BUDGET
2024

Hon Nicola Willis
Minister of Finance

30 May 2024

Rebuilding the New Zealand economy

Budget 2024 restores discipline to spending to get the books back in order, Finance Minister Nicola Willis says.

- Operating allowance for Budget 2024 lowered to $3.2 billion: the lowest operating allowance since Budget 2018
- Future operating allowances lowered to $2.4 billion
- The Multi-Year Capital Allowance receives a $7 billion top-up, with new infrastructure investments in this Budget, and $7.5 billion remaining to fund high-priority investments over the forecast period
- Tax relief is fully funded from savings and revenue initiatives, so the Government is not borrowing to fund this tax relief and it won't add to inflation pressure
- The operating balance (before gains and losses) is forecast to deliver a $1.5 billion surplus in 2027/28

"In recent years, Government spending has ballooned, and debt has risen sharply. A prolonged period of high inflation has led to a cost-of-living crisis, with high interest rates contributing to a deeper and more persistent downturn than previously forecast.

"Our Government knows New Zealanders are hurting and need hope for the future. We are rebuilding the economy so that workers, businesses and families can get ahead once more.

"The previous government was spending beyond its means, creating a structural deficit that our Government is working hard to fix.

"Despite worsened economic conditions, the Government is putting the books in order and is on track to deliver an OBEGAL surplus in 2027/28. We will stop net debt going up and put it on a downward track.

"We have reduced the allowance for new spending in this and future Budgets. Lower allowances will result in about a $5.5 billion improvement in OBEGAL over the forecast period, when compared with the allowances set by the previous government."

“Living within smaller allowances will require a more disciplined approach. It means any new government spending must be targeted, effective and affordable. Our Government is determined to move resources out of low-value activities so they can be put to their best use.

“We have gone line-by-line through existing Government spending to ensure precious taxpayer dollars are going to their best purpose. That review has freed up $5.86 billion on average per year across more than 240 individual savings and revenue initiatives.

“This included a successful baseline savings exercise across government departments that has delivered more than $1.5 billion per year. This exercise has been supported by a number of targeted savings measures. These measures include the impact of policy changes to reduce reliance on emergency housing, repealing the Three Waters Programme and returning funding for an agricultural emissions pricing scheme.

“This exercise means we can responsibly fund tax reduction, along with significant boosts to health, education and law and order, while keeping to a more responsible fiscal track.”

“Savings and reprioritisation will be a business-as-usual activity for all Ministers so that we can put the books back in order.

“The Government’s fiscal consolidation means that, in the medium-term, interest rates may be lower than would otherwise be the case.”

“The Treasury is forecasting inflation to return to the target of one to three per cent later this year, interest rates to fall and economic growth to pick back up.

“A return to responsible economic management means New Zealanders can be confident better times lie ahead.”

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