

The missing debt in the PREFU



- Treasury's PREFU
- Surplus one year later
- Extra \$9b in bonds
- No election policies
- No climate, health, productivity liabilities
- Net worth actually up
- All about 30/30

'Do whatever it takes to get surplus'

Table 1 – Key economic and fiscal indicators

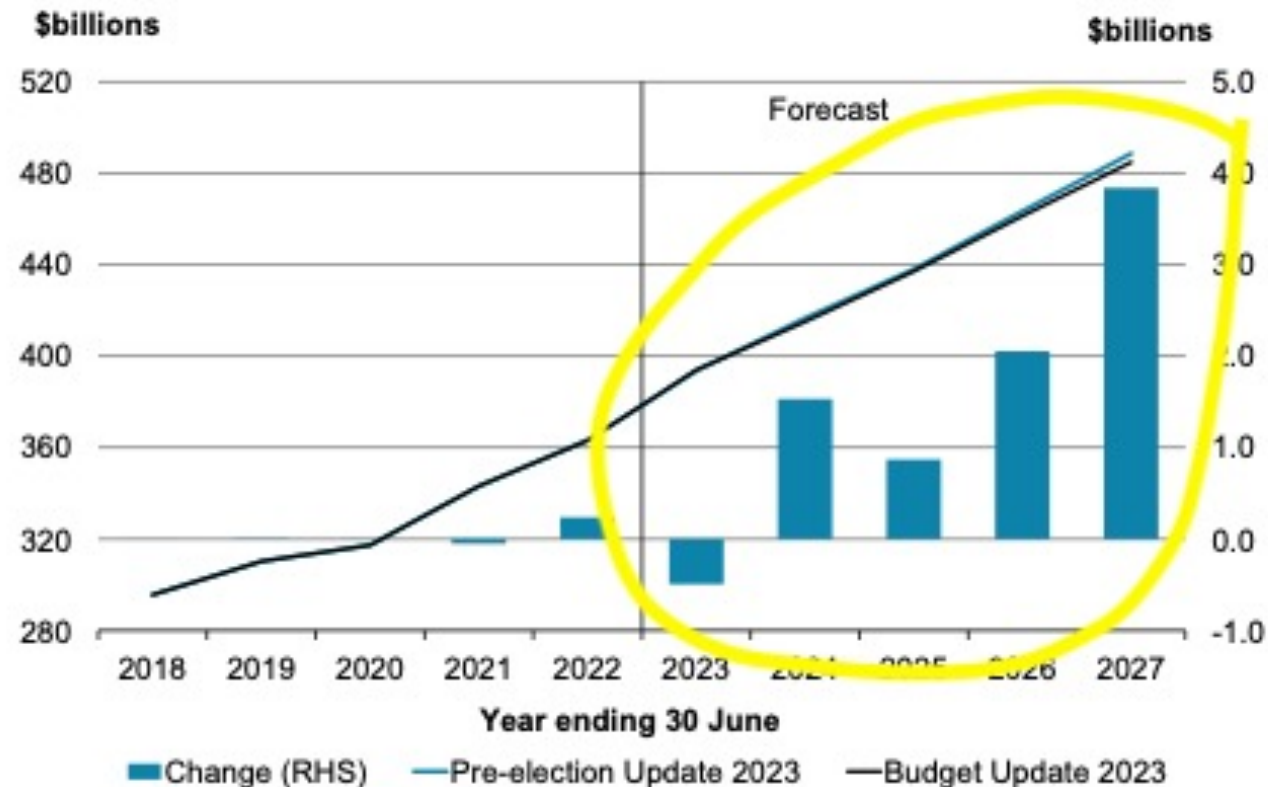
June years	2023 Forecast ¹	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Real production GDP (annual average % change)	3.1	1.3	2.0	3.3	3.2
Unemployment rate (June quarter)	3.6	4.8	5.4	4.8	4.6
CPI ² inflation (annual % change)	6.0	3.8	2.5	2.1	2.0
Current account (annual, % of GDP)	(8.1)	(6.6)	(5.3)	(4.6)	(4.3)
OBEGAL ³ (\$ billion)	(10.0)	(11.4)	(6.2)	(1.5)	2.1
<i>as a percentage of GDP</i>	(2.5)	(2.7)	(1.4)	(0.3)	0.4
Net debt (\$ billion)	71.4	92.9	100.1	103.8	102.6
<i>as a percentage of GDP</i>	18.1	22.3	22.8	22.4	21.0

