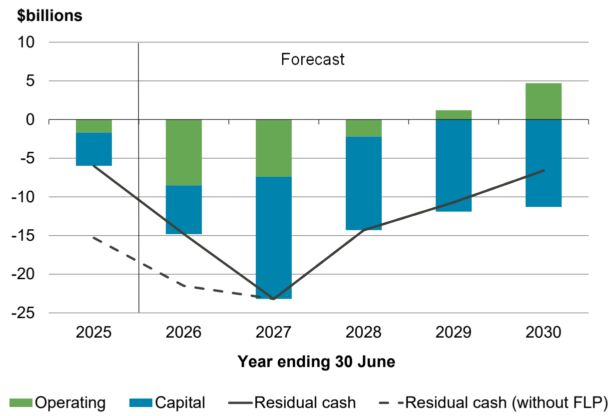
In nominal terms, net core Crown debt is expected to grow across the forecast period (Figure 2.14), from $182.2 billion in 2024/25 to $253.9 billion by 2029/30. Net core Crown debt as a percentage of GDP is forecast to rise gradually and peak at 46.9% of GDP in 2027/28, before declining to 46.1% of GDP by the end of the forecast period.

The forecast increase in net core Crown debt is around $71.7 billion, with larger increases expected in the near term and more modest increases expected at the back end of the forecast period, broadly following the trend in the residual cash deficit.

The increase in net core Crown debt predominantly reflects the additional funding required to meet the cash shortfall from the accumulated residual cash deficit totalling $69.5 billion.

… as residual cash deficits narrow

Figure 2.15 – Core Crown residual cash



Source: The Treasury

Core Crown residual cash is expected to improve but remain in deficit for the forecast period (Figure 2.15). The deficits are largely owing to capital investments.

The total accumulated cash deficit across the forecast period is $69.5 billion. This reflects an accumulated shortfall in net core Crown operating cash flows totalling $12.2 billion, while net capital spending totals $57.3 billion. Net core Crown operating cash flows improve across the period, and it is expected that, by 2028/29, core Crown operating cash inflows will be sufficient to cover core Crown operating cash outflows. Therefore, the majority of the accumulated residual cash deficit reflects spending on capital investments. The cash shortfall is largely being funded through additional borrowings and the use of financial assets.

The residual cash deficit is expected to grow in the near term, increasing to a forecast $14.8 billion deficit in 2025/26, compared to a deficit of $6.0 billion in 2024/25, and peaking at $23.2 billion in 2026/27. The increase seen in the current year is somewhat masked by the repayments from the Funding for Lending Programme (FLP). With all the FLP repayments due to be received in the 2025/26 year, the residual cash deficit widens to $23.2 billion in 2026/27. Looking through the FLP repayments, there would have been a residual cash deficit of $15.3 billion in 2024/25, widening to $21.5 billion in 2025/26 – this broadly follows the same trend seen in the OBEGALx forecast.

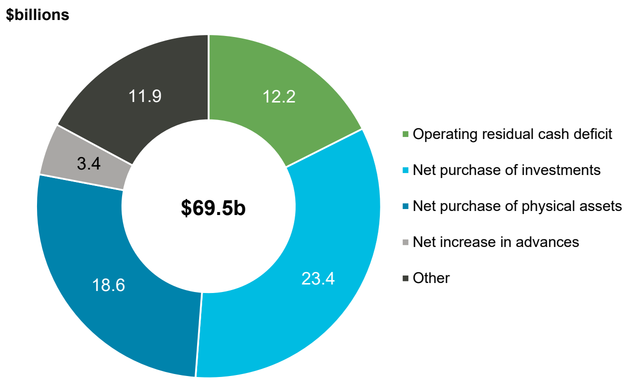
…with most of the total cash deficit attributable to the Government's forecast capital investment

Accumulated core Crown net capital spending is forecast to total $57.3 billion by 2029/30, which represents just over 80% of the accumulated cash shortfall over the forecast period (Figure 2.16).

This includes net capital spending of $23.4 billion on investments, which mainly represent capital injections into Crown entities, as well as $18.6 billion on purchases of physical assets by departments. The remaining net capital spending mainly comprises the funding set aside for future Budget capital allowances and tagged contingencies.

A breakdown of net capital expenditure that has an impact on core Crown residual cash can be found on page 108 of the Forecast Financial Statements chapter.

Figure 2.16 – Components of the accumulated core Crown residual cash deficit



Source: The Treasury

Capital expenditure

Capital expenditure is generally defined as the costs incurred to buy, update, or improve long-term or fixed assets, including property, plant and equipment (PPE), as well as buildings or technology.

There are various metrics available to measure capital expenditure. This box highlights Crown PPE investments – a measure of the net investment in physical and intangible assets which are expected to be directly (through capital injections) or indirectly (through operating funding or lending) funded by the Crown. This measure incorporates the core Crown, Crown entities and KiwiRail, and serves as a proxy to link the impact of capital policy decisions through to the economy.

Capital expenditure is spread across a number of sectors over the forecast period…

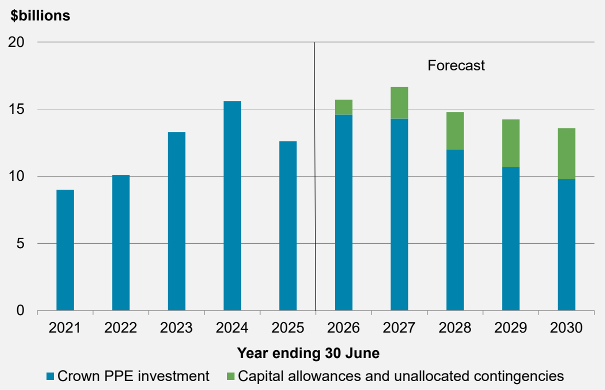
Over the forecast period, Crown PPE investments total $61.3 billion. More than one third of forecast capital expenditure is in the transport sector ($23.1 billion), with expenditure in the health, education and housing sectors also contributing around $11.1 billion, $9.8 billion and $4.4 billion, respectively. This will include expected spending on projects already underway, but also spending which has yet to be committed to specific projects.

…with new capital spending contributing to total forecast capital expenditure...

New capital spending totals $13.6 billion across the forecast period. This includes funding agreed in previous Budgets for specific projects that have not yet been appropriated into entity baselines because further work is required prior to this occurring (ie, unallocated contingencies), and Budget capital allowances set aside for future Budgets.

Although Crown PPE investments are shown to slowly taper off across the forecast period, reflecting a reduction in capital expenditure as projects already committed to are completed, it is likely these will increase at future forecast updates once funding is allocated to new investments from the future Budget capital allowances, as illustrated in Figure 2.17.

Figure 2.17 – Crown PPE investments



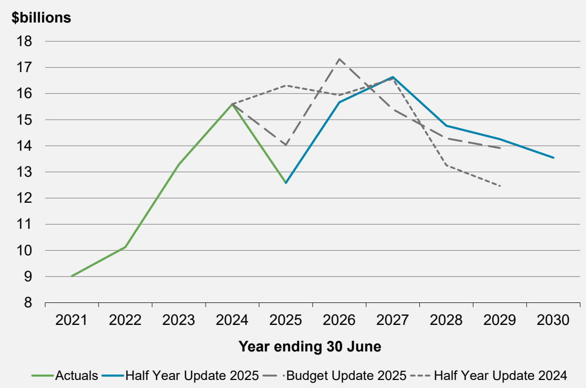
Source: The Treasury

…and is broadly consistent with prior forecast periods.

When comparing the five-year forecasts in this *Half Year Update* to the previous two Economic and Fiscal Updates, total capital expenditure is broadly consistent.

Crown PPE investments totalled $61.8 billion in Budget 2025 and $59.7 billion in the *Half Year Update 2024*, while new capital spending was $13.2 billion and $14.9 billion respectively.

Figure 2.18 – Comparison of capital expenditure to prior forecast periods



Source: The Treasury

While a comparison of capital expenditure in recent updates shows some differences in the phasing of capital expenditure across forecast periods (refer to Figure 2.18), capital expenditure including new spending across each of the five-year forecast periods is $74.9 billion, $75.0 billion and $74.6 billion, respectively.

The overall cash shortfall will mainly be funded by issuing bonds

The Government's borrowing programme includes the issuance of both government bonds (NZGB) and short-term borrowings (Treasury Bills and Euro-Commercial Paper). Overall, the programme will provide net funds of $60.0 billion (Table 2.4) to help cover the residual cash deficits and maintain the Crown liquidity buffer. The forecast programme accommodates a gradual reduction in forecast financial asset holdings by the end of 2026/27, reflecting the need for a lower liquidity buffer (for further detail refer to page 38).

Annual net government bond issuance is broadly consistent with the profile of core Crown residual cash requirements. That said, in the 2025/26 fiscal year, net issuance is slightly below the level of residual cash deficits, largely reflecting the transition to the lower liquidity buffer. After the year ending June 2027, annual cash flows from the programme are forecast to be on a declining trend, reflective of the improvement expected in the residual cash deficits.

Table 2.4 **–** Net issuance of market government bonds and short-term borrowing[1]

Year ending 30 June $billions	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**	**Total**
Face value of market government bonds issued	35.0	34.0	34.0	32.0	30.0	**165.0**
Debt programme cash flows						
Cash proceeds from issue of market government bonds	34.0	31.9	32.5	30.8	28.7	**157.9**
Repayment of market government bonds	(18.2)	(22.6)	(15.4)	(17.8)	(22.0)	**(96.0)**
Net issue/(repayment) of short-term borrowings	(2.0)	5.1	(3.0)	(2.0)	-	**(1.9)**
Net debt programme cash flows	**13.8**	**14.4**	**14.1**	**11.0**	**6.7**	**60.0**

1 This table only reflects the transactions forecast by New Zealand Debt Management. It is not consolidated with other entities within the Crown.

More information on the bond programme can be found at https://debtmanagement.treasury.govt.nz/investor-resources/media-statements

Source: The Treasury

Resizing the Crown minimum liquidity buffer

One of the key risks the Crown faces is liquidity risk – the ability to meet all payment obligations in a timely and economic manner. The Crown's borrowing programme is set to accommodate day-to-day variances in cashflow forecasting and can adjust to medium-term uncertainties in the economic and fiscal outlook. However, from time to time, the economy will face impactful, unanticipated, events, with immediate effects.

To manage this risk, the Crown holds a 'liquidity buffer' – a portfolio of cash and liquid, high-quality, financial assets, complemented by a standing overdraft facility with the Reserve Bank of New Zealand. The liquidity buffer is a safeguard that mitigates liquidity risk and avoids the need to try to rapidly increase borrowing during times of stress, when costs may be high, or markets inaccessible. Holding a liquidity buffer is like paying an insurance premium – a small ongoing cost to protect against a much larger risk.

There is a requirement to hold a minimum liquidity buffer, as approved by the Minister of Finance, based on New Zealand Debt Management (NZDM) analysis and recommendation. Every two years, NZDM is required to review the minimum level of the liquidity buffer to hold on an enduring basis.

In late-2021, the level was set at $15 billion, with the 2023 analysis confirming the findings. However, the results of NZDM's recent analysis show that $10 billion of cash and liquid, high-quality, financial assets is more appropriate[2]. A $10 billion liquidity buffer still offers strong protection against liquidity stress and keeps New Zealand within the range of prudent practice internationally. In late-2025, the Minister of Finance agreed to a $10 billion liquidity buffer.

Relative to when the $15 billion minimum liquidity buffer was set, revised analysis shows that financial markets tend to recover more quickly than previously thought during times of stress and NZDM now has more tools, such as a well-established Euro-Commercial Paper programme, at its disposal to bridge short-term funding needs. In addition, as higher borrowing costs now mean holding the buffer is expected to carry a modest net expense, there is little value in holding more liquidity than NZDM calculate is likely to be required.

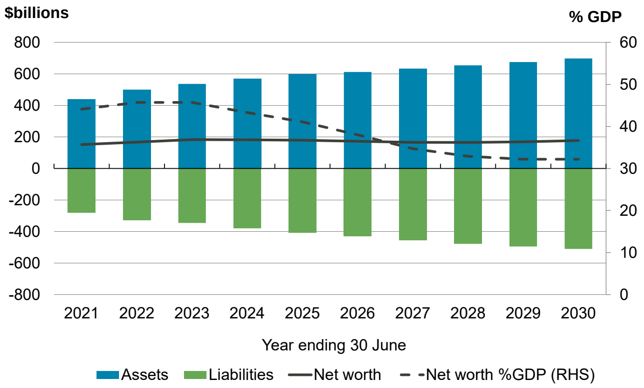
The transition to the lower buffer is phased into the core Crown borrowing programme across the 2025/26 and 2026/27 fiscal years. The lower buffer requirement has had minimal impact on headline fiscal indicators.

2 For further information on this change, refer to the NZDM insights web page: https://debtmanagement.treasury.govt.nz/investor-resources/nzdm-insights.

Government's Fiscal Position

Net worth stays flat, but declines as a share of GDP…

Figure 2.19 – Net worth attributable to the Crown

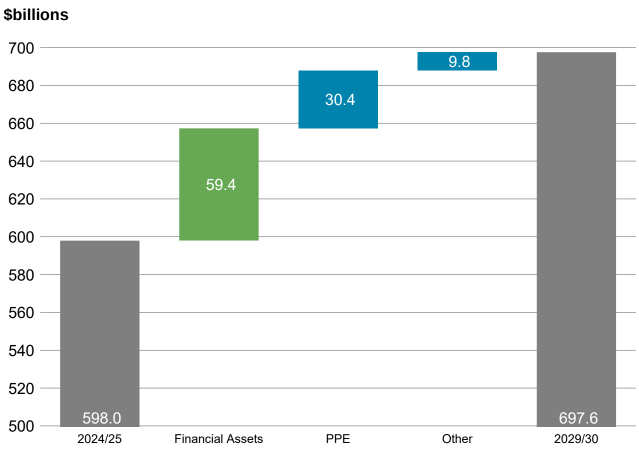


Source: The Treasury

In nominal terms, net worth attributable to the Crown is expected to decline over the initial years of the forecast period from $179.3 billion in 2024/25 to $165.2 billion in 2027/28. It then increases to $177.3 billion in the last year of the forecast. The year-on-year changes in net worth attributable to the Crown follows the forecasts of the operating balance, which are initially deficits but move into a surplus position by 2028/29. However, as a share of GDP, net worth attributable to the Crown falls from 41.1% in 2024/25 to 32.2% in 2029/30. Overall, the accumulated impact of the operating balance results in a reduction in net worth attributable to the Crown, meaning it declines as a share of GDP over the forecast period.

…with assets and liabilities both increasing by similar levels

Figure 2.20 – Increase in assets



Source: The Treasury

Total assets are forecast to increase by $99.6 billion over the forecast period, reaching $697.6 billion in 2029/30. Total liabilities are forecast to increase by $101.3 billion, rising to $510.1 billion by the last year of the forecast period (Figure 2.20 and 2.21).

…with financial assets driving most of the increase in assets…

Financial assets are forecast to increase by $59.4 billion by 2029/30. The following areas contribute to most of this growth:

- The investment portfolios of the NZS Fund and ACC contribute $40.9 billion to the overall growth in financial assets, which largely reflects growth from expected investment returns.
- Kiwi Group loans and advances are forecast to increase by $17.2 billion, primarily driven by expected growth in mortgage lending, which results in a broadly corresponding increase on financial liabilities, as discussed on page 40.

The remaining movements in financial assets over the forecast period largely reflect changes within the portfolios held by the Treasury and the Reserve Bank to manage their underlying financial objectives.

…along with growth in property, plant and equipment…

PPE assets are expected to increase by $30.4 billion by 2029/30. This increase is largely due to additions of $81.0 billion over the forecast period, which are partly offset by depreciation expenses that total $46.5 billion over the same period.

In net terms, the largest growth in PPE by asset class is the state highway asset category, which is forecast to increase by $11.3 billion over the forecast period while electricity-related assets increase by $6.7 billion over the same period.

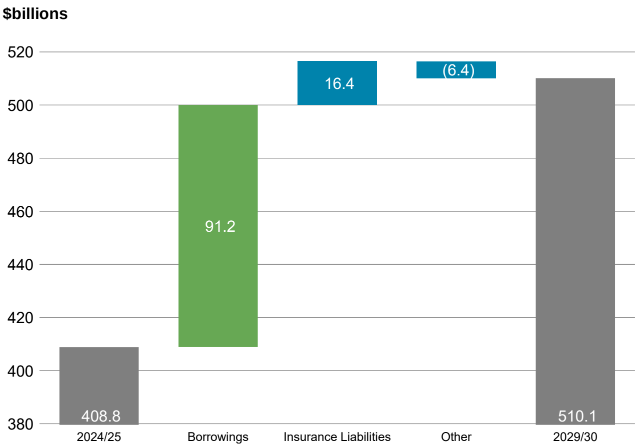
…while funding set aside for future capital investments contributes to the remainder of the increase in assets

In addition to the above, the forecast for new capital spending is expected to increase assets by $13.6 billion by 2029/30.

Total borrowings are expected to increase largely to fund Government activity…

Total borrowings are forecast to increase by $91.2 billion, from $272.1 billion in 2024/25 to reach $363.3 billion by 2029/30.

Figure 2.21 – Increase in liabilities



Source: The Treasury

Government bonds are expected to increase by $85.2 billion by the end of the forecast period. Government bond issuances are largely reflective of the borrowing required to meet the cash shortfall to fund operating and capital expenditure of the Government that cannot be covered by revenue (such as tax revenue). In the near term the level of government bonds is also impacted by the winding down of the Reserve Bank's LSAP programme, which results in a switch in liabilities from settlement deposits to government bonds. The repayment of FLP advances in the 2025/26 year also contributes to a decrease in settlement deposits.

Kiwi Group borrowings (such as deposits and debt securities) are forecast to increase by $12.5 billion, which is more than offset by the forecast increase in Kiwi Group advances and marketable securities (as discussed on page 39).

…while the Government's insurance liabilities also increase

Insurance liabilities are forecast to increase by $16.4 billion to reach $86.7 billion by 2029/30. The ACC insurance liability makes up most of this balance and is forecast to grow by $17.0 billion over the forecast period. The increase in the ACC insurance liability is slightly offset by the forecast decrease to the Natural Hazards Commission insurance liability.

The ACC insurance liability is an estimate of the present-day value of the amount ACC would need to pay out to meet future compensation and rehabilitation costs of injuries that have already occurred or that are expected to occur over the forecast period. The ACC insurance liability is expected to grow by an average of $3.4 billion per year over the forecast period, with the increases largely reflecting growth in claims volumes, increases in rehabilitation costs, and economic factors.

Comparison to the *Budget Update*

Table 2.5 – Key fiscal indicators compared to the *Budget Update*

Year ending 30 June $billions	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Core Crown tax revenue						
Half Year Update	121.7	124.2	132.2	140.2	148.4	156.6
Budget Update		125.0	133.0	140.5	148.2	
Core Crown expenses						
Half Year Update	141.7	149.0	153.5	157.6	162.6	167.9
Budget Update		150.3	153.1	156.8	162.0	
OBEGALx						
Half Year Update	(9.3)	(13.9)	(10.4)	(5.1)	(0.9)	2.3
Budget Update		(12.1)	(8.1)	(3.1)	0.2	
Core Crown residual cash						
Half Year Update	(6.0)	(14.8)	(23.2)	(14.3)	(10.7)	(6.6)
Budget Update		(14.5)	(18.2)	(11.4)	(8.1)	
Net core Crown debt						
Half Year Update	182.2	197.0	220.6	235.7	246.8	253.9
Budget Update		200.2	218.4	230.2	238.5	
Net worth attributable to the Crown						
Half Year Update	179.3	172.7	166.0	165.2	169.4	177.3
Budget Update		163.9	158.3	158.3	162.4	
% of GDP						
Core Crown tax revenue						
Half Year Update	27.9	27.3	27.6	27.9	28.2	28.4
Budget Update		27.4	27.8	28.0	28.3	
Core Crown expenses						
Half Year Update	32.5	32.8	32.0	31.4	30.9	30.5
Budget Update		32.9	32.1	31.3	30.9	
OBEGALx						
Half Year Update	(2.1)	(3.0)	(2.2)	(1.0)	(0.2)	0.4
Budget Update		(2.6)	(1.7)	(0.6)	-	
Core Crown residual cash						
Half Year Update	(1.4)	(3.3)	(4.8)	(2.8)	(2.0)	(1.2)
Budget Update		(3.2)	(3.8)	(2.3)	(1.6)	
Net core Crown debt						
Half Year Update	41.8	43.3	46.0	46.9	46.9	46.1
Budget Update		43.9	45.7	46.0	45.5	
Net worth attributable to the Crown						
Half Year Update	41.1	38.0	34.7	32.9	32.2	32.2
Budget Update		35.9	33.1	31.6	31.0	

Source: The Treasury

Changes in New Zealand Emission Unit prices

The forecasts were prepared using the market price of NZUs as at 31 October 2025 which was $52.74 per NZU. Since then, the price has fallen and as at 30 November 2025, the market price was $40.25 per NZU. If this price was used for our forecasts this would have an adverse OBEGALx impact on average of $0.1 billion per annum.

Comparison to *Budget Update*

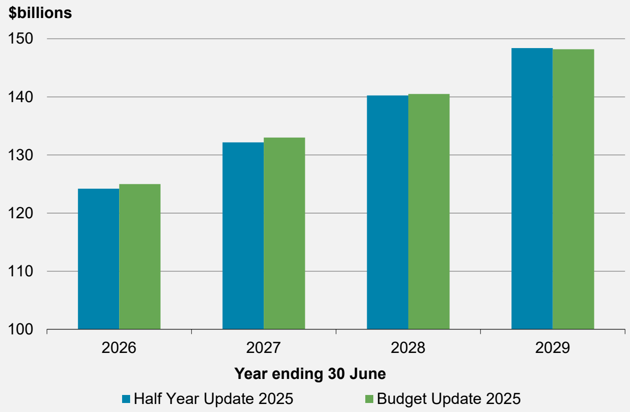
The economic recovery is expected to be slower compared to the Budget Update*…*

Compared to the *Budget Update,* a weaker economic recovery in the near term sees a deeper fiscal deterioration in the current year and a slower fiscal recovery thereafter. As a result, the return to OBEGALx surplus has moved out a year to 2029/30, and net core Crown debt peaks just under 1% higher than previously expected.

… resulting in an initial downward revision in core Crown tax revenue…

The slower pace of recovery sees growth in tax revenue slow in the near-term. This largely reflects weaker real economic activity. Compared to the *Budget Update*, core Crown tax revenue is $0.8 billion lower in 2025/26 and 2026/27, with a weaker labour market outlook a key contributor leading to downward revisions to the forecast of source deductions. However, as economic growth accelerates through the forecast period, core Crown tax revenue forecasts by 2028/29 are $0.2 billion higher compared to the *Budget Update*.

Figure 2.22 – Core Crown tax revenue compared to the *Budget Update*



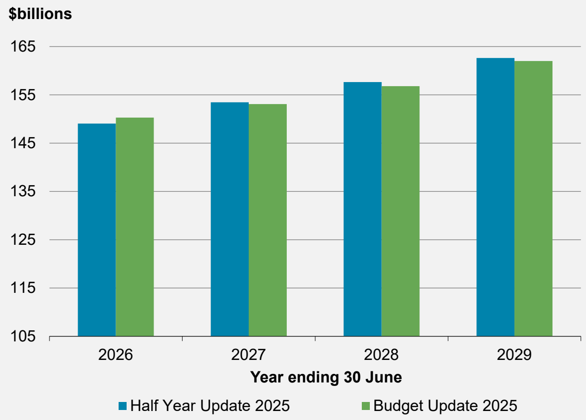
Source: The Treasury

…and contributing to increases in core Crown expenses…

The recipient numbers for the Jobseeker Support and Sole Parent Support are expected to be more than previously forecast, reflective of GDP growth improving at a slower rate and the employment rate being lower than expected at the *Budget Update*. While recipient numbers unwind for these benefit types as the economy recovers, they remain higher than forecast at the *Budget Update*.

Overall benefit expenses have been revised up in all years, with $0.4 billion in the current year increasing to $1.3 billion by 2028/29. This largely reflects an expected increase in recipient numbers (in addition to those mentioned above) and the impact of a higher consumers price index (CPI) track increasing the annual indexation of most main benefit types.

Figure 2.23 – Core Crown expenses compared to the *Budget Update*



Source: The Treasury

The recipient numbers for New Zealand Super and the Supported Living Payment have been revised up since the *Budget Update*, which has an ongoing impact across the forecast period, largely owing to updated data.

A higher CPI track forecast in the near term has contributed to benefit expenses being higher compared to the *Budget Update*, with most of this revision coming through NZ Super payments. The annual indexation adjustment will have a compounding impact in each year on benefit expenses, resulting in an increase of $0.5 billion by 2028/29.

The forecast for tax debt impairments and the initial fair value write-down on student loans have increased since the *Budget Update*. This is due to a slower-than-expected economic recovery, leading to higher overdue tax debt. Additionally, weaker labour market conditions are expected to result in more borrowing under the Student Loan scheme, as people face greater challenges finding and keeping jobs.

Unlike core Crown tax revenue, a large portion of the revisions in these expenses are not expected to unwind with the economic cycle, meaning they will have a lasting impact on the fiscal outlook.

…while market conditions have also affected the outlook…

NZ Emissions Trading Scheme (ETS) net revenue forecasts have been revised down on average by $0.2 billion per annum. The reduction reflects the market drop of carbon price since the *Budget Update* and the revised volume of units forecast to be surrendered and allocated.

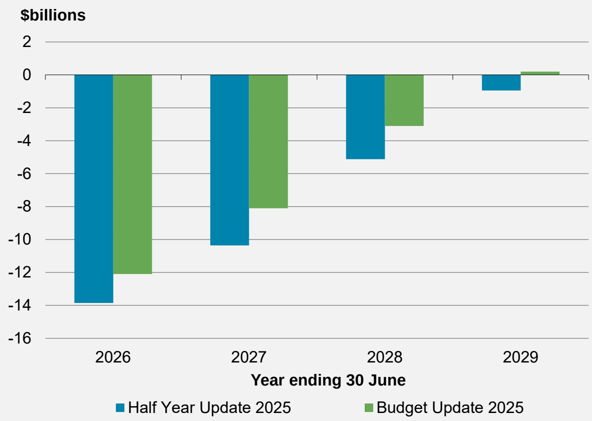
In contrast, changes in interest rates since the *Budget Update* have resulted in a downward revision in net finance costs, averaging around $0.4 billion per annum. This is even after taking into consideration the impact of needing additional funding to cover the adverse revisions in core Crown tax revenue and core Crown expenses.

… leading to a weaker outlook for OBEGALx and net core Crown debt

The OBEGALx deficit over the next three years is on average $2.0 billion weaker in each year. The downward revision narrows in 2028/29 to $1.1 billion, reflecting the expected economic recovery.

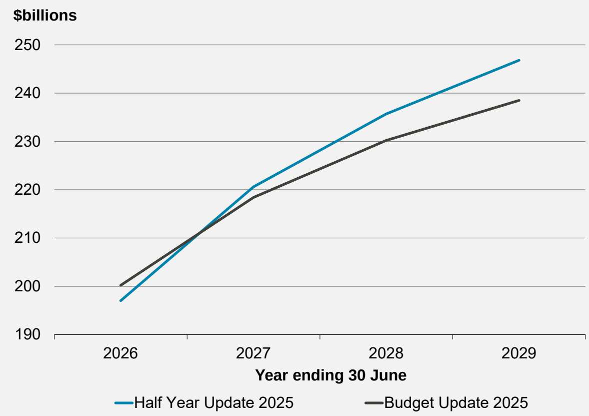
The weaker outlook for OBEGALx translates into a larger cash shortfall. In addition, the cash shortfall has been impacted by the downward revisions in tax receipts being greater than the revisions in tax revenue compared to the *Budget Update*. This reflects a widening gap between revenue and receipts in recent years. As a result, net core Crown debt is now expected to peak at 46.9% of GDP in 2027/28, just under 1% higher than expected at the *Budget Update* and, in nominal terms, will be $8.3 billion higher by 2028/29 than at the *Budget Update*. While the cash shortfall is expected to increase net core Crown debt by $10.6 billion, a stronger starting position of around $3.5 billion at 30 June 2025 has partly offset the larger cash shortfall. Compared to the *Budget Update,* the New Zealand Government Bond programme has increased by NZ$3.0 billion over the forecast period, with higher forecast cash needs partially offset by a reduced minimum liquidity buffer requirement.

Figure 2.24 – OBEGALx compared to the *Budget Update*



Source: The Treasury

Figure 2.25 – Net core Crown debt compared to the *Budget Update*



Source: The Treasury

3

Risks to the Forecasts

Our forecasts are based on various assumptions and judgements…

The economic and fiscal forecasts presented in the previous two chapters are prepared using a number of key assumptions and judgements. As with any kind of forecasting, there is risk that actual events will differ from expectations. This chapter outlines the key risks that could alter the economic and fiscal forecasts presented in this *Update*.

Risks to the outlooks can be largely grouped under the following three areas:

- Economy evolves differently than assumed (eg, the speed at which lower interest rates affect the economy).
- Significant policy changes or other specific fiscal risks materialising.
- Adverse events (eg, adverse weather events, unanticipated global developments like COVID-19).

There are a number of ways to disclose and illustrate these uncertainties. This chapter does this in three ways:

- Sets out alternative scenarios to illustrate possible outcomes if the economy was to evolve differently – see pages 47 to 49.
- Uses sensitivity analysis to illustrate how changes to key economic indicators could flow through to the fiscal indicators – see page 50.
- Discloses specific fiscal risks that, if they were to eventuate, may affect the fiscal forecast – see pages 51 to 68, and contingent liabilities – see pages 69 to 72.

