



**BUDGET  
2025**

# Budget Speech

**Hon Nicola Willis  
Minister of Finance**

**22 May 2025**

Embargo: Contents not for communication in any form  
before 2:00 pm on Thursday 22 May 2025

**Te Kāwanatanga o Aotearoa**  
New Zealand Government

## Budget speech 2025

Mr Speaker,

I move that the Appropriation (2025/26 Estimates) Bill be now read a second time.

Ahumairangi, Tangi Te Keo, tū te ao tū te pō. Te Whanganui-a-Tara, te karu waitai, piata mai nā.

Kei oku nui kei aku rahi, nōku te hōnore ki te whakamaunu i te tahua mō te tau nei, tēnā koutou katoa.

Mr Speaker,

As I said in te reo Māori, it is an honour to announce this year's Budget.

This is a responsible Budget to secure New Zealand's future.

It supports the economic recovery now underway.

It also takes a longer-term view, with initiatives to boost future investment, savings and growth.

It continues this Government's investment in health, education, and law and order.

And, in a challenging global environment, it provides funding to boost New Zealand's defence capability.

It does all of this within an expenditure track that reduces government spending as a share of the economy, returns the government's books to balance, and bends the debt curve from going up to going down.

The economic outlook presented alongside this Budget is a bright one.

After a tough few years, growth, jobs and wages are set to rise.

The Government is not promising that today's Budget will solve all New Zealanders' problems.

But we do promise that the decisions we are taking now will set our country up for a better future.

Mr Speaker,

The creation and delivery of an annual Budget is at the heart of strong and stable government.

This Budget is a team effort.

I want to acknowledge and thank the Associate Ministers of Finance David Seymour, Shane Jones and Chris Bishop for their ideas and advice.

They were heavily involved in putting this Budget together, as was the Prime Minister, whose leadership and wise counsel was invaluable. Thank you, Prime Minister.

Mr Speaker,

In recent years, New Zealanders have battled through an extended period of high inflation, high interest rates and low growth.

We know that times remain tough for many Kiwis.

The good news is that – with strong economic and fiscal management – a recovery is underway.

The recovery is being supported by lower interest rates and a strong export performance.

And over the next few years, the Government's new Investment Boost policy – which I will come to shortly – will have a positive impact on growth.

Recent tariff announcements have created uncertainty and volatility around the world.

For a small trading nation like New Zealand, the global situation is concerning.

It doesn't threaten the recovery, but it does threaten the *pace* of the recovery.

The Treasury has pegged its forecasts back and downside risks remain.

Despite this, Budget forecasts show economic growth picking up to healthy levels.

Real GDP growth is expected to accelerate to 2.9 per cent in 2025/26 and 3 per cent in the year after.

Growth matters. It means more jobs, higher incomes and opportunities for families to get ahead.

Over the forecast period, wages are expected to grow faster than inflation and, at the end of that period, there are expected to be 240,000 more people in jobs.

Mr Speaker,

The government's books have taken a hammering over the past six years or so.

Spending has risen sharply. So has government debt.

The Budget deficit left by the previous Government is structural – it is not simply due to the state of the economy.

In other words, the last Government was living beyond its means – loading up the credit card to pay for things New Zealand couldn't afford.

This did real damage to the economy, as a massive spike in the cost of living led to high interest rates and low growth.

This Government is taking responsibility for cleaning up the mess.

Under our fiscal management, Government debt will stabilise, then start to come down.

And our control of spending creates room for monetary policy to respond with lower interest rates.

There is no doubt that fiscal consolidation is challenging.

Some would do it with higher taxes.

That would burden New Zealand workers and businesses, and scare away talent and investment. It would put our economic recovery at risk.

This Government is taking a different approach – we are getting the books in balance by controlling growth in government spending.

The operating allowance for Budget 2025 is \$1.3 billion on average per annum.

This is the lowest allowance in a decade, significantly down from the \$2.4 billion allowance signalled in the Budget Policy Statement in December.

That reduction of \$1.1 billion goes straight to the bottom line. The Government's headline operating balance indicator, OBEGALx, is \$1.1 billion better each year, on average, than it otherwise would have been.

In addition, the Treasury estimates that the tighter Budget package will see interest rates being 30 basis points lower than they otherwise would have been by the end of the forecast period.

