



# Wellbeing Budget 2023

**SUPPORT FOR TODAY  
BUILDING FOR TOMORROW**

## Budget Speech

Hon Grant Robertson  
Minister of Finance

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# Budget Speech

## Introduction

Mr Speaker, I move that the Appropriation (2023/24 Estimates) Bill be now read a second time.

It is my privilege to present New Zealand's fifth Wellbeing Budget.

As in each of these Budgets, we have taken into account the wellbeing of our people, the strength of our communities, and the health of our environment, alongside the performance of our economy and finances.

In doing so we are striking a balance between supporting our people now with the pressure of the cost of living, and investing in future jobs and economic security.

The backdrop to Budget 2023 is challenging. It is hard to remember a time in New Zealand's history where there have been so many challenges to our economic, environmental and social systems in such a short period of time.

Individuals, families, businesses and communities are feeling the impact of global economic and political turbulence, high inflation, the lingering hangover of the COVID emergency and the impacts of climate change through more frequent and intense weather events.

Cost of living pressures are being felt across our communities. Budget 2023 responds to those pressures in a targeted and responsible way building on what we have done over recent years and in a way that will not exacerbate inflation.

There is a particular focus on parents and young families, including through the expansion of 20 hours ECE support to two-year-olds, free public transport for children and half price for under 25s and the scrapping of the \$5 prescription charge for all New Zealanders.

We also are making a significant commitment to support the recovery and rebuild of those regions affected by severe weather events earlier in the year.

This was an unwelcome and unplanned for series of events. But our careful financial management, and the reprioritisation programme led by the Prime Minister has allowed us to re-allocate resources and meet the Government's future contributions through the Budget allowances.

We are on track to return to surplus within the forecast period, our net debt will peak at 22 percent of GDP, well below the ceiling set in our fiscal rules and inflation is forecast to return to around 3 percent by the end of 2024.

Budget 2023 also looks ahead. We are very much focused on doing the basics well, with significant investment in education, health and housing. These areas are the bedrock of opportunity for each and every New Zealander.

At the same time we are improving the resilience of New Zealand's critical infrastructure and investing in a more productive, higher wage, low emissions economy, including through research and technology.

This Budget strikes the critical balance between the support required today and the investment needs of the future. We have carefully cut our cloth as the emergency spending in response to COVID declines, and we move to a more fiscally sustainable path.

## Wellbeing Outlook and Approach

Mr Speaker,

New Zealand has withstood many shocks in recent memory and our wellbeing has generally held up well. However, absorbing these shocks has affected our wealth and we need to rebuild our resilience to the future challenges we know will come.

The Treasury's first wellbeing report, Te Tai Waiora, provided a broad perspective on the range of things that matter for wellbeing. It highlighted that New Zealand is a good place to live in many ways and that many aspects of life have improved over the past 20 years.

We enjoy cleaner air, longer life expectancy and higher incomes.

However, New Zealand faces wellbeing challenges, particularly around mental wellbeing, education, and housing quality and affordability – and these challenges are on average felt more strongly by our younger people. These issues are long-standing and have not lost their urgency, and continue to be reflected in our wellbeing objectives.

We are in a good position to meet these challenges. The New Zealand economy emerged from COVID-19 well, with modest growth anticipated over 2023. New Zealand's economic recovery from COVID is in the top 10 OECD nations.

At 3.4 percent the Household Labour Force Survey measure of unemployment is currently equal or lower than any period prior to 2020.

New Zealand continues to have some of the lowest public debt in the world, and Budget 2023 is another step in the direction of bringing core Crown expenses as a percentage of GDP back towards pre-pandemic levels.

We remain committed to returning the OBEGAL to surplus within the forecast period and keeping net debt below a ceiling of 30 percent of GDP.

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## Child Wellbeing

Mr Speaker,

In the context of our wellbeing approach the Government remains committed to improving child wellbeing. The latest figures released by Stats NZ show that eight out of nine of the child poverty measures have seen a significant reduction since the baseline year of 2018.

Over the last two years, child poverty rates on the measures we have comparable data for, are the lowest they have been since we started measuring; and rates have almost halved on two of them.

This is a testament to the comprehensive package of investments we have put in place to support families over several years, and are continuing to do in Budget 2023.