This chapter does not include risks associated with significant economic shocks or long-term structural changes. The Treasury released a Long-term Insights Briefing in August 2025, which provides information on economic shocks. Since the late 1980s, the fiscal cost of government responses to economic shocks has averaged about 10% of GDP per decade. In September the Treasury released the Long-term Fiscal statement that examined the implications of longer-term fiscal changes, while in November we released the Investment Statement, which looked at the implication of a variety of shocks on the Governments Balance Sheet.[3]

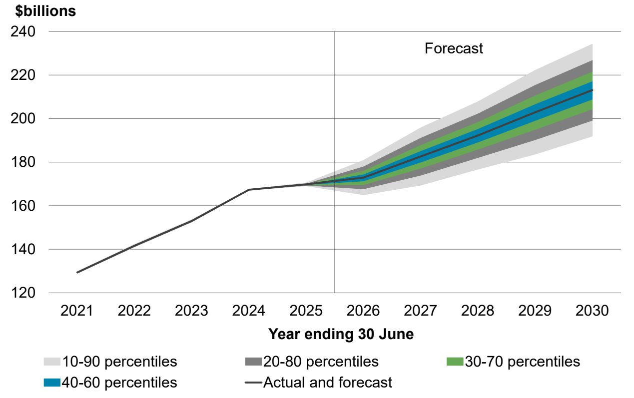
[3] The Treasury's stewardship reports are available here: https://www.treasury.govt.nz/publications/treasurys-stewardship-reports

…with a higher degree of uncertainty as the forecast horizon extends

The uncertainties involved in producing forecasts, and how this uncertainty increases over the forecast period, can be seen in the fan charts in Figure 3.1 and 3.2. These fan charts are a result of a historical revisions analysis of the Treasury's forecasts of key fiscal variables[4], using actual outturns relative to forecast over a 30-year period. From this analysis we estimate that there is a 50% chance total Crown revenue will be $11.1 billion higher or lower than our forecast of $213.1 billion in 2030. Likewise, there is a 50% chance OBEGAL will be $7.7 billion higher or lower than of the forecast $0.1 billion OBEGAL deficit by 2030.

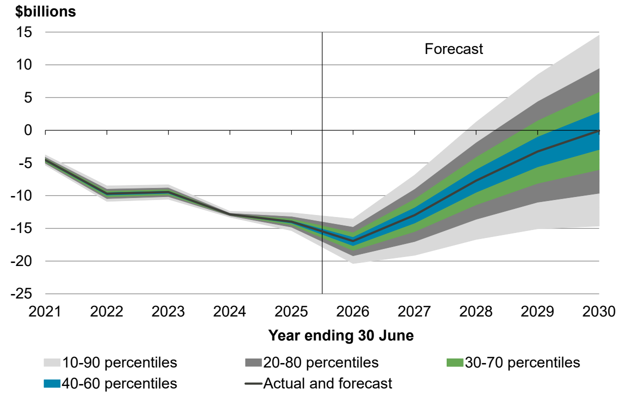
The forecasts assume that the fiscal impacts of future policy changes, decisions to fund any cost pressures in Government agencies or services, and the materialisation of risks will be managed within the operating allowances set by the Government. However, it is possible that allowances differ from those currently set, for example because there is insufficient funding available for the costs described above. Figure 3.3 shows the impact of a $1 billion higher or $1 billion lower operating allowance in each Budget year would mean for OBEGALx.

Figure 3.1 – Total Crown revenue fan chart



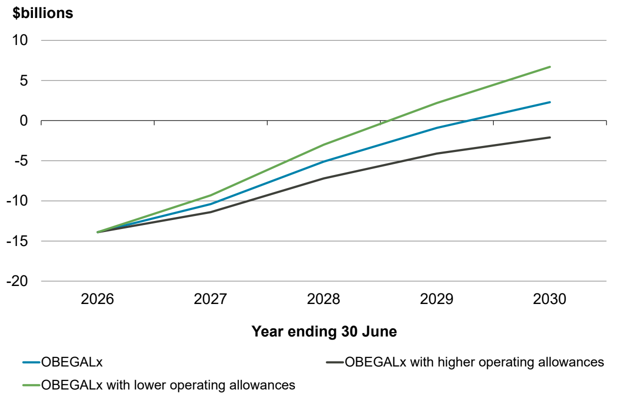
Source: The Treasury

Figure 3.2 – OBEGAL fan chart



Source: The Treasury

Figure 3.3 – Impact of changes to operating allowances on OBEGALx



Source: The Treasury

4 For the fan charts, OBEGAL has been used instead of OBEGALx due to lack of time series data over the 30-year period.

Alternative Scenarios

One way of illustrating the inherent uncertainty regarding the assumptions and judgements made in the economic forecasts is to consider alternative scenarios where specific judgements are modified. The economic and fiscal consequences of two different uncertainties are considered in this section. The first set of scenarios illustrate the cyclical impact of an international demand shock, while the second set of scenarios show the effects of more permanently weaker or stronger productivity. The different nature of these uncertainties result in different fiscal consequences.

Cyclical dynamics may play out differently than assumed

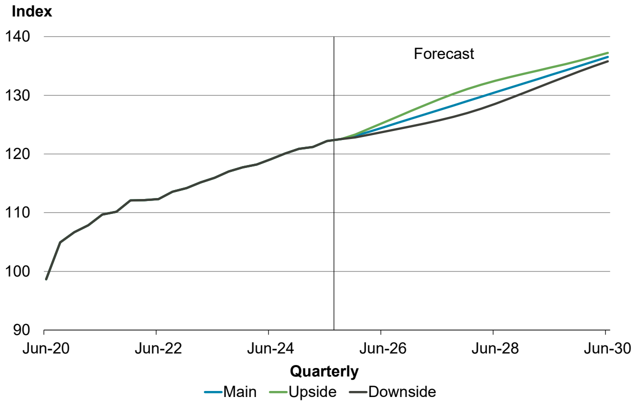
In a possible upside scenario, global demand is assumed to be more positive than in our central forecast. Global trading partner annual growth over 2026 and 2027 is up to 0.9 percentage points stronger per year, but slightly weaker growth over the latter part of the forecast period sees the level of trading partner output tending back towards the central forecast level.

In this upside scenario, stronger foreign demand boosts export goods prices which flows through to increased goods and services exports and business investment.

Residential investment responds initially to the stronger domestic demand, while higher real world import prices and additional domestic demand put upward pressure on both tradable and non-tradable inflation.

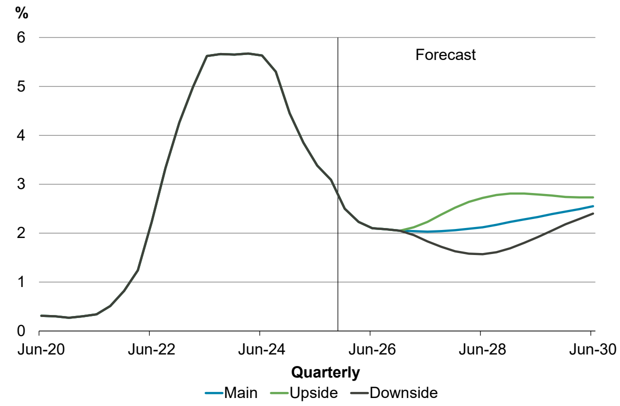
Monetary policy reacts to contain these inflation pressures by lifting interest rates by around 60 basis points at the peak effect, with slower growth in household spending and residential investment towards the end of the forecast period driven by rising interest rates and more subdued house price growth.

Figure 3.4 – Trading partner GDP



Sources: Haver, the Treasury

Figure 3.5 – 90-day interest rates

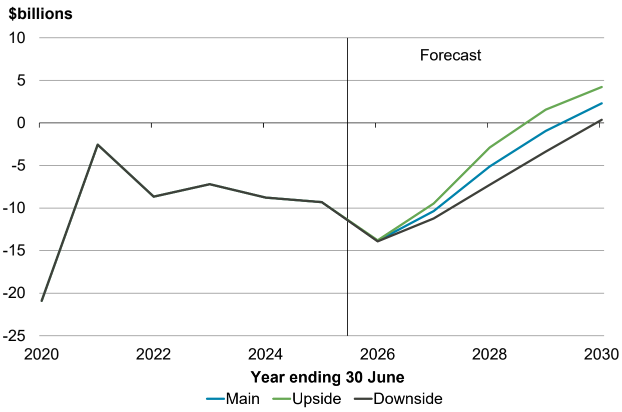


Sources: RBNZ, the Treasury

The increased demand sees nominal GDP cumulatively $22 billion up over the forecast period, with corresponding additional tax receipts a cumulative $6.5 billion higher over the forecast period. The combination of higher tax receipts and reduced spending on jobseeker support sees OBEGALx peak around $2 billion more positive in the final years of the forecast.

A downside foreign growth surprise scenario of a similar magnitude would have broadly symmetrical results.

Figure 3.6 – OBEGALx



Sources: The Treasury

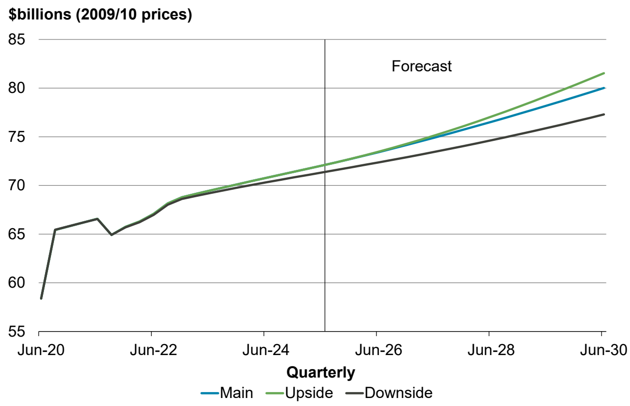
Risks also exist around structural assumptions such as trend productivity growth

In our central forecast, labour productivity growth is assumed to return to a long-run average of around 1% per year, with this assumption based on the previous 30-year average performance.

In a downside scenario, potential output is lower and labour productivity growth is assumed to recover more gradually than in our central scenario and only reaches an average annual growth rate of around 0.5% per year by the end of the forecast period. This is similar to the average growth of 0.4% per year observed in the decade immediately prior to COVID-19.

Slower productivity growth constrains growth in the overall size of the economy, with the gap relative to the central forecast widening over time. Nominal GDP is $15 billion lower in 2030 (and down $37 billion over the forecast period), while tax receipts are down a cumulative $11 billion.

Figure 3.7 – Potential output



Sources: Stats NZ, the Treasury

Lower tax receipts combined with an assumption of fixed nominal allowances, result in growing OBEGALx deficits, reaching around $5 billion larger at the end of the forecast period. This relatively more expansionary fiscal position results in tighter monetary conditions, with 90-day rates around 50 basis points higher at the end of the forecast period.

In a corresponding upside scenario, the starting point level of potential output is assumed to be the same as in the central, with higher productivity growth over the forecast period. This produces similar effects to the downside scenario, although smaller in magnitude since the starting point level of potential output is unchanged from the central forecast.

In reality future developments would likely contain both cyclical and structural dimensions

The cyclical and structural alternative scenarios described above are intended as illustrative examples of the types of events that may occur in the future that differ from our central forecast assumptions. In the real world, events that impact on the underlying structure of the economy and cyclical factors are intertwined and therefore are not able to be separated out in such a stylised manner.

One important observation from these stylised scenarios is that fundamental changes to the underlying structure of the economy like a productivity boost have enduring economic and fiscal impacts that will cumulate both across the forecast period, but also well into the future, while cyclical shocks will have more immediate impacts but since underlying economic structures are unchanged, these impacts are less persistent.

Fiscal Sensitivities

The fiscal forecasts are prepared based on underlying economic forecasts. These are critical in determining significant revenue and expense estimates. The most relevant economic indicators to the fiscal forecasts are outlined on page 77. Any variation in the forecasts of these underlying economic indicators could impact the fiscal forecasts. The forecasts for tax revenue, benefit expenses and finance costs are particularly sensitive to changes in certain economic indicators.

Sensitivity analysis illustrates how certain changes in key economic indicators could flow through to fiscal indicators. Table 3.1 provides rules of thumb for the sensitivity of tax revenue to economic growth, as well as how government income and expenses are affected by interest rates. For example, if nominal GDP were to grow by 1 percentage point more than forecast in each year of the forecasts, in the final year of the forecast period tax revenue would likely be around $8.2 billion higher than forecast.

Table 3.1 – Fiscal sensitivity analysis

Year ending 30 June $millions	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**
Impact on tax revenue of a 1 percentage point increase[1] in growth of					
Nominal GDP	1,280	2,720	4,355	6,170	8,175
Wages and salaries	630	1,320	2,090	2,950	3,900
Taxable business profits	250	575	965	1,405	1,885
Impact of 1 percentage lower[1] interest rates on					
Interest income[2]	(337)	(458)	(438)	(448)	(508)
Interest expenses[2]	(393)	(815)	(1,119)	(1,419)	(1,696)
Net impact on operating balance	56	357	681	971	1,188

Notes: 1 These sensitivities are broadly symmetrical.

2 Interest sensitivities relate to consolidated external exposures of both the Treasury (Debt Management) and the Reserve Bank.

Source: The Treasury

Specific Fiscal Risks

Several changes have been made to this section to increase transparency and support a better understanding of specific fiscal risks, as described below:

Providing the potential fiscal impacts of specific fiscal risks

Where possible, the statement of specific fiscal risks now includes the potential fiscal impacts over the forecast period in the event a specific fiscal risk materialises. These have been portrayed as ranges within the statement of specific fiscal risks.

These ranges are only intended to provide a sense of the scale of impact of a specific fiscal risk – they do not represent funding commitments or detailed costing of policies. In most cases, the ranges reflect the maximum possible exposure from the risk. In the situation a risk materialises, the Government will have a better estimate of the actual fiscal impact which will provide flexibility on whether and how it responds to that event.

This is the first Economic and Fiscal Update since the *Half Year Update 2012* to publish potential fiscal impacts. We expect the quality and coverage of this disclosure to increase over subsequent Updates.

Expiring specific fiscal risks relating to general inflationary pressures

Beyond the specific fiscal risks outlined in the chapter, the Crown faces general inflationary pressures relating to ongoing operations, information and communication technology upgrades, maintenance of government owned buildings and contracted services.

Previously, these general inflationary pressures were captured as cross-portfolio specific fiscal risks. However these risks rarely changed over time, and their generic nature provided limited transparency or information. As a result, they have been expired in this *Half Year Update*. Instead, page 46 sets out how broader risks being faced by the Government could result in different operating allowances and the associated impact this has on the fiscal outlook.

Moving the narrative descriptions of 'unchanged' specific fiscal risks to the *Half Year Update 2025 – Supplementary Information*

To make the chapter more accessible and focused on specific fiscal risks that have either been introduced, or have significantly changed in nature or substance, since the *Budget Update*, the narrative summaries of unchanged risks are now included in the *Half Year Update 2025 – Supplementary Information.* This chapter still includes a full list of risks and their potential fiscal impact.

The statement of specific fiscal risks seeks to provide transparency on risks that could affect the fiscal forecasts

The statement of specific fiscal risks sets out all government decisions and other circumstances known to the Treasury where the fiscal implications may have a material effect on the economic and fiscal outlook but are not certain enough on the outcome, timing or quantum to include in the forecasts.

This section of the chapter covers:

- analysis of specific fiscal risks over time and changes since the *Budget Update*
- a statement of specific fiscal risks of the Government
- narrative summaries of new and changed[5] specific fiscal risks
- a table of risks that has been removed from the statement of specific fiscal risks since the *Budget Update*
- the requirements and criteria for disclosing specific fiscal risks and how these interact with the fiscal forecasts, and
- the key judgements the Treasury applies in assessing whether a risk is a specific fiscal risk.

Transparency is a key principle guiding the disclosure of risks. This means that material risks are disclosed in this section, regardless of whether they can be managed through existing funding sources (such as through reprioritisation of funding already available to departments or against future allowances). This ensures a prudent approach to the disclosure of risks to improve transparency and to avoid prejudging future decisions by governments about what may or may not be funded from allowances.

The risks disclosed in this chapter reflect risks known as at 25 November 2025, when the fiscal forecasts were finalised. Although the process for preparing the statement of specific fiscal risks involves several entities, including government departments, the Treasury and the Minister of Finance, it is still possible that not every specific risk is identified in the statement of specific fiscal risks.

On average, the number of specific fiscal risks has increased over the past 10 years

Since *Half Year Update 2015* on average 70 risks have been published at each *Economic and Fiscal Update*. There has been a significant increase in the number of specific fiscal risks published over the past decade from 42 risks in the *Half Year Update 2015* to 66 risks in this *Half Year Update 2025.* It is likely that some of this increase reflects the fact that there has been a fixed materiality threshold for disclosure over that period (a fiscal impact of $100 million or more over the forecast period). A one-off change in the number of specific fiscal risks does not always imply an increase in risks faced by a government and can be a result of other factors, such as the change in approach in this *Half Year Update* to capturing general inflationary pressures.

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5 New risks are those identified or disclosed for the first time in this *Half Year Update*, while changed risks are those where there is a significant change in the nature or substance of the risk.

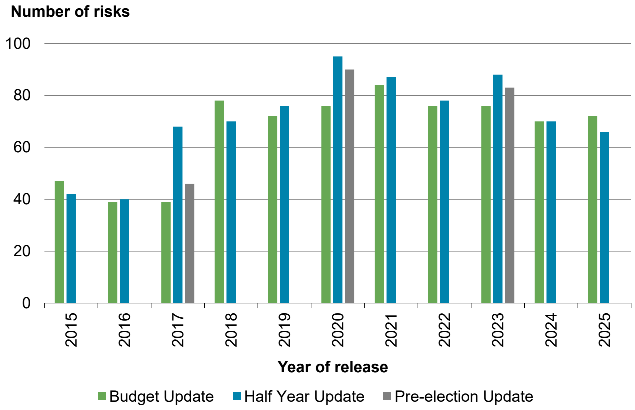
At this *Half Year Update*, 66 specific fiscal risks are being published compared to 72 at the *Budget Update*. There is a net decrease of six risks from the introduction of seven new risks and 13 risks being expired. Five of these expired risks are being expired due to the change in approach to capturing general inflationary pressures.

The potential fiscal impact of specific fiscal risks provides a sense of scale of the risks facing the Government

The statement of specific fiscal risks now includes the potential fiscal impacts over the forecast period in the event a specific fiscal risk materialises. Figure 3.9 outlines the distribution of the potential fiscal impact of specific fiscal risks at this *Half Year Update*.

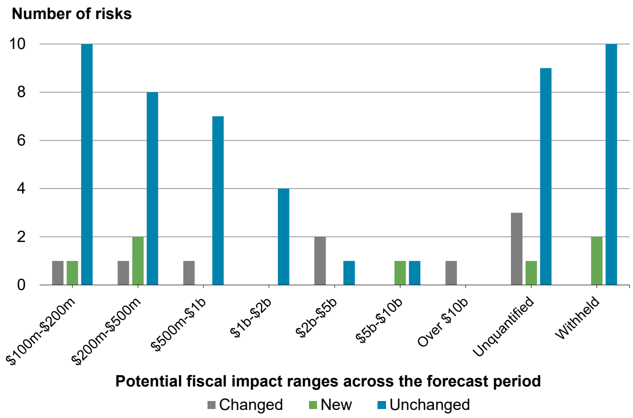
Of the risks where the potential fiscal impact is quantified, the majority (56%) have a potential fiscal impact of less than $500 million across the forecast period, while there are a small number of much larger risks.

Figure 3.8 – Total number of published specific fiscal risks 2015-2025



Source: The Treasury

Figure 3.9 – New, Changed and Unchanged risks based on potential fiscal impact



Source: The Treasury

While independent risks, many specific fiscal risks have similar themes and reflect significant fiscal challenges faced by the Crown over the coming years. Some of the key areas of risk reflected across the statement of specific fiscal risks are:

1. **Maintenance and development of infrastructure**, including the potential costs associated with agencies' long-term investment plans and the potential for cost escalation in large and complex projects.

2. **Climate change and responses to adverse weather events**, including the potential fiscal costs of meeting the Government's climate change targets.

3. **Growing demands on public services**, particularly in health, education and the justice sector, which are driven by a mix of demographic change, policy change, and other specific cost drivers.

4. **Public Sector pay costs**, including all collective agreements in the public sector due to be renegotiated over the forecast period and the employment costs associated with increases in employer KiwiSaver contributions.

5. **Government policy commitments**, where the Government has publicly committed to taking a future decision (such as an outstanding coalition commitment), or announced an intent to do so, and this may have fiscal implications.

Statement of Specific Fiscal Risks

Potential fiscal impacts in the Statement of Specific Fiscal Risks

In the statement below potential fiscal impacts are across the forecast period (2025/26 to 2029/30). Where a figure has not been provided:

- a "withheld" note means that an estimate is possible, but it has not been published to enable the Government to maintain the effective conduct of public affairs through its negotiation, litigation, or commercial activity.
- an "unquantified" note means that no estimate is currently available or possible, or the estimate of the range is so wide that to disclose the estimate would not contribute meaningfully in assessing the risk to the fiscal forecasts.

Status	Title	Portfolio	Potential fiscal impact	Pg[6]
Commitment or announced intent that may have fiscal implications				
New	Resource Management Reform Implementation Costs	Environment	$200m to $500m increase in expenses	58
	Potential Sale of the Ultra-Fast Broadband (UFB) Chorus Securities	Finance	Withheld	58
	Energy Package	Cross-portfolio	Withheld	58
Changed	Ongoing costs of New Medical School	Cross-portfolio	$200m to $500m increase in expenses and/or capital	60
Unchanged	Achieving New Zealand's International and Domestic Climate Change Targets	Climate Change	Unquantified	SI 6
	Response to the Report of the Government Inquiry into the Response to the North Island Severe Weather Events	Emergency Management and Recovery	$200m to $500m increase in expenses and/or capital	SI 7
	Cook Strait Ferry Replacement and Enabling Infrastructure	Finance	Withheld	SI 7
	Potential Capital Raise for Kiwibank	Finance	Withheld	SI 7
	Going for Housing Growth – Incentives for Communities and Councils to Support Growth	Housing	$200m to $500m decrease in revenue and/or increase in expenses	SI 7
	Science, Innovation and Technology Reform	Science, Innovation and Technology	Withheld	SI 7
	Transition and Ongoing Viability of the Vocational Education System	Tertiary Education	$100m to $200m increase in expenses	SI 8
	Transport Project Funding	Transport	$5b to $10b increase in expenses and/or capital[7]	SI 8

6 Page references identified as 'SI' refer to the page number within the *HYEFU 2025 – Supplementary Information.*

7 Most of the potential costs associated with the Transport Funding Project risk are beyond the forecast period.

Status	Title	Portfolio	Potential fiscal impact	Pg[6]
	Commitments Under the Coalition Agreements	Cross-portfolio	$200m to $500m increase in expenses and/or capital	SI 8
	The Government's Approach to the Smokefree Aotearoa 2025 Goal	Cross-portfolio	Unquantified	SI 8
Time-limited funding				
Unchanged	Healthy School Lunches Programme	Education	$500m to $1b increase in expenses and/or capital	SI 9
	Time-limited International Climate Financing Funding: Unfunded 2026 to 2030 Commitment Period	Foreign Affairs	$200m to $500m increase in expenses	SI 9
	Rail Network Investment Programme	Transport	$1b to $2b increase in expenses and/or capital	SI 9
	New Zealand Screen Production Rebate	Cross-portfolio	$200m to $500m increase in expenses	SI 10
Achieving future savings and spending constraint				
Changed	Kāinga Ora – Homes and Communities Operating Expenditure Forecast Reductions	Housing	Unquantified	60
Unchanged	Health New Zealand Operating Deficit	Health	Withheld	SI 11
	Social Development Forecast Savings	Social Development and Employment	$1b to $2b increase in expenses	SI 11
Capital cost escalation				
Unchanged	Roads of Regional Significance	Transport	$200m to $500m increase in expenses and/or capital	SI 11
Potential fiscal implications of reviews or litigation				
New	Response to the Dame Karen Poutasi Review of Safety Nets in the Children's System	Cross-portfolio	Unquantified	59
Changed	Responding to the Royal Commission of Inquiry into Abuse in Care – Redress System Claims Processes for Survivors	Cross-portfolio	Unquantified	61
Unchanged	Impacts of Changes to Accident Compensation Policy Settings	ACC	Unquantified	SI 12
	Disability Support Services – High and Complex Framework	Disability Issues	$100m to $200m increase in expenses and/or capital	SI 12
	Metropolitan Rail Networks	Transport	$200m to $500m increase in expenses and/or capital	SI 12
	Treaty Settlement Forecasts	Treaty of Waitangi Negotiations	Withheld	SI 12
	Pay Equity Claims	Cross-portfolio	Withheld	SI 13

Status	Title	Portfolio	Potential fiscal impact	Pg[6]
Changing demand and expectations on services				
New	Legal Aid and Court-Ordered Costs Demand Pressure	Courts	$200m to $500m increase in expenses	59
	Increases to Cost Per Place for Social Housing and Transitional Housing	Housing	$100m to $200m increase in expenses	59
	Long-term Infrastructure and Digital Investment Plans	Cross-portfolio	$5b to $10b increase in expenses and/or capital[8]	59
Changed	ACC Levies	ACC	$500m to $1b increase or decrease in revenue and/or expenses	61
	Health Capital Pressures	Health	$2b to $5b increase to expenses and capital	61
	Support for the National Land Transport Fund	Transport	$2b to $5b increase in revenue, expenses and/or capital	62
	Services funded by Third Parties and Memorandum Account Deficits	Cross-portfolio	Unquantified	62
Unchanged	Enabling Communities and Iwi to Help Children	Children	$100m to $200m increase in expenses	SI 14
	Increasing Prison Population	Corrections	$500m to $1b increase in expenses and/or capital	SI 14
	Transforming and Sustaining Disability Support Services for New Zealanders	Disability Issues	$1b to $2b increase in expenses	SI 14
	Learning Support	Education	$500m to $1b increase in expenses and/or capital	SI 14
	Civil Registration Replacement	Internal Affairs	Withheld	SI 15
	Financial Challenges Across Universities	Tertiary Education	$100m to $200m increase in capital	SI 15
	Tertiary Tuition and Training Funding Baseline Pressure	Tertiary Education	$500m to $1b increase in expenses	SI 15
	Wānanga Funding and the Crown's Te Tiriti Obligations to Wānanga	Tertiary Education	Unquantified	SI 15
	Wānanga Legislative Framework – Te Wānanga o Aotearoa and Te Whare Wānanga o Awanuiārangi	Tertiary Education	$100m to $200m increase in expenses	SI 15
	Government Targets	Cross-portfolio	Unquantified	SI 15

8 Most of the potential costs associated with the Long-term Infrastructure and Digital Investment Plans risk are beyond the forecast period.

Status	Title	Portfolio	Potential fiscal impact	Pg[6]
Forecast dependent on a status quo that is uncertain				
Changed	Implementation of New Insurance Accounting Standard	ACC	$11 billion increase in net worth	63
Unchanged	Timing of Fiscal Impacts of Christchurch Men's Prison Public Private Partnership	Corrections	Unquantified	SI 16
	Te Pae Christchurch Convention Centre Write-down Costs	Finance	Withheld	SI 16
	Regional Infrastructure Fund	Regional Development	$200m to $500m movement between expenses and capital	SI 16
	Investment Boost	Revenue	$100m to $200m increase or decrease in revenue	SI 16
	Potential Tax and Social Policy Changes	Revenue	$100m to $200m increase or decrease in revenue and/or expenses	SI 17
	Auckland City Rail Link Ownership Issues	Transport	$500m to $1b increase or decrease in expenses and or capital	SI 17
	Forecast Operating and Capital Spending in the National Land Transport Programme	Transport	$1b to $2b movement between expenses and capital	SI 17
	Relativity Clause	Treaty of Waitangi Negotiations	Withheld	SI 17
	Adverse Weather Events	Cross-portfolio	Unquantified	SI 18
	Public Sector Employment Agreements	Cross-portfolio	Withheld	SI 18
Forecast risk				
Changed	Non-Earners' Account	ACC	$100m to $200m increase or decrease in expenses	63
Unchanged	Emissions Trading Scheme – Variations Arising from Unit Auctions Failing to Clear	Climate Change	Unquantified	SI 19
	Emissions Trading Scheme – Variations in Revenue and Expenses	Climate Change	$2b to $5b net increase or decrease	SI 19
	Costs Associated with the Sinking of the HMNZS Manawanui	Defence	$100m to $200m increase in expenses and/or capital	SI 19
	Alternative Monetary Policy Tools	Finance	Unquantified	SI 20
	Natural Hazards Commission	Finance	Unquantified	SI 20
	Realising Sales of Land and Dwellings – Kāinga Ora	Housing	$100m to $200m increase or decrease in expenses and/or capital	SI 20
	Ministry of Social Development's Services for the Future	Social Development and Employment	Unquantified	SI 21
	Veterans' Disability Entitlements Liability	Veterans' Affairs	$500m to $1b increase or decrease in expenses	SI 21

New Risks

Commitment or Announced Intent that may have Fiscal Implications

Environment

Resource Management Reform Implementation Costs (Expenses)

The Government is replacing the Resource Management Act 1991 with new legislation. The Crown is expected to incur costs to effectively implement and maintain the new resource management system. To the extent that these costs are not met from existing baseline funding and require additional funding, this would lead to increased expenses.

Finance

Potential Sale of the Ultra-Fast Broadband (UFB) Chorus Securities (Revenue)

The Government is considering selling its UFB Chorus securities which originally formed the Crown's contribution in funding the UFB national network project. If the Government progresses with this it will have an impact on the fiscal forecasts.

Cross-portfolio

Energy Package (Expenses and Capital)

On 1 October 2025, the Government announced its Energy Package, which includes a range of actions and policy reforms affecting the energy market. Announcements as part of that package that may have material fiscal impacts include:

- Shareholding Ministers wrote to Mixed Ownership Model energy companies (Genesis, Mercury and Meridian) confirming that the Government is prepared to participate in equity capital raisings where it supports the Government's energy security and affordability objectives, and setting expectations that the companies should seek out and bring forward commercially sound opportunities for new generation and firming capacity. If any capital raisings take place, there would be a fiscal impact.

