Wellbeing Budget 2023
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BUILDING FOR TOMORROW

Hon Grant Robertson
Minister of Finance

PRESS RELEASE
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Strong economy forecast to weather the storm

- Inflation forecast to fall to the 1-3 percent target range by next year
- Economy to grow by 3.2 percent this financial year
- Unemployment rate projected to peak at 5.3 percent next year
- Wages to grow 5.2 percent a year over the forecast period
- Net debt forecast to peak at 22 percent of GDP in 2024, lower than the countries we compare ourselves with
- A return to surplus in 2025/2026
- Real government consumption to fall by 5 percent by beginning of 2025

The economy is set to perform better than it did during the GFC despite the challenging global environment, with Treasury forecasting New Zealand will avoid recession.

“The last few years have been challenging times for the international economy, with global inflation pressures and an economic slowdown weighing down prospects in New Zealand, and having a real impact on people’s lives,” Grant Robertson said.

“The impact of the recent flooding and cyclone is also adding to uncertainty and has added significant costs.

“New Zealand’s in a strong position to support households in this challenging environment, with unemployment near record lows, wages rising faster than inflation and the Government’s books in solid shape.

“Over recent years the Government has delivered a plan that’s ensured the economy is performing better than it did during the GFC and better than most in the OECD.

“The Treasury is now forecasting New Zealand will avoid recession as the rebuild from the flooding and cyclone events support activity, along with stronger tourism.

“The economy is forecast to grow by 3.2 percent in the year to June 2023, before easing to 1 percent in the following year, and then picking up to grow around 3 percent in the June 2026 and June 2027 years’ respectively.

“Inflation is projected to keeping falling and be back inside the Reserve Bank’s target band of 1 to 3 percent late next year.

“In recognition of the need to be fiscally sustainable over the forecast period, spending is forecast to decline as a percentage of GDP to close to the long run average.

“Treasury is forecasting real government consumption to fall by five percent by the beginning of 2025, with just over half of this decline already having occurred since June 2022. This means the Government is doing its bit to avoid adding to inflation pressures.

“Unemployment is expected to rise to 5.3 percent in the December 2024 quarter and remain there until the September 2025 quarter when it begins to fall back. Unemployment is expected to be back below 5 percent by the end of the forecasts.

“The Government’s books will be impacted the added costs of the extreme weather events, higher inflation costs and lower growth. Despite these challenges we will return to surplus in 2025/2026, the same length of time taken by National to return to surplus following the GFC and only one year later than previously forecast.

“Our debt levels continue to be among the lowest in the OECD. Net debt will peak at 22 percent of GDP in 2024, before reducing to 18.4 percent of GDP at the end of the forecast period, well below the Government’s debt ceiling of 30 percent.

“The Budget 2023 operating package is slightly higher than previously signalled reflecting the unexpected costs from the recent extreme weather events. The Budget 2023 operating allowance of $4.8 billion average per annum is down nearly 20 percent from the $5.9 billion in Budget 2022, with Budget 2024 through to Budget 2026 operating allowances set at $3.5 billion average per annum each.

“After accounting for the National Resilience Plan, the remaining Multi-Year Capital allowance is $3.1 billion over the next three Budgets. The rolling multi-year capital allowance uses a four year funding envelope rather than a single year allowance and provides flexibility to invest for the longer term while ensuring that costs can be controlled.

“We will continue to provide targeted support for New Zealanders with cost of living pressures while laying the foundations for a stronger economy in the future.

“We know there is more to do. We will continue to invest heavily in skills and training for New Zealanders. Our immigration settings are attracting a significant number of overseas workers and we will continue to look at ways to respond to help fill vacancies in what is a competitive global market for workers.

“Our focus will continue to be on keeping on moving the economy in the right direction. We will continue to invest in creating the conditions to support people into work, drive higher wages for New Zealanders and build a stronger, inclusive and more resilient economy,” Grant Robertson said.

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