



**BUDGET
2026**

Budget Speech

**Hon Nicola Willis
Minister of Finance**

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New Zealand Government
Te Kāwanatanga o Aotearoa

Budget Speech

Mr Speaker,

I move that the Appropriation (2026/27 Estimates) Bill be now read a second time.

E ngā iwi o Te Ūpoko o te Ika.

E te Māngai, ngā Mema Pāremata o ngā rohe pōti me ngā Mema o ngā Rōpū Tōrangapū.

E te motu whānui.

Nei rā te mihi.

Anei te Tahua Rua Mano Rua Tekau mā Ono.

Kia ora e te Iwi!

To the home tribes of Wellington.

To the Speaker, electorate and party list MPs.

To the whole country.

I salute you.

Here is Budget 2026.

Mr Speaker,

This is a responsible Budget.

The Government is responding to an increasingly uncertain world with an economic plan and sensible choices that will make New Zealanders more secure in the years ahead.

The documents I have tabled in Parliament today show that New Zealanders can look forward to growth, higher wages and rising employment.

They can look forward to better public infrastructure, expanded healthcare services, better schooling for their kids, and safer communities.

They can look forward to a much stronger set of Government books.

Despite the chaos in the Middle East, and challenging global events, the Government's responsible approach means Treasury is now forecasting a return to surplus in 2028/29 – a year earlier than forecast in December. An earlier surplus means less debt and lower interest costs than would otherwise be the case.

The Government is tackling New Zealand's major challenges, not with shallow quick fixes, but with a responsible and durable approach.

Today's Budget marks further progress towards a more secure future.

I don't expect New Zealanders to read every page of it.

What I really want Kiwis to know is that this Budget is about them.

It delivers on the Government's belief that life can be better in this country, not just for the voters of today, but for their kids and grandkids too.

I think Mums and Dads across this Parliament, and across the country, want the same thing I do.

We want this to be a country our kids choose to live in when they grow up, because it's a place where their achievements will be rewarded and where their dreams can be realised.

Yes, the world has thrown us some curveballs.

And I recognise that many Kiwis are doing it tough right now.

But New Zealanders listening today should have confidence.

They should have confidence that the Government is spending their money wisely, that it's addressing the country's big problems and that it's making investments in the things that really matter.

That's important not just for today but for what lies ahead.

The world is more volatile than ever.

The rules-based global system is under strain.

Countries are boosting their spending on defence.

Global competition for growth, jobs and investment is sharper than ever.

And conflict in the Middle East means Kiwi households and businesses are paying more for petrol and diesel.

What is more, we entered this period in a more fragile state than we would like.

New Zealanders have shown real grit to recover from an extended period of runaway price increases, high interest rates and the weaker economy that emerged as a result.

An economic recovery has been unfolding but scars run deep.

The Government is also carrying a significant burden of debt – more than twice as heavy as it was seven years ago, and with an annual interest bill of \$9 billion.

New Zealand's sovereign credit rating has a negative outlook from ratings agencies Fitch and Moody's, which is a warning that we must start bending the debt curve down.

New Zealand's population is getting older, meaning the bill for delivering healthcare, New Zealand Superannuation and other public services is becoming heftier for workers to shoulder.

The annual cost of Superannuation is rising sharply, from less than \$20 billion in 2023 to more than \$30 billion by 2030. In the next year alone, the cost of Super will rise by around \$1.8 billion.

Extreme weather events are becoming more frequent.

Economic shocks, which have happened with some frequency over the past 20 years, will keep happening.

And this Government is having to play catch-up on much-needed policy reforms, from housing to energy to resource management.

There's no hiding from these big issues.

Yet, in an election year, some will choose to ignore this context and instead suggest band-aids and sugar hits, all slapped on Afterpay.

Not only does that approach ignore the real challenges New Zealand faces, but in the absence of a magic money tree it's our future selves who'd have to foot the bill, with interest.

This Government is taking a more responsible approach.

We are determined to deliver Kiwis real solutions that last, and to do so within very real financial constraints. Conflict in the Middle East has been a set-back but New Zealand can and will bounce back. That is reflected in Treasury's forecasts.

This responsible Budget makes significant investments in health, education, law and order, and other frontline public services.

As a result, New Zealanders will experience more progress towards the Government's targets, including reduced health waiting times, increases in educational achievement, reductions in violent crime, lower levels of welfare dependency, and a more capable defence force.

The Budget also provides \$7 billion of new capital investment to help deliver the public infrastructure New Zealand needs.