- The Government is considering procurement of LNG infrastructure to support energy supply. The fiscal impact would depend on if and how the associated costs are funded.

Other actions may arise from the Government's broader energy work programme, which could have fiscal implications. These impacts will depend on the nature of the actions and future Government decisions.

Potential Fiscal Implications of Reviews or Litigation

Cross-portfolio

Response to the Dame Karen Poutasi Review of Safety Nets in the Children's System (Expenses)

A review by Dame Karen Poutasi made 14 recommendations for changes to improve the system of safety nets for preventing harm in the children's system. In September 2025, the Government accepted all of the review's recommendations. While implementation of the recommendations is ongoing, the recommendations are expected to increase demand on front line services through the care system, including from increased reports of concern.

Changing Demand and Expectations on Services

Courts

Legal Aid and Court-Ordered Costs Demand Pressure (Expenses)

The entitlement to legal aid is provided by legislation, with costs driven by the volume and complexity of cases. Funding to meet legal aid costs reduces by $21.4 million per year from 2026/27 onwards. Unless legal aid costs reduce in line with this, more funding will be required to pay legal aid costs. In addition, the Ministry of Justice is experiencing increased demand in court-ordered costs, which includes Family Court and domestic violence professional services, interpreters and communication assistance, and Coroner-directed post-mortems.

Housing

Increases to Cost Per Place for Social Housing and Transitional Housing (Expenses)

Annual payments for social and transitional housing are linked to market-based rent levels for Community Housing Providers (CHPs). Due to growth in market rents, there is a risk that the Crown's contribution to CHPs will lead to increase in expenses.

Cross-portfolio

Long-term Infrastructure and Digital Investment Plans (Expenses and Capital)

There are a number of investment plans across the public sector that outline a pipeline of significant investment over the longer-term. These plans are high-level and funding sources for investments are generally yet to be confirmed. Decisions on individual investments within these plans require a business case and need to go through normal Budget and Cabinet approval processes. The most significant long-term investment plans include the following:

- The Defence Capability Plan (DCP) outlines indicative investments over a 15-year horizon, with investment of $12 billion over Budgets 2025 to 2028 to ensure New Zealand can respond to the changing global security environment. It is estimated that around $6 billion of new funding would be required over the next three Budgets to deliver on the DCP.

- The Health Infrastructure Plan, released in April 2025, identifies a pipeline of more than $20 billion of investment over the next 10 years. Separately, the Health Digital Investment Plan (HDIP) sets out a 10-year roadmap for digital investment. The HDIP signals a significant uplift in digital services funding, most of which will be operating costs. The HDIP was released on 25 November 2025.
- The Department of Corrections' Long-Term Network Configuration Plan provides a strategic view on its future investment requirements, to assist the prison network to have sufficient, fit-for-purpose capacity to meet anticipated demand. Investment is intended to provide for capacity growth, signalling an increase of around 2,900 prison beds over the next 20 years.
- The Long-Term Investment Plan for School Property outlines the 10-year priority pipeline for the maintenance and growth of the portfolio. The plan signals a significant uplift in funding will be required to meet maintenance and compliance requirements, as well as ensuring there is sufficient capacity in the school network.

At the *Budget Update*, the risks associated with the DCP and the Health Infrastructure plan and HDIP were included as part of "Safeguarding New Zealand's Defence and Security Interests" and "Health Capital Pressure and Investment Planning" respectively.

Changed Risks

Commitment or Announced Intent that may have Fiscal Implications

Cross-portfolio

Ongoing costs of a New Medical School (Expenses and Capital)

As part of the Government's 100-day plan, the Ministry of Health and the University of Waikato signed a memorandum of understanding as a first phase towards establishing a new medical school. The Ministry commissioned an independent cost-benefit analysis and business case for the proposal. In July 2025, Cabinet approved in-principle the preferred option of establishing a new medical school at the University of Waikato and committed capital funding for establishment activities. If progressed further, the ongoing running of the new medical school would have fiscal impacts to the Crown.

At the *Budget Update*, this risk was titled "Establishment of a New Medical School".

Achieving Future Savings and Spending Constraint

Housing

Kāinga Ora – Homes and Communities Operating Expenditure Forecast Reductions (Expenses)

Kāinga Ora is implementing a turnaround plan to address ongoing operating deficits. There is a risk that the pace for reducing operating deficits differs to forecasts, which would impact fiscal indicators.

At the *Budget Update*, this risk was titled "Kāinga Ora – Homes and Communities Operating Expenditure Forecast Reductions and Future Operating Model".

Potential Fiscal Implications of Reviews and Litigation

Cross-portfolio

Responding to the Royal Commission of Inquiry into Abuse in Care – Redress System Claims (Expenses)

The Government is implementing changes to the redress system to respond to recommendations made by the Royal Commission of Inquiry into Abuse in Care. There is a risk that more or fewer survivors may submit claims than expected. This could lead to costs that are different from what is in the fiscal forecasts.

At the *Budget Update,* the risk was titled "Responding to the Royal Commission of Inquiry into Abuse in Care – Redress System Claims Processes for Survivors".

Changing Demand and Expectations on Services

ACC

ACC Levies (Revenue and Expenses)

ACC levies are set by the Government and reflected in the forecasts. Revenue from the levies set for these accounts may be more or less than that required to cover the cost of claims. If factors such as claims experience, ACC performance and economic assumptions (particularly discount rates and unemployment rates) differ from the forecasts, ACC's levy revenue, claims costs and liability may also differ from the forecasts. In particular, ACC has adopted new performance targets that, if not met, will increase the cost of ACC. The fiscal forecasts also include savings from efficiencies expected from ACC through its Turnaround Plan. Any variance will have a corresponding impact on the operating balance. Beyond the rates set by Cabinet on the tri-annual basis, ACC levy rates are assumed to follow ACC's Gazetted Funding Policy Statement. Practically, this means levies beyond the 2027/28 period are assumed to increase at the 5% per annum cap on ACC's recommendations. If this is not agreed by Cabinet, there would be revenue impacts.

Health

Health Capital Pressures (Expenses and Capital)

The health portfolio faces several pressures resulting from increasing demand on health services, capital and operational cost pressures, and workforce demands. Of the existing programmes of work in the health infrastructure portfolio, the following represent the largest risks:

- New Dunedin Hospital: significant financial pressures remain on the New Dunedin Hospital Project. This has been driven by construction sector inflation, scope changes and the relative isolated location of the project coupled with a small contractor base with sufficient experience and capacity from which to draw.

- Regional Hospital Redevelopment Programme (RHRP): There are five key hospitals in the RHRP: Nelson, Whangarei, Tauranga, Hawke's Bay and Palmerston North. These developments are in the early design phase and the costs remain uncertain.

- Remediation of existing assets and service-critical infrastructure: Some existing health sector infrastructure is in poor condition. At times, Health New Zealand has to undertake expensive remedial works on existing assets. The timing and quantum of these remedial works may have impacts on the fiscal forecasts. The National Asset Management Strategy, released in April 2025, sets out a pathway to increased asset management maturity for more 1,200 buildings on 86 campuses with a current replacement value of $38 billion.

At the *Budget Update*, the risk was titled “Health Capital Pressure and Investment Planning”.

Transport

Support for the National Land Transport Fund (Revenue, Expenses and Capital)

There is a risk that fuel excise duty (FED) and/or road user charges (RUC) will need to be increased or additional Government funding (a loan and/or a grant) will be required to manage pressures on the National Land Transport Fund (NLTF). This relates both to the medium-term sustainability of the NLTF and to specific project pressures in the National Land Transport Programme in the period 2024 to 2027.

The Government has also signalled in the Government Policy Statement on land transport that it intends to reform the land transport revenue system, including requiring all road vehicles to move from FED to RUC, introduce time-of-use charging in congested parts of the road network and increase the use of tolling. The fiscal implications of these reforms are uncertain.

Since the *Budget Update*, revisions to the approach of how some of the state highway assets are valued and the useful life of these assets is expected to increase depreciation expenses, adding further pressures on the NLTF.

Cross-portfolio

Services Funded by Third Parties and Memorandum Account Deficits (Expenses)

A wide range of government services are funded through third-party fees and charges which are captured through memorandum accounts. Demand for these services can vary, with a direct effect on revenue received. A large number of memorandum accounts are currently in deficit. If the revenue collected continues to be lower than the total costs of providing the service, there is a risk that the Government may need to provide additional funding or that changes will be required to the way government services are delivered, which could result in costs to the Government.

At the *Budget Update*, this risk was titled “Services Funded by Third Parties”.

Forecast Dependent on a Status Quo that is Uncertain

Cross-portfolio

Implementation of New Insurance Accounting Standard (Expenses and Capital)

Public sector entities with insurance contracts are required to implement PBE IFRS 17 Insurance Contracts in the 2026/27 financial year – this affects ACC and the Natural Hazards Commission (NHC). This change will likely result in a material reduction of ACC's insurance liabilities with a corresponding increase to net worth. This is due to a reduction in the risk margin added to the outstanding claims liability (OCL) and the requirement to include an illiquidity premium to the discount rate – indicative calculations suggest this will be around $7 billion and $4 billion, respectively. Given the uncertainty of predicting what the OCL will be at the end of the financial year, these figures are likely to vary. While there is likely to be a material impact on net worth, the ongoing impacts on OBEGALx and net core Crown debt are expected to be minimal as ACC results and ACC liabilities are excluded from these measures. The NHC's implementation is not expected to have a material impact on the consolidated financial statements of the Government.

Forecast Risk

ACC

Non-Earners' Account (Expenses)

The amount of funding provided by the core Crown (and included in the fiscal forecasts) for the Non-Earners' Account may be more or less than is required to cover the cost of future claims. If factors such as claims experience, ACC performance and economic assumptions (particularly discount rates) turn out differently from what has been forecast, any such variance will have a corresponding fiscal impact. In particular, ACC has adopted new performance targets that, if not met, will increase the cost of ACC. The fiscal forecasts also include savings from efficiencies expected from ACC through its Turnaround Plan.

Risks Removed Since the *Budget Update 2025*

The following table outlines risks that were published in the *Budget Update* but are no longer disclosed as specific fiscal risks because they are provided for in the forecasts, are adequately captured by existing risks or no longer meet the materiality threshold for publication.

Portfolio name	Risk title	Reason for expiry
Conservation	Chateau Tongariro Hotel	There is a greater level of certainty on the cost estimates of longer-term options (ie, demolition or refurbishment) and these are below the materiality threshold for the forecast period, and therefore no longer meets the criteria to be a specific fiscal risk.
Education	Independent Review of the Ministry of Education's School Property Function	This risk is expired as the Government has taken decisions in response to the review, including on establishing the New Zealand School Property Agency. The new risk *Long-term Infrastructure and Digital Investment Plans* incorporate risks associated with the long-term growth and maintenance of the school property portfolio.
Foreign Affairs	Scott Base Redevelopment Project	In May 2025 Cabinet agreed to reset the overall project with a smaller-scale design, and a more cost-effective, modular construction methodology. Following these decisions, the potential fiscal impact is below the materiality threshold for the forecast period, and therefore no longer meets the criteria to be a specific fiscal risk.
Internal Affairs	Rates Rebate Scheme	When the expanded Rates Rebate Scheme was introduced at Budget 2025, there was significant uncertainty on the impact the expansion might have on behaviour. Experience since has provided more certainty that the assumptions were appropriate, and the potential fiscal impact is below the materiality threshold for the forecast period, and therefore no longer meets the criteria to be a specific fiscal risk.
Oceans and Fisheries	Aquaculture Settlements	This risk is being expired as it is already published as a contingent liability.
Cross-portfolio	Adaptation Policy Changes	On 16 October, the Government announced New Zealand's National Adaptation Framework which outlines the policy changes. The associated potential fiscal impact is below the materiality threshold for the forecast period, and therefore no longer meets the criteria to be a specific fiscal risk.

<table>
<tr><th>Portfolio name</th><th>Risk title</th><th>Reason for expiry</th></tr>
<tr><td>Cross-portfolio</td><td>Carbon Neutral Government Programme</td><td>The Government has agreed for the carbon neutrality target date for the Carbon Neutral Government Programme to be extended from 2025 to 2050. On this basis, the potential fiscal impact is below the materiality threshold in the forecast period, and therefore no longer meets the criteria to be a specific fiscal risk.</td></tr>
<tr><td>Cross-portfolio</td><td>Safeguarding New Zealand’s Defence and Security Interests</td><td>This risk is now included within the new Long-term Infrastructure and Digital Investment Plans cross-portfolio risk.</td></tr>
<tr><td>Cross-portfolio</td><td>Information and Communications Technology Operating and Capital Pressures</td><td rowspan="5">Previously, these general inflationary pressures were captured as cross-portfolio specific fiscal risks. However these risks rarely changed over time, and their generic nature provided limited transparency or information. As a result, these risks have been expired. Page 46 sets out how broader risks being faced by the Government could result in different operating allowances and the associated impact this has on the fiscal outlook.</td></tr>
<tr><td>Cross-portfolio</td><td>Maintenance for Government-owned Buildings</td></tr>
<tr><td>Cross-portfolio</td><td>Non-government Providers Receiving Funding from the Crown</td></tr>
<tr><td>Cross-portfolio</td><td>Other Operating Cost Pressures</td></tr>
<tr><td>Cross-portfolio</td><td>Other Capital Cost Pressures</td></tr>
</table>

Further Information on the Criteria and Key Judgements for Disclosing Specific Fiscal Risks

The Public Finance Act 1989 sets out the requirements for specific fiscal risks

The fiscal forecasts in this *Half Year Update* incorporate – to the fullest extent possible – the fiscal implications of all Government decisions and other circumstances if the criteria set out in the table below are satisfied.

Fiscal forecasts	Specific fiscal risks[9]
Matters are incorporated into the fiscal forecasts when: • the matter can be quantified for particular years with reasonable certainty, and • a decision has been taken, or • a decision has not yet been taken but is reasonably probable[10] that the matter will be approved or the situation will occur.	Matters are disclosed as specific fiscal risks if the likely impact is $100 million or more over the forecast period and either: • a decision has not yet been taken but it is reasonably possible[11] (but not probable) that the matter will be approved or the situation will occur, or • it is reasonably probable or possible that the matter will be approved or the situation will occur, but the matter cannot be quantified for, or assigned to, particular years with reasonable certainty.

As outlined in the table, if the fiscal implications of Government decisions and other circumstances cannot be quantified for particular years with reasonable certainty or the outcome is still unclear, those Government decisions and other circumstances are disclosed in the statement of specific fiscal risks included in this chapter, as required by sections 26Q(3)(b) and 26U of the Public Finance Act 1989.

Judgements are applied in assessing whether a risk is a specific fiscal risk

In order to implement the criteria outlined above, judgement is required to determine whether a Government decision or other circumstance meets the definition of a specific fiscal risk. The Treasury has applied the principles outlined in the *Half Year Update 2025 – Supplementary Information* when assessing whether a decision or other circumstance meets the definition of a specific fiscal risk.

9 These are the rules used to determine what is and is not a fiscal risk for the purposes of section 26Q(3)(b)(ii) of the Public Finance Act 1989.

10 For these purposes, 'reasonably probable' is taken to mean that the matter is more likely than not to be approved within the forecast period (ie, there is a greater than 50% chance of the matter occurring or being approved).

11 For these purposes, 'reasonably possible' is taken to mean that the matter might be approved within the forecast period (ie, there is a 20% to 50% chance of the matter occurring or being approved).

Exceptions to disclosing specific fiscal risks

Section 26V of the Public Finance Act 1989 provides that the requirements to disclose government decisions or other circumstances in an economic and fiscal update (including in forecast financial statements and the statement of specific fiscal risks) do not apply where the Minister of Finance determines that to incorporate the decision or circumstance is likely to:

- prejudice the substantial economic interests, security or defence of New Zealand
- prejudice the international relations of the Government
- compromise the Government in a material way in negotiation, litigation or commercial activity
- result in a material loss of value to the Government.

In addition, the Minister must also determine that there is no reasonable or prudent way the Government can avoid this prejudice, compromise or material loss through incorporation in this *Half Year Update*.

No specific fiscal risks are being withheld under section 26V.

Risks have been categorised by risk type in the statement of specific fiscal risks

The risks in the statement of specific fiscal risks have been broadly classified into one of eight risk categories aligned to the underlying risk driver. The purpose of categorising risks is to provide an understanding of different types of fiscal risks and the potential aggregate impact of these on the fiscal forecasts.

Some risks may include aspects that include multiple risk drivers – in this case, the risk is categorised based on the most significant driver. A description of each risk type is provided in the table below.

The status of the risks relative to the *Budget Update* is also provided. New risks are those identified or disclosed for the first time in this *Half Year Update*, while changed risks are those where there is a significant change in the nature or substance of the risk. Unchanged risks are those where there is no change to the nature or substance of the risk, even if the size of the risk has changed. This includes risks that have updated narratives because of wording changes for clarity or that have been amended to reflect present circumstances. These changes do not reflect a change in the underlying risk.

Risk Category	Description
Commitment or Announced Intent that may have Fiscal Implications	The Government has publicly committed to taking a future decision, or announced an intent to do so, and this may have fiscal implications (eg, require funding that has not yet been allocated or increase revenue if progressed). The Government generally still has choice about whether to progress with a decision but the Government commitment or announced intent means it is reasonably possible it will be approved.
Time-limited Funding	Programmes that have time-limited funding that decreases or ceases at some point in the forecast period and may potentially be extended. Time-limited funding often relates to pilot programmes or to programmes under review.
Achieving Future Savings and Spending Constraint	Risks related to achieving future savings or the implementation of plans to constrain spending. As savings or spending tracks reflected in the fiscal forecasts require future actions to deliver, there is a risk that actual expenditure or revenue will differ from the forecasts. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).
Capital Cost Escalation	Risks where there are indications that a capital project or programme may differ from the funding allocated. There may be choices for the Government to manage the cost escalation and scope of the project or programme.
Potential Fiscal Implications of Reviews or Litigation	Risks where there are reviews of policy settings (both those initiated by the Government or external to the Government) or litigation that may require a fiscal response from the Government. This includes independent reviews, Royal Commissions or Court decisions.
Changing Demand and Expectations on Services	Risks where there is changing demand for a service or good, or changed expectations on the level of service, that may increase or decrease costs beyond the funding allocated. This may be driven by changes in policy or through external factors such as technological advances or behavioural change. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).
Forecast Dependent on a Status Quo that is Uncertain	Risks where the forecast is based on the status quo but an uncertain future decision or event could materially affect the forecast approach. The change in the status quo may be a decision the Government controls or an external event outside of the control of the Government.
Forecast Risk	Risks where revenue, expenditure, assets or liabilities are inherently uncertain in the fiscal forecasts. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).

Contingent Liabilities and Contingent Assets

Contingent liabilities are costs that the Government will have to face if a particular event occurs or they are present liabilities that are unable to be measured with sufficient reliability to be recorded in the fiscal forecasts (unquantifiable liabilities).

Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims and uncalled capital. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks, and they can vary greatly in magnitude and likelihood of realisation.

In general, if a contingent liability were realised or the amount becomes sufficiently reliable to record as a liability, it would reduce the operating balance and net worth and, for contingencies within the core Crown, increase net core Crown debt. However, in the case of some contingencies (eg, uncalled capital), the negative impact would be restricted to net core Crown debt.

Contingent assets are possible assets that have arisen from past events but the amount of the asset or whether it will eventuate, will not be confirmed until a particular event occurs.

Only contingent liabilities and contingent assets involving amounts of over $100 million are separately disclosed in the Statement of Contingent Liabilities and Contingent Assets. Quantifiable contingencies of less than $100 million are aggregated in the ‘other quantifiable’ total.

Some contingencies of the Crown are not able to be quantified. We have disclosed unquantifiable contingent liabilities and unquantifiable contingent assets that potentially could have an impact in excess of $20 million and are not expected to be remote.[12]

The contingencies have been stated as at 31 October 2025, being the latest set of published financial statements of Government.

To make the chapter more accessible and focused on the contingent liabilities or assets that have either been introduced, or have significantly changed in nature or substance, since the *30 June 2025 Financial Statements of the Government*, the narrative summaries of unchanged contingent liabilities or assets are now included in the *Half Year Update 2025 – Supplementary Information.*

12 ‘Remote’ is defined as being an item with less than a 10% chance of occurring.

Statement of Contingent Liabilities and Contingent Assets

Quantifiable contingent liabilities

	Status[13]	31 October 2025 ($millions)	30 June 2025 ($millions)
Uncalled capital			
Asian Development Bank	Unchanged	3,664	3,507
International Bank for Reconstruction and Development	Unchanged	2,201	2,080
International Monetary Fund – promissory notes	Unchanged	2,201	2,094
International Monetary Fund – arrangements to borrow	Unchanged	1,620	1,540
Asian Infrastructure Investment Bank	Unchanged	644	609
Other uncalled capital		34	31
		10,364	**9,861**
Guarantees and indemnities			
New Zealand Export Credit Office guarantees	Unchanged	144	156
Other guarantees and indemnities		125	126
		269	**282**
Legal proceedings and disputes			
Inland Revenue – legal tax proceedings	Unchanged	306	297
Other legal proceedings and disputes		217	218
		523	**515**
Other quantifiable contingent liabilities			
Unclaimed monies	Unchanged	576	568
Air New Zealand partnership agreement	Unchanged	356	212
Waitangi Tribunal – binding recommendations	Unchanged	220	220
Clean Car Standard credits	Unchanged	160	155
Ministry for Primary Industries – *Mycoplasma bovis* compensation claims	Unchanged	125	125
Ministry of Justice – Waipāoa Remedies Inquiry	Unchanged	100	100
Other quantifiable contingent liabilities		61	84
		1,598	**1,464**
Total quantifiable contingent liabilities		**12,754**	**12,122**

[13] Status of contingent liabilities or assets when compared to the *Financial Statements of the Government for the year ended 30 June 2025* published on 9 October 2025, (based on the nature of the contingency, not the dollar value of contingencies which are regularly updated).

Statement of Contingent Liabilities and Contingent Assets

Quantifiable contingent assets

	31 October 2025 ($millions)	30 June 2025 ($millions)
Transpower New Zealand – economic gains	106	106
Other contingent assets	82	82
Total quantifiable contingent assets	**188**	**188**

Unquantifiable contingent liabilities

Indemnities	**Status**
Contact Energy Limited	Unchanged
Genesis Energy	Unchanged
Justices of the Peace, Community Magistrates and Disputes Tribunal Referees	Unchanged
Maui Partners	Unchanged
Natural Hazards Commission Toka Tū Ake	Unchanged
New Zealand Aluminium Smelters Limited and Rio Tinto Aluminium Limited (formerly Comalco)	Unchanged
New Zealand Local Authorities[14]	Unchanged
New Zealand Railways Corporation	Unchanged
Southern Response Earthquake Services Limited	Unchanged
Synfuels–Waitara Outfall indemnity	Unchanged
Westpac New Zealand Limited	Unchanged
Legal proceedings and disputes	
Accident Compensation Corporation (ACC) litigations	Unchanged
Ministry of Health – New Zealand College of Midwives class action	Unchanged
Ministry of Social Development – Disability Support Services employment obligations	Unchanged
Ministry of Transport – Public Works Act claims	Unchanged
Ministry of Social Development – Redress for historical abuse in care	Unchanged
Treaty of Waitangi claims	Unchanged
Whakatōhea Kotahitanga Waka (Edwards) v Attorney-General[15]	Expired
Other unquantifiable contingent liabilities	
Aquaculture settlements	Unchanged
Criminal Proceeds (Recovery) Act 2009	Unchanged
Environmental liabilities	Unchanged
Losses under Section 28N of the Fisheries Act 1983	Unchanged
Ministry for Primary Industries – Biosecurity Act compensation	Unchanged
Ministry of Social Development – entitlement assessment	New
Treaty of Waitangi claims – settlement relativity payments	Unchanged

[14] The indemnity for New Zealand Local Authorities was transferred from the Department of the Prime Minister and Cabinet to the Department of Internal Affairs with effect from 1 October 2025.

[15] The Whakatōhea Kotahitanga Waka (Edwards) v Attorney-General legal proceeding has now been settled and therefore the contingent liability has been removed.

New Contingent Liabilities and Contingent Assets

Description of Unquantifiable Contingent Liabilities

Other unquantifiable contingent liabilities

Ministry of Social Development – entitlement assessment

On 14 October 2025, the High Court decided that the Ministry of Social Development should have assessed a person's past entitlements to supplementary assistance differently when considering ACC income they had received for a past period. This decision meant that the Ministry of Social Development had incorrectly established overpayments of financial assistance for the person. The approach to and resulting remediation steps are currently being considered by the Ministry of Social Development. The quantum of the remediation cannot be reliably estimated at this stage.

4

Forecast Financial Statements

These forecasts have been prepared in accordance with the Public Finance Act 1989.

They are based on the accounting policies and assumptions that follow. As with all such assumptions, there is a degree of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends. There are risks to the fiscal forecasts which are discussed further in the Risks to the Forecasts chapters.

These forecasts have been prepared in accordance with the Statement of Responsibility and reflect the judgements and information known at the time they were prepared. The forecast financial statements reflect all government decisions and circumstances communicated up to 25 November 2025, where these can be reliably measured.

The key assumptions that underpin the preparation of the Forecast Financial Statements are outlined on pages 74 to 77.

Statement of Accounting Policies, Judgements and Assumptions

Significant Accounting Policies

The Forecast Financial Statements have been prepared in accordance with the accounting policies that are expected to be used in the comparable audited actual Financial Statements of the Government. They comply with generally accepted accounting practice (GAAP) as required by the Public Finance Act 1989 and have been prepared in accordance with *Public Benefit Entity Financial Reporting Standard 42: Prospective Financial Statements*.

The Forecasts Financial Statements use the accrual basis of accounting unless otherwise specified (for example, the Statement of Cash Flows). Forecasts have been prepared for the consolidated Financial Statements of the Government reporting entity, which includes all entities controlled by the Government (as defined by applicable financial reporting standards).

The Forecast Financial Statements reflect the accounting standards in place in the year that they are prepared. Adoption of new accounting standards in future financial years are consequently not reflected in these Forecast Financial Statements. For example, the public sector modified version of PBE IFRS 17 Insurance Contracts was issued in 2023 (to supersede PBE IFRS 4 Insurance Contracts) and is effective for reporting periods beginning on or after 1 January 2026. The implications on adoption are outlined in the Risks to the Forecasts chapter on page 63.

Where accounting standards are to be adopted within the fiscal forecasts period, this has been signalled in the note disclosures where impacts may be significant. The specific accounting policies are included on the Treasury's website at https://www.treasury.govt.nz/publications/efu/supplementary-information-half-year-economic-and-fiscal-update-2025.

Forecast Policies

The Forecast Financial Statements have been prepared on the basis of the Treasury's best professional judgement. Actual financial results for the periods covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these Forecast Financial Statements and the actual reported results in future years are set out in the Risks to the Forecasts chapter.

Key Judgements and Assumptions

The fiscal forecasts are based on assumptions and judgements developed from the best information available at the time they were prepared. Actual events are likely to differ from these assumptions and judgements, while uncertainty around the forecast assumptions and judgements increases over the forecast period.

The following key judgements and assumptions supporting the fiscal forecasts were made:

- To calculate income tax revenue across the forecast period, firms' net operating surplus forecasts on a System of National Accounts basis are used to create tax-year forecasts of total income tax for both net other persons tax and corporate tax, which are then converted into fiscal years (to 30 June). For the five-year forecast period to 2029/30, the annual operating surplus growth forecasts range from 5.0% to 9.3%.

- Tax forecasts are based on the economic forecasts completed on 28 October 2025.

- The cost of commitments not explicitly included in the fiscal forecasts (or variations to the estimates included in the fiscal forecasts) are assumed to be met from within the Budget operating allowances and the Budget capital allowances, which are included in the fiscal forecasts.

- Departments continue to spend less than the upper limits of approved spending (referred to as appropriations). A top-down adjustment is made to compensate for this. The adjustment is higher at the start of the forecast period, as departments' appropriations (and therefore expenses) tend to be higher in these years, reflecting the flexibility departments have in transferring expenses into these years.

- Forecast returns on the investment portfolios managed by the Accident Compensation Corporation (ACC) and the NZS Fund are based on their expectations of long-term benchmark rates of return for their respective portfolios.

- No revaluations of property, plant and equipment are projected beyond the current year. Only revaluations already completed are included in these forecasts.

- Significant valuations (eg, the student loans portfolio, the ACC claims liability and the Government Superannuation Fund retirement liability) are based on underlying assumptions (eg, discount rates, salary increases and inflation) made at the time the valuations were prepared.

- Refer to Note 11: NZ Superannuation Fund for the contributions over the forecast period. The contributions to the NZS Fund are assumed to be derived from the legislative formula. However, the Government has choices around how much they contribute in any given year. Over the forecast years, all NZS Fund variables (apart from the capital contributions) are based on those provided by the NZS Fund. For more information, refer to the Treasury website for the NZS Fund model.

- Recognition of non-exchange expenses and liabilities: expenses (and related liabilities) are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Judgement is required in assessing each of these conditions and therefore reporting if an expense and a present obligation should be recognised.

Accounting treatment of New Zealand's Nationally Determined Contribution under the Paris Agreement in the fiscal forecasts

The purpose of this box is to explain the accounting treatment of New Zealand's Paris Agreement commitments in these fiscal forecasts. The accounting treatment applies generally accepted accounting practice (GAAP) and relevant accounting standards as outlined in the significant accounting policies section on page 74.

New Zealand's first Nationally Determined Contribution (NDC1) under the Paris Agreement represents our international emissions reduction target for the period 2021–2030. To achieve NDC1, substantial offshore mitigation purchases are likely to be required within the *Half Year Update 2025* forecast period.