- Notes:
- 1 The fiscal measures for the 2023 fiscal year represent the unaudited actual results.
 - 2 Consumers Price index.
 - 3 Operating balance before gains and losses.

Sources: Stats NZ, the Treasury

'Find us some nominal GDP growth'

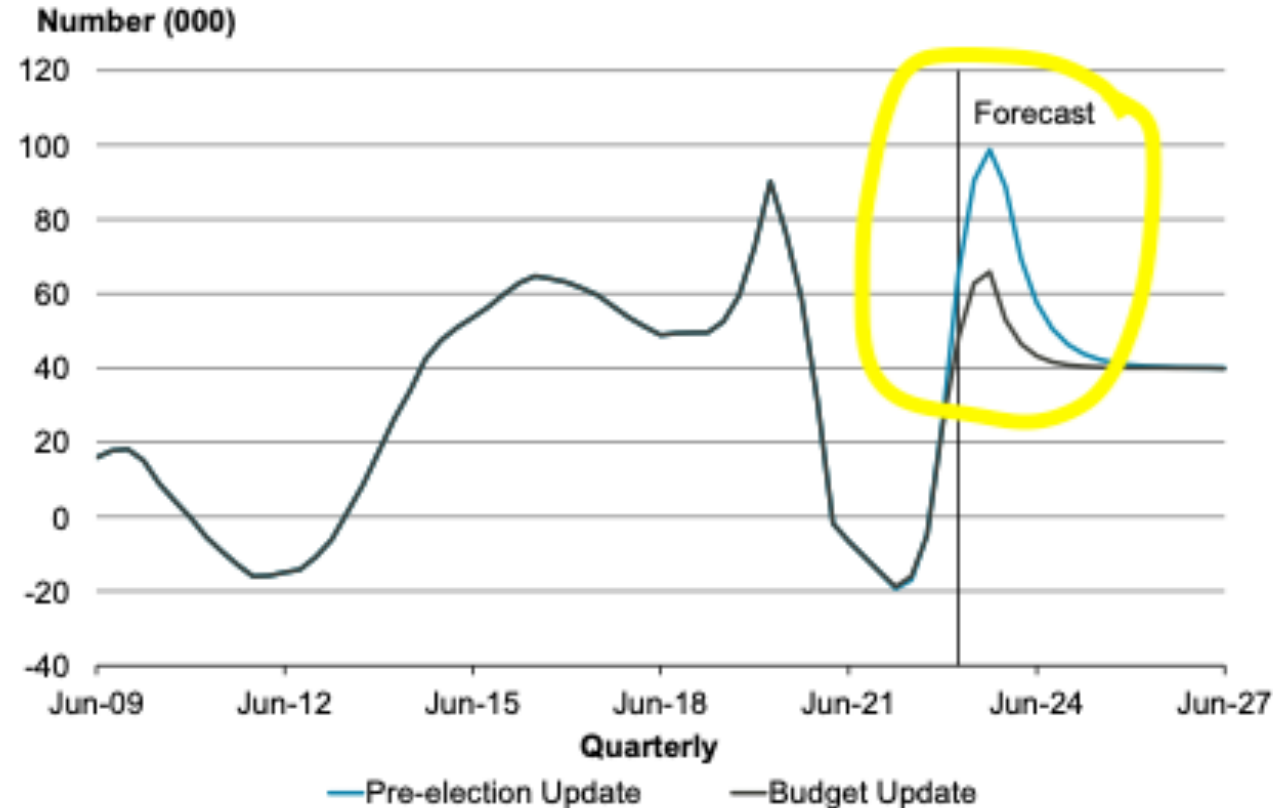
Figure 1.2 – Annual nominal GDP



Sources: Stats NZ, the Treasury

'Pull the migration lever. That works'