Importantly, that \$1.3 billion allowance is a net figure.

On the one hand, it encompasses \$5 billion a year of new spending and \$1.7 billion a year for Investment Boost.

On the other hand, it contains savings of \$5.3 billion a year.

These savings are the result of ongoing efforts by multiple Ministers. We take seriously our roles as custodians of taxpayers' money.

A significant portion of those savings come from changes to the pay equity regime.

The changes were made to ensure future settlements stick to correcting pay discrepancies that arise from sex-based discrimination, and not for other reasons.

Making those changes means the Government can re-purpose \$2.7 billion a year, on average, towards Budget priorities like health, education and law and order.

That \$2.7 billion had been put aside in contingencies for what, under the previous regime, were expected to be very wide-ranging pay equity claims, increasingly divorced from the sex-based discrimination that pay equity is supposed to be about.

A one-off \$1.8 billion has also been repurposed from previous contingencies and put towards capital expenditure in this Budget, supporting investments in new hospitals, schools and other infrastructure.

I can assure Members that adequate funding remains in contingency to meet potential costs of future public sector pay equity settlements under the new regime.

And the Government anticipates there will be pay rises in female-dominated public-sector workforces achieved through normal collective bargaining.

The Government has also been able to find net savings by increasing funding for Inland Revenue's compliance activities. Funding of \$35 million a year is expected to result in \$280 million of extra tax revenue – an 8 to 1 return on investment. This was an initiative proposed last Budget by New Zealand First and expanded in Budget 2025.

Further savings have been made by closing a number of tagged contingencies and from reviewing the value for money of grants and funds across government.

This is not austerity – far from it. In fact, it is what you do to *avoid* austerity.

Getting the books in shape ensures New Zealand has financial security and choices in the future.

As I am about to set out, savings in this Budget have allowed us to make much-needed investments in health, education, law and order, and rebuilding our Defence Force.

Budget forecasts show that core Crown expenses are expected to remain steady, then decline as a percentage of GDP, reaching 30.9 per cent by 2028/29.

The OBEGALx deficit is expected to widen in the near term, then gradually improve after next year, returning to a surplus of \$200 million by the end of the forecast period.

At that point, the structural deficit the previous Government left us will have been eliminated.

Net core Crown debt is expected to peak at 46 per cent of GDP – slightly lower than forecast at the Half Year Update – before beginning to decline.

As these forecasts show, the Government is taking a deliberate, medium-term approach to fiscal consolidation.

I am aware there are alternative approaches.

Some say we should keep on borrowing forever – whack it on the credit card and hope for the best.

That would be the height of irresponsibility. It would put the financial security of New Zealand at risk.

We owe better to our kids.

And to my own kids, sitting in the gallery today, I want to say that Mum's been busy lately.

But your future, and the future of the next generation of New Zealanders, has been very much on my mind as we've put this Budget together.

Mr Speaker,

New Zealand's productivity challenges are well understood.

Study after study has identified a low level of capital investment per worker, compared to other countries.

To raise productivity, lift incomes and drive long-term economic growth, New Zealand needs businesses, big and small, to invest in machinery, tools, equipment, technology, vehicles, industrial buildings and other capital assets.

Investment Boost is a new tax incentive that will increase capital investment in New Zealand.

Investment Boost allows a business to immediately deduct 20 per cent of the cost of a new asset from its taxable income, on top of depreciation. This means a much lower tax bill in the year of purchase.

The remaining book value is depreciated at normal rates.

Since a dollar now is more valuable than a future dollar, the cashflow from investments is more attractive and the after-tax returns are better.

More investment opportunities stack up financially, so more will be made.

Over 20 years, Investment Boost is expected to lift New Zealand's capital stock by 1.6 per cent, GDP by 1 per cent and wages by 1.5 per cent.

These are orders of magnitude, not precise values. But officials estimate that roughly half the impacts happen in the first five years.

Investment Boost starts today and applies to new assets purchased in New Zealand as well as assets imported from overseas.

It includes commercial buildings but excludes land, residential buildings, and assets already in use in New Zealand.

There's no cap on the value of new investments and all businesses, regardless of size, are eligible.

It is estimated to cost an average of \$1.7 billion per year in reduced revenue across the forecast period.