Construction projects like Whangārei Hospital, 10 school redevelopments, the next stage of the Waikato Expressway, state highway resilience projects, new courthouses and new police stations will support more jobs for Kiwis, with the Infrastructure Commission estimating that every billion dollars of infrastructure funding supports about 4500 jobs.

What's more, with careful spending choices and ongoing restraint, the Government is set to get the books back to surplus earlier than previously forecast and bend the debt curve down.

That is a responsible Budget.

Mr Speaker,

Let me turn to the economic and fiscal outlook.

A broadening export-led economic recovery was underway in New Zealand at the start of 2026, with employment and confidence increasing.

In late February, conflict in the Middle East shocked the global and domestic economy.

No one knows for sure how this conflict will unwind or how long its impacts will be felt.

In the midst of uncertainty, Treasury puts forward its best professional judgement.

Its central forecast assumes that the impact of the crisis will be temporary.

Over the next 12 months, it expects that fuel prices will contribute to higher inflation and lower real GDP growth than previously expected.

But inflation falls after the current quarter and economic growth picks up.

Annual average growth in the year to June 2026 is forecast to be 1.2 per cent, accelerating to 2.3 per cent by June 2027 and 3.2 per cent by June 2028.

That growth will be accompanied by new jobs and higher wages.

Over the next four years, Treasury is forecasting employment to grow by 220,000 and wage growth to average 3.1 per cent.

Over this period, core Crown tax revenue is expected to be more than \$9 billion higher than was previously forecast.

That may seem surprising, given the fuel crisis, but a lot of factors feed into tax forecasts and over 90 per cent of the revisions to tax since the last update have nothing to do with the Middle East.

As a share of GDP, tax revenue rises over the forecast period, but core Crown expenses go the other way. They are initially steady, then fall to 30.3 per cent of GDP in 2029/30.

The Government's long-term objective is to get core Crown expenses down to 30 per cent of GDP.

Reaching 30.3 per cent by the end of the forecast period therefore represents extremely good progress, reflecting the Government's disciplined approach to spending.

That disciplined approach is demonstrated by the Budget 2026 operating package.

Last year, we set an operating allowance for this Budget of \$2.4 billion per annum on average, which Treasury duly put in the forecasts.

In Budget 2026 we have spent less than this.

Yet again, this Government has come in under its allowance.

The actual net operating package in Budget 2026 is \$2.1 billion.

The net package incorporates \$3.8 billion of new spending a year, on average. And it includes \$1.7 billion of savings and revenue, the main sources of which are:

- a fundamental overhaul of the public service
- the end of the final-year Fees Free scheme, and
- reduced Kāinga Ora construction costs which has resulted in \$368 million of lower operating expenses.

Disciplined spending, and a forecast improvement in revenue, improves the track for the Government's headline operating balance indicator – OBEGALx.

OBEGALx is now forecast to return to surplus in 2028/29 – a year earlier than previously expected.

Members, this will be the first time in a decade the books have been in the black.

At every update I am conscious that OBEGALx is the small difference between two very large numbers, and that small differences matter when the balance is close to zero.

Forecasts are not set in stone – they can move around, and it takes a lot of work to turn them into reality.

All that remains true, but it's heartening to see for the first time that the surplus date is coming forward, not being pushed back.

The track for net core Crown debt has also improved.

Treasury's forecasts show the debt curve bending down, and they show it bending a year earlier than previously expected.

Net core Crown debt is forecast to peak at 46.1 per cent of GDP in 2027/28, lower than at the Half Year Update, then decline to 44.4 per cent of GDP by the end of the forecast period.

This improvement in the books is reflected in the government's borrowing programme.

New Zealand Debt Management has lowered its forecast issuance of government bonds by \$6 billion over the next four years.

This is the first downward revision to the bond programme since 2021.

Mr Speaker,

The Budget 2026 operating package is frontloaded, which partly reflects the Government's decision to provide temporary, timely and targeted funding to respond to the fuel crisis.

As previously announced, the Budget funds a temporary increase to the in-work tax credit of \$50 a week, supporting up to 157,000 low-to-middle-income working families.

Government agencies that rely heavily on fuel to deliver frontline services, such as Police, Fire and Emergency, and Education, have also received additional funding to maintain their operations.

Funding has been set aside to help public transport authorities manage fuel cost pressures and keep services running.

The Minister of Health has announced a temporary 30 per cent increase in mileage rates for home and community support workers, and for people travelling for specialist treatment.

And \$150 million has been set aside to increase New Zealand's strategic fuel reserves.

Some of that will be used to fund the previously announced deal with Z Energy, lifting New Zealand's diesel reserves by nine days.