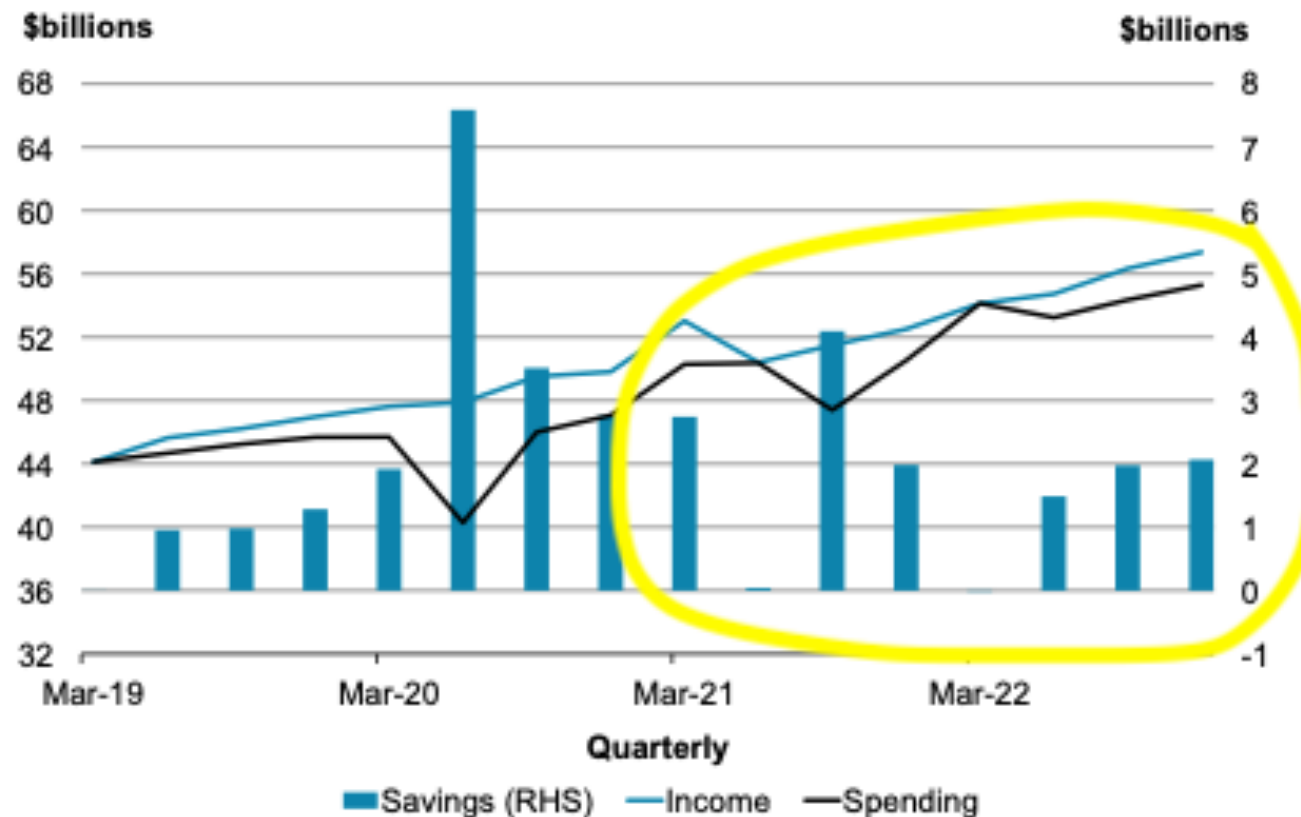
Figure 1.3 – Net migration (annual totals)



