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

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[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

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TE TAI ŌHANGA
THE TREASURY

Date: 5 May 2026

To: Minister of Finance
(Hon Nicola Willis)

Deadline: None
(if any)

Aide Memoire: Update on the Near Final Fiscal Outlook for Budget 2026

Last week you received advice [T2026/920] from the Treasury on the indicative outlook for the operating balance before and gains and losses excluding ACC (OBEGALx). The purpose of this Aide Memoire is to provide you a further update on the fiscal outlook and explain the drivers of the improved medium-term outlook relative to the 2025 Half Year Economic and Fiscal Update (*Half Year Update*). We have included an Annex with some proposed talking points for you at Cabinet explaining this improvement.

Update on the near final fiscal outlook

Table 1 – *Summary of changes in key fiscal indicators (near-final) compared to the Half Year Update*

Year ended 30 June	Actual 2024/25	2025/26	2026/27	Forecast 2027/28	2028/29	2029/30
OBEGALx ($billions)						
Budget Update 2026 - near final	(9.3)	(11.9)	(11.4)	(4.3)	2.6	6.1
Half Year Update 2025		(13.9)	(10.4)	(5.1)	(0.9)	2.3
Total change		**2.0**	**(1.0)**	**0.8**	**3.5**	**3.8**
Core Crown residual cash ($billions)						
Budget Update 2026 - near final	(6.0)	(9.3)	(24.2)	(15.6)	(8.8)	(4.5)
Half Year Update 2025		(14.8)	(23.2)	(14.3)	(10.7)	(6.6)
Total change		**5.5**	**(1.0)**	**(1.3)**	**1.9**	**2.1**
Net core Crown debt ($billions)						
Budget Update 2026 - near final	182.2	191.8	216.5	232.4	241.4	246.1
Half Year Update 2025		197.0	220.6	235.7	246.8	253.9
Total change		**(5.2)**	**(4.1)**	**(3.3)**	**(5.4)**	**(7.8)**
Net core Crown debt (% of GDP)						
Budget Update 2026 - near final	41.9	42.4	45.6	46.1	45.6	44.4
Half Year Update 2025		43.3	46.0	46.9	46.9	46.1
Percentage point change		**(0.9)**	**(0.4)**	**(0.8)**	**(1.3)**	**(1.7)**
Net worth attributable to the Crown (% of GDP)						
Budget Update 2026 - near final	41.2	38.8	37.9	35.6	35.1	35.6
Half Year Update 2025		38.0	34.7	32.9	32.2	32.2
Percentage point change		**0.8**	**3.2**	**2.7**	**2.9**	**3.4**

The fiscal forecasts for inclusion in the 2026 Budget Economic and Fiscal Update (*Budget Update*) are due to be completed on Friday 8 May 2026. We have now completed a near-final version of our fiscal forecasts and over the next few days we will be finishing our quality assurance over these forecasts. At this stage, we expect any changes from our final review will only marginally impact the key fiscal indicators. We see the key risk that could alter the near-final forecasts is the outcome of final Budget decisions being considered by Cabinet this Thursday.

The trends in the key fiscal indicators are broadly in line with our forecasts at the *Half Year Update*, with OBEGALx deficits expected to narrow from next year and net core Crown debt as a percentage of GDP peaking in 2027/28 before starting to fall. The recovery in the fiscal outlook is now expected to be at a faster pace than previously forecast, with the key drivers of the improvement discussed further below.

Drivers of the improvement in OBEGALx since the Half Year Update

Table 2 summaries the main drivers of the changes in OBEGALx compared to the *Half Year Update*.

Table 2 – *Changes in OBEGALx (near-final) compared to the Half Year Update*

Year ending 30 June $billions	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	5-year Total
OBEGALx - Half Year Update 2025	**(13.9)**	**(10.4)**	**(5.1)**	**(0.9)**	**2.3**	
Tax revenue forecast changes	0.6	0.8	1.9	3.1	3.0	9.4
Benefit expenses forecast changes	0.1	(0.4)	(0.7)	(0.7)	(0.6)	(2.3)
Budget 2026 operating package	0.2	(1.2)	0.2	1.1	1.1	1.4
PHAS revenue	-	0.5	0.5	0.5	0.6	2.1
[33]						
Net finance costs	(0.1)	(0.1)	0.2	0.2	0.1	0.3
Other movements	1.4	(0.3)	(1.0)	(0.3)	(0.2)	(0.4)
Total movement	[33]					
OBEGALx - Budget 2026 near-final						

The economic outlook has contributed to most of the improvement in the fiscal outlook

Our economic forecasts completed on 24 April 2026 showed a slower pick-up in growth compared to the *Half Year Update*. However, stronger higher near-term inflation, in part due to the Middle East conflict, and a stronger lift in the terms of trade, has lifted nominal GDP compared to the *Half Year Update*.