## Gender Budgeting

Mr Speaker

It is worth noting our Wellbeing Budget approach applies a gender budgeting lens into Budget 2023, expanding on last year's pilot programme. This year it looked at 27 initiatives across 15 agencies. This lens has influenced a range of investments, including in the cost of living space, and has been an important and useful indicator of whether the Budget is meeting our wellbeing objectives.

For example, we know that on average women have lower KiwiSaver balances and retirement income than men. Time out of the workforce for parenting responsibilities is one key reason for this.

The Government is addressing this through Budget 2023 by introducing a matching 'employer' contribution to paid parental leave recipients. This recognises the unpaid nature of childcare and supports savings for retirement. It is a small but significant boost to lifetime income for many women.

## Cost of Living

Mr Speaker,

Budget 2023 builds on the support we have been providing to New Zealanders in the face of cost of living pressures. The global inflation crisis, which has seen prices rise faster and stay higher for longer, is causing strain for many people, particularly for low- and middle-income households and those with young children.

The Government has already delivered significant support through the Cost of Living Payment, reductions to Fuel Excise Duty and Road User Charges, and half price public transport. In addition, since 1 April more than 1.4 million New Zealanders have benefited from increased assistance to help with the cost of living – including people receiving a main benefit, students and superannuitants.

This includes 354,000 low-income New Zealanders, who we've supported through a \$311 million investment to support main benefits to increase by 7.2 percent, in line with inflation.

Budget 2023 focuses on targeted cost of living support that will not exacerbate inflation pressures, while also laying the foundation for long-term benefits including educational and health outcomes, and meeting our climate change goals.

Mr Speaker,

We know the first five years of a child's life are extremely important for development and learning. We also know that, right now, the cost of access to early childhood education and childcare can be a barrier for parents and caregivers wanting to enter or remain in employment, education or training. Parents should not have to forgo ECE for their children because of the cost.

Budget 2023 responds to this by investing \$1.8 billion in Early Childhood Education.

The flagship of this package is extending the 20 hours support to include two-year olds, adding to the existing 3-5 year olds. Based on average costs in 2023, families who were not previously receiving childcare subsidies would save an estimated \$133.20 per week if their child attends ECE for at least 20 hours a week.

Alongside this we are providing further support for pay parity for ECE teachers, giving a 5.3 percent funding increase for ECE providers, and providing a sustainability grant for Playcentre Aotearoa.

We are also expanding eligibility criteria for Flexible Childcare Assistance for low-to-middle-income working families, extending the duration period, and indexing the rates of Flexible Childcare Assistance to the Consumer Price Index, which will support parents with informal care costs when formal care is not available.

Altogether this package means we will relieve the pressure of an essential cost, while also ensuring that those who provide it are adequately funded to meet increases in demand and pay those who work in the sector appropriately.

It is a substantial investment in our children, parents, teachers and caregivers, and ultimately in our future.

In addition to these investments in our education system, Budget 2023 extends the Ngā Tini Whetū pilot programme run under the Whānau Ora umbrella. This focuses on ensuring that pēpi and tamariki are supported specifically in their first thousand days alongside broader whānau aspirations

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Mr Speaker,

For some Kiwis, prescription costs are a barrier to receiving the healthcare they need, and lead to trade-offs with the purchase of other necessities. We know that in the 2021/22 financial year 135,000 people did not collect their prescription because of the cost.

I am pleased to say that from the 1<sup>st</sup> of July this year we are removing the \$5 prescription co-payment for all New Zealanders. This will reduce inequality in our health system and lead to better health outcomes for everyone.

We are also extending the Ka Ora, Ka Ako Healthy School Lunch programme. Rising inflation on household incomes puts pressure on food security for families and whānau and we know learning is affected if children are hungry. Through Budget 2023, \$325 million is being invested to continue this programme until the end of 2024. For families with two children it is estimated the scheme saves on average \$60 per week.

Mr Speaker,

Access to affordable transport is a cost pressure for many New Zealanders. The Government has previously created the Community Connect public transport concession that provides half price public transport to Community Services Card Holders. Today, I can announce that this is being extended to all under 25-year-olds, and users of Total Mobility services. I know this commitment will be welcomed particularly by tertiary students who are often reliant on public transport.