Sources: Stats NZ, the Treasury

Households will actually save more

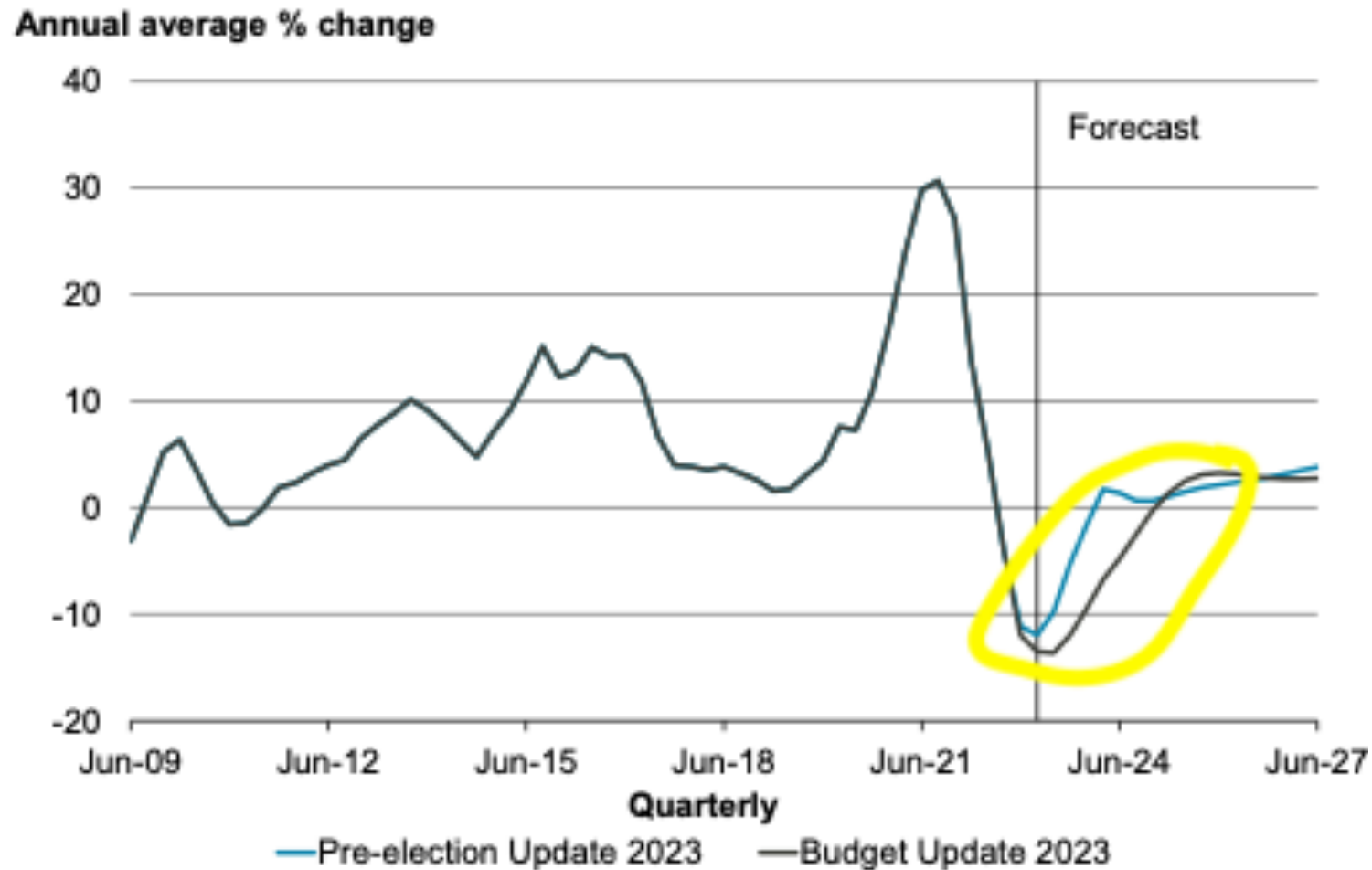
Figure 1.6 – Household savings, income, and spending 2019-2022