While precise numbers are commercially sensitive, I can assure you that even accounting for this deal, the \$150 million fund still has room for future increases in strategic fuel reserves, if needed.

The Government has also set aside funding of \$450 million in a time-limited contingency in case further fuel-related support is required.

We join all Kiwis in the hope that fuel prices and supply pressures won't increase further.

However, it is prudent to be ready for a scenario in which fuel prices could spike or stay higher for longer.

So this is a reserve, much like some households have an emergency savings account. You hope you don't have to dip into it, but if you do, it's there.

It is also funded from the operating package, which means if we do have to use it, it won't add to forecast debt.

Mr Speaker,

Boosting New Zealand's security and resilience are major themes in this year's Budget.

New Zealand faces the most adverse and contested geostrategic environment in the past 80 years.

While we cannot control the actions of other countries, we can ensure we have the capability to defend and advance New Zealand's interests.

Last year's Budget funded the first year of the Defence Capability Plan, including a capital pre-commitment of \$1.6 billion.

Budget 2026 funds the second year of the Plan, which includes extending the operational life of the Anzac-class frigates and HMNZS Canterbury, acquiring new drones, building modern housing on military bases, and delivering a new training facility at Linton.

It provides funding to increase Defence Force numbers in key occupations and retain existing staff.

And it provides a \$156 million uplift for our intelligence and security services.

Budget 2026 also boosts New Zealand's aid programme, providing \$110 million to increase development and humanitarian assistance in the Pacific and Indo-Pacific regions.

And it provides \$145 million to ensure a resilient, safe and secure offshore diplomatic network.

Mr Speaker,

New Zealand is subject to severe and unpredictable weather events, alongside other natural hazards.

Budget 2026 invests in stronger infrastructure, smarter emergency management systems and better information about natural hazard risks.

It sets aside \$400 million of capital for state highway resilience projects in regions whose roads are too often closed after major weather events.

The Government is making the choice to strengthen roads before they fail, rather than repeatedly paying to rebuild them afterwards.

The projects include resilience improvements on SH2 through the Waioweka Gorge, SH3 through the Awakino Gorge, SH25 around the Coromandel, SH60 over Takaka Hill, SH6 between Cromwell and Kingston and between Haast and Hawea, and SH94 between Milford and Te Anau.

The Budget also provides a capital contribution of \$1.8 billion for a new Road of National Significance, the Cambridge to Piarere Expressway.

This critical freight and economic link will extend the Waikato Expressway from Cambridge to the turnoff to Tauranga.

The Budget also puts aside just over \$1 billion for KiwiRail's network improvement programme, alongside \$107 million to continue the renewal of critical metropolitan rail infrastructure.

The Government is getting better hazard information across the country, including the first New Zealand Flood Map to help councils, communities, infrastructure providers and property owners make smarter long-term decisions.

The Budget also provides funding to help develop more cost-effective ways for the Crown to manage its infrastructure risks and reduce costs to taxpayers.

And the Government has allocated new funding to modernise emergency management systems so that when disasters strike emergency services can respond faster and co-ordinate more effectively.

Mr Speaker,

Reliable and affordable energy underpins a growing economy.

Budget 2026 includes a gas transition loan scheme to help businesses transition from New Zealand's shrinking reserves of natural gas.

It also provides capital funding for the purchase of around \$200 million of new shares as part of Genesis Energy's \$400 million capital raise announced in February.

Genesis will use the additional capital to bring more flexible capacity to the electricity market to address the risk of insufficient electricity supply in years when the hydro-lakes run low.

This investment will directly contribute to enhancing New Zealand's energy security.

Mr Speaker,

Perhaps the most important source of resilience for every Kiwi is their physical and mental health.

The single biggest item in the Budget is support for frontline health services.

Next year, government spending on the health system is expected to total \$34 billion, or \$17,000 for every New Zealand household.

Additional funding of \$5.5 billion from Budget 2026 will help the public health system address frontline pressures and deliver more services, including responding to more emergency department events, increasing specialist assessments, boosting elective surgery, and increasing cancer treatments and GP visits.

Targeted health initiatives include a nationally coordinated specialist paediatric palliative care service, a boost for ambulance services, more funding for forensic mental health services and an ongoing funding increase for Pharmac.

The starting age for free bowel screening will be lowered from 58 to 56, and mothers will be given the choice of longer postnatal stays.

The Health Digital Investment Plan will receive \$300 million for priority projects including strengthening cyber security across New Zealand's health system.