A liability has not been recognised in the fiscal forecasts for New Zealand's NDCs as the relevant recognition criteria to recognise a liability has not been met. This judgement (to not recognise a liability) has been formed on the view that there is no legal obligation to achieve the NDCs, nor has there been a constructive obligation to meet the targets[16]. This judgement is reassessed regularly, as circumstances and government policies develop. Such developments could affect the judgement concerning the existence of a constructive obligation, and also the extent to which the recognition criteria have been met.

Additionally, costs associated with potential offshore mitigation purchases towards NDC1 are not included within the fiscal forecasts as Treasury's assessment remains that these purchases do not meet the GAAP criteria for inclusion (in particular, being reasonably probable and quantifiable). This judgement is primarily driven by the unpredictability of the volume, cost, and timing of future purchases due to:

- the early-stage nature of the Government's discussions with potential international partners
- the wide range of possible per-tonne costs of offshore mitigation
- the potential for future policy changes around the balance of domestic versus offshore actions
- uncertainty around the availability of high-quality offshore mitigation in sufficient volumes
- unresolved questions around what sources of offshore mitigation New Zealand may ultimately procure.

Given this, the NDC1 target and potential associated offshore mitigation purchases are currently excluded from the fiscal forecasts. The Treasury's judgement, applying GAAP, remains that the Government has not communicated a sufficiently specified plan to purchase offshore mitigation to achieve the NDC so as to create a valid expectation in those affected that it will do so. This treatment is consistent with the recognition criteria of non-exchange expenses and liabilities as outlined on page 75.

This judgement is kept under review as future government actions, policies, circumstances and announcements could change the NDC's accounting treatment, for example by announcing or committing to specific plans to purchase offshore mitigation. Given the magnitude and nature of the fiscal risks associated with the Paris Agreement and NDC target, a Specific Fiscal Risk has been recorded on page 54 ("Achieving New Zealand's International and Domestic Climate Change Targets").

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[16] For further information regarding the Treasury's assessment on the existence of legal or constructive obligations under the Paris Agreement, refer to page 25 of the *Financial Statements of the Government for the year ended 30 June 2025,* audited by the Controller and Auditor-General: https://www.treasury.govt.nz/publications/year-end/financial-statements-2025.

Key Economic Assumptions used in the Forecast Financial Statements

In addition to the outlined key judgements and assumptions, the Forecast Financial Statements are prepared on the basis of underlying economic forecasts. Such forecasts are critical for determining revenue and expense estimates.

For example:

- a nominal GDP forecast is needed to forecast tax revenue
- a forecast of average weekly earnings and CPI is needed, because social assistance benefits are generally indexed to wage growth or inflation
- forecasts of interest rates are needed to forecast finance costs, interest income and discount rates.

Below is a summary of the key economic forecasts that are particularly relevant to the Forecast Financial Statements.

Table 4.1 – Key economic assumptions for fiscal forecasts

Year ending 30 June	**2025 Actual**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**
Real GDP[1] (ann avg % chg)	(1.1)	1.7	3.4	2.6	2.5	2.5
Nominal GDP[2] ($b)	436.0	454.5	479.0	502.2	526.2	551.1
CPI (ann avg % chg)	2.4	2.7	2.3	2.1	2.0	2.0
Govt 10-year bonds (ann avg, %)	4.5	4.1	4.0	4.1	4.2	4.3
5-year bonds (ann avg, %)	4.0	3.3	3.2	3.4	3.6	3.8
90-day bill rate (ann avg, %)	4.2	2.5	2.1	2.1	2.3	2.5
Unemployment rate (ann avg, %)	5.1	5.4	5.0	4.7	4.5	4.4
Employment (ann avg % chg)	(0.8)	0.5	2.5	2.0	1.7	1.6
Average weekly earnings[3] (ann % chg)	4.2	1.1	2.2	2.7	2.8	3.0

Notes: 1 Production measure.
2 Expenditure measure.
3 Ordinary time.

Sources: The Treasury, Stats NZ, Reserve Bank of New Zealand

Reporting and Forecast Period

The reporting periods for these Forecast Financial Statements are the years ended 30 June 2026 to 30 June 2030. The "Previous Budget" figures are the original forecasts to 30 June 2026 as presented in the 2025 *Budget Update* and the "2025 Actual" figures are the audited actual results for the year ended 30 June 2025 reported in the *Financial Statements of the Government for the year ended 30 June 2025*.

Government Reporting Entity as at 25 November 2025

These Forecast Financial Statements are for the Government Reporting Entity as specified in Part 3 of the Public Finance Act 1989. This comprises Ministers of the Crown and the following entities (classified in the three institutional components used for segmental reporting). The following tables list the entities within each institutional component. Subsidiaries are consolidated by their parents and are not listed separately.

Core Crown Segment

Departments

Crown Law Office

Department of Conservation

Department of Corrections

Department of Internal Affairs
(services Digital Executive Board as an interdepartmental executive board)
(hosts Ministry for Ethnic Communities as a departmental agency)
(hosts National Emergency Management Agency as a departmental agency)

Department of the Prime Minister and Cabinet

Education Review Office

Government Communications Security Bureau

Inland Revenue Department

Land Information New Zealand

Ministry for Culture and Heritage

Ministry for Disabled People

Ministry for Pacific Peoples

Ministry for Primary Industries

Ministry for Regulation

Ministry for the Environment
(services Change Chief Executives Board as an interdepartmental executive board)

Ministry for Women

Ministry of Business, Innovation, and Employment

Ministry of Defence

Ministry of Education
(hosts Charter School Agency as a departmental agency)

Ministry of Foreign Affairs and Trade

Ministry of Health
(hosts Cancer Control Agency as a departmental agency)

Ministry of Housing and Urban Development

Ministry of Justice
(services Executive Board for the Elimination of Family Violence and Sexual Violence as an interdepartmental executive board)
(hosts Office of Treaty Settlements and Takutai Moana – Te Tari Whakatau as a departmental agency)

Ministry of Māori Development – Te Puni Kōkiri

Ministry of Social Development

Ministry of Transport

New Zealand Customs Service
(services Border Executive Board as an interdepartmental executive board)

New Zealand Defence Force

New Zealand Police

New Zealand Security Intelligence Service

Office of the Clerk of the House of Representatives

Oranga Tamariki – Ministry for Children

Parliamentary Counsel Office

Parliamentary Service

Public Service Commission

Serious Fraud Office

Social Investment Agency

Statistics New Zealand

The Treasury

Others

New Zealand Superannuation Fund

Reserve Bank of New Zealand

Offices of Parliament

Controller and Auditor-General

Office of the Ombudsman

Parliamentary Commissioner for the Environment

State-owned Enterprises Segment

State-owned Enterprises

Airways Corporation of New Zealand Limited

Animal Control Products Limited

AsureQuality Limited

Electricity Corporation of New Zealand Limited

KiwiRail Holdings Limited

Kordia Group Limited

Landcorp Farming Limited

Meteorological Service of New Zealand Limited

New Zealand Post Limited

New Zealand Railways Corporation

Quotable Value Limited

Transpower New Zealand Limited

Mixed ownership model companies (Public Finance Act Schedule 5)

Genesis Energy Limited

Mercury NZ Limited

Meridian Energy Limited

Other

Air New Zealand Limited

Crown Entities Segment

Crown Entities

Accident Compensation Corporation
Accreditation Council
Arts Council of New Zealand Toi Aotearoa
Auckland Light Rail Limited
Broadcasting Commission
Broadcasting Standards Authority
Callaghan Innovation
Children's Commissioner
Civil Aviation Authority of New Zealand
Climate Change Commission
Commerce Commission
Criminal Cases Review Commission
Crown Irrigation Investments Limited
Education New Zealand
Electoral Commission
Electricity Authority
Energy Efficiency and Conservation Authority
Environmental Protection Authority
External Reporting Board
Financial Markets Authority
Fire and Emergency New Zealand
Government Superannuation Fund Authority
Guardians of New Zealand Superannuation
Health and Disability Commissioner
Health New Zealand
Health Quality and Safety Commission
Health Research Council of New Zealand
Heritage New Zealand Pouhere Taonga
Human Rights Commission
Independent Monitor of the Oranga Tamariki System
Independent Police Conduct Authority
Integrity Sport and Recreation Commission
Invest New Zealand
Kāinga Ora – Homes and Communities
Law Commission
Maritime New Zealand
Mental Health and Wellbeing Commission
Museum of New Zealand Te Papa Tongarewa Board
New Zealand Antarctic Institute
New Zealand Artificial Limb Service
New Zealand Blood and Organ Service
New Zealand Film Commission
New Zealand Growth Capital Partners Limited
New Zealand Infrastructure Commission/ Te Waihanga
New Zealand Institute for Bioeconomy Science
New Zealand Institute for Earth Science
New Zealand Institute for Public Health and Forensic Science
New Zealand Institute of Skills and Technology (previously Te Pūkenga – New Zealand Institute of Skills and Technology)
New Zealand Lotteries Commission
New Zealand Qualifications Authority
New Zealand Symphony Orchestra
New Zealand Tourism Board
New Zealand Trade and Enterprise
New Zealand Transport Agency
New Zealand Walking Access Commission
Office of Film and Literature Classification
Pharmaceutical Management Agency
Privacy Commissioner
Public Trust
Radio New Zealand Limited
Real Estate Agents Authority
Retirement Commissioner
School Boards of Trustees (2,423)
Social Workers Registration Board
Sport and Recreation New Zealand
Takeovers Panel
Television New Zealand Limited
Te Reo Whakapuaki Irirangi (Māori Broadcasting Funding Agency)
Te Taura Whiri i te Reo Māori (Māori Language Commission)
Tertiary Education Commission
Toka Tū Ake - Natural Hazards Commission
Transport Accident Investigation Commission
Water Services Agency - Taumata Arowai (previously Taumata Arowai – the Water Services Regulator)
WorkSafe New Zealand

Crown Entities Segment (continued)

Organisations listed in Schedule 4 of the Public Finance Act 1989

Agricultural and Marketing Research and Development Trust

Asia New Zealand Foundation

Fish and Game Councils (12)

Game Animal Council

Māori Trustee

National Pacific Radio Trust

New Zealand Fish and Game Council

New Zealand Game Bird Habitat Trust Board

New Zealand Government Property Corporation

New Zealand Lottery Grants Board

Ngāi Tahu Ancillary Claims Trust

Pacific Island Business Development Trust

Reserves Boards (20)

Legal entities created by Treaty of Waitangi settlement Acts (Public Finance Act Schedule 6)

Te Urewera

Te Kāhui Tupua

Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)

Crown Infrastructure Delivery Limited

Crown Regional Holdings Limited

Education Payroll Limited

Ferry Holdings Limited

Kiwi Group Capital Limited

National Infrastructure Funding and Financing Limited

New Zealand Green Investment Finance Limited

Ngāpuhi Investment Fund Limited

Predator Free 2050 Limited

Research and Education Advanced Network New Zealand Limited

Southern Response Earthquake Services Limited

Tāmaki Redevelopment Company Limited

The Network for Learning Limited

Others

Elevate New Zealand Venture Fund

Other entities not fully consolidated into the Forecast Financial Statements of the Government with only the Crown's interest in them being included

Crown entities

Tertiary Education Institutions (10)

(8 Universities and 2 Wānanga)

Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)

City Rail Link Limited

Subsidiaries of SOEs, Crown entities and other government entities are consolidated by entities listed above and are not listed separately in this table.

Forecast Statement of Financial Performance

for the years ending 30 June

	Note	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Revenue								
Taxation revenue	1	121,058	124,210	123,370	131,223	139,240	147,288	155,388
Other sovereign revenue	1	9,768	11,006	10,667	11,075	11,659	12,311	12,818
Total Revenue Levied through the Crown's Sovereign Power		**130,826**	**135,216**	**134,037**	**142,298**	**150,899**	**159,599**	**168,206**
Sales of goods and services		26,085	27,554	27,650	28,888	29,406	30,455	31,113
Interest revenue	2	7,039	6,408	5,920	6,016	6,400	7,060	7,876
Other revenue		5,861	6,686	5,305	5,408	5,523	5,744	5,890
Total revenue earned through the Crown's operations		**38,985**	**40,648**	**38,875**	**40,312**	**41,329**	**43,259**	**44,879**
Total revenue (excluding gains)		**169,811**	**175,864**	**172,912**	**182,610**	**192,228**	**202,858**	**213,085**
Expenses								
Transfer payments and subsidies	3	44,679	46,523	46,868	49,000	50,529	51,793	53,716
Personnel expenses		38,771	40,758	40,525	40,935	40,995	41,058	41,173
Depreciation		8,294	8,424	8,544	9,081	9,432	9,714	9,690
Other operating expenses	4	69,827	72,901	74,697	73,271	70,629	70,695	70,989
Finance costs	2	10,390	11,073	10,133	11,209	12,670	14,139	15,608
Insurance expenses	5	11,541	10,659	10,062	10,172	10,798	11,266	12,053
Forecast new operating spending	6	-	1,720	1,505	2,524	5,158	7,639	10,107
Top-down operating expense adjustment	6	-	(900)	(2,500)	(700)	(550)	(550)	(550)
Total expenses (excluding losses)		**183,502**	**191,158**	**189,834**	**195,492**	**199,661**	**205,754**	**212,786**
Gains/(losses)								
Net gains/(losses) on financial instruments	2	9,272	5,692	11,309	6,325	6,918	7,455	7,883
Net gains/(losses) on non-financial instruments	7	(402)	-	(914)	-	-	-	-
Total gains/(losses) (including minority interests)		**8,870**	**5,692**	**10,395**	**6,325**	**6,918**	**7,455**	**7,883**
Net surplus/(deficit) from associates and joint ventures		214	71	218	100	160	172	205
Less minority interests' share of operating balance		207	(353)	(238)	(314)	(476)	(567)	(565)
Operating balance (excluding minority interests)		**(4,400)**	**(9,884)**	**(6,547)**	**(6,771)**	**(831)**	**4,164**	**7,822**
Minority interests' share of operating balance		(207)	353	238	314	476	567	565
Operating balance (including minority interests)		**(4,607)**	**(9,531)**	**(6,309)**	**(6,457)**	**(355)**	**4,731**	**8,387**

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Comprehensive Revenue and Expense

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Operating Balance (including minority interests)	**(4,607)**	**(9,531)**	**(6,309)**	**(6,457)**	**(355)**	**4,731**	**8,387**
Other comprehensive revenue and expense							
Revaluation of physical assets	3,730	-	(53)	-	-	-	-
Revaluation of defined benefit retirement plan schemes	388	104	51	126	92	62	38
Net revaluations of veterans' disability entitlements	(1,202)	-	-	-	-	-	-
Transfers into/(out of) cash flow hedge reserve	(121)	(25)	99	10	22	63	67
Transfers into/(out of) reserves	126	-	(23)	-	-	-	-
(Gains)/losses transferred to the statement of financial performance	(49)	-	6	-	-	-	-
Foreign currency translation differences on foreign operations	-	-	(1)	-	-	-	-
Other movements	10	(28)	(55)	(69)	(73)	(41)	(48)
Total other comprehensive revenue and expense	**2,882**	**51**	**24**	**67**	**41**	**84**	**57**
Total comprehensive revenue and expense	**(1,725)**	**(9,480)**	**(6,285)**	**(6,390)**	**(314)**	**4,815**	**8,444**
Attributable to:							
- minority interests	833	337	282	285	485	585	584
- the Crown	(2,558)	(9,817)	(6,567)	(6,675)	(799)	4,230	7,860
Total comprehensive revenue and expense	**(1,725)**	**(9,480)**	**(6,285)**	**(6,390)**	**(314)**	**4,815**	**8,444**

Forecast Statement of Changes in Net Worth

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Opening net worth	191,049	183,130	189,128	182,482	175,835	175,307	179,641
Operating balance (including minority interests)	(4,607)	(9,531)	(6,309)	(6,457)	(355)	4,731	8,387
Net revaluations of physical assets	3,730	-	(53)	-	-	-	-
Net revaluations of defined benefit retirement plan schemes	388	104	51	126	92	62	38
Net revaluations of veterans' disability entitlements	(1,202)	-	-	-	-	-	-
Transfers into/(out of) cash flow hedge reserve	(121)	(25)	99	10	22	63	67
Transfers into/(out of) reserves	126	-	(23)	-	-	-	-
(Gains)/losses transferred to the Statement of Financial Performance	(49)	-	6	-	-	-	-
Foreign currency translation differences on foreign operations	-	-	(1)	-	-	-	-
Other movements	10	(28)	(55)	(69)	(73)	(41)	(48)
Comprehensive income	**(1,725)**	**(9,480)**	**(6,285)**	**(6,390)**	**(314)**	**4,815**	**8,444**
Increase in minority interest from equity issues	374	102	152	275	398	158	91
Transactions with minority interests	(570)	(528)	(513)	(532)	(612)	(639)	(702)
Closing net worth	**189,128**	**173,224**	**182,482**	**175,835**	**175,307**	**179,641**	**187,474**

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Cash Flows

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Cash Flows from Operations							
Cash was provided from							
Taxation receipts	121,183	122,887	122,774	128,727	136,343	144,343	152,557
Other sovereign receipts	7,878	8,605	8,191	9,155	9,769	10,307	10,788
Sales of goods and services	26,961	27,605	27,738	29,585	29,885	30,743	31,504
Interest receipts	6,791	5,604	5,310	4,575	4,711	5,197	5,887
Other operating receipts	6,372	6,054	6,563	6,612	6,739	7,019	7,212
Total cash provided from operations	**169,185**	**170,755**	**170,576**	**178,654**	**187,447**	**197,609**	**207,948**
Cash was disbursed to							
Transfer payments and subsidies	45,928	47,413	47,987	49,414	50,752	52,148	54,087
Personnel and operating payments	113,733	116,934	123,268	119,987	117,184	117,273	117,605
Interest payments	8,825	9,281	8,432	9,740	10,612	12,243	13,504
Forecast new operating spending	-	1,720	1,505	2,524	5,158	7,639	10,107
Top-down operating expense adjustment	-	(900)	(2,500)	(700)	(550)	(550)	(550)
Total cash disbursed to operations	**168,486**	**174,448**	**178,692**	**180,965**	**183,156**	**188,753**	**194,753**
Net cash flows from operations	**699**	**(3,693)**	**(8,116)**	**(2,311)**	**4,291**	**8,856**	**13,195**
Cash Flows from Investing Activities							
Cash was provided from/(disbursed to)							
Net (purchase)/sale of physical assets	(14,054)	(17,817)	(17,296)	(18,151)	(15,248)	(13,483)	(13,111)
Net (purchase)/sale of shares and other securities	(9,781)	(4,693)	3,201	3,528	598	(1,885)	(1,884)
Net (purchase)/sale of intangible assets	(655)	(743)	(996)	(761)	(682)	(615)	(632)
Net (issue)/repayment of advances	5,888	2,743	3,147	(3,744)	(3,128)	(3,960)	(4,754)
Net acquisition of investments in associates	(404)	(266)	(407)	(220)	(123)	(44)	(38)
Forecast new capital spending	-	(2,560)	(1,107)	(2,364)	(2,793)	(3,534)	(3,775)
Top-down capital adjustment	-	900	2,000	300	100	100	100
Net cash flows from investing activities	**(19,006)**	**(22,436)**	**(11,458)**	**(21,412)**	**(21,276)**	**(23,421)**	**(24,094)**
Net cash flows from operating and investing activities	**(18,307)**	**(26,129)**	**(19,574)**	**(23,723)**	**(16,985)**	**(14,565)**	**(10,899)**
Cash Flows from Financing Activities							
Cash was provided from/(disbursed to)							
Net Issue/(repayment) of circulating currency	175	91	210	92	93	94	95
Net issue/(repayment) of government bonds[1]	31,541	24,812	22,611	20,910	17,246	13,063	6,748
Net issue/(repayment) of foreign-currency borrowings	6,291	(1,333)	(4,228)	431	(553)	(465)	173
Net issue/(repayment) of other New Zealand dollar borrowings	(12,149)	3,161	1,642	2,903	1,511	1,009	4,537
Net issue/(purchase) of equity	251	-	-	99	246	-	(74)
Dividends paid to minority interests	(409)	(462)	(417)	(406)	(459)	(514)	(568)
Net cash flows from financing activities	**25,700**	**26,269**	**19,818**	**24,029**	**18,084**	**13,187**	**10,911**
Net movement in cash	**7,393**	**140**	**244**	**306**	**1,099**	**(1,378)**	**12**
Opening cash balance	16,212	22,709	23,668	24,561	24,867	25,966	24,588
Foreign-exchange gains/(losses) on opening cash	63	-	649	-	-	-	-
Closing cash balance	**23,668**	**22,849**	**24,561**	**24,867**	**25,966**	**24,588**	**24,600**

1. Further information on the issue and repayments of government bonds is available in the core Crown residual cash summary included in the attached Fiscal Indicator Analysis section.

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
Net Cash Flows from Operations	**699**	**(3,693)**	**(8,116)**	**(2,311)**	**4,291**	**8,856**	**13,195**
Items included in the operating balance but not in net cash flows from operations							
Gains/(losses) and Other Interests							
Net gains/(losses) on financial instruments	9,272	5,692	11,309	6,325	6,918	7,455	7,883
Net gains/(losses) on non-financial instruments	(402)	-	(914)	-	-	-	-
Net surplus/(deficit) from associates and joint ventures	214	71	218	100	160	172	205
Total gains/(losses) and other interests	**9,084**	**5,763**	**10,613**	**6,425**	**7,078**	**7,627**	**8,088**
Other Non-cash Items in Operating Balance							
Depreciation	(8,294)	(8,424)	(8,544)	(9,081)	(9,432)	(9,714)	(9,690)
Amortisation and net impairment of non-financial assets	(975)	(1,556)	(1,552)	(889)	(921)	(936)	(927)
Cost of concessionary lending	(661)	(681)	(819)	(886)	(922)	(949)	(985)
Impairment of financial assets (excluding receivables)	(64)	47	76	(9)	(31)	(36)	(42)
Change in accumulating insurance expenses	(4,339)	(3,037)	(2,676)	(2,502)	(2,913)	(3,123)	(3,648)
Change in NZ ETS liability	755	1,145	832	696	539	404	277
Change in accumulating pension expenses	(49)	(49)	(72)	(58)	(56)	(54)	(52)
Total other non-cash items in operating balance	**(13,627)**	**(12,555)**	**(12,755)**	**(12,729)**	**(13,736)**	**(14,408)**	**(15,067)**
Working Capital and Other Movements							
Increase/(decrease) in receivables	(1,620)	1,338	191	2,078	2,427	2,628	2,440
Increase/(decrease) in accrued interest	(985)	(1,019)	(1,209)	(126)	(456)	(161)	(265)
Increase/(decrease) in inventories	239	112	253	(211)	45	(102)	(254)
Increase/(decrease) in prepayments	328	(178)	50	16	(44)	12	11
Decrease/(increase) in deferred revenue	(74)	(7)	-	(53)	(40)	(91)	(65)
Decrease/(increase) in payables/provisions	1,349	708	4,664	454	80	370	304
Total working capital and other movements	**(763)**	**954**	**3,949**	**2,158**	**2,012**	**2,656**	**2,171**
Operating balance (including minority	**(4,607)**	**(9,531)**	**(6,309)**	**(6,457)**	**(355)**	**4,731**	**8,387**

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Financial Position

as at 30 June

	Note	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Assets								
Cash and cash equivalents	8	23,668	22,849	24,561	24,867	25,966	24,588	24,600
Receivables	8	34,760	37,007	34,744	36,599	39,052	41,705	44,174
Marketable securities, deposits and derivatives in gain	8	82,544	95,932	83,864	83,697	87,737	92,786	98,503
Share investments	8	59,573	61,163	66,338	68,738	70,867	73,185	75,532
Advances	8	64,911	60,767	60,602	63,898	66,611	70,209	74,587
Investments in controlled enterprises	8	8,093	9,309	9,532	10,527	12,137	13,789	15,527
Inventory		3,100	3,517	3,353	3,142	3,187	3,085	2,831
Other assets		5,157	5,041	5,010	5,066	5,078	4,928	4,988
Property, plant and equipment	10	292,601	302,790	302,803	311,704	316,966	320,351	323,028
Equity accounted investments[1]		19,478	16,738	17,983	18,298	18,579	18,753	18,959
Intangible assets and goodwill		4,091	4,191	4,293	4,302	4,169	4,023	3,893
Forecast for new capital spending	6	-	2,560	1,107	3,471	6,264	9,798	13,573
Top-down capital adjustment	6	-	(2,400)	(2,000)	(2,300)	(2,400)	(2,500)	(2,600)
Total assets		**597,976**	**619,464**	**612,190**	**632,009**	**654,213**	**674,700**	**697,595**
Liabilities								
Issued currency		9,152	9,156	9,186	9,278	9,371	9,465	9,559
Payables	12	21,957	26,925	22,393	22,528	24,551	24,410	24,622
Deferred revenue		3,527	3,643	3,527	3,580	3,620	3,711	3,776
Borrowings	16	272,085	305,076	293,868	318,869	337,680	351,566	363,287
New Zealand Emissions Trading Scheme	15	7,156	5,741	5,675	5,217	4,865	4,597	4,413
Insurance liabilities	5	70,326	72,964	74,561	77,063	79,977	83,100	86,747
Retirement plan liabilities	13	6,661	6,028	6,145	5,592	5,090	4,633	4,209
Provisions	14	17,984	16,707	14,353	14,047	13,752	13,577	13,508
Total liabilities		**408,848**	**446,240**	**429,708**	**456,174**	**478,906**	**495,059**	**510,121**
Total assets less total liabilities		**189,128**	**173,224**	**182,482**	**175,835**	**175,307**	**179,641**	**187,474**
Net Worth								
Taxpayers' funds		(3,487)	(15,064)	(10,100)	(16,930)	(17,801)	(13,685)	(5,907)
Property, plant and equipment revaluation reserve		183,280	181,198	183,224	183,226	183,201	183,220	183,222
Defined benefit plan revaluation reserve		1,251	1,462	1,302	1,428	1,520	1,582	1,620
Veterans' disability entitlements reserve		(1,843)	(3,855)	(1,843)	(1,843)	(1,843)	(1,843)	(1,843)
Other reserves		59	137	110	137	142	175	217
Total net worth attributable to the Crown		**179,260**	**163,878**	**172,693**	**166,018**	**165,219**	**169,449**	**177,309**
Net worth attributable to minority interests		9,868	9,346	9,789	9,817	10,088	10,192	10,165
Total net worth	17	**189,128**	**173,224**	**182,482**	**175,835**	**175,307**	**179,641**	**187,474**

1. Equity accounted investments include Universities, Wānanga and City Rail Link Limited. The investment in City Rail Link Limited is expected to be divested in 2025/26.

The accompanying notes and accounting policies are an integral part of these Statements.

Statement of Actual Commitments

	As at 31 October 2025 $m	As at 30 June 2025 $m
Capital Commitments		
State highways	2,957	2,976
Specialist military equipment	440	437
Land and buildings	6,007	5,821
Other property, plant and equipment	4,781	5,121
Other capital commitments	499	562
Universities and Wānanga	542	542
Total capital commitments	**15,226**	**15,459**
Operating Commitments		
Non-cancellable accommodation leases	6,583	6,562
Other non-cancellable leases	5,269	5,354
Universities and Wānanga	1,266	1,266
Total operating commitments	**13,118**	**13,182**
Total commitments	**28,344**	**28,641**
Total Commitments by Segment		
Core Crown	11,450	11,258
Crown entities	9,918	9,812
State-owned Enterprises	7,574	8,068
Inter-segment eliminations	(598)	(497)
Total commitments	**28,344**	**28,641**

Statement of Actual Contingent Liabilities and Assets

	As at 31 October 2025 $m	As at 30 June 2025 $m
Quantifiable Contingent Liabilities		
Uncalled capital	10,364	9,861
Guarantees and indemnities	269	282
Legal proceedings and disputes	523	515
Other quantifiable contingent liabilities	1,598	1,464
Total quantifiable contingent liabilities	**12,754**	**12,122**
Total Quantifiable Contingent Liabilities by Segment		
Core Crown	12,251	11,801
Crown entities	80	81
State-owned Enterprises	423	279
Inter-segment eliminations	-	(39)
Total quantifiable contingent liabilities	**12,754**	**12,122**
Quantifiable Contingent Assets by Segment		
Core Crown	29	29
Crown entities	53	53
State-owned Enterprises	106	106
Total quantifiable contingent assets	**188**	**188**

More information on contingent liabilities and assets (quantified and unquantified) is outlined in the Supplementary Information document.