The Government has decided to go further in order to support families. Budget 2023 will fund free public transport for children aged 5 to 12 years old.

This investment of \$327.4 million will help passengers meet the costs of public transport and encourage increased use, while also supporting New Zealand to achieve its climate change goals.

Another example of where we can both relieve the cost of living pressures for some families and contribute to our emissions reductions is by reducing household energy bills.

A warm, dry home is key to improved health and wellbeing outcomes for New Zealanders. Homes that lack adequate insulation and efficient heating lead to higher energy bills and poor health outcomes.

That's why Budget 2023 is funding the extension and expansion of the Warmer Kiwi Homes programme. This will see a further 100,000 insulation and heating installations, as well as the installation of efficient hot water heaters and LED lights.

Warmer Kiwi Homes is estimated to have reduced electricity use by 16 percent on average over the winter months as well as cutting the risk of respiratory illness and making homes drier and more comfortable. It is a true Wellbeing policy.

## Delivering the Services New Zealanders Rely On

Mr Speaker,

Budget 2023 funds the critical services New Zealanders rely on day-to-day, including health, education, welfare and housing. It is vital we continue to deliver these basic services well. There are major challenges to doing this in a high-inflation environment.

Funding these services must come first in a constrained spending environment. We are investing significantly to maintain and enhance these public services. This includes the Public Sector Pay Adjustment to settle a large number of pay claims across the core public service.

### **Education**

Education is critical to the success of New Zealand now and in the future.

Budget 2023 package provides \$3.6 billion operating and \$1.3 billion capital towards education, including tertiary education. As well as our flagship ECE package, there are a number of other key education investments.

A cornerstone is investing in a fit-for-purpose school property portfolio that reflects the ongoing needs of students and teachers. In Budget 2023, the Government is providing:

- An additional 6,600 student places to the School Network and four new schools. This is in addition to \$147 million to modify school buildings with automatic doors, lifts and bathroom refits, to support the needs of students.
- We are also investing significant new funding to the on-going Christchurch Schools Rebuild programme and to deliver property improvements to 175 more small, isolated schools across New Zealand.
- \$21.9 million operating and \$112.5 million capital will be invested to expand Māori Medium Education infrastructure across kura, which will support the Government's objective of 30 percent ākonga Māori learning in these environments by 2040.

The higher costs facing our education system is being recognised through an increase of \$233.9 million for schools' operational grants and a \$521 million increase for tertiary tuition and training subsidies, the biggest increase in 20 years.

These are on top of the \$260 million for ECE providers mentioned earlier.

This overall investment of \$1 billion will help ensure education providers are resourced to deliver quality educational outcomes across the entire system.

Among other education initiatives a highlight is the further extension of the Apprenticeship Boost programme through to 31 December 2024. This programme was introduced during COVID to ensure there are skilled workers for key industries and apprentices do not miss out completing their qualification. This new investment is estimated to allow 30,000 apprentices to start or continue to receive support.



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## **Community Support**

Mr Speaker,

We recognise the importance of the work done to provide support to the vulnerable in our community. The Community Connectors programme provided an important service to help individuals, families and whānau navigate and access Government support throughout COVID-19. Given its success, we are funding 100 Community Connectors for a further two years. We also know that regions affected by the recent weather events are in particular need of support, so we are providing funding for an additional 65 Community Connectors to be based in these regions.

Through Budget 2023 we are delivering our manifesto commitment to permanently reinstate the Training Incentive Allowance to support sole parents, disabled people, and their carers to study.

Disabled people will benefit from Budget 2023 with an additional \$864 million provided to Whaikaha – the Ministry for Disabled People to fund increasing demand and inflationary pressures for disability support services.

We are also working to end the discriminatory minimum wage exemption (MWE) for around 800 disabled employees in New Zealand by mid-2025. This means they will no longer be paid less than the minimum wage for their work.

Budget 2023 will continue funding to deliver financial advice and debt services across New Zealand for those who are struggling financially. Funding of \$29.2 million will help providers meet demand for one-to-one services and peer-led support for people with complex needs. We are also providing further funding for the Food Secure Communities initiative to support food rescue and food security, including in Cyclone-affected regions.

## **Health**

Mr Speaker,

This Government is undertaking a significant reform of New Zealand's health system.