To manufacturers, farmers, tradies and other Kiwi businesses, my message to you is this – our Government is helping you invest for your future and our country's future.

Mr Speaker,

Continuing the growth theme, Budget 2025 funds a number of initiatives that contribute to the Government's going for growth agenda.

As I announced earlier this week, the Government has set aside \$65 million to encourage foreign investment in New Zealand infrastructure, by increasing the amount of tax-deductible debt foreign investors can use to fund it.

The Budget also supports the science and innovation reforms announced earlier this year. These include the move to transform Crown Research Institutes into three new public research organisations, establishing a dedicated gene technology regulator, and creating a new agency – Invest New Zealand – as the Government's one-stop-shop for foreign direct investment.

Other economic growth initiatives in this Budget include funding for screen production rebates, and additional funding for the Elevate NZ Venture Fund to invest in the technology start-up sector.

Funding has also been set aside in contingency for potential Crown co-investment in new gas fields to ensure future supply.

Mr Speaker,

While KiwiSaver has helped a lot of New Zealanders to save, many people's balances are modest.

There would be few people who reach 65, look at their KiwiSaver balance and think "I wish I had saved less".

The same goes for those looking to buy their first home.

Budget 2025 makes changes to encourage Kiwis to save more, while also making the scheme more fiscally sustainable.

From 1 April 2026, the default rate of employee and employer contributions, which is currently 3 per cent, will go to 3.5 per cent. From 1 April 2028, it will go to 4 per cent.

Phasing this in over a three-year period helps workers and employers plan ahead.

The Government recognises that, over time, employer contributions may effectively form part of the wage negotiation process.

Employees will be able to opt down to the current 3 per cent rate and still be matched by their employer at that lower rate.

Their contributions will be reset to the default rate after 12 months, but they can opt down again if they wish.

These changes – moving to a default contribution rate of 4 per cent but retaining a 3 per cent option – were also recommended last year by the Retirement Commissioner.

From 1 April 2026, the Government will extend employer matching to 16- and 17- year-olds. And from 1 July 2025, it will make them eligible for the government contribution.

This will encourage more young people to adopt a savings habit and help them build a deposit for their first home.

Members may recall that the original KiwiSaver design included layers of expensive government subsidies that proved unaffordable.

Most have since been wound back, apart from the government contribution, which is expected to cost an average of \$1.2 billion a year over the forecast period.

I am advised that the government contribution is unlikely to be increasing the amount New Zealanders save.

To ensure that KiwiSaver's costs to the taxpayer remain sustainable, this annual government contribution will be halved to 25 cents for each dollar a member contributes each year, up to a maximum government contribution of just over \$260.

Members with an income of more than \$180,000 will no longer receive any government contribution.

These changes to the government contribution will apply from 1 July 2025.

They do not affect the current year's government contribution, which will be paid out in July and August this year.

Putting all these changes together, the KiwiSaver balances of employees contributing at the new default rate will grow faster than they do at the current 3 per cent default rate, providing a larger balance at age 65 or when people come to buy their first home.

Savings from changes to the government contribution – which total \$2.5 billion over the forecast period – are being used to fund other Budget priorities like health, education and law and order.

Mr Speaker,

A number of Budget 2025 initiatives deliver targeted cost of living support.

These include fiscally neutral changes to Working for Families to better target low- and middle-income families.



From 1 April next year, the Government will raise the family income threshold for Working for Families to \$44,900 a year and increase the abatement rate slightly to 27.5 per cent.

As a result, families with incomes just above the new threshold will get an extra \$23 per fortnight from Working for Families, with this additional support reducing gradually as family income rises.

In all, an estimated 142,000 families with children will receive \$14 more per fortnight on average, and the vast majority of these families will have incomes below \$100,000 a year.

The cost of this extra support is met from better targeting the first year of the Best Start tax credit.

From 1 April next year, the first year of Best Start will no longer be universal, but will be income tested the same way the second and third years are, with payments ending completely when a family earns just over \$97,000 a year.

As a consequence, there *will* be families that receive less financial support than they otherwise would have, but the vast majority of these will have incomes *over* \$100,000 a year.