As a result of stronger growth in nominal GDP, combined with recent strengthening in tax outturns for some tax types, core Crown tax revenue has been revised up in total by $9.7 billion (or $9.4 billion excluding Budget 2026 decisions) across the forecast period since the *Half Year Update*.

Most of the lift in tax revenue was attributable to higher price levels, around $5.5 billion, and to changes in the composition of growth, around $2.5 billion. This resulted in a greater contribution from compensation of employees and operating surplus. These factors also largely contributed to the upward revisions in source deductions and corporate tax revenue.

In addition, higher interest rates over the forecast period have lifted residential withholding tax revenue from 2028, which totals $2.1 billion over the forecast period. The tax revenue forecasts also included an upward revision in total of around $0.3 billion from Budget 2026 decisions.

Higher near-term inflation has resulted in an upward revision to benefit expenses from 2026/27. Overall, the upward revisions in benefit expenses (excluding policy decisions) total $2.3 billion. Most of the revisions relate to benefits administered by the Ministry of Social Development.

Budget 2026 operating package

The Budget 2026 operating package to be considered by Cabinet on Thursday 7 May 2026 has come in lower than signalled in the *2026 Budget Policy Statement*. While overall the Budget 2026 operating package is on average $0.3 billion lower than previously assumed, when looking at individual years it comes in over in the near-term but significantly under by the last two years of the forecast period. This contributed to an improvement in OBEGALx, since the *Half Year Update* of $1.1 billion in 2028/29 and 2029/30.

Other significant changes since the Half Year Update

There were several other revisions to the fiscal forecasts, with the most significant of note including:

- The forecasts include a lift in revenue received by the Ministry of Health from 2026/27 of around $0.5 billion per annum from ACC for Public Health Acute Services (PHAS) payments following a review of their volume assumptions used to calculate the payment.

- Our near-final fiscal forecasts also assume a weaker operating result track for Health New Zealand, which flows through to have an adverse impact on OBEGALx.

Next Steps

We plan to send you a report on Friday 8 May 2026, discussing our final fiscal forecasts.

Jess Grant, Senior Government Reporting Accountant, Fiscal Reporting, [39]
Kamlesh Patel, Deputy Chief Government Accountant, Fiscal Reporting,

ANNEX – Proposed Talking Points for Cabinet

- At the time of lodging this Cabinet paper, the Treasury was still in the process of preparing their fiscal forecasts for inclusion in the *2026 Budget Economic and Fiscal Update (Budget Update)*.

- While these forecasts will not be finalised until tomorrow, I have received advice from the Treasury on the outlook of key fiscal indicators to be included in the *Budget Update*.

- This advice has confirmed that the operating balance before gains and losses excluding ACC (OBEGALx) is expected to return to surplus a year earlier than forecast at the *Half Year Update*. While net core Crown debt peaks at 46.1% of GDP in 2027/28 before beginning to fall to 44.4% of GDP by the end of the forecast period.

- The earlier return to an OBEGALx surplus largely reflects the impact from the updated economic outlook and the phasing of the Budget 2026 operating package.

- The Treasury's updated economic forecasts showed slower economic growth over the forecast. However, stronger growth in prices, due to higher near-term inflation has lifted nominal GDP compared to the *Half Year Update.* In addition, higher interest rates over the forecast period have lifted residential withholding tax revenue from 2028.

- As a result, this has lifted tax revenue in all years of the forecast period, with these revisions reaching around $3.0 billion in the 2028/29 year. However, this has been partly offset by the higher near-term inflation track resulting in an upward revision to benefit expenses from 2026/27, with most main benefit types indexed to CPI or wage growth.

- In isolation, the Middle East conflict has had a marginal impact on the fiscal outlook, with higher price levels somewhat offsetting weaker activity and demand.

- The Budget 2026 operating package being considered today has come in lower than what was signalled in the *2026 Budget Policy Statement*. While overall the Budget 2026 operating package is on average per annum $2.1 billion, the fiscal impact in the final two year of the forecast period is much lower at around $1.3 billion. Therefore, the phasing of the Budget 2026 operating package has contributed to the improvement in OBEGALx of $1.1 billion in 2028/29 and 2029/30, compared to the *Half Year Update.*