To back this up, last Budget we moved to a multi-year funding approach to plan better and ensure more consistent health services. Relying on the annual Budget cycle for funding made it difficult address long-term challenges in the health system.

Budget 2022 provided the largest health investment ever, with \$11.1 billion in new funding to put our healthcare on a sustainable financial footing, including a \$1.3 billion increase for the 2023/2024 year to help address historic and future cost pressures.

One year on from the establishment of Te Whatu Ora/Health New Zealand and Te Aka Whai Ora, we are focused on supporting and growing the health workforce, increasing capacity in health care and expanding GP services.

The investment we have made means over \$1 billion is being spent on increasing wages and staff numbers this financial year, including \$63 million for safe staffing levels that allows for an additional 500 new nurses.

As the Minister of Health has indicated previously, she is prioritising resources to frontline services where they are needed, such as nearly \$100 million to put towards initiatives to deal with the winter peak, \$118 million to reduce waiting lists and \$20 million to improve immunisation programmes and screening coverage for Māori and Pacific peoples.

These are just a few of the programmes Te Whatu Ora and Te Aka Whai Ora are rolling out. From 2024, we intend to move health budgets to a three-year funding cycle to align with the New Zealand Health Plans.

### ***Justice, Law and Order***

Mr Speaker,

Last Budget we instituted an integrated and long-term approach to funding our work in the justice and law and order area. Based on an agreed cross-agency plan, agencies have the certainty of a three-year pool of funding, and the flexibility to move resources around to meet emerging needs.

This approach is already proving successful with a fast tracking of an early intervention programme targeting recidivist young offenders in Hamilton, Auckland and Christchurch. Less than 30 percent of those in the programme have been referred again after the intervention.

Part of the long-term funding is a commitment to keep Police resources in line with population. In addition to achieving the Government's goal of 1800 extra Police, there are resources available to keep the ratio of one officer to every 480 people. This is a significant improvement on the ratio of 1 officer to every 544 people that we inherited in 2017.

## **Supporting Māori and Pasifika aspirations**

Mr Speaker,

In line with our Wellbeing objectives this Budget continues to support Māori and Pacific economic, social and environmental aspirations.

A critical focus is in housing. In Budget 2023 the Government is making sizeable investments in key infrastructure such as an extra \$23 million for Te Ringa Hāpai Whenua Fund to further invest in infrastructure on whenua Māori, and \$200 million to increase the supply of Māori housing and to repair properties. In addition, targeted funding is provided for repairs to whānau-owned homes in cyclone affected areas.

We are continuing to foster the growth of Māori and Pacific languages, culture and identity. To deliver the Pacific Languages Strategy we will improve access to Pacific language learning resources with a \$13 million commitment, and add to our already significant Te Reo Māori revitalisation with a \$10 million boost.

Key Māori cultural institutions will receive investments to maintain and grow their impact. This includes Te Matatini, who will receive \$34 million over the next two years. We are also providing a further \$18 million to support recognition and community involvement in the Matariki public holiday.

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Our investments in education and whānau illustrate our commitment to laying the strongest foundations for our tamariki and supporting households experiencing cost-of-living pressures.

To strengthen Māori education we are boosting teacher supply, in addition to investing significantly in the infrastructure of Māori medium schools, as I mentioned earlier.

To ensure families continue to receive the support they need, Budget 2023 increases investment in Whānau Ora and further expands its services in addition to the funding for Ngā Tini Whetū.

We know that Pacific peoples are more likely than other New Zealanders to experience unemployment or low employment, which is why Budget 2023 is investing almost \$13 million to implement the Pacific Employment Action Plan. This will bring Pacific workers into new employment and training opportunities and deliver the Pacific Wellbeing Strategy, which will fund initiatives that grow the capability of the workforce.

## Recovery and Resilience

Mr Speaker,

The COVID-19 pandemic and recent extreme weather events earlier this year show just how important it is to improve our resilience as a country.

Severe weather in the North Island at the start of the year caused widespread disruption and damage to people's lives and properties, the scale of which will be felt for some time.

In the immediate aftermath of the events, we made urgent investments to support the response, including direct financial support to businesses and growers, repairing damaged infrastructure, and providing temporary housing and other assistance to affected families. In advance of the Budget more than \$800 million had been allocated to this emergency response work.