Budget 2026 also commits \$682 million of capital funding for investments in health infrastructure, including the delivery of a new 158-bed ward tower at Whangārei Hospital and the next stage of redevelopment work at hospitals in Tauranga, Hawke's Bay and Palmerston North.

It funds the purchase of land for a future new hospital south of Auckland, the establishment cost of the new medical school at the University of Waikato and the redevelopment of the Mason Clinic.

Mr Speaker,

The Budget continues this Government's efforts to boost educational achievement.

This is good for young people, who will have better opportunities, and it's good for the economy as a more educated workforce will boost productivity.

Budget 2026 provides a \$1.6 billion boost in operating funding for schooling and early childhood education.

Schools will receive increases to their operational grants, alongside funding to cover increased employer contributions to KiwiSaver.

And early childhood education services will receive a boost to their funding rates.

Targeted new investments include measures to strengthen teaching and learning to raise student performance in reading, writing and maths, and funding to roll out a refreshed secondary curriculum and new national qualifications.

We're leaving NCEA behind us.

The Healthy School Lunch Programme will continue to offer affordable, nutritious meals to students in 2027, while ongoing work continues to explore future innovations to the programme.

Budget 2026 also allocates \$470 million of capital funding to redevelop up to 10 schools, deliver up to 232 additional classrooms and purchase land for new school sites in high-growth areas such as Queenstown.

This Budget ends the failed Fees Free scheme for students in tertiary education.

Fees Free did not increase enrolments or completion rates, especially for those from low-income backgrounds.

The money from Fees Free will now be put to better use delivering frontline public services, including to better prepare young people for trades and other vocational education.

I want to acknowledge New Zealand First, and Minister Jones in particular, for proposing and championing this policy.

The Government will double the number of Trades Academy places, from 10,000 to 20,000, for year 11 to 13 school students.

And it will provide 1,000 more Youth Guarantee places that provide wraparound support and training for school leavers with no or low qualifications.

Mr Speaker,

The law and order package in this year's Budget provides a \$1.1 billion uplift in operating funding for Corrections, Customs, Police and the Ministry of Justice to maintain essential frontline services that keep communities safe.

This includes funding of \$477 million for Corrections to manage an increasing number of prisoners, a \$50 million funding boost for frontline policing, and investment to replace Police's end-of-life Automated Biometric Identification System.

To advance the Government's firearms reforms, the Budget provides funding to establish a new independent firearms regulator – Firearms Safety and Education New Zealand.

Budget 2026 provides capital funding of \$100 million towards the construction of a new High Court, District Court and Māori Land Court in Rotorua. And it funds badly needed new Police stations in Greymouth and Whanganui.

Customs also receives new funding to disrupt transnational, serious and organised crime groups and to combat drug smuggling.

Mr Speaker,

The Government has a Going for Housing Growth programme to increase the supply of housing and make it more affordable.

The Treasury's latest assessment is that there will be a relative improvement in the affordability of new dwellings. House prices are now forecast to grow more moderately, rents have stabilised and first-home buyers now make up a much larger share of the market.

The Budget drives forward the next stages of Going for Housing Growth.

The first pillar of this programme is freeing up land for urban development and removing unnecessary planning barriers through major reform of the Resource Management Act and changes to national direction.

Budget 2026 provides \$294 million of funding to begin rolling out this new system.

This includes a new, centrally managed platform for planning, consenting and compliance, so things aren't still done 78 different ways across 78 different councils.

The second pillar of our housing reforms is improving infrastructure funding and financing tools so councils and developers can better fund the pipes, roads and other infrastructure needs to support growth.

The Budget supports this with \$30 million of funding for the regulatory oversight of development levies charged by territorial authorities and water organisations.

The third pillar is directly improving the incentives for councils to support housing growth by ensuring they share in the economic upside that growth creates.

The Budget allocates \$400 million to achieve this, by establishing a direct funding stream linked to housing growth.

This was a commitment in the National–ACT coalition commitment and has been championed by Deputy Prime Minister David Seymour.

The Budget progresses reforms to improve the fairness of housing support for low-income tenants.

Right now, people in similar circumstances, but living in different houses, can receive very different levels of financial support and security of tenure.

Budget 2026 includes a package that reduces, but by no means eliminates, this wide gap in support.

It increases the amount social housing tenants pay towards their rent from 25 to 30 per cent of their income.

And it increases maximum Accommodation Supplement rates across the country, so lower-income private renters get more help.

This package is broadly fiscally neutral – it is about re-balancing support, not reducing it.

At the same time, the Government is providing funding to support the delivery of between 1,800 and 2,250 social houses over three years, with a \$69 million boost to the Flexible Housing Fund.