The accompanying notes and accounting policies are an integral part of these Statements.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 1: Sovereign Revenue (Accrual)							
Taxation Revenue (accrual)							
Individuals							
Source deductions	52,460	55,243	54,587	57,354	60,252	63,668	67,122
Other persons	11,334	11,394	11,053	12,158	13,090	13,912	14,738
Refunds	(2,854)	(2,936)	(2,955)	(3,091)	(3,283)	(3,472)	(3,667)
Fringe benefit tax	909	909	933	958	988	1,031	1,078
Total individuals	**61,849**	**64,610**	**63,618**	**67,379**	**71,047**	**75,139**	**79,271**
Corporate Tax							
Gross companies tax	17,727	17,074	16,940	18,730	20,975	22,513	23,771
Refunds	(964)	(1,049)	(918)	(743)	(736)	(734)	(733)
Non-resident withholding tax	733	723	669	672	710	757	806
Total corporate tax	**17,496**	**16,748**	**16,691**	**18,659**	**20,949**	**22,536**	**23,844**
Other Direct Income Tax							
Resident w/holding tax on interest income	3,567	3,209	3,046	2,502	1,962	2,036	2,272
Resident w/holding tax on dividend income	940	1,168	1,138	1,252	1,347	1,431	1,512
Total other direct income tax	**4,507**	**4,377**	**4,184**	**3,754**	**3,309**	**3,467**	**3,784**
Total direct income tax	**83,852**	**85,735**	**84,493**	**89,792**	**95,305**	**101,142**	**106,899**
Goods and Services Tax							
Gross goods and services tax	48,668	52,072	52,511	55,884	58,694	61,502	64,601
Refunds	(19,118)	(21,567)	(21,525)	(22,856)	(23,779)	(24,821)	(26,007)
Total goods and services tax	**29,550**	**30,505**	**30,986**	**33,028**	**34,915**	**36,681**	**38,594**
Other Indirect Taxation							
Road and track user charges	2,036	2,172	2,132	2,390	2,778	3,075	3,358
Alcohol excise – domestic production	791	832	790	826	862	898	934
Petroleum fuels excise[1]	1,995	1,937	2,027	2,204	2,438	2,567	2,671
Alcohol excise – imports	452	510	484	506	528	550	573
Tobacco excise[1]	1,471	1,479	1,426	1,385	1,328	1,292	1,264
Other customs duty	127	108	118	121	127	133	139
Gaming duties	305	321	325	338	353	367	382
Motor vehicle fees	287	462	422	491	485	480	476
Approved issuer levy and cheque duty	176	127	155	132	114	98	93
Energy resources levies	16	22	12	10	7	5	5
Total other indirect taxation	**7,656**	**7,970**	**7,891**	**8,403**	**9,020**	**9,465**	**9,895**
Total indirect taxation	**37,206**	**38,475**	**38,877**	**41,431**	**43,935**	**46,146**	**48,489**
Total taxation revenue	**121,058**	**124,210**	**123,370**	**131,223**	**139,240**	**147,288**	**155,388**
Other Sovereign Revenue (accrual)							
ACC levies	4,244	4,715	4,627	5,115	5,603	6,128	6,630
Emissions trading revenue	1,774	2,215	1,855	1,755	1,727	1,706	1,633
Fire and Emergency levies	797	834	835	874	897	920	944
Natural Hazards Commission levies	908	920	920	934	953	967	979
Child support and working for families penalties	143	156	149	176	190	203	206
Court fines	132	143	145	145	145	145	145
Other miscellaneous items	1,770	2,023	2,136	2,076	2,144	2,242	2,281
Total other sovereign revenue	**9,768**	**11,006**	**10,667**	**11,075**	**11,659**	**12,311**	**12,818**
Total sovereign revenue	**130,826**	**135,216**	**134,037**	**142,298**	**150,899**	**159,599**	**168,206**

1. Includes excise duty on domestic production and excise-equivalent duty on imports.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 1 (continued): Sovereign Receipts (Cash)							
Taxation Receipts (cash)							
Individuals							
Source deductions	51,833	54,960	54,081	56,833	59,827	63,227	66,665
Other persons	11,049	11,702	11,802	11,934	13,065	14,007	14,821
Refunds	(3,366)	(3,648)	(3,623)	(3,759)	(4,054)	(4,320)	(4,568)
Fringe benefit tax	892	909	932	958	987	1,030	1,076
Total individuals	**60,408**	**63,923**	**63,192**	**65,966**	**69,825**	**73,944**	**77,994**
Corporate Tax							
Gross companies tax	19,548	18,031	18,693	19,670	21,586	23,239	24,848
Refunds	(2,072)	(2,246)	(1,889)	(1,965)	(2,194)	(2,375)	(2,538)
Non-resident withholding tax	728	723	669	672	710	757	806
Total corporate tax	**18,204**	**16,508**	**17,473**	**18,377**	**20,102**	**21,621**	**23,116**
Other Direct Income Tax							
Resident w/holding tax on interest income	3,590	3,209	3,046	2,502	1,962	2,036	2,272
Resident w/holding tax on dividend income	980	1,168	1,138	1,252	1,347	1,431	1,512
Total other direct income tax	**4,570**	**4,377**	**4,184**	**3,754**	**3,309**	**3,467**	**3,784**
Total direct income tax	**83,182**	**84,808**	**84,849**	**88,097**	**93,236**	**99,032**	**104,894**
Goods and Services Tax							
Gross goods and services tax	48,939	51,282	51,216	54,693	57,487	60,279	63,386
Refunds	(18,569)	(21,167)	(21,125)	(22,456)	(23,379)	(24,421)	(25,607)
Total goods and services tax	**30,370**	**30,115**	**30,091**	**32,237**	**34,108**	**35,858**	**37,779**
Other Indirect Taxation							
Road and track user charges	2,038	2,172	2,132	2,390	2,778	3,075	3,358
Alcohol excise – domestic production	789	832	790	826	862	898	934
Customs duty[1]	4,060	4,028	3,998	4,210	4,400	4,530	4,636
Gaming duties	287	321	325	334	353	367	382
Motor vehicle fees	266	462	422	491	485	480	476
Approved issuer levy and cheque duty	175	127	155	132	114	98	93
Energy resources levies	16	22	12	10	7	5	5
Total other indirect taxation	**7,631**	**7,964**	**7,834**	**8,393**	**8,999**	**9,453**	**9,884**
Total indirect taxation	**38,001**	**38,079**	**37,925**	**40,630**	**43,107**	**45,311**	**47,663**
Total taxation receipts	**121,183**	**122,887**	**122,774**	**128,727**	**136,343**	**144,343**	**152,557**
Other Sovereign Receipts (cash)							
ACC levies	4,216	4,592	4,430	5,020	5,507	6,030	6,517
Emissions trading receipts[2]	267	330	20	238	187	136	93
Fire and Emergency levies	771	828	827	783	890	913	936
Natural Hazards Commission levies	918	923	957	940	959	975	987
Child support and working for families penalties	103	138	151	166	176	182	177
Court fines	143	149	152	143	139	137	136
Other miscellaneous items	1,460	1,645	1,654	1,865	1,911	1,934	1,942
Total other sovereign receipts	**7,878**	**8,605**	**8,191**	**9,155**	**9,769**	**10,307**	**10,788**
Total sovereign receipts	**129,061**	**131,492**	**130,965**	**137,882**	**146,112**	**154,650**	**163,345**

1. Includes customs excise-equivalent duty from imports.
2. Represents cash proceeds from the sale of NZUs at auction.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 2: Investment Revenue/(Expenditure)							
Interest Revenue	**7,039**	**6,408**	**5,920**	**6,016**	**6,400**	**7,060**	**7,876**
Interest Expenses							
Interest on financial liabilities	9,804	10,526	9,772	10,843	12,267	13,700	15,154
Interest unwind on provisions	586	547	361	366	403	439	454
Total interest expenses	**10,390**	**11,073**	**10,133**	**11,209**	**12,670**	**14,139**	**15,608**
Net interest revenue/(expense)	**(3,351)**	**(4,665)**	**(4,213)**	**(5,193)**	**(6,270)**	**(7,079)**	**(7,732)**
Dividend revenue	1,636	1,354	1,336	1,349	1,423	1,486	1,552
Net gains/(losses) on financial instruments	9,272	5,692	11,309	6,325	6,918	7,455	7,883
Total investment revenue/(expenditure)	**7,557**	**2,381**	**8,432**	**2,481**	**2,071**	**1,862**	**1,703**
NOTE 3: Transfer Payments and Subsidies							
New Zealand superannuation	23,191	24,691	24,778	26,424	28,019	29,440	30,893
Family tax credit	2,434	2,374	2,449	2,599	2,578	2,595	2,738
Jobseeker support and emergency benefit	4,641	4,839	4,934	4,825	4,764	4,659	4,699
Accommodation assistance	2,232	2,350	2,307	2,279	2,266	2,150	2,169
Supported living payment	2,668	2,782	2,842	3,009	3,147	3,239	3,361
Sole parent support	2,255	2,331	2,377	2,399	2,357	2,255	2,258
KiwiSaver subsidies	1,020	545	560	578	604	633	655
International Development Cooperation	953	995	999	1,111	949	949	949
Hardship assistance	755	837	819	852	877	877	918
Paid parental leave	709	745	740	770	805	845	885
Winter energy payment	562	577	581	590	596	606	615
Student allowances	574	635	650	678	660	647	635
Disability assistance	492	511	518	527	531	525	528
Other working for families tax credits	561	596	581	599	589	577	584
Orphan's/unsupported child's benefit	402	417	415	426	435	439	444
Best start tax credit	346	326	326	287	272	269	278
Income related rent subsidy	192	215	192	201	209	216	223
Other social assistance benefits	692	757	800	846	871	872	884
Total transfer payments and subsidies	**44,679**	**46,523**	**46,868**	**49,000**	**50,529**	**51,793**	**53,716**
NOTE 4: Other Operating Expenses							
Grants and subsidies	11,990	11,253	12,117	11,222	10,401	10,326	10,347
Repairs and maintenance	3,336	3,650	3,725	3,699	3,277	3,312	3,464
Rental and leasing costs	1,639	1,940	1,786	1,732	1,744	1,756	1,779
Amortisation and impairment of non-financial assets	975	1,556	1,552	889	921	936	927
Impairment of financial assets	2,075	1,678	1,716	1,683	1,713	1,692	1,671
Cost of concessionary lending	661	681	819	886	922	949	985
Lottery prize payments	873	853	847	917	955	994	1,011
Inventory expenses and clinical supplies	754	769	720	865	802	765	756
Other operating expenses	47,524	50,521	51,415	51,378	49,894	49,965	50,049
Total other operating expenses	**69,827**	**72,901**	**74,697**	**73,271**	**70,629**	**70,695**	**70,989**

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 5: Insurance							
Insurance expense by entity							
ACC	10,771	9,983	9,472	9,530	10,094	10,496	11,221
Natural Hazards Commission	659	583	569	616	673	736	795
Other (incl. inter-segment eliminations)	111	93	21	26	31	34	37
Total insurance expenses	**11,541**	**10,659**	**10,062**	**10,172**	**10,798**	**11,266**	**12,053**
Insurance liability by entity							
ACC	68,766	71,797	73,188	75,840	78,850	82,160	85,791
Natural Hazards Commission	1,273	992	1,121	997	909	725	741
Other (incl. inter-segment eliminations)	287	175	252	226	218	215	215
Total insurance liabilities	**70,326**	**72,964**	**74,561**	**77,063**	**79,977**	**83,100**	**86,747**

ACC liability

Calculation information

ACC prepared an actuarial estimate of the ACC outstanding claims liability as at 30 June 2025. This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected future administrative expenses of managing these claims. The estimate also includes a risk margin to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments. The assumptions underpinning this valuation form the basis of the five-year forecast of the outstanding claims liability.

The key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI), Average Weekly Earnings (AWE) and the discount rate. Discount rates were derived from the yield curve for New Zealand Government bonds. For these forecast statements, the claims liability has been updated for the discount rates as at 30 September 2025. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 5.00% and allows for a long-term discount rate of 4.80% beyond 53 years.

Other key variables in each valuation are the forecast increases in claim costs over and above the economic variables above, and the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

Presentation approach

ACC has a portfolio of assets that offset the claims liability. The assets below (less cross-holdings of NZ Government stock) are included as assets in the Statement of Financial Position.

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Gross ACC Liability							
Opening gross liability	65,049	68,627	68,766	73,188	75,840	78,850	82,160
Net change	3,717	3,170	4,422	2,652	3,010	3,310	3,631
Closing gross liability	**68,766**	**71,797**	**73,188**	**75,840**	**78,850**	**82,160**	**85,791**
Less Net Assets Available to ACC							
Opening net asset value	52,682	54,392	54,917	57,163	57,631	58,683	60,495
Net change	2,235	285	2,246	468	1,052	1,812	2,266
Closing net asset value	**54,917**	**54,677**	**57,163**	**57,631**	**58,683**	**60,495**	**62,761**
Net ACC Reserves (Net Liability)							
Opening reserves position	(12,367)	(14,235)	(13,849)	(16,025)	(18,209)	(20,167)	(21,665)
Net change	(1,482)	(2,885)	(2,176)	(2,184)	(1,958)	(1,498)	(1,365)
Closing reserves position (net liability)/net asset	**(13,849)**	**(17,120)**	**(16,025)**	**(18,209)**	**(20,167)**	**(21,665)**	**(23,030)**
Net Change in ACC Reserves							
Revenue	8,548	9,078	8,983	9,674	10,387	11,173	11,972
Expenses	(13,215)	(12,605)	(12,065)	(12,297)	(12,970)	(13,486)	(14,331)
Valuation changes	3,185	642	906	439	625	815	994
Net change	**(1,482)**	**(2,885)**	**(2,176)**	**(2,184)**	**(1,958)**	**(1,498)**	**(1,365)**

Notes to the Forecast Financial Statements

	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 6: Forecast New Spending and Top-down Adjustments					
Forecast New Operating Spending					
Unallocated operating contingencies	1,505	1,508	1,742	1,823	1,891
Budget operating allowance for Budget 2026	-	1,016	1,016	1,016	1,016
Budget operating allowance for Budget 2027	-	-	2,400	2,400	2,400
Budget operating allowance for Budget 2028	-	-	-	2,400	2,400
Budget operating allowance for Budget 2029	-	-	-	-	2,400
Total forecast new operating spending	**1,505**	**2,524**	**5,158**	**7,639**	**10,107**

	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	Post-2030 $m	Total $m
Forecast New Capital Spending (annual)							
Unallocated capital contingencies	1,107	1,734	938	724	445	1,024	5,972
Budget capital allowance for Budget 2026	-	630	630	360	180	-	1,800
Budget capital allowance for Budget 2027	-	-	1,225	1,225	700	350	3,500
Budget capital allowance for Budget 2028	-	-	-	1,225	1,225	1,050	3,500
Budget capital allowance for Budget 2029	-	-	-	-	1,225	2,275	3,500
Total forecast new capital spending	**1,107**	**2,364**	**2,793**	**3,534**	**3,775**	**4,699**	**18,272**
Forecast new capital spending (cumulative)	**1,107**	**3,471**	**6,264**	**9,798**	**13,573**		

Unallocated operating and capital contingencies represents funding agreed by the Government, or likely to be agreed in the future, that have yet to be allocated to departments.

Budget operating and capital allowances for Budgets 2026 through to Budget 2029 indicate the expected spending increases from future Budgets. Some of the operating and capital allowances have been assumed to be pre-committed as at the forecast finalisation date of 25 November 2025, with only the unallocated portion of the allowances included within this note.

	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Top-down Adjustments					
Top-down operating expense adjustment	(2,500)	(700)	(550)	(550)	(550)
Top-down capital adjustment (cumulative)	(2,000)	(2,300)	(2,400)	(2,500)	(2,600)

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 7: Net Gains and Losses on Non-Financial Instruments							
Actuarial gains/(losses) on ACC outstanding claims	588	-	(1,559)	-	-	-	-
Gains/(losses) on the Emissions Trading Scheme	(1,018)	-	669	-	-	-	-
Other	28	-	(24)	-	-	-	-
Net gains/(losses) on non-financial instruments	**(402)**	**-**	**(914)**	**-**	**-**	**-**	**-**
NOTE 8: Financial Assets (including receivables)							
Cash and cash equivalents	23,668	22,849	24,561	24,867	25,966	24,588	24,600
Tax receivables	20,936	20,443	19,999	21,357	23,038	24,790	26,468
Trade and other receivables	13,824	16,564	14,745	15,242	16,014	16,915	17,706
Student loans (refer to note 9)	10,054	10,026	10,056	9,984	9,829	9,630	9,394
Kiwi Group loans and advances	35,942	38,870	39,368	42,651	45,485	48,924	53,112
Long-term deposits	6,964	9,768	7,307	7,518	8,012	7,964	8,319
IMF financial assets	5,720	5,779	5,885	5,885	5,885	5,885	5,885
FLP advances	7,261	-	-	-	-	-	-
Other advances	11,654	11,871	11,178	11,263	11,297	11,655	12,081
Share investments	59,573	61,163	66,338	68,738	70,867	73,185	75,532
Investments in controlled enterprises	8,093	9,309	9,532	10,527	12,137	13,789	15,527
Derivatives in gain	6,359	4,062	4,100	3,714	3,440	3,318	3,123
Other marketable securities	63,501	76,323	66,572	66,580	70,400	75,619	81,176
Total financial assets (including receivables)	**273,549**	**287,027**	**279,641**	**288,326**	**302,370**	**316,262**	**332,923**
Financial Assets by Segment							
The Treasury	56,159	53,694	48,509	42,251	44,261	46,809	47,996
Reserve Bank of New Zealand	48,570	48,974	44,182	38,598	39,113	39,641	40,184
NZS Fund	87,295	94,126	95,128	101,170	108,475	114,160	120,724
Other core Crown	41,381	38,844	38,308	39,263	40,539	42,510	44,202
Intra-segment eliminations	(33,594)	(23,097)	(23,181)	(10,558)	(10,363)	(10,239)	(9,365)
Total core Crown segment	**199,811**	**212,541**	**202,946**	**210,724**	**222,025**	**232,881**	**243,741**
ACC	59,321	58,088	61,484	61,888	62,869	64,602	66,815
Natural Hazards Commission	881	958	974	1,083	1,205	1,189	1,322
Kiwi Group loans and advances	35,942	38,870	39,368	42,651	45,485	48,924	53,112
Other Crown entities	23,760	23,728	23,289	24,280	25,211	26,036	27,267
Intra-segment eliminations	(5,209)	(4,702)	(5,044)	(5,542)	(5,865)	(5,951)	(6,118)
Total Crown entities segment	**114,695**	**116,942**	**120,071**	**124,360**	**128,905**	**134,800**	**142,398**
Total State-owned Enterprises segment	**6,775**	**6,258**	**6,471**	**6,195**	**6,420**	**5,978**	**6,141**
Inter-segment eliminations	(47,732)	(48,714)	(49,847)	(52,953)	(54,980)	(57,397)	(59,357)
Total financial assets (including receivables)	**273,549**	**287,027**	**279,641**	**288,326**	**302,370**	**316,262**	**332,923**
NOTE 9: Student Loans							
Nominal value (including accrued interest)	16,222	16,634	16,914	17,572	18,131	18,625	19,099
Opening book value	9,596	10,012	10,054	10,056	9,984	9,829	9,630
Net new lending (including fees)	1,709	1,877	2,091	2,116	2,096	2,112	2,136
Less initial write-down to fair value[1]	(585)	(636)	(782)	(848)	(900)	(944)	(981)
Repayments made during the year	(1,562)	(1,631)	(1,634)	(1,706)	(1,771)	(1,828)	(1,882)
Interest unwind	492	413	330	339	392	432	460
Unwind of administration costs	26	25	27	27	28	29	31
Final-year fees free payments[1]	-	(34)	-	-	-	-	-
Experience/actuarial adjustments:							
- Expected repayment adjustments	(91)	-	(30)	-	-	-	-
- Discount rate adjustments	469	-	-	-	-	-	-
Closing book value	**10,054**	**10,026**	**10,056**	**9,984**	**9,829**	**9,630**	**9,394**

1. Final-year fees free payments are included in the initial write-down to fair value for forecast periods 2026 through to 2030.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 10: Property, Plant and Equipment							
Net Carrying Value[1]							
By class of asset							
Land	83,056	81,888	82,349	82,438	82,070	81,654	81,152
Buildings	76,154	82,377	78,233	79,196	78,187	76,615	73,804
State highways	64,285	66,857	66,857	69,267	71,591	73,684	75,547
Electricity generation assets	25,479	24,436	26,158	27,375	28,334	28,600	29,105
Electricity distribution network (cost)	4,922	5,347	5,107	5,743	6,420	7,172	8,026
Aircraft (excluding military)	5,150	5,892	5,406	5,930	5,870	5,662	5,649
Specialist military equipment	5,614	6,412	5,844	5,924	5,966	5,956	5,714
Specified cultural and heritage assets	3,214	3,244	3,222	3,237	3,251	3,266	3,280
Rail network	14,270	16,410	16,127	16,232	15,972	15,538	14,984
Other plant and equipment (cost)	10,457	9,927	13,500	16,362	19,305	22,204	25,767
Total property, plant and equipment	**292,601**	**302,790**	**302,803**	**311,704**	**316,966**	**320,351**	**323,028**
Land breakdown by usage							
Housing	28,996	29,990	28,767	28,600	28,394	28,037	27,702
State highway corridor land	25,082	22,758	25,041	24,931	24,741	24,663	24,478
Conservation estate	8,955	8,913	8,951	8,956	8,961	8,967	8,972
Rail network	4,304	4,406	4,407	4,421	4,431	4,428	4,426
Schools	6,761	6,838	6,876	6,904	6,906	6,907	6,909
Commercial (SOEs) excluding Rail	1,503	1,519	1,502	1,524	1,529	1,542	1,554
Other	7,455	7,464	6,805	7,102	7,108	7,110	7,111
Total land	**83,056**	**81,888**	**82,349**	**82,438**	**82,070**	**81,654**	**81,152**
Schedule of Movements							
Cost or Valuation							
Opening balance	306,631	322,525	315,732	334,092	351,814	366,348	379,289
Additions[2]	14,958	19,636	20,054	18,482	15,477	13,867	13,160
Disposals	(1,701)	(748)	(1,701)	(734)	(869)	(1,002)	(954)
Net revaluations	(3,717)	-	-	-	-	-	-
Other	(439)	(17)	7	(26)	(74)	76	(7)
Total cost or valuation	**315,732**	**341,396**	**334,092**	**351,814**	**366,348**	**379,289**	**391,488**
Accumulated Depreciation and Impairment							
Opening balance	22,841	30,329	23,131	31,289	40,110	49,382	58,938
Eliminated on disposal	(977)	(143)	(379)	(207)	(138)	(144)	(152)
Eliminated on revaluation	(6,839)	-	-	-	-	-	-
Impairment losses charged to operating balance	79	-	-	-	-	-	-
Depreciation expense	8,294	8,424	8,544	9,081	9,432	9,714	9,690
Other	(267)	(4)	(7)	(53)	(22)	(14)	(16)
Total accumulated depreciation and impairment	**23,131**	**38,606**	**31,289**	**40,110**	**49,382**	**58,938**	**68,460**
Total property, plant and equipment	**292,601**	**302,790**	**302,803**	**311,704**	**316,966**	**320,351**	**323,028**

1. Using a revaluation methodology unless otherwise stated.
2. Additions do not include any purchases which may result from the allocation of the forecast for new capital spending (separately disclosed in the Statement of Financial Position).

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 11: NZ Superannuation Fund							
Revenue	1,784	1,773	1,681	1,750	1,846	1,965	2,110
Less current tax expense	1,755	1,518	1,018	1,694	1,795	1,899	2,012
Less other expenses	193	314	275	330	354	379	408
Add gains/(losses)	7,313	4,933	8,497	5,705	6,057	6,402	6,762
Operating balance	**7,149**	**4,874**	**8,885**	**5,431**	**5,754**	**6,089**	**6,452**
Opening net worth	74,819	82,397	82,847	91,732	97,320	103,169	109,481
Gross contribution from/(to) the Crown	879	-	-	157	95	223	383
Operating balance	7,149	4,874	8,885	5,431	5,754	6,089	6,452
Closing net worth	**82,847**	**87,271**	**91,732**	**97,320**	**103,169**	**109,481**	**116,316**
Comprising:							
Financial assets	87,295	94,126	95,128	101,170	108,475	114,160	120,724
Financial liabilities	(4,515)	(6,800)	(3,356)	(3,778)	(5,253)	(4,618)	(4,339)
Net other assets	67	(55)	(40)	(72)	(53)	(61)	(69)
Closing net worth	**82,847**	**87,271**	**91,732**	**97,320**	**103,169**	**109,481**	**116,316**
NOTE 12: Payables							
Accounts payable	14,933	19,561	15,761	15,691	17,563	17,266	17,319
Taxes repayable	7,024	7,364	6,632	6,837	6,988	7,144	7,303
Total payables	**21,957**	**26,925**	**22,393**	**22,528**	**24,551**	**24,410**	**24,622**
NOTE 13: Retirement Plan Liabilities							
Government Superannuation Fund	6,659	6,025	6,143	5,590	5,088	4,630	4,206
Other funds	2	3	2	2	2	3	3
Total retirement plan liabilities	**6,661**	**6,028**	**6,145**	**5,592**	**5,090**	**4,633**	**4,209**

Government Superannuation Fund

The net liability of the Government Superannuation Fund (GSF) was calculated by GSF's actuary as at 30 September 2025. Refer to *Note 22: Retirement Plan Liabilities* in the Financial Statements of the Government of New Zealand for the year ended 30 June 2025 for further details on the scheme and the method used in calculating the net liability.

The following key economic assumptions were used to calculate the net liability:
- inflation rate, as measured by the Consumers Price Index (CPI), with rates initially 1.93% p.a. increasing to 2.05% p.a. after six years, and remaining there for 15 years, then decreasing to 2.00% p.a after 50 years
- an annual salary growth rate, before any promotional effects, of 2.5% (2.5% at 30 June 2025)
- discount rates derived from the market yield curve for New Zealand Government bonds as at 30 September 2025
- expected return on assets of 5.00% p.a. (5.00% at 30 June 2025).

The net GSF liability is sensitive to changes in the underlying assumptions mentioned above which is discussed further in the Financial Statements of the Government of New Zealand for the year ended 30 June 2025 *Note 22: Retirement Plan Liabilities.*

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
GSF Liability							
Opening GSF liability	12,830	12,381	12,480	12,150	11,471	10,839	10,250
Net change	(350)	(574)	(330)	(679)	(632)	(589)	(556)
Closing GSF liability	**12,480**	**11,807**	**12,150**	**11,471**	**10,839**	**10,250**	**9,694**
Less Net Assets Available to GSF							
Opening net asset value	5,495	5,849	5,821	6,007	5,881	5,751	5,620
Investment valuation changes	674	322	549	299	291	283	276
Contribution and other income less benefit payments	(348)	(389)	(363)	(425)	(421)	(414)	(408)
Closing net asset value	**5,821**	**5,782**	**6,007**	**5,881**	**5,751**	**5,620**	**5,488**
Net GSF Liability							
Opening unfunded liability	7,335	6,532	6,659	6,143	5,590	5,088	4,630
Net change	(676)	(507)	(516)	(553)	(502)	(458)	(424)
Closing unfunded liability	**6,659**	**6,025**	**6,143**	**5,590**	**5,088**	**4,630**	**4,206**

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 14: Provisions							
Provision for employee entitlements	8,275	6,716	6,688	6,451	6,309	6,286	6,293
Veterans' disability entitlements	4,132	6,125	4,092	4,060	4,026	3,985	3,934
Provision for National Provident Fund guarantee	572	534	573	531	488	446	406
Other provisions	5,005	3,332	3,000	3,005	2,929	2,860	2,875
Total provisions	**17,984**	**16,707**	**14,353**	**14,047**	**13,752**	**13,577**	**13,508**
NOTE 15: New Zealand Emissions Trading Scheme							
Opening liability	6,626	6,556	7,156	5,675	5,217	4,865	4,597
Units sold	267	330	20	238	187	136	93
Allocated units	1,075	1,174	1,088	1,200	1,295	1,380	1,452
Units surrendered	(1,774)	(2,215)	(1,855)	(1,755)	(1,727)	(1,706)	(1,633)
(Gains)/ losses due to revaluation in NZ Units	1,018	-	(669)	-	-	-	-
Other movements	(56)	(104)	(65)	(141)	(107)	(78)	(96)
Closing liability	**7,156**	**5,741**	**5,675**	**5,217**	**4,865**	**4,597**	**4,413**

The New Zealand Emissions Trading Scheme (NZ ETS) encourages emissions abatement by putting a price on emissions and rewarding carbon removal activities such as forestry. Tradeable units (NZUs) are allocated into the market through Government auctions, with cash proceeds reported from the sale of NZUs at auction. NZUs are also allocated free-of-charge to foresters for forestry removals and to certain industrial activities that are both emission-intensive and trade-exposed (industrial allocation). NZUs that are allocated free-of-charge (ie, industrial allocation and forestry removals) are expensed and a liability is recognised. NZ ETS participants must meet their emissions obligations by surrendering NZUs to the Government. Revenue from the NZ ETS and a corresponding decrease in the liability is not recognised until a participant in the scheme generates emissions or the liability to the Crown is incurred. The NZ ETS liability represents the NZUs outstanding that can be used to settle these emission obligations in the future.

The prices for NZUs used to calculate the NZ ETS liability are assumed to remain constant over the forecast period and are based on the market price at 31 October 2025 of $52.74 (30 June 2025: $58.70).

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 16: Borrowings							
Borrowings							
Government bonds	155,313	181,913	178,111	200,201	218,779	232,779	240,472
Kiwi Group customer deposits	29,794	32,128	32,127	34,560	36,437	39,005	42,305
Settlement deposits with Reserve Bank	32,055	25,872	25,453	19,362	19,362	19,362	19,362
Derivatives in loss	5,924	10,148	7,768	7,421	7,218	7,081	6,929
Treasury bills	4,847	5,930	5,739	5,790	5,780	5,771	5,764
European Commercial Paper	10,021	11,946	7,802	12,880	9,987	8,093	8,191
Finance lease liabilities	1,141	1,101	1,102	984	952	922	889
Government retail stock	159	162	160	160	160	160	161
Other borrowings	32,831	35,876	35,606	37,511	39,005	38,393	39,214
Total borrowings	**272,085**	**305,076**	**293,868**	**318,869**	**337,680**	**351,566**	**363,287**
By guarantee							
Sovereign-guaranteed debt	213,928	242,204	229,732	250,503	265,891	277,722	285,138
Non sovereign-guaranteed debt	58,157	62,872	64,136	68,366	71,789	73,844	78,149
Total borrowings	**272,085**	**305,076**	**293,868**	**318,869**	**337,680**	**351,566**	**363,287**

This note constitutes a Statement of Borrowings as required by the Public Finance Act 1989.