We are building on our immediate response by investing a total of \$941 million of operating and \$195 million of capital in Budget 2023 to support the recovery and invest in regional resilience.

This package will help local government improve flood protection, invest a further \$475 million to rebuild our railways, state highways, bridges, and local roads, repair damaged schools, rebuild damaged whānau homes and ensure the provision of temporary accommodation for dislocated families. The package also invests in the provision of health and mental wellbeing services, including the extension of Mana Ake.

This package also maintains our support for those people made vulnerable by these events. This includes \$11 million to top-up community support funds and reduce food insecurity, funding to help businesses retain staff and displaced workers find new employment quickly, and to help connect individuals and whānau to the support that they need.

Budget 2023 also continues our support for the recovery of the primary sector and rural communities, with an additional \$30 million committed to address time-sensitive health and safety and animal welfare challenges.

This is all part of the 'rolling maul' of support for weather affected regions. There is further work underway on regional and sectoral strategies and on support for severely affected properties.

We are committed to a regionally-led recovery where local voices are central to Government decisions. We are supporting regional recovery structures to coordinate recovery as well as the Cyclone Gabrielle Recovery Taskforce and local public service coordination for each affected region.

### ***Building for Tomorrow***

Mr Speaker,

While we are focused on supporting families with the immediate pressures and protecting our vital services, we need to also deliver on our plan to build a high-wage, low-emissions economy to ensure security for all New Zealanders.

Budget 2023 investments are the building blocks for addressing New Zealand's long-standing challenges, and lay the groundwork for taking advantage of opportunities to build a sustainable, globally competitive economy.

### ***Infrastructure***

Mr Speaker,

The Government has taken significant steps to address New Zealand's infrastructure deficit. We have committed \$71 billion of infrastructure investment over the next five years in addition to the \$45 billion we have spent on infrastructure in the past five years. This is the funding that builds our schools, hospitals, public housing, rail and road networks.

In the last term of government we set up the Infrastructure Commission/Te Waihanga, which developed the *New Zealand Infrastructure Strategy*, identifying the challenges New Zealand is facing over the next 30 years. We know we need to change how we think about infrastructure planning and resourcing.

Alongside this Budget, we have released our Infrastructure Action Plan, which supports our response to the Strategy and which is crucial to continuing to deliver the infrastructure transformation required while providing certainty to the construction sector.

As the Plan lays out, we need to futureproof our infrastructure for New Zealand's growing and changing population, climate change events, and to make use of developing technology available to us.

The North Island weather events added a level of urgency to our infrastructure investment planning and highlighted the importance of resilience in the face of climate change and increasing extreme weather events.

Today I am announcing a major change in how we address our infrastructure deficit and build a more resilient nation.

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Through Budget 2023 we are investing \$6 billion in the initial phase of a National Resilience Plan. This will support medium-and long-term infrastructure investment and focus in the first instance on building back better from the recent weather events.

The initial focus of investments will likely be on road, rail, and local resilience as well as telecommunications and electricity transmission investment.

As indicated at Budget 2022, the change to the fiscal rules means we can use our balance sheet more effectively to support long-term productive investments such as this programme.

For too long Governments have kicked the can down the road when it comes to investing in resilient and essential infrastructure investment. Today we embark on the long-term nation building that I believe a responsible Government must do.

Mr Speaker,

We continue to invest significant resources into public housing through Kāinga Ora and Community Housing Providers. I am proud to say that Budget 2023 provides funding to deliver an additional 3,000 new public homes by 30 June 2025.

The turnaround in the building of public housing is one of the signature achievements of our Labour government. So far we have delivered 11,830 more public homes, and 4,131 transitional homes. There are close to 4,500 public housing places currently under construction. Budget 2023 also covers the increased costs caused by inflation for finishing that work.

New Zealand's national rail network is critical for passenger transportation and freight services. In Budget 2023, we are providing \$369.2 million to continue to develop a resilient and reliable national rail service.

To address cost increases, the Government is investing \$9.4 million operating and \$197 million capital in the Auckland City Rail Link project, to provide a key link within Auckland's public transport network.

### ***Science, Research and Innovation***

Mr Speaker,

Budget 2023 includes significant investments in research and development to deliver on the Future Pathways reforms of our public research system. This is consistent with our commitment to increase research and development expenditure to 2 percent of GDP.

