



Hon Grant Robertson
Minister of Finance

PRESS RELEASE
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Budget shows stronger than expected economic recovery

- Economic growth expected to rise from 2.9 percent this year to 4.4 percent in 2023.
- Projected 221,000 more people to be in employment over the forecast period, with unemployment set to decrease to 4.2 percent.
- Deficit to fall from 5.3 percent of Gross Domestic Product (GDP) in 2022 to 0.6 percent by the end of the forecast period in 2025, with a return to surplus projected in 2027.
- Net core Crown debt now forecast to peak below 50 percent of GDP due to careful economic management.

The Government's response to COVID-19 and strong economic management has placed New Zealand on a firmer footing to accelerate the recovery and address longstanding social and infrastructure deficits.

"The economy has performed better than expected, thanks to the efforts of businesses, workers and the Government's decisive and bold action through highly uncertain times," Grant Robertson said.

"The economy is expected to strengthen from the second half of this year, with growth peaking at 4.4 percent in June 2023. Unemployment is forecast to decline to 4.2 percent at the end of the forecast period.

"The improved labour market outlook and strength in economic activity suggest that the long-term effects of the pandemic will not be as severe as previously thought."

The strong recovery is reflected in the Government's financial accounts, which continue to track better than expected. The deficit over the forecast period peaks at 5.3 percent of GDP in June 2022 before declining to 0.6 percent of GDP by June 2025. Net core Crown debt will peak at 48 percent of GDP in 2023, before reducing to 43.6 percent of GDP at the end of the forecast period.

"This is still a COVID Budget, with economic support and stimulus," Grant Robertson said.

“New Zealand’s strong health response means we have weathered the 1-in-100-year COVID economic shock better than most. However, we will continue to face ongoing uncertainty for some time, and Budget 2021 takes a balanced approach to investing in areas and people where it is needed most, alongside careful fiscal management to pay down debt.”

The operating allowance for this Budget is \$3.8 billion per year, with capital allowances for Budget 2021 to 2024 increasing to \$12 billion. This increase is possible because the economy has performed better. Operating allowances for future Budgets have been set at \$2.7 billion per year as the immediate need for stimulus declines.

“The Government will continue to invest in New Zealand’s future and advance our three priorities of keeping New Zealanders safe, accelerating the recovery and dealing with long-standing issues of climate change, child wellbeing and affordable housing,” Grant Robertson said.

“We are investing in reducing social inequalities and making a material difference to the daily lives of the more vulnerable among us. Our recently announced housing package will assist first home buyers and boost the supply of new homes. We will continue to invest in the country’s infrastructure, such as roads, hospitals and schools.

“We can’t meet all our long-term commitments in one Budget. This is part of a package that will address our priorities and build the sort of society that New Zealanders want,” Grant Robertson said.

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