Sources: Stats NZ, the Treasury

'Ooh look. House prices are up too'

Figure 1.9 – House price inflation



Worst ever blowout? Yeah...nah

Table 2.1 – Key fiscal indicators

Year ending 30 June	2023 Unaudited Actual	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
\$billions					
Core Crown revenue	122.9	133.9	142.0	152.0	160.0
Core Crown tax revenue	112.4	121.6	129.5	139.3	147.2
Core Crown expenses	128.0	139.4	143.4	149.2	153.6
OBEGAL ¹	(10.0)	(11.4)	(6.2)	(1.5)	2.1
Operating balance	5.1	(7.6)	0.2	4.9	9.0
Core Crown residual cash	(25.6)	(25.4)	(3.6)	(0.4)	(5.0)
Net debt ²	71.4	92.9	100.1	103.8	102.6
Net worth	191.4	183.9	184.2	189.1	198.3
% of GDP					
Core Crown revenue	31.2	32.2	32.4	32.8	32.7
Core Crown tax revenue	28.6	29.2	29.6	30.1	30.1
Core Crown expenses	32.5	33.5	32.7	32.2	31.4
OBEGAL ¹	(2.5)	(2.7)	(1.4)	(0.3)	0.4
Operating balance	1.3	(1.8)	0.0	1.1	1.8
Core Crown residual cash	(0.5)	(0.1)	(0.0)	(0.1)	(1.0)
Net debt ²	18.1	22.3	22.8	22.4	21.0
Net worth	48.6	44.2	42.1	40.8	40.6

Notes: 1 Operating balance before gains and losses.

2 The net debt indicator includes core Crown advances, Crown entity borrowings (excluding Kiwi Group) and the financial assets and borrowings of the NZS Fund.

Source: The Treasury

No wealth tax and less smoking

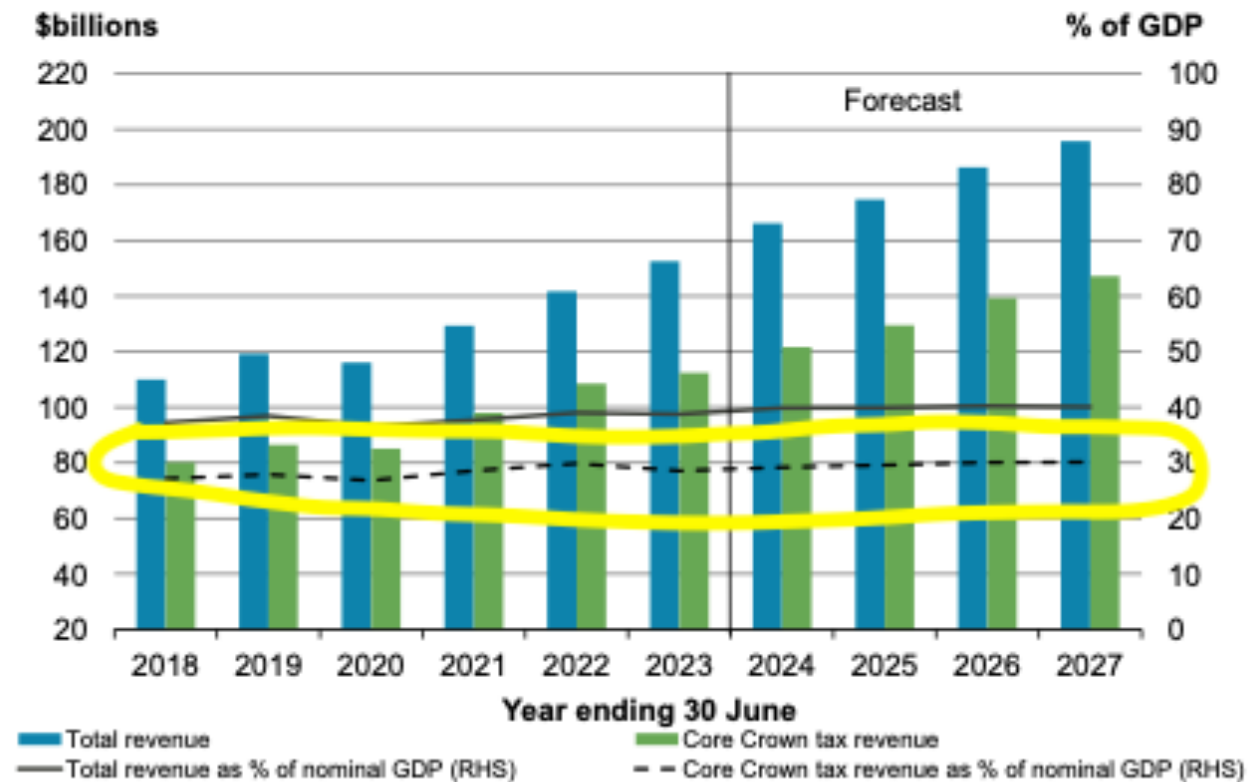
Table 2.4 – Movements in core Crown tax revenue by major tax type