Total borrowings can be split into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities are not explicitly guaranteed by the Crown.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
NOTE 17: Changes in Net Worth							
Taxpayers' funds	(3,487)	(15,064)	(10,100)	(16,930)	(17,801)	(13,685)	(5,907)
Property, plant and equipment revaluation reserve	183,280	181,198	183,224	183,226	183,201	183,220	183,222
Defined benefit plan revaluation reserve	1,251	1,462	1,302	1,428	1,520	1,582	1,620
Veterans' disability entitlements reserve	(1,843)	(3,855)	(1,843)	(1,843)	(1,843)	(1,843)	(1,843)
Intangible asset reserve	(7)	(7)	(7)	(7)	(7)	(7)	(7)
Cash flow hedge reserve	(220)	(86)	(145)	(140)	(130)	(90)	(47)
Fair value hedge reserve	323	269	300	322	317	310	309
Foreign currency translation reserve	(37)	(39)	(38)	(38)	(38)	(38)	(38)
Net worth attributable to minority interests	9,868	9,346	9,789	9,817	10,088	10,192	10,165
Total net worth	**189,128**	**173,224**	**182,482**	**175,835**	**175,307**	**179,641**	**187,474**
Taxpayers' funds							
Opening taxpayers' funds	300	(5,156)	(3,487)	(10,100)	(16,930)	(17,801)	(13,685)
Operating balance excluding minority interests	(4,400)	(9,884)	(6,547)	(6,771)	(831)	4,164	7,822
Transfers from/(to) other reserves	604	-	3	-	-	-	-
Other movements	9	(24)	(69)	(59)	(40)	(48)	(44)
Closing taxpayers' funds	**(3,487)**	**(15,064)**	**(10,100)**	**(16,930)**	**(17,801)**	**(13,685)**	**(5,907)**
Property, Plant and Equipment Revaluation							
Opening property, plant and equipment revaluation reserve	181,176	181,193	183,280	183,224	183,226	183,201	183,220
Net revaluations	3,730	-	(53)	-	-	-	-
Transfers from/(to) other reserves	(604)	5	(3)	2	(25)	19	2
Net revaluations attributable to minority interests	(1,022)	-	-	-	-	-	-
Closing property, plant and equipment revaluation reserve	**183,280**	**181,198**	**183,224**	**183,226**	**183,201**	**183,220**	**183,222**
Net Worth Attributable to Minority Interests							
Opening minority interest	9,231	9,435	9,868	9,789	9,817	10,088	10,192
Operating balance attributable to minority interests	(207)	353	238	314	476	567	565
Transactions with minority interest	(570)	(528)	(513)	(532)	(612)	(639)	(702)
Increase in minority interest from equity issues	374	102	152	275	398	158	91
Other (includes net revaluations)	1,040	(16)	44	(29)	9	18	19
Closing minority interest	**9,868**	**9,346**	**9,789**	**9,817**	**10,088**	**10,192**	**10,165**

Statement of Segments

	Core Crown 2025 Actual $m	Crown entities 2025 Actual $m	State-owned Enterprises 2025 Actual $m	Inter-segment eliminations 2025 Actual $m	Total Crown 2025 Actual $m
Statement of Financial Performance for the year ended 30 June 2025					
Revenue					
Taxation revenue	121,698	-	-	(640)	121,058
Other sovereign revenue	3,700	8,678	-	(2,610)	9,768
Revenue from core Crown funding	-	48,593	874	(49,467)	-
Sales of goods and services	2,004	3,255	21,725	(899)	26,085
Interest revenue	4,189	4,099	162	(1,411)	7,039
Other revenue	2,820	5,271	839	(3,069)	5,861
Total revenue (excluding gains)	**134,411**	**69,896**	**23,600**	**(58,096)**	**169,811**
Expenses					
Social assistance and official development assistance	46,239	-	-	(1,560)	44,679
Personnel expenses	11,185	23,951	3,697	(62)	38,771
Other operating expenses	75,386	38,018	18,533	(53,816)	78,121
Interest expenses	8,862	2,387	572	(1,431)	10,390
Insurance expenses	3	11,527	11	-	11,541
Total expenses (excluding losses)	**141,675**	**75,883**	**22,813**	**(56,869)**	**183,502**
Total gains/(losses) and other items	7,687	3,166	(798)	(764)	9,291
Operating balance	**423**	**(2,821)**	**(11)**	**(1,991)**	**(4,400)**
Expenses by functional classification					
Social security and welfare	*47,503*	*12,761*	*-*	*(2,629)*	*57,635*
Health	*30,311*	*27,827*	*-*	*(28,285)*	*29,853*
Education	*20,895*	*16,092*	*-*	*(14,679)*	*22,308*
Transport and communications	*5,472*	*5,978*	*10,046*	*(5,666)*	*15,830*
Other	*28,632*	*10,838*	*12,195*	*(4,179)*	*47,486*
Finance costs	*8,862*	*2,387*	*572*	*(1,431)*	*10,390*
Total expenses (excluding losses)	***141,675***	***75,883***	***22,813***	***(56,869)***	***183,502***
Statement of Financial Position as at 30 June 2025					
Assets					
Cash and cash equivalents	16,062	7,025	1,610	(1,029)	23,668
Receivables	26,275	8,665	2,405	(2,585)	34,760
Other financial assets	157,474	99,005	2,760	(44,118)	215,121
Property, plant and equipment	67,518	164,292	60,791	-	292,601
Equity accounted investments	74,980	16,366	611	(72,479)	19,478
Intangible assets and goodwill	1,530	979	1,825	(243)	4,091
Inventory and other assets	4,539	2,253	1,667	(202)	8,257
Total assets	**348,378**	**298,585**	**71,669**	**(120,656)**	**597,976**
Liabilities					
Borrowings	238,967	61,850	13,523	(42,255)	272,085
Other liabilities	46,472	88,053	13,517	(11,279)	136,763
Total liabilities	**285,439**	**149,903**	**27,040**	**(53,534)**	**408,848**
Total assets less total liabilities	**62,939**	**148,682**	**44,629**	**(67,122)**	**189,128**
Net worth					
Taxpayers' funds	20,746	41,003	9,560	(74,796)	(3,487)
Reserves	42,193	107,182	25,256	8,116	182,747
Net worth attributable to minority interests	-	497	9,813	(442)	9,868
Total net worth	**62,939**	**148,682**	**44,629**	**(67,122)**	**189,128**

Forecast Statement of Segments

	Core Crown 2026 Forecast $m	Crown entities 2026 Forecast $m	State-owned Enterprises 2026 Forecast $m	Inter-segment eliminations 2026 Forecast $m	Total Crown 2026 Forecast $m
Statement of Financial Performance for the year ended 30 June 2026					
Revenue					
Taxation revenue	124,198	-	-	(828)	123,370
Other sovereign revenue	4,119	9,362	-	(2,814)	10,667
Revenue from core Crown funding	-	51,407	470	(51,877)	-
Sales of goods and services	2,402	3,194	23,193	(1,139)	27,650
Interest revenue	3,363	3,949	83	(1,475)	5,920
Other revenue	2,837	4,767	775	(3,074)	5,305
Total revenue (excluding gains)	**136,919**	**72,679**	**24,521**	**(61,207)**	**172,912**
Expenses					
Social assistance and official development assistance	48,540	-	-	(1,672)	46,868
Personnel expenses	11,776	25,154	3,652	(57)	40,525
Other operating expenses	80,827	39,312	20,158	(57,056)	83,241
Interest expenses	8,896	2,197	536	(1,496)	10,133
Insurance expenses	3	10,047	12	-	10,062
Forecast for future new spending	1,505	-	-	-	1,505
Top-down operating expense adjustment	(2,500)	-	-	-	(2,500)
Total expenses (excluding losses)	**149,047**	**76,710**	**24,358**	**(60,281)**	**189,834**
Total gains/(losses) and other items	9,824	922	230	(601)	10,375
Operating balance	**(2,304)**	**(3,109)**	**393**	**(1,527)**	**(6,547)**
Expenses by functional classification					
Social security and welfare	*50,262*	*11,580*	*-*	*(2,787)*	*59,055*
Health	*33,222*	*29,333*	*-*	*(30,870)*	*31,685*
Education	*21,500*	*16,552*	*-*	*(15,014)*	*23,038*
Transport and communications	*6,282*	*6,502*	*10,241*	*(5,120)*	*17,905*
Other	*29,880*	*10,546*	*13,581*	*(4,994)*	*49,013*
Finance costs	*8,896*	*2,197*	*536*	*(1,496)*	*10,133*
Forecast for future new spending	*1,505*	*-*	*-*	*-*	*1,505*
Top-down operating expense adjustment	*(2,500)*	*-*	*-*	*-*	*(2,500)*
Total expenses (excluding losses)	***149,047***	***76,710***	***24,358***	***(60,281)***	***189,834***
Statement of Financial Position as at 30 June 2026					
Assets					
Cash and cash equivalents	17,727	6,233	1,617	(1,016)	24,561
Receivables	25,792	8,786	2,637	(2,471)	34,744
Other financial assets	159,427	105,052	2,217	(46,360)	220,336
Property, plant and equipment	69,424	168,858	64,521	-	302,803
Equity accounted investments	81,946	16,574	764	(81,301)	17,983
Intangible assets and goodwill	1,571	1,137	1,787	(202)	4,293
Inventory and other assets	4,502	2,492	1,563	(194)	8,363
Forecast for new capital spending	1,107	-	-	-	1,107
Top-down capital adjustment	(2,000)	-	-	-	(2,000)
Total assets	**359,496**	**309,132**	**75,106**	**(131,544)**	**612,190**
Liabilities					
Borrowings	255,598	67,545	14,697	(43,972)	293,868
Other liabilities	43,205	89,508	13,869	(10,742)	135,840
Total liabilities	**298,803**	**157,053**	**28,566**	**(54,714)**	**429,708**
Total assets less total liabilities	**60,693**	**152,079**	**46,540**	**(76,830)**	**182,482**
Net worth					
Taxpayers' funds	18,442	44,424	11,544	(84,510)	(10,100)
Reserves	42,251	107,158	25,278	8,106	182,793
Net worth attributable to minority interests	-	497	9,718	(426)	9,789
Total net worth	**60,693**	**152,079**	**46,540**	**(76,830)**	**182,482**

Forecast Statement of Segments (continued)

	Core Crown 2027 Forecast $m	Crown entities 2027 Forecast $m	State-owned Enterprises 2027 Forecast $m	Inter-segment eliminations 2027 Forecast $m	Total Crown 2027 Forecast $m
Statement of Financial Performance for the year ended 30 June 2027					
Revenue					
Taxation revenue	132,172	-	-	(949)	131,223
Other sovereign revenue	4,127	9,933	-	(2,985)	11,075
Revenue from core Crown funding	-	52,022	405	(52,427)	-
Sales of goods and services	2,396	3,490	24,026	(1,024)	28,888
Interest revenue	3,299	4,210	71	(1,564)	6,016
Other revenue	2,801	4,964	786	(3,143)	5,408
Total revenue (excluding gains)	**144,795**	**74,619**	**25,288**	**(62,092)**	**182,610**
Expenses					
Social assistance and official development assistance	50,756	-	-	(1,756)	49,000
Personnel expenses	11,671	25,554	3,768	(58)	40,935
Other operating expenses	79,456	40,127	20,634	(57,865)	82,352
Interest expenses	9,756	2,369	688	(1,604)	11,209
Insurance expenses	2	10,156	14	-	10,172
Forecast for future new spending	2,524	-	-	-	2,524
Top-down operating expense adjustment	(700)	-	-	-	(700)
Total expenses (excluding losses)	**153,465**	**78,206**	**25,104**	**(61,283)**	**195,492**
Total gains/(losses) and other items	5,604	396	139	(28)	6,111
Operating balance	**(3,066)**	**(3,191)**	**323**	**(837)**	**(6,771)**
Expenses by functional classification					
Social security and welfare	*52,522*	*11,781*	*-*	*(2,989)*	*61,314*
Health	*34,289*	*30,516*	*-*	*(31,842)*	*32,963*
Education	*21,475*	*16,487*	*-*	*(14,908)*	*23,054*
Transport and communications	*5,260*	*6,294*	*10,643*	*(5,178)*	*17,019*
Other	*28,339*	*10,759*	*13,773*	*(4,762)*	*48,109*
Finance costs	*9,756*	*2,369*	*688*	*(1,604)*	*11,209*
Forecast for future new spending	*2,524*	*-*	*-*	*-*	*2,524*
Top-down operating expense adjustment	*(700)*	*-*	*-*	*-*	*(700)*
Total expenses (excluding losses)	***153,465***	***78,206***	***25,104***	***(61,283)***	***195,492***
Statement of Financial Position as at 30 June 2027					
Assets					
Cash and cash equivalents	18,047	6,347	1,488	(1,015)	24,867
Receivables	27,146	9,395	2,583	(2,525)	36,599
Other financial assets	165,531	108,618	2,124	(49,413)	226,860
Property, plant and equipment	70,995	173,299	67,410	-	311,704
Equity accounted investments	87,602	16,646	806	(86,756)	18,298
Intangible assets and goodwill	1,550	1,147	1,813	(208)	4,302
Inventory and other assets	4,420	2,458	1,523	(193)	8,208
Forecast for new capital spending	3,471	-	-	-	3,471
Top-down capital adjustment	(2,300)	-	-	-	(2,300)
Total assets	**376,462**	**317,910**	**77,747**	**(140,110)**	**632,009**
Liabilities					
Borrowings	276,520	72,544	16,803	(46,998)	318,869
Other liabilities	42,188	91,821	13,905	(10,609)	137,305
Total liabilities	**318,708**	**164,365**	**30,708**	**(57,607)**	**456,174**
Total assets less total liabilities	**57,754**	**153,545**	**47,039**	**(82,503)**	**175,835**
Net worth					
Taxpayers' funds	15,376	45,780	12,106	(90,192)	(16,930)
Reserves	42,378	107,169	25,287	8,114	182,948
Net worth attributable to minority interests	-	596	9,646	(425)	9,817
Total net worth	**57,754**	**153,545**	**47,039**	**(82,503)**	**175,835**

Forecast Statement of Segments (continued)

	Core Crown 2028 Forecast $m	Crown entities 2028 Forecast $m	State-owned Enterprises 2028 Forecast $m	Inter-segment eliminations 2028 Forecast $m	Total Crown 2028 Forecast $m
Statement of Financial Performance for the year ended 30 June 2028					
Revenue					
Taxation revenue	140,243	-	-	(1,003)	139,240
Other sovereign revenue	4,113	10,687	-	(3,141)	11,659
Revenue from core Crown funding	-	51,450	325	(51,775)	-
Sales of goods and services	2,400	3,517	24,545	(1,056)	29,406
Interest revenue	3,544	4,461	86	(1,691)	6,400
Other revenue	2,920	4,952	732	(3,081)	5,523
Total revenue (excluding gains)	**153,220**	**75,067**	**25,688**	**(61,747)**	**192,228**
Expenses					
Social assistance and official development assistance	52,354	-	-	(1,825)	50,529
Personnel expenses	11,659	25,495	3,898	(57)	40,995
Other operating expenses	77,981	38,630	20,747	(57,297)	80,061
Interest expenses	11,042	2,571	770	(1,713)	12,670
Insurance expenses	2	10,781	15	-	10,798
Forecast for future new spending	5,158	-	-	-	5,158
Top-down operating expense adjustment	(550)	-	-	-	(550)
Total expenses (excluding losses)	**157,646**	**77,477**	**25,430**	**(60,892)**	**199,661**
Total gains/(losses) and other items	5,952	724	(37)	(37)	6,602
Operating balance	**1,526**	**(1,686)**	**221**	**(892)**	**(831)**
Expenses by functional classification					
Social security and welfare	*54,125*	*12,452*	*-*	*(3,122)*	*63,455*
Health	*34,251*	*30,330*	*-*	*(32,005)*	*32,576*
Education	*21,359*	*16,413*	*-*	*(14,746)*	*23,026*
Transport and communications	*4,993*	*5,336*	*10,980*	*(4,972)*	*16,337*
Other	*27,268*	*10,375*	*13,680*	*(4,334)*	*46,989*
Finance costs	*11,042*	*2,571*	*770*	*(1,713)*	*12,670*
Forecast for future new spending	*5,158*	*-*	*-*	*-*	*5,158*
Top-down operating expense adjustment	*(550)*	*-*	*-*	*-*	*(550)*
Total expenses (excluding losses)	***157,646***	***77,477***	***25,430***	***(60,892)***	***199,661***
Statement of Financial Position as at 30 June 2028					
Assets					
Cash and cash equivalents	19,204	6,394	1,384	(1,016)	25,966
Receivables	28,963	9,928	2,638	(2,477)	39,052
Other financial assets	173,858	112,583	2,398	(51,487)	237,352
Property, plant and equipment	71,246	176,959	68,761	-	316,966
Equity accounted investments	91,789	16,779	846	(90,835)	18,579
Intangible assets and goodwill	1,502	1,072	1,807	(212)	4,169
Inventory and other assets	4,275	2,661	1,523	(194)	8,265
Forecast for new capital spending	6,264	-	-	-	6,264
Top-down capital adjustment	(2,400)	-	-	-	(2,400)
Total assets	**394,701**	**326,376**	**79,357**	**(146,221)**	**654,213**
Liabilities					
Borrowings	292,430	75,835	18,455	(49,040)	337,680
Other liabilities	42,897	94,776	13,970	(10,417)	141,226
Total liabilities	**335,327**	**170,611**	**32,425**	**(59,457)**	**478,906**
Total assets less total liabilities	**59,374**	**155,765**	**46,932**	**(86,764)**	**175,307**
Net worth					
Taxpayers' funds	16,903	47,790	11,964	(94,458)	(17,801)
Reserves	42,471	107,133	25,299	8,117	183,020
Net worth attributable to minority interests	-	842	9,669	(423)	10,088
Total net worth	**59,374**	**155,765**	**46,932**	**(86,764)**	**175,307**

Forecast Statement of Segments (continued)

	Core Crown 2029 Forecast $m	Crown entities 2029 Forecast $m	State-owned Enterprises 2029 Forecast $m	Inter-segment eliminations 2029 Forecast $m	Total Crown 2029 Forecast $m
Statement of Financial Performance for the year ended 30 June 2029					
Revenue					
Taxation revenue	148,401	-	-	(1,113)	147,288
Other sovereign revenue	4,129	11,539	-	(3,357)	12,311
Revenue from core Crown funding	-	51,474	208	(51,682)	-
Sales of goods and services	2,428	3,602	25,518	(1,093)	30,455
Interest revenue	3,836	4,943	87	(1,806)	7,060
Other revenue	3,032	5,054	868	(3,210)	5,744
Total revenue (excluding gains)	**161,826**	**76,612**	**26,681**	**(62,261)**	**202,858**
Expenses					
Social assistance and official development assistance	53,675	-	-	(1,882)	51,793
Personnel expenses	11,722	25,404	3,990	(58)	41,058
Other operating expenses	77,953	38,583	21,490	(57,617)	80,409
Interest expenses	12,195	2,979	792	(1,827)	14,139
Insurance expenses	2	11,248	16	-	11,266
Forecast for future new spending	7,639	-	-	-	7,639
Top-down operating expense adjustment	(550)	-	-	-	(550)
Total expenses (excluding losses)	**162,636**	**78,214**	**26,288**	**(61,384)**	**205,754**
Total gains/(losses) and other items	6,308	981	(129)	(100)	7,060
Operating balance	**5,498**	**(621)**	**264**	**(977)**	**4,164**
Expenses by functional classification					
Social security and welfare	*55,390*	*12,943*	*-*	*(3,248)*	*65,085*
Health	*34,385*	*30,143*	*-*	*(32,190)*	*32,338*
Education	*21,307*	*16,476*	*-*	*(14,725)*	*23,058*
Transport and communications	*4,991*	*5,241*	*11,388*	*(5,044)*	*16,576*
Other	*27,279*	*10,432*	*14,108*	*(4,350)*	*47,469*
Finance costs	*12,195*	*2,979*	*792*	*(1,827)*	*14,139*
Forecast for future new spending	*7,639*	*-*	*-*	*-*	*7,639*
Top-down operating expense adjustment	*(550)*	*-*	*-*	*-*	*(550)*
Total expenses (excluding losses)	***162,636***	***78,214***	***26,288***	***(61,384)***	***205,754***
Statement of Financial Position as at 30 June 2029					
Assets					
Cash and cash equivalents	18,344	6,153	1,106	(1,015)	24,588
Receivables	30,934	10,547	2,696	(2,472)	41,705
Other financial assets	183,603	118,100	2,176	(53,910)	249,969
Property, plant and equipment	70,942	180,275	69,134	-	320,351
Equity accounted investments	95,073	16,919	847	(94,086)	18,753
Intangible assets and goodwill	1,412	965	1,851	(205)	4,023
Inventory and other assets	4,072	2,586	1,547	(192)	8,013
Forecast for new capital spending	9,798	-	-	-	9,798
Top-down capital adjustment	(2,500)	-	-	-	(2,500)
Total assets	**411,678**	**335,545**	**79,357**	**(151,880)**	**674,700**
Liabilities					
Borrowings	304,968	79,492	18,469	(51,363)	351,566
Other liabilities	41,775	97,915	14,124	(10,321)	143,493
Total liabilities	**346,743**	**177,407**	**32,593**	**(61,684)**	**495,059**
Total assets less total liabilities	**64,935**	**158,138**	**46,764**	**(90,196)**	**179,641**
Net worth					
Taxpayers' funds	22,401	50,169	11,650	(97,905)	(13,685)
Reserves	42,534	107,127	25,337	8,136	183,134
Net worth attributable to minority interests	-	842	9,777	(427)	10,192
Total net worth	**64,935**	**158,138**	**46,764**	**(90,196)**	**179,641**

Forecast Statement of Segments (continued)

	Core Crown 2030 Forecast $m	Crown entities 2030 Forecast $m	State-owned Enterprises 2030 Forecast $m	Inter-segment eliminations 2030 Forecast $m	Total Crown 2030 Forecast $m
Statement of Financial Performance for the year ended 30 June 2030					
Revenue					
Taxation revenue	156,634	-	-	(1,246)	155,388
Other sovereign revenue	4,068	12,338	-	(3,588)	12,818
Revenue from core Crown funding	-	51,428	186	(51,614)	-
Sales of goods and services	2,428	3,685	26,125	(1,125)	31,113
Interest revenue	4,273	5,397	89	(1,883)	7,876
Other revenue	3,172	5,159	931	(3,372)	5,890
Total revenue (excluding gains)	**170,575**	**78,007**	**27,331**	**(62,828)**	**213,085**
Expenses					
Social assistance and official development assistance	55,661	-	-	(1,945)	53,716
Personnel expenses	11,797	25,352	4,082	(58)	41,173
Other operating expenses	77,554	39,106	21,931	(57,912)	80,679
Interest expenses	13,374	3,317	823	(1,906)	15,608
Insurance expenses	2	12,034	17	-	12,053
Forecast for future new spending	10,107	-	-	-	10,107
Top-down operating expense adjustment	(550)	-	-	-	(550)
Total expenses (excluding losses)	**167,945**	**79,809**	**26,853**	**(61,821)**	**212,786**
Total gains/(losses) and other items	6,650	1,164	(173)	(118)	7,523
Operating balance	**9,280**	**(638)**	**305**	**(1,125)**	**7,822**
Expenses by functional classification					
Social security and welfare	*57,340*	*13,758*	*-*	*(3,382)*	*67,716*
Health	*34,558*	*30,181*	*-*	*(32,394)*	*32,345*
Education	*21,180*	*16,555*	*-*	*(14,729)*	*23,006*
Transport and communications	*4,863*	*5,353*	*11,926*	*(4,983)*	*17,159*
Other	*27,073*	*10,645*	*14,104*	*(4,427)*	*47,395*
Finance costs	*13,374*	*3,317*	*823*	*(1,906)*	*15,608*
Forecast for future new spending	*10,107*	*-*	*-*	*-*	*10,107*
Top-down operating expense adjustment	*(550)*	*-*	*-*	*-*	*(550)*
Total expenses (excluding losses)	***167,945***	***79,809***	***26,853***	***(61,821)***	***212,786***
Statement of Financial Position as at 30 June 2030					
Assets					
Cash and cash equivalents	17,885	6,620	1,108	(1,013)	24,600
Receivables	32,960	11,051	2,757	(2,594)	44,174
Other financial assets	192,896	124,727	2,276	(55,750)	264,149
Property, plant and equipment	70,413	182,821	69,794	-	323,028
Equity accounted investments	98,430	17,082	858	(97,411)	18,959
Intangible assets and goodwill	1,343	862	1,898	(210)	3,893
Inventory and other assets	4,004	2,433	1,576	(194)	7,819
Forecast for new capital spending	13,573	-	-	-	13,573
Top-down capital adjustment	(2,600)	-	-	-	(2,600)
Total assets	**428,904**	**345,596**	**80,267**	**(157,172)**	**697,595**
Liabilities					
Borrowings	313,419	83,402	19,561	(53,095)	363,287
Other liabilities	41,231	101,657	14,275	(10,329)	146,834
Total liabilities	**354,650**	**185,059**	**33,836**	**(63,424)**	**510,121**
Total assets less total liabilities	**74,254**	**160,537**	**46,431**	**(93,748)**	**187,474**
Net worth					
Taxpayers' funds	31,681	52,642	11,244	(101,474)	(5,907)
Reserves	42,573	107,127	25,364	8,152	183,216
Net worth attributable to minority interests	-	768	9,823	(426)	10,165
Total net worth	**74,254**	**160,537**	**46,431**	**(93,748)**	**187,474**

Fiscal Indicator Analysis

The purpose of the following fiscal indicator analysis is to provide a link between the Forecast Financial Statements (pages 82 to 103) based on GAAP, and the key fiscal indicators used to measure performance against the fiscal objectives set out in the *Fiscal Strategy Report.*

The fiscal indicator analysis comprises five statements. These statements and their key purposes are described below:

Reconciliation between the Operating Balance, the Operating Balance before Gains and Losses and the Operating Balance before Gains and Losses excluding ACC revenue and expenses

OBEGAL represents core Crown revenue less core Crown expenses plus surpluses from State-owned Enterprises and Crown Entities but does not include certain gains or losses from Government reporting entities. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation. In addition, OBEGALx removes the revenue and expenses of ACC which provides insights on how near-term fiscal policy decisions impact the financial performance of the Government.

Expenses by Functional Classification

This analysis is based on the Classification of Functions of Government as produced by the Organisation for Economic Co-operation and Development (OECD) and permits trends in government expenditure on particular functions to be examined over time.

Core Crown Residual Cash

The core Crown residual cash statement measures the core Crown cash surplus (or deficit), after operating and investing cash requirements are met, that is available for the Government to invest, repay debt, or, in the case of a deficit, fund in any given year. Also included is a breakdown of net capital expenditure activity.

Debt Indicators

The debt statement presents the calculation of both gross debt and net debt indicators.

Gross debt represents debt issued by the sovereign (core Crown) and includes Government stock held by the NZS Fund, Accident Compensation Corporation, and the Natural Hazards Commission. Gross debt excludes Reserve Bank settlement cash and Reserve Bank bills.

Net core Crown debt represents gross sovereign-issued debt less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

The Government's headline debt indicator is net core Crown debt.

Reconciliation Between the Financial Statements to Key Government Fiscal Indicators

This statement shows how key lines in the financial statements flow through to the key operating indicators used to measure performance.

Reconciliation Between the Operating Balance, OBEGAL and OBEGALx

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Operating Balance							
Total revenue	169,811	175,864	172,912	182,610	192,228	202,858	213,085
Total expenses	183,502	191,158	189,834	195,492	199,661	205,754	212,786
Total gains/(losses)	8,870	5,692	10,395	6,325	6,918	7,455	7,883
Net surplus from associates and joint ventures	214	71	218	100	160	172	205
Less Minority interests' share of operating balance	207	(353)	(238)	(314)	(476)	(567)	(565)
Operating balance	**(4,400)**	**(9,884)**	**(6,547)**	**(6,771)**	**(831)**	**4,164**	**7,822**
Reconciliation Between the Operating Balance, OBEGAL and OBEGALx							
Operating balance	**(4,400)**	**(9,884)**	**(6,547)**	**(6,771)**	**(831)**	**4,164**	**7,822**
Less items excluded from OBEGAL:							
Net gains/(losses) on financial instruments	9,272	5,692	11,309	6,325	6,918	7,455	7,883
Net gains/(losses) on non-financial instruments	(402)	-	(914)	-	-	-	-
Minority interests share of total gains/(losses)	489	(45)	(226)	(211)	(205)	(205)	(206)
Net surplus from associates and joint ventures	214	71	218	100	160	172	205
OBEGAL	**(13,973)**	**(15,602)**	**(16,934)**	**(12,985)**	**(7,704)**	**(3,258)**	**(60)**
ACC net revenue	(4,667)	(3,527)	(3,082)	(2,623)	(2,583)	(2,313)	(2,359)
OBEGALx	**(9,306)**	**(12,075)**	**(13,852)**	**(10,362)**	**(5,121)**	**(945)**	**2,299**

Expenses by Functional Classification

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Total Crown expenses							
By functional classification[1]							
Social security and welfare	57,635	59,475	59,055	61,314	63,455	65,085	67,716
Health	29,853	31,224	31,685	32,963	32,576	32,338	32,345
Education	22,308	22,949	23,038	23,054	23,026	23,058	23,006
Core government services	7,775	6,552	6,715	6,912	6,148	6,250	6,381
Law and order	7,309	7,946	8,123	7,816	7,769	7,708	7,657
Transport and communications	15,830	18,323	17,905	17,019	16,337	16,576	17,159
Economic and industrial services	16,153	15,886	16,950	16,851	16,549	16,970	17,005
Defence	3,226	3,507	3,574	3,559	3,594	3,615	3,617
Heritage, culture and recreation	3,381	3,368	3,384	3,472	3,439	3,467	3,524
Primary services	2,525	2,517	2,729	2,375	2,323	2,340	2,339
Housing and community development	4,507	4,728	4,517	4,401	4,282	4,188	3,918
Environmental protection	2,400	2,611	2,699	2,496	2,516	2,565	2,590
GSF pension expenses	83	86	80	66	64	62	60
Other	127	93	242	161	305	304	304
Finance costs	10,390	11,073	10,133	11,209	12,670	14,139	15,608
Forecast new operating spending	-	1,720	1,505	2,524	5,158	7,639	10,107
Top-down operating expense adjustment	-	(900)	(2,500)	(700)	(550)	(550)	(550)
Total Crown expenses excluding losses	**183,502**	**191,158**	**189,834**	**195,492**	**199,661**	**205,754**	**212,786**

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by Ministers, Departments, Offices of Parliament, the NZS Fund and the Reserve Bank, but not Crown entities and SOEs.