The change to Best Start only applies for births on or after 1 April 2026, so no family will see an actual reduction in their payments. And, as a mother of four, I can point out that we are giving prospective parents more than 9 months' advance notice of this change.

Mr Speaker,

Another cost-of-living initiative relates to prescriptions.

Getting a prescription for only three months at a time can be frustrating for people on stable, long-term medications like asthma inhalers, insulin for diabetes and blood pressure tablets.

Getting a repeat prescription costs money and adds paperwork for doctors.

Now, from the first quarter of 2026, New Zealanders will be able to get 12-month prescriptions for their medicines.

That will save Kiwis medical costs, and it will give health professionals more time to deal with other patients.

The Budget also helps up to 66,000 additional SuperGold cardholders pay their rates.

From 1 July this year, the rates rebate scheme will become more generous for SuperGold cardholders and their households, by increasing the income abatement threshold to \$45,000 a year and increasing the maximum rebate to \$805.

These changes originated from the National and New Zealand First coalition agreement and will come as a welcome relief to many ratepayers.

Mr Speaker,

The biggest part of the Budget is investment in frontline services Kiwis rely on.

I want to take Members through some key areas of new funding.

First, let me clarify that when I talk about additional funding, I am referring – unless stated otherwise – to operating funding over the next four years, plus capital funding.

I will start with health.

Budget 2025 makes a capital investment of more than \$1 billion in hospitals and health facilities.

Funding has been allocated for a major redevelopment of Nelson Hospital, including a new 128-bed inpatient building.

In what is great news for the people of Nelson, the new inpatient building is expected to be built by 2029 – two years earlier than originally planned.

Funding has also been allocated for a new emergency department at Wellington Regional Hospital.

In addition, Wellington Hospital will get new specialist treatment spaces, an expansion of the intensive care unit and a refurbishment of the old children's hospital.

The Budget also funds infrastructure projects at Auckland City Hospital, Greenlane Clinical Centre and Palmerston North Hospital.

In terms of operating funding, the Budget confirms a funding increase of \$5.5 billion – previously signalled in last year's Budget – for hospital and specialist services, primary care, community health and public health.

This will support Health New Zealand to make progress on the Government's targets for more timely care, including shorter waiting times for hip replacements, cataract surgery and other elective procedures.

Budget 2025 confirms funding of over \$1 billion to buy and deliver additional cancer treatments and other medicines Pharmac has announced over the past 12 months.

And the Budget provides new funding of \$447 million to support increased access to primary care, including urgent care and after-hours services across New Zealand.

Mr Speaker,

Giving children a chance to reach their potential through the power of a good education is one of the greatest gifts a government can bestow.

And to my mind, improving the results we get from our education system is the single most important thing we can do to improve the future productivity of New Zealand.

New funding in Budget 2025 of \$646 million operating, and \$101 million capital, is the largest boost to learning support in a generation.

It will change the lives of children who need extra support to learn because of physical, behavioural, communication or other learning challenges.

It will also benefit their classmates, whose teachers will now be better supported to meet diverse learning needs.

Children with additional needs have enormous potential and, with this support, more of them will have the chance to realise it.

The extra Budget funding will provide more teacher aide hours, more specialist support, learning support coordinators, an expansion of early intervention services, and new learning support classrooms.

There is also new funding in the Budget for schools' operational grants, early childhood education and tertiary education subsidies.

And there is funding to increase the independent schools' subsidy to address price and volume pressures over time, delivering on the ACT and National coalition commitment to review the funding formula.

Extra maths help will be available for students who need it, with \$100 million of new funding for early intervention and support.

There is a \$140 million package of services to lift school attendance, and this delivers on another ACT and National coalition commitment.

Finally, more than \$700 million has been set aside to deliver new schools, purchase sites, expand some schools and build new classrooms.

Mr Speaker.

New funding in Budget 2025 continues the Government's drive to restore law and order.

The Budget invests \$480 million to support Police on the frontline to crack down on crime and keep communities safe.

We are also keeping communities safe through stronger sentencing laws that mean less violent crime, fewer victims and more offenders in prison.

The Budget invests \$472 million to ensure Corrections can manage this increase in the prison population, including 580 new frontline staff. This reflects an ACT and National coalition commitment to increase funding to ensure sufficient prison capacity.

