



Hon Grant Robertson

Minister of Finance

PRESS RELEASE

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Budget highlights underlying strength of economy in face of global headwinds

- A return to surplus in 2024/2025
- Unemployment rate projected to remain at record lows
- Net debt forecast to peak at 19.9 percent of GDP in 2024, lower than Australia, US, UK and Canada
- Economic growth to hit 4.2 percent in 2023 and average 2.1 percent over the forecast period

A strong economy and successful response to the pandemic has given New Zealand a solid base to accelerate the recovery and create a high wage, low carbon economy.

“New Zealand has come through the 1-in-100 year economic shock from COVID-19 better than almost anywhere else. Our economic growth is above average among developed nations while we have one of the lowest unemployment rates in the OECD,” Grant Robertson said.

“Our debt is well below the likes of Australia and other countries we compare ourselves to. We are among only a handful of countries with a triple A credit rating from the two leading rating agencies.

“The Government’s health and economic response has delivered one of the strongest economies in the world, ensuring we are well positioned to respond to both current and future challenges and build a more secure economy.

“The economy is expected to strengthen from the second half of this year with annual growth peaking at 4.2 percent in the year to June 2023, showing our reopening and reconnecting plan is set to pay dividends with the return of tourists and even higher levels of economic activity.

“The unemployment rate is forecast to drop to 3 percent. Wage growth again rises faster than inflation from 2023 onwards, leaving more money in Kiwi’s pockets.

“The inflation spike is expected to peak in the first half of 2022, before falling back inside the Reserve Bank’s target band of 1 to 3 percent in the latter part of the forecast period.

“The Government’s accounts are forecast to return to surplus in 2024/2025. This is a year earlier than the return to surplus after the GFC. Net debt will peak at 19.9 percent of GDP in 2024, before reducing to 15 percent of GDP at the end of the forecast period.

“The whole world will continue to face a volatile and uncertain global environment for some time. Budget 2022 will continue New Zealand’s balanced approach to target support where it is needed most and tackle long standing social and infrastructure deficits alongside careful fiscal management to pay down debt.

“The operating allowance for Budget 2022 is slightly smaller than previously indicated at \$5.9 billion this year following savings and the reprioritisation of existing spending. The Budget 2023 operating allowance has been increased to \$4.5 billion to reflect the higher costs of delivering core services, while those for Budget 2024 and Budget 2025 are unchanged.

“Budget 2022 includes a \$4.7 billion capital package, leaving \$5.1 billion for allocation from the multi-year capital allowance in future Budgets.

“We have a strong base to build upon. We are investing to support New Zealanders through cost of living pressures. We are investing to provide a health system that treats all equally regardless of their postcode. We are investing in a low carbon future that will reduce our reliance on volatile oil markets and deliver better jobs, higher wage jobs and a cleaner economy. Our new fiscal rules mean there is security to continue investing in the infrastructure needed to keep our economy moving.

“As I’ve said before, we can’t meet all our long-term commitments in one Budget. But this will help build our resilience in a volatile world and build the secure future that New Zealanders deserve,” Grant Robertson said.

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