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Core Crown expenses							
By functional classification[1]							
Social security and welfare	47,503	50,161	50,262	52,522	54,125	55,390	57,340
Health	30,311	32,709	33,222	34,289	34,251	34,385	34,558
Education	20,895	21,454	21,500	21,475	21,359	21,307	21,180
Core government services	7,908	6,723	7,099	7,064	6,426	6,456	6,460
Law and order	6,734	7,342	7,541	7,327	7,151	7,098	7,104
Transport and communications	5,472	7,226	6,282	5,260	4,993	4,991	4,863
Economic and industrial services	3,514	3,235	3,598	3,169	2,980	2,984	2,982
Defence	3,271	3,552	3,619	3,604	3,639	3,660	3,662
Heritage, culture and recreation	1,457	1,416	1,485	1,420	1,351	1,309	1,323
Primary services	996	1,045	1,254	1,032	1,010	1,029	1,025
Housing and community development	2,150	2,396	2,273	2,009	1,835	1,821	1,572
Environmental protection	2,410	2,615	2,698	2,495	2,515	2,564	2,589
GSF pension expenses	65	49	72	58	56	54	52
Other	127	93	242	161	305	304	304
Finance costs	8,862	9,513	8,895	9,756	11,042	12,195	13,374
Forecast new operating spending	-	1,720	1,505	2,524	5,158	7,639	10,107
Top-down operating expense adjustment	-	(900)	(2,500)	(700)	(550)	(550)	(550)
Total core Crown expenses excluding losses	**141,675**	**150,349**	**149,047**	**153,465**	**157,646**	**162,636**	**167,945**

1. The classifications of the functions of the Government reflect current approved baselines. Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in the future.

Core Crown Residual Cash

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Core Crown Residual Cash							
Core Crown Cash Flows from Operations							
Tax receipts	123,536	125,956	126,072	130,932	139,183	147,339	155,676
Other sovereign receipts	1,916	2,231	1,909	2,333	2,325	2,299	2,255
Interest receipts	3,329	2,296	2,320	1,283	1,241	1,311	1,559
Sale of goods and services and other receipts	3,704	4,105	4,109	4,137	4,120	4,166	4,212
Transfer payments and subsidies	(47,422)	(49,080)	(49,659)	(51,168)	(52,577)	(54,029)	(56,033)
Personnel and operating costs	(79,742)	(83,905)	(87,217)	(84,963)	(83,035)	(82,645)	(82,315)
Interest payments	(7,001)	(7,615)	(7,048)	(8,127)	(8,840)	(10,163)	(11,113)
Forecast for future new operating spending	-	(1,720)	(1,505)	(2,524)	(5,158)	(7,639)	(10,107)
Top-down operating expense adjustment	-	900	2,500	700	550	550	550
Net core Crown operating cash flows	**(1,680)**	**(6,832)**	**(8,519)**	**(7,397)**	**(2,191)**	**1,189**	**4,684**
Core Crown Capital Cash Flows							
Net purchase of physical assets	(3,669)	(4,323)	(5,015)	(4,752)	(3,465)	(2,832)	(2,576)
Net decrease/(increase) in advances	6,194	4,789	5,382	(3,240)	(1,838)	(2,240)	(1,470)
Net purchase of investments	(5,962)	(6,507)	(7,543)	(5,559)	(4,021)	(3,128)	(3,177)
Contribution (to)/from NZS Fund	(879)	-	-	(157)	(95)	(223)	(383)
Forecast for future new capital spending	-	(2,560)	(1,107)	(2,364)	(2,793)	(3,534)	(3,775)
Top-down capital adjustment	-	900	2,000	300	100	100	100
Net core Crown capital cash flows	**(4,316)**	**(7,701)**	**(6,283)**	**(15,772)**	**(12,112)**	**(11,857)**	**(11,281)**
Residual cash (deficit)/surplus	**(5,996)**	**(14,533)**	**(14,802)**	**(23,169)**	**(14,303)**	**(10,668)**	**(6,597)**
The residual cash (deficit)/surplus is funded or invested as follows:							
Debt Programme Cash Flows							
Market:							
Issue of government bonds	40,918	35,590	34,049	31,931	32,539	30,818	28,748
Repayment of government bonds	(20,191)	(18,127)	(18,233)	(22,572)	(15,435)	(17,775)	(22,000)
Net issue/(repayment) of short-term borrowing[1]	(4,518)	3,000	(1,956)	5,060	(3,000)	(2,000)	-
Total market debt cash flows	16,209	20,463	13,860	14,419	14,104	11,043	6,748
Non-market:							
Net issue/(repayment) of short-term borrowing	(80)	-	(70)	(50)	-	-	-
Total non-market debt cash flows	(80)	-	(70)	(50)	-	-	-
Total debt programme cash flows	**16,129**	**20,463**	**13,790**	**14,369**	**14,104**	**11,043**	**6,748**
Other Borrowing Cash Flows							
Net (repayment)/issue of other New Zealand dollar borrowing	(4,035)	4,128	2,194	10,998	(1,924)	(2,048)	(78)
Net (repayment)/issue of foreign currency borrowing	9,600	(3,823)	(1,832)	(5,629)	1,995	1,999	1
Total other borrowing cash flows	**5,565**	**305**	**362**	**5,369**	**71**	**(49)**	**(77)**
Investing Cash Flows							
Net sale/(purchase) of marketable securities and deposits	(8,822)	(6,316)	2,841	3,340	27	(427)	(170)
Net issues/(repayments) of circulating currency	175	91	210	92	93	94	95
Decrease/(increase) in cash	(7,051)	(10)	(2,401)	(1)	8	7	1
Total investing cash flows	**(15,698)**	**(6,235)**	**650**	**3,431**	**128**	**(326)**	**(74)**
Residual cash deficit/(surplus) funding/(investing)	**5,996**	**14,533**	**14,802**	**23,169**	**14,303**	**10,668**	**6,597**

1. Short-term borrowing consists of Treasury Bills and may include Euro Commercial Paper.

Core Crown Residual Cash – Breakdown of Net Capital Expenditure Activity

for the years ending 30 June

	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	5-year Total $m
Education	1,968	1,861	1,390	1,233	1,226	**7,678**
Defence	963	1,117	894	647	501	**4,122**
Corrections	464	467	265	190	148	**1,534**
Justice	246	238	184	126	83	**877**
Social Development	91	71	71	71	71	**375**
Police	308	266	98	98	98	**868**
Internal Affairs	109	55	55	55	52	**326**
Other	866	677	508	412	397	**2,860**
Net purchase of physical assets	**5,015**	**4,752**	**3,465**	**2,832**	**2,576**	**18,640**
Kāinga Ora	258	1,783	1,354	1,681	1,164	**6,240**
Waka Kotahi NZ Transport Agency	942	1,164	196	322	111	**2,735**
Small Business Cashflow Loan Scheme	(143)	(89)	(4)	(1)	(1)	**(238)**
Student Loans	447	400	316	275	245	**1,683**
Funding for Lending Programme	(6,711)	-	-	-	-	**(6,711)**
Other	(175)	(18)	(24)	(37)	(49)	**(303)**
Net advances	**(5,382)**	**3,240**	**1,838**	**2,240**	**1,470**	**3,406**
Health Sector	3,181	1,176	596	505	688	**6,146**
Waka Kotahi NZ Transport Agency	2,712	2,371	2,338	2,042	2,152	**11,615**
KiwiRail	802	785	216	71	27	**1,900**
Housing Acceleration Fund	307	217	308	92	2	**926**
City Rail Link	188	-	-	-	-	**188**
Other	354	1,010	564	418	308	**2,653**
Net investments	**7,543**	**5,559**	**4,021**	**3,128**	**3,177**	**23,428**
Future new capital spending	1,107	2,364	2,793	3,534	3,775	**13,573**
Top-down capital adjustment	(2,000)	(300)	(100)	(100)	(100)	**(2,600)**
Contribution from/(to) NZS Fund	-	157	95	223	383	**858**
Net capital spending	**6,283**	**15,772**	**12,112**	**11,857**	**11,281**	**57,305**

Debt Indicators

as at 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Net core Crown Debt:							
Core Crown borrowings[1]	238,967	266,686	255,598	276,520	292,430	304,968	313,419
Core Crown unsettled purchases of securities[2]	467	5,213	1,296	1,300	2,731	2,052	1,724
Less NZS Fund borrowings[3]	(2,715)	(6,311)	(3,216)	(3,233)	(4,666)	(4,006)	(3,678)
Borrowings included in net core Crown debt	**236,719**	**265,588**	**253,678**	**274,587**	**290,495**	**303,014**	**311,465**
Core Crown financial assets[4]	(173,536)	(184,348)	(177,154)	(183,578)	(193,062)	(201,947)	(210,781)
Core Crown unsettled sales of securities[2]	(2,245)	(4,233)	(2,332)	(2,116)	(2,146)	(2,178)	(2,212)
Less NZS Fund financial assets	86,922	93,933	94,915	100,969	108,275	113,980	120,543
Less core Crown advances	34,311	29,248	27,880	30,706	32,099	33,891	34,890
Financial assets included in net core Crown debt	**(54,548)**	**(65,400)**	**(56,691)**	**(54,019)**	**(54,834)**	**(56,254)**	**(57,560)**
Net core Crown debt	**182,171**	**200,188**	**196,987**	**220,568**	**235,661**	**246,760**	**253,905**
Net debt:							
Net core Crown debt (as above)	182,171	200,188	196,987	220,568	235,661	246,760	253,905
Crown entity borrowings[5]	61,850	67,883	67,545	72,544	75,835	79,492	83,402
Remove Kiwi Group borrowings[6]	(36,784)	(40,315)	(40,519)	(43,855)	(46,558)	(49,919)	(54,054)
Add core Crown advances	(34,311)	(29,248)	(27,880)	(30,706)	(32,099)	(33,891)	(34,890)
Net debt (excl. NZS Fund)	**172,926**	**198,508**	**196,133**	**218,551**	**232,839**	**242,442**	**248,363**
NZS Fund borrowings[3]	2,715	6,311	3,216	3,233	4,666	4,006	3,678
NZS Fund financial assets	(86,922)	(93,933)	(94,915)	(100,969)	(108,275)	(113,980)	(120,543)
Net debt	**88,719**	**110,886**	**104,434**	**120,815**	**129,230**	**132,468**	**131,498**
Gross Debt:							
Core Crown borrowings	238,967	266,686	255,598	276,520	292,430	304,968	313,419
Core Crown unsettled purchases of securities[2]	467	5,213	1,296	1,300	2,731	2,052	1,724
Less NZS Fund borrowings[3]	(2,715)	(6,311)	(3,216)	(3,233)	(4,666)	(4,006)	(3,678)
Less Reserve Bank settlement cash[7] and Reserve Bank bills	(33,031)	(26,772)	(26,453)	(20,362)	(20,362)	(20,362)	(20,362)
Gross Debt	**203,688**	**238,816**	**227,225**	**254,225**	**270,133**	**282,652**	**291,103**

Notes on borrowings

1. Core Crown borrowings represent the total debt obligations of the consolidated core Crown segment. This includes any government stock held by ACC and includes settlement deposits with the Reserve Bank.
2. Unsettled sales and purchases of securities are classified in the Statement of Financial Position as receivables and accounts payable, respectively.
3. The NZS Fund borrowings adjustment also reflects any government stock held by NZS Fund.
4. Core Crown financial assets includes any asset that is cash, deposits, share investments, advances, other marketable securities or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).
5. Crown entity borrowings represents the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
6. Kiwi Group borrowings includes Kiwi Group customer deposits as disclosed in Note 16: Borrowings and other 3rd party derivative balances.
7. Includes Reserve Bank's New Zealand dollar transactional banking services for other Central Banks and the International Monetary Fund.

Reconciliation Between the Financial Statements and Key Government Fiscal Indicators

Financial Results	2025 Actual $m	2026 Forecast $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m
Core Crown taxation revenue...	121,698	124,198	132,172	140,243	148,401	156,634
...combined with other core Crown revenue...	12,713	12,721	12,623	12,977	13,425	13,941
...funds core Crown expenses...	(141,675)	(149,047)	(153,465)	(157,646)	(162,636)	(167,945)
...and with SOE and CE[1] excluding ACC results...	(2,042)	(1,724)	(1,692)	(695)	(135)	(331)
...this results in an operating balance before gains and losses excluding ACC **(OBEGALx)**...	(9,306)	(13,852)	(10,362)	(5,121)	(945)	2,299
...adding back ACC revenue and expenses...	(4,667)	(3,082)	(2,623)	(2,583)	(2,313)	(2,359)
...this results in an operating balance before gains and losses **(OBEGAL)**...	(13,973)	(16,934)	(12,985)	(7,704)	(3,258)	(60)
...with gains/losses leading to an **operating surplus/(deficit)...**	(4,400)	(6,547)	(6,771)	(831)	4,164	7,822
...with income in SOEs, CEs[1] and the NZS Fund retained...	(2,326)	(4,642)	(1,726)	(3,397)	(4,755)	(4,994)
...and some items do not impact cash	5,046	2,670	1,100	2,037	1,780	1,856
This leads to an operating residual cash surplus/(deficit)...	**(1,680)**	**(8,519)**	**(7,397)**	**(2,191)**	**1,189**	**4,684**
...used to make contributions (to)/from the NZS Fund...	(879)	-	(157)	(95)	(223)	(383)
...and to use for capital expenditure...	(3,669)	(5,015)	(4,752)	(3,465)	(2,832)	(2,576)
...and to make advances	6,194	5,382	(3,240)	(1,838)	(2,240)	(1,470)
...and to purchase investments	(5,962)	(7,543)	(5,559)	(4,021)	(3,128)	(3,177)
Adjusting for forecast adjustments (top-down/new spending)...	-	893	(2,064)	(2,693)	(3,434)	(3,675)
...results in a **borrowing requirement (cash (deficit)/surplus)**	**(5,996)**	**(14,802)**	**(23,169)**	**(14,303)**	**(10,668)**	**(6,597)**
Opening net core Crown debt...	175,464	182,171	196,987	220,568	235,661	246,760
...when combined with the residual cash (surplus)/deficit...	5,996	14,802	23,169	14,303	10,668	6,597
...and other fair value movements in financial assets and financial liabilities...	711	14	412	790	431	548
...results in a closing **net core Crown debt...**	**182,171**	**196,987**	**220,568**	**235,661**	**246,760**	**253,905**
...which as a % of GDP is	**41.8%**	**43.3%**	**46.0%**	**46.9%**	**46.9%**	**46.1%**

1. State-owned enterprises (SOEs) and Crown entities (CEs).

5

Core Crown Expense Tables

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Social security and welfare	36,759	42,860	41,514	44,589	47,503	50,262	52,522	54,125	55,390	57,340
Health	22,784	27,781	28,489	29,999	30,311	33,222	34,289	34,251	34,385	34,558
Education	16,039	18,023	18,403	20,223	20,895	21,500	21,475	21,359	21,307	21,180
Core government services	5,754	5,720	6,806	8,468	7,908	7,099	7,064	6,426	6,456	6,460
Law and order	5,202	5,444	6,165	6,527	6,734	7,541	7,327	7,151	7,098	7,104
Transport and communications	5,656	4,657	5,472	5,487	5,472	6,282	5,260	4,993	4,991	4,863
Economic and industrial services	4,481	8,078	3,690	4,010	3,514	3,598	3,169	2,980	2,984	2,982
Defence	2,664	2,832	2,886	3,163	3,271	3,619	3,604	3,639	3,660	3,662
Heritage, culture and recreation	1,420	1,468	1,537	1,504	1,457	1,485	1,420	1,351	1,309	1,323
Primary services	1,015	949	1,156	1,062	996	1,254	1,032	1,010	1,029	1,025
Housing and community development	1,813	2,033	2,312	2,512	2,150	2,273	2,009	1,835	1,821	1,572
Environmental protection	1,906	2,549	2,381	2,297	2,410	2,698	2,495	2,515	2,564	2,589
GSF pension expenses	99	94	61	69	65	72	58	56	54	52
Other	254	269	133	145	127	242	161	305	304	304
Finance costs	1,918	2,884	6,569	8,943	8,862	8,895	9,756	11,042	12,195	13,374
Forecast new operating spending	..	..	..	..	..	1,505	2,524	5,158	7,639	10,107
Top-down operating expense adjustment	..	..	..	..	..	(2,500)	(700)	(550)	(550)	(550)
Core Crown expenses	**107,764**	**125,641**	**127,574**	**138,998**	**141,675**	**149,047**	**153,465**	**157,646**	**162,636**	**167,945**

The classifications of the functions of the Government reflect current approved baselines. Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in future Budgets.

Source: The Treasury

Table 5.1 – Social security and welfare expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Welfare benefits (see below)[1]	33,671	39,187	37,576	40,294	43,433	46,031	48,086	49,833	51,135	53,108
Departmental expenses	2,424	2,747	2,782	3,013	2,782	2,875	3,109	2,778	2,741	2,741
Social rehabilitation and compensation	333	358	386	415	447	481	516	555	597	642
Flexi-wage subsidy	8	59	52	25	27	..	..	..	..	..
COVID-19 Income Relief Assistance	182	..	..	..	..	..	..	..	..	..
Other non-departmental expenses[1]	141	509	718	842	814	875	811	959	917	849
Social security and welfare expenses	**36,759**	**42,860**	**41,514**	**44,589**	**47,503**	**50,262**	**52,522**	**54,125**	**55,390**	**57,340**

1. The '2023 Actual' has been restated to include expenses previously classified as other benefits within the welfare benefit expenses table below.

Source: The Treasury

Table 5.2 – Welfare benefit expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
New Zealand Superannuation	16,569	17,764	19,517	21,574	23,191	24,778	26,424	28,019	29,440	30,893
Jobseeker Support and Emergency Benefit	3,224	3,330	3,473	4,062	4,641	4,934	4,825	4,764	4,659	4,699
Supported Living Payment	1,826	2,047	2,311	2,530	2,668	2,842	3,009	3,147	3,239	3,361
Sole Parent Support	1,455	1,704	1,917	2,097	2,255	2,377	2,399	2,357	2,255	2,258
Family Tax Credit	2,103	2,017	2,151	2,297	2,434	2,449	2,599	2,578	2,595	2,738
Other Working for Families tax credits	585	519	476	448	561	581	599	589	577	584
Accommodation Assistance	2,302	2,386	2,349	2,411	2,232	2,307	2,279	2,266	2,150	2,169
Income-Related Rents	1,202	1,323	1,322	1,517	1,752	1,863	1,956	2,034	2,098	2,169
Disability Assistance	409	412	431	464	492	518	527	531	525	528
Winter Energy Payment	812	513	519	537	562	581	590	596	606	615
Best start	271	308	321	336	346	326	287	272	269	278
Orphan's/Unsupported Child's Benefit	293	313	350	384	402	415	426	435	439	444
Hardship Assistance	479	497	673	667	755	819	852	877	877	918
Paid Parental Leave	503	603	608	647	709	740	770	805	845	885
Childcare Assistance	145	132	139	165	167	166	174	186	188	194
FamilyBoost tax credit	..	..	..	..	51	146	168	166	163	163
Veteran's Pension	139	134	132	132	132	132	130	129	128	127
Emergency Housing Assistance[1]	..	..	..	..	74	41	57	65	66	68
Wage Subsidy Scheme	1,197	4,689	..	1	..	..	..	..	..	..
Cost of living payment	..	..	600	..	..	..	..	..	..	..
Covid leave support	..	471	273	13	..	..	..	..	..	..
Other benefits[2,3]	157	25	14	12	9	16	15	17	16	17
Benefit expenses	**33,671**	**39,187**	**37,576**	**40,294**	**43,433**	**46,031**	**48,086**	**49,833**	**51,135**	**53,108**

1. Previously included within Accommodation Assistance.
2. The '2021 Actual' for other benefits include costs in relation to the Government's response to COVID-19.
3. The '2023 Actual' has been restated to reclassify expenses from other benefits to other non-departmental expenses within the social security and welfare expenses table above.

Source: The Treasury

Beneficiary numbers[1] (Thousands)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
New Zealand Superannuation	825	848	870	899	928	959	993	1,025	1,056	1,084
Jobseeker Support and Emergency Benefit	211	193	177	194	217	226	215	207	203	200
Supported living payment	97	98	103	105	108	112	115	117	119	121
Sole parent support	66	70	73	76	79	81	79	76	74	72
Accommodation Supplement	364	353	347	358	377	384	376	370	370	370

1. Actual numbers have been reclassified so may differ from previous published Economic and Fiscal Update numbers.

Source: Ministry of Social Development

Table 5.3 – Health expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Departmental outputs	298	386	222	265	222	223	213	212	212	222
Purchasing of health services[1]	16,837	17,727	21,363	23,712	24,320	26,689	27,507	27,508	27,530	27,542
National disability support services	1,659	1,870	2,062	2,340	2,452	2,823	2,942	2,788	2,788	2,788
National Pharmaceuticals Purchasing[2]	1,045	1,085	1,186	1,806	1,690	1,760	1,793	1,794	1,794	1,794
Other non-departmental outputs	623	770	583	612	593	579	620	633	658	686
Health payments to ACC	1,038	896	952	1,010	1,026	1,114	1,179	1,282	1,395	1,518
National health response to COVID-19[3]	1,261	4,965	2,112	247	..	..	..	..	..	..
Other expenses	23	82	9	7	8	34	35	34	8	8
Health expenses	**22,784**	**27,781**	**28,489**	**29,999**	**30,311**	**33,222**	**34,289**	**34,251**	**34,385**	**34,558**

1. Reforms to the NZ health system took place from 1 July 2022 with the regional DHB systems replaced by a national health system.
2. Previously included in purchasing of health services.
3. This line includes spending in relation to vaccines, managed isolation and quarantine as well as other COVID-19 response costs.

Source: The Treasury

Table 5.4 – Education expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Early childhood education	2,132	2,247	2,355	2,710	3,074	3,041	3,059	3,100	3,142	3,184
Primary and secondary schools (see below)	8,230	8,478	8,616	9,741	9,950	10,433	10,337	10,191	10,127	10,096
Tertiary funding (see below)	3,519	4,804	4,663	5,014	5,171	5,321	5,309	5,324	5,369	5,404
Departmental expenses	1,656	1,962	2,188	2,513	2,576	2,485	2,533	2,551	2,495	2,322
COVID-19 apprentice support	156	255	141	90	48	26	26	26	26	26
Other education expenses[1]	346	277	440	155	76	194	211	167	148	148
Education expenses	**16,039**	**18,023**	**18,403**	**20,223**	**20,895**	**21,500**	**21,475**	**21,359**	**21,307**	**21,180**

1. Includes training incentive allowance.

Source: The Treasury

Number of places provided[1]	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Early childhood education	225,192	220,742	224,043	229,654	230,405	232,707	234,627	237,612	240,666	243,643

1. Full-time equivalent based on 1,000 funded child hours per calendar year.
Historical place numbers have been revised so may differ from previous published Economic and Fiscal Update numbers.
The '2025 Actual' figures are based on the calendar year and are a combination of actual and forecast place numbers.

Source: The Ministry of Education

Table 5.5 – Primary and secondary schools

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Primary	4,107	4,122	4,116	4,656	4,794	4,968	4,956	4,946	4,899	4,875
Secondary	3,043	3,135	3,174	3,617	3,693	3,967	3,995	3,987	3,970	3,963
School transport	216	210	235	255	263	267	267	267	267	267
Special needs support	641	658	673	765	800	818	847	850	852	852
Professional development	104	129	128	129	130	148	125	110	108	108
Schooling improvement	25	20	23	34	24	33	31	31	31	31
School lunch programme	94	204	267	285	246	232	116	..	..	..
Primary and secondary education expenses	**8,230**	**8,478**	**8,616**	**9,741**	**9,950**	**10,433**	**10,337**	**10,191**	**10,127**	**10,096**

Source: The Treasury

Number of places provided[1]	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Primary	529,859	520,060	523,982	529,722	526,590	521,335	519,913	516,463	510,429	507,688
Secondary	294,216	297,309	303,706	315,903	322,805	325,050	324,094	321,776	320,874	318,967

1. These are snapshots as at 1 July for primary year levels (years 1 to 8) and 1 March for secondary year levels (years 9 to 13). These numbers exclude home schooling. They are the number of full-time equivalent students enrolled in New Zealand schools, including State, State-integrated, Private-Fully Registered, Private-Provisionally Registered and other.

Source: The Ministry of Education

Table 5.6 – Tertiary funding

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Tuition[1]	2,019	3,205	3,135	3,197	3,272	3,255	3,173	3,141	3,144	3,146
Other tertiary funding	698	755	729	688	649	584	576	574	574	575
Student allowances	590	556	525	526	574	650	678	660	647	635
Student loans	212	288	274	603	676	832	882	949	1,004	1,048
Tertiary education expenses	**3,519**	**4,804**	**4,663**	**5,014**	**5,171**	**5,321**	**5,309**	**5,324**	**5,369**	**5,404**

1. The '2021 Actual' includes a reduction in funding corresponding to increased funding in the year prior to provide revenue certainty to tertiary education organisations for the June to December 2020 period due to the impact of COVID-19. The timing of funding returns to normal from 2022.

Source: The Treasury

Number of places provided[1]	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Actual delivered and estimated funded places	234,350	219,862	265,152	261,283	263,600	263,700	257,100	255,800	254,500	254,500

1. Tertiary places are the number of equivalent full time (EFT) students in: student achievement component; adult and community education; and youth guarantee programmes. Place numbers are based on calendar years rather than fiscal years. Note that historical place numbers have been revised so may differ from previous published Economic and Fiscal Update numbers. The forecast number of places provided is based on the number of places that can be funded under the current funding and not a forecast based on demand. From 2023, places include Industry Training Funding.

Source: Tertiary Education Commission

Table 5.7 – Core government services expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Departmental expenses	2,271	2,477	2,736	2,733	2,652	3,033	2,728	2,733	2,783	2,713
International Development Cooperation	804	827	971	1,202	953	999	1,111	949	949	949
Tax receivable write-down and impairments	882	662	1,453	2,393	1,872	1,850	1,430	1,440	1,410	1,380
Non-departmental expenses[1]	905	928	703	401	973	378	1,192	714	755	886
North Island weather events	..	..	..	794	960	101	2	1	..	..
Science expenses	121	114	128	115	119	128	127	124	110	110
Indemnity and guarantee expenses	6	3	24	38	34	25	24	23	23	23
Crown Research Institutes: COVID-19	45	..	..	..	..	..	..	..	..	..
Shovel ready project funding	137	..	3	14	11	..	..	..	..	..
Other expenses[1]	583	709	788	778	334	585	450	442	426	399
Core government service expenses	**5,754**	**5,720**	**6,806**	**8,468**	**7,908**	**7,099**	**7,064**	**6,426**	**6,456**	**6,460**

1. The '2023 Actual' has been restated to update sub-classifications.

Source: The Treasury

Table 5.8 – Law and order expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Police	2,079	2,206	2,476	2,630	2,716	3,006	2,926	2,768	2,732	2,738
Department of Corrections	1,641	1,645	1,798	1,952	2,077	2,323	2,281	2,273	2,281	2,280
Ministry of Justice	642	704	748	814	821	907	879	870	849	851
NZ Customs Service[1]	182	200	190	197	224	255	266	273	276	276
Other departments[1]	178	152	231	235	200	232	231	232	231	232
Departmental expenses	**4,722**	**4,907**	**5,443**	**5,828**	**6,038**	**6,723**	**6,583**	**6,416**	**6,369**	**6,377**
Non-departmental outputs	477	537	712	646	658	763	689	680	674	672
Other expenses	3	..	10	53	38	55	55	55	55	55
Law and order expenses	**5,202**	**5,444**	**6,165**	**6,527**	**6,734**	**7,541**	**7,327**	**7,151**	**7,098**	**7,104**

1. The '2023 Actual' has been restated to update sub-classifications.

Source: The Treasury

Table 5.9 – Transport and communication expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Departmental outputs	73	82	124	105	87	106	72	71	69	69
Waka Kotahi NZ Transport Agency	3,122	2,782	2,212	3,311	3,991	4,087	4,117	4,233	4,522	4,497
Rail funding	13	310	567	745	758	881	452	202	171	4
Funding to support the aviation and transport industries	570	554	197	89	76	..	..	..	..	..
North Island weather events	..	..	250	312	191	..	..	..	..	..
Funding to support Waka Kotahi NZ Transport Agency due to impact of COVID-19	322	128	18	19	62	..	..	..	..	..
Shovel ready project funding to Crown Infrastructure Partners	1,035	..	..	326	..	..	..	..	..	..
Transport temporary relief package[1]	..	411	1,613	..	..	..	..	..	..	..
Other non-departmental expenses	169	200	395	317	231	48	163	145	38	147
Other expenses[2, 3]	352	190	96	263	76	1,160	456	342	191	146
Transport and communication expenses	**5,656**	**4,657**	**5,472**	**5,487**	**5,472**	**6,282**	**5,260**	**4,993**	**4,991**	**4,863**

1. Largely reflects operating funding to Waka Kotahi NZ Transport Agency to account for the shortfall in revenue as a result of temporary reductions in fuel excise duty and road user charges.
2. The '2021 Actual' and '2022 Actual' for other expenses include costs in relation to the Government's response to COVID-19.
3. Increase in 2026 largely reflects the divestment of the City Rail Link project.