The centrepiece of this investment is the establishment of three new multi-institution research hubs focused on health and wellbeing; oceans, climate and hazards; and advanced manufacturing, biotech and energy.

This \$451 million investment will drive innovation, collaboration, and export-earning potential. It is an exciting development bringing public and private sector together to solve significant problems and foster growth of our science sector.

Backing this up is investment in research fellowships and an applied doctoral training scheme for more than 260 people, to fill skills gaps and grow a sustainable research system.

Budget 2023 continues our investment in industries that will drive us towards a high-wage, low-emissions economy. We will invest a further \$74.7 million in our Industry Transformation Plans.

This includes \$30 million for the horticulture technology sector, which will develop more productive ways of operating, including for those affected by the cyclone. The Budget also provides new investment in the digital and tourism transformation plans.

Mr Speaker,

The Game Development Sector is a growing part of our economy. In 2022 it contributed \$400 million to GDP and is the source of high-value jobs that are driving export returns.

The sector is an internationally competitive one, and we are at risk of losing our talent overseas. Budget 2023 includes \$160 million to establish a 20 percent rebate for video game developers, which will help grow and protect New Zealand's domestic game-development sector. Individual game developers will be able to access up to \$3 million as part of the scheme.

### ***Climate Emergency Response Fund***

Mr Speaker,

In Budget 2022, the Government established the Climate Emergency Response Fund (CERF) as a permanent feature of the annual Budget process. The CERF supports New Zealand's climate change objectives by providing dedicated funding to initiatives that support the transition to a low-emissions and climate-resilient economy.

In Budget 2023 there is a \$1.9 billion CERF package to further reduce emissions and enhance our resilience to climate change.

As already noted, we are expanding the Warmer Kiwi Homes programme and reducing the cost of public transport for hundreds of thousands of Kiwis.

In addition, we are expanding our electric vehicle infrastructure. In many areas of New Zealand, especially in rural communities, there is not the charging infrastructure to support the exceptional growth in the number of EVs.

Budget 2023 will begin the roll out of our EV Charging Strategy which will see charging hubs every 150-200 kilometres on main highways and public charging at community facilities for all settlements of more than 2,000 people.

Funding is also being made available to support the purchase of low-emissions heavy vehicles, like trucks and buses, to build on the success of the Clean Car Discount and Low Emissions Transport Fund. It is estimated that this will see 500 low-emission heavy vehicles on the road, savings operators' fuel costs by up to 75 percent.

The CERF is also supporting the \$300 million capital injection to the New Zealand Green Investment Fund, a renewable energy system for the Chatham Islands and funding for community scale renewable energy generation and storage.

The size and make-up of the Budget 2023 CERF package reflects the scale and breadth of the challenge ahead of us, while prioritising resources to where they can have the greatest impact.

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## Fiscal Sustainability

Mr Speaker,

Putting Budget 2023 together has required challenging trade-offs and decisions. Along with the investments we need to make to help reduce the pressure of the cost of living, delivering public services and our resilience and recovery, we also have to move to a more sustainable fiscal position.

The last few Budgets have supported our response to, and recovery from, the impact of COVID. This has necessitated significant spending, which is now reducing. The forecasts in this Budget see core Crown spending as a percentage of GDP tracking back to just above the long-term average at 31.5 percent by the end of the forecast period.

We need to move carefully in reducing spending so we don't undermine the investments we have made, but this direction of travel is important for the long-term prosperity of New Zealand.

Persistent inflation has meant the costs of delivering core government services have increased. It has been necessary to slightly increase the operating allowances set at the Budget Policy Statement for this year and out years in order to meet these costs, including the Cyclone and Flood recovery, rather than cut essential services.

The Treasury is forecasting inflation will decline across the next few years to 3.3 percent in 2024 and 2.6 percent in 2025.

Even with the investments we have made, New Zealand continues to have some of the lowest public debt in the world. New Zealand's net debt is forecast to peak at 22 percent of GDP next year before reducing to 18.4 percent at the end of the forecast period.

This compares well, using IMF measures, with the likes of Australia at 36 percent, the United Kingdom at 95 percent and the United States at 96 percent.

