# The Treasury

## Budget 2026 Information Release

## September 2026

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Key to sections of the Act under which information has been withheld:

[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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TE TAI ŌHANGA
THE TREASURY

Date: 29 April 2026

To: Minister of Finance
Hon Nicola Willis

Deadline: None
(if any)

# Aide Memoire: Update on the Fiscal Outlook for Budget 2026

At the Fiscal Matters meeting on Tuesday 28 April 2026, you requested an update on the fiscal outlook following the Treasury's update to its economic forecasts last week. This aide memoire provides you an indicative update and primarily focuses on the outlook for the operating balance before gains and losses excluding ACC (OBEGALx).

The Treasury are in the process of completing the fiscal forecasts for the 2026 Budget Economic and Fiscal Update (*Budget Update*), which are due to be finalised on Friday 8 May 2026. We expect that the indicative numbers noted in this report will move as we complete our quality checks of agencies forecast information, gain assurance around the rationale of the material changes, incorporate the impact of final Budget decisions and the finalisation of our central assumptions (e.g. top-down adjustment, Health New Zealand's future operating results etc).

Based on what we currently know, we anticipate OBEGALx to return to surplus in 2028/29, in the order of **roughly $2.6 billion**. However, given where we are at in the process of preparing our forecasts, there is a chance that the indicative OBEGALx forecast could potentially move up or down by **circa $500 million** as we get closer to finalisation.

***The preliminary forecasts showed an improved fiscal outlook compared to the Half Year Update***

Our preliminary fiscal forecasts were completed on Thursday 5 March 2026 and showed that OBEGALx returned to a broadly balanced position by 2028/29, while net core Crown debt started to fall as a share of GDP by the end of the forecast period. A large portion of the improvement in the fiscal outlook reflected stronger growth in prices, due to higher near-term inflation and strengthened terms of trade over the period lifting nominal GDP. As a result, tax revenue forecasts were revised up, however this was partially offset by upward revisions to benefit expenditure due to the higher near-term inflation track.

*Developments since the preliminary forecasts have largely been positive*

Previously, the Treasury advised [T2026/782] that there were several developments since the completion of our preliminary fiscal forecasts that were likely to have a positive impact on the OBEGALx outlook by the back end of the forecast period. This included:

- The updated economic forecasts were expected to result in an upward revision to tax revenue forecasts. However, this was partly offset by higher benefit expenses.
- The profile of the proposed Budget 2026 operating package has come in under what was assumed in the preliminary forecasts.
- Following Ministerial decisions, additional revenue is now forecast for the Public Health Acute Services (PHAS) payments received from ACC.
- Further work by the Ministry of Health and Health New Zealand has resulted in an improvement in the assumed operating balance track of Health New Zealand.

We now have a better sense of the quantum of some of these changes which are outlined in Table 1.

**Table 1 –** *Indicative outlook for OBEGALx*

| **Year ending 30 June<br>$billions** | **2025/26<br>Forecast** | **2026/27<br>Forecast** | **2027/28<br>Forecast** | **2028/29<br>Forecast** | **2029/30<br>Forecast** |
|---|---|---|---|---|---|
| **OBEGALx - Half Year Update 2025** | **(13.9)** | **(10.4)** | **(5.1)** | **(0.9)** | **2.3** |
| Revisions at the preliminary forecast round | 0.9 | 1.1 | 0.7 | 0.8 | 0.3 |
| **OBEGALx - Preliminary Budget Update 2026** | **(13.0)** | **(9.3)** | **(4.4)** | **(0.1)** | **2.6** |
| Tax revenue forecast changes | - | (0.7) | - | 1.1 | 1.6 |
| Benefit forecast changes | - | (0.2) | (0.4) | (0.4) | (0.2) |
| Budget 2026 operating package | 0.3 | (0.8) | - | 1.1 | 1.1 |
| PHAS revenue | - | 0.5 | 0.5 | 0.5 | 0.6 |
| [33] | | | | | |
| Net finance costs | 0.1 | (0.2) | 0.1 | (0.1) | (0.1) |
| Total movement | [33] | | | | |
| **OBEGALx - Budget 2026 (indicative)** | | | | | |

The indicative OBEGALx forecast is based on the Budget package as at 28 April 2026, which assumes a fiscal impact of $2.0 billion per annum. We understand Ministers are still considering some outstanding decisions, which could have implications to our forecasts of OBEGALx.