The Government is also redeveloping Christchurch Men's Prison, with the project set to be designed, built, financed, and maintained for 25 years under a public-private partnership.

Court case backlogs will be reduced through \$246 million of new funding, which will improve timeliness and access to justice.

Customs is also receiving additional funding to strengthen our border, prevent drug smuggling and fight organised crime.

Finally, I want to mention Māori and Pasifika Wardens, and the Māori Women's Welfare League. They are the friendly faces when things get tough and they are receiving funding in this Budget thanks to New Zealand First.

Mr Speaker,

For too long, New Zealand's Defence Force has been allowed to gradually deteriorate through loss of personnel and a failure to upgrade equipment.

Budget 2025 marks a change in that course.

A major uplift in defence spending will ensure New Zealand pulls its weight in an increasingly volatile world.

It does this by investing in the men and women of our military and the modern tools they need to do their jobs.

This uplift cannot be funded in one Budget alone.

But we have made a meaningful start by funding priority projects including new maritime helicopters.

The Budget also invests \$660 million to improve core Defence Force capabilities across air, sea, land and cyberspace.

In terms of foreign affairs, the Budget addresses a very steep fiscal cliff in Official Development Assistance, specifically for climate finance, that was unhelpfully left behind by the previous Government.

The Budget addresses this, at least in part, through ongoing, baselined funding of \$100 million a year, focused on the Pacific. Members will not be surprised to know that the Minister of Foreign Affairs has made a case for more funding, and this will be looked at in future Budgets.

The Budget also includes new funding of \$84 million over four years to enhance New Zealand's relationships with Asian countries, address trade barriers and support the Government's goal to double exports.

Mr Speaker,

Budget 2025 sets aside \$230 million for a new Social Investment Fund, of which \$190 million is to purchase better outcomes for New Zealanders in need.

Social investment is about the government investing earlier, guided by data and evidence, and with more transparent measurement of the impact that interventions are having in people's lives.

Over the next year, the Fund will invest in at least 20 initiatives, adopting a very different contracting approach than is traditionally used by government agencies.

I know the Minister for Social Investment is excited by the prospects for this approach to change vulnerable people's lives for the better.

Mr Speaker,

As announced a fortnight ago, the Budget allocates \$774 million to fund initiatives in response to the Royal Commission of Inquiry into Abuse in Care.

The Government has committed this funding, across a number of different votes, to improve redress for survivors and strengthen the care system to prevent, identify, and respond to abuse in the future.

Mr Speaker,

Budget 2025 allocates \$6.8 billion of capital expenditure.

This is partially offset by savings, leaving a net capital allowance in the Budget of \$4 billion, slightly higher than the \$3.625 billion capital allowance signalled in the Budget Policy Statement.

I have already mentioned most areas of new capital expenditure in the Budget – hospitals, schools, the Defence Force, prisons and the Elevate Fund.

Budget 2025 also provides new funding to improve New Zealand's rail network. Train commuters and businesses moving goods around the country will see more reliable rail services thanks to the Government's investment of \$605 million for rail upgrades and renewals.

In addition, the Budget provides funding to deliver additional social homes and affordable rentals, including for whānau Māori.

These Budget 2025 capital initiatives add to existing investments already underway.

Government infrastructure investment over the forecast period now totals around \$61.8 billion.

About a third of this investment in infrastructure will be spent on the transport sector and another third is going to education and health.

In addition, \$3.5 billion has been set aside in each of the next three Budgets for new capital investments.

Mr Speaker,

Putting this Budget together wasn't easy.

It involved careful choices and restraint from all Ministers.

That is as it should be, and as New Zealanders have the right to expect.

Budget 2025 strikes a careful balance.

It invests in public services New Zealand needs now, while driving long-term reforms to lift investment and productivity.

It delivers new hospitals, new schools and a huge boost to learning support.

It makes changes to encourage Kiwis to save more.

It provides cost of living relief targeted at low- and middle-income families.

It takes the first step in a major uplift in defence spending.

It secures the economic recovery Kiwis depend on.

And – as all New Zealanders should expect – it does this while setting a course to a balanced budget and an end to rising debt.

Our approach means New Zealanders can look forward with confidence.

Every Kiwi can know that this is a Government that has their back.

Mr Speaker,

I commend this Budget to the House.