Mr Speaker,

Anchored by the fiscal rules we set at Budget 2022, we are on track to return OBEGAL to surplus within the forecast period, although one year later than was forecast at the *Half Year Update*.

The costs of responding to the cyclone and more persistent inflation are the cause of this, but it is worth bearing in mind that this will be the same length of time as the previous Government took to return to surplus after the Global Financial Crisis. Average deficits as a share of GDP remain lower than in the wake of the GFC.

Our prudent fiscal strategy of running surpluses and reducing net debt before COVID meant that we had a stronger starting position than other countries. It meant we could use our balance sheet to protect lives and livelihoods during the pandemic. This has helped prevent a deep and long-lasting recession. Treasury is in fact forecasting that the economy will not now go into recession.

New Zealand's fiscal position remains strong and the fiscal forecasts stronger than expected even in the face of the increasing costs of delivering core government services and the recent weather disasters.

### ***Savings, Reprioritisation and Revenue***

Mr Speaker,

In total \$4 billion in savings and reprioritisations have been achieved to offset new spending this Budget.

We will approach future Budgets with the same restraint to ensure a sure footing for our public finances for generations to come. As they were at this Budget, Ministers will be required to identify opportunities for the reprioritisation of resources and improvement of efficiencies within baselines before seeking new funding.

Finding opportunities to cut back spending and to redirect funding from one activity to another helps us ensure that funding is directed to the highest-value activities and that the Government is focused on the issues most important to New Zealanders.

Significant reprioritisation of funding has been achieved for Budget 2023, including:

- \$280 million from reducing funding no longer needed for Fees-free tertiary education
- \$385.8 million from the Health tagged contingency - while still leaving enough to support our COVID response for this winter.

Alongside Budget 2023, the Government has also refreshed its priorities to focus on the issues that are most important to New Zealanders. This also yielded significant savings which we used to offset new spending at Budget 2023, including:

- \$364.7 million from stopping the TVNZ/RNZ merger
- \$585.1 million from stopping the Clean Car Upgrade Scheme and the Social Leasing Trial (returned to the CERF)
- \$500 million from the refocussed water services reforms.

Budget 2023 also includes tax changes that improve the integrity of our tax system, by bringing the trustee tax rate in line with the top personal tax rate.

The change will help ensure that the top marginal tax rate applies more comprehensively to individuals with income over \$180,000.

This approach was recommended by officials when the top income tax rate was increased. Ministers undertook to monitor the situation and we are now acting.

It is interesting to note that just 5 percent of trusts accounted for 78 percent of income in the 2021 tax year. This change addresses a potential loophole while also ensuring more equity in our tax system.

Our total savings and revenue changes have allowed us to keep core government services running in a high-inflation environment, support New Zealanders with the rising cost of living, and respond to the recent North Island weather disasters – all while ensuring we keep net debt well below its ceiling of 30% of GDP, and are on track to deliver an operating surplus by 2025/26.

That is a balanced fiscal strategy.



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## Conclusion

Mr Speaker,

Budget 2023 comes at a time of considerable pressure on households and businesses, amid international uncertainty, persistent high inflation and global supply chain issues.

It is a Budget that does exactly what it says on the tin: Support for Today and Building for Tomorrow.

We know many New Zealanders are doing it tough right now. We are here to support them as we have done over recent years.

Doing the basics well, including providing strong investment in the services that New Zealanders rely on has to be the priority right now.

There are many things that the government might like to do, or tax cuts that other parties might decide to promise, but for me keeping our children safe, warm and dry at school has to come first.

Building 3,000 more state housing places has to come first.

Funding our health system for 500 more nurses has to come first.

Having more Police on the frontline has to come first.

Support for people with disabilities, older New Zealanders and the vulnerable has to come first.

These investments do not happen by chance. They are ultimately at risk if there is not a government determined that they will be there. They happen because a government prioritises them and because we know they matter to our people.

We also know that even in tough times it is vital we look to a better tomorrow. Our investments in our people, our businesses, our communities and our environment will guide us to that place. We are making investments in this Budget that will build our nation for the future.

We are a resilient and innovative country, and one where opportunities abound. Once again through Budget 2023 this Labour Government is ensuring that each and every New Zealander can seize those opportunities and achieve their potential.

Kia kaha, kia maia, kia manawanui.

I commend the Wellbeing Budget 2023 to the House.