Year ending 30 June \$billions	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	Total Change
Source deductions	4.5	3.5	4.0	4.0	16.0
Goods and services tax (GST)	1.8	1.6	2.2	1.8	7.4
Corporate tax	0.5	1.4	1.9	1.8	5.6
Net other persons tax	1.1	1.0	1.6	0.2	3.9
Resident withholding tax (RWT) on interest	0.1	(0.2)	(0.1)	(0.2)	(0.4)
Other taxes	1.2	0.6	0.2	0.3	2.3
Total movement in core Crown tax revenue	9.2	7.9	9.8	7.9	34.8
Plus previous year	112.4	121.6	129.5	139.3	
Core Crown tax revenue	121.6	129.5	139.3	147.2	

Source: The Treasury

The 30/30 rule is the master of all

Figure 2.1 – Total revenue and core Crown tax revenue



Source: The Treasury

Addicted to spending? NZ Super up \$9b in 5 years. Rent help up to \$4b

NOTE 3: Transfer Payments and Subsidies

New Zealand superannuation	17,764	19,529	19,517	21,633	23,285	24,798	26,500
Wage subsidy scheme	4,689	-	-	-	-	-	-
Family tax credit	2,017	2,375	2,151	2,264	2,382	2,348	2,426
Jobseeker support and emergency benefit	3,330	3,428	3,473	4,065	4,395	4,512	4,536
Accommodation assistance	2,386	2,331	2,349	2,477	2,558	2,589	2,601
Supported living payment	2,047	2,219	2,311	2,524	2,669	2,782	2,800
Sole parent support	1,704	1,819	1,917	2,115	2,287	2,367	2,400
KiwiSaver subsidies	964	1,030	997	1,057	1,115	1,162	1,210
Official development assistance	827	1,058	971	1,214	1,111	961	861
Other working for families tax credits	519	562	476	491	469	442	431
Student allowances	556	682	525	599	724	764	782
Winter energy payment	513	518	519	537	553	563	570
Disability assistance	412	418	430	460	470	478	485
Hardship assistance	497	608	673	738	819	872	902
Orphan's/unsupported child's benefit	313	356	350	379	395	404	410
Best start tax credit	308	375	321	339	338	333	337
COVID-19 resurgence and support payment	4,019	-	-	-	-	-	-
Cost of living payment	-	800	600	-	-	-	-
Income related rent subsidy	145	133	122	302	329	341	348
Other social assistance benefits	1,077	1,203	1,101	1,087	1,104	1,150	1,200
Total transfer payments and subsidies	44,087	39,444	38,803	42,281	45,003	46,866	48,882

Response to record migration? An extra 0.3% of GDP/year of capex.