Source: The Treasury

Table 5.10 – Economic and industrial services expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Departmental outputs	633	626	695	762	727	863	843	828	813	791
Non-departmental outputs[1,2]	1,980	1,701	1,573	1,830	1,482	1,670	1,524	1,433	1,419	1,417
KiwiSaver (includes HomeStart grant)	916	964	997	1,014	1,020	560	578	604	633	655
Initial fair value write-down on the Small Business Cashflow Scheme loans	143	230	54	..	..	..	..	..	..	..
COVID-19 Resurgence Support payments	200	4,019	..	..	..	..	..	..	..	..
Shovel ready project to support energy projects	24	14	13	9	3	7	..	..	..	..
Shovel ready project funding to support regional projects	159	174	67	..	..	..	..	..	..	..
Worker redeployment package	50	6	1	1	..	..	..	..	..	..
Other expenses[3]	376	344	290	394	282	498	224	115	119	119
Economic and industrial services expenses	**4,481**	**8,078**	**3,690**	**4,010**	**3,514**	**3,598**	**3,169**	**2,980**	**2,984**	**2,982**

1. Non-departmental outputs include Provincial Growth Fund expenses.
2. Non-departmental outputs include employment initiatives previously presented separately.
3. The '2021 Actual' and '2022 Actual' other expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

Table 5.11 – Defence expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
New Zealand Defence Force expenses	2,531	2,672	2,754	3,033	3,074	3,387	3,405	3,418	3,458	3,463
Other expenses	133	160	132	130	197	232	199	221	202	199
Defence expenses	**2,664**	**2,832**	**2,886**	**3,163**	**3,271**	**3,619**	**3,604**	**3,639**	**3,660**	**3,662**

Source: The Treasury

Table 5.12 – Heritage, culture and recreation expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Departmental outputs	379	374	449	473	463	534	528	511	481	482
Non-departmental outputs	884	809	837	871	872	793	768	774	774	787
Screen Production Grants	48	69	66	43	52	70	70	13	..	..
COVID-19 cultural sector response	6	73	70	36	..	..	..	..	..	..
Other expenses[1]	103	143	115	81	70	88	54	53	54	54
Heritage, culture and recreation expenses	**1,420**	**1,468**	**1,537**	**1,504**	**1,457**	**1,485**	**1,420**	**1,351**	**1,309**	**1,323**

1. The '2021 Actual' and '2022 Actual' other expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

Table 5.13 – Primary services expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Departmental expenses	691	724	788	775	740	896	843	845	868	865
Non-departmental outputs	178	106	149	131	114	130	94	74	70	69
Other expenses[1]	146	119	219	156	142	228	95	91	91	91
Primary services expenses	**1,015**	**949**	**1,156**	**1,062**	**996**	**1,254**	**1,032**	**1,010**	**1,029**	**1,025**

1. From '2023 Actual' onwards other expenses include aquaculture settlements, expenses associated with sustainable food and fibre futures and the North Island weather events.

Source: The Treasury

Table 5.14 – Housing and community development expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Departmental outputs	237	255	259	286	279	304	252	251	250	250
Community services	349	438	477	396	436	447	416	411	411	411
Housing Acceleration Fund	..	22	30	78	157	157	286	299	283	69
Transitional housing[1]	253	324	318	360	354	355	363	338	315	328
Water infrastructure	267	239	301	319	94	127	30	..	..	..
Shovel ready project funding to support housing projects	46	35	39	46	58	21	8	..	..	..
Warm up New Zealand	99	62	34	1	76	83	100	..	..	..
Other non-departmental expenses	522	601	681	869	658	343	455	452	476	428
Other expenses[2]	40	57	173	157	38	436	99	84	86	86
Housing and community development expenses	**1,813**	**2,033**	**2,312**	**2,512**	**2,150**	**2,273**	**2,009**	**1,835**	**1,821**	**1,572**

1. Previously included in other non-departmental expenses.
2. Includes housing subsidies previously presented separately.

Source: The Treasury

Table 5.15 – Environmental protection expenses

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
NZ Emissions Trading Scheme[1]	947	1,540	1,215	894	1,111	1,116	1,220	1,315	1,400	1,472
Departmental outputs	614	690	776	845	787	894	817	779	763	774
Non-departmental outputs	318	170	165	354	406	482	402	398	386	259
Clean car discount	..	128	203	116	..	..	..	..	..	..
Accelerating energy efficiency and fuel switching	..	..	2	42	90	170	34	..	..	..
Other expenses[1]	27	21	20	46	16	36	22	23	15	84
Environmental protection expenses	**1,906**	**2,549**	**2,381**	**2,297**	**2,410**	**2,698**	**2,495**	**2,515**	**2,564**	**2,589**

1. '2021 Actual' to '2023 Actual' were restated to update sub-classifications.

Source: The Treasury

Table 5.16 – Finance costs

($millions)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Interest on financial liabilities	1,846	2,796	6,154	8,329	8,291	8,551	9,409	10,662	11,783	12,953
Interest unwind on provisions	72	88	415	614	571	344	347	380	412	421
Finance costs expenses	**1,918**	**2,884**	**6,569**	**8,943**	**8,862**	**8,895**	**9,756**	**11,042**	**12,195**	**13,374**

Source: The Treasury

Glossary of Terms

Accruals basis of accounting

An accounting basis where revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled.

Appropriations

Appropriations are legal authorities granted by Parliament to the Crown or an Office of Parliament to use public resources. Most appropriations are set out in Appropriation Acts.

Baselines

The level of funding approved for any given area of spending (eg, Vote Education).

Consumers Price Index (CPI)

Statistics NZ's official index to measure the rate of change in prices of goods and services purchased by households. Core or underlying inflation measures exclude or give little weight to extreme or irregular price movements.

Contingent assets

Revenue that the Crown will realise if a particular uncertain event occurs, or a present asset is unable to be measured with sufficient reliability to be recorded in the financial statements (unquantified contingent assets). Contingent assets typically comprise suspensory or concessional loans with specific events that trigger repayment to the Crown and IRD pending assessments (where there is a proposed adjustment to a tax assessment).

Contingent liabilities

Costs that the Crown will have to face if a particular uncertain event occurs, or present liabilities that are unable to be measured with sufficient reliability to be recorded in the financial statements (unquantified contingent liabilities). Contingent liabilities typically comprise guarantees and indemnities, legal disputes and claims, and uncalled capital.

Core Crown

A reporting segment consisting of the Crown, departments, Offices of Parliament, the NZ Super Fund and the Reserve Bank. For a list of all entities included in this segment, refer to the Government Reporting Entity (pages 78 to 81).

Core Crown expenses

The day-to-day expenditure (eg, public servants' salaries, welfare benefit payments, finance costs and maintaining national defence etc) that does not include capital expenditure on the construction or purchase of physical assets for the core Crown. This is an accrual measure of expenses and includes items such as depreciation on physical assets.

Core Crown residual cash

The level of money the Government has available to repay debt or, alternatively, needs to borrow in any given year. Core Crown residual cash is alternatively termed "Cash available/(shortfall to be funded)". Core Crown residual cash is equal to net core Crown cash flow from operations excluding NZS Fund activity less core Crown capital payments (eg, purchase of assets, loans to others).

Core Crown revenue

Consists primarily of tax revenue collected by the Government but also includes investment revenue, sales of goods and services and other revenue of the core Crown.

Current account (balance of payments)

The current account records the value of New Zealand's transactions with the rest of the world in goods, services, income and transfers. The current account balance is the sum of all current account credits less all current account debits. When the sum of debits is greater than the sum of credits there is a current account deficit. The current account balance is commonly expressed as a percentage of nominal GDP.

Cyclically-adjusted balance (CAB) and structural balance

The Treasury's CAB and structural balance indicators aim to provide a picture of fiscal sustainability by focusing on the underlying fiscal position. The CAB is an estimate of the operating balance before gains and losses (OBEGAL and OBEGALx) adjusted for fluctuations in expenses and tax revenue that happen automatically over the economic cycle. The structural balance removes from the CAB significant expenditure or revenue associated with one-off events.

Demographic changes

Changes to the structure of the population such as the age, gender or ethnic composition.

Domestic bond programme

The amount and timing of government bonds expected to be issued or redeemed by the Treasury.

Excise duties

A tax levied on the domestic production of alcohol, tobacco and light petroleum products (CNG, LPG and petrol).

Financial assets

Any asset that is cash, an equity instrument of another entity (shares), a contractual right to receive cash or shares (taxes receivable and ACC levies) or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).

Financial liabilities

Any liability that is a contractual obligation to pay cash (government stock, accounts payable) or an obligation to exchange a financial asset or liability on unfavourable terms (derivatives in loss).

Fiscal drag

The additional personal income tax generated as an individual's average tax rate increases as their nominal income increases.

Forecast new capital spending

An amount provided in the forecasts to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending

An amount included in the forecasts to provide for the operating balance (revenue and expenditure) impact of policy initiatives, changes to demographics and other forecasting changes expected to occur over the forecast period.

Gains and losses

Gains and losses typically arise from the revaluation of assets and liabilities, such as investments in financial assets and long-term liabilities for ACC and GSF. These valuation changes are reported directly as a movement in net worth (eg, asset revaluation reserves) or indirectly through the Statement of Financial Performance.

GDP deflator

An index of changes in the general price level in the economy. It is calculated as the ratio of nominal GDP to real GDP.

Generally accepted accounting practice (GAAP)

GAAP refers to the rules and concepts used to prepare and present financial statements. GAAP is an independent set of standards and frameworks that govern the recognition, measurement and disclosure of financial elements, such as assets, liabilities, revenues and expenses.

Gross debt

Represents debt issued by sovereign (core Crown) and includes Government stock held by NZS Fund, ACC, and the Natural Hazards Commission. It does not include debt issued by SOEs and Crown entities. Gross debt excludes Reserve Bank settlement cash and Reserve Bank bills.

Gross domestic product (GDP)

A measure of the value-added of all goods and services produced in New Zealand. Changes in GDP measure growth or contraction in economic activity or output. GDP can be measured on an expenditure, production or income basis and in either real (constant price) or nominal (current price) terms.

Gross national expenditure (GNE)

A measure of total expenditure on final goods and services by New Zealand residents.

Insurance liabilities

The gross obligation for the future cost of claims incurred prior to balance date represented in today's dollars (present value). The net liability is the gross liability less the asset reserves held to meet those claims.

Inter-segment eliminations

The amounts of transactions between different segments (core Crown, Crown entities and SOEs) that are eliminated to determine the total Crown results.

Labour Cost Index (LCI)

The LCI measures changes in labour costs, including base wages, overtime, and non-wage labour-related costs such as annual leave and insurance.

Labour force participation rate

The percentage of the working-age population in work or actively looking for and available for work.

Labour productivity

Output per unit of labour input (where labour inputs might be measured as hours worked or the number of people employed).

Loan-to-value ratio restrictions

A loan-to-value ratio (LVR) is the value of a home loan divided by the value of the mortgaged property. The Reserve Bank first introduced LVR restrictions in October 2013 in response to rapid house price growth, placing limits on how much banks are allowed to lend to high-LVR borrowers.

Marketable securities

Assets held with financial institutions. These assets are held for both cash flow and investment purposes. Examples are bonds, commercial papers and debentures.

Minority interest

Minority interest refers to shareholders of Government reporting entities outside the Crown. Current examples include those who hold shares in the mixed ownership companies.

Monetary conditions

Aggregate monetary conditions measure the degree to which short-term interest rates and the exchange rate either support or restrict economic growth.

Monetary policy

The Reserve Bank uses monetary policy to regulate monetary conditions in New Zealand. The Reserve Bank primarily uses the Official Cash Rate (OCR) to implement monetary policy decisions. However, additional monetary policy responses can be used as well, such as the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending (FLP) programme. These measures are all designed to maintain stability in the rate of CPI inflation within a defined target range.

Tightening monetary policy means raising interest rates (such as via the OCR) in order to moderate aggregate demand pressures and reduce inflationary pressures. Easing monetary policy has the reverse effect.

Multi-factor productivity

Multi-factor productivity (MFP) relates a change in output to several types of inputs, typically capital and labour. MFP is often measured residually, as the change in output that cannot be accounted for by the change in combined inputs.

National saving

National disposable income less private and public consumption spending. Income excludes gains and losses on capital. Gross saving includes depreciation.

Net core Crown cash flow from operations

The cash impact of core Crown operating results. It is represented by the operating balance (before gains and losses) less retained items (eg, net surplus of SOEs, Crown entities and NZS Fund net revenue) less non-cash items (eg, depreciation).

Net core Crown debt

Net core Crown debt provides information about the sustainability of the Government's accounts and is used by some international rating agencies when determining the creditworthiness of a country. It represents debt issued by the sovereign (the core Crown) less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

Net debt

Net debt provides information about the sustainability of the Government's accounts. Net debt represents core Crown and Crown entity borrowings (excluding Kiwi Group Capital Limited) less core Crown financial assets (including advances). It includes the financial assets and borrowings of the NZS Fund.

Net international investment position (NIIP)

The net value of New Zealand's international assets and liabilities at a point in time.

Net Worth

Total assets less total liabilities. The change in net worth in any given year is largely driven by the operating balance and property, plant and equipment revaluations. Net worth provides a useful and comprehensive measure of how strong the Government's finances are, including its resilience to fiscal shocks such as natural disasters or significant deterioration in the global economy.

Net worth attributable to the Crown

Represents the Crown's share of total assets and liabilities and excludes minority interests' share of those assets and liabilities.

New Zealand Activity Index (NZAC)

The NZAC summarises several monthly indicators of economic activity, including consumer spending, unemployment, job vacancies, traffic volumes, electricity grid demand, business outlook, and manufacturing activity. It is intended to be interpreted as a broad measure of economic activity.

Operating balance

Represents OBEGAL (refer below) plus gains and less losses. The operating balance includes gains and losses not reported directly as a movement against net worth. The impact of gains and losses on the operating balance can be subject to short-term market volatility and revaluations of long-term liabilities.

Operating balance before gains and losses (OBEGAL)

Represents core Crown revenue less core Crown expenses plus surpluses from SOEs and Crown entities. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation.

Operating balance before gains and losses excluding ACC revenue and expenses (OBEGALx)

Represents OBEGAL (refer above) excluding the revenue and expenses of ACC.

Output gap

The difference between actual and potential GDP (see potential output).

Outputs

Outputs are the goods and services commissioned by Ministers from public, non-governmental and private sector producers. Outputs may include the supply of policy advice, enforcement of regulations (such as speed limits in transport), provision of a range of services (in health, education, etc), negotiation and management of contracts and administration of benefits.

Potential output

The level of output an economy can sustain without an acceleration of inflation.

Productivity

The amount of output (eg, GDP) per unit of input.

Settlement cash

This is the amount of money deposited with the Reserve Bank by registered banks. It is a liquidity mechanism used to settle wholesale obligations between registered banks and provides the basis for settling most of the retail banking transactions that occur every working day between businesses and individuals.

Specific fiscal risks

All government decisions and other circumstances known to the Government whose fiscal implications may have a material effect on the fiscal and economic outlook, but are not certain enough on the outcome, timing or quantum to include in the forecasts.

System of National Accounts (SNA)

A set of macroeconomic accounts, developed by the international community, to facilitate international comparisons of national economic statistics. This differs from the GAAP framework that is used for reporting by the Government in New Zealand.

Taxpayer funds

The accumulation of past operating surpluses and deficits.

Tax receipts

Tax that has been paid from a taxpayer to the relevant collection agency. Also referred to as cash.

Tax revenue

The accrual, rather than the cash (tax receipts) measure of taxation. It is a measure of tax over a given period of time, regardless of whether or not it has actually been paid.

Terms of trade

The terms of trade measure the volume of imports that can be funded by a fixed volume of exports and are calculated as the ratio of the total export price index to the total import price index. New Zealand's headline terms of trade series is derived from export and import price indices from Statistics NZ's quarterly overseas trade indices. The Treasury forecasts the terms of trade on an SNA basis, using implicit export and import price indices derived from quarterly national accounts data.

Top-down adjustment

An adjustment to expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOE or Crown entity forecasts. In addition to department forecasts, unallocated funding (contingencies) also attract a top-down adjustment where it is considered unlikely that all of the contingencies indicatively phased to a particular year are expected to be allocated and spent in that year.

Total borrowings

Represents the Government's total debt obligations to external parties and can be split into sovereign-guaranteed debt and non-sovereign-guaranteed debt. Non-sovereign-guaranteed debt represents the debt obligations of SOEs and Crown entities that are not guaranteed by the Crown.

Total Crown

Includes the core Crown (defined above) plus Crown entities, SOEs and other entities listed in Schedule 4 and 4a of the Public Finance Act 1989 (which are listed on pages 78 to 81). Also known as the Government Reporting Entity.

Total fiscal impulse

The total fiscal impulse is a measure of the change in the Government's contribution to aggregate demand relative to the previous year. The Treasury's total fiscal impulse measure is calculated as the change in the fiscal balance as a percentage of nominal potential GDP. The fiscal balance is residual cash adjusted for some expenditure items that do not directly affect domestic demand.

Trade Weighted Index (TWI)

A measure of movements in the NZ dollar against the currencies of our major trading partners. The TWI is based on 17 currencies, weighted according to each country's direct bilateral trade in goods and services with New Zealand. Together these countries account for more than 80% of New Zealand's foreign trade.

Underutilisation rate

The underutilisation rate is a broad measure of untapped labour market capacity. In addition to the unemployed, it includes part-time workers who want and are able to work longer hours (the under-employed), people who want a job and are available to work but not currently looking for a job (the available potential jobseeker), and people who are currently unavailable but are looking for a job and will be able to start working within the next month (the unavailable jobseeker).

Votes

When Parliament considers legislation relating to appropriations, the appropriations are grouped within 'Votes'. Generally, a 'Vote' will group similar or related appropriations together (eg, Vote Health includes all health-related appropriations administered by the Ministry of Health).

Year ended

Graphs and tables within this document use different expressions of the timeframe. While some tables may refer to the end of the tax year (31 March), others will refer to the end of the Government's financial year (30 June). For example, unless otherwise stated references to 2025/26 or 2026 will mean the year ended 30 June.

Time Series of Fiscal and Economic Indicators

Fiscal Indicators

June years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
$millions															
Revenue and expenses															
Core Crown tax revenue	70,445	75,644	80,224	86,468	85,102	97,983	108,458	112,358	120,566	121,698	124,198	132,172	140,243	148,401	156,634
Core Crown revenue	76,121	81,782	86,778	93,474	91,923	104,968	117,515	123,398	133,220	134,411	136,919	144,795	153,220	161,826	170,575
Total Crown revenue	97,416	103,422	109,973	119,142	116,003	129,335	141,627	153,011	167,347	169,811	172,912	182,610	192,228	202,858	213,085
Core Crown expenses	73,929	76,339	80,576	86,959	108,832	107,764	125,641	127,574	138,998	141,675	149,047	153,465	157,646	162,636	167,945
Total Crown expenses	95,137	99,007	104,014	111,376	138,916	133,722	150,956	161,822	180,061	183,502	189,834	195,492	199,661	205,754	212,786
Operating balance (excluding minority interests)	(5,369)	12,317	8,396	389	(30,040)	16,159	(16,932)	5,321	(8,365)	(4,400)	(6,547)	(6,771)	(831)	4,164	7,822
Fiscal strategy indicators															
OBEGAL (excluding ACC)	2,121	4,653	5,942	8,504	(20,902)	(2,559)	(8,664)	(7,199)	(8,773)	(9,306)	(13,852)	(10,362)	(5,121)	(945)	2,299
OBEGAL (excluding minority interests)	1,831	4,069	5,534	7,429	(23,057)	(4,560)	(9,691)	(9,446)	(12,854)	(13,973)	(16,934)	(12,985)	(7,704)	(3,258)	(60)
Core Crown residual cash	(1,322)	2,574	1,346	(710)	(23,692)	(13,767)	(27,043)	(25,648)	(19,302)	(5,996)	(14,802)	(23,169)	(14,303)	(10,668)	(6,597)
Net debt	23,193	16,249	11,219	5,432	35,710	35,921	61,850	71,367	82,197	88,719	104,434	120,815	129,230	132,468	131,498
Net debt (excl. NZS Fund)	53,229	51,548	50,763	50,822	79,930	95,188	117,115	136,268	158,255	172,926	196,133	218,551	232,839	242,442	248,363
Gross debt[1]	86,928	87,141	88,053	84,449	102,257	100,835	118,950	135,789	175,966	203,688	227,225	254,225	270,133	282,652	291,103
Net core Crown debt[2]	61,880	59,480	57,495	57,736	83,375	102,080	128,873	155,273	175,464	182,171	196,987	220,568	235,661	246,760	253,905
Statement of financial position															
Total assets	292,679	313,609	339,932	364,652	393,400	438,596	501,844	536,666	570,868	597,976	612,190	632,009	654,213	674,700	697,595
Total liabilities	197,158	197,137	204,295	221,313	277,457	281,403	327,525	345,194	379,819	408,848	429,708	456,174	478,906	495,059	510,121
Net worth	95,521	116,472	135,637	143,339	115,943	157,193	174,319	191,472	191,049	189,128	182,482	175,835	175,307	179,641	187,474
Net worth attributable to the Crown	89,366	110,532	129,644	136,949	110,320	151,469	167,036	183,514	181,818	179,260	172,693	166,018	165,219	169,449	177,309
Nominal expenditure GDP (revised)	258,928	275,753	295,556	310,335	317,550	343,302	365,612	401,580	420,157	436,042	454,497	478,989	502,241	526,216	551,069
% GDP															
Revenue and expenses															
Core Crown tax revenue	27.2%	27.4%	27.1%	27.9%	26.8%	28.5%	29.7%	28.0%	28.7%	27.9%	27.3%	27.6%	27.9%	28.2%	28.4%
Core Crown revenue	29.4%	29.7%	29.4%	30.1%	28.9%	30.6%	32.1%	30.7%	31.7%	30.8%	30.1%	30.2%	30.5%	30.8%	31.0%
Total Crown revenue	37.6%	37.5%	37.2%	38.4%	36.5%	37.7%	38.7%	38.1%	39.8%	38.9%	38.0%	38.1%	38.3%	38.6%	38.7%
Core Crown expenses	28.6%	27.7%	27.3%	28.0%	34.3%	31.4%	34.4%	31.8%	33.1%	32.5%	32.8%	32.0%	31.4%	30.9%	30.5%
Total Crown expenses	36.7%	35.9%	35.2%	35.9%	43.7%	39.0%	41.3%	40.3%	42.9%	42.1%	41.8%	40.8%	39.8%	39.1%	38.6%
Operating balance (excluding minority interests)	(2.1%)	4.5%	2.8%	0.1%	(9.5%)	4.7%	(4.6%)	1.3%	(2.0%)	(1.0%)	(1.4%)	(1.4%)	(0.2%)	0.8%	1.4%
Fiscal strategy indicators															
OBEGAL (excluding ACC)	0.8%	1.7%	2.0%	2.7%	(6.6%)	(0.7%)	(2.4%)	(1.8%)	(2.1%)	(2.1%)	(3.0%)	(2.2%)	(1.0%)	(0.2%)	0.4%
OBEGAL (excluding minority interests)	0.7%	1.5%	1.9%	2.4%	(7.3%)	(1.3%)	(2.7%)	(2.4%)	(3.1%)	(3.2%)	(3.7%)	(2.7%)	(1.5%)	(0.6%)	0.0%
Core Crown residual cash	(0.5%)	0.9%	0.5%	(0.2%)	(7.5%)	(4.0%)	(7.4%)	(6.4%)	(4.6%)	(1.4%)	(3.3%)	(4.8%)	(2.8%)	(2.0%)	(1.2%)
Net debt	9.0%	5.9%	3.8%	1.8%	11.2%	10.5%	16.9%	17.8%	19.6%	20.3%	23.0%	25.2%	25.7%	25.2%	23.9%
Net debt (excl. NZS Fund)	20.6%	18.7%	17.2%	16.4%	25.2%	27.7%	32.0%	33.9%	37.7%	39.7%	43.2%	45.6%	46.4%	46.1%	45.1%
Gross debt[1]	33.6%	31.6%	29.8%	27.2%	32.2%	29.4%	32.5%	33.8%	41.9%	46.7%	50.0%	53.1%	53.8%	53.7%	52.8%
Net core Crown debt[2]	23.9%	21.6%	19.5%	18.6%	26.3%	29.7%	35.2%	38.7%	41.8%	41.8%	43.3%	46.0%	46.9%	46.9%	46.1%
Statement of financial position															
Total assets	113.0%	113.7%	115.0%	117.5%	123.9%	127.8%	137.3%	133.6%	135.9%	137.1%	134.7%	131.9%	130.3%	128.2%	126.6%
Total liabilities	76.1%	71.5%	69.1%	71.3%	87.4%	82.0%	89.6%	86.0%	90.4%	93.8%	94.5%	95.2%	95.4%	94.1%	92.6%
Net worth	36.9%	42.2%	45.9%	46.2%	36.5%	45.8%	47.7%	47.7%	45.5%	43.4%	40.2%	36.7%	34.9%	34.1%	34.0%
Net worth attributable to the Crown	34.5%	40.1%	43.9%	44.1%	34.7%	44.1%	45.7%	45.7%	43.3%	41.1%	38.0%	34.7%	32.9%	32.2%	32.2%

1. Excludes Reserve Bank settlement cash and bank bills.
2. Excludes advances.

Economic Indicators

June Years Annual average % change	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Private consumption	4.7	6.3	4.7	4.2	-1.2	8.1	1.4	3.8	0.0	0.6	2.0	2.4	2.6	2.7	2.8
Public consumption	1.1	2.6	4.1	3.0	6.4	7.1	7.9	1.1	1.2	0.6	1.7	-0.2	-0.5	-0.2	0.2
TOTAL CONSUMPTION	3.8	5.4	4.6	3.9	0.5	7.8	3.0	3.2	0.3	0.6	1.9	1.8	1.9	2.1	2.2
Residential investment	10.1	3.9	-1.0	1.4	-4.3	16.4	-6.0	-1.5	-7.4	-11.5	4.6	8.9	5.4	5.0	4.5
Business investment	0.8	1.7	11.6	4.5	-2.4	8.1	6.4	5.6	-2.4	-2.8	1.2	5.7	4.4	3.6	3.2
TOTAL INVESTMENT	3.1	2.3	8.2	3.7	-2.9	10.1	3.3	3.9	-3.5	-4.6	1.9	6.4	4.6	3.9	3.5
Stock change (contribution to growth)	-0.3	0.4	0.2	-0.5	-0.4	0.2	1.0	-1.0	-0.5	0.0	0.4	0.4	0.0	0.0	0.0
GROSS NATIONAL EXPENDITURE	3.2	5.1	5.7	3.3	-0.6	8.5	4.2	2.3	-1.1	-0.7	2.4	3.4	2.5	2.5	2.5
Exports	6.3	0.9	4.0	3.3	-5.4	-10.8	-3.1	12.0	5.2	3.0	2.2	3.3	2.5	2.5	2.5
Imports	2.1	6.3	8.8	2.7	-5.7	-4.2	12.0	2.7	-1.3	1.8	2.6	3.1	2.2	2.2	2.4
EXPENDITURE ON GDP	4.3	3.6	4.5	3.5	-0.6	6.7	0.8	4.5	0.5	-0.6	2.0	3.5	2.6	2.6	2.5
GDP (production measure)	3.7	3.6	3.5	3.2	-0.8	6.2	0.7	4.0	0.6	-1.1	1.7	3.4	2.6	2.5	2.5
- annual % change	4.2	3.3	3.7	2.6	-9.8	17.9	0.7	2.7	-0.5	-0.6	3.3	3.0	2.5	2.5	2.5
Real GDP per capita	1.5	1.3	1.5	1.6	-2.6	5.1	0.6	3.0	-1.8	-2.1	0.9	2.3	1.4	1.3	1.3
Nominal GDP (expenditure basis)	5.3	6.5	7.2	5.0	2.3	8.1	6.5	9.8	4.6	3.8	4.2	5.4	4.9	4.8	4.7
GDP deflator	0.9	2.8	2.6	1.5	3.0	1.3	5.6	5.1	4.1	4.4	2.2	1.8	2.1	2.2	2.1
Output gap (% deviation, June year average)	-0.2	0.2	0.7	1.3	0.6	1.7	2.4	2.1	0.6	-2.3	-2.4	-1.1	-0.6	-0.3	0.0
Employment	2.7	5.3	3.6	1.8	1.4	0.4	2.6	2.4	1.6	-0.8	0.5	2.5	2.0	1.7	1.6
Unemployment (% June quarter s.a.)	5.1	4.9	4.6	4.1	4.1	4.0	3.3	3.7	4.7	5.2	5.3	4.8	4.6	4.5	4.3
Wages (average ordinary-time hourly, ann % change)	2.4	2.5	2.8	4.0	2.9	4.0	6.3	6.9	5.0	4.5	2.6	2.6	2.9	2.9	3.0
CPI inflation (ann % change)	0.4	1.7	1.5	1.7	1.5	3.3	7.3	6.0	3.3	2.7	2.4	2.2	2.1	2.0	2.0
Merchandise terms of trade (SNA basis)	-2.0	4.3	4.7	-2.8	4.7	0.4	2.8	-7.0	-2.7	7.8	5.6	-0.3	-0.3	-0.3	-0.2
House prices (ann % change)	15.0	6.5	3.6	1.5	7.1	29.6	5.3	-9.0	1.5	-0.7	1.9	6.6	7.0	6.6	6.8
Current account balance - $billion	-5.4	-7.4	-11.1	-11.3	-5.1	-11.1	-29.2	-29.9	-23.3	-16.3	-12.7	-13.3	-13.6	-13.9	-14.4
Current account balance - % of GDP	-2.1	-2.7	-3.7	-3.6	-1.6	-3.2	-8.0	-7.4	-5.5	-3.7	-2.8	-2.8	-2.7	-2.6	-2.6
TWI (June quarter)	73.6	76.5	73.8	72.7	69.7	74.7	72.2	70.9	71.4	69.1	67.2	68.2	69.0	69.5	70.0
90-day bank bill rate (June quarter)	2.4	2.0	2.0	1.7	0.3	0.3	2.2	5.6	5.6	3.4	2.1	2.0	2.1	2.3	2.5
10-year bond rate (June quarter)	2.7	2.9	2.8	1.8	0.8	1.7	3.7	4.3	4.7	4.6	4.0	4.0	4.1	4.2	4.3