We are awaiting updated 5-year forecast information from New Zealand Debt Management, which will be a critical input in determining the net core Crown debt track for our final forecasts. However, based on our analysis to date we do not expect the net core Crown debt track to change much compared to our preliminary fiscal forecasts.

***The revisions to the economic forecasts have had a minimal impact on the fiscal outlook***

Last week the Treasury updated the Budget economic forecasts to take account of new economic information up to the 21 April 2026. The most significant of this information included:

- **March quarter CPI**: The 3.1% inflation outturn matched the *Budget Update* forecast (completed on 1 April) and therefore had no material impact on the updated economic forecasts

- **Current spot and futures oil prices**: Oil spot and futures prices had moved lower since 1 April and are reflected in marginally lower near-term fuel prices

- **Interest rate pricing expectations**: Market pricing indicates an earlier increase in interest rates, which have been partially reflected in forecasts.

Compared to the economic forecasts produced on 1 April, the updated economic information resulted in only modest changes to the overall economic outlook. In particular:

- **Inflation** is forecast to be slightly lower across the next 18 months, although it is still expected **to peak at 4.0 percent in the June 2026 quarter**.

- Economic **activity** is assessed to be **marginally stronger in the near term**, reflecting a smaller real income shock on domestic demand.

- **Nominal GDP growth** is expected to be **somewhat stronger in 2026 and 2027**, driven by slightly stronger real economic activity. However, growth is forecast to be **weaker over the remainder of the forecast period**, largely reflecting the impact of lower price levels.

Today, we have received updates to the tax revenue and benefit expense forecasts incorporating the minor changes to the economic forecasts. Overall, across the forecast period there was a $0.3 billion improvement to OBEGALx ($0.1 billion from tax revenue and $0.2 billion benefit expenses), with the impact in 2028/29 being broadly neutral. These have been incorporated into the indicative OBEGALx forecasts in Table 1 above.

**Table 2 –** *Economic and unconsolidated tax revenue forecasts*

| Year to June | | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Real GDP (AAPC) | BEFU 2026 new | 1.2 | 2.3 | 3.2 | 2.7 | 2.5 |
| | BEFU 2026 old | 1.2 | 2.2 | 3.4 | 2.8 | 2.4 |
| CPI (APC) | BEFU 2026 new | 4.0 | 1.6 | 2.1 | 2.1 | 2.0 |
| | BEFU 2026 old | 4.0 | 1.7 | 2.1 | 2.1 | 2.0 |
| Unemployment rate (June) | BEFU 2026 new | 5.5 | 5.0 | 4.5 | 4.4 | 4.3 |
| | BEFU 2026 old | 5.5 | 5.1 | 4.5 | 4.3 | 4.3 |
| Nominal GDP ($billion) | BEFU 2026 new | 452.2 | 474.9 | 503.7 | 529.8 | 554.4 |
| | BEFU 2026 old | 451.4 | 474.1 | 504.9 | 531.6 | 555.8 |
| | *change* | *0.8* | *0.8* | *-1.2* | *-1.8* | *-1.4* |
| Tax revenue ($billion) | BEFU 2026 new | 139.9 | 148.7 | 158.2 | 167.9 | 176.4 |
| (unconsolidated) | BEFU 2026 old | 139.8 | 148.6 | 158.1 | 168.0 | 176.6 |
| | *change* | *0.2* | *0.1* | *0.1* | *-0.1* | *-0.2* |

***Next steps***

The numbers presented in this note are indicative only and further work will be done over the coming week before completing our final fiscal forecasts on Friday 8 May 2026.

We plan to send you an update on the outlook of key fiscal indicators early next week ahead of the Cabinet meeting to agree the 2026 Budget packages.

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Kamlesh Patel, Deputy Chief Government Accountant, Fiscal Reporting,