	2023 Unaudited Actual \$m	2024 Forecast \$m	2025 Forecast \$m	2026 Forecast \$m	2027 Forecast \$m	Post-2027 \$m	Total \$m
Forecast New Capital Spending (annual)							
Unallocated capital contingencies	-	1,624	625	582	736	1,052	4,619
Climate Emergency Response Fund	-	-	33	33	33	-	100
National Resilience Plan	-	248	248	248	248	1,483	2,475
Multi-Year Capital Allowance	-	-	338	677	870	1,052	2,935
Total forecast new capital spending	-	1,872	1,244	1,540	1,887	3,585	10,129
Forecast new capital spending (cumulative)	-	1,872	3,116	4,657	6,544		

Net worth up \$128b in 13 years.

Net debt up \$77b in 13 years

Net worth up 8% to 39% of GDP

June years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Unaudited Actual	Forecast	Forecast	Forecast	Forecast
Smillions															
Revenue and expenses															
Core Crown tax revenue	58,651	61,563	66,636	70,445	75,644	80,224	86,468	85,102	97,983	108,458	112,358	121,602	129,495	139,322	147,172
Core Crown revenue	63,805	67,093	72,213	76,121	81,782	86,778	93,474	91,923	104,968	117,515	122,947	133,947	141,972	151,967	159,983
Total Crown revenue	85,678	88,536	93,805	97,416	103,422	109,973	119,142	116,003	129,335	141,627	152,474	166,175	174,731	186,314	195,689
Core Crown expenses	69,962	71,174	72,363	73,929	76,339	80,576	86,959	108,832	107,764	125,641	128,011	139,438	143,428	149,233	153,589
Total Crown expenses	90,030	91,179	93,064	95,137	99,007	104,014	111,376	138,916	133,722	150,956	161,873	177,078	180,531	187,497	193,259
Operating balance (excluding minority interests)	6,925	2,939	5,771	(5,369)	12,317	8,396	389	(30,040)	16,159	(16,932)	5,086	(7,625)	177	4,939	9,013
Fiscal strategy indicators															
OBEGAL (excluding minority interests)	(4,414)	(2,802)	414	1,831	4,069	5,534	7,429	(23,057)	(4,560)	(9,691)	(10,034)	(11,380)	(6,229)	(1,542)	2,070
Core Crown residual cash	(5,742)	(4,109)	(1,827)	(1,322)	2,574	1,346	(710)	(23,692)	(13,767)	(27,042)	(25,646)	(25,442)	(3,596)	(393)	(4,980)
Net debt	25,298	25,208	22,825	23,193	16,249	11,219	5,432	35,710	35,921	61,850	71,421	92,925	100,054	103,836	102,635
Net debt (excl. NZS Fund)	47,960	51,333	52,131	53,229	51,548	50,763	50,822	79,930	95,188	117,115	136,322	163,424	175,955	185,633	190,621
Gross debt ¹	77,984	81,956	86,125	86,928	87,141	88,053	84,449	102,257	100,835	118,950	141,224	165,770	190,994	207,579	223,713
Net core Crown debt ²	55,835	59,931	60,631	61,880	59,480	57,495	57,736	83,375	102,080	128,873	155,314	181,645	185,785	187,353	193,263
Statement of financial position															
Total assets	244,416	256,824	279,214	292,679	313,609	339,932	364,652	393,400	438,596	501,844	536,187	557,508	580,024	603,257	628,425