The Budget also continues efforts to reduce dependency on emergency housing, with \$22 million invested to reduce reoccurring emerging housing needs.

This initiative will more than pay for itself through savings in otherwise costly motel bills.

Mr Speaker,

The Budget boosts funding to support New Zealanders in need.

Budget forecasts show several thousand fewer New Zealanders on Jobseeker Support and Sole Parent Support benefits in the coming years.

That is part of a deliberate effort by this Government.

Budget 2026 includes funding of \$93 million for additional case management and assistance to support sole parents into work.

That is the upfront cost, but the initiative is expected to deliver net savings of \$97 million as more sole parents move from receiving a benefit to having a job.

The Government is also reducing the maximum rate of Temporary Additional Support payments, generating \$196 million of savings.

This is to better reflect its original purpose as temporary hardship support, paid as a last resort, and not a long-term top-up to beneficiaries' incomes.

The Budget provides ongoing funding for the Food Secure Communities programme and the KickStart Breakfast programme.

And it delivers a step-up in investment to better protect children at risk of harm.

In 2022, Dame Karen Poutasi issued a compelling report with a series of recommendations to the Government on steps it should take to ensure strong and effective safety nets that prevent the abuse of children.

Our Government has picked up each and every one of Dame Karen's recommendations, and this year's Budget invests \$77 million to help make the changes needed.

Alongside this, Oranga Tamariki will receive a \$184 million funding uplift so it can better respond to reports of suspected harm and increase its support for children with high and complex needs.

Finally, Budget 2026 provides funding of \$36 million to introduce a version of the SuperGold Card that can be used as an accepted form of primary identification.

This will help seniors access services that require identification, when they may not have a driver's license or passport.

Mr Speaker,

Over the last year, Inland Revenue has consulted widely on the taxation of charities and not-for-profits, fringe benefit tax, and loans made by companies to their shareholders.

The Government has made decisions in each of these areas.

We will ensure that membership subscriptions and levies received by not-for-profits remain non-taxable.

We will increase the amount of net income a not-for-profit organisation can earn without having to pay tax from \$1,000 to \$10,000.

And we will ensure the donation tax credit scheme remains financially sustainable, and limits tax planning risks, by capping eligible donations at \$100,000 a year.

On fringe benefit tax, the Government is simplifying the rules for private motor vehicle use.

There will no longer be a requirement for detailed logbooks. Instead, a "close enough is good enough" approach will significantly reduce compliance costs for businesses.

Another change will ensure that six months after a company has been removed from the Companies Register, any outstanding loans it previously made to its shareholders will be taxed as income.

Finally, the Government is introducing a new prudential levy on banks, non-bank deposit takers, insurers and some other financial institutions, to cover the costs of prudential regulation and supervision.

Such a levy is consistent with other jurisdictions such as Australia and the United Kingdom, and with levies imposed by other New Zealand financial regulators.

It is expected to recover revenue of \$209 million over the forecast period.

Mr Speaker,

While I have the pleasure of delivering this speech, the Budget is a team effort.

It reflects the efforts, late nights, and extraordinary skills of talented New Zealanders in the public service and in Ministerial offices.

And it demonstrates strong, stable government.

The Budget Ministers team includes Associate Finance Ministers David Seymour, Shane Jones and Chris Bishop.

Each represents a different political party but each came to this Budget with a focus on responsible management of the Government's finances.

Together we have worked through the difficult choices and trade-offs that a Budget entails.

Where we have disagreed, we have done so agreeably and with respect.

No matter the challenge, we've always found a way through. The ultimate result is a Budget we can all be proud of.

I also want to thank the Prime Minister for his consistent support and wise counsel, and for his enduring belief in the potential of this great country.

Finally, I want to acknowledge the support of my own family who are watching from the gallery today – my Mum and Dad, my brother and sister, their spouses, my husband and our four children.

James, Harriet, Reuben and Gloria – I know I'm not home enough. I work hard and I hope to make you proud.

Mr Speaker,

New Zealand has a great future ahead of it.

The Government's disciplined management means Kiwis can look forward to a growing economy, effective frontline public services and increased investment in the things that matter.

We can have all of that and a strong set of books too.

Thanks to our care with public money, the Government's books will return to surplus a year earlier than previously expected.

But none of this can be taken for granted.

Delivering these results requires New Zealand to stay the course.

Now is not the time for promises of reckless spending and big new taxes.

This Budget shows that the Government's programme over the last two-and-a-half years is making a difference.

We are securing the future.

And Kiwis can look forward with confidence.

Mr Speaker,

I commend this Budget to the House.