Total liabilities	174,100	176,127	186,978	197,158	197,137	204,295	221,313	277,457	281,403	327,525	344,750	373,564	395,842	414,112	430,139
Net worth	70,011	80,697	92,236	95,521	116,472	135,637	143,339	115,782	157,193	174,319	191,437	183,944	184,182	189,145	196,286
Net worth attributable to the Crown	68,071	75,486	86,454	89,366	110,532	129,644	136,949	110,320	151,469	167,036	183,479	175,709	175,947	180,978	190,075
Nominal expenditure GDP (revised)	218,821	236,908	245,553	258,752	275,439	295,577	310,233	317,276	343,159	363,255	393,512	416,553	437,963	463,388	488,645
% GDP															
Revenue and expenses															
Core Crown tax revenue	26.8%	26.0%	27.1%	27.2%	27.5%	27.1%	27.9%	26.8%	28.6%	29.9%	28.6%	29.2%	29.6%	30.1%	30.1%
Core Crown revenue	29.2%	28.3%	29.4%	29.4%	29.7%	29.4%	30.1%	29.0%	30.6%	32.4%	31.2%	32.2%	32.4%	32.8%	32.7%
Total Crown revenue	39.2%	37.4%	38.2%	37.6%	37.5%	37.2%	38.4%	36.6%	37.7%	39.0%	38.7%	39.9%	39.9%	40.2%	40.0%
Core Crown expenses	32.0%	30.0%	29.5%	28.6%	27.7%	27.3%	28.0%	34.3%	31.4%	34.6%	32.5%	33.5%	32.7%	32.2%	31.4%
Total Crown expenses	41.1%	38.5%	37.9%	36.8%	35.9%	35.2%	35.9%	43.8%	39.0%	41.6%	41.1%	42.5%	41.2%	40.5%	39.5%
Operating balance (excluding minority interests)	3.2%	1.2%	2.4%	(2.1%)	4.5%	2.8%	0.1%	(9.5%)	4.7%	(4.7%)	1.3%	(1.8%)	0.0%	1.1%	1.8%
Fiscal strategy indicators															
OBEGAL (excluding minority interests)	(2.0%)	(1.2%)	0.2%	0.7%	1.5%	1.9%	2.4%	(7.3%)	(1.3%)	(2.7%)	(2.5%)	(2.7%)	(1.4%)	(0.3%)	0.4%
Core Crown residual cash	(2.6%)	(1.7%)	(0.7%)	(0.5%)	0.9%	0.5%	(0.2%)	(7.5%)	(4.0%)	(7.4%)	(6.5%)	(6.1%)	(0.8%)	(0.1%)	(1.0%)
Net debt	11.6%	10.6%	9.3%	9.0%	5.9%	3.8%	1.8%	11.3%	10.5%	17.0%	18.1%	22.3%	22.8%	22.4%	21.0%
Net debt (excl. NZS Fund)	21.9%	21.7%	21.2%	20.6%	18.7%	17.2%	16.4%	25.2%	27.7%	32.2%	34.6%	39.2%	40.2%	40.1%	39.0%
Gross debt ¹	35.6%	34.6%	35.1%	33.6%	31.6%	29.8%	27.2%	32.2%	29.4%	32.7%	35.9%	39.8%	43.6%	44.8%	45.8%
Net core Crown debt ²	25.5%	25.3%	24.7%	23.9%	21.6%	19.5%	18.6%	26.3%	29.7%	35.5%	39.5%	43.6%	42.4%	40.4%	39.6%
Statement of financial position															
Total assets	111.7%	108.4%	113.7%	113.1%	113.9%	115.0%	117.5%	124.0%	127.8%	138.2%	136.3%	133.8%	132.4%	130.2%	128.6%
Total liabilities	79.7%	74.3%	76.1%	76.2%	71.6%	69.1%	71.3%	87.4%	82.0%	90.2%	87.6%	89.7%	90.4%	89.4%	88.0%
Net worth	32.0%	34.1%	37.6%	36.9%	42.3%	45.9%	46.2%	36.5%	45.8%	48.0%	48.6%	44.2%	42.1%	40.8%	40.6%
Net worth attributable to the Crown	31.1%	31.9%	35.2%	34.5%	40.1%	43.9%	44.1%	34.8%	44.1%	46.0%	46.6%	42.2%	40.2%	39.1%	38.9%

The missing debt in the PREFU



- \$20b+ of emissions credits
- Extra health, education spend
- Due to housing shortages
- Lost productivity gains
- Due to poor health, congestion
- Can we really cope with 2% pop'n